

**OFFICIAL STATEMENT OCTOBER 14, 2009**

**NEW ISSUE — BOOK-ENTRY-ONLY**

**RATINGS: See “Ratings” herein**

*In the opinion of K&L Gates LLP, Bond Counsel to Tri-County Metropolitan Transportation District of Oregon (“TriMet”), assuming compliance with certain covenants of TriMet, interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Series 2009A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, interest on the Series 2009B Bonds is not excludable from gross income for federal income tax purposes. See “TAX MATTERS” herein for a discussion of the opinion of Bond Counsel. In the opinion of Bond Counsel, interest on the Series 2009A Bonds and the Series 2009B Bonds is exempt from Oregon personal income tax under existing law.*

**\$49,550,000**

**TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON  
SENIOR LIEN PAYROLL TAX REVENUE BONDS**



**\$37,020,000**  
**Series 2009A**  
**(Tax-Exempt)**

**\$12,530,000**  
**Series 2009B**  
**(Build America Bonds – Direct  
Payment)**

**DATED: Date of Delivery**

**DUE: September 1, as shown on inside cover**

This Official Statement describes the Tri-County Metropolitan Transportation District of Oregon (“TriMet”) and its \$37,020,000 aggregate principal amount Senior Lien Payroll Tax Revenue Bonds, Series 2009A (the “Series 2009A Bonds”) and \$12,530,000 aggregate principal amount Senior Lien Payroll Tax Revenue Bonds, Series 2009B (the “Series 2009B Bonds” and together with the Series 2009A Bonds, the “Series 2009 Bonds”). The Series 2009 Bonds are limited obligations of TriMet payable from, and secured by a pledge of and a first lien on, the Trust Estate, which includes payroll and self-employment taxes imposed by TriMet and collected by the Oregon Department of Revenue and State payments in lieu of taxes assessed, collected and distributed by the Oregon Department of Administrative Services.

The Series 2009 Bonds are being issued on a parity with TriMet’s outstanding Senior Lien Payroll Tax Bonds pursuant to a Trust Indenture dated as of April 1, 2001, as amended and supplemented, between TriMet and The Bank of New York Mellon Trust Company, N.A., as Trustee (i) to pay or to reimburse TriMet for the payment of costs of transit-related capital projects, (ii) to repay moneys drawn under a revolving line of credit and (iii) to pay costs of issuing the Series 2009 Bonds.

Interest on the Series 2009 Bonds from the date of their delivery is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2010. The Series 2009 Bonds are subject to redemption prior to maturity as described herein.

The Series 2009 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 2009 Bonds will be made in book-entry form in denominations of \$5,000 and integral multiples thereof. Purchasers of Series 2009 Bonds will not receive certificates representing their interests in the Series 2009 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2009 Bonds, payments of principal and interest on the Series 2009 Bonds will be made directly to DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of the Direct Participants and the Indirect Participants as described herein.

The Series 2009 Bonds are offered when, as and if issued and delivered by TriMet and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and subject to receipt of the final approving opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel to TriMet. Certain legal matters will be passed upon for the TriMet by M. Brian Playfair, General Counsel to TriMet, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe, LLP, Portland, Oregon. The Series 2009 Bonds are expected to be available for delivery through the facilities of DTC in New York, New York, on or about October 27, 2009.

**MORGAN STANLEY**

**J.P. Morgan**

**Siebert Brandford Shank & Co., LLC**

**Wedbush Securities Inc.**

**TRI-COUNTY METROPOLITAN TRANSPORTATION  
DISTRICT OF OREGON**

**SENIOR LIEN PAYROLL TAX REVENUE BONDS**

**\$37,020,000**

**SERIES 2009A (TAX-EXEMPT)**

<b>Due (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup></b>
2010	\$1,280,000	3.000%	0.550%	89546R GZ1
2011	1,320,000	3.000	0.900	89546R HA5
2012	1,360,000	3.000	1.320	89546R HB3
2013	1,405,000	3.000	1.720	89546R HC1
2014	1,445,000	3.000	2.110	89546R HD9
2015	1,490,000	3.000	2.460	89546R HE7
2016	1,540,000	4.000	2.770	89546R HF4
2017	1,600,000	3.500	2.980	89546R HG2
2018	1,660,000	4.000	3.150	89546R HH0
2019	1,720,000	3.000	3.270	89546R HJ6
2020*	1,785,000	4.250	3.410	89546R HK3
2021*	1,865,000	4.250	3.530	89546R HL1
2022*	1,950,000	5.000	3.600	89546R HM9
2025*	195,000	4.000	3.800	89546R HN7

\$16,405,000 4.750% Term Bonds due September 1, 2029\* Priced to Yield 4.070%  
CUSIP<sup>†</sup> Number 89546R HP2

**\$12,530,000**

**SERIES 2009B (BUILD AMERICA BONDS — DIRECT PAYMENT)**

\$12,530,000 5.730% Term Bonds due September 1, 2033 Priced to Yield 5.730%  
CUSIP<sup>†</sup> Number 89546R HQ0

\* Priced to September 1, 2019, the first date on which the Series 2009A Bonds may be redeemed at par.

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**TRI-COUNTY METROPOLITAN TRANSPORTATION  
DISTRICT OF OREGON**

**BOARD OF DIRECTORS**

George J. Passadore, President  
Lynn Lehrbach  
George Richardson Jr.  
Tiffany Sweitzer  
Rick Van Beveren  
Sue Van Brocklin  
Robert Williams

**DISTRICT OFFICIALS**

Fred Hansen, General Manager  
Beth deHamel, Executive Director of Finance & Administration  
Claire Potter, Director, Financial Analysis and Grants Administration  
Lori Tasker, Director, Financial Services

**BOND COUNSEL**

K&L Gates LLP  
Portland, Oregon

**FINANCIAL ADVISOR**

Western Financial Group, LLC  
Lake Oswego, Oregon

**TRUSTEE, PAYING AGENT AND REGISTRAR**

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

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 2009 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 2009 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 2009 Bonds to the public. The Underwriters may offer and sell the Series 2009 Bonds to certain dealers (including dealers depositing the Series 2009 Bonds to investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The Underwriters may change the public offering prices from time to time without prior notice.

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

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## OFFICIAL STATEMENT

Relating to

\$49,550,000

### TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON SENIOR LIEN PAYROLL TAX REVENUE BONDS

**\$37,020,000**  
**Series 2009A**  
**(Tax-Exempt)**

**\$12,530,000**  
**Series 2009B**  
**(Build America Bonds – Direct Payment)**

## 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 \$37,020,000 Senior Lien Payroll Tax Revenue Bonds, Series 2009A (the “Series 2009A Bonds”) and \$12,530,000 Senior Lien Payroll Tax Revenue Bonds, Series 2009B (the “Series 2009B Bonds” and together with the Series 2009A Bonds, the “Series 2009 Bonds”).

### Authorization for the Series 2009 Bonds

The Series 2009 Bonds are being issued under and pursuant to Oregon Revised Statutes (“ORS”) 287A.150, ORS Chapter 267 and related provisions of the laws of the State of Oregon (the “State”), and pursuant to Resolution 05-07-56 adopted by TriMet’s Board of Directors (the “Board”) on July 27, 2005. The Series 2009 Bonds are being issued pursuant to a Trust Indenture, dated as of April 1, 2001, as amended and supplemented (the “Master Indenture”) and as further amended and supplemented by a Fourth Supplemental Trust Indenture, to be dated as of October 27, 2009 (the “Fourth Supplemental Indenture”), each between TriMet and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (the “Trustee”). The Master Indenture and the Fourth Supplemental Indenture are collectively referred to herein as the “Indenture.”

Capitalized terms used in this Official Statement and not otherwise defined herein have the respective meanings assigned thereto in the Indenture, a summary of which is included in Appendix F.

### 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 570 square miles within Multnomah, Washington and Clackamas counties. The purpose of TriMet’s transit programs within the Portland, Oregon 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, Oregon metropolitan area through its integrated mass transit system of bus service, commuter rail and light rail. See “TRIMET” and “TRIMET’S MASS TRANSIT SYSTEM.”

## **Purpose of the Series 2009 Bonds**

The Series 2009 Bonds are being issued (i) to pay or to reimburse TriMet for the payment of costs of transit-related capital projects, (ii) to repay moneys borrowed under a revolving line of credit and (iii) to pay costs of issuing the Series 2009 Bonds. See “PROJECTS” and “DEBT INFORMATION—Short-Term Debt.”

## **Security and Sources of Payment for the Series 2009 Bonds**

The Series 2009 Bonds are special obligations of TriMet payable from and secured by a pledge of and lien on the Trust Estate, which includes the Specified Tax Revenues described herein and the moneys and investments (including investment earnings) on deposit in the debt service account (referred to in the Indenture as the “2001 Debt Service Account”). Specified Tax Revenues consist of payroll taxes and self-employment taxes assessed by TriMet and payments received from the State of Oregon in lieu of taxes on payrolls (“State in lieu payments”). The Indenture provides that the payroll tax revenues and self-employment tax revenues are paid directly to the Trustee by the Oregon Department of Revenue. TriMet collected approximately \$206.6 million of payroll taxes and self-employment taxes during the fiscal year ended June 30, 2009. State in lieu payments totaled approximately \$2.5 million in fiscal year 2009. See “SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS” and “FINANCIAL INFORMATION—Collection of Specified Tax Revenues.”

The Series 2009 Bonds are being issued as “Additional Bonds” under the Indenture, on a parity with TriMet’s Series 2001 Bonds, Series 2003 Bonds, Series 2005 Bonds and Series 2007 Bonds, outstanding in the aggregate principal amount of \$102,385,000 as of October 1, 2009. These outstanding Bonds, together with the Series 2009 Bonds and any Additional Bonds, Completion Bonds or Refunding Bonds that may be issued in the future under the Master Indenture, are referred to in this Official Statement as the “Senior Lien Bonds.” As described below, before issuing the Series 2009 Bonds or any other Additional Bonds, TriMet must, among other things, deliver to the Trustee a report from a Qualified Consultant certifying that Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the date of issuance of the Additional Bonds equal at least four times the maximum Annual Debt Service for the Outstanding Bonds, any Derivative Products and the Additional Bonds being issued. See “SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS—Additional Senior Lien Bonds” and APPENDIX F— “SUMMARY OF THE INDENTURE—Conditions Precedent to Issuance of Additional Bonds.”

**THE SERIES 2009 BONDS ARE NOT GENERAL OBLIGATIONS OF TRIMET. PAYMENT OF THE SERIES 2009 BONDS IS SECURED ONLY BY A PLEDGE OF AND A LIEN ON THE TRUST ESTATE AS PROVIDED IN THE INDENTURE.**

## **Continuing Disclosure**

TriMet is covenanting for the benefit of the holders and beneficial owners of the Series 2009 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 D— “FORM OF CONTINUING DISCLOSURE UNDERTAKING.”



## DESCRIPTION OF THE SERIES 2009 BONDS

### General

When issued, the Series 2009 Bonds will be dated the date of their delivery, will bear interest at the rates per annum and will mature, subject to prior redemption, on September 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 2009 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2010, until maturity or prior redemption. Interest on the Series 2009 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2009 Bonds are being issued in fully registered form in denominations of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC is to act as securities depository for the Series 2009 Bonds. Individual purchases may be made only in book-entry form, and purchasers will not receive certificates representing their interest in the Series 2009 Bonds purchased. Except as provided in the Indenture, 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 2009 Bonds, as nominee of DTC, references herein to “Owners,” “Bondholders” or “Registered Owners” mean Cede & Co. and not the Beneficial Owners of the Series 2009 Bonds. In this Official Statement, the term “Beneficial Owner” means the person for whom its DTC Participant acquires an interest in the Series 2009 Bonds.

So long as Cede & Co. is the Registered Owner of the Series 2009 Bonds, the principal of and interest on the Series 2009 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 E—“INFORMATION ABOUT DTC AND ITS BOOK-ENTRY SYSTEM.”

So long as the Series 2009 Bonds are subject to the Book-Entry System with DTC, they may be exchanged and transferred only in accordance with the rules, regulations and practices of DTC. During any period in which the Series 2009 Bonds are not subject to the Book-Entry System, the exchange and transfer of Series 2009 Bonds will be permitted as set forth in the Indenture.

### Redemption of Series 2009 Bonds

**Optional Redemption of Series 2009A Bonds.** The Series 2009A 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, in any order of maturity and by lot within a maturity, at a redemption price equal to 100 percent of the principal thereof, plus accrued interest thereon to the date fixed for redemption.

**Optional Redemption of Series 2009B Bonds with Make-Whole Payment.** The Series 2009B Bonds are subject to optional redemption by 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 2009B 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 2009B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2009B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2009B Bonds are to be redeemed, discounted to the date on which the Series 2009B 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 particular Series 2009B 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 particular Series 2009B 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 2009B 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 2009B Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2009B Bond:

(1) 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

(2) 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 particular Series 2009B 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 the third business day preceding the redemption date.

**Extraordinary Optional Redemption of the Series 2009B Bonds.** The Series 2009B Bonds are subject to optional redemption by TriMet prior to their stated maturity dates, as a whole or in part, upon the occurrence of an Extraordinary Event, at the “Extraordinary Optional Redemption Price.”

“Extraordinary Optional Redemption Price” means the greater of (i) 100 percent of the principal amount of the Series 2009B Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2009B Bonds to be redeemed, discounted to the date on which such Series 2009B 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 above) plus 100 basis points, plus, in each case, accrued interest on the Series 2009B Bonds to be redeemed to the date fixed for redemption.

The Indenture provides that an “Extraordinary Event” will have occurred if TriMet determines that a material adverse change has occurred to Section 54AA or Section 6431 of the Internal Revenue Code of 1986 (the “Code”) or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by TriMet to satisfy the requirements to qualify to receive the 35 percent cash subsidy payment from the United States Treasury, pursuant to which TriMet’s 35 percent cash subsidy payment from the United States Treasury is reduced or eliminated.

**Mandatory Redemption of Series 2009A Bonds.** The Series 2009A Term Bond maturing September 1, 2029, if not earlier optionally redeemed or purchased in accordance with the Indenture, is subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, by lot in the principal amounts and on the dates shown in the following schedule:

**Series 2009A Bonds Due September 1, 2029**

<b>Redemption Date (September 1)</b>	<b>Principal Amount</b>
2023	\$2,050,000
2024	2,150,000
2025	2,055,000
2026	2,360,000
2027	2,475,000
2028	2,595,000
2029 <sup>†</sup>	2,720,000

<sup>†</sup>Final Maturity.

**Mandatory Redemption of Series 2009B Bonds.** The Series 2009B Term Bond maturing September 1, 2033, if not earlier optionally redeemed or purchased in accordance with the Indenture, is subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, *pro rata* in the principal amounts and on the dates shown in the following schedule:

**Series 2009B Bonds Due September 1, 2033**

<b>Redemption Date (September 1)</b>	<b>Principal Amount</b>
2030	\$2,870,000
2031	3,040,000
2032	3,215,000
2033 <sup>†</sup>	3,405,000

<sup>†</sup>Final Maturity.

**Selection for Redemption of Series 2009A Bonds.** If fewer than all of the Outstanding Series 2009A Bonds within a maturity are to be redeemed prior to maturity, the Series 2009A Bonds to be redeemed shall be selected randomly in accordance with DTC's operating procedures (and by the Trustee in accordance with the Indenture if the Series 2009A Bonds are no longer in book-entry form).

**Selection for Redemption of Series 2009B Bonds.** If fewer than all of the Outstanding Series 2009B Bonds are to be redeemed prior to maturity, then (i) if the Series 2009B Bonds are in book-entry form at the time of such redemption, the Trustee is required to instruct DTC to instruct the DTC Participants to select the specific Series 2009B Bonds for redemption *pro rata*, and neither TriMet nor the Trustee will have any responsibility to ensure that DTC or the DTC Participants properly select such Series 2009B Bonds for redemption; and (ii) if the Series 2009B Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the Trustee is required to select the specific Series 2009B Bonds for redemption *pro rata* as provided in the Indenture.

### **Notice of Redemption**

The Indenture requires for any Series 2009 Bonds that are in book-entry form the Trustee to notify DTC of any redemption of the Series 2009 Bonds in accordance with DTC's rules not less than thirty days prior to the date fixed for redemption of the Series 2009 Bonds to be redeemed in the manner required in the TriMet Letter of Representations to DTC. No other notice is required by the Indenture.

### **Conditional Notice of Redemption**

Any notice of optional redemption to the Trustee or to the Owners may state that the optional redemption is conditioned upon receipt by the Trustee of moneys sufficient to pay the redemption price of such Series 2009 Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and the Indenture provides that any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The Indenture requires notice of such rescission or of the failure of any such condition to be given by the Trustee to affected Owners of Series 2009 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

### **Effect of Notice of Redemption**

The Indenture provides that official notice of redemption having been given (other than conditional notices of optional redemption as described above), the Series 2009 Bonds or portions of Series 2009 Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless TriMet fails to pay the redemption price) such Series 2009 Bonds or portions of Bonds shall cease to bear interest.

### **Defeasance**

The Indenture permits the defeasance of the Series 2009 Bonds. If TriMet defeases any of the Series 2009B Bonds, for federal income tax purposes the Registered or Beneficial Owner of those Series 2009B Bonds might recognize a gain or loss on the Series 2009B Bonds at the time of the defeasance. See "TAX MATTERS—The Series 2009B Bonds-Federally Taxable" below and APPENDIX F—"SUMMARY OF THE INDENTURE—Defeasance." Prospective purchasers of the Series 2009B Bonds should consult their tax advisors regarding the tax consequences of a defeasance of the Series 2009B Bonds.

## **Designation of Series 2009B Bonds as Build America Bonds**

TriMet intends to make an irrevocable election to have Section 54AA of the Code apply to the Series 2009B Bonds so that the Series 2009B Bonds are treated as “Build America Bonds” and to receive a 35 percent subsidy payment from the United States Treasury. See “TAX MATTERS—The Series 2009B Bonds—Federally Taxable.” Any subsidy payments received by TriMet are not part of the Trust Estate pledged to the payment of Senior Lien Bonds, including the Series 2009 Bonds, under the Indenture. TriMet intends to apply any subsidy payments it receives to operating costs and other expenses.

The subsidy payment does not constitute a full faith and credit guarantee of the Series 2009B Bonds by United States of America, but is required to be paid by the United States Treasury under the Recovery Act. The subsidy payments may be offset by the United States Treasury in certain circumstances, including noncompliance with the provisions of the Recovery Act required to claim the subsidy payments or an internal revenue tax liability of TriMet (such as a federal payroll tax liability).

## **SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS**

### **The Specified Tax Revenues and the Trust Estate**

TriMet’s payroll taxes, self-employment taxes, and State in lieu payments comprise the “Specified Tax Revenues” pledged to the payment of Senior Lien Bonds. State in lieu payments are being pledged as part of “Specified Tax Revenues” pursuant to the Fourth Supplemental Indenture, which will become effective when the Series 2009 Bonds are issued. See “THE SPECIFIED TAX REVENUES.”

In the Indenture, TriMet has pledged the Specified Tax Revenues and other assets comprising the Trust Estate to secure the outstanding Senior Lien Bonds, including the Series 2009 Bonds. The lien of this pledge is superior to all other liens on the Trust Estate. As of October 1, 2009, \$102,385,000 principal amount of Senior Lien Bonds is outstanding under the Master Indenture, excluding the Series 2009 Bonds.

The Series 2009 Bonds are limited obligations of TriMet payable solely from and secured by the lien on the Trust Estate specifically pledged thereto pursuant to the Indenture. The Series 2009 Bonds are not general obligations of TriMet within the meaning of any constitutional or statutory provision or limitation, and no recourse may be had against any properties, assets or funds of TriMet (other than the Trust Estate under the Indenture) to enforce the payment of any amounts owing under or with respect to the Series 2009 Bonds. Neither TriMet nor any other entity has pledged its full faith and credit or its taxing power to pay the Series 2009 Bonds. See APPENDIX F—“SUMMARY OF THE INDENTURE.”

### **Covenants With Respect to Specified Tax Revenues**

In the Indenture, TriMet covenants that it will, to the extent permitted by law, impose and collect the payroll and self-employment taxes and collect the State in lieu payments in amounts sufficient to pay Senior Lien Bonds and TriMet’s other obligations. The employer payroll tax and self-employed tax, since their inception, have been administered by the Oregon Department of Revenue under contract with TriMet. State in lieu payments are assessed by the Oregon Department of Administrative Services in accordance with ORS 291.405. The Indenture also restricts TriMet’s ability to reduce the Specified Taxes. See APPENDIX F—“SUMMARY OF THE INDENTURE—Financial and Related Covenants—Tax Reductions and Substitute Taxes.”

## **Collection and Application of Revenues**

Under the Indenture, the payroll tax revenues and self-employment tax revenues are required to be paid directly to the Trustee as and when the same are collected, until sufficient funds are collected for the payment of debt service, then the balance is remitted to TriMet for use in its operations. See “FINANCIAL INFORMATION—Collection of Specified Tax Revenues” and APPENDIX F—“SUMMARY OF THE INDENTURE—Revenue Fund and Accounts; Deposits to and Application of Revenue Fund.”

## **Additional Senior Lien Bonds**

The Indenture permits TriMet to issue Additional Bonds, Completion Bonds and Refunding Bonds, as defined in the Indenture, and, among other conditions, requires that TriMet obtain a report from a Qualified Consultant certifying that Specified Tax Revenues, adjusted as permitted by the Indenture, for any period of 12 consecutive months during the 18 months immediately preceding the issuance of such additional Bonds are at least four times the maximum Annual Debt Service for the Outstanding Bonds, including any Derivative Products and the additional Bonds then to be issued. TriMet may convert variable rate Bonds to fixed rates, and issue certain Completion Bonds and Refunding Bonds without obtaining this report. See APPENDIX F—“SUMMARY OF THE INDENTURE—Completion Bonds” and “—Refunding Bonds.”

## **Subordinate Debt**

The Indenture permits TriMet to incur indebtedness or issue bonds, notes, warrants or similar obligations that are secured by a pledge of all or any part of the Specified Tax Revenues on a subordinated lien basis to the pledge securing the Senior Lien Bonds. TriMet has pledged its full faith and credit, legally available funds, the proceeds of any debt issued to refinance such obligations and its payroll tax and self-employment tax revenues to the repayment of a line of credit. In addition, TriMet has issued bonds that are secured by a pledge of payroll tax revenues and self-employment tax revenues that is subordinate to the pledge that secures the Series 2009 Bonds and the other Senior Lien Bonds. See “DEBT INFORMATION—Short-Term Debt,” “—Long-Term Debt” and APPENDIX F—“SUMMARY OF THE INDENTURE—Short Term Debt, Subordinated Debt and Other Issuer Obligations.”

## **Derivative Products**

The Indenture permits TriMet to enter into Derivative Products payable from the Specified Tax Revenues on parity with Senior Lien Bonds. TriMet has not entered into any Derivative Products secured by a lien under the Indenture. TriMet has three outstanding commodity swap agreements, as described below. These agreements do not constitute Derivative Products as defined in the Indenture and are not secured by a pledge or lien under the Indenture. See “OTHER FINANCIAL INFORMATION—Fuel Swap Agreements.”

## **Events of Default and Remedies**

The Indenture specifies a number of Events of Default and remedies and under certain circumstances the Trustee is permitted or required to declare the principal of and accrued interest on all Senior Lien Bonds to be immediately due and payable, subject to certain cure rights of TriMet and certain other conditions. See APPENDIX F—“SUMMARY OF THE INDENTURE—Events of Default.”

## THE SPECIFIED TAX REVENUES

TriMet has pledged its payroll taxes received from private and non-school public employers within the district boundaries of TriMet (“payroll taxes”), self-employment taxes (“self-employment taxes”) and State in lieu payments. The Specified Tax Revenues also include any Substitute Tax and any additional revenues TriMet may subsequently pledge to secure Senior Lien Bonds. See APPENDIX F—“SUMMARY OF THE INDENTURE—Financial and Related Covenants—Tax Reductions and Substitute Taxes” and the definitions of “Specified Tax Revenues” and “Substitute Tax” therein. TriMet does not now impose any Substitute Tax and has no current plans to impose any Substitute Tax. TriMet has no current plans to pledge additional revenues.

Specified Tax Revenues are TriMet’s largest source of revenue and are used to pay operating expenses and to make capital expenditures as well as to make debt service payments. Under the Indenture, however, Senior Lien Bonds, including the Series 2009 Bonds, are legally payable prior to operating expenses and capital expenditures. APPENDIX F—“SUMMARY OF THE INDENTURE—Revenue Fund and Accounts; Deposits to and Application of Revenue Fund.”

### Revenue Sources

The payroll taxes and self-employment taxes are currently levied on business payrolls and self-employment income for employers within the TriMet service district. In TriMet’s fiscal year (“FY”) ended June 30, 2009, approximately 52 percent of revenue for operations was derived from the payroll taxes and self-employment taxes, while State in-lieu payments accounted for approximately 0.6 percent, and passenger fares, including government payments for the ride-free zone, accounted for approximately 23 percent of revenue for operations. Approximately 16 percent of revenue for operations was derived from state and federal operating grants in FY 2009 and 8.4 percent was from other sources such as advertising, payments for contracted operations, interest earnings and cigarette taxes. See “TRIMET’S MASS TRANSIT SYSTEM—Operations” and APPENDIX B—“AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2009 AND 2008.”

*Payroll Taxes and Self-Employment Taxes.* TriMet requires statutory authorization by the Oregon Legislative Assembly (the “Legislative Assembly”) to increase payroll tax and self-employment tax rates. The current rate for payroll tax and self-employment taxes is 0.6718 percent; it took effect on January 1, 2009. Current statutes allow TriMet to:

A. Increase the rate of payroll taxes and self-employment taxes to 0.8 percent (eight tenths of one percent), plus adjustments for withdrawals. The increase must be phased in over a period of ten years, beginning January 1, 2010. No annual increase may exceed 0.02 percent. However, increases above 0.7 percent, plus adjustments for withdrawal, may be made only if the TriMet Board determines that the economy in the District has recovered to an extent sufficient to warrant the increases. If all these increases are made, they will result in a rate of 0.8218 percent beginning in 2019; and

B. Increase the existing rate of payroll taxes and self-employment taxes to compensate for withdrawal of unincorporated areas and small cities from TriMet. See “—Revenue Impacts of Withdrawal from TriMet.”

*State In-Lieu Payments.* Under ORS 291.405, the Oregon Department of Administrative Services is permitted to assess State agencies and to provide moneys from such assessments to mass transit districts as reimbursement for the benefit the State receives from such Districts. The rate of assessment is limited to 0.6 percent of the total wages paid to State employees for performing services within the District. The State has paid such in-lieu payments to TriMet from this assessment every year since

FY 1983. State in-lieu payments are not subject to the rate increases described above. If the State stops making in-lieu payments, current statutes authorize TriMet to impose payroll taxes directly on the State. See “—Availability of Specified Tax Revenues” and “FINANCIAL INFORMATION—Collection of Specified Tax Revenues.”

### **Revenue Impacts of Withdrawal from TriMet**

TriMet collects the employer payroll, self-employment, and State in-lieu payments only from employers and self-employed persons within its boundaries. ORS 267.205 and ORS 267.207 define the district boundaries of TriMet. The TriMet boundaries currently encompass approximately 570 square miles. State law permits TriMet to increase its base tax rate automatically if territory from within TriMet’s district boundaries is withdrawn, and TriMet has done so in the past, as described below.

Under Oregon law, small cities with a population of less than 10,000 and unincorporated areas, but not large cities such as Portland, may withdraw from TriMet. ORS 267.253 provides that a petition for withdrawal from TriMet may be filed only during the period from January 1 to August 30 in every fifth calendar year. The next withdrawal opportunity will be in 2011. Withdrawal petitions under ORS 267.253 must be signed by at least 15 percent of the registered voters in the affected area. Such withdrawal petitions are not automatically approved. Following public hearing and completion of a study by TriMet, the Board of Directors of TriMet may deny or approve the petition. The Board’s decision is subject to judicial review.

If territory is withdrawn from the TriMet district boundaries, the withdrawal may reduce the amount of wages that are subject to the payroll taxes, the amount of income from self-employment that is subject to the self-employment taxes and the amount of State in lieu payments received by TriMet if State offices are located within the area that is withdrawn. State law currently provides that if an area withdraws from TriMet, the lost revenue will be recaptured by an automatic increase in the rates for payroll taxes and the self-employment taxes to a rate that is calculated to produce the same revenues that TriMet would have received if the withdrawal had not occurred, based upon collections in the year before the withdrawal. Such increases are in addition to established limitations on rate increases established by the Legislative Assembly. State in-lieu payments are not subject to rate increases due to withdrawal from the TriMet district. If any area that is receiving service withdraws from TriMet, the service is withdrawn when the boundary change becomes effective. Alternatively, the area that withdraws may elect to pay TriMet to continue service.

In 1988, the Cities of Wilsonville, Molalla and Damascus withdrew from TriMet. As a result, TriMet increased its tax rate by 0.0176 percent (\$0.176 per \$1,000) to compensate for the lost revenue. In 1998, the City of Sandy withdrew from TriMet effective January 1, 2000. As a result, TriMet increased its tax rate by 0.0019 percent (\$0.019 per \$1,000) effective January 1, 2000. Effective January 1, 2002, the City of Canby withdrew from TriMet, and TriMet increased its tax rate by 0.0023 percent (\$0.023 per \$1,000). TriMet expects that if further withdrawals occur, they will not have a material impact on TriMet’s ability to pay its obligations secured by the Specified Tax Revenues, including the Series 2009 Bonds, when due. The City of Wilsonville pays TriMet a share of the costs of the Westside Express Service.

### **PROJECTS**

The proceeds to be received from the sale of the Series 2009 Bonds are to be applied (i) to pay or to reimburse TriMet for the payment of costs of transit-related capital projects, (ii) to repay moneys borrowed under a revolving line of credit and (iii) to pay costs of issuing the Series 2009 Bonds.



TriMet expects to finance or refinance all or a portion of the costs of the transit-related capital projects described below with proceeds of the Series 2009 Bonds.

**Westside Express Service (“WES”).** TriMet expects to use \$24 million of the proceeds of the Series 2009 Bonds to pay or reimburse itself for costs, including \$6 million to repay moneys borrowed under a revolving line of credit, incurred to complete the WES. WES, a new 14.7-mile passenger rail line between Beaverton and Wilsonville, began operating in February 2009. The line shares freight train tracks with the Portland & Western Railroad in eastern Washington County.

**Bus Purchases.** TriMet expects to use \$13 million of the proceeds of the Series 2009 Bonds to repay moneys borrowed under a revolving line of credit to pay costs incurred to purchase buses to replace aging portions of its fleet. The new buses will feature low floor boarding, air conditioning, automated stop announcements, closed circuit television, and state of the art emissions reduction equipment.

**Computer Aided Dispatch/Automatic Vehicle Location (“CAD/AVL”) Vehicle Radio System.** TriMet expects to use approximately \$14 million of the proceeds of the Series 2009 Bonds to pay or reimburse itself for costs incurred relating to the acquisition and installation of Computer Aided Dispatch/Automatic Vehicle Location systems and associated bus, rail and paratransit 2-way voice radio systems. Project costs relating to CAD/AVL are expected to be approximately \$40 million between FY 2010 and FY 2014.

### **ESTIMATED APPLICATION OF PROCEEDS**

The estimated application of the proceeds of the Series 2009 Bonds are as follows:

#### **Estimated Application of Proceeds of the Series 2009 Bonds**

**Sources of Funds**

Par amount of the Series 2009 Bonds	\$49,550,000
Net original issue premium	<u>1,913,194</u>
<b>Total sources</b>	<b>\$51,463,194</b>

**Uses of Funds**

Repayment of Revolving Line of Credit	\$19,000,000
Project Costs	31,960,427
Costs of Issuance *	<u>502,767</u>
<b>Total uses</b>	<b>\$51,463,194</b>

\* Costs of issuance includes underwriters’ discount, trustee fees, legal fees, financial advisory fees, printing and other expenses.

## **TRIMET**

### **General**

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 570 square miles within Multnomah, Washington and Clackamas counties. See “TRIMET’S MASS TRANSIT SYSTEM—Service Area.”

## 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 1**  
**TriMet Board of Directors**

<u>District No.</u>	<u>Director</u>	<u>Occupation</u>
1	Rick Van Beveren	Restaurant Owner
2	Tiffany Sweitzer	President, Hoyt Street Properties
3	George J. Passadore, President	Retired Oregon Regional Chairman, Wells Fargo Bank
4	Sue Van Brocklin	Public Relations Consultant
5	George Richardson, Jr.	Retired Manager, Northwest Natural Gas Company
6	Lynn Lehrbach	Representative, Joint Council of Teamsters No. 37
7	Robert Williams	Retired Union Representative

Source: TriMet

## Key Administrative Staff

**Fred Hansen, General Manager**, has served as Chief Executive Officer of TriMet since October 1998. Before joining TriMet, Mr. Hansen served for four years as the Deputy Administrator of the U.S. Environmental Protection Agency (the “EPA”). Before joining the EPA, Mr. Hansen directed the Oregon Department of Environmental Quality (the “DEQ”) for more than 10 years. Before DEQ, Mr. Hansen served as Oregon’s Deputy State Treasurer. He has worked in Washington, D.C., as Executive Officer of the Peace Corps and as the Deputy Director for President Carter’s special project on federal cash management. Mr. Hansen graduated Phi Beta Kappa from the University of Oregon with a Bachelor of Arts degree in history and received a Master of Arts degree in history from McMaster University.

**Beth deHamel, Executive Director of Finance and Administration**, oversees TriMet’s financial services, operations and planning. Ms. deHamel began working for TriMet in January 2009. Prior to TriMet, Ms. deHamel worked for more than 25 years as a municipal finance investment banker focused on public sector infrastructure projects. Ms. deHamel received a Bachelor of Arts degree in Public Policy and Economics from Duke University and a Master of Public Policy degree from the Harvard Kennedy School of Government.

**Claire Potter, Director, Financial Analysis and Grants Administration**, is responsible for financial forecasting, grants administration and budgeting. Ms. Potter has worked for TriMet since 1986. Ms. Potter received a Bachelor of Arts degree in Political Science from Lewis and Clark College and a Masters degree in Urban Planning from University of California, Los Angeles.

**Lori Tasker, Director, Financial Services**, is responsible for management of TriMet’s finance and accounting functions. Ms. Tasker is a Certified Public Accountant and received a Bachelor of Science from the University of Oregon. She joined TriMet in 2006.

## **Staff and Bargaining Units**

TriMet budgeted for 2,539 employees for the FY ending June 30, 2010. The Amalgamated Transit Union (the “ATU”) represents 2,205 TriMet employees. In March 2004, the ATU and TriMet ratified a labor agreement that expires on November 30, 2009. Contract negotiations between TriMet and the ATU are ongoing. TriMet and the ATU employees may proceed under the existing contract if a new agreement is not completed and ratified before the existing contract expires. TriMet management believes that relations with the ATU are satisfactory. The balance of TriMet’s workforce is not represented by any bargaining unit. ORS 243.738 prohibits any employee of a mass transit district, transportation district or municipal bus system, which includes TriMet, from striking.

## **TRIMET’S MASS TRANSIT SYSTEM**

### **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 includes the greater Portland metropolitan area. The portion of the Tri-County Area served by TriMet covers an area of 570 square miles. The Tri-County Area contains a total population of approximately 1.4 million, approximately 37 percent of the population of the State of Oregon. Between 1998 and 2008, the population within the Tri-County Area increased at an average annual rate of 1.4 percent. The major cities in the TriMet service area are Portland, Oregon, with a 2008 population of 575,931; Gresham, Oregon, with a 2008 population of 100,655; and Beaverton, Oregon with a 2008 population of 86,205. See the economic and demographic information about the Tri-County Area and the TriMet service area map in Appendix A.

### **Operations**

As of September 2009, TriMet’s services include 81 bus lines, a 52-mile light rail system (known as the Metropolitan Area Express or “MAX”) and a 14.7-mile, heavy rail commuter line (the Westside Express Service or “WES”). TriMet’s 81 bus lines serve 18 transit centers (where buses and trains meet) and include 76 routes that connect with MAX light rail, the Portland Streetcar (owned by the City of Portland) and/or TriMet’s new WES commuter rail line. Buses also serve the downtown Portland Transit Mall, a restricted area dedicated to bus and light rail service and to bicycles and pedestrians. Downtown Portland also includes Fareless Square, a 300-square block area where MAX service, the Portland Streetcar and (until January 2010) bus service is free.

TriMet’s passenger facilities include 1,050 bus shelters; 623 buses; 7,155 bus stops; 31 park-and-ride lots, with approximately 11,200 parking spaces; and 258 paratransit buses and 15 sedans 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 MAX light rail system, currently 4 lines over 52 miles, includes 127 vehicles and 84 stations. The I-205/Portland Mall Project (also known as TriMet’s green line MAX service) opened for service in September 2009. A fifth line, the Portland-to-Milwaukie Light Rail Line (the “PMLR”), a 7.3-mile project, is being developed to connect Portland State University in downtown Portland, inner Southeast Portland, Milwaukie and north Clackamas County. Construction on the PMLR is scheduled to begin in April 2011 and to be completed in 2015.

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 and since service began in February 2009 have served an average of 1,180 riders per day.

The weighted average age of the fixed-route bus fleet is 11.5 years, and the weighted average age of TriMet's light rail vehicles is 11 years. In TriMet's FY ended June 30, 2009, TriMet operated 26.3 million fixed-route bus miles, 7.1 million light rail car miles and 9.5 million paratransit vehicle miles. TriMet's entire system is wheelchair accessible.

In TriMet's FY ended June 30, 2009, TriMet provided 102.6 million boarding rides, up from 100.4 million boarding rides in FY 2008. The following table shows historical ridership totals for TriMet's mass transit system for FYs ended June 30, 1999 through 2009.

**Table 2**  
**TriMet Ridership: Fiscal Year Ended June 30, 1999-2009 Boardings**

<u>Fiscal Year</u>	<u>Fixed Route Bus and Rail</u>		<u>Paratransit</u>		<u>System</u>	
	<u>Annual</u>	<u>Average Weekday</u>	<u>Annual</u>	<u>Average Weekday</u>	<u>Annual</u>	<u>Average Weekday</u>
1999	76,309,000	253,000	680,000	2,407	76,989,000	255,407
2000	81,328,000	265,000	736,000	2,559	82,064,000	267,559
2001	85,176,000	276,000	793,000	2,731	85,969,000	278,731
2002	88,633,000	287,400	846,000	2,931	89,479,000	290,331
2003	88,864,000	286,200	919,000	3,145	89,783,000	289,345
2004	91,071,000	292,200	958,000	3,248	92,029,000	295,448
2005	95,759,000	306,200	1,026,156	3,476	96,785,156	309,676
2006	95,736,000	307,300	1,050,137	3,570	96,786,137	310,870
2007	96,918,000	309,900	1,084,056	3,677	98,002,056	313,577
2008	99,230,400	315,100	1,122,036	3,786	100,352,436	318,886
2009 <sup>(1)</sup>	101,466,846	323,439	1,088,448	3,685	102,555,294	327,124
Total Change 1999-2009	25,157,846	70,439	408,448	1,278	25,566,294	71,717
Total % Change 1999-2009	33.0%	27.8%	60.1%	53.1%	33.2%	28.1%
Average Compounded Annual Rate of Change 1999-2009	2.9%	2.5%	4.8%	4.4%	2.9%	2.5%

(1) Includes WES commuter rail beginning February 2009.  
Source: TriMet.

## Capital Improvements

TriMet has funded its existing improvements from 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

new WES commuter rail service equally, although local funds paid for additional options. TriMet's next major project, the PMLR, is expected to cost approximately \$1.4 billion (in year of expenditure dollars). See "DEBT INFORMATION—Future Debt Plans."

TriMet's capital budget for the FY ending June 30, 2010 includes final construction payments for the I-205/Portland Mall Project, various capital replacements, the first phase of an approximately \$40 million bus and rail communications system replacement project and initial planning and engineering costs for the PMLR. TriMet expects to pay approximately \$24 million of FY 2010 capital costs with federal funds it expects to receive under the American Recovery and Reinvestment Act ("ARRA" or the "Stimulus Bill") and to pay remaining 2010 capital costs from a combination of proceeds of the Series 2009 Bonds, other federal grants and other available funds. See "DEBT INFORMATION—Future Debt Plans."

Other capital projects anticipated in the 2010 to 2014 period include the replacement of approximately 160 forty-foot, fixed-route buses between FYs 2011 and 2014 at an expected cost of approximately \$67 million (in year of expenditure dollars). TriMet expects to issue approximately \$54 million of Senior Lien Bonds for this project and \$13 million of capital grant receipt bonds. TriMet also expects to replace fare boxes in 2013 at an expected cost of approximately \$10 million (in year of expenditure dollars), and expects to issue Senior Lien Bonds to finance such costs. See "DEBT INFORMATION—Future Debt Plans—Senior Lien Bonds."

TriMet is also participating with Clark County, the Oregon Department of Transportation ("ODOT"), the Washington State Department of Transportation ("WSDOT") and other local governments in planning the Columbia River Crossing Project (the "CRC Project") to build a new highway and transit bridge across the Columbia River between the cities of Portland, Oregon and Vancouver, Washington. TriMet does not anticipate any capital commitment to the CRC Project.

## **DEBT INFORMATION**

### **Debt Management**

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

### **Long-Term Debt**

At the time the Series 2009 Bonds are issued, TriMet will have eight long-term debt issues outstanding, including the Series 2009 Bonds. Table 3 lists each series of outstanding bonds. Four series of bonds, currently outstanding in the aggregate principal amount of \$102,385,000, are Senior Lien Bonds payable from and secured by a pledge of Specified Tax Revenues on a parity with the pledge that secures the Series 2009 Bonds.

Payment of one series of bonds, the Payroll Tax and Grant Receipt Revenue Bonds, Series 2006 (the "2006 Junior Lien Bonds") is secured by a pledge of Specified Tax Revenues that is subordinate to the pledge that secures the Series 2009 Bonds and the other Senior Lien Bonds. The Series 2006 Junior Lien Bonds were issued in September 2006 in the aggregate principal amount of \$230,000,000 to finance a portion of the costs of constructing the I-205/Portland Mall Project in advance of TriMet's receipt of federal and local contributions for the project. The 2006 Junior Lien Bonds are secured by a first lien on federal grant funds payable to TriMet by the FTA under a full funding grant agreement and a lien on Specified Tax Revenues that is subordinate to the lien that secures the payment of the Senior Lien Bonds and also subordinate to the lien that secures TriMet's payment obligations in connection with the Line of

Credit described below. TriMet's full funding grant agreement with the FTA, dated June 25, 2007 (the "FFGA"), provides for the FTA to pay \$345,413,000 under the federal New Starts program to reimburse TriMet for costs of the I-205/Portland Mall Project. As of September 1, 2009, TriMet has received \$271,184,000 of these New Starts funds and has redeemed \$130 million of the Series 2006 Junior Lien Bonds. TriMet expects to receive the remaining funds under the FFGA and to redeem or defease the remaining Series 2006 Junior Lien Bonds in the Spring of 2010. The FTA's New Starts program is authorized under Section 5309 of Title 49 of the U.S. Code and subject to appropriation by the U.S. Congress, payments under the New Starts Program, including payments under the FFGA, are funded by the General Fund of the United States Treasury.

In June 2005, TriMet issued \$79,320,000 aggregate principal amount of Capital Grant Receipt Revenue Bonds, Series 2005 (the "2005 Capital Grant Bonds"), of which \$56,875,000 are currently outstanding. The 2005 Capital Grant Bonds are payable only from federal grant funds payable to TriMet under Section 5307 of Title 49 of the U.S. Code, including Section 5307 funds received by Metro and transferred to TriMet pursuant to an intergovernmental agreement (the "IGA") between TriMet and Metro. Metro is an elected regional government created to provide planning, policy making and regional services for the Portland metropolitan area and is the metropolitan planning organization required by the federal Department of Transportation in connection with FTA and other transportation funding programs. Section 5307 funds are part of the Urbanized Area Formula Program administered by the FTA and are subject to authorization and to appropriation by Congress based upon legislative formulas.

Metro has also passed a resolution committing a portion of the funding required to reimburse TriMet for a portion of the costs of the WES project and for the planned PMLR project. TriMet expects to issue additional bonds secured by a pledge of funds under a new IGA with Metro on a parity with the pledge of such funds to the Series 2005 Capital Grant Bonds. See "DEBT INFORMATION—Future Debt Plans—MTIP Bonds."

Also outstanding are \$27,960,000 of General Obligation Bonds, 1999 Series A, which are payable from a dedicated property tax levy and are stated to mature in July 2012.

### **Short-Term Debt**

In June 2009, TriMet entered into a Credit and Security Agreement (the "Credit Agreement") with Wells Fargo Bank, National Association (the "Bank"), pursuant to which the Bank agrees, subject to the conditions set forth in the Credit Agreement, to make available to TriMet a revolving line of credit facility (the "Line of Credit") in an aggregate amount outstanding at any one time of up to \$50,000,000. TriMet may draw funds for working capital purposes and to provide short-term funding of capital expenditures. Unless extended or terminated earlier, the Credit Agreement expires on June 1, 2010.

To secure its payment obligations under the Credit Agreement, TriMet pledged to the Bank TriMet's full faith and credit, legally available funds, the proceeds of any debt issued to refinance such obligations and its payroll tax and self-employment tax revenues. The lien of TriMet's pledge to the Bank of payroll tax and self-employment tax revenues is subordinate to the pledge of such revenues under the Indenture to the payment of Senior Lien Bonds, including the Series 2009 Bonds, but is senior to the pledge of such revenues to the payment of the 2006 Junior Lien Bonds.

The Bank may terminate the Credit Agreement early and require the immediate repayment of all amounts borrowed, plus interest thereon, following the occurrence of an "Event of Default" under the Credit Agreement. Such "Events of Default" include a number of events, including a default under the Indenture, a misrepresentation by TriMet, the occurrence of a material adverse effect on the financial or

business affairs of TriMet or a downgrading of TriMet’s Senior Lien Bonds below a rating of “A3” by Moody’s Investors Service or “AA-“ by Standard & Poor’s Rating Service.

On September 8, 2009, TriMet borrowed \$19 million under the Credit Agreement to reimburse TriMet for capital expenditures previously incurred. TriMet intends to repay this amount, plus interest thereon, with a portion of the proceeds to be received from the sale of the Series 2009 Bonds.

### Debt Service Requirements

Table 3 lists TriMet’s outstanding long-term bond issues and the Series 2009 Bonds. Table 4 summarizes debt service requirements on the Outstanding Senior Lien Bonds and the Series 2009 Bonds.

**Table 3**  
**TriMet’s Outstanding Long-Term Debt – as of October 27, 2009**

	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
<b>Bonds Secured by Specified Tax Revenues</b>				
Senior Lien Bonds				
2001 Series A	04/01/01	09/01/11	\$23,090,000	\$4,295,000
2003 Series A	01/01/03	09/01/16	19,705,000	11,260,000
2005 Series A	03/29/05	09/01/20	65,475,000	44,835,000
2007 Series A	01/23/07	09/01/31	45,450,000	41,995,000
Series 2009	10/27/09	09/01/33	49,550,000	49,550,000
<b>Subtotal</b>			\$203,270,000	\$151,935,000
Junior Lien Obligations				
Payroll Tax and Grant Receipt Revenue Bonds, Series 2006	09/06/06	05/01/12 <sup>(1)</sup>	\$230,000,000	\$100,000,000
<b>Total Bonds Secured by Specified Tax Revenues</b>			\$433,270,000	\$251,935,000
<b>Bonds Not Secured by Specified Tax Revenues</b>				
Capital Grant Receipt Revenue Bonds, Series 2005	06/23/05	10/01/17	\$79,320,000	\$56,875,000
Tax-Supported General Obligation Bonds, 1999 Series A	03/01/99	07/01/12	79,965,000	27,960,000
<b>Total Bonds Not Secured by Specified Tax Revenues</b>			\$159,285,000	\$84,835,000
<b>Total Long Term Debt</b>			\$592,555,000	\$336,770,000

<sup>(1)</sup> TriMet has redeemed the Series 2006 Bonds that were scheduled to mature on May 1, 2014.  
Source: TriMet

**Table 4**  
**Debt Service Requirements on Senior Lien Payroll Tax Revenue Bonds <sup>(1)</sup>**

Series 2009 Bonds				
Fiscal Year	Outstanding Senior Lien Bonds	Principal	Interest	Total Senior Lien Bonds
2010	\$12,909,812	\$ --	\$ 772,324	\$ 13,682,136
2011	12,899,633	1,280,000	2,223,032	16,402,664
2012	11,995,588	1,320,000	2,184,032	15,499,619
2013	10,183,725	1,360,000	2,143,832	13,687,557
2014	10,165,625	1,405,000	2,102,357	13,672,982
2015	10,148,300	1,445,000	2,059,607	13,652,907
2016	10,122,375	1,490,000	2,015,582	13,627,957
2017	10,106,250	1,540,000	1,962,432	13,608,682
2018	8,227,900	1,600,000	1,903,632	11,731,532
2019	8,219,375	1,660,000	1,842,432	11,721,807
2020	8,216,725	1,720,000	1,783,432	11,720,157
2021	8,219,000	1,785,000	1,719,700	11,723,700
2022	2,918,906	1,865,000	1,642,138	6,426,044
2023	2,912,625	1,950,000	1,553,757	6,416,382
2024	2,908,050	2,050,000	1,456,319	6,414,369
2025	2,904,969	2,150,000	1,356,569	6,411,538
2026	2,903,169	2,250,000	1,252,800	6,405,969
2027	2,902,438	2,360,000	1,144,044	6,406,482
2028	2,897,669	2,475,000	1,029,213	6,401,882
2029	2,893,756	2,595,000	908,800	6,397,557
2030	2,890,488	2,720,000	782,569	6,393,057
2031	2,887,650	2,870,000	635,744	6,393,394
2032	2,885,031	3,040,000	466,422	6,391,453
2033		3,215,000	287,216	3,502,216
2034		3,405,000	97,553	3,502,553
Total	\$153,319,057	\$49,550,000	\$35,325,533	\$238,194,590

(1) May not total due to rounding.  
Source: TriMet

### Future Debt Plans

**Senior Lien Bonds.** TriMet anticipates issuing a total of approximately \$132 million of additional Senior Lien Bonds in FYs ending June 30, 2011 and 2013 to pay or as reimbursement for the payment of capital costs of its bus replacement, communication system replacement and farebox replacement programs and TriMet’s share of PMLR costs and other costs.

**MTIP Bonds.** As it did in 2005, TriMet plans to issue in 2011 bonds payable solely from and secured by a pledge of Metropolitan Transportation Improvement Program (“MTIP”) funds TriMet expects to receive from Metro for the PMLR project. Specifically, Metro Resolution 08-0932 commits \$144.8 million to TriMet to fund debt service on borrowings. The funds provide an additional \$13.3 million for the existing WES project or bus purchases and \$72.5 million for the PMLR project. MTIP funds include federal Surface Transportation Program (“STP”) funds and Congestion Management



Air Quality (“CMAQ”) Program funds, which are funds provided to Metro as the designated Portland “metropolitan planning organization” or “MPO.” STP is a federal formula grant program administered by the Federal Highway Administration (the “FHWA”) for, among other types of projects, transit facilities. The CMAQ Program provides federal transportation funding to qualifying air quality improvement projects, including bus and rail service expansion projects such as new rail lines and buses. The amount of federal funds that TriMet actually receives is subject to authorization and appropriation by Congress, to approvals by the FHWA and the FTA and to compliance by TriMet with ongoing requirements of numerous federal regulations.

**FFGA Interim Bonds.** TriMet expects to apply for up to \$850 million of federal grant funds under the Federal Transit Administration’s (“FTA”) New Starts program to pay approximately 60 percent of PMLR project costs. TriMet does not anticipate signing a full funding grant agreement or receiving any federal funds for construction of the PMLR project until 2012 or later. Between 2012 and 2021 TriMet expects to issue up to \$550 million of grant-backed bonds to pay costs of construction for the PMLR Project that TriMet expects to incur before the full funding grant agreement is signed. TriMet currently expects these bonds to be payable from grant funds it receives under the full funding grant agreement and a subordinate lien on payroll taxes.

## **FINANCIAL INFORMATION**

### **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, 2009 and 2008 were performed by Moss Adams LLP, Portland, Oregon (the “Auditor”). A copy of the financial statements and supplementary information for June 30, 2009 and 2008, with the Auditor’s report therein, is included in Appendix B. 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 also has not performed any procedures relating to this Official Statement. TriMet did not request the Auditor to consent to inclusion of its report 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), 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.

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.

The Board appoints a Citizens Advisory Committee on the Budget (the “CAC”), usually comprised of four to six members serving three-year terms. The CAC works closely with the Executive Director of Finance and Administration during the budget preparation process and produces a separate report to the Board with the CAC’s analysis of TriMet’s proposed budget. Approval of the budget requires a majority vote of the Board but does not require any approval by the CAC.

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 in May or June. 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 occurs at a Board meeting in late June. 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.

Transfers between appropriations may occur during the FY, and changes and reductions in spending may be made with approval of the Board but without formal budget amendments or supplements. In early Fall 2008, TriMet responded to the emerging recession by reducing its FY 2009 capital budget by \$3 million. In 2009, TriMet also announced plans for future service reductions, postponement of capital projects and planned service increases and increases in adult cash fares by 14 percent.

## **2010 Budget**

The budget for TriMet’s FY ending June 30, 2010 (the “FY10 Budget”), approved by the Board on June 24, 2009, reflects the impact of the economic recession on TriMet revenues, among other things. In developing the FY10 Budget, TriMet assumed that payroll taxes would decline by 3 percent during calendar year 2009 and would be flat between January and June 2010, that self-employment taxes would decline 5 percent in the FY ending June 30, 2010, and that State in-lieu payments would decline 3 percent in FY 2010. As a result, the FY10 Budget includes across-the-board operating expense reductions in all divisions for a total reduction of \$24 million as compared with previously budgeted amounts. Bus service hours were reduced by 6.2 percent, and existing MAX service hours were reduced by 1.5 percent (although overall MAX hours were budgeted to increase with the commencement of service on the I-205/Portland Mall Project in September 2009). Additional service cutbacks were avoided by allocating \$7.25 million of Stimulus Bill funds received by TriMet in FY 2010.

## **Collection of Specified Tax Revenues**

The employer payroll tax and self-employed tax, since their inception, have been administered by the Oregon Department of Revenue (the “DOR”) under contract with TriMet. The DOR is responsible for all aspects of collection, except boundary-related issues. DOR’s responsibilities include, but are not limited to, form and instruction preparation, payment processing, record keeping, taxpayer inquiries and compliance audits.

Payroll and self-employment taxes are payable quarterly, 30 days after the end of each calendar quarter. For most employers, the payroll tax is paid with their quarterly State income tax withholding payments. The self-employment tax is due annually and is reported separately from State income tax. The majority of self-employment taxes are due on April 15.

When collections of the payroll and self-employment taxes reach \$10,000 after the deduction of DOR actual administrative costs, the balance is remitted to the Trustee. In 2008 and 2009, administrative costs amounted to slightly less than 1 percent of total collected. The Trustee deposits the Specified Tax Revenues to the 2001 Debt Service Account established under the Indenture for application to Senior Lien Bonds as provided in the Indenture, including payment of debt service on then-outstanding Bonds. TriMet receives any Specified Tax Revenues from the Trustee that remain after making the deposits and payments required by the Indenture. See APPENDIX F—“SUMMARY OF INDENTURE—Revenue Fund and Accounts; Deposits to and Application of Revenue Fund.”

State in-lieu of tax payments are assessed by the Oregon Department of Administrative Services in accordance with ORS 291.405. The Oregon Department of Administrative Services (“DAS”) pays any moneys it receives under ORS 291.405 to the State Treasurer for deposit in the Mass Transit Assistance Account (the “MTA Account”). The moneys in the MTA Account are continuously appropriated to the DAS. DAS distributes moneys from the MTA Account to mass transit districts on the last day of each calendar quarter.

### **Forecast Specified Tax Revenues**

TriMet receives regular forecast information of payroll tax, self-employment tax and State payments in-lieu of tax revenues from ECONorthwest, a regional economic consulting and forecasting firm. TriMet uses this information, and sometimes modifies it to take into account current trends, in preparing its own forecasts for financial and capital planning purposes. Because employment statistics for each of the first two quarters of calendar year 2009 indicate 6 percent declines in employment, TriMet’s current forecast of payroll tax is that payroll tax revenues during FY 2010 will evidence a 3 percent decline in underlying growth without taking into account the scheduled rate increase (based upon two quarters of a 6 percent decline in underlying growth and two quarters of 0 percent underlying growth) and will evidence a 1.5 percent decline in actual receipts when the rate increase is taken into account. TriMet also expects self-employment tax revenues (which declined 28.8 percent in FY 2009) to decline 5 percent in FY 2010 and State in-lieu payments to decline 3 percent in FY 2010.

For business planning purposes, for FYs 2011 through 2014, TriMet assumes growth in payroll tax revenues and self-employment tax revenues of 4.5 percent (3 percent inflation plus the scheduled 1.5 percent tax increase but no employment growth) and assumes revenue growth of 3 percent (for inflation but no increase in employment) in FY 2015. Historical Specified Tax Revenues (which do not include State in lieu payments) and forecast Specified Tax Revenues, including State in lieu payments and using these assumptions, are summarized in the following table.

Any forecast is subject to uncertainties, most of which will not be within TriMet’s control. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

Table 5 summarizes historical Specified Tax Revenues since 1990, when payroll taxes began, through 2015. The historical Specified Tax Revenues shown in Table 5 were derived from TriMet’s audited financial statements. State in-lieu payments were not included in Specified Tax Revenues until FY 2010.

**Table 5**  
**Historical and Forecast Payroll Tax, Self-Employment and State In Lieu Tax Revenues**

<u>Fiscal Year</u>	<u>Payroll Tax</u>	<u>Percent Change</u>	<u>Self-Employment</u>	<u>Percent Change</u>	<u>State-In-Lieu</u>	<u>Percent Change</u>	<u>Total</u>	<u>Percent Change</u>
1990	\$60,453,000		\$4,636,000		\$1,699,000		\$65,089,000	
1991	66,181,000	9.5%	4,867,000	5.0%	1,923,000	13.2%	71,048,000	9.2%
1992	69,780,000	5.4	5,001,000	2.8	2,068,000	7.5	74,781,000	5.3
1993	76,438,000	9.5	5,282,000	5.6	2,227,000	7.7	81,720,000	9.3
1994	81,948,000	7.2	5,354,000	1.4	2,233,000	0.3	87,302,000	6.8
1995	90,006,000	9.8	5,645,000	5.4	2,343,000	4.9	95,651,000	9.6
1996	100,477,000	11.6	5,810,000	2.9	1,784,000	-23.9	106,287,000	11.1
1997	113,734,000	13.2	6,355,000	9.4	1,390,000	-22.1	120,089,000	13.0
1998	122,866,000	8.0	6,700,000	5.4	1,407,000	1.2	129,566,000	7.9
1999	130,309,000	6.1	6,434,000	-4.0	1,471,000	4.5	136,743,000	5.5
2000	138,289,000	6.1	6,608,000	2.7	1,683,000	14.4	144,897,000	6.0
2001	151,578,000	9.6	6,558,000	-0.8	1,675,000	-0.5	158,136,000	9.1
2002	146,228,000	-3.5	7,289,000	11.1	1,941,000	15.9	153,517,000	-2.9
2003	145,231,000	-0.7	6,801,000	-6.7	1,869,000	-3.7	152,032,000	-1.0
2004	145,427,000	0.1	7,269,000	6.9	1,855,000	-0.7	152,696,000	0.4
2005	157,277,000	8.1	7,963,000	9.5	1,971,000	6.3	165,240,000	8.2
2006	178,317,190	13.4	11,004,280	38.2	1,990,000	1.0	189,321,470	14.6
2007	191,073,464	7.2	12,836,756	16.7	2,259,404	13.5	203,910,220	7.7
2008	201,163,347	5.3	10,868,481	-15.3	2,254,669	-0.2	212,031,828	4.0
2009	198,864,145	-1.1	7,742,632	-28.8	2,482,000	10.1	206,606,777	-2.6
<b>Forecast</b>								
2010	195,881,183	-1.5	7,355,500	-5.0	2,407,540	-3.0	205,644,223	-0.5
2011	204,695,836	4.5	7,502,610	2.0	2,527,917	5.0	214,726,363	4.4
2012	213,907,149	4.5	7,652,663	2.0	2,654,313	5.0	224,214,124	4.4
2013	223,532,970	4.5	7,805,716	2.0	2,787,028	5.0	234,125,715	4.4
2014	233,591,954	4.5	7,961,830	2.0	2,926,380	5.0	244,480,164	4.4
2015	240,599,713	3.0	8,121,067	2.0	3,072,699	5.0	251,793,478	3.0

(1) The payroll tax was phased in between July 1, 1990 and July 1, 1994.

(2) Oregon Health Sciences University ("OHSU"), which had been paying State in-lieu taxes, became a local government employer in 1996.

(3) Tax rate changes are as follows: 2002 City of Canby withdrawal +.0023 percent (\$.023 per \$1000); January 1, 2005 +.01 percent (\$.10 per \$1,000); January 1, 2006 +.01 percent (\$.10 per \$1,000); January 1, 2007 +.01 percent (\$.10 per \$1,000); January 1, 2008 +.01 percent (\$.10 per \$1,000); January 1, 2009 through January 1, 2014 +.01 percent (\$.10 per \$1,000).

(4) Totals 2010 through 2015 include State in-lieu payments. Totals before 2010 do not include State in-lieu payments.

Source: TriMet.

## Debt Service Coverage

The following Table 6 summarizes total historical and forecast Specified Tax Revenues for FYs 2001 through 2015, actual and expected Senior Lien Bond debt service during those FYs and forecast debt service coverage if Specified Tax Revenues are realized as forecast and if Additional Bonds are issued in FYs 2011 and 2013.

**Table 6**  
**Historical and Forecast Specified Tax Revenues, Debt Service and Debt Service Coverage**

	<u>Fiscal Year</u>	<u>Total Specified Revenues<sup>(1)</sup></u>	<u>Existing Senior Lien Bonds<sup>(2)</sup></u>	<u>Projected</u>		<u>Estimated Total Senior Lien Bonds<sup>(2), (3), (4), (5)</sup></u>	<u>Gross Coverage</u>
				<u>Series 2009<sup>(3)</sup></u>	<u>Forecast FY11 Senior Lien Bonds<sup>(4)</sup></u>		
Historical	2001	\$158,136,000	\$9,058,816			\$ 9,058,816	17.5x
Historical	2002	153,518,000	10,685,491			10,685,491	14.4
Historical	2003	152,032,000	9,032,771			9,032,771	16.8
Historical	2004	156,679,054	10,142,671			10,142,671	15.4
Historical	2005	165,240,000	15,188,859			15,188,859	10.9
Historical	2006	189,321,470	13,232,632			13,232,632	14.3
Historical	2007	203,910,220	13,647,860			13,647,860	14.9
Historical	2008	212,031,828	12,938,550			12,938,550	16.4
Historical	2009	206,606,777	12,925,409			12,925,409	16.0
Estimated	2010	205,644,223	12,909,812	\$772,324		13,682,136	15.0
Estimated	2011	214,726,363	12,899,633	3,503,032	\$5,959,886	22,362,550	9.6
Estimated	2012	224,214,124	11,995,588	3,504,032	5,959,886	21,459,505	10.4
Estimated	2013	234,125,715	10,183,725	3,503,832	5,959,886	\$4,531,080	9.7
Estimated	2014	244,480,164	10,165,625	3,507,357	5,959,886	4,531,080	10.1
Estimated	2015	251,793,478	10,148,300	3,504,607	5,959,886	4,531,080	10.4

(1) See Table 5 for explanations of increases in certain FYs.

(2) Excludes the 2006 Junior Lien Obligations and the Line of Credit.

(3) Reflects the expected issuance of the Series 2009 Bonds on October 27, 2009.

(4) Assumes the issuance of \$78,450,000 of Additional Bonds in FY 2011, at an interest rate of 5 percent and level debt service over 22 years.

(5) Assumes the issuance of \$53,000,000 of Additional Bonds in FY 2013, at an interest rate of 5 percent and level debt service over 18 years.

## OTHER FINANCIAL INFORMATION

### 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 7 and 8. The historical financial data shown in Tables 7 and 8 for FYs 2005 through 2009 were derived from TriMet's audited financial statements.

**Table 7**  
**Summary of TriMet Balance Sheets for Fiscal Years Ended June 30 (dollars in thousands)**

<b>Assets</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Current Assets (unrestricted)</b>				
Cash & cash equivalents	\$ 35,287	\$ 67,438	\$ 17,777	\$ 56,665
Investments	25,902	-	209,891	-
Taxes & other receivables	63,366	65,754	76,888	72,998
Grants receivable	4,410	93,968	10,293	12,142
Materials, supplies & other	11,608	11,768	11,696	15,060
Prepaid Expenses	4,058	4,120	5,933	10,457
Prepaid Lease	5,337	5,337	5,337	2,234
<b>Current Assets(restricted)<sup>1</sup></b>				
Cash & cash equivalents	15,914	45,857	16,489	42,948
Investments	18,050	79,804	119,414	42,532
Taxes & other receivables	385	2,071	1,321	603
Grants receivable	-	64,645	321	54,083
<b>Total current assets</b>	<b>\$ 184,317</b>	<b>\$ 440,762</b>	<b>\$ 475,360</b>	<b>\$ 309,722</b>
<b>Long-term investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital assets</b>				
Land and other	\$ 113,805	\$ 119,883	\$ 138,516	\$ 145,414
Construction in progress	47,560	224,886	504,615	538,498
Property & equipment	2,089,859	2,083,403	2,093,280	2,265,978
Less accumulated depreciation	(730,269)	(785,534)	(841,657)	(900,151)
<b>Net capital assets</b>	<b>\$1,520,955</b>	<b>\$1,642,638</b>	<b>\$1,894,754</b>	<b>\$2,049,739</b>
<b>Prepaid expense</b>	<b>205,177</b>	<b>200,719</b>	<b>192,959</b>	<b>171,642</b>
Long-term restricted lease deposit	75,494	80,334	85,489	58,007
Long-term restricted receivable	-	-	22,035	6,109
Other assets	1,709	3,072	2,696	2,955
Restricted investments	61,716	178,653	-	-
<b>Total assets</b>	<b>\$2,049,368</b>	<b>\$2,546,178</b>	<b>\$2,673,293</b>	<b>\$2,598,174</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 10,076	\$ 8,004	\$ 11,683	\$ 13,484
Accounts payable from restricted funds	14,761	35,591	46,796	18,134
Accrued payroll	15,180	16,433	17,179	18,902
Current portion of long-term debt	18,515	20,737	66,125	96,928
Accrued pension obligation	30,483	30,548	33,677	32,920
Current portion of other postemployment benefits	-	-	11,340	13,298
Current portion of noncurrent liabilities	5,431	6,524	6,508	6,221
Deferred revenue	10,377	11,117	10,062	9,655
Other accrued liabilities	3,756	6,704	8,801	13,489
Deferred lease revenue, current portion	5,337	5,337	5,337	2,234
<b>Total current liabilities</b>	<b>\$ 113,916</b>	<b>\$ 140,995</b>	<b>\$ 217,508</b>	<b>\$ 225,265</b>
<b>Noncurrent liabilities</b>				
Long-term debt	\$ 213,976	\$ 471,906	\$ 405,331	\$ 273,088
Deferred lease revenues	135,058	129,320	123,582	77,236
Long-term lease liability	115,683	123,014	127,044	130,810
Other postemployment benefits liability	-	-	34,693	77,965
Other long-term liabilities	4,668	4,714	4,657	6,947
<b>Total noncurrent liabilities</b>	<b>\$ 469,385</b>	<b>\$ 728,954</b>	<b>\$ 695,307</b>	<b>\$ 566,046</b>
<b>Total liabilities</b>	<b>\$ 583,301</b>	<b>\$ 869,949</b>	<b>\$ 912,815</b>	<b>\$ 791,311</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$1,373,810	\$ 390,665	\$1,427,816	\$1,679,816
Restricted for capital projects	412	99,131	72,572	25,610
Restricted for debt service	36,383	63,801	103,218	133,620
Unrestricted	55,461	122,632	156,872	(32,183)
<b>Total net assets</b>	<b>\$1,466,066</b>	<b>\$1,676,229</b>	<b>\$1,760,478</b>	<b>\$1,806,863</b>
<b>Total liabilities &amp; net assets</b>	<b>\$2,049,367</b>	<b>\$2,546,178</b>	<b>\$2,673,293</b>	<b>\$2,598,174</b>

(1) Certain proceeds of the District'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. This summary is not audited. See APPENDIX B.

**Table 8**  
**Summary of TriMet Statement of Revenues, Expenses and Changes in Net Assets**  
**for Fiscal Years Ended June 30 (dollars in thousands)**

<b>Revenues</b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
Operating revenues				
Passenger revenue	\$ 68,464	\$ 75,856	\$ 80,815	\$ 90,017
Auxiliary transportation & other revenue	19,833	26,369	31,803	32,770
<b>Total operating revenues</b>	<b>\$ 88,297</b>	<b>\$ 102,225</b>	<b>\$ 112,618</b>	<b>\$ 122,787</b>
<b>Operating expenses</b>				
Labor	\$ 113,595	\$ 121,098	\$ 128,586	\$ 136,528
Fringe benefits	94,788	98,465	151,831	157,453
Materials and services	59,922	57,421	72,928	85,143
Utilities	5,682	5,864	6,152	6,858
Purchased transportation	27,475	30,123	33,010	35,430
Depreciation expense	73,577	67,390	63,960	65,013
Other operating expense	11,259	10,956	6,500	5,307
<b>Total operating expenses</b>	<b>\$ 386,298</b>	<b>\$ 391,317</b>	<b>\$ 462,967</b>	<b>\$ 491,732</b>
<b>Operating loss</b>	<b>\$ (298,001)</b>	<b>\$ (289,092)</b>	<b>\$ (350,349)</b>	<b>\$ (368,945)</b>
<b>Nonoperating revenues and (expenses)</b>				
Payroll tax and other tax revenue	\$ 192,450	\$ 207,258	\$ 215,133	\$ 209,937
Property tax revenue	11,655	10,114	9,416	8,908
Grant revenue	44,326	50,257	60,440	63,599
Interest income	5,546	5,308	6,874	1,767
Net leveraged lease expense	(1,515)	(1,079)	(765)	2,464
Interest and other expense	(10,830)	(7,939)	(7,401)	(4,068)
<b>Total nonoperating revenue</b>	<b>\$ 241,632</b>	<b>\$ 263,919</b>	<b>\$ 283,697</b>	<b>\$ 282,607</b>
Loss before contributions and special items	\$ (56,369)	\$ (25,173)	\$ (66,652)	\$ (86,338)
Capital contributions	36,750	245,833	151,522	127,349
Special item-local agency/government donation	-	(10,497)	(621)	5,374
<b>Changes in net assets</b>	<b>\$ (19,619)</b>	<b>\$ 210,163</b>	<b>\$ 84,249</b>	<b>\$ 46,385</b>
<b>Total net assets—beginning</b>	<b>\$1,485,685</b>	<b>\$1,466,065</b>	<b>\$1,676,228</b>	<b>\$1,760,477</b>
<b>Total net assets—ending</b>	<b>\$1,466,066</b>	<b>\$1,676,228</b>	<b>\$1,760,477</b>	<b>\$1,806,862</b>

Source: TriMet. Derived from TriMet's audited financial statements. This summary is not audited. See APPENDIX B.

### **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, 2009, TriMet had the following investments:

**Table 9**  
**Investments as of June 30, 2009**

<b>Cash</b>	<b><u>Fair Value</u></b>	<b><u>% of Portfolio</u></b>	<b><u>Weighted Average Maturity</u></b>
Cash on hand	\$83,000		
Demand deposits with financial institutions	<u>1,105,000</u>		
<b>Total Cash</b>	<b><u>1,188,000</u></b>		
<b>Investments</b>			
State of Oregon local government investment pool	41,970,000	29.8%	
Federal Home Loan Bank	9,999,000	7.1	0.08
Federal Home Loan Mortgage Corporation	1,026,000	0.7	0.19
Federal National Mortgage Association	40,630,000	28.8	0.08
U.S. Treasuries	<u>47,332,000</u>	33.6	0.56
<b>Total Investments</b>	<b><u>\$140,957,000</u></b>		
<b>Total Cash and Investments<sup>(1)</sup></b>	<b><u>\$142,145,000</u></b>		

(1) Includes \$42.9 million of restricted cash or cash equivalents, and \$42.5 million of restricted investments.  
Source: TriMet. Derived from TriMet's audited financial statements. This table is not audited. See APPENDIX B.

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

### **Fuel Swap Agreements**

TriMet has entered into commodity swap agreements to hedge a portion of the District's costs of purchasing fuel. As of June 30, 2009, the District has three outstanding commodity swaps. These commodity swap agreements do not constitute Derivative Products, as defined in the Indenture, and are not secured by a lien under the Indenture. See APPENDIX B—"AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2009 AND 2008—Note 3—Diesel Fuel Hedge."

### **Lease Transactions**

Between 1997 and 2005, TriMet entered into 11 leveraged lease transactions, nine of which were lease-in lease-out transactions and two of which were sale-in lease-out transactions, pursuant to which TriMet either sold or long-term leased (up to 30 years) various series of light rail vehicles and rail and bus maintenance facilities to a trust ("Trust"), the beneficiary of which is a private entity. TriMet then leased or subleased the subject cars and facilities back from the Trust. TriMet has the obligation to make regularly scheduled rent payments during the term of the leases and subleases (the "Leases"). TriMet also has the right to exercise a purchase option or, in certain cases, the investor has the right to exercise a put option, which, if exercised, results in all attributes of ownership and use of the equipment or facility reverting from the Trust to TriMet. The purchase and put option exercise dates differ in each Lease, the earliest being in 2012 and the latest being in 2035.

The Leases did not involve the creation of a lien on the Specified Tax Revenues of TriMet. At the closing of each of the Leases, TriMet entered into contracts with certain obligators or guarantors (the "Guarantors") to economically defease all of TriMet's regularly scheduled rent payments and purchase option payments by acquiring different types of financial instruments. However, the obligation of TriMet to pay the rent remains regardless of whether the Guarantor under the defeasance instruments performs. TriMet cannot currently predict whether or when any Guarantor of any of the defeasance instruments will fail to perform or the economic consequences to TriMet of any such failure.



The Guarantors are insurance companies. Certain of the Leases require that if the credit rating of a Guarantor falls below a specified level, the Guarantor must post collateral. In cases in which downgrades have occurred and collateral is required, the required collateral has been posted. TriMet has terminated four of the Leases. SEE APPENDIX B—AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2009 AND 2008, Note 11(b) and 11(c) for additional details relating to these leveraged lease transactions.

### **Pension Responsibilities**

TriMet contributes to a single-employer defined contribution plan, the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (the “Management DC Plan”) and 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 plan.

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 represented by the ATU.

Each DB Plan is overseen by a separate board of trustees appointed by TriMet’s Board and by the ATU in the case of the Bargaining Unit DB Plan. The assets and liabilities and required contributions of each of the Management DB Plan and the Bargaining Unit DB Plan are determined by independent actuaries appointed by TriMet and are based upon assumptions approved by TriMet. HP Northwest (the business name of Heintzberger Payne & Company, LLC) prepared the actuarial valuation for the Management DB Plan as of June 30, 2009, and Milliman, Inc. prepared the actuarial valuation for the Bargaining Unit DB Plan as of July 1, 2009. The Management DC Plan is administered by a third-party administrator, The Standard, and is overseen by a committee appointed by the TriMet Board.

As noted below and in Appendix B, the funded status of the defined benefit plans will change over time depending upon, among other things, the market performance of the securities in which each plan’s assets are invested, 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.

**Management DC Plan.** Under the Management DC Plan, TriMet contributes 8.0 percent of considered compensation each pay period. 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).

As of June 30, 2009, 214 active employees were covered by the Management DC Plan, and TriMet contributions and employee contributions in the FY ended June 30, 2009 were \$1.16 million and

\$577,000, respectively. See “—Other Post Employment Benefit Responsibilities” below and Note 6 in Appendix B.

**The 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.

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 computed annual required contribution (the “ARC”). The ARC 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 unfunded 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.

In FY 2009, TriMet adopted changes recommended by the plan actuary, resulting in (i) funding of past service obligations over a closed, twenty-year period beginning with FY 2009 (instead of over the working lifetime of participants, estimated to be 6 years for 2009); (ii) using the entry age normal cost method to determine normal cost; and (iii) substituting a 5-year smoothed value (spreading market gains or losses over 5 years) for market value when determining the actuarial value of Plan assets to calculate the ARC.

TriMet and the plan actuary have assumed net rates of return of 7 percent for FYs 2009 and 2008 and 7.5 percent for FYs 2007 and 2006. Other assumptions used in the 2009 valuation include an annual cost of living increase of 4 percent and annual salary increases of 5 percent. See Note 6 in Appendix B.

A schedule of funding progress and contributions is presented below.

**Table 10**  
**Management DB Plan**  
**Schedule of Funding Progress (\$000s)**

<b>Management DB Plan</b>	<b>Actuarial Valuation Date</b>		
	<b>June 30, 2009<sup>(1)</sup></b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Actuarial value of plan assets <sup>(2)</sup>	\$65,202	\$59,066	\$61,016
Actuarial accrued liability (the "AAL")	96,749	84,974	75,616
Funded ratio	67.4%	69.5%	80.7%
Annual covered payroll	17,130	17,842	19,644
Unfunded AAL	31,547	25,908	14,600
Unfunded AAL as a percentage of payroll	184.2%	145.2%	74.3%
Annual required contribution (the "ARC")	4,088	6,888	3,832
Contributions made in September <sup>(3)</sup>	4,143	6,974	3,887
Contributions as a percentage of ARC	101.3%	101.2%	101.4%
Contributions as a percentage of covered payroll	24.2%	39.1%	19.8%

(1) As described above, methods of calculating normal cost and the actuarial value of assets changed, effective FY 2009. As calculated by the actuary, TriMet's ARC for FY 2009 would have been \$7,490 had the change to a closed 20-year period not been made.

(2) Market value is used in years before 2009. As determined by the actuary, the market value of assets in 2009 was \$51,621. Effective 2009, TriMet adopted a policy of smoothing gains and losses over five years.

(3) Contribution made in September for prior FY.

Source: TriMet. See Note 6 in Appendix B.

**Bargaining Unit DB Plan.** The Bargaining Unit DB Plan covers all full-time and part-time employees represented by the ATU. Union employees 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 with annual cost of living adjustments. Retirement benefits for covered members retiring after September 1, 2008 are \$70.84 per month, per year of service. Each September 1, the retirement benefit is adjusted based upon the amount of any general wage adjustments received by bargaining unit employees during the previous 12 months. Retirement benefits for retirees in payout status are adjusted each February 1, also based upon the general wage adjustments during the prior 12 months. No employee contributions are required or permitted under the Bargaining Unit DB Plan.

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. As of June 30, 2009 TriMet is amortizing past service liabilities over 20 years from the date of valuation. On each valuation date, the Plan's unfunded accrued actuarial liability is reamortized over 20 years beginning on that valuation date. Investment earnings are assumed to be 8 percent per annum, compounded annually, and investment gains or losses are smoothed over five years so that the actuarial value of assets on the valuation date is not less than 80 percent or greater than 120 percent of the market value of assets on the valuation date.

A schedule of funding progress for the Bargaining Unit DB Plan is presented below.

**Table 11**  
**Bargaining Unit DB Plan**  
**Schedule of Funding Progress (\$000s)**

<b>Bargaining Unit DB Plan</b>	<b>Actuarial Valuation Date</b>		
	<b>July 1, 2009</b>	<b>July 1, 2008</b>	<b>July 1, 2007</b>
Actuarial value of plan assets <sup>(1)</sup>	\$217,113	\$238,883	\$209,392
Actuarial accrued liability (the "AAL")	460,333	427,305	399,237
Funded ratio	47.2%	55.9%	52.4%
Annual covered payroll	123,784	116,418	111,877
Unfunded AAL	243,220	188,422	189,845
Unfunded AAL as a percentage of payroll	196.5%	161.8%	169.7%
Annual required contribution (the "ARC")	28,051	26,154	26,177
Contributions made in September <sup>(2)</sup>	28,051	26,154	26,177
Contributions as a percentage of ARC	100.0%	100.0%	100.0%
Contributions as a percentage of covered payroll	22.7%	22.5%	23.4%

(1) The market value of assets as of July 1, 2009 was \$180,928,000. Unrealized gains and losses (totaling a net loss of \$67,657,033) are being amortized over five years and as described above, the amount shown is 120 percent of the market value.

(2) The July 1 contribution, which is made in September, is provided in the prior year's Actuarial Valuation.

Source: TriMet. See Note 6 in Appendix B.

### **Other Post-Employment Benefit Responsibilities**

TriMet provides post-employment health care and life insurance benefits ("OPEBs"), 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 and five years for non-union employees hired before April 27, 2003 and 10 years for non-union employees hired before May 1, 2009. TriMet pays 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. TriMet provides a \$10,000 life insurance benefit to union retirees and \$7,500 to non-union retirees.

TriMet has created, but has not funded, a trust fund for future net OPEB obligations. TriMet pays for 100 percent of the premiums for eligible retirees hired after May 2009. There were 1,029 and 995 union and non-union retirees, dependents, and surviving spouses receiving the postemployment health care and life insurance benefits, at June 30, 2009 and 2008, respectively. TriMet contributed costs of postemployment health care and life insurance benefits totaling \$12.8 million and \$11.1 million in FY 2009 and 2008, respectively.

TriMet's Board adopted a Resolution in May 2009, the terms of which change retiree health benefits for future employees. The Resolution stated that TriMet will not pay retiree medical premiums for management employees hired after May 2009. 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. Accounting rules refer to this as an "implicit subsidy" and require the corresponding liability to be determined and reported.

Although TriMet currently pays OPEBs on a pay-as-you go basis, TriMet retained an independent actuary, The Segal Company, to determine for accounting purposes the actuarial present value of the projected cost of TriMet's OPEB responsibilities. The OPEB ARC shown in the table below 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 period of 30 years, using the following assumptions: a discount rate of 4.5 percent and health care cost rates trending down from 9 percent in 2008 to 5 percent in 2016; 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. Components of TriMet’s annual OPEB cost for the FYs ended June 30, 2009 and 2008 and a schedule of funding progress are presented in the tables below, including the implicit subsidy described above.

**Table 12**  
**TriMet OPEB Costs (000s)**  
**As of June 30**

	<u>2009</u>	<u>2008</u>
Annual required contribution (OPEB ARC)	\$54,867	\$54,867
Interest on net OPEB obligation	3,160	1,078
Adjustment to annual required contribution	<u>--</u>	<u>1,235</u>
<b>Annual OPEB cost</b>	<b>58,027</b>	<b>57,180</b>
Contributions made	<u>(12,797)</u>	<u>(11,147)</u>
<b>Increase in net OPEB obligation</b>	<b>45,230</b>	<b>46,033</b>
<b>Net OPEB obligation—beginning of the year</b>	<u>46,033</u>	--
<b>Net OPEB obligation—end of the year</b>	<b>\$91,263</b>	<b>\$46,033</b>
Percentage of annual OPEB cost contributed	22%	19%

Source: TriMet. See Note 7 in Appendix B.

**Table 13**  
**OPEB Funded Status and Funding Progress (000s)**

Actuarial valuation date	January 1, 2008
Actuarial value of assets	\$ --
Actuarial accrued liability (AAL) – unit credit	<u>632,204</u>
Unfunded AAL (the “UAAL”)	632,204
Funded ratio	0%
Covered payroll	130,726
UAAL as a percentage of covered payroll	484%

Source: TriMet. See Note 7 in Appendix B.

## STATE OF OREGON INITIATIVE PROCESS

### General

The State Constitution, Article IV, Section 1, reserves to the people of the State (1) 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 (2) the referendum power to approve or reject at an election any act passed by the Legislative Assembly that does not become effective earlier than Ninety (90) days after the end of the legislative session. The Legislative Assembly may also refer an act to the voters for approval or rejection.

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. Although a large number of initiative measures are submitted to the Secretary of State’s office, a much smaller number of petitions contain sufficient signatures to be placed on the ballot. Because many proposed initiative measures are submitted that do not qualify for the ballot, the State does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot.

Consequently, the State does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

**Proposed Initiative Measures that Qualify to Be Placed on the Ballot**

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. For the 2010 general election, the requirement is 8 percent (110,358 signatures) for a constitutional amendment measure and 6 percent (82,769 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2010 general election is July 2, 2010. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

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

Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure’s financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
1998	16	6
2000	18	8
2002	7	3
2004	6	2
2006	10	3
2008	8	0

Source: Elections Division, Oregon Secretary of 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. For elections held in 2010, the signature requirement is 55,179 signatures. 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 thirty (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.

During the 2009 Regular Session, the Legislative Assembly enacted two bills that will increase State taxes, House Bill 2001 and House Bill 2116 (the “Transportation Revenue Bills”), which provide for increases in the State’s fuel tax and for increases in a number of fees related to vehicle licensing and operation.

## LITIGATION

To the knowledge of TriMet, there is no litigation pending or threatened which would in any way (i) restrain or enjoin the issuance, sale or delivery of the Series 2009 Bonds or (ii) question the validity of the Series 2009 Bonds or the authority of TriMet to make principal and interest payments or to collect Specified Tax Revenues to pay the Series 2009 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 TriMet’s 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

### **The Series 2009A Bonds —Tax Exempt**

In the opinion of Bond Counsel, interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes. Furthermore, interest on the Series 2009A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the Series 2009A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Series 2009A Bonds and the facilities financed with proceeds of the Series 2009A Bonds and certain other matters. TriMet has covenanted to comply with all applicable requirements.

Bond Counsel’s opinion is subject to the condition that TriMet comply with the above-referenced covenants and, in addition, will rely on representations by TriMet and its advisors with respect to matters solely within the knowledge of TriMet and its advisors, respectively, which Bond Counsel has not independently verified. If TriMet fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Series 2009A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2009A Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated in this Tax Matters section, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Series 2009A Bonds. Owners of the Series 2009A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2009A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the Series 2009A Bonds should be aware that ownership of the Series 2009 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive

income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2009A Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Series 2009 Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Series 2009A Bonds, are in many cases required to be reported to the Internal Revenue Service (the “IRS”). Additionally, backup withholding may apply to any such payments made to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel’s opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel’s legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and TriMet’s compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2009A Bonds. Owners of the Series 2009A Bonds are advised that, if the IRS does audit the Series 2009A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat TriMet as the taxpayer, and the owners of the Series 2009 Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Series 2009A Bonds until the audit is concluded, regardless of the ultimate outcome.

**Premium.** The initial public offering price of certain Series 2009A Bonds is greater than the amount payable on the Series 2009A Bonds at maturity. Bond Counsel expresses no opinion with respect to the treatment of this additional amount.

**Original Issue Discount.** The initial public offering price of certain Series 2009A Bonds (the “Original Issue Discount Bonds”), is less than the stated redemption price at maturity. In such case, the difference between (i) the stated amount payable at the maturity of an Original Issue Discount Bond and (ii) the initial public offering price of that Original Issue Discount Bond constitutes original issue discount with respect to that Original Issue Discount Bond in the hands of the owner who purchased that Original Issue Discount Bond at the initial public offering price in the initial public offering of the Series 2009A Bonds. The initial owner is entitled to exclude from gross income (as defined in Section 61 of the Internal Revenue Code of 1986, as amended) an amount of income with respect to an Original Issue Discount Bond equal to that portion of the amount of the original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by the initial owner.

In the event of the redemption, sale or other taxable disposition of an Original Issue Discount Bond prior to its stated maturity, however, the amount realized by the initial owner in excess of the basis of the Original Issue Discount Bond in the hands of its initial owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by the initial owner) is includable in gross income. Purchasers of Original Issue Discount Bonds should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning Original Issue Discount Bonds.

### **The Series 2009B Bonds — Federally Taxable**

THIS ADVICE WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SERIES 2009B BONDS. THIS ADVICE IS NOT INTENDED OR WRITTEN BY K&L GATES LLP TO BE USED, AND MAY NOT BE USED BY ANY PERSON OR ENTITY, FOR THE



PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON ANY PERSON OR ENTITY UNDER THE U.S. INTERNAL REVENUE CODE. PROSPECTIVE PURCHASERS OF THE SERIES 2009B BONDS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners (“Owners”) of Series 2009B Bonds (referred to in this section as the “Taxable Bonds”). This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations, including regulations concerning the tax treatment of debt instruments issued with original issue discount (the “OID Regulations”) (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only Taxable Bonds held as capital assets within the meaning of section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the Taxable Bonds as part of a hedging transaction, “straddle,” conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Taxable Bonds. ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED WITHIN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE TAXABLE BONDS, INCLUDING THE ADVISABILITY OF MAKING ANY OF THE ELECTIONS DESCRIBED BELOW, BEFORE DETERMINING WHETHER TO PURCHASE OR EXCHANGE THE TAXABLE BONDS.

For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts (“Foreign Owners”) to the extent that their ownership of the Taxable Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain “single member entities” are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners who are single member non corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

**In General.** TriMet intends to make irrevocable elections to have the Series 2009B Bonds treated as “Build America Bonds” within the meaning of section 54AA(d) of the Code that are “qualified bonds” within the meaning of section 54AA(g) of the Code. As a result of these elections, interest on the Series 2009B Bonds is not excludable from the gross income of the Owners for federal income tax

purposes. Owners of the Series 2009B Bonds will not be entitled to any tax credits as a result either of ownership of the Series 2009B Bonds or of receipt of any interest payments on the Series 2009B Bonds. In addition, a Series 2009B Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

**Payments of Interest.** Qualified Stated Interest (and other original issue discount), including additional amounts of cash and interest, if any, paid on the Taxable Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. For purposes of this discussion "Qualified Stated Interest" is stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer), or that will be constructively received under Section 451 of the Code, at least annually at a single fixed rate (within the meaning of Treasury Regulation § 1.1273-1(c)(1)(iii)), as defined in Treasury Regulation § 1.1273-1(c). Special rules governing the treatment of acquisition premium, market discount or amortizable premium are described below.

**Acquisition Premium.** In the event that an Owner purchases a Taxable Bond at an acquisition premium (i.e., at a price in excess of its "adjusted issue price" but less than its stated redemption price at maturity), the amount includable in income in each taxable year as original issue discount is reduced by that portion of the acquisition premium properly allocable to such year. (For Taxable Bonds that are purchased at a price in excess of the stated redemption price at maturity, see the discussion below under the heading Amortizable Premium.) The adjusted issue price is defined as the sum of the issue price of the Taxable Bond and the aggregate amount of previously accrued original issue discount, less any prior payments of amounts included in its stated redemption price at maturity. Unless an Owner makes the accrual method election described below, acquisition premium is allocated on a pro rata basis to each accrual of original issue discount (i.e., to each six month accrual period), so that the Owner is allowed to reduce each accrual of original issue discount by a constant fraction.

**Market Discount.** An Owner who purchases a Taxable Bond at a "market discount" will be subject to provisions in the Code that convert certain capital gain on the prepayment, sale, exchange or other disposition of the Taxable Bond into ordinary income. A Taxable Bond will have market discount to the extent the "revised issue price" of such Taxable Bond exceeds, by more than a de minimis amount, the Owner's tax basis in the Taxable Bond immediately after the Owner acquires the Taxable Bond. The "revised issue price" generally equals the issue price of the Taxable Bond plus the amount of original issue discount (computed without regard to any "acquisition premium" described above) that had accrued on such Taxable Bond as of the date the Owner acquired the Taxable Bond and reduced by the stated interest previously paid with respect to such Taxable Bond as of such date.

An Owner may elect to include market discount in income as it accrues, but such an election will apply to all market discount bonds or notes acquired by such Owner on or after the first day of the first taxable year to which such election applies and is revocable only with permission from the Internal Revenue Service ("IRS"). Unless a Taxable Bond Owner elects to include market discount in income as it accrues, any partial principal payments on, or any gain realized upon the sale, exchange, disposition, prepayment or maturity of a Taxable Bond will be taxable as ordinary income to the extent any market discount has accrued on such Taxable Bond. Market discount on a Taxable Bond would accrue ratably each day between the date an Owner purchases the Taxable Bond and the date of maturity. In the alternative, an Owner irrevocably may elect to use a constant interest accrual method under which marginally less market discount would accrue in early years and marginally greater amounts would accrue in later years.

If a Taxable Bond purchased with market discount is disposed of in a nontaxable transaction (other than a nonrecognition transaction described in Section 1276(d) of the Code), accrued market discount will be includable as ordinary income to the Owner as if such Owner had sold the Taxable Bond

at its then fair market value. An Owner of a Taxable Bond that acquired it at a market discount and that does not elect to include market discount in income on a current basis also may be required to defer the deduction for a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the Taxable Bond until the deferred income is realized.

**Amortizable Premium.** An Owner who purchases a Taxable Bond for any amount in excess of its principal amount, will be treated as having premium with respect to such Taxable Bond in the amount of such excess.

If an Owner makes an election under Section 171(c)(2) of the Code to treat such premium as “amortizable bond premium,” the amount of interest that must be included in such Owner’s income for each accrual period will be reduced by the portion of the premium allocable to such period based on the Taxable Bond’s yield to maturity. If an Owner makes the election under Section 171(c)(2), the election also shall apply to all Taxable Bonds held by the Owner at the beginning of the first taxable year to which the election applies and to all such Taxable Bonds thereafter acquired by such Owner, and it is irrevocable without the consent of the IRS. If such an election under Section 171(c)(2) of the Code is not made, such an Owner must include the full amount of each interest payment in income in accordance with its regular method of accounting and will receive a tax benefit from the premium only in computing its gain or loss upon the sale of other disposition or retirement of the Taxable Bond. The existence of bond premium and the benefits associated with the amortization of bond premium vary with the facts and circumstances of each Owner. Accordingly, each Owner of a Taxable Bond should consult his own tax advisor concerning the existence of bond premium and the associated election.

**Accrual Method Election.** Under the OID Regulations, an Owner who uses an accrual method of accounting would be permitted to elect to include in gross income its entire return on a Taxable Bond (i.e., the excess of all remaining payments to be received on the Taxable Bond over the amount paid for the Taxable Bond by such Owner) based on the compounding of interest at a constant rate. Such an election for a Taxable Bond with amortizable bond premium (or market discount) would result in a deemed election for all of the Owner’s debt instruments with amortizable bond premium (or market discount) and could be revoked only with the permission of the IRS with respect to debt instruments acquired after revocation. Under the Indenture, certain of the Series 2009 Bonds are subject to optional redemption. See “DESCRIPTION OF THE SERIES 2009 BONDS—Redemption of Series 2009 Bonds.”

**Disposition or Retirement.** Upon the sale, exchange or other disposition of a Taxable Bond, or upon the retirement of a Taxable Bond (including by prepayment), an Owner will recognize gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner’s adjusted tax basis in the Taxable Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes.

An Owner’s tax basis for determining gain or loss on the disposition or retirement of a Taxable Bond will be the cost of such Taxable Bond to such Owner, increased by the amount of original issue discount and any market discount includable in such Owner’s gross income with respect to such Taxable Bond, and decreased by the amount of any payments under the Taxable Bond that are part of its stated redemption price at maturity (i.e., all stated interest payments with respect to the Taxable Bonds previously paid) and by the portion of any premium applied to reduce interest payments as described above. Such gain or loss will be capital gain or loss (except to the extent the gain represents accrued original issue discount or market discount on the Taxable Bond not previously included in gross income, to which extent such gain would be treated as ordinary income). Any capital gain or loss will be long term capital gain or loss if at the time of disposition or retirement the Taxable Bond has been held for more than one year. The deductibility of capital losses is subject to limitations.

**Defeasance.** The Indenture permits the defeasance of the Series 2009 Bonds. See “DESCRIPTION OF THE SERIES 2009 BONDS—Defeasance” and APPENDIX F—“SUMMARY OF THE INDENTURE—Defeasance.” If TriMet defeases any of the Taxable Bonds, for federal income tax purposes, the registered or beneficial owner of those Taxable Bonds might recognize a gain or loss on the Taxable Bonds at the time of defeasance. Prospective purchasers of Taxable Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the Taxable Bonds.

**Information Reporting and Backup Withholding.** Payments of interest and accruals of original issue discount (if any) on the Taxable Bonds held of record by U.S. persons other than corporations and other exempt Owners must be reported to the IRS. Such information will be filed each year with the IRS on Form 1099, which will reflect the name, address, and taxpayer identification number of the Owner. A copy of Form 1099 will be sent to each Owner of a Taxable Bond for federal income tax reporting purposes.

Interest paid to an Owner of a Taxable Bond ordinarily will not be subject to withholding of federal income tax if such Owner is a U.S. person. Backup withholding of federal income tax may apply, however, to payments made in respect of the Taxable Bonds, as well as payments of proceeds from the sale of Taxable Bonds, to registered holders or Owners that are not “exempt recipients” and who fail to provide certain identifying information. This withholding generally applies if the Owner of a Taxable Bond (who is not an exempt recipient) (i) fails to furnish such Owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnishes the payor an incorrect TIN, (iii) fails to properly report interest, dividends or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such Owner is not subject to backup withholding. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. To prevent backup withholding, each prospective Owner will be requested to complete an appropriate form.

Any amounts withheld under the backup withholding rules from a payment to a person would be allowed as a refund or a credit against such person’s U.S. federal income tax, if the required information were furnished to the IRS. Furthermore, certain penalties may be imposed by the IRS on an Owner who is required to supply information but who does not do so in the proper manner.

THE FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN OWNER’S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF HOLDING AND DISPOSING OF THE SERIES 2009 BONDS UNDER APPLICABLE STATE OR LOCAL LAWS. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

### **State of Oregon Tax Exemption**

In the opinion of Bond Counsel, interest on the Series 2009 Bonds is exempt from Oregon personal income tax under existing law.

### **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on employee benefit plans subject to Title I of ERISA (“ERISA Plans”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including, but not limited to, the requirements of investment

prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to Title I of ERISA but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons" (each, a "Party in Interest")) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of a Plan that proposes to purchase and hold any Series 2009 Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest, (ii) the sale or exchange of any property between a Plan and a Party in Interest and (iii) the transfer to, or use by or for the benefit of, a Party in Interest, of any Plan assets. Depending on the identity of the Plan fiduciary making the decision to acquire or hold Series 2009 Bonds on behalf of a Plan and other factors, U.S. Department of Labor Prohibited Transaction Class Exemption ("PTCE") 75-1 (relating to certain broker-dealer transactions), PTCE 84-14 (relating to transactions effected by independent "qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by an insurance company general account), or PTCE 96-23 (relating to transactions directed by certain "in-house asset managers") (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. In addition, Section 408(b)(7) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code for certain transactions between Plans and persons who are Parties in interest solely by reason of providing services to such Plans or that are affiliated with such service providers, provided generally that such persons are not fiduciaries with respect to the "plan assets" of any Plan involved in the transaction and that certain other conditions are satisfied.

By its acceptance of a Series 2009 Bond, each purchaser will be deemed to have represented and warranted that either (i) no "plan assets" of any Plan have been used to purchase such Series 2009 Bond, or (ii) the Underwriter is not a Party in Interest with respect to the "plan assets" of any Plan used to purchase such Series 2009 Bond, or (iii) the purchase and holding of such Series 2009 Bond is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under ERISA) should consult with its legal advisor concerning an investment in any of the Series 2009 Bonds.

## **UNDERWRITING**

The Series 2009 Bonds are being purchased for reoffering by Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc., Siebert Brandford Shank & Co. LLC and Wedbush Securities Inc., (collectively, the "Underwriters"). The Contract of Purchase provides that the Underwriters will purchase all of the Series 2009 Bonds, if any are purchased. The purchase price of the Series 2009A Bonds is \$38,703,947.86, which is equal to the principal amount of the Series 2009A Bonds (\$37,020,000.00), plus net premium of \$1,913,194.35 and less an Underwriters' discount of \$229,246.49. The purchase price of the Series 2009B Bonds is \$12,432,875.50, which is equal to the principal amount of the Series 2009B Bonds (\$12,530,000.00), less an Underwriters' discount of \$97,124.50. 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 2009 Bonds to the public. The Underwriters may offer and sell the Series 2009 Bonds to certain dealers (including dealers depositing the Series 2009 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.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2009 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009 Bonds.

J.P. Morgan Securities Inc., one of the underwriters of the Series 2009 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2009 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009 Bonds with UBS Financial Services Inc.

## **RATINGS**

The Series 2009 Bonds have received ratings of "Aa3" and "AAA", by Moody's Investors Service and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., 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., 99 Church Street, New York, New York, 10007; and Standard & Poor's, 25 Broadway, 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 2009 Bonds.

## **THE TRUSTEE, PAYING AGENT AND REGISTRAR**

The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, serves as Trustee pursuant to the Indenture. The obligations of the Trustee are described in the Indenture. The Trustee has undertaken only those duties and obligations that are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the Series 2009 Bonds, the security of the payment therefore, 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 2009 Bonds, or the investment quality of the Series 2009 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. The Trustee will also act as the paying agent and registrar for the Series 2009 Bonds.

## **FINANCIAL ADVISOR**

TriMet has retained Western Financial Group LLC, Lake Oswego, Oregon as Financial Advisor in connection with the authorization and issuance of the Series 2009 Bonds.

## **LEGALITY**

K&L Gates LLP, Portland, Oregon, Bond Counsel, will render an opinion with respect to the validity and enforceability of the Series 2009 Bonds and the Indenture. The form of the opinion of Bond Counsel appears as APPENDIX C to this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Portland, Oregon.

Orrick, Herrington & Sutcliffe LLP, who represents the Underwriters in connection with the Series 2009 Bonds, 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 2009 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 enumerated events, if material. The Annual Disclosure Report and the notices of material 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 material 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 2009 Bonds. The form of the Continuing Disclosure Certificate is included in this Official Statement as Appendix D. 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 has never failed to comply in any material respect with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

## **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 2009 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 2009 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) the Official Statement, both as of its date and as of the date of delivery of the Series 2009 Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the Official Statement and the date of the delivery of the Series 2009 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 the 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/ Beth A. deHamel  
Authorized Representative



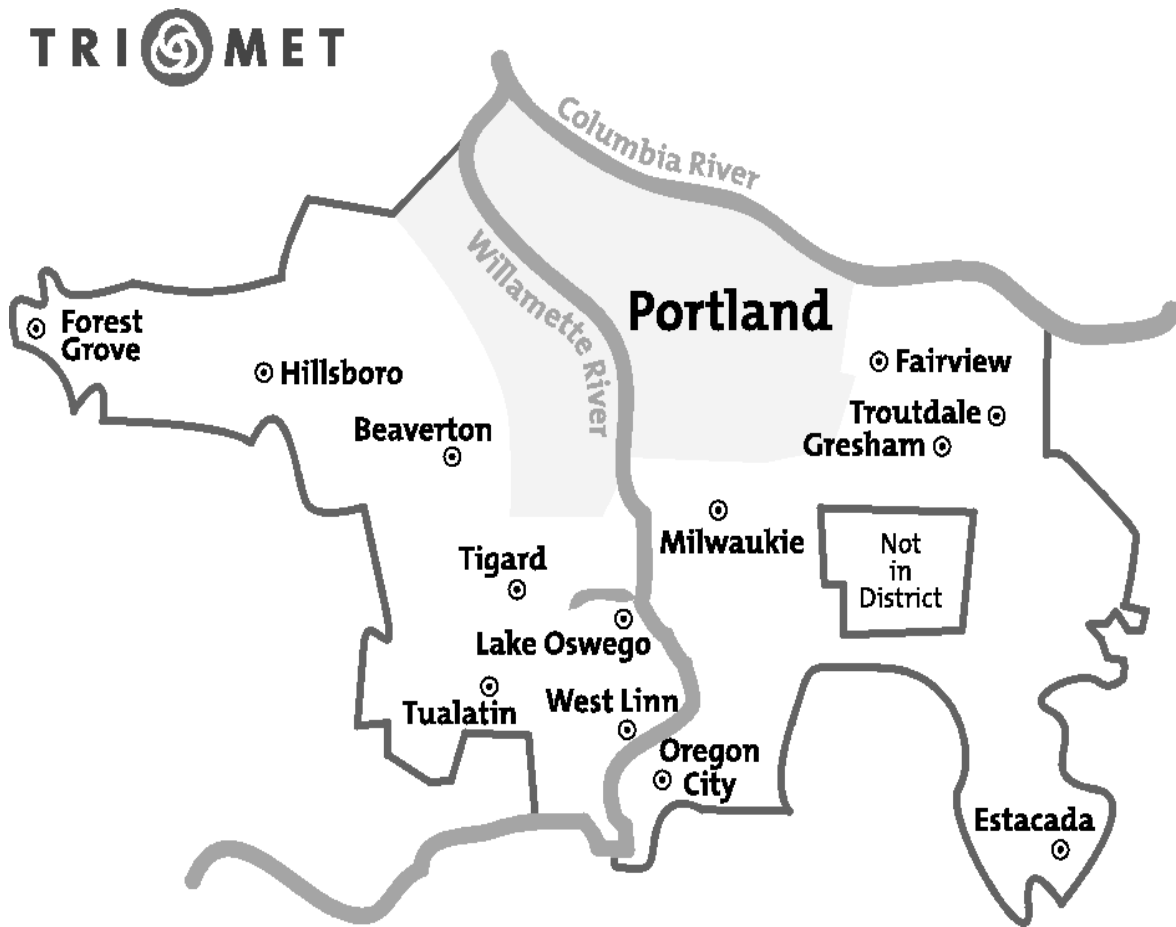
**APPENDIX A**  
**ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE TRI-COUNTY AREA**

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE TRI-COUNTY AREA

The boundaries of TriMet incorporate areas within Multnomah, Washington and Clackamas Counties and covers an area of 570 square miles, including the entire City of Portland which encompasses approximately 145 square miles. Multnomah County consists of 465 square miles, Washington County consists of 727 square miles, and Clackamas County consists of 1,879 square miles, ranking as some of the smallest of the State's 36 counties in geographical size, but containing nearly 43% of the State's population. Multnomah County ranks first, Washington County ranks second and Clackamas County ranks third in population. The Tri-County Area constitutes the financial, economic and industrial center of the State. The maps below show TriMet's service area.



The 2008 population of the TriMet district is estimated to be 1,488,724, which is approximately 92% of the population of the Tri-County Area and 39% of the State's population of 3.8 million.

As of 2008, the Tri-County Area accounted for approximately 45.3% of the State's total employment. The Tri-County Area economy is diversified in the manufacturing, trade, high technology, services, construction, tourism and government sectors.

**Table A-1**  
**Population of the Tri-County Area**

Year	Multnomah County	Washington County	Clackamas County	Total
2008	717,880	519,925	376,660	1,614,465
2007	710,025	511,075	372,270	1,593,370
2006	701,545	500,585	367,040	1,569,170
2005	692,825	489,785	361,300	1,543,910
2004	685,950	480,200	356,250	1,522,400
2003	677,850	472,600	353,450	1,503,900
2002	670,250	463,050	350,850	1,484,150
2001	666,350	455,800	345,150	1,467,300
2000 <sup>(1)</sup>	660,486	445,342	338,391	1,444,219
1990 <sup>(1)</sup>	583,887	311,554	278,850	1,174,291

<sup>(1)</sup> U.S. Census count on April 1.

Source: 2001 through 2008, Portland State University, Population Research Center, each year as of July 1; 1990 and 2000, U.S. Department of Commerce, Bureau of Census.

**Table A-2**  
**Annual Average Nonagricultural Employment in the Tri-County Area<sup>(1)</sup>**

	2009 <sup>(2)</sup>	2008	2007	2006	2005
Total	813,538	855,400	855,100	838,200	812,300
Natural Resources and Mining	638	700	700	700	700
Construction	40,363	47,400	49,900	48,000	43,800
Manufacturing	93,876	100,600	103,300	104,100	101,400
Trade, Transportation and Utilities	161,075	171,300	172,700	171,000	167,100
Information	20,463	21,800	21,600	20,600	19,800
Financial Activities	57,801	60,100	62,000	62,500	60,700
Professional and Business Services	111,363	119,100	118,800	116,400	111,300
Education and Health Services	106,726	107,000	103,300	99,700	97,100
Leisure and Hospitality	77,788	82,300	80,500	76,900	73,900
Other Services	30,088	31,300	30,800	29,900	28,900
Government	113,363	114,000	111,200	108,500	107,600

<sup>(1)</sup> Not seasonally adjusted.

<sup>(2)</sup> Average through August 2009.

Note: Totals may not foot due to rounding.

Source: Oregon Employment Department.

**Table A-3**  
**Annual Average Unemployment in the Tri-County Area<sup>(1)</sup>**

<u>Year</u>	<u>Multnomah County</u>		<u>Washington County</u>		<u>Clackamas County</u>	
	<u>Civilian Labor Force</u>	<u>% Unemployed</u>	<u>Civilian Labor Force</u>	<u>% Unemployed</u>	<u>Civilian Labor Force</u>	<u>% Unemployed</u>
2009 <sup>(2)</sup>	392,279	11.0%	291,636	9.8%	203,239	10.7%
2008	387,705	5.7	290,281	5.1	201,041	5.5
2007	379,710	4.9	284,401	4.3	196,691	4.6
2006	369,109	5.1	297,776	4.4	195,782	4.8
2005	363,647	6.1	270,769	5.2	191,913	5.5

<sup>(1)</sup> Not seasonally adjusted.

<sup>(2)</sup> Average through August 2009.

Source: Oregon Employment Department.

**Table A-4**  
**25 Largest Payroll Tax Payers in the District**

1. Intel Corporation	14. Regence BlueCross BlueShield of Oregon
2. Nike, Inc.	15. U.S. Bank National Association
3. Kaiser Health	16. TriMet
4. Providence Health System	17. Standard Insurance – Stancorp
5. Oregon Health and Science University	18. Pacificorp
6. City of Portland	19. The Boeing Company
7. Legacy Health System	20. Safeway Stores Inc.
8. Multnomah County	21. Clackamas County
9. Kroger – Fred Meyer	22. Maxim Integrated Products Inc.
10. Freightliner – Daimler	23. Adventist Health System
11. PCC Structural – Precision Castparts	24. Washington County
12. Wells Fargo Bank, National Association	25. Tektronix Inc.
13. Portland General Electric Co.	

Source: TriMet.

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**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS FOR**  
**FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

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**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
JUNE 30, 2009 AND 2008**

**(WITH INDEPENDENT AUDITORS' REPORT THEREON AND INCLUDING  
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE  
REGULATIONS)**

**BOARD OF DIRECTORS**

at June 30, 2009

<b>Name</b>	<b>District</b>
Rick Van Beveren	#1
Tiffany Sweitzer	#2
George J. Passadore, President	#3
Sue Van Brocklin	#4
George E. Richardson, Jr.	#5
Lynn Lehrbach	#6
Robert Williams	#7

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Board of Directors	4012 S.E. 17th Avenue Portland, Oregon 97202
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General Manager	Fred Hansen 4012 S.E. 17th Avenue Portland, Oregon 97202
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General Counsel and Registered Agent	M. Brian Playfair 4012 S.E. 17th Avenue Portland, Oregon 97202
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## FINANCIAL SECTION

**MOSS ADAMS** LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Tri-County Metropolitan Transportation District of Oregon

We have audited the balance sheet, statement of revenues, expenses and changes in net assets, and statement of cash flows of Tri-County Metropolitan Transportation District of Oregon (the District), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2009 and 2008, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 9, and the required supplementary information on pages 37 through 38, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental budgetary schedules and property tax schedule on pages 39 through 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**MOSS ADAMS** LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

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**INDEPENDENT AUDITOR’S REPORT - *continued***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2009, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Moss Adams, LLP*

Portland, Oregon  
September 23, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollars in thousands)

The following Management's Discussion and Analysis (MD&A) provides an overview of the Tri-County Metropolitan Transportation District of Oregon's (TriMet or the District) financial performance for the fiscal years ended June 30, 2009 and 2008. It is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity and identify changes in the District's financial position.

As with other sections of the financial report, the information contained within this MD&A should be considered only as part of a greater whole. The reader of this MD&A should take time to read and evaluate all sections of this report, including the notes to financial statements and other supplementary information that is provided in addition to this MD&A.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements consist of balance sheets, statements of revenues, expenses and changes in net assets, statements of cash flows and related notes. The financial statements provide both long-term and short-term information about the District's overall financial position. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

TriMet's financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized as an expense in the statements of revenues, expenses and changes in net assets, and all assets and liabilities associated with the operation of the District are included in the balance sheets, as defined by GAAP.

### FINANCIAL HIGHLIGHTS

- Total operating and non-operating revenues increased 0.6%, to \$406,998, during fiscal year 2009.
- Passenger revenue increased 11.4 percent, to \$90,017, during fiscal year 2009 due to fare increases. Fixed route ridership increased 2.6 percent in fiscal year 2009 over fiscal year 2008.
- Total payroll and other tax revenues decreased \$5,196, or 2.4 percent, from fiscal year 2008. Employer payroll tax revenue decreased \$2,299, or 1.1 percent, while self employment and other tax revenues decreased \$2,897, or 20.7 percent, from fiscal year 2008.
- 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 will be phased in over a 10 year period. The rate was increased to .006318 on January 1, 2005, to .006418 on January 1, 2006, to .006518 on January 1, 2007, to .006618 on January 1, 2008 and to .006718 on January 1, 2009. The rate is scheduled to increase by .0001 each January 1 thereafter until the rate reaches .007218 on January 1, 2014.

The 2009 Oregon Legislature gave the Board the authority to increase the payroll tax for employers and self-employed individuals to .008218. The increase must be phased in over a 10 year period and any incremental increase cannot exceed 0.02 percent. The increase may be on or after January 1, 2010. The Board may not adopt an ordinance increasing the tax unless the Board makes a finding that the economy in the District has recovered to an extent sufficient to warrant the increase in the tax. In making the finding, the Board must consider regional employment and income growth.

- Total operating and non-operating expenses increased 4.7%, to \$493,336, during fiscal year 2009. Materials and services expense increased \$12,215 or 16.7 percent over fiscal year 2008. The following costs, included in materials and services, increased in fiscal year 2009: Security services (\$2,622), track materials (\$2,265), diesel fuel costs (\$2,246), and vehicle maintenance materials (\$2,101).
- Total net assets at June 30, 2009, were \$1,806,863, an increase of \$46,385 over 2008. This reflects increases related to construction projects during the fiscal year.
- Total capital assets, net of accumulated depreciation, were \$2,049,739 at June 30, 2009, an increase of \$154,985 over 2008. This increase was due primarily to continued construction on the I-205/Portland Mall Light Rail Project.

**FINANCIAL SUMMARY**

**NET ASSETS**

The balance sheet presents the financial position of the District at the end of the fiscal year. The difference between total assets and total liabilities – net assets – is one indicator of the current financial condition of the District. Changes in net assets over time is an indicator of whether the finances of the District are improving or declining.

The District’s total net assets at June 30, 2009, were \$1,806,863, a 2.6 percent increase from June 30, 2008 (see Table 1). Total assets decreased \$75,119, or 2.8 percent, and total liabilities decreased \$121,504 or 13.3 percent. Total net assets at June 30, 2008, were \$1,760,478, a 5.0 percent increase from June 30, 2007. In fiscal year 2008, assets increased \$127,115, or 5.0 percent, and total liabilities increased \$42,866 or 4.9 percent.

**Table 1**

**Net Assets**  
**As of June 30**  
(dollars in thousands)

	2009	2008	2007	Increase (Decrease) 2009 - 2008	Percentage Change 2009 - 2008	Increase (Decrease) 2008 - 2007	Percentage Change 2008 - 2007
<b>Assets</b>							
Current and other assets	\$ 548,435	\$ 778,539	\$ 903,540	\$ (230,104)	(29.6)%	\$ (125,001)	(13.8)%
Capital assets, net of depreciation	2,049,739	1,894,754	1,642,638	154,985	8.2%	252,116	15.3%
Total assets	<u>2,598,174</u>	<u>2,673,293</u>	<u>2,546,178</u>	<u>(75,119)</u>	<u>(2.8)%</u>	<u>127,115</u>	<u>5.0%</u>
<b>Liabilities</b>							
Current liabilities	225,265	217,508	140,995	7,757	3.6%	76,513	54.3%
Noncurrent liabilities	566,046	695,307	728,954	(129,261)	(18.6)%	(33,647)	(4.6)%
Total liabilities	<u>791,311</u>	<u>912,815</u>	<u>869,949</u>	<u>(121,504)</u>	<u>(13.3)%</u>	<u>42,866</u>	<u>4.9%</u>
<b>Net assets</b>							
Invested in capital assets, net of related debt	1,679,816	1,427,816	1,390,665	252,000	17.6%	37,151	2.7%
Restricted for capital projects	25,610	72,572	99,131	(46,962)	(64.7)%	(26,559)	(26.8)%
Restricted for debt service	133,620	103,218	63,801	30,402	29.5%	39,417	61.8%
Unrestricted	(32,183)	156,872	122,632	(189,055)	(120.5)%	34,240	27.9%
Total net assets	<u>1,806,863</u>	<u>1,760,478</u>	<u>1,676,229</u>	<u>46,385</u>	<u>2.6%</u>	<u>84,249</u>	<u>5.0%</u>
Total liabilities and net assets	<u>\$2,598,174</u>	<u>\$2,673,293</u>	<u>\$ 2,546,178</u>	<u>\$ (75,119)</u>	<u>(2.8)%</u>	<u>\$ 127,115</u>	<u>5.0%</u>

In 2007, TriMet issued a total of \$275,450 in revenue bonds to finance the construction of the I-205/Portland Mall Light Rail and Washington County Commuter Rail Projects. \$230,000 of the proceeds from these issuances were used to fund the project expenditures incurred in advance of the availability of federal grant funds. \$45,450 of the proceeds funded TriMet’s share of the projects. Capital assets, net of depreciation, increased \$154,985, or 8.2 percent, in 2009, and \$252,116, or 15.3 percent, in 2008, primarily due to expenditures related to these construction projects.

Current and other assets decreased \$230,104, or 29.6 percent, in 2009, due to the net impact of expenditures for construction projects prior to the receipt of federal and local grant funds and debt payments made during the year.

The decrease in current and other assets of \$125,001, or 13.8 percent, in 2008 resulted from the net impact of expenditures for construction projects prior to the receipt of federal and local grant funds and the receipt of proceeds of bond funds noted above.

Current liabilities consist primarily of accounts payable, accrued compensation, current portion of bonds payable and deferred revenue. The increase in current liabilities of \$7,757, or 3.6 percent, in 2009, is primarily the result of increases in the current portion of long term debt related to funding of debt service to be used in fiscal year 2010 to call outstanding bonds, offset by decreases in accounts payable. The increase of \$76,513, or 54.3 percent, in 2008 was primarily a result of funding of debt service to be used in May 2009 to call outstanding bonds, the implementation of recording the current portion of other postemployment benefits liabilities under GASB No. 45, and increases in accounts payable associated with the construction expenditures in 2008.

Net assets invested in capital assets, net of related debt, 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. The amount restricted for capital projects represents the amount that will be used to finance construction projects.



Net assets restricted for debt service represents amounts restricted for principal and interest payments of amounts due related to outstanding revenue and general obligation bonds (discussed in Note 8), as well as restricted deposits related to the lease transactions (discussed in Note 11).

**CHANGES IN NET ASSETS**

The District’s total revenues increased \$2,517, or 0.6 percent, during fiscal year 2009 (see Table 2). Passenger revenue increased \$9,202, or 11.4 percent, and operating grant revenue increased \$3,159, or 5.2 percent.

Total revenues increased \$29,319, or 7.8 percent, during fiscal year 2008. Passenger revenue increased \$4,959, or 6.5 percent, and operating grant revenue increased \$10,183, or 20.3 percent.

**Table 2**

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

	2009	2008	2007	Increase (Decrease) 2009 - 2008	Percentage Change 2009 - 2008	Increase (Decrease) 2008 - 2007	Percentage Change 2008 - 2007
<b>Revenues</b>							
Operating revenues							
Passenger revenue	\$ 90,017	\$ 80,815	\$ 75,856	\$ 9,202	11.4%	\$ 4,959	6.5%
Auxiliary transportation and other revenue	32,770	31,803	26,369	967	3.0%	5,434	20.6%
Nonoperating revenues							
Payroll and other tax revenue	209,937	215,133	207,258	(5,196)	(2.4)%	7,875	3.8%
Property tax revenue	8,908	9,416	10,114	(508)	(5.4)%	(698)	(6.9)%
Grant revenue	63,599	60,440	50,257	3,159	5.2%	10,183	20.3%
Interest revenue	1,767	6,874	5,308	(5,107)	(74.3)%	1,566	29.5%
Total operating and nonoperating revenues	406,998	404,481	375,162	2,517	0.6%	29,319	7.8%
<b>Expenses</b>							
Labor	136,528	128,586	121,098	7,942	6.2%	7,488	6.2%
Fringe benefits	157,453	151,831	98,465	5,622	3.7%	53,366	54.2%
Materials and services	85,143	72,928	57,421	12,215	16.7%	15,507	27.0%
Utilities	6,858	6,152	5,864	706	11.5%	288	4.9%
Purchased transportation	35,430	33,010	30,123	2,420	7.3%	2,887	9.6%
Depreciation expense	65,013	63,960	67,390	1,053	1.6%	(3,430)	(5.1)%
Other operating expense	5,307	6,500	10,956	(1,193)	(18.4)%	(4,456)	(40.7)%
Net leveraged lease (income) expense	(2,464)	765	1,079	(3,229)	(422.1)%	(314)	(29.1)%
Interest and other expense	4,068	7,401	7,939	(3,333)	(45.0)%	(538)	(6.8)%
Total expenses	493,336	471,133	400,335	22,203	4.7%	70,798	17.7%
Loss before contributions	(86,338)	(66,652)	(25,173)	(19,686)	29.5%	(41,479)	164.8%
Capital contributions	127,349	151,522	245,833	(24,173)	(16.0)%	(94,311)	(38.4)%
Special items	5,374	(621)	(10,497)	5,995	(100.0)%	9,876	100.0%
Increase (decrease) in net assets	46,385	84,249	210,163	(37,864)	(44.9)%	(125,914)	(59.9)%
Total net assets - beginning	1,760,478	1,676,229	1,466,066	84,249	5.0%	210,163	14.3%
Total net assets - ending	\$ 1,806,863	\$ 1,760,478	\$ 1,676,229	\$ 46,385	2.6%	\$ 84,249	5.0%

The Oregon economy began slowing in fiscal year 2008, after experiencing strong growth from 2004 to 2007. In fiscal year 2009, the economic recession began to impact the District’s revenues, due to declining regional employment. After six consecutive years of increases, the District’s main source of revenue – payroll taxes – decreased. Payroll and other tax revenues decreased \$5,196, or 2.4 percent in fiscal year 2009, while they increased \$7,875, or 3.8 percent, in fiscal year 2008.

Total expenses increased \$22,203, or 4.7 percent, during fiscal year 2009. Labor costs increased \$7,942, or 6.2 percent, primarily due to contractual salary increases and increases in overtime costs. Fringe benefits increased \$5,622, or 3.7 percent, due to increased costs of medical premiums, and pension funding requirements. Materials and services increased \$12,215, or 16.7 percent, primarily due to increases in security services, track materials, vehicle maintenance and diesel fuel costs.

Total expenses increased \$70,798, or 17.7 percent, during fiscal year 2008. Labor costs increased \$7,488, or 6.2 percent, primarily due to contractual salary increases and increases in overtime costs. Fringe benefits increased \$53,366, or 54.2 percent, due to the increased cost of medical premiums, pension funding requirements, and the implementation of recording postemployment medical benefit liabilities under GASB Statement No. 45. Materials and services increased \$15,507, or 27.0 percent, primarily due to increases in diesel fuel prices, intergovernmental services and security services.

Capital contributions include federal grants and other local government contributions restricted for purchase or construction of capital assets. Capital contributions decreased \$24,173, or 16.0 percent, during fiscal year 2009. Capital contributions decreased \$94,311, or 38.4 percent, during fiscal year 2008.

**CAPITAL ASSETS**

At June 30, 2009, the District had invested \$2,049,739, net of accumulated depreciation, in a variety of capital assets (see Table 3 and Note 5).

	2009	2008	2007	Increase (Decrease) 2009 - 2008	Percentage Change 2009 - 2008	Increase (Decrease) 2008 - 2007	Percentage Change 2008 - 2007
Land and other	\$ 145,414	\$ 138,516	\$ 119,883	\$ 6,898	5.0%	\$ 18,633	15.5%
Rail right-of-way and stations	1,019,966	956,339	991,947	63,627	6.7%	(35,608)	(3.6)%
Buildings	118,777	100,188	97,458	18,589	18.6%	2,730	2.8%
Transportation equipment	204,534	174,585	188,021	29,949	17.2%	(13,436)	(7.1)%
Furniture and other equipment	22,550	20,511	20,443	2,039	9.9%	68	0.3%
Construction in progress	538,498	504,615	224,886	33,883	6.7%	279,729	124.4%
Total capital assets	<u>\$ 2,049,739</u>	<u>\$ 1,894,754</u>	<u>\$ 1,642,638</u>	<u>\$ 154,985</u>	<u>8.2%</u>	<u>\$ 252,116</u>	<u>15.3%</u>

Total capital assets net of depreciation increased \$154,985, or 8.2 percent primarily due to work on the I-205/Portland Mall Light Rail Project.

**LONG-TERM DEBT**

Long-term debt includes revenue bonds and general obligation bonds. At June 30, 2009, the District had \$327,675 in revenue bonds outstanding and \$36,380 in general obligation bonds outstanding (see Note 8).

During fiscal year 2007, the District issued \$230,000 in payroll tax and capital grant receipt revenue bonds to finance construction costs related to the I-205/Portland Mall Light Rail Project. The bonds are secured by a pledge of federal grant funds and a subordinated lien of payroll and self employment tax revenues. The grant receipt revenue bonds are not general obligations of the District, and no other revenues or funds of TriMet are pledged as security for the payment of interest or principal on the bonds. During fiscal year 2009, the District received \$80,784 in grant funds that were placed in a debt service account with the bond trustee solely for funding optional redemption of eligible term bonds and scheduled bond payments. During fiscal year 2008, \$42,987 in grant funds were placed in a debt service account. The funds were used to redeem \$77,230 in eligible term bonds in May 2009 and \$27,400 in eligible term bonds in July 2009. The remaining funds will be used to pay scheduled debt service payments in fiscal year 2010.

In addition, during fiscal year 2007 the District issued \$45,450 in limited tax pledge revenue bonds to pay for a portion of the costs of capital projects, including costs of the I-205/Portland Mall Light Rail and Washington County Commuter Rail Projects. The bonds are secured by a senior lien of payroll and self employment tax revenues. The limited tax pledge revenue bonds are not general obligations of the District, and no other revenues or funds of TriMet are pledged as security for the payment of interest or principal on the bonds.

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:

	Original Issue Amount	Moody's	Standard & Poor's
<b>General obligation bonds</b>			
1999 Series A Refunding	\$ 79,965	Aa1	AAA
<b>Revenue bonds</b>			
2001 Series A Refunding	23,090	Aa3	AAA
2003 Series A Refunding	19,705	Aa3	AAA
2005 Series A Refunding	65,475	Aa3	AAA
2005 Series 2005 Capital Grant Receipt	79,320	A2	A
2006 Series 2006 Payroll Tax and Grant Receipt	230,000	A1	A+
2007 Series A	45,450	Aa3	AAA

**LEASE TRANSACTIONS**

In prior years, TriMet entered into several lease-leaseback and sale-leaseback transactions with investors (see Note 11).

During 2009, U.S. financial markets were under tremendous liquidity pressure, which led to the sale, bankruptcy, and takeover of some of the largest financial institutions in the country. Two financial institutions involved in TriMet lease transactions experienced rating downgrades that triggered collateralization requirements under the leases.

In July 2008, MBIA Inc. posted collateral with Wells Fargo Bank N.A. in compliance with their obligations under the Equity and Debt Payment Undertaking Agreements in the 2005 lease transaction. In February 2009, the District terminated the MBIA Equity Payment Undertaking Agreement and the MBIA Debt Payment Undertaking Agreement and MBIA provided TriMet with the liquidated value of the collateral. The District has purchased US Treasury securities with a portion of the liquidated collateral to cover all future Equity Payment obligations. The District was not required to collateralize the Debt Payment obligations, and will pay all future obligations with District resources.

In November 2008, American International Group, Inc. (AIG) was required to collateralize obligations pursuant to the 1997 and 1998 lease transactions. In February 2009, the District negotiated an early termination of four United States lease-leaseback transactions where AIG had been the provider of guarantees.

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, 2009.

**ECONOMIC FACTORS AND FISCAL YEAR 2010 BUDGET**

The District's Board of Directors adopted the fiscal year 2010 budget on June 24, 2009. The fiscal year 2010 budget includes \$584,906 for operating expenses, a 16.4 percent increase from fiscal year 2009 due in part to budgeted debt service payments. This budget also includes \$119,538 for light rail construction projects and \$55,805 for other capital expenditures. The budget reflects the impact of the economic recession on TriMet revenues, with across the board operating cost reductions of 8% in all divisions. The budget reductions include reduced low performing bus and rail service and less service on the I-205/Portland Mall Light Rail line (upon opening the line in September 2009) than previously planned.

During fiscal year 2009, TriMet has continued to invest in the progress of the next two rail expansion projects for its transit system – Washington County Commuter Rail and the I-205/Portland Mall Light Rail Projects.

The Washington County Commuter Rail line opened in February 2009, and offers a new transportation route within the Interstate 5 and Highway 217 corridor. Using primarily existing freight tracks, it connects to TriMet's MAX Light Rail in Beaverton and serves Washington Square, Tigard, Tualatin and Wilsonville. The 14.7 mile project shares tracks with the Portland & Western Railroad.

The I-205/Portland Mall Light Rail Project will begin operation in September 2009, and will expand TriMet's light rail system, adding 6.5 miles of track and eight stations, from the Clackamas Town Center along Interstate 205 (I-205) to the existing Gateway Transit Center. Additionally, the Project extends light rail through downtown Portland on 5th and 6th Avenues between Portland State University and Union Station.

In June 2007, FTA and TriMet signed a full funding grant agreement (FFGA) for the I-205/Portland Mall Light Rail Project. The FFGA funding plan is outlined below:

<b>Table 5</b>	
<b>Funding source</b>	<b>Amount</b>
Section 5309 New Starts Grants	\$ 58,650
TriMet capital grant receipt revenue bonds	12,200
TriMet and other local governments	46,450
	<u>\$ 117,300</u>

During fiscal year 2009, TriMet was granted permission by FTA to enter preliminary engineering on the Portland to Milwaukie Light Rail Project. During fiscal year 2007, the Oregon State Legislature passed legislation providing for \$250 million of lottery bond proceeds to be used for payment of expenses for this project. TriMet is working to secure commitments for the remaining local match from its regional partners by 2010.

During 2008, TriMet adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement established standards for the measurement, recognition, and presentation of other postemployment benefits (OPEB) in the District's financial statements. The District provides medical, dental, and life insurance for eligible retirees and dependents. During 2008, the District recorded \$46,033 in net expense and liability related to the adoption of this statement.

During 2009, TriMet adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement requires accrual of pollution remediation liability when an obligating event occurs.

TriMet elected to adopt GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, during 2009. This statement requires measurement of derivative instruments at fair value in the balance sheet. During 2009, the District recorded other debits and derivative instruments at a value of \$5,882 related to the adoption of this statement.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations and subsequent events. Both statements were effective in March 2009.

#### **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  
4012 S.E. 17th Avenue  
Portland, OR 97202  
[www.trimet.org](http://www.trimet.org)

**BALANCE SHEETS**  
 JUNE 30, 2009 AND 2008  
 (dollars in thousands)

	2009	2008
<b>Assets</b>		
Current assets (unrestricted):		
Cash and cash equivalents	\$ 56,665	\$ 17,777
Investments	-	209,891
Taxes and other receivables, net	72,998	76,888
Grants receivable	12,142	10,293
Materials, supplies and other	15,060	11,696
Prepaid expenses	10,457	5,933
Prepaid lease	2,234	5,337
Current assets (restricted):		
Cash and cash equivalents	42,948	16,489
Investments	42,532	119,414
Taxes and other receivables, net	603	1,321
Grants receivable	54,083	321
Total current assets	<u>309,722</u>	<u>475,360</u>
Capital assets		
Land and other	145,414	138,516
Construction in process	538,498	504,615
Property and equipment	2,265,978	2,093,280
Less accumulated depreciation	(900,151)	(841,657)
Net capital assets	<u>2,049,739</u>	<u>1,894,754</u>
Prepaid expenses	171,642	192,959
Long-term restricted lease deposit	58,007	85,489
Long-term restricted receivable	6,109	22,035
Other assets	<u>2,955</u>	<u>2,696</u>
Total assets	<u>\$ 2,598,174</u>	<u>\$ 2,673,293</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 13,484	\$ 11,683
Accounts payable from restricted funds	18,134	46,796
Accrued payroll	18,902	17,179
Current portion of long-term debt	96,928	66,125
Accrued pension obligation	32,920	33,677
Current portion of other postemployment benefits	13,298	11,340
Current portion of noncurrent liabilities	6,221	6,508
Deferred revenue	9,655	10,062
Other accrued liabilities	13,489	8,801
Deferred lease revenue, current portion	2,234	5,337
Total current liabilities	<u>225,265</u>	<u>217,508</u>
Noncurrent liabilities:		
Long-term debt	273,088	405,331
Deferred lease revenue	77,236	123,582
Long-term lease liability	130,810	127,044
Other postemployment benefits liability	77,965	34,693
Other long-term liabilities	6,947	4,657
Total noncurrent liabilities	<u>566,046</u>	<u>695,307</u>
Total liabilities	<u>791,311</u>	<u>912,815</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	1,679,816	1,427,816
Restricted for capital projects	25,610	72,572
Restricted for debt service	133,620	103,218
Unrestricted	(32,183)	156,872
Total net assets	<u>1,806,863</u>	<u>1,760,478</u>
Total liabilities and net assets	<u>\$ 2,598,174</u>	<u>\$ 2,673,293</u>

See accompanying notes to basic financial statements

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008  
 (dollars in thousands)

	2009	2008
<b>Operating revenues</b>		
Passenger revenue	\$ 90,017	\$ 80,815
Auxiliary transportation and other revenue	32,770	31,803
Total operating revenues	<u>122,787</u>	<u>112,618</u>
<b>Operating expenses</b>		
Labor	136,528	128,586
Fringe benefits	157,453	151,831
Materials and services	85,143	72,928
Utilities	6,858	6,152
Purchased transportation	35,430	33,010
Depreciation expense	65,013	63,960
Other operating expense	5,307	6,500
Total operating expenses	<u>491,732</u>	<u>462,967</u>
Operating loss	<u>(368,945)</u>	<u>(350,349)</u>
<b>Nonoperating revenues and (expenses)</b>		
Payroll and other tax revenue	209,937	215,133
Property tax revenue	8,908	9,416
Grant revenue	63,599	60,440
Interest income	1,767	6,874
Net leveraged lease income (expense)	2,464	(765)
Interest and other expense	<u>(4,068)</u>	<u>(7,401)</u>
Total nonoperating revenues, net	<u>282,607</u>	<u>283,697</u>
Loss before contributions and special items	(86,338)	(66,652)
Capital contributions	127,349	151,522
Special items	5,374	(621)
Changes in net assets	46,385	84,249
Total net assets - beginning	1,760,478	1,676,229
Total net assets - ending	<u>\$ 1,806,863</u>	<u>\$ 1,760,478</u>

*See accompanying notes to basic financial statements*

**STATEMENTS OF CASH FLOWS**  
 OR THE YEARS ENDED JUNE 30, 2009 AND 2008  
 (dollars in thousands)

	2009	2008
<b>Cash flows from operating activities</b>		
Receipts from passengers	\$ 88,331	\$ 78,947
Receipts from other sources	33,811	23,449
Payments to employees	(248,081)	(230,495)
Payments to suppliers	(133,694)	(116,753)
Net cash used in operating activities	<u>(259,633)</u>	<u>(244,852)</u>
<b>Cash flows from noncapital financing activities</b>		
Receipts from payroll taxes	213,748	214,279
Receipts from operating grants	62,513	57,575
Net cash provided by noncapital financing activities	<u>276,261</u>	<u>271,854</u>
<b>Cash flows from capital and related financing activities</b>		
Receipts from capital grants	89,103	276,731
Receipts from property taxes	9,008	9,278
Receipts from other sources	13,926	105
Receipts from sales or lease of capital assets	2,576	368
Acquisition and construction of capital assets	(235,863)	(296,281)
Proceeds from issuance of debt and capital leases	28	252
Principal payments on long-term debt	(100,373)	(20,751)
Interest payments on long-term debt activities	(20,312)	(21,288)
Net cash used in capital and related financing activities	<u>(241,907)</u>	<u>(51,586)</u>
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(96,603)	(720,170)
Proceeds from sales and maturities of investment securities	383,376	647,044
Interest received	3,853	18,681
Net cash provided by (used in) investing activities	<u>290,626</u>	<u>(54,445)</u>
Net increase (decrease) in cash and cash equivalents	65,347	(79,029)
Cash and cash equivalents, beginning of year	<u>34,266</u>	<u>113,295</u>
Cash and cash equivalents, end of year	<u>\$ 99,613</u>	<u>\$ 34,266</u>
<b>Reconciliation of cash and cash equivalents</b>		
Unrestricted cash and cash equivalents	\$ 56,665	\$ 17,777
Restricted cash and cash equivalents	<u>42,948</u>	<u>16,489</u>
Total cash and cash equivalents	<u>\$ 99,613</u>	<u>\$ 34,266</u>

*See accompanying notes to basic financial statements*

**STATEMENTS OF CASH FLOWS**  
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008  
 (dollars in thousands)  
**CONTINUED**

	2009	2008
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (368,945)	\$ (350,349)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	65,013	63,960
(Gain) loss on disposal of capital assets	(97)	460
(Increase) decrease in taxes and other receivables	79	(10,280)
(Increase) decrease in materials, supplies and other	(3,364)	72
(Increase) decrease in prepaid and other assets	726	(1,810)
Increase in operating accounts payable	1,800	3,679
Increase in accrued payroll	1,723	746
Decrease in deferred revenue	(629)	(419)
Increase (decrease) in pension obligation	(757)	3,129
Increase in other post-employment benefit obligation	45,230	46,033
Increase (decrease) in other liabilities	(412)	(73)
Total adjustments	<u>109,312</u>	<u>105,497</u>
Net cash used in operating activities	<u>\$ (259,633)</u>	<u>\$ (244,852)</u>

**SUPPLEMENTAL DISCLOSURES OF NON-CASH OPERATING,  
 INVESTING AND FINANCING ACTIVITIES**  
 (dollars in thousands)

	2009	2008
Lease income (expense) - net	\$ 2,464	\$ (765)
Accretion/amortization of investments	208	9,177
Fiber optic lease	280	258
Amortization of bond issue cost, premium/discount, and deferred amounts	(1,095)	(688)

*See accompanying notes to basic financial statements*



**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2009

(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 sets District policy, levies taxes, appropriates funds, adopts budgets and performs other duties required by state and federal law.

The District uses two budgetary funds to account for its activities: General and Debt Service. The General Fund accounts for the financial resources associated with operating the District. Principal sources of revenue in the General Fund are passenger fares, employer payroll and self employment taxes, State of Oregon payroll assessments, 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 Debt Service Fund accounts for the servicing of general obligation bond debt. The principal source of revenue in the Debt Service Fund is ad valorem tax. The primary expenditures in the Debt Service Fund are principal repayments and interest expense.

**(a) Financial reporting entity**

The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (1) the ability to impose will by the primary government, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the above criteria, the District does not have any component units that require inclusion in the financial statements. Conversely, the District is not a component unit of another government.

**(b) Basis of accounting and revenue recognition**

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized as an expense in the statements of revenues, expenses and changes in net assets, and all assets and liabilities associated with the operation of the District are included in the balance sheets.

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 nonoperating revenues and expenses.

Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, requires that governments' proprietary activities apply all GASB pronouncements, as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed by GASB Statement No. 20, the District has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

**(c) Restricted assets**

Certain proceeds of the District's revenue bonds, as well as certain resources set aside 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 applicable bond covenants.

**(d) 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 0.6718 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 current cash receipts and are accrued up in the period that cash is collected. TriMet records an allowance for past due amounts that have not been collected as of year-end.

Annually, TriMet levies an *ad valorem* property tax on all the taxable property within the boundaries of the District in an amount sufficient to pay the annual principal and interest on all voter-approved general obligation bonds (see Note 8).

**(e) 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, revenues and expenses as of and for the years ended June 30, 2009 and 2008. Actual results may differ from those estimates.

**(f) Cash and cash equivalents**

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

**(g) 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, repurchase agreements, and the State of Oregon Local Government Investment Pool.

Investments with original maturities of less than one year are accounted for at amortized cost in accordance with GASB Statement No. 31. Remaining investments are accounted for at fair value.

**(h) Materials and supplies**

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

**(i) Prepaid expenses**

Prepaid expenses include amounts paid to vendors for services to be received in future months and short-term deferred outflows associated with commodity swaps.

**(j) Other assets**

Other assets include costs incurred in conjunction with the issuance of revenue bonds. These costs are being amortized over the life of the bonds.

**(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 contained in GASB Statement No. 33. 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 market 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 assets as operating 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 and stations	5-40 years
Buildings	40 years
Transportation equipment	5-30 years
Furniture and other equipment	3-20 years

**(m) Compensated absences**

Vacation leave that has been earned but not paid has been accrued in the accompanying financial statements. 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 Management Defined Contribution Pension Plan (Management DC Plan), the District contributes 60 percent of unused sick leave when the employee leaves TriMet. The District has recorded a liability in the accompanying financial statements related to the unused sick leave for employees covered by the Management DC Plan of \$800 and \$803 at June 30, 2009 and June 30, 2008, respectively. Unused sick leave benefits that enhance either defined benefit pension plan discussed in Note 5 are included in the actuarial accrued liability in accordance with GASB Statement No. 16 and GASB Statement No. 27.

**(n) Restricted resources**

When both restricted and unrestricted resources are available for use, it is TriMet's policy to use restricted resources first and then unrestricted resources, as they are needed.

**(o) New pronouncements**

During 2009, TriMet implemented the following new GASB pronouncements:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement requires accrual of pollution remediation liability when an obligating event occurs.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires measurement of derivative instruments at fair value in the balance sheet.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations and subsequent events.

During 2008, TriMet implemented the following GASB pronouncements:

GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for measurement, recognition, and presentation of Other Postemployment Benefits (OPEB) in the District's financial statements. The District provides medical, dental, and life insurance for eligible retirees and dependents.

GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments should use to determine whether proceeds from sale or pledges of receivables and future revenues should be reported as a revenue or a liability. This statement also requires additional note disclosure for pledged revenues. This statement had no financial statement impact on the District in 2008.

GASB Statement No. 50 *Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27*. This statement requires additional note disclosure for defined benefit plans.

The following GASB pronouncement has been issued, but is not yet effective at June 30, 2009:

GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*

The District will implement the new GASB pronouncement in the fiscal year no later than the required effective date. TriMet does not anticipate that this GASB pronouncement will have a significant financial impact to the District.

## 2. CASH AND INVESTMENTS

Cash and Investments at June 30 consisted of the following:

	2009			2008		
	Fair Value	% of Portfolio	Weighted Average Maturity (years)	Fair Value	% of Portfolio	Weighted Average Maturity (years)
<b>Cash</b>						
Cash on hand	\$ 83			\$ 83		
Demand deposits with financial institutions	1,105			1,179		
Total cash	<u>\$ 1,188</u>			<u>\$ 1,262</u>		
<b>Investments</b>						
State of Oregon local government investment pool	\$ 41,970	29.8%	-	\$ 27,090	7.5%	-
Federal Home Loan Bank	9,999	7.1%	0.08	-	0.0%	-
Federal Home Loan Mortgage Corp.	1,026	0.7%	0.19	-	0.0%	-
Federal National Mortgage Association	40,630	28.8%	0.08	14,899	4.1%	0.51
U.S. Treasuries	47,332	33.6%	0.56	269,238	74.3%	0.33
Commercial paper	-	0.0%	-	51,082	14.1%	0.29
Total investments	<u>140,957</u>			<u>362,309</u>		
Total cash and investments	<u>\$ 142,145</u>			<u>\$ 363,571</u>		
Cash and investments are reflected in the balance sheets as follows:						
<b>Cash and cash equivalents</b>						
Unrestricted	\$ 56,665			\$ 17,777		
Restricted	42,948			16,489		
<b>Investments</b>						
Unrestricted	-			209,891		
Restricted	42,532			119,414		
Total cash and investments	<u>\$ 142,145</u>			<u>\$ 363,571</u>		

**Interest rate risk.** 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 18 months. Funds held for long-term construction projects may be invested under the authority of ORS 294.135 with maturities longer than 18 months.

**Credit risk.** Oregon State law (ORS 294 and 295), which is consistent with TriMet's investment policy, 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 permitted investments for the District per their investment policy; however, the policy states that the District intends to confine its investments to government securities, agency securities, repurchase agreements, bank liabilities, commercial paper and corporate bonds and the local government investment pools. The Local Government Investment Pool is an open-ended, diversified portfolio offered to eligible participants including Oregon municipalities and political subdivisions. The Oregon State Treasurer's Office manages the pool in the same manner it oversees the management of the State's funds and in accordance with the prudent investor rule. The pool is commingled with the State's short-term funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable net asset value fund, and it is not currently rated by an independent rating agency. The OSFT is an external investment pool as defined by GASB 31.

*Concentration of credit risk.* 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, deferred compensation and bonds. 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 (25% maximum with any one agency), repurchase agreements (25% maximum with any one institution), bank liabilities (25% maximum with any one financial institution), local government investment pool (limited to maximum per ORS 294.810), and commercial paper and corporate bonds (10% maximum with any Oregon issuer, 5% with any non-Oregon issuer). At June 30, 2009, the District had 33.6 percent invested in U.S. government securities, 36.6 percent in agency securities, and 29.8 percent in local government investment pool.

*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 to the District. ORS Chapter 295 governs the collateralization of 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 deposit insurance amounts. All banks holding funds in TriMet's name were properly 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 TriMet's safekeeping bank acting as safekeeping agent. A portion of TriMet's investments are invested in an external investment pool, held by the State of Oregon in the local government investment pool (LGIP). Numerous local governments in Oregon, as well as State agencies, participate in the fund. The LGIP does not report all investments at fair value in accordance with the provisions of GASB Statement No. 31. The LGIP is required by Oregon Revised Statutes (ORS) to compute the fair value of all investments maturing more than 270 days from the date the computation is made. If the fair value totals more than one (1%) percent of the balance of the LGIP in terms of unrealized gain or loss, the amount is required to be distributed to the pool participants. 50 percent of the LGIP portfolio must mature within 93 days. Up to 25 percent of the LGIP portfolio may mature in over one year and no investment may mature in over three years. At June 30, 2009, the District's share of the amount of unrealized loss reported by the LGIP, in accordance with ORS, was considered immaterial.

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 LGIP are further governed by portfolio guidelines issued by the Fund Board.

### **3. DIESEL FUEL HEDGE**

The District has entered into commodity swap agreements to hedge a portion of the District's fuel consumption. As of June 30, 2009, the District has three outstanding commodity swaps.

Under the terms of the agreements, on a monthly basis, the District pays a counterparty an amount based upon a fixed rate per gallon, and receives an amount based on a average near month NYMEX home heating oil contract price per gallon. If the fixed rate exceeds the variable rate for the month, the District pays the counterparty for the difference. If the variable rate exceeds the fixed rate for the month, the counterparty pays the District for the difference.

The net value of the derivative instrument is recorded in other accrued liabilities. The short term deferred outflows of the derivative are recorded in prepaid assets and the long term deferred outflows are recorded in other assets.

The objective for the hedge transaction is to hedge the changes in cash flows due to market price fluctuations related to expected purchases of diesel fuel. The terms of the hedge agreements are as follows:

Counterparty	Fixed rate paid	Variable rate received	Fair value (dollars in thousands)	Start Date	End Date	Monthly Notional Amount in Gallons
KeyBank National Association	\$ 3.2650	NYMEX home heating oil	\$ (1,462)	7/1/2009	9/30/2009	336,000
KeyBank National Association	3.2650	NYMEX home heating oil	(3,104)	10/1/2009	9/30/2010	210,000
J. Aron & Company	2.9400	NYMEX home heating oil	(1,812)	7/1/2009	9/30/2010	126,000
KeyBank National Association	1.8525	NYMEX home heating oil	23	10/1/2009	12/31/2009	126,000
KeyBank National Association	1.8525	NYMEX home heating oil	123	1/1/2010	9/30/2010	84,000
KeyBank National Association	1.8525	NYMEX home heating oil	351	10/1/2010	1/31/2011	336,000
			<u>\$ (5,881)</u>			

The fair value is the theoretical cost to terminate a swap at the valuation date. The fair values were estimated by discounting forward NYMEX fuel prices applied to hedged volumes as of June 30, 2009. The future net settlement payments or receipts required by the hedge agreements are calculated by assuming that the current forward prices implied by the forward curve for heating oil correctly anticipate future spot prices.

The following risks are generally associated with swap agreements:

**Basis Risk** – the risk that there is a mismatch between the variable fuel price received from the counterparties and the variable price paid by the District for fuel purchases. The District receives from the counterparties an amount based on NYMEX home heating oil prices. The District has mitigated basis risk by establishing pricing based on the NYMEX home heating oil index in its fuel purchase contracts with the diesel supplier.

**Counterparty Risk** – the risk that the counterparty fails to make the required payments or otherwise comply with the terms of the swap agreement. This non-performance would usually result from financial difficulty, but could also occur for physical, legal or business reasons. This risk is mitigated by establishing minimum credit quality criteria. To mitigate credit risk, the District monitors the credit ratings of the counterparties.

The aggregate fair values of commodity swap agreements in asset positions at June 30, 2009 is \$497. This represents the maximum loss that would be recognized as the reporting date if the counterparty fails to perform as contracted. At June 30, 2009, credit ratings for the counterparties were as follows:

Counterparty	Moody's	Standard & Poors
KeyBank National Association	A2	A-
J. Aron & Company	Aa3	A-1

**Termination Risk** – the risk that there will be a mandatory early termination of the commodity swap that would result in the District either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty or the District suffers degraded credit quality, bankruptcy or failure to perform. Upon termination, payment may be required by either party, reflecting fair value at the time of termination.

**4. RECEIVABLES**

Taxes and other receivables at June 30, 2009 and 2008, including the applicable allowances for uncollectible accounts, are as follows:

2009	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	\$ 52,497	\$ 1,927	\$ 50,570
Self-employment tax	5,980	732	5,248
Trade accounts	9,903	300	9,603
Other	7,577	-	7,577
Total unrestricted	75,957	2,959	72,998
Restricted:			
Property tax	554	115	439
Other	164	-	164
Total restricted	718	115	603
Total taxes and other receivables	\$ 76,675	\$ 3,074	\$ 73,601
2008	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	\$ 53,491	\$ 671	\$ 52,820
Self-employment tax	7,436	583	6,853
Trade accounts	7,295	300	6,995
Other	10,220	-	10,220
Total unrestricted	78,442	1,554	76,888
Restricted:			
Property tax	825	287	538
Other	783	-	783
Total restricted	1,608	287	1,321
Total taxes and other receivables	\$ 80,050	\$ 1,841	\$ 78,209

At June 30, 2009 and 2008, the District had the following receivables under various federal and state grant agreements:

2009	Grant Receivable
Federal pass through	\$ 2,224
Other federal	33,982
State grants	1,445
Local governments	28,574
	\$ 66,225
2008	Grant Receivable
Federal pass through	\$ 2,125
Other federal	1,090
State grants	170
Local governments	7,229
	\$ 10,614

The District had incurred costs of \$83,815 and \$74,876 at June 30, 2009 and 2008, respectively, which are, or are likely to be, eligible for reimbursement under the Federal Transit Administration (FTA) Capital Program (Section 5309) current and future Full Funding Grant Agreements relating to the I-205/Portland Mall Light Rail Project. TriMet records capital contributions upon meeting all eligibility requirements, including the appropriation of the funds.

5. CAPITAL ASSETS

Capital assets at June 30 consisted of the following:

2009	Lives (in years)	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Capital assets, not being depreciated</b>						
Land and other		\$ 138,516	\$ 7,191	\$ -	\$ (293)	\$ 145,414
Construction in process		504,615	210,531	-	(176,648)	538,498
Total capital assets, not being depreciated		<u>643,131</u>	<u>217,722</u>	<u>-</u>	<u>(176,941)</u>	<u>683,912</u>
<b>Capital assets, being depreciated</b>						
Rail right-of-way and stations	5-40	1,362,345	-	(3)	101,623	1,463,965
Buildings	40	236,783	6	(1,012)	25,211	260,988
Transportation equipment	5-30	382,084	-	(3,613)	47,480	425,951
Furniture and other equipment	3-20	112,068	2,334	(1,955)	2,627	115,074
Total capital assets, being depreciated		<u>2,093,280</u>	<u>2,340</u>	<u>(6,583)</u>	<u>176,941</u>	<u>2,265,978</u>
<b>Less accumulated depreciation for</b>						
Rail right-of-way and stations		(406,006)	(37,995)	2	1	(443,998)
Buildings		(136,595)	(6,646)	1,011	18	(142,212)
Transportation equipment		(207,499)	(17,519)	3,613	(11)	(221,416)
Furniture and other equipment		(91,557)	(2,853)	1,893	(8)	(92,525)
Total accumulated depreciation		<u>(841,657)</u>	<u>(65,013)</u>	<u>6,519</u>	<u>-</u>	<u>(900,151)</u>
Total capital assets, being depreciated, net		<u>1,251,623</u>	<u>(62,673)</u>	<u>(64)</u>	<u>176,941</u>	<u>1,365,827</u>
Total capital assets, net		<u>\$ 1,894,754</u>	<u>\$ 155,049</u>	<u>\$ (64)</u>	<u>\$ -</u>	<u>\$ 2,049,739</u>
<b>2008</b>						
	Lives (in years)	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Capital assets, not being depreciated</b>						
Land and other		\$ 119,883	\$ 7,838	\$ (1,255)	\$ 12,050	\$ 138,516
Construction in process		224,886	308,267	-	(28,538)	504,615
Total capital assets, not being depreciated		<u>344,769</u>	<u>316,105</u>	<u>(1,255)</u>	<u>(16,488)</u>	<u>643,131</u>
<b>Capital assets, being depreciated</b>						
Rail right-of-way and stations	5-40	1,360,986	-	(124)	1,483	1,362,345
Buildings	40	228,756	-	(1,021)	9,048	236,783
Transportation equipment	5-30	380,688	-	(2,262)	3,658	382,084
Furniture and other equipment	3-20	112,973	1,420	(4,624)	2,299	112,068
Total capital assets, being depreciated		<u>2,083,403</u>	<u>1,420</u>	<u>(8,031)</u>	<u>16,488</u>	<u>2,093,280</u>
<b>Less accumulated depreciation for</b>						
Rail right-of-way and stations		(369,039)	(37,091)	124	-	(406,006)
Buildings		(131,298)	(6,820)	828	695	(136,595)
Transportation equipment		(192,667)	(17,094)	2,262	-	(207,499)
Furniture and other equipment		(92,530)	(2,955)	4,623	(695)	(91,557)
Total accumulated depreciation		<u>(785,534)</u>	<u>(63,960)</u>	<u>7,837</u>	<u>-</u>	<u>(841,657)</u>
Total capital assets, being depreciated, net		<u>1,297,869</u>	<u>(62,540)</u>	<u>(194)</u>	<u>16,488</u>	<u>1,251,623</u>
Total capital assets, net		<u>\$ 1,642,638</u>	<u>\$ 253,565</u>	<u>\$ (1,449)</u>	<u>\$ -</u>	<u>\$ 1,894,754</u>



## 6. PENSION BENEFITS

TriMet contributes to a single employer defined contribution plan - the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (the Management DC Plan) and 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).

Each plan is administered by TriMet and maintained on the accrual basis of accounting. Each plan's assets are held in trust, independent of TriMet, and solely for the purpose of paying each plan's benefits and administrative expenses. The plans are not included in the reporting entity of TriMet. The assets are invested in a variety of stocks, bonds, and other securities. None of the retirement plans include in its assets any TriMet securities or securities of any related parties. No loans have been granted to TriMet from plan funds.

A third party administrator, The Standard, provides administration of the Management DC Plan trust. The TriMet Board of Directors ("Board") has appointed a committee to oversee the Management DC Plan. The Board has appointed four people to oversee the Management DB Plan. Three trustees appointed by the Board and three union representatives appointed by the Amalgamated Transit Union ("Union") oversee the Bargaining Unit DB Plan.

TriMet's annual required contributions under both defined benefit plans are actuarially determined and recognized in the current reporting period. TriMet funds each defined benefit plan based upon the annual required contribution and in accordance with the assumptions included under each plan. Funding of the defined contribution plan is done on a perpetual basis in conjunction with the District's normal payroll processes.

### ***Management DC Plan***

#### *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 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 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).

#### *Basis of accounting*

Management DC Plan financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

#### *Method used to value investments*

Plan investments are reported at fair value. Fair value of securities is determined by the plan asset managers.

As of June 30, 2009 and 2008 there were 214 and 201 active employees, respectively, covered by the Management DC Plan. District contributions to the Management DC Plan were \$1,155 and \$1,143 for the years ending June 30, 2009 and 2008, respectively. Employee contributions to the Management DC Plan were \$577 and \$518 for the years ending June 30, 2009 and 2008, respectively.

**Management DB Plan**

*Plan description*

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. 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, and subsequently amended as of January 1, 2004, March 22, 2005, July 1, 2005, July 1, 2006 and restated as of January 1, 2008. 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.

*Funding policy and annual pension cost*

The funding policy of the Management DB Plan provides for an actuarially computed required contribution determined using the individual entry age normal actuarial cost method. The required contribution 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 employee between entry age and assumed exit age. Until June 30, 2003, past service liabilities were amortized in level payments over a 40 year period, which began July 1, 1985. In 2003, the Management DB Plan was closed to new participants and past service liabilities were funded over the following periods: seven years in fiscal year 2008, and eight years in 2007 and 2006. Prior to the June 30, 2009 actuarial valuation, the plan costs were determined using the frozen entry age normal method. In fiscal year 2009, the District adopted changes recommended by the plan actuary, resulting in funding of past service obligations over a closed twenty year period and adoption of the entry age normal cost method.

<b>Schedule of Funding Progress</b>			
	Actuarial valuation date		
	June 30, 2009	June 30, 2008	June 30, 2007
<b>Management DB Plan</b>			
Actuarial value of plan assets	\$ 65,202	\$ 59,066	\$ 61,016
Actuarial accrued liability (AAL)	96,749	84,974	75,616
Unfunded AAL	31,547	25,908	14,600
Funded ratio	67.4%	69.5%	80.7%
Annual covered payroll	17,130	17,842	19,644
Unfunded AAL as a percentage of covered payroll	184.2%	145.2%	74.3%

*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 7.0 percent, an annual cost of living increase of 4.0 percent and annual salary increases of 5.0 percent. The actuarial value of plan assets is calculated as the market value of assets held in trust, plus any accrued income and accrued contributions for the prior plan year.

<b>Schedule of Annual Pension Cost</b>			
	Actuarial valuation date		
	June 30, 2009	June 30, 2008	June 30, 2007
<b>Management DB Plan</b>			
Annual required contribution (ARC)	4,088	6,888	3,832
Contributions made in September <sup>1</sup>	4,143	6,974	3,887
Contributions made as a percentage of ARC	101.3%	101.2%	101.4%
Contributions made as a percentage of covered payroll	24.2%	39.1%	19.8%
Net pension obligation	-	-	-

<sup>1</sup> The 2009 required contribution was deposited to the Management DB Plan subsequent to June 30, 2009 and, accordingly, an equivalent amount is reflected in the accompanying June 30, 2009 balance sheet within accrued pension obligation.

**Bargaining Unit DB Plan**

*Plan description*

The Bargaining Unit DB Plan covers all full-time and part-time employees represented by the Amalgamated Transit Union. 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 September 1, 2008 are \$70.84 per month, per year of service. Each September 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. Provisions of the Working and Wage Agreement between TriMet and the Union effective December 1, 2003, 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. No employee contributions are required or permitted under the Bargaining Unit DB Plan.

*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. As of June 30, 2009 TriMet is amortizing past service liabilities over 20 years. The funding policy of the Bargaining Unit DB Plan provides for an actuarially computed annual required contribution. The required contribution consists of a normal cost and an amortization of the unfunded actuarial accrued liability. The normal cost is determined as the sum of the actuarial present value of the projected benefits earned by each participant during the year.

<b>Schedule of Funding Progress</b>			
<b>Bargaining Unit DB Plan</b>	Actuarial valuation date		
	July 1, 2009	July 1, 2008	July 1, 2007
Actuarial value of plan assets	\$ 217,113	\$ 238,883	\$ 209,392
Actuarial accrued liability (AAL)	460,333	427,305	399,237
Unfunded AAL	243,220	188,422	189,845
Funded ratio	47.2%	55.9%	52.4%
Annual covered payroll	123,784	116,418	111,877
Unfunded AAL as a percentage of covered payroll	196.5%	161.8%	169.7%

*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 8.0 percent, a benefits in payment status annual increase of 3.0 percent, and a 3.0 percent annual rate is used to determine the normal retirement benefit for active employees.

<b>Schedule of Annual Pension Cost</b>			
<b>Bargaining Unit DB Plan</b>	Actuarial valuation date		
	July 1, 2009	July 1, 2008	July 1, 2007
Annual required contribution (ARC)	28,051	26,154	26,177
Contributions made in September <sup>1</sup>	28,051	26,154	26,177
Contributions made as a percentage of ARC	100.0%	100.0%	100.0%
Contributions made as a percentage of covered payroll	22.7%	22.5%	23.4%
Net pension obligation	-	-	-

<sup>1</sup> The 2009 required contribution was deposited to the Bargaining Unit DB Plan subsequent to June 30, 2009 and, accordingly, an equivalent amount is reflected in the accompanying June 30, 2009 balance sheet within accrued pension obligation.

## 7. 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. Tax laws governing IRC Section 457(b) plans changed, requiring existing plans like the District's to transfer all assets and income of the plan to a trust for the exclusive benefit of the participants and their beneficiaries. The District complied with this requirement before January 1, 1999. Due to transfer of plan assets and liabilities, the District no longer has a liability for losses under the plan. The plan is administered by the employee participants. The Board appoints a committee to perform the administrative 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, 2009 and 2008, the District's vacation pay liability was \$9,826 and \$9,415, respectively, all of which was classified as a current liability.

### *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 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 \$7.5 to non-union retirees. The District's postemployment insurance plan does not issue a publicly available financial report.

#### *Funding policy*

The District has created, but not funded a trust fund for future net OPEB obligations. The District pays for 100% of the premiums for eligible retirees. Retirees may not convert the benefit into an in lieu payment to secure coverage under independent plans. There were 1,029 and 995 union and non-union retirees, dependents, and surviving spouses receiving the postemployment health care and life insurance benefits, at June 30, 2009 and 2008, respectively. The District's contribution is based on projected pay-as-you-go financing requirements. The District contributed costs of postemployment health care and life insurance benefits totaling \$12,797 and \$11,147 in fiscal 2009 and 2008, respectively.

*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 any unfunded actuarial liabilities over a period of 30 years. A schedule of the components of the District’s annual OPEB cost for the year ended June 30, 2009 is presented below.

	2009	2008
Annual required contribution (ARC)	\$ 54,867	\$ 54,867
Interest on net OPEB obligation	3,160	1,078
Adjustment to annual required contribution	-	1,235
Annual OPEB cost	<u>58,027</u>	<u>57,180</u>
Contributions made	<u>(12,797)</u>	<u>(11,147)</u>
Increase in net OPEB obligation	45,230	46,033
Net OPEB obligation - beginning of year	46,033	-
Net OPEB obligation - end of year	<u>\$ 91,263</u>	<u>\$ 46,033</u>
Percentage of annual OPEB cost contributed	22%	19%

Funded status and funding progress – A schedule of funding progress is presented below.

<b>Schedule of funding progress</b>	
Actuarial valuation date	<u>January 1, 2008</u>
Actuarial value of assets	\$ -
Actuarial accrued liability (AAL) - unit credit	<u>632,204</u>
Unfunded AAL (UAAL)	632,204
Funded ratio	0%
Covered payroll	\$ 130,726
UAAL as a percentage of covered payroll	484%

*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, 2008 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 4.5%, and health care cost rates trending down from 9% in 2008 to 5% in 2016 for the major medical component, which is representative of the entire plan. The District’s UAAL is being amortized using the level-dollar method with a closed group 30 year amortization methodology.

8. LONG-TERM DEBT

2009	Beginning balance	Additions	Reductions	Ending balance	Due within one year
<b>Long-term debt:</b>					
1999 General Obligation Refunding Bonds, Series A	\$ 44,395	\$ -	\$ (8,015)	\$ 36,380	\$ 8,420
2001 Revenue Refunding Bonds, Series A	9,070	-	(2,340)	6,730	2,435
2003 Revenue Refunding Bonds, Series A	13,975	-	(1,335)	12,640	1,380
2005 Revenue Refunding Bonds, Series A	50,710	-	(2,880)	47,830	2,995
Capital Grant Receipt Revenue Bonds, Series 2005	71,845	-	(7,330)	64,515	7,640
2006 Payroll Tax and Grant Receipts Revenue Bonds	230,000	-	(77,230)	152,770	72,770
2007 Revenue Bonds, Series A	44,340	-	(1,150)	43,190	1,195
Other	318	28	(93)	253	93
	<u>464,653</u>	<u>28</u>	<u>(100,373)</u>	<u>364,308</u>	<u>96,928</u>
Add (deduct):					
Unamortized bond premium	12,350	-	(2,036)	10,314	
Unamortized bond discount	(21)	-	7	(14)	
Deferred amount on legal defeasance	(5,526)	-	934	(4,592)	
Current portion	(66,125)			(96,928)	
Long-term debt, net	<u>\$ 405,331</u>			<u>\$ 273,088</u>	
<b>2008</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Due within one year</b>
<b>Long-term debt:</b>					
1999 General Obligation Refunding Bonds, Series A	\$ 52,020	\$ -	\$ (7,625)	\$ 44,395	\$ 8,015
2001 Revenue Refunding Bonds, Series A	11,320	-	(2,250)	9,070	2,340
2003 Revenue Refunding Bonds, Series A	15,270	-	(1,295)	13,975	1,335
2005 Revenue Refunding Bonds, Series A	53,475	-	(2,765)	50,710	2,880
Capital Grant Receipt Revenue Bonds, Series 2005	77,510	-	(5,665)	71,845	7,330
2006 Payroll Tax and Grant Receipts Revenue Bonds	230,000	-	-	230,000	42,987
2007 Revenue Bonds, Series A	45,450	-	(1,110)	44,340	1,150
Other	107	252	(41)	318	88
	<u>485,152</u>	<u>252</u>	<u>(20,751)</u>	<u>464,653</u>	<u>66,125</u>
Add (deduct):					
Unamortized bond premium	13,935	-	(1,585)	12,350	
Unamortized bond discount	(27)	-	6	(21)	
Deferred amount on legal defeasance	(6,417)	-	891	(5,526)	
Current portion	(20,737)			(66,125)	
Long-term debt, net	<u>\$ 471,906</u>			<u>\$ 405,331</u>	

Total interest cost on all outstanding debt was \$20,338 and \$21,732 in fiscal 2009 and fiscal 2008, respectively. During fiscal 2009, \$14,328 of interest cost was capitalized and \$6,010 was charged to expense, while during fiscal 2008, \$15,564 of interest cost was capitalized and \$6,168 was charged to expense.

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, levy of specified taxes 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 earnings from the investment of tax exempt bond proceeds, which exceed related interest expenditures on the 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 an arbitrage liability of \$3,102 and \$3,403 as of June 30, 2009 and 2008, respectively. This arbitrage liability is reported in other accrued liabilities.

**(a) 1999 Revenue Bonds, Series A**

On June 16, 1999, TriMet issued \$36,660 in 1999 Revenue Bonds, Series A (1999 Revenue Bonds) to finance the acquisition, construction, installation and equipping of facilities for TriMet’s mass transit system related to the Airport MAX Light Rail Project.

The 1999 Revenue Bonds were legally defeased with the issuance of the 2005 Revenue Refunding Bonds, Series A. As of June 30, 2009 and 2008, there were \$24,255 and \$25,880, respectively, in legally defeased bonds. Final redemption of all remaining 1999 Revenue Bonds was completed on August 1, 2009.

**(b) 1999 General Obligation Refunding Bonds, Series A**

On April 13, 1999, TriMet refunded and defeased, in substance, future principal and interest payments on its 1992 General Obligation Bonds, Series A, of \$84,005 and \$57,265, respectively. The 1999 General Obligation Refunding Bonds, Series A (1999 G.O. Bonds) carry an original face amount of \$79,965 and mature serially each July 1, beginning July 1, 2000 through 2012. Interest is payable semiannually on July 1 and January 1, and fixed interest rates range from 4.0 percent to 5.25 percent on various maturities.

The 1999 G.O. Bonds payable with proceeds from TriMet’s ad valorem property tax levied each year and are payable through fiscal year ending June 30, 2013. The principal and interest remaining on the bonds is \$40,307. Principal and interest paid for the current year and total property tax revenues were \$10,111 and \$8,908, respectively.

Future maturities of the 1999 General Obligation Refunding Bonds, Series A, are as follows:

Fiscal year ending June 30:	Principal	Interest
2010	\$ 8,420	\$ 1,680
2011	8,845	1,234
2012	9,315	757
2013	9,800	256
	<u>\$ 36,380</u>	<u>\$ 3,927</u>

**(c) 2000 Revenue Bonds, Series A**

On October 26, 2000, TriMet issued \$45,000 in 2000 Revenue Bonds, Series A (2000 Revenue Bonds) to finance the acquisition, construction, installation and equipping of facilities for TriMet’s mass transit system regarding the Interstate Avenue Light Rail Project.

The 2000 Revenue Bonds were legally defeased with the issuance of the 2005 Revenue Refunding Bonds, Series A. As of June 30, 2009 and 2008 there were \$20,745 and \$21,945, respectively, in legally defeased bonds. Final redemption of all remaining 2000 Revenue Bonds is scheduled to occur on or before August 1, 2010.

**(d) 2001 Revenue Refunding Bonds, Series A**

On April 18, 2001, TriMet refunded and legally defeased future principal and interest payments on its 1992 Revenue Refunding Bonds, Series A, of \$24,510 and \$10,116, respectively, with the issuance of the 2001 Revenue Refunding Bonds, Series A (2001 Revenue Bonds). The 2001 Revenue Bonds carry an original face amount of \$23,090 and mature serially each September 1, beginning September 1, 2001 through 2011. Interest is payable semiannually on September 1 and March 1, and fixed interest rates range from 3.5 percent to 4.25 percent on various maturities.

The 2001 Revenue Bonds are payable from and secured by a pledge of the employer payroll and self employment taxes levied by the District and are payable through fiscal year 2012. The total remaining principal and interest on the Revenue Bonds is \$7,126. Principal and interest paid for the current year and total employer payroll and self employment taxes were \$2,669 and \$210,289, respectively.

Future maturities of the 2001 Revenue Refunding Bonds, Series A, are as follows:

Fiscal year ending June 30:	Principal	Interest
2010	\$ 2,435	\$ 231
2011	2,545	128
2012	1,750	37
	<u>\$ 6,730</u>	<u>\$ 396</u>

**(e) 2003 Revenue Refunding Bonds, Series A**

On January 21, 2003, TriMet refunded and legally defeased future principal and interest payments on its 1995 Revenue Bonds, Series A, of \$21,570 and \$9,099, respectively, with the issuance of the 2003 Revenue Refunding Bonds, Series A (2003 Revenue Bonds). The 2003 Revenue Bonds carry a face amount of \$19,705 and mature serially each September 1, beginning September 1, 2003 through 2016. Interest is payable semiannually on September 1 and March 1, and fixed interest rates on outstanding maturities range from 3.25 percent to 5.0 percent on various maturities.

The 2003 Revenue Bonds are payable from and secured by a pledge of the employer and self employment taxes levied by the District and are payable through fiscal year 2017. The total remaining principal and interest on the 2003 Revenue Bonds is \$15,002. Principal and interest paid for the current year and total employer payroll and self employment taxes were \$1,879 and \$210,289, respectively.

Future maturities of the 2003 Revenue Refunding Bonds, Series A, are as follows:

Fiscal year ending June 30:	Principal	Interest
2010	\$ 1,380	\$ 501
2011	1,425	454
2012	1,480	399
2013	1,535	339
2014	1,595	277
2015-2017	5,225	392
	<u>\$ 12,640</u>	<u>\$ 2,362</u>

**(f) 2005 Revenue Refunding Bonds, Series A**

On March 29, 2005, TriMet refunded and legally defeased 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). The 2005 Revenue Bonds carry a face amount of \$65,475 and mature serially each September 1, beginning September 1, 2005 through 2020. Interest is payable semiannually on September 1 and March 1, and fixed interest rates range from 4.0 percent to 5.0 percent on outstanding maturities.

The 2005 Revenue Bonds are payable from and secured by a pledge of the employer and self employment taxes levied by the District and are payable through fiscal year 2021. The total remaining principal and interest on the 2005 Revenue Bonds is \$63,577. Principal and interest paid for the current year and total employer payroll and self employment taxes were \$5,299 and \$210,289, respectively.

Future maturities of the 2005 Revenue Refunding Bonds, Series A, are as follows:

Fiscal year ending June 30:	Principal	Interest
2010	\$ 2,995	\$ 2,302
2011	3,135	2,163
2012	3,295	2,003
2013	3,465	1,834
2014	3,645	1,656
2015-2019	21,210	5,278
2020-2021	10,085	511
	<u>\$ 47,830</u>	<u>\$ 15,747</u>



**(g) Capital Grant Receipt Revenue Bonds, Series 2005**

On June 23, 2005, TriMet issued \$79,320 in Capital Grant Receipt Revenue Bonds, Series 2005 (Grant Receipt Revenue Bonds) 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 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, and are payable through fiscal year 2018. The total remaining principal and interest on the Revenue Bonds is \$76,418. Principal and interest paid for the current year and total Section 5307, STP, and CMAQ grant receipts for the District were \$10,525 and \$46,550, respectively. The Grant Receipt Revenue Bonds are not general obligations of the District, and no other revenues or funds of TriMet are pledged as security for the payment of interest or principal on the bonds.

The Grant Receipt Revenue Bonds 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 3.25 percent to 5.0 percent on outstanding maturities.

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

Fiscal year ending June 30:	Principal	Interest
2010	\$ 7,640	\$ 2,881
2011	7,990	2,531
2012	8,370	2,145
2013	8,775	1,736
2014	9,200	1,307
2015-2018	22,540	1,303
	<u>\$ 64,515</u>	<u>\$ 11,903</u>

**(h) Payroll Tax and Grant Receipt Revenue Bonds, Series 2006**

On September 6, 2006, TriMet issued \$230,000 in Payroll Tax and Grant Receipt Revenue Bonds, Series 2006 (Payroll Tax and Grant Receipt Revenue Bonds) to provide interim financing for the I-205/Portland Mall Light Rail Project. Bond proceeds will be used to provide project cash flow in advance of federal grants.

The Payroll Tax and Grant Receipt Revenue Bonds are payable from and secured solely by Section 5309 federal grant funds related to the I-205/Portland Mall Light Rail Project, a subordinated pledge of the employer and self employment taxes levied by the District, and debt service account and are payable through fiscal year 2014. The total remaining principal and interest on the Payroll Tax and Grant Receipt Revenue Bonds is \$163,459. Principal and interest paid for the current year and total Section 5309 federal grant funds related to the I-205/Portland Mall Light Rail Project were \$87,017 and \$112,746, respectively. The Payroll Tax and Grant Receipts Revenue Bonds are not general obligations of the District, and no other revenues or funds of TriMet are pledged as security for the payment of interest or principal on the bonds.

\$100,000 of the Payroll Tax and Grant Receipt Revenue Bonds mature serially each May 1, beginning May 1, 2010 through 2012. \$130,000 of the Payroll Tax and Grant Receipt Revenue Bonds are term bonds maturing May 1, 2014. All term bonds are subject to optional redemption by the District, in whole or in part, on or after May 1, 2009 at a price of par (100%) plus accrued interest thereon to the date of redemption. In fiscal year 2009, the District redeemed \$77,230 of eligible term bonds. The District has transferred \$47,400 into a debt service reserve account to fund the optional redemption of eligible term bonds in July 2009 and scheduled bond maturities in May 2010. Interest is payable semiannually on May 1 and November 1, and fixed interest rates range from 3.75 percent to 5.0 percent on outstanding maturities.

Future optional redemption and maturities of the Payroll Tax and Grant Receipts Revenue Bonds, Series 2006, are as follows:

Fiscal year ending June 30:	Principal	Interest
2010	\$ 72,770	\$ 5,071
2011	40,000	3,728
2012	40,000	1,890
	<u>\$ 152,770</u>	<u>\$ 10,689</u>

**(i) 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 are payable from and secured solely by a pledge of the employer payroll and self employment taxes levied by the District, and debt service account and are payable through fiscal year 2032. The total remaining principal and interest on the Revenue Bonds is \$67,614. Principal and interest paid for the current year and total employer payroll and self employment taxes were \$3,079 and \$210,289, respectively. The 2007 Revenue Bonds are not general obligations of the District, and no other revenues or funds of TriMet are pledged as security for the payment of interest or principal on the bonds.

The 2007 Revenue Bonds mature serially each September 1, beginning September 1, 2007 through 2026. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 4.0 percent to 5.0 percent on various 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.

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

Fiscal year ending June 30:	Principal	Interest
2010	\$ 1,195	\$ 1,870
2011	1,240	1,810
2012	1,285	1,746
2013	1,330	1,681
2014	1,380	1,613
2015-2019	7,730	6,989
2020-2024	9,385	5,195
2025-2029	11,510	2,992
2030-2032	8,135	528
	<u>\$ 43,190</u>	<u>\$ 24,424</u>

**(j) Interim Financing**

On June 22, 2009, the District entered into a Revolving Credit Agreement to provide interim financing for capital project costs or for working capital. The Credit Agreement provides for up to \$50,000 in advances. Under the agreement, TriMet may make tax-exempt or taxable draws at either fixed or variable rates. As of June 30, 2009, no draws had been taken on the credit line.

**9. 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 District is self insured for all public liability claims, which are limited to \$500 per occurrence by ORS Chapter 30. 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 accidents occurring prior to year end. The liabilities include estimated claims that have been incurred but not reported and development of existing claims of \$2,541 and \$2,240 for 2009 and 2008, 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.

The Oregon Tort Claims Act is the common law sovereign immunity from suit for public bodies in Oregon, including TriMet. The Act caps 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 increases 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 new limits are subject to per claims increases of \$33 and per occurrence increases of \$67 per year, until 2015.

Changes in the District’s public liability and industrial accident claims liabilities are as follows for the years ended June 30, 2009 and 2008:

	2009		2008	
	Industrial Accident Claims	Public Liability	Industrial Accident Claims	Public Liability
Liability at beginning of year	\$ 4,477	\$ 4,319	\$ 4,688	\$ 4,366
Current year claims	1,760	986	1,712	1,673
Changes in estimates for claims of prior periods	1,867	604	886	(10)
Payments of claims	(2,609)	(2,422)	(2,809)	(1,710)
Liability at end of year	<u>\$ 5,495</u>	<u>\$ 3,487</u>	<u>\$ 4,477</u>	<u>\$ 4,319</u>

Based on historical experience, the District has classified \$6,104 and \$6,392 of the industrial accident and public liability claims liabilities at June 30, 2009 and 2008, respectively, as current liabilities.

**10. OTHER LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Balance
Uninsured losses:						
Industrial accident claims	\$ 4,477	\$ 3,627	\$ (2,609)	\$ 5,495	\$ 3,302	\$ 2,193
Public liability	4,319	1,590	(2,422)	3,487	2,803	684
Total uninsured losses	<u>8,796</u>	<u>5,217</u>	<u>(5,031)</u>	<u>8,982</u>	<u>6,105</u>	<u>2,877</u>
Long-term employee sick leave	1,699	-	(38)	1,661	-	1,661
Rent payable	243	-	(117)	126	116	10
Deferred Lease	-	2,418	(19)	2,399	-	2,399
Total other long-term liabilities	<u>\$ 10,738</u>	<u>\$ 7,635</u>	<u>\$ (5,205)</u>	<u>\$ 13,168</u>	<u>\$ 6,221</u>	<u>\$ 6,947</u>

**11. LEASE TRANSACTIONS**

**(a) Office and equipment leases**

The District leases office space under non-cancelable operating leases. Total costs for such leases were \$869 and \$823 in 2009 and 2008, respectively. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2010	\$ 1,239
2011	478
2012	436
2013	410
2014	209
Thereafter	664
	<u>\$ 3,436</u>

**(b) 1997 and 1998 Lease transactions**

During fiscal years 1997 and 1998, the District entered into sale-leaseback transactions for 31 light rail vehicles with a foreign investor. Additionally, in fiscal years 1997 and 1998, the District entered into a series of lease-leaseback transactions with domestic investors for the same 31 light rail vehicles, plus an additional 41 light rail vehicles and two rail maintenance facilities.

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. (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 balance sheets 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 will be required to meet all financial obligations required under the lease transaction.

Under the foreign sale-leaseback agreement, the foreign investor has a put option which requires the District to buy back the leased equipment if exercised. If the investor does not exercise the put option, the District may offer to buy the equipment pursuant to the terms of the lease agreement and the lessor shall accept such offer. The District also deposited \$11,995 with AIG, which represents the present value of the options at the buy back dates. These deposits earn interest at rates ranging from 5.3 percent to 5.9 percent and are recorded as restricted deposits on the District's balance sheets. 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 assets. The arrangement discussed in this paragraph does not constitute legal defeasance. Thus, if AIG fails to fulfill its contractual obligation to fund TriMet's buy back of the vehicles, the District will be required to complete the buy back with other funds.

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 for a period of 36 and 30 years, respectively. The Head Leases qualify for accounting treatment as operating leases. The Leasehold Investors prepaid all required lease payments totaling \$175,849, which have been recorded as deferred lease revenue on the accompanying balance sheets. The deferred revenue is recognized over the terms of the leases.

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 balance sheets and are expensed over the terms of the leases.

In addition, the District deposited the present value of the Head Lease purchase options with AIG. The deposits accrete interest at rates ranging from 5.8 percent to 7.1 percent and are recorded as restricted lease deposits on the District's balance sheets. The payment agreements and the funding of the purchase option price do not constitute legal defeasance. Thus, if AIG fails to fulfill its contractual obligation to make future payments, the District will be required to meet all financial obligations required under the lease transaction.

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 revenue and are amortized over the lease terms.

In the event AIG's ratings are downgraded by Standard & Poors below "AA" or by Moody's below "Aa3", AIG is required to pledge collateral equal to the present value of AIG's future obligations under those agreements. In September 2008, AIG was downgraded to A- by Standard & Poors and A2 by Moody's, thus triggering the collateral requirement. By November 2008, AIG had met all collateralization requirements. As of June 30, 2009, a third party custodian is holding securities with a market value of \$37,411 in satisfaction of AIG's collateralization requirements. In addition, TriMet was required to replace three standby letters of credit issued by AIG. In lieu of replacing the letters of credit, and with consent of the equity investors, TriMet pledged supplemental collateral held by a third party totaling \$600, which is recorded as a restricted investment on the Balance Sheet.

As of June 30, 2009, TriMet is not aware of any default, event of default or event of loss under any of the operative documents.

In February 2009, TriMet negotiated an early termination of four of the United States lease-leaseback transactions. These early terminations resulted in liquidation of \$20,691 in prepaid lease expenses, \$32,114 in long term lease deposits, and \$58,732 in deferred lease revenue. Net of transaction expenses, the 2009 early terminations created \$5,374 in gains recorded as special items within the Statement of Revenues, Expenses and Changes in Net Assets.

**(c) 2005 Lease transaction**

In November 2005, the District entered into a series of agreements related to 28 light rail vehicles. The District had initially purchased the vehicles as part of the expansion of the light rail system, primarily with grants from the Federal Transit Administration.

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 balance sheets as deferred gain of \$12,557 (before expenses of \$911) and a liability for lease payments of \$111,143. The liability will be reduced as lease payments are made over the term of the lease.

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. The obligations of MBIA Inc. were unconditionally and irrevocably guaranteed by MBIA Insurance Corporation.

The District's prepayment of the payment agreements is recorded within prepaid expenses in the accompanying balance sheets and is reduced as payments are made over the term of the lease. The payment agreements do not constitute legal defeasance. Thus, if the financial institutions fail to fulfill their contractual obligation to make future lease payments or fund the purchase option, the District will be required to meet all financial obligations required under the lease transaction.

The District's net benefit from the 2005 transactions was \$11,646. The net benefit is recorded as deferred revenue 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.

In June 2008, Moody's downgraded MBIA Insurance Corporation to A2. In July 2008, MBIA Inc. posted collateral in compliance with their obligations under the Equity and Debt Payment Undertaking agreements in the 2005 lease transaction. In February 2009, TriMet terminated the MBIA Equity Payment Undertaking agreement for \$28,033 and the Debt Payment Undertaking Agreement for \$14,528. Simultaneously, TriMet purchased and placed in trust US Treasury securities for \$28,399 to collateralize all future equity payment obligations. Net of transaction

expenses, the 2009 MBIA termination created \$13,954 in net benefit. The net benefit is recorded as deferred revenue and is recognized over the remaining term of the lease.

As of June 30, 2009, TriMet is not aware of any default, event of default or event of loss under any of the operative documents.

**(d) Legislative and regulatory activities**

Domestic investors in sale-leaseback and lease-leaseback transactions have received considerable scrutiny by the Internal Revenue Service. 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, 2009 no indemnity claims have been made against TriMet.

In 2006 Congress passed, and the President signed into law, the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA). TIPRA imposes an excise tax on certain tax exempt entities that are a party to a subsequently listed transaction and certain entity managers. The provisions of the TIPRA excise tax are codified in Section 4965 of the Internal Revenue Code of 1986, as amended (Code). TriMet’s 1997 and 1998 domestic lease transactions are subject to the Section 4965 tax. TriMet’s 1997 and 1998 foreign lease and 2005 lease transactions discussed above are not subject to the Section 4965 tax.

On February 7, 2007 the Internal Revenue Service (IRS) published Notice 2007-18, which provided guidance under Section 4965 of the Code. On July 6, 2007, the IRS released Proposed and Temporary Treasury Regulations (collectively, the “Section 4965 Regulations”) that address issues left open by Notice 2007-18. Section 4965 Regulations now clarify that the net income and proceeds from a prohibited tax shelter transaction should be determined in accordance with its substance (as determined by the IRS) and must be allocated to a particular taxable year in a manner that is consistent with the tax exempt entity’s established method of accounting for U.S. federal income tax purposes. Net income and proceeds that are allocated to taxable years prior to the effective date are not subject to the excise tax imposed by Section 4965 of the Code. The result of the Section 4965 Regulations is that TriMet does not have a TIPRA excise tax liability.

**(e) Financial Statement Summary**

The accompanying financial statements include the following amounts related to the lease transactions as of June 30:

	2009	2008
Prepaid expense	\$ 173,876	\$ 198,296
Long-term restricted lease deposit	58,007	85,489
Deferred lease revenue - current	2,234	5,337
Deferred lease revenue	77,236	123,582
Long-term lease liability	130,810	127,044
Net leveraged lease income (expense)	7,838	(765)

**12. COMMITMENTS AND CONTINGENCIES**

TriMet has active light rail construction and other capital projects, as well as other funding commitments. Authorized expenditures unexpended as of June 30, 2009 were \$256,177.

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.

**13. DONATION TO LOCAL AGENCIES**

In March 2008, the District contributed land with a book value of \$621 to Reach Development, Inc.

#### 14. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the District completed two optional redemptions of Payroll Tax and Grant Receipt Revenue Bonds, Series 2006, as follows:

Optional Redemptions of Bonds		
Date	Principal redeemed	Interest paid
7/29/2009	\$ 27,400	\$ 268
8/9/2009	25,370	268

On September 8, 2009, the District borrowed \$19,000 on the Revolving Credit Agreement. Interest is payable on the draw with a variable rate of LIBOR plus 0.91%, with a minimum rate of 1.41%.



## **REQUIRED SUPPLEMENTARY INFORMATION**



**SCHEDULES OF FUNDING PROGRESS**  
(dollars in thousands)

<b>Other postemployment benefits</b>						
<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
January 1, 2008	\$ -	\$ 632,204	\$ 632,204	0%	\$ 130,726	484%

<b>Bargaining Unit DB Plan</b>						
<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
June 30, 2009	\$ 217,113	\$ 460,333	\$ 243,220	47%	\$ 123,784	196%
June 30, 2008	238,883	427,305	188,422	56%	116,418	162%
June 30, 2007	209,392	399,237	189,845	52%	111,877	170%
June 30, 2006	178,157	370,711	192,554	48%	106,705	180%
June 30, 2005	155,828	345,396	189,568	45%	106,578	178%
June 30, 2004	143,184	319,829	176,645	45%	104,778	169%

<b>Management DB Plan</b>						
<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
June 30, 2009	\$ 65,202	\$ 96,749	\$ 31,547	67%	\$ 17,130	184%
June 30, 2008	59,066	84,974	25,908	70%	17,842	145%
June 30, 2007	61,016	75,616	14,600	81%	19,644	74%
June 30, 2006	50,212	69,383	19,171	72%	19,920	96%
June 30, 2005	46,241	60,325	14,084	77%	19,355	73%
June 30, 2004	41,734	50,639	8,905	82%	19,642	45%



## **SUPPLEMENTARY INFORMATION**

**RECONCILIATION OF REVENUES AND EXPENSES (BUDGET BASIS) TO  
SCHEDULE OF REVENUES AND EXPENSES (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2009  
(dollars in thousands)**

	General Fund	G.O. Bond Debt Service Fund	District Total
<b>Budget basis</b>			
Revenues	\$ 546,892	\$ 9,002	\$ 555,894
Expenses	700,090	10,101	710,191
Revenues under expenses	<u>(153,198)</u>	<u>(1,099)</u>	<u>(154,297)</u>
Add budget requirements not qualifying as expenses under GAAP:			
Principal payments on long-term debt	92,358	8,015	100,373
Capital asset additions	220,062		220,062
Add (subtract) additional adjustments required by GAAP:			
Other resources used to fund capital asset additions	(17,348)		(17,348)
Depreciation	(65,013)		(65,013)
Net leveraged lease income	2,464		2,464
OPEB Costs	(45,230)		(45,230)
Subtract budget resources not qualifying as revenues under GAAP:			
Federal, state and local government contributions	<u>(127,349)</u>		<u>(127,349)</u>
GAAP basis (loss) income before contributions and special items presented in statement of revenues, expenses and changes in net assets	<u>\$ (93,254)</u>	<u>\$ 6,916</u>	<u>\$ (86,338)</u>

**RECONCILIATION OF FUND BALANCE (BUDGET BASIS) TO  
NET ASSETS (GAAP BASIS)  
JUNE 30, 2009**

Budget basis ending fund balance	
General fund	\$ 188,255
G.O. bond debt service fund	9,354
	<u>197,609</u>
Reconciliation to GAAP basis:	
Net capital assets	2,049,740
Capital related debt	(369,923)
Other postemployment benefits	(91,263)
Prepaid lease expense	171,642
Long term restricted lease deposit	58,007
Long term deferred lease revenue	(77,236)
Long term lease liability	(130,810)
Deferred lease gain	<u>(903)</u>
GAAP basis net assets	<u>\$ 1,806,863</u>

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET (BUDGET BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
(dollars in thousands)**

**GENERAL FUND**

	Original Budget	Final Budget	Actual	Variance from Final Budget Over (Under)
<b>Revenues</b>				
Operating revenue	\$ 118,021	\$ 118,021	\$ 120,706	\$ 2,685
Tax revenue	232,654	232,654	209,937	(22,717)
Operating grant and other revenue	62,619	62,619	66,598	3,979
Capital program resources	24,697	24,697	5,663	(19,034)
Light rail program resources	270,501	270,501	43,188	(227,313)
Resources to retire interim financing	43,000	43,000	78,497	35,497
Other non-operating resources	28,600	28,600	4,199	(24,401)
Other non-operating revenue	8,890	8,890	18,104	9,214
Total revenues	<u>788,982</u>	<u>788,982</u>	<u>546,892</u>	<u>(242,090)</u>
<b>Expenses</b>				
Operating program:				
Office of the general manager	2,544	2,544	2,151	(393)
Communications and technology	17,699	18,199	16,622	(1,577)
Finance and administration	11,007	12,607	11,752	(855)
General counsel/human resources	17,794	17,794	17,302	(492)
Operations	323,000	323,000	309,891	(13,109)
Capital projects and facilities	24,754	29,024	23,771	(5,253)
Debt service	66,451	100,551	94,340	(6,211)
Pass-through requirements	28,600	28,600	4,199	(24,401)
Contingency	10,500	4,030	-	(4,030)
Total operating program	<u>502,349</u>	<u>536,349</u>	<u>480,028</u>	<u>(56,321)</u>
<b>Capital programs</b>				
Communications and technology	5,635	5,635	1,597	(4,038)
Finance and administration	1,434	1,434	1,267	(167)
Operations	22,375	22,375	20,204	(2,171)
Capital projects and facilities	8,920	10,920	2,567	(8,353)
Total capital programs	<u>38,364</u>	<u>40,364</u>	<u>25,635</u>	<u>(14,729)</u>
<b>Light rail programs</b>				
Washington County Commuter Rail Project	39,281	39,281	25,605	(13,676)
I205/Portland Mall Light Rail Project	242,424	206,424	163,606	(42,818)
Columbia River Crossing	707	707	-	(707)
Milwaukie Light Rail Project	13,709	13,709	5,216	(8,493)
Total light rail programs	<u>296,121</u>	<u>260,121</u>	<u>194,427</u>	<u>(65,694)</u>
Total expenses	<u>836,834</u>	<u>836,834</u>	<u>700,090</u>	<u>(136,744)</u>
Revenues over/(under) expenses	(47,852)	(47,852)	(153,198)	(105,346)
Beginning fund balance	74,931	74,931	341,453	266,522
Ending fund balance	<u>\$ 27,079</u>	<u>\$ 27,079</u>	<u>188,255</u>	<u>\$ 161,176</u>

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET (BUDGET BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
(dollars in thousands)**

**G.O. BOND DEBT SERVICE FUND**

	Original Budget	Final Budget	Actual	Variance from Final Budget Over (Under)
<b>Revenues</b>				
Previously levied taxes estimated to be received	\$ 350	\$ 350	\$ 186	\$ (164)
Interest income	200	200	94	(106)
Taxes necessary to balance	8,846	8,846	8,722	(124)
Total revenues	<u>9,396</u>	<u>9,396</u>	<u>9,002</u>	<u>(394)</u>
<b>Expenses</b>				
Redemption of principal	8,015	8,015	8,015	-
Interest expense	2,096	2,096	2,086	(10)
Total expenses	<u>10,111</u>	<u>10,111</u>	<u>10,101</u>	<u>(10)</u>
Revenues over(under) expenses	(715)	(715)	(1,099)	(384)
Beginning fund balance	10,082	10,082	10,453	371
Ending fund balance	<u>\$ 9,367</u>	<u>\$ 9,367</u>	<u>9,354</u>	<u>\$ (13)</u>

**SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST FIVE FISCAL YEARS**  
 FOR THE YEAR ENDED JUNE 30, 2009  
 (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
2009	\$ 9,344	\$ 8,722	93%	\$ -	\$ 8,722	93%
2008	9,514	8,969	94%	185	9,154	96%
2007	10,269	9,730	95%	264	9,994	97%
2006	11,971	11,343	95%	321	11,664	97%
2005	10,650	10,056	94%	318	10,374	97%

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
 FOR THE YEAR ENDED JUNE 30, 2009  
 (dollars in thousands)

Tax year	Beginning balance	Levy extended by assessor	Discounts	Interest	Adjustments	Collections	Ending balance
2008-09	\$ -	\$ 9,344	\$ (240)	\$ 8	\$ 1	\$ (8,722)	\$ 391
2007-08	417	-	-	1	(144)	(186)	88
2006-07	227	-	-	1	(140)	(54)	34
2005-06	25	-	-	1	17	(23)	20
2004-05	14	-	-	2	3	(17)	2
2003-04	2	-	-	1	3	(3)	3
2002-03	2	-	-	-	5	(1)	6
2001-02	2	-	-	-	-	-	2
2000-01	1	-	-	-	-	-	1
1999-00 & prior	7	-	-	-	-	(1)	6
	<u>\$ 697</u>	<u>\$ 9,344</u>	<u>\$ (240)</u>	<u>\$ 14</u>	<u>\$ (255)</u>	<u>\$ (9,007)</u>	<u>\$ 553</u>

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**APPENDIX C**  
**FORM OF BOND COUNSEL LEGAL OPINION**

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October 27, 2009

Tri-County Metropolitan Transportation District of Oregon  
4012 SE 17th Avenue  
Portland, Oregon 97202

Morgan Stanley & Co. Incorporated  
555 California Street, Suite 2200  
San Francisco, California 94104

The Bank of New York Mellon Trust Company, N.A.  
601 Union Street, Suite 520  
Seattle, Washington 98101

Subject: Tri-County Metropolitan Transportation District of Oregon  
Senior Lien Payroll Tax Revenue Bonds  
\$37,020,000 Series 2009A (Tax-Exempt) and  
\$12,530,000 Series 2009B (Build America Bonds – Direct Payment)

We have acted as Bond Counsel in connection with the issuance by Tri-County Metropolitan Transportation District of Oregon (“TriMet”) of its Senior Lien Payroll Tax Revenue Bonds, Series 2009A (Tax-Exempt) (the “Series 2009A Bonds”) and its Senior Lien Payroll Tax Revenue Bonds, Series 2009B (Build America Bonds – Direct Payment) (the “Series 2009B Bonds,” and collectively with the Series 2009A Bonds, the “Series 2009 Bonds”), in the aggregate principal amount of \$45,450,000. The Series 2009 Bonds are issued pursuant to Oregon Revised Statutes Section 287A.150 (formerly Sections 288.805 to 288.945 and related provisions, Resolution 05-07-56 of TriMet’s Board of Directors adopted on July 27, 2005, and a Trust Indenture dated as of April 1, 2001, as amended and supplemented (the “Master Indenture”) and as further amended and supplemented by a Fourth Supplemental Trust Indenture, to be dated as of October 27, 2009 (collectively, the “Indenture”), each between TriMet and The Bank of New York Mellon Trust Company, N.A., as trustee.

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 relating to the Series 2009 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 Indenture 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 2009 Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon. The Series 2009 Bonds and the Indenture have been validly executed by TriMet and constitute valid and legally binding special obligations of TriMet enforceable in accordance with their terms. The Bonds are payable from and secured by a pledge of and a lien on the Trust Estate, which includes the Specified Tax Revenues, as provided in the Indenture.

2. Interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes. Furthermore, interest on the Series 2009A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that TriMet comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Series 2009A Bonds in order that the interest on the Series 2009A Bonds be, and continue to be, excludable from gross income for federal income tax purposes. TriMet has covenanted to comply with all applicable requirements.

Failure to comply with these covenants may cause interest on the Series 2009A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2009A Bonds.

The initial public offering price of certain Series 2009A Bonds is less than the amount payable at maturity. This difference between the initial public offering price and the amount payable at maturity constitutes original issue discount. The appropriate portion of the original issue discount that is allocable to the original and each subsequent holder is treated as interest upon sale, exchange, redemption, or payment at maturity of such Series 2009A Bond and is excluded from gross income for federal income tax purposes under existing law to the same extent as the stated interest on the Series 2009A Bonds.

4. Interest on the Series 2009B Bonds is not excludable from gross income for federal income tax purposes.

5. Interest on the Series 2009 Bonds is exempt from Oregon personal income tax.

We note that TriMet has not designated the Series 2009 Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Series 2009 Bonds. Owners of the Series 2009 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2009 Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

The portion of this opinion that is set forth in paragraph 1 above is qualified only to the extent that enforceability of the Series 2009 Bonds and the Indenture may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors’ rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as TriMet.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

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

This opinion is given solely for your benefit in connection with the above referenced financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Series 2009 Bonds, nor may copies be furnished to any other person or entity, without the prior written consent to K&L Gates LLP.

We have served only as bond counsel to TriMet and have not and are not representing any other party in connection with the Series 2009 Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than TriMet.

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

Respectfully submitted,

K&L GATES LLP

Lawyers

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**APPENDIX D**  
**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

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**CONTINUING DISCLOSURE CERTIFICATE**

**\$49,550,000**

**Tri-County Metropolitan Transportation District of Oregon  
Senior Lien Payroll Tax Revenue Bonds**

**\$37,020,000**

**Series 2009A  
(Tax-Exempt)**

**\$12,530,000**

**Series 2009B  
(Build America Bonds –  
Direct Payment)**

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the Tri-County Metropolitan Transportation District of Oregon (the “Issuer”) in connection with the issuance of its Senior Lien Payroll Tax Revenue Bonds, Series 2009A (Tax-Exempt) and its Senior Lien Payroll Tax Revenue Bonds, Series 2009B (Build America Bonds – Direct Payment) (collectively, the “Securities”).

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities and to assist the underwriter(s) of the Securities 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 the Issuer’s written undertaking for the benefit of the owners of the Securities 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 Securities, including persons holding Securities 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 Securities dated October 14, 2009.

“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. The Issuer agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data:

A. The Issuer’s latest publicly available comprehensive annual financial report, including the financial statements of the Issuer 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 Appendix B to the Official Statement;

B. To the extent not provided in the comprehensive annual financial report, historical financial information and operating data of the type set forth in the following sections

of the Official Statement: Information regarding the maximum legislatively-established base rate and the authorized TriMet rates of the type provided in the paragraphs under the subheadings "Revenue Sources – Payroll Taxes and Self-Employment Taxes" and "Revenue Sources – State In-Lieu Payments" under the heading "THE SPECIFIED TAX REVENUES"; Table 5 (Historical and Forecast Payroll Tax, Self-Employment and State In Lieu Tax Revenues); Table 6 (Historical and Forecast Specified Tax Revenues, Debt Service and Debt Service Coverage); Table 7 (Summary of TriMet Balance Sheets for Fiscal Years Ended June 30); and Table 8 (Summary of TriMet Statement of Revenues, Expenses and Changes in Net Assets for Fiscal Years Ended June 30).

Section 4. Timing. The information described in the preceding paragraph shall be provided on or before nine months after the end of the Issuer's fiscal year, commencing with information for fiscal year 2009-2010. The information described in the preceding paragraph will be provided in the form of audited financial statements if they are then available, and otherwise will be provided in the form of unaudited financial statements. The Issuer's current fiscal year ends June 30. The Issuer may adjust this fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing this annual financial information separately, the Issuer may cross-reference to other documents provided to the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in Section 3 on or prior to the date set forth in the preceding paragraph.

If not provided as part of the annual financial information discussed above, the Issuer shall provide the Issuer's audited annual financial statement prepared in accordance with the Oregon Local Budget Law (or any successor statute) when and if available to the MSRB.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of the occurrence of any of the following events with respect to the Securities, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to the rights of security holders;
8. bond calls;
9. defeasances;

10. release, substitution or sale of property securing repayment of the securities; and

11. rating changes.

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

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

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

B. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the owners of the Securities or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or Beneficial Owners of the Securities.

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

Section 8. Securities Owner's Remedies Under This Certificate. The right of any Securities Owner or Beneficial Owner of Securities to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder, and any failure by the Issuer to comply with the provisions of this undertaking shall not be an event of default with respect to the obligations hereunder.

Section 9. Form of Information. All information required to be provided under this certificate will be provided in an electronic format and with the identifying information prescribed by the MSRB.

Section 10. 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](http://emma.msrb.org).

Section 11. 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 27<sup>th</sup> day of October, 2009.

**Tri-County Metropolitan Transportation  
District of Oregon**

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General Manager

## **APPENDIX E**

### **INFORMATION ABOUT DTC AND ITS BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2009 Bonds. The Series 2009 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 2009 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2009 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 2009 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 2009 Bonds, except in the event that use of the book entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 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 2009 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 2009 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2009 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 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as prepayments, tenders, defaults, and proposed amendments to the security documents relating to the Series 2009 Bonds. For example, Beneficial Owners of Series 2009 Bonds may wish to ascertain that the nominee holding the Series 2009 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.

Prepayment notices shall be sent to DTC. If less than all of the Series 2009 Bonds within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2009 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 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the Series 2009 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 Paying 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 Paying 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 Paying 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 2009 Bonds at any time by giving reasonable notice to TriMet or the Paying 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 TRUSTEE 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 2009 BONDS.

So long as Cede & Co. is the registered owner of the Series 2009 Bonds, as nominee for DTC, references herein to the holders or registered owners of the Series 2009 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2009 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 Paying Agent shall send them to DTC only.

For every transfer and exchange of the Series 2009 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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**APPENDIX F**  
**SUMMARY OF THE INDENTURE**

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## APPENDIX F

### DEFINITIONS AND SUMMARY OF INDENTURE

The following summarizes selected definitions and provisions of the Trust Indenture dated as of April 1, 2001 as amended and supplemented by a First Supplemental Trust Indenture dated as of January 1, 2003 a Second Supplemental Trust Indenture dated as of March 1, 2005, a Third Supplemental Trust Indenture date as of January 23, 2007, and a Fourth Supplemental Trust Indenture date as of October 27, 2009 (collectively, the “Indenture”), between TriMet (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A., as successor in interest to BNY Western Trust Company, as trustee (the “Trustee”). These summaries omit references to the August 1, 1992 Indenture of Trust under which TriMet issued bonds with a senior lien on the Specified Tax Revenues, because all senior lien bonds issued under the 1992 Indenture were paid or defeased when the 2005 Bonds were issued. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the Indenture. Prospective purchasers of the Bonds are referred to the complete text of the Indenture, copies of which are available from the Trustee upon written request.

#### DEFINITIONS.

As used in the Indenture, unless the context shall otherwise require, the following terms have the meanings set forth below:

“**ADDITIONAL BONDS**” means the Bonds issued in accordance with the requirements of the Indenture that have a lien on the Trust Estate which is equal to the lien securing the Bonds.

“**ANNUAL DEBT SERVICE**” means the amount required to be paid in the then current or any succeeding Fiscal Year in respect of the principal of or interest on any Outstanding Bonds and under any existing Derivative Product; *provided that*:

(i) there shall be credited against such sum any interest capitalized or otherwise payable from proceeds derived from the sale of such Bonds;

(ii) the amount required to be paid in any Fiscal Year under any Derivative Product shall be calculated by offsetting the aggregate amount of all Net Anticipated Reciprocal Payments for such Fiscal Year against the aggregate amount of all Net Anticipated Issuer Payments for such Fiscal Year;

(iii) the amount of Term Obligations subject to mandatory redemption in any Fiscal Year pursuant to a Mandatory Redemption Schedule shall be deemed to mature in the Fiscal Year in which such Term Obligations are subject to such mandatory redemption and only the principal amount of such Term Obligations scheduled to remain Outstanding on the final maturity date thereof shall be included in determining the Annual Debt Service for Bonds in the Fiscal Year in which such maturity date occurs;

(iv) the procedure for determining Annual Debt Service for the Outstanding Bonds which constitute Option Obligations shall be as follows:

(A) except as provided in paragraph (A) and (B), any Option Obligations Outstanding at the time of such determination shall be assumed to mature on their stated dates of maturity; *provided that* if such Option Obligations are subject, without contingency, to scheduled mandatory redemption on specific determinable dates and in specific amounts, then such Option Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption;

(B) during any Fiscal Year in which such Bonds may be tendered at the option of the Owners thereof, if a Credit Facility is in effect which will purchase all of such Bonds which are tendered but not remarketed, it shall be assumed that the aggregate principal amount of all such Bonds which may, during such Fiscal Year, be tendered by the Owners thereof, together with interest thereon at the maximum rate at which such Bonds may be remarketed, shall be amortized in equal installments over a term equal to twenty-five (25) years;

(C) during any Fiscal Year in which such Bonds may be tendered at the option of the Owners thereof, if a Credit Facility is not in effect which will purchase all of such Bonds which are tendered but not remarketed, it shall be assumed that every Bond that may be so tendered matures in such Fiscal Year.

(v) for purposes of computing Annual Debt Service for the Outstanding Bonds which constitute Variable Rate Obligations, such Variable Rate Obligations shall be deemed to bear interest at all times to maturity thereof at the maximum interest rate allowed under the Indenture, *provided that*, in any Fiscal Year in which the Special Tax Revenues collected by, or on behalf of the Issuer (in the case of current or prior Fiscal Years), or in which the Issuer's Fiscal Year budget projects the receipt of Specified Tax Revenues that will be at least equal to ten (10) times the amount of the annual debt service for the prior Fiscal Year (calculated by using the Estimated Average Interest Rates applicable to Variable Rate Obligations and variable rate Issuer payments), such Variable Rate Obligations shall be deemed to bear interest at all times to maturity thereof at the Estimated Average Interest Rate applicable thereto and if such Variable Rate Obligations are subject, without contingency, to scheduled mandatory redemption on specific or determinable dates and in specific amounts, then such Variable Rate Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption;

(vi) for purposes of computing Annual Debt Service on Outstanding Bonds which constitute Capital Appreciation Obligations, only that portion of the Accreted Value becoming due at maturity or by virtue of a scheduled mandatory redemption prior to maturity with respect to such Bonds shall be included in the calculations of accrued and unpaid interest and principal requirements; and

(vii) for purposes of computing Annual Debt Service on any Bonds which constitute Balloon Indebtedness, it shall be assumed that the principal of such Balloon Indebtedness, together with interest thereon at the rate applicable to such Balloon Indebtedness, shall be amortized in equal annual installments over a term equal to the lesser of:

(1) twenty-five (25) years; or

(2) the average weighted useful life (expressed in years and rounded to the next highest integer) of the properties and assets constituting the Project (if any) financed out of the proceeds of such Balloon Indebtedness.

**"BALLOON INDEBTEDNESS"** means any Series of bonds more than twenty-five percent (25%) of the principal of which, in accordance with the terms of such Bonds, is due and payable in any one Fiscal Year either by reason of the stated maturity date of such Bonds or pursuant to a Mandatory Redemption Schedule; *provided that* with respect to any Bonds issued as Term Obligations, such Bonds shall only be treated as Balloon Indebtedness if more than twenty-five percent (25%) of the principal thereof is due in any one Fiscal Year pursuant to the applicable Mandatory Redemption Schedule or upon the stated maturity date thereof (assuming that the only principal due on the stated maturity date thereof will be the principal remaining outstanding after all redemptions have been made pursuant to the applicable Mandatory Redemption Schedule).

**"BOND"** or **"BONDS"** means the 2001 Bonds, the 2003 Bonds, the 2005 Bonds, the 2007 Bonds, the 2009 Bonds, and any Additional Bonds.

**"CODE"** means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated or applicable thereunder, and any successor statute (but only to the extent that such successor statute is applicable to particular Bonds).

**"COMPLETION BONDS"** means, with respect to a particular Series of Bonds, Bonds issued under and pursuant to Section 403 or 404 of the provisions of the Indenture for the purpose of providing funds to finance the completion of a Project.

**"CREDIT AGREEMENT"** means: (1) an agreement with a Credit Provider pursuant to which a Credit Facility is issued or given as security for a particular Series of Bonds; or (2) an agreement with an insurer or other guarantor pursuant to which a Derivative Facility is given as security for the Issuer's obligations under a Derivative Product.

“**CREDIT FACILITY**” means a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device given, issued or posted as security for one or more Series of Bonds, including any Alternate Credit Facility.

“**CREDIT PROVIDER**” means the person or entity, if any, providing a Credit Facility as security for a Series of Bonds.

“**DERIVATIVE FACILITY**” means a letter of credit, an insurance policy, a surety bond or other credit enhancement device given, issued or posted as security for the Issuer’s obligations under one or more Derivative Products.

“**DERIVATIVE PAYMENT DATE**” means, with respect to a Derivative Product, any date specified in the Derivative Product on which both or either of an Issuer Payment and/or a Reciprocal Payment is due and payable under the Derivative Product.

“**DERIVATIVE PRINCIPAL**” means, as of any date of calculation, the notional amount used for purposes of determining the amount of Issuer Payments and/or Reciprocal Payments under a Derivative Product. Unless otherwise provided in the Derivative Product, where a Derivative Principal is based upon the principal amount of one or more designated Series or maturities, the Derivative Principal shall be scheduled to take account of each scheduled mandatory redemption date within the designated Series or maturities and each optional redemption planned by the Issuer at the time of entering the related Derivative Product.

“**DERIVATIVE PRODUCT**” means a written contract or agreement between the Issuer and a third party which has at least an investment grade rating from a Rating Agency (the “Reciprocal Payor”) which provides that the Issuer’s obligations thereunder will be conditioned on the absence of: (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, or (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and:

(i) under which the Issuer is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the Issuer Payments in exchange for the Reciprocal Payor’s obligation to pay or to cause to be paid to the Issuer, on scheduled and specified Derivative Payment Dates, the amounts set forth in the Derivative Product (the “Reciprocal Payments”);

(ii) for which the Issuer’s obligation to make Issuer Payments may be secured by a pledge of and lien on the Specified Tax Revenues on an equal and ratable basis with the Outstanding Bonds;

(iii) under which Reciprocal Payments are to be made directly to the Trustee for deposit into the Revenue Fund;

(iv) for which the Issuer Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product by multiplying a specified rate of interest or other multiplier (the “Issuer Rate”), which may be a fixed rate or a variable rate, by the Derivative Principal *provided that* the Derivative Product shall specify a maximum applicable rate for variable rate Issuer Rates; and

(v) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product by multiplying a specified rate of interest or other multiplier (the “Reciprocal Rate”), which may be a fixed rate or a variable rate, by the Derivative Principal or any other notional amount *provided that* the Derivative Product shall specify a minimum applicable rate for each Reciprocal Rate that is a variable rate.

“**ESTIMATED AVERAGE DERIVATIVE RATE**” means:

(i) as to the variable rate payments to be made by a party under any Derivative Product:

(a) to the extent such variable rate payments have been made for a period of 12 months or more, the higher (in the case of variable rate Issuer Payments), or the lower, (in the case of variable Rate Reciprocal Payments) of:

(1) the weighted average rate of interest applicable to such payments during the immediately preceding 12 month period; or

(2) the rate applicable under the related Derivative Product as of the date of determination; or

(b) to the extent such variable rate payments have not been made for a period of 12 months or more, the most current actual rate used in calculating such variable rate payments; and

(ii) as to any Derivative Products which have been authorized to be entered into by the Issuer but have not yet been executed or become effective, the variable rate will be estimated by applying the variable rate formula specified in the contract to the most recently published rate for the floating rate index or other equivalent specified in the Derivative Product as the basis upon which the variable rate will be determined, *provided that*, where the variable rate to be used in a Derivative Product is specified as the rate, or rates applicable to one or more specified maturities of Bonds, the variable rate or rates under the Derivative Product will be deemed to be the same rate or rates estimated for the specified maturity or maturities of the specified Bonds, and *provided further that*, if two or more Derivative Products each specify the same index or and formula for determining and setting their respective variable rates, on the same dates, and for the same periods of time, and with respect to identical Derivative Principal amounts, all such Derivative Products shall be deemed to have the same Estimated Average Derivative Rate, calculated in accordance with paragraph (i) and (ii) of this definition, and calculated, where applicable, with respect to the first of such Derivative Products to become effective.

**“ESTIMATED AVERAGE INTEREST RATE”** means:

(i) as to any Outstanding Bonds during any period in which such Bonds are Variable Rate Obligations:

(a) to the extent such Variable Rate Obligations have been Outstanding for a period of 12 months or more, the higher of:

(1) the weighted average rate of interest applicable to such Bonds during the immediately preceding 12 month period; or

(2) the rate of interest applicable to such Bonds as of the date of determination; or (b) to the extent such Variable Rate Obligations have not been Outstanding for a period of 12 months or more, the most current actual interest rate on such Variable Rate Obligations; and

(b) to the extent such Variable Rate Obligations have not been Outstanding for a period of 12 months or more, the most current actual interest rate on such Variable Rate Obligations; and,

(ii) as to any Bonds which have been authorized to be issued or incurred but have not yet been issued or incurred, 100% of the most recently published interest rate for municipal bonds with similar terms and credit ratings published in *The Bond Buyer*.

**“EVENT OF DEFAULT”** means:

(i) default occurs in the due and punctual payment of Bond principal, interest or premium, whether at maturity, on prior redemption or otherwise;

(ii) other defaults occur with respect to Bonds or Derivative Products that continue for a period of sixty days after written notice is given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Owners of at least fifty percent of the Outstanding Bond principal;

(iii) the Issuer files a petition or otherwise seeks relief under any federal or state bankruptcy law or similar law;

(iv) the appointment of a receiver for the Issuer or any substantial part of its properties or operations, if the appointment is made with the consent of the Issuer, or is made without the consent of the Issuer and is not vacated, discharged or stayed within ninety days;

(v) notice is given to the Trustee that an event of default has occurred under a Credit Agreement, or certain failures of the Issuer with respect to Credit Facilities;

(vi) the Issuer fails to make an Issuer Payment under a Derivative Product (other than a failure in connection with a good faith contest); and,

(vii) any other event that is expressly stated to constitute an Event of Default in a Supplemental Indenture.

“**FIDUCIARY**” means the Trustee, any Bond Registrar, any Paying Agent, any Depository and any Remarketing Agent or Tender Agent for Bonds which constitute Variable Rate Obligations or Option Obligations, or any or all of them, as may be appropriate.

“**FISCAL YEAR**” means the fiscal year of the Issuer as prescribed by law, currently that period commencing on July 1 and continuing to and including the next succeeding June 30.

“**FITCH**” means Fitch Investors Service, Inc., its successors and assigns.

“**GOVERNMENT OBLIGATIONS**” means, to the extent permitted by law for investment as contemplated in the Indenture, any general obligations of the United States of America or any obligations of any agency or instrumentality thereof which are backed by the full faith and credit of the United States of America.

“**INDENTURE**” means the Trust Indenture dated as of April 1, 2001 as it is currently amended and supplemented by a First Supplemental Trust Indenture dated as of January 1, 2003, a Second Supplemental Trust Indenture dated as of March 1, 2005, a Third Supplemental Trust Indenture dated as of January 23, 2007, and a Fourth Supplemental Trust Indenture date as of October 27, 2009, and as it may be amended, modified or supplemented from time to time in accordance with its terms.

“**INTEREST PAYMENT DATE**” means the date on which interest on a Series of Bonds is payable.

“**ISSUER**” means the Tri-County Metropolitan Transportation District of Oregon, a municipal corporation and a public body, corporate and politic, exercising public powers and duly created and existing under and pursuant to the laws of the State of Oregon, particularly Chapter 267 of Oregon Revised Statutes.

“**ISSUER PAYMENT**” means any payment required to be made by or on behalf of the Issuer under a Derivative Product.

“**LOCAL BUDGET LAW**” means ORS 294.305 to 294.565, as amended, and the administrative rules promulgated thereunder.

“**MANDATORY REDEMPTION SCHEDULE**” means with respect to particular Bonds, the schedule pursuant to which the principal portions thereof (howsoever designated) are subject, without contingency, to mandatory redemption or prepayment prior to maturity, all as set forth in the Supplemental Indenture pursuant to which such Bonds are issued.

“**NET ANTICIPATED ISSUER PAYMENT**” means, with respect to any Derivative Payment Date, the amount by which the Issuer Payment expected to be made under the related Derivative Product (calculated, where a variable rate is used to derive the Reciprocal Payment, as the maximum amount permissible on such date under the related Derivative Product), exceeds the Reciprocal Payment expected to be made on such Derivative Payment Date under the Derivative Product (calculated, where a variable rate is used to derive the Reciprocal Payment, as the minimum amount permissible on such date under the related Derivative Product), *provided that*, in Fiscal Years during which the Annual Debt Service on Bonds that are Variable Rate Obligations would, if such Bonds were Outstanding, be permitted to be calculated by use of the Estimated Average Interest Rate, the Net Anticipated Reciprocal Payment may be calculated by applying the Estimated Average Derivative Rate to the Issuer Payment(s) or Reciprocal Payment(s), as applicable.

“**NET ANTICIPATED RECIPROCAL PAYMENT**” means, with respect to any Derivative Product, the amount by which, within a particular period, the Reciprocal Payment(s) (calculated, where a variable rate is used to derive the Reciprocal Payment, as the minimum amounts permissible under the Derivative Product), is or are expected to exceed the Issuer Payment(s) (calculated, where a variable rate is used to derive the Issuer Payment, as the maximum amounts permissible under the related Derivative Products), *provided that*, in Fiscal Years during which the Annual Debt Service on Bonds that are Variable Rate Obligations would, if such Bonds were Outstanding, be permitted to be calculated by use of the Estimated Average Interest Rate, the Net Anticipated Reciprocal Payment may be calculated by applying the Estimated Average Derivative Rate to the Issuer Payment(s) or Reciprocal Payment(s), as applicable.

“**NET ISSUER PAYMENT**” means, with respect to a particular Derivative Product, the amount by which, within a particular period, the sum of the actual Issuer Payment(s) under a Derivative Product exceeds the sum of the actual Reciprocal Payment(s) under such Derivative Product.

“**NET RECIPROCAL PAYMENT**” means, with respect to a particular Derivative Product, the amount by which, within a particular period, the sum of the actual Reciprocal Payment(s) under a Derivative Product exceeds the sum of the actual Issuer Payment(s) under such Derivative Product.

“**OPINION OF BOND COUNSEL**” means an opinion of Bond Counsel:

(i) in the case of the issuance of any Additional Bonds, addressed to the Issuer and opining as to the due authorization and issuance of such Additional Bonds, the validity and enforceability thereof and, if such Additional Bonds are intended to be Tax-Exempt Obligations, the federal tax exempt status of the interest thereon; and

(ii) in other cases in which such an opinion is required as a condition precedent to any action under the Indenture, addressed to the Issuer and the Trustee and opining that the action proposed to be taken is authorized or permitted by the Indenture or the applicable provisions of any Supplemental Indenture and will not adversely affect the excludability for federal income tax purposes of the interest on any affected Bonds issued as, and which at the time of rendition of such opinion still are, Tax-Exempt Obligations from the gross incomes of the Owners thereof.

“**OPTION OBLIGATIONS**” means, with respect to a particular Series of Bonds, Bonds which by their terms may be tendered by and at the option of the Owner for purchase prior to the stated maturity thereof.

“**ORIGINAL ISSUE DATE**” means the date on which a Series of Bonds is issued.

“**OUTSTANDING**” when used with reference to a particular Series of Bonds, means, as of a particular date, all Bonds of such Series theretofore authenticated and delivered under the Indenture and, in the case of Additional Bonds, the Supplemental Indenture pursuant to which such Bonds are issued, except:

(i) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, or investments thereof, equal to or calculated to produce on the Redemption Date, the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Indenture or any Supplemental Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided that* if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in the Indenture or the applicable provisions of any Supplemental Indenture;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article V or Section 1306 of the Indenture or the applicable provisions of any Supplemental Indenture unless proof satisfactory to the Trustee is presented that any such Bonds are held by a *bona fide* purchaser in due course; and

(iv) Bonds paid or deemed to have been paid as provided in Section 1401 of the Indenture.

In addition, Bonds of a Series held by or for the Issuer shall not be deemed to be Outstanding for the purposes and within the purview of Article XII and Article XIII of the Indenture.

“**OWNER**” means any person who shall be the registered owner of any Bond or Bonds as shown by the registration books maintained by the Bond Registrar for such Bonds. However, FSA, as the insurer of the 2005 Bonds, is entitled to be treated as the Owner of the 2005 Bonds for all purposes under the Indenture except payment.

“**PARTICIPANT**” means a broker-dealer, bank or other financial institution for which DTC holds Bonds as Securities Depository.

“**PAYING AGENT**” means, with respect to a particular Series of Bonds, any bank, trust company or national banking association, which may include the Trustee or its successor or successors, authorized by



the Issuer pursuant to a Supplemental Indenture to pay the principal or Redemption Price of or interest due on such Series of Bonds and having the duties, responsibilities and rights provided for in the Indenture and such Supplemental Indenture and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to the Indenture or the applicable provisions of any Supplemental Indenture. The initial Paying Agent for the 2001 Bonds, 2003 Bonds and 2005 Bonds is the Trustee.

**“PERMITTED INVESTMENTS”** means those investments in which, under the applicable laws of the State of Oregon or the applicable provisions of any charter, resolution or ordinance heretofore or hereinafter adopted for or by the Issuer, the Issuer is permitted to invest its funds. The laws of the State of Oregon which, as of the date of enactment of the Indenture, set forth such investments are contained in ORS 294.035.

**“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 buildings, structures, land, interests in land, improvements, furnishings, machinery or equipment and any tangible personal or real property of every kind and description deemed necessary or appropriate by the Issuer for use in its operations or in furtherance of its governmental purposes and functions.

**“QUALIFIED CONSULTANT”** means an independent engineer, an independent financial advisor, or similar independent professional consultant of nationally recognized standing and having experience and expertise in the area for which such person or firm is retained by the Issuer for purposes of the Indenture.

**“RATING AGENCY”** means the rating agency that rates a series of Bonds at the request of the Issuer.

**“RECIPROCAL PAYMENT”** means any payment to be made to, or for the benefit of, Tri-Met under a Derivative Product by the Reciprocal Payor.

**“RECIPROCAL PAYOR”** means a party to a Derivative Product who is obligated to make one or more Reciprocal Payments thereunder.

**“REDEMPTION PRICE”** means, with respect to any Bond, the amount payable upon the redemption or prepayment thereof prior to maturity, including the principal of, premium (if any) and accrued or accreted interest thereon.

**“REVENUE FUND”** means the fund described in the Indenture into which the Issuer is obligated to deposit Specified Tax Revenues to pay the Bonds.

**“SETTLEMENT DATE”** means the last Business Day of each week.

**“SERIES”** means all of the Bonds issued, authenticated and delivered pursuant to the Indenture or a Supplemental Indenture on the original issuance of a stipulated aggregate principal amount in a simultaneous transaction and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Indenture or such Supplemental Indenture regardless of variations in maturity, interest rate or other provisions.

**“SPECIFIED TAX”** means any tax imposed by the Issuer, the revenues from which have been duly pledged by the Issuer as security for the Bonds and included as part of the Specified Tax Revenues.

**“SPECIFIED TAX REVENUES”** means the tax revenues derived by the Issuer from:

(i) the taxes imposed by the Issuer pursuant to ORS 267.380 and 267.385, as amended, and the payments received by the Issuer from the State of Oregon in lieu of taxes on payrolls for activities within the Issuer’s boundaries pursuant to ORS 291.405 to 291.406, as amended;

(ii) any Substitute Tax imposed by the Issuer in complete or partial substitution of the taxes described in subparagraph (i) of this definition in accordance with and subject to the limitations of the Indenture and which are duly pledged by the Issuer as security for the Bonds, Derivative Products and any Credit Facility or Derivative Facility secured by a lien on the Specified Tax Revenues; and

(iii) any other revenues received by the Issuer from the State of Oregon or any political subdivision or municipal or quasi-municipal corporation thereof in lieu of the taxes described in this definition and which are duly pledged by the Issuer as security for the Bonds, Derivative Products and any Credit Facility or Derivative Facility secured by a lien on the Specified Tax Revenues, *provided that*, each Rating Agency which has a current rating on any Outstanding Bond has been notified of the Issuer's intent to pledge such revenues as security for the Bonds and has determined that the use of such revenues as part of the Specified Tax Revenues would not cause a withdrawal or lowering of the ratings of the Bonds.

**"SUBSTITUTE TAX"** means any other tax, fee or other charge imposed or to be imposed by the Issuer but only if:

(i) prior to the use of such revenues as a Substitute Tax the Issuer obtains a report from a Qualified Consultant which report projects the amount of such revenues to be collected in the Fiscal Year in which such revenues are to be pledged as security for the Bonds and in the four (4) succeeding Fiscal Years, and which outlines the basis for the Qualified Consultant's projections;

(ii) each Rating Agency which has a current rating on any Outstanding Bond has been notified of the Issuer's intent to pledge such revenues as security for the Bonds, has received a copy of the report of the Qualified Consultant with respect to such revenues, and has determined that the use of such revenues in lieu of all or part of the Specified Tax Revenues would not prevent such Rating Agency from issuing a new rating for the Bonds that is at least as high as the rating then in effect from such Rating Agency nor cause such Rating Agency to lower its ratings of the Bonds;

(iii) the Issuer has made arrangements for the revenues from such tax, fee or other charge to be paid directly to the Trustee in accordance with the provisions of Section 701(b) of the Indenture for application in the manner provided in Section 701(c) of the Indenture; and

(iv) the Issuer has duly pledged the revenues from such tax, fee or other charge as security for the Bonds, Derivative Products and any Credit Facility or Derivative Facility entitled to a lien on the Specified Tax Revenues.

**"SUPPLEMENTAL INDENTURE"** means any Indenture supplemental to or amendatory of the Indenture, entered into by the Issuer in accordance with the Indenture.

**"STATE"** means the State of Oregon.

**"TRUSTEE"** means The Bank of New York Mellon Trust Company, N.A., as successor in interest to BNY Western Trust Company, and its successors and any other corporation which may at any time be substituted in its place as Trustee under the Indenture.

**"TRUST ESTATE"** means the properties and assets pledged in the Indenture as security for the payment of the Bonds (see "PLEDGE OF TRUST ESTATE" below).

**"2001 BONDS"** means the Issuer's Refunding Revenue Bonds (Limited Tax Pledge) 2001 Series A that were issued in the original principal amount of \$23,090,000.

**"2001 DEBT SERVICE ACCOUNT"** means the Account of that name established in the Indenture to hold money set aside to pay Bonds. The 2001 Debt Service Account is used to pay all Bonds, and not just the 2001 Bonds.

**"2003 Bonds"** means the Issuer's Refunding Revenue Bonds (Limited Tax Pledge) 2003 Series A that were issued in the original principal amount of \$19,705,000.

**"2005 Bonds"** means the Issuer's Refunding Revenue Bonds (Limited Tax Pledge) 2005 Series A that were issued in the original principal amount of \$65,475,000.

**"2007 Bonds"** means the Issuer's Revenue Bonds (Limited Tax Pledge) 2007 Series A that were issued in the original principal amount of \$45,450,000.

**"2009 Bonds"** means the Series 2009A Bonds and the Series 2009B Bonds.

**"2009A Bonds"** means the Issuer's Senior Lien Payroll Tax Revenue Bonds, Series 2009A (Tax-Exempt) that were issued in the original principal amount of \$37,020,000.

“**2009B Bonds**” means the Issuer’s Senior Lien Payroll Tax Revenue Bonds, Series 2009B (Build America Bonds - Direct Payment) that were issued in the original principal amount of \$12,530,000.

### **SUMMARY OF THE INDENTURE**

#### **PLEDGE OF TRUST ESTATE.**

In the Indenture, the Issuer pledges to the Trustee, in trust for the benefit of the Owners of the Bonds, and for the benefit of the provider of any Credit Facility issued with respect to the Bonds, all of the Issuer’s right, title and interest to, in and under the following:

- (i) the Specified Tax Revenues;
- (ii) the moneys and investments (including investment earnings thereon) on deposit from time to time in the 2001 Debt Service Account;
- (iii) any Credit Facility given as security for the payment of any amounts owing under or with respect to any Bonds together with all moneys drawn or paid thereunder; *provided that* with respect to any such Credit Facility which is given as security for some, but not all, of the Outstanding Bonds, such Credit Facility together with the moneys drawn or paid thereunder shall be held by the Trustee solely as security for the Bonds for which such Credit Facility was given as security and neither such Credit Facility nor any moneys drawn or paid thereunder shall secure the payment of any amounts owing under or with respect to any other Bonds or any other Credit Facility; and
- (iv) such other properties and assets and interests in properties and assets as may hereafter be pledged to the payment of the Bonds pursuant to any Supplemental Indenture or which may be delivered, pledged, mortgaged or assigned by any person to the Trustee as security for the Bonds.

The foregoing are in the Indenture collectively referred to as the “Trust Estate.”

The Issuer covenants and agrees, with and for the benefit of the Owners from time to time of all Bonds that is will not issue any additional obligations which have a lien on the Trust Estate which is superior to the lien of the Bonds.

#### **PARI PASSU SERIES OF BONDS; CREDIT AGREEMENT OBLIGATIONS; DERIVATIVE PRODUCTS.**

The Indenture provides that all Bonds shall be payable from the Specified Tax Revenues *pari passu* with all other Bonds and Derivative Products. In addition, except as otherwise expressly provided in a Supplemental Indenture, all Bonds and Additional Bonds (but not Derivative Products) shall rank equally with respect to their lien on the Trust Estate (other than any Credit Facility constituting a part of the Trust Estate) pledged as security for the payment of the Bonds, and their sources and security for payment therefrom, without preference of any Bonds over any other Bonds.

The Issuer may provide that the pecuniary obligations arising under a Credit Agreement pursuant to which a Credit Facility for the Bonds shall be equally and ratably secured by the Trust Estate with all Outstanding Bonds and shall be payable from the Specified Tax Revenues *pari passu* with all Outstanding Bonds and Derivative Products, to the same extent and with the same force and effect as if the financial obligations under such Credit Agreement were a Bond.

The Issuer may provide in the Supplemental Indenture pursuant to which a Derivative Products is entered into that the Credit Agreement pursuant to which a related Derivative Facility is provided shall be payable from the Specified Tax Revenues *pari passu* with all Outstanding Bonds and Derivative Products to the same extent and with the same force and effect as if the financial obligations under such contract or agreement were a Derivative Product.

#### **CONDITIONS PRECEDENT TO ISSUANCE OF ADDITIONAL BONDS.**

Except as otherwise expressly provided in the Indenture with respect to Completion Bonds and Refunding Bonds, the following are conditions precedent to the issuance of any Additional Bonds under the Indenture:

**(A) REPORTS AND CERTIFICATES OF ISSUER AND QUALIFIED CONSULTANT.** The Issuer shall cause to be delivered to the Trustee a report from a Qualified Consultant certifying that the Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the issuance of such Additional Bonds equal at least four (4) times the maximum Annual Debt Service for the Outstanding Bonds, Derivative Products, if any, and the Additional Bonds then to be issued.

**(B) OPINION OF BOND COUNSEL.** The Issuer shall cause to be delivered an Opinion of Bond Counsel.

**(C) NO EVENT OF DEFAULT.** At the time of issuance of such Additional Bonds, there shall not exist and be continuing any Event of Default under the Indenture other than an Event of Default which will be duly cured or waived upon the issuance of such Additional Bonds.

**(D) CERTIFICATE REGARDING PROJECT COSTS.** If such Additional Bonds are to be used to finance the acquisition, construction or rehabilitation of a Project, a certificate of the Issuer stating that the proceeds of such Additional Bonds (to the extent not designated for purposes other than the payment of the costs of such Project), together with other specified amounts reasonably expected to be available for the payment of the costs of such Project, will be sufficient to pay the costs of such Project as estimated at the time of issuance of such Additional Bonds.

#### **COMPLETION BONDS.**

The Indenture provides special rules for Bonds issued to complete a Project already being funded with Bond Proceeds if there are costs that were not anticipated at the time of issuance or incurrence of the original Series of Bonds issued to finance such Project and the use of the proceeds of the Completion Bonds will not materially expand the scope of the Project, except to the extent necessary for such Project to: (A) comply with any requirements of law applicable thereto; or (B) serve the purposes intended to be served thereby at the time such Project was originally undertaken. To take advantage of the special rules, the Issuer must first file with the Trustee a certificate of a Qualified Consultant to the effect that, in the judgment of the Qualified Consultant, the proceeds of the proposed Completion Bonds, together with any Issuer Contribution available for such purpose, will be sufficient to pay the remaining costs of the Project or Projects with respect to which such Completion Bonds are being issued. The Issuer must also file an Opinion of Bond Counsel. The principal amount of Completion Bonds that may be issued under these special rules for the purpose of completing any one Project may not exceed the amount which is ten (10) percent of the aggregate principal amount of all other Bonds issued in accordance with the general rules applicable to Additional Bonds for the purpose of financing the Project.

#### **REFUNDING BONDS.**

The Indenture provides special rules for the issuance of Refunding Bonds if the maximum Annual Debt Service that will occur with respect to all Bonds issued under the Indenture as a result of the issuance of the Refunding Bonds will, according to the formula provided in the Indenture, be less than the maximum Annual Debt Service that would occur for all Outstanding Bonds if such Refunding Bonds were not issued. To take advantage of the special rules, the Issuer must obtain an Opinion of Bond Counsel.

#### **DERIVATIVE PRODUCTS.**

The Issuer may enter into Derivative Products subject to the conditions provided in the Indenture. The conditions precedent to the issuance of a Derivative Product are similar to those for the issuance of Additional Bonds, including a certificate from the Issuer certifying that the Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the issuance of such Derivative Product equal at least two (2) times the maximum Annual Debt Service for the Outstanding Bonds, all other outstanding Derivative Products and the Derivative Product to be entered into, an Opinion of Bond Counsel, an opinion of Reciprocal Party, and the absence of a continuing Event of Default under the Indenture at the time of execution of such Derivative Product.

The Indenture calls for the Issuer to execute and deliver a Supplemental Indenture to the Trustee prior to entering its first Derivative Product.

## **SHORT TERM DEBT, SUBORDINATED DEBT, AND OTHER ISSUER OBLIGATIONS.**

The Indenture provides that nothing in the Indenture is intended to in any way restrict or limit the ability of the Issuer:

(a) to incur indebtedness or issue bonds, notes warrants or similar obligations which have a term to maturity in excess of one year and which are secured by a pledge of all or any part of the Specified Tax Revenues on a subordinated lien basis to the pledge thereof securing the Bonds; or

(b) to incur indebtedness or issue any bonds, notes, warrants or similar obligations of any maturity which are secured by any tax revenues of the Issuer or any other properties, assets or revenues of the Issuer other than the Specified Tax Revenues.

## **REVENUE FUND AND ACCOUNTS; DEPOSITS TO AND APPLICATION OF REVENUE FUND.**

**REVENUE FUND AND ACCOUNTS.** The Indenture obligates the Issuer to maintain the Revenue Fund in the manner provided in the Indenture.

The Indenture establishes the “Tri-Met Limited Tax Bond 2001 Debt Service Account” in the Revenue Fund to hold Specified Tax Revenues that are segregated to pay the Bonds. The Indenture requires that the 2001 Debt Service Account be used to pay all Bonds, and not just the 2001 Bonds.

**DEPOSIT OF SPECIFIED TAX REVENUES AND RECIPROCAL PAYMENTS INTO REVENUE FUND.** The Specified Tax Revenues shall be paid directly to the Trustee as and when the same are collected and otherwise required to be paid to the Issuer. The Issuer will from time to time take such actions as may be necessary or appropriate to ensure that all Specified Tax Revenues will be paid directly to the Trustee. All Reciprocal Payments under any Derivative Product will also be paid directly to the Trustee.

Upon receipt by the Trustee, all Specified Tax Revenues and Reciprocal Payments shall be deposited in the Revenue Fund and applied as provided in the Indenture.

**TRANSFERS TO 2001 DEBT SERVICE ACCOUNT:** There shall be transferred to the 2001 Debt Service Account on each Settlement Date the following, for each Series of Bonds except Balloon Indebtedness, Capital Appreciation Obligations and Variable Rate Obligations:

(A) An amount equal to 1/26th of the aggregate amount of interest that will be due and payable on the next Interest Payment Date for such Series (however, no transfers are required for periods in which interest has been capitalized); plus

(B) Commencing with the fifty-second Settlement Date preceding the first Principal Payment Date for such Series of Bonds, an amount equal to 1/52nd of the principal amount of such Series which must be retired (whether by virtue of the stated maturity date thereof or pursuant to a Mandatory Redemption Schedule) on the next succeeding Principal Payment Date for such Series.

The Indenture provides special provisions for the calculation of transfers to the 2001 Debt Service Account in the case of Bonds which constitute Balloon Indebtedness, the accreted interest on any Bonds which constitute Capital Appreciation Obligations, and the interest on any Bonds which constitute Variable Rate Obligations.

**SPECIAL CALCULATION OF DEBT SERVICE IN CONNECTION WITH NET RECIPROCAL PAYMENTS RECEIVED BY TRUSTEE.** Unless otherwise provided in a Supplemental Indenture, if the Trustee receives a Net Reciprocal Payment under a Derivative Product the Trustee will deposit that payment in the 2001 Debt Service Account and credit that payment against future deposits that are required to be made to that account.

**TRANSFERS FOR DERIVATIVE PRODUCTS:** The Trustee is required to deposit Specified Tax Revenues equal to one quarter of the maximum estimated Issuer Payment into the Derivative Products Account on each of the four Settlement Dates immediately preceding each Derivative Payment Date.

**PRIORITY; INSUFFICIENCY OF FUNDS TO MAKE REQUIRED TRANSFERS:** The Indenture calls for the transfers on each Settlement Date of moneys from the Revenue Fund to the 2001 Debt Service Account and the Derivative Product Account to be made on a *pro rata* basis.

If, on any Settlement Date, there are insufficient moneys on deposit in the Revenue Fund to make all transfers to the 2001 Debt Service Account and the Derivative Product Account, if any, then and in any such event the amount of such deficiency shall be transferred (on a *pro rata* basis) on the next succeeding Settlement Date(s) until such time as all such deficiencies have been fully cured. The Issuer may, in its sole discretion, cure any such deficiency in whole or in part by paying to the Trustee, at any time and out of any lawfully available funds, moneys to be deposited into the 2001 Debt Service Account and the Derivative Product Account (as the case may be).

**CREDIT FOR INVESTMENT EARNINGS AND UNUSED BALANCES:** The Indenture calls for amounts required to be transferred from the Revenue Fund to the 2001 Debt Service Account on the first Settlement Date next following any Interest Payment Date or Principal Payment Date to be reduced by an amount equal to:

(A) the investment earnings then on deposit in 2001 Debt Service Account; plus

(B) any other moneys then on deposit in the 2001 Debt Service Account, but not including any moneys deposited in the 2001 Debt Service Account, and being held by the Trustee, for the purpose of paying: (1) the Redemption Price of any Bonds called for Redemption but not yet presented for payment; (2) the principal of and interest on any Bonds which have theretofore matured but which have not yet been presented for payment; or (3) any amounts to become due on any Bonds but which are not yet due and payable.

**DISPOSITION OF EXCESS.** The amounts remaining on deposit in the Revenue Fund on each Settlement Date after making the transfers to the 2001 Debt Service Account or the Derivative Product Account, if any, is in the Indenture referred to as the "Excess." On each Settlement Date, the Trustee shall pay any Excess to the Issuer. Upon payment of the Excess by the Trustee to the Issuer, the Excess shall no longer be subject to the lien and pledge of the Indenture but shall be unrestricted, unencumbered funds of the Issuer which may be used and applied by the Issuer for any lawful purpose.

#### **THE 2001 DEBT SERVICE ACCOUNT.**

The moneys on deposit in the 2001 Debt Service Account shall be used to pay the principal of, interest on and Redemption Price of the Bonds, and, if applicable, the Trustee shall transfer such moneys to the appropriate Paying Agent(s) for application to the payment when due of the principal of, interest on and Redemption Price of the Bonds. Notwithstanding the foregoing or any other provision in the Indenture to the contrary, if any amount applied to the payment of principal of, interest on or Redemption Price of any Bonds that would have been paid from the 2001 Debt Service Account is paid instead by amounts drawn or paid under a Credit Facility (including but not limited to a Reserve Credit Facility), amounts on deposit in the Debt Service Account, and allocable to such payment for said Bonds, shall be paid to the extent required under the related Credit Agreement to the related Credit Provider.

#### **INVESTMENTS.**

Amounts held under the Indenture may be invested in Permitted Investments.

#### **GENERAL COVENANTS OF THE ISSUER.**

In the Indenture, the Issuer makes certain covenants and agreements with the Trustee and the Owners of the Bonds, including the following:

**EXTENSION OF PAYMENT OF BONDS.** The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any interest on the Bonds. The issuance of Refunding Bonds shall not be deemed to constitute an extension of maturity of Bonds.

**FURTHER ASSURANCE.** At any and all times the Issuer shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, pledging, assigning and confirming in all and singular the rights, the Trust Estate and other moneys, securities and funds pledged or assigned as security for any Series of Bonds, or intended so to be, or which the Issuer may become bound to pledge or assign.

**POWER TO ISSUE BONDS AND TO PLEDGE THE TRUST ESTATE AND OTHER FUNDS.** The Issuer is duly authorized under all applicable laws to issue the Bonds or to enter into the applicable Derivative Product and to execute and deliver the Indenture and such Supplemental Indenture, to pledge the Trust Estate and other moneys, securities and funds purported to be pledged as security for particular Series of Bonds or for such Derivative Product in the manner and to the extent provided in the Indenture and any Supplemental Indenture, and to perform its obligations hereunder and under the Bonds and any Supplemental Indenture. Except as otherwise required by law, the Trust Estate and the Specified Tax Revenues are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to the pledge created by the Indenture or any Supplemental Indenture and, except to the extent otherwise provided in the Indenture or any Supplemental Indenture, other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Indenture or any Supplemental Indenture.

**GENERAL TAX COVENANTS.** Except with respect to Bonds issued by the Issuer which are not Tax-Exempt Obligations, the Issuer will take all actions within its control required by the Code as necessary to preserve the exclusion of interest received on Bonds issued or, then to be issued, from gross income for federal income tax purposes.

#### **FINANCIAL AND RELATED COVENANTS.**

In addition to the general covenant described above, the Issuer makes the following financial covenants under the Indenture:

**ACCOUNTS AND REPORTS.** The Issuer will keep or cause to be kept proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Revenue Fund and Accounts established under the Indenture, and which books of records and accounts, together with all other books and papers of the Issuer relating to the Indenture and any Bonds or Derivative Products issued hereunder, shall at all times be subject to the inspection of the Trustee, the issuers of any Credit Facility for the Bonds, and the Owners of an aggregate of not less than 15% in aggregate principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

Within one hundred eighty (180) days after the close of each Fiscal Year, the Issuer will cause to be filed with the Trustee a copy of the Issuer's annual audit report for such Fiscal Year, accompanied by an Accountant's Opinion, and including the following statements in reasonable detail: a statement of assets and liabilities as of the end of such Fiscal Year; and a summary with respect to the Revenue Fund and each Account established under the Indenture for the Bonds of the receipts therein and disbursements therefrom during such Fiscal Year and the amount held therein at the end of such Fiscal Year. Such Accountant's Opinion shall state whether, to the knowledge of the signer, the Issuer is in default with respect to any of the covenants, agreements or conditions on its part contained in the Indenture, and if so, the nature of such default.

The Issuer will file with the Trustee, any Credit Provider, and the provider of any Derivative Facility:

(i) forthwith upon becoming aware of any Event of Default or default in the performance by the Issuer of any covenant, agreement or condition contained in the Indenture with respect to the Bonds or any Derivative Product, a certificate of the Issuer specifying such Event of Default or default; and

(ii) simultaneous with the filing of the annual audit report described above, a certificate of the Issuer stating that, to the best of the signer's knowledge and belief, the Issuer has kept, observed, performed and fulfilled its covenants and obligations contained in the Indenture and there does not exist at the date of such certificate any default by the Issuer under the Indenture or other event which, with the giving of notice or the lapse of time or both, would become a Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture shall be available for the inspection of Owners of the Bonds at the office of the Trustee and shall be mailed to each such Owner who shall file a written request therefor with the

Trustee. The Trustee shall charge each Owner requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

**PAYMENT OF TAXES AND CHARGES.** The Issuer will pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the Issuer, its assets or properties or its operations, or upon any Project financed in whole or in part from the proceeds of any Bonds, or upon the rights, revenues, income, receipts, and other moneys, securities and funds of the Issuer, when the same shall become due (including all rights, moneys and other property transferred, assigned or pledged under the Indenture or any Supplemental Indenture in connection with any Bonds), and all lawful claims for labor and material and supplies, except those taxes, assessments, charges or claims which the Issuer shall in good faith contest by proper legal proceedings if the Issuer shall in all such cases have set aside on its books reserves deemed adequate with respect thereto.

**LEVY OF SPECIFIED TAXES.** The Issuer will, subject only to limitations imposed by law, impose, levy and collect, and will take all action as shall be necessary to impose, levy and collect, Specified Tax Revenues in an amount which, when added to all other revenues of the Issuer available for such purpose, will be sufficient to pay when due all Outstanding Bonds and all other expenses, liabilities and obligations, including, but not limited to, obligations under any Derivative Product, of the Issuer.

**TAX REDUCTIONS AND SUBSTITUTE TAXES.** The Issuer will not take any action within its control which will:

- (i) repeal in whole or in part any Specified Tax;
- (ii) reduce the rate(s) at which a Specified Tax is levied; or

(iii) eliminate from the levy of a Specified Tax any category of persons or property subject to such Specified Tax on the date the Issuer pledges the revenues derived therefrom as part of the Specified Tax Revenues pledged as security for the Bonds or Derivative Products (any action of the Issuer which will have any effect described in (i), (ii) or (iii) above being hereinafter called a “Tax Reduction”); if, as a result of such Tax Reduction, the estimated Specified Tax Revenues for the 12-month period immediately following the effective date of such Tax Reduction (which estimate shall be based upon a report of a Qualified Consultant, which report must be filed with the Trustee not less than 20 days prior to the effective date of the Tax Reduction) will be less than the Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the effective date of the Tax Reduction. The Indenture sets forth the manner in which the Specified Tax Revenues for the 12-month period immediately following the Tax Reduction effective date shall be calculated. Such calculation will include the revenues estimated to be derived from any Substitute Tax , but only if:

(a) the Issuer causes such Substitute Tax to be first levied and imposed not later than the effective date of the Tax Reduction; and

(b) (I) the Issuer takes all necessary or appropriate action to duly pledge as security for the Bonds and Derivative Products all revenues derived from such Substitute Tax and such pledge is effective on or before the effective date of the Tax Reduction, or (II) the Issuer takes all necessary or appropriate action to duly pledge as security for the Bonds and Derivative Products such portion of the revenues derived from such Substitute Tax as are needed to ensure that the estimated Specified Tax Revenues for the 12-month period immediately following the Tax Reduction effective date (which estimate shall be based upon the Consultant’s Report) will at least equal the Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the Tax Reduction effective date, and such pledge is effective on or before the Tax Reduction date.

Subject to the limitations set forth above, the Issuer shall have the right from time to time to effect a Tax Reduction or to substitute as part of the Specified Tax Revenues the revenues derived from a Substitute Tax in lieu of, or in addition to, the Revenues derived from any other Specified Tax or take any other action whatsoever with respect to the Specified Taxes and the Specified Tax Revenues.

**PARITY DEBT.** The Issuer will not (except with respect to Additional Bonds issued and Derivative Products entered into by the Issuer under the Indenture):



(i) incur any indebtedness, or issue any bonds, notes, warrants or similar obligations which are secured by a pledge of all or any part of the Specified Tax Revenues on an equal and ratable (parity) basis with the Bonds or Derivative Products; or

(ii) create or cause to be created any lien or charge on the Trust Estate equal or superior to the lien on the Trust Estate securing the Bonds;

The Issuer has reserved the right to pledge Bond proceeds to pay for costs of Projects, to make pledges of the Trust Estate that take effect after all Bonds are defeased, and to make pledges for Credit Facilities and Derivative Products as permitted by Section 203 of the Indenture.

**INCLUSION OF DEBT SERVICE IN FISCAL BUDGET.** The Issuer will comply with all laws of the State of Oregon pertinent to its financial administration, and, in particular, with the Local Budget Law. For each Fiscal Year of the Issuer during which any Bonds or Derivative Products are Outstanding, the Issuer will calculate all expenditures related to the Outstanding Bonds and Derivative Products that are projected to be due in such Fiscal Year, and will include such projected expenditures in its budget for such Fiscal Year and duly appropriate the funds needed to pay such expenditures.

#### **EVENTS OF DEFAULT.**

So long as an Event of Default shall have occurred and be continuing, unless the principal of all the Bonds shall have already become due and payable, the Trustee may, and upon the written request of the Owners of not less than fifty percent (50%) in principal amount of the Bonds Outstanding, shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any Supplemental Indenture contained to the contrary notwithstanding.

However if, at any time after such declaration, but before the Bonds shall have matured by their terms, all defaults shall be cured or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Trustee, by written notice to the Issuer and the Owners of the Outstanding Bonds, or the Owners of 50% in principal amount of the Bonds Outstanding, by written notice to the Issuer and to the Trustee, may rescind such declaration and annul such default in its entirety, but no such recession or annulment shall extend to or affect any subsequent default.

#### **APPLICATION OF REVENUES AND OTHER MONEYS AFTER DEFAULT.**

After an Event of Default occurs without being remedied, the Issuer, upon the demand of the Trustee, shall cause to be paid over to the Trustee:

(a) all moneys, securities and funds held by the Issuer or a Depositary in the Revenue Fund and any fund or Account established under the Indenture with respect to the Bonds; and

(b) as promptly as practicable after receipt thereof, all Specified Tax Revenues needed to meet the Issuer's obligations hereunder.

During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, funds and Specified Tax Revenues received by the Trustee as follows and in the following order of priority:

(I) **REBATE PAYMENTS:** to the payment of any amounts required to be rebated to the United States of America;

(II) **EXPENSES OF FIDUCIARIES:** to the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries for the Bonds;

(III) **PAYMENT OF BONDS AND DERIVATIVE PRODUCTS:** to the payment of the interest and principal then due on the Bonds, to the payment of Issuer Payments then due under any Derivative Product, and for payment of obligations under any Credit Agreement relating to a Credit Facility given as security for any Series of Bonds or as security for the Issuer's obligations under a Derivative Product, as follows:

(A) unless the principal of all of the Bonds shall have become or have been declared due and payable,

**FIRST:** To the payment to the persons entitled thereto of all installments of interest then due on the Outstanding Bonds in the order of the maturity of such installments, and, with respect to funds other than those held in the 2001 Debt Service Account, to the payment of any and all Issuer Payments then due under any Derivative Product, and, if the amount available shall not be sufficient to pay in full any installment or installments and Issuer Payments maturing or coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

**SECOND:** To the payment to the persons entitled thereto of the unpaid principal of any Outstanding Bonds which shall have become due, whether at maturity or by call for Redemption or prepayment in the manner provided in the Indenture; and

**THIRD:** To the payment of any amounts owing to the issuer and provider or issuers and providers of any Credit Facility or Derivative Facility;

(B) if the principal of all of the Bonds shall have become or have been declared due and payable to the payment of the principal and interest then due and unpaid upon the Outstanding Bonds and, with respect to funds other than those held under the 2001 Debt Service Account, Derivative Product and for payment of obligations under any Credit Agreement relating to a Credit Facility, and with respect to funds other than those held under the 2001 Debt Service Account, under any contract or agreement relating to a Derivative Product given as security for any Series of Bonds or any Derivative Product, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond or Credit Agreement over any other Bond or Credit Agreement in the manner set forth in the Indenture.

#### **APPOINTMENT OF RECEIVER.**

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Specified Tax Revenues with such power as the court making such appointment shall confer.

#### **PROCEEDINGS BROUGHT BY TRUSTEE.**

If an Event of Default occurs the Trustee may proceed, and upon written request of the Owners of not less than 25% in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds or the issuer of any Credit Facility given as security for any Series of Bonds, under the Indenture.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred upon the Trustee, *provided that* the Trustee shall have the right to decline to follow any such direction if the Trustee shall not be provided adequate security and indemnity or shall be advised by counsel that the action or proceeding so directed may not lawfully be taken or shall be inconsistent with the provisions of the Indenture, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners of Bonds not parties to such direction.

#### **RESTRICTION ON OWNER'S ACTION.**

No Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture,

and the Owners of at least twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity.

#### **NOTICE OF DEFAULT.**

The Trustee will mail written notice of the occurrence of any Event of Default to each Owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer.

#### **THE TRUSTEE AND FIDUCIARIES.**

Unless otherwise provided in a Supplemental Indenture with respect to a particular Series of Bonds, the Trustee shall be the Paying Agent and Bond Registrar for all Bonds issued under the Indenture.

Any recitals of fact in the Indenture, in any Supplemental Indenture and in the Bonds contained shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Indenture, any Supplemental Indenture or of any Bonds or Derivative Products issued thereunder or as to the security afforded by the Indenture or any Supplemental Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee and each Fiduciary authorized to authenticate Bonds shall, however, be responsible for its representation contained in its certificate of authentication on the related Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Indenture or any Supplemental Indenture to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in any expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the Indenture, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

Each Fiduciary, upon receipt of any notice resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Indenture or any Supplemental Indenture, shall examine such instrument to determine whether it conforms to the requirements of the Indenture or the applicable provisions of a Supplemental Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties.

#### **RESIGNATION AND REMOVAL OF TRUSTEE.**

The Trustee may resign by giving not less than sixty (60) days' written notice to the Issuer and mailing notice thereof, postage prepaid, specifying the date when such resignation shall take effect, to each registered Owner of related Bonds then Outstanding at his address appearing upon the registry books of the Issuer, and such resignation shall take effect upon the latest to occur of the day specified in such notice or the date upon which the Issuer has appointed a successor and such successor has agreed to act in such capacity. Unless otherwise agreed to in writing by the Issuer, any such resignation by the Trustee shall, when effective, also serve to remove the Trustee as Bond Registrar and Paying Agent under the Indenture.

The Trustee may be removed at any time by an instrument in writing, filed with the Trustee, and signed by the Issuer. No such removal shall be effective until the Issuer has appointed a successor and such successor has agreed to act in such capacity.

If no appointment of a successor Trustee shall be made within forty-five (45) days after the Trustee shall have given to the Issuer written notice or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee or the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee.

The Trustee shall be a bank or trust company or national banking association, doing business and having its principal office in the State of Oregon, and shall have (or its parent company or holding company shall have) capital stock and surplus aggregating at least \$50,000,000.

**RESIGNATION OR REMOVAL OF PAYING AGENT OR BOND REGISTRAR AND APPOINTMENT OF SUCCESSOR.**

Any Paying Agent or Bond Registrar, if different from the Trustee, may resign by giving at least 60 days' written notice to the Issuer and the Trustee. Any Paying Agent or Bond Registrar may be removed at any time by an instrument filed with such Bond Registrar and the Trustee and signed by the Issuer. Any successor Paying Agent or Bond Registrar shall be appointed by the Issuer with the approval of Trustee, and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least \$25,000,000.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of such Paying Agent or Bond Registrar, the Trustee shall act as such Paying Agent or Bond Registrar.

**SUPPLEMENTAL INDENTURES EFFECTIVE WITHOUT CONSENT OF OWNERS.**

The Indenture provides that a Supplemental Indenture may be executed and delivered by the Issuer and the Trustee without the consent of Owners in certain circumstances, including, but not limited to the following:

- (i) To add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (ii) To authorize the issuance of any Series of Bonds and, in connection therewith, to specify and determine the matters and things relative to such Bonds which are not contrary to or inconsistent with the provisions of the Indenture;
- (iii) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute, federal tax laws or state securities laws;
- (iv) To add additional security as part of any Trust Estate subject to the pledge and lien of the Indenture or any Supplemental Indenture;
- (v) To confirm, as further assurance, any security interest or pledge created under the Indenture or any Supplemental Indenture;
- (vi) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture or any Supplemental Indenture;
- (vii) To make any change required by a Rating Agency as a precondition to the issuance of a rating on any Series of Bonds which is not to the prejudice of the Owners of the Bonds of any other Series;
- (viii) To incorporate into the Indenture or any Supplemental Indenture any financing powers hereafter granted to or conferred upon the Issuer by law, or
- (ix) To enter into any Derivative Product.

**POWERS OF AMENDMENT.**

Any modification or amendment of the Indenture and of the rights and obligations of the Issuer and of the Owners of the Bonds may be made by a Supplemental Indenture with the written consent as provided in the Indenture of the Owners of at least a majority in principal amount of the affected Bonds Outstanding at the time such consent is given and any affected Credit Provider.

No such modification or amendment shall permit a change in the terms of Redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption premium (if any) thereof or in the rate of interest thereon or diminish

the security afforded by any Credit Facility, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owner of each Bond affected thereby, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

For the purposes of amendment, Bonds of a particular maturity shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such maturity. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular maturity would be affected by any modification or amendment of the Indenture, and may rely upon the advice of Bond Counsel, and any such determination shall be binding and conclusive on the Issuer and all Owners of Bonds.

#### **CONSENT OF OWNERS.**

The Indenture provides that the Owners shall be provided with a brief summary of any Supplemental Indenture containing amendments, modifications or other provisions that require the Owners' consent. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee the written consents of Owners of the percentages of Outstanding Bonds specified in the Indenture which are affected by such Supplemental Indenture and the issuer of any affected Credit Facility and an Opinion of Bond Counsel.

Each required consent shall be effective only accompanied by proof of the ownership, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates executed by the Trustee and filed with the Issuer stating that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consents have been given by the Owners of the affected Bonds and the issuer of any affected Credit Facility described in such certificates of the Trustee. After the Trustee certifies the consent of the Owners, such consent shall be binding upon the Owner of the Bonds and the issuer of any affected Credit Facility giving such consent and upon any subsequent Owner.

#### **MODIFICATIONS BY UNANIMOUS CONSENT.**

The terms and provisions of the Indenture and the rights and obligations of the Issuer and of the Owners of the Bonds may be modified or amended in any respect upon the enactment by the Issuer of a Supplemental Indenture and the consent of the issuer of any affected Credit Facility, and the Owners of all of the affected Bonds then Outstanding.

#### **DEFEASANCE.**

The Indenture sets forth provisions for the release of the pledge and lien of the Bonds on the Trust Estate and the Indenture ("Defeasance"), if the Issuer pays to the Owners or holders of any Bonds the principal of, premium (if any) and interest due or to become due thereon, the obligations under any related Credit Agreement and the obligations under any Derivative Product at the times and in the manner stipulated in the Indenture.

Bonds or interest installments thereon for the payment or Redemption of which moneys or Government Obligations shall have been set aside and shall be held in trust by the Trustee shall be deemed to have been paid within the meaning and with the effect expressed in the foregoing; *provided that* in connection with any such deposit there shall be provided to the Trustee or other corporate trustee, as appropriate, a verification report of nationally recognized independent certified public accountants confirming the sufficiency of the moneys or Government Obligations so deposited.

#### **EVIDENCE OF SIGNATURES OF OWNERS AND OWNERSHIP OF BONDS.**

Any request, consent, revocation of consent or other instrument which the Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books therefor. Any request or consent by the Owner of any Bond or the issuer of any Credit Facility shall bind all future Owners of such Bond and all future issuers of any Alternate Credit

Facility given in replacement or substitution of such Credit Facility in respect of anything done or suffered to be done by the Issuer or any Fiduciary in accordance therewith.

**MONEYS HELD FOR PARTICULAR BONDS; UNCLAIMED MONEYS.**

Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable may be repaid by the Fiduciary to the Issuer, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of such Bonds.

**PARTIES INTERESTED IN THE INDENTURE.**

Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Issuer, the Fiduciaries, the Credit Providers and the Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Fiduciaries, the Credit Providers and the Owners of the Bonds.

**HOLIDAYS.**

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Trustee or the issuer of any Credit Facility are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding business day, with the same force and effect as if done on the nominal date provided in the Indenture.

**GOVERNING LAW.**

The Indenture shall be interpreted, governed by and construed under the laws of the State, as if executed and to be performed wholly within the State.



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