OFFICIAL STATEMENT AUGUST 21, 2012

NEW ISSUE — BOOK-ENTRY-ONLY **RATINGS: See "Ratings" herein**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel ("Bond Counsel") to the Tri-County Metropolitan Transportation District of Oregon ("TriMet"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the Series 2012 Bonds is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

TRIMET

$93,290,000
TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON SENIOR LIEN PAYROLL TAX REVENUE BONDS SERIES 2012A

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 $93,290,000 aggregate principal amount Senior Lien Payroll Tax Revenue Bonds, Series 2012A (the "Series 2012 Bonds"). The Series 2012 Bonds are 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 2012 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 and (ii) to pay costs of issuing the Series 2012 Bonds.

Interest on the Series 2012 Bonds from the date of their delivery is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2013. The Series 2012 Bonds are subject to redemption prior to maturity as described herein.

The Series 2012 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 2012 Bonds will be made in book-entry form in denominations of $5,000 and integral multiples thereof. Purchasers of Series 2012 Bonds will not receive certificates representing their interests in the Series 2012 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2012 Bonds, payments of principal and interest on the Series 2012 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 2012 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 Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel to TriMet. Certain legal matters will be passed upon for the TriMet by Jana Toran, General Counsel to TriMet, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe, LLP, Portland, Oregon. The Series 2012 Bonds are expected to be available for delivery through the facilities of DTC in New York, New York, on or about August 30, 2012.

MORGAN STANLEY **J.P. MORGAN**

$93,290,000
TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON
SENIOR LIEN PAYROLL TAX REVENUE BONDS
SERIES 2012A

Due (September 1)	Principal Amount	Interest Rate	Yield	CUSIP† (89546R)
2013	$2,050,000	1.000%	0.280%	JN5
2014	2,090,000	3.000	0.350	JP0
2015	2,165,000	4.000	0.460	JQ8
2016	2,265,000	5.000	0.590	JR6
2017	2,380,000	5.000	0.790	JS4
2018	2,490,000	4.000	1.100	JT2
2019	2,605,000	5.000	1.400	JU9
2020	2,725,000	4.000	1.670	JV7
2021	2,850,000	5.000	1.890	JW5
2022	3,000,000	5.000	2.040	JX3
2023	3,150,000	5.000	2.190*	JY1
2024	3,315,000	5.000	2.300*	JZ8
2025	3,485,000	5.000	2.380*	KA1
2026	3,660,000	5.000	2.450*	KB9
2027	3,850,000	5.000	2.520*	KC7
2028	4,045,000	5.000	2.600*	KD5
2029	4,255,000	5.000	2.670*	KE3
2030	4,475,000	5.000	2.730*	KF0
2031	4,700,000	5.000	2.770*	KG8
2032	4,945,000	5.000	2.830*	KH6

$28,790,000 5.000% Term Bonds due September 1, 2037, Priced to Yield 3.120%*
CUSIP† Number 89546R KJ2

* *Priced to the call date of September 1, 2022.*

TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON

BOARD OF DIRECTORS

Bruce Warner, President
Dr. T. Allen Bethel
Steve Clark
Craig Prosser
Consuelo Saragoza
Travis Stovall
Tiffany Sweitzer

DISTRICT OFFICIALS

Neil McFarlane, General Manager
Beth deHamel, Executive Director of Finance & Administration*
Claire Potter, Director, Financial Analysis and Grants Administration
Lori Baker, Director, Financial Services

BOND COUNSEL

Hawkins, Delafield & Wood 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

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* Beth deHamel has announced her departure from TriMet effective August 22, 2012. TriMet has appointed David Auxier as interim Executive Director of Finance & Administration and is conducting a search for a permanent Executive Director.

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 2012 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 2012 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 2012 Bonds to the public. The Underwriters may offer and sell the Series 2012 Bonds to certain dealers (including dealers depositing the Series 2012 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

$93,290,000
TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON
SENIOR LIEN PAYROLL TAX REVENUE BONDS
SERIES 2012A

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 $93,290,000 aggregate principal amount Senior Lien Payroll Tax Revenue Bonds, Series 2012A (the "Series 2012 Bonds").

Authorization for the Series 2012 Bonds

The Series 2012 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 12-06-44 adopted by TriMet's Board of Directors (the "Board") on June 13, 2012. The Series 2012 Bonds are being issued pursuant to a Trust Indenture, dated as of April 1, 2001, as amended and supplemented, including amendments and supplements made by a Fifth Supplemental Trust Indenture, to be dated as of August 1, 2012 (the "Fifth Supplemental Indenture"). The Trust Indenture, as amended as supplemented (the "Indenture") is between TriMet and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Trustee").

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 E.

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 will cover 540 square miles within Multnomah, Washington and Clackamas counties as of January 1, 2013. 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, to relieve traffic congestion and to provide transportation services to the region's residents and employees, including seniors and persons with disabilities, as well as persons dependent on transit. 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 2012 Bonds

The Series 2012 Bonds are being issued (i) to pay or to reimburse TriMet for the payment of costs of transit-related capital projects and (ii) to pay costs of issuing the Series 2012 Bonds. See "THE 2012 PROJECTS."

Security and Sources of Payment for the Series 2012 Bonds

The Series 2012 Bonds and all other Senior Lien Bonds issued under the Indenture are payable from and secured by a pledge of and first 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 created in the Indenture (the "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 Specified Tax Revenues are paid directly to the Trustee by the State of Oregon. TriMet collected approximately $224.9 million of Specified Tax Revenues during the fiscal year ended June 30, 2011. Under the Indenture, the Series 2012 Bonds are also payable from any lawfully available funds of TriMet if the Trustee does not have sufficient amounts in the Debt Service Account to make Senior Lien Bond payments when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS" and "FINANCIAL INFORMATION—Collection of Specified Tax Revenues."

The Series 2012 Bonds are being issued as "Additional Bonds" under the Indenture, on a parity with TriMet's Series 2003 Bonds, Series 2005 Bonds, Series 2007 Bonds and Series 2009 Bonds, outstanding in the aggregate principal amount of $133,180,000 as of July 1, 2012. These outstanding Bonds, together with the Series 2012 Bonds and any Additional Bonds, Completion Bonds or Refunding Bonds that may be issued in the future under the Indenture, are referred to in this Official Statement as the "Senior Lien Bonds." As described below, before issuing the Series 2012 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, after adjustment as permitted by the Indenture, are at least four times the maximum Annual Debt Service for the Outstanding Bonds, including any parity 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 E— "SUMMARY OF THE INDENTURE—Conditions Precedent to Issuance of Additional Bonds."

Continuing Disclosure

TriMet is covenanting for the benefit of the holders and beneficial owners of the Series 2012 Bonds to provide certain financial information and operating data and to give notices of certain events, if material, to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). See "CONTINUING DISCLOSURE" below and APPENDIX C—"FORM OF CONTINUING DISCLOSURE UNDERTAKING."

DESCRIPTION OF THE SERIES 2012 BONDS

General

When issued, the Series 2012 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 2012 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2013, until maturity or prior redemption. Interest on the Series 2012 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2012 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 2012 Bonds. Individual purchases may be made only in book-entry form, and purchasers will not receive certificates representing their interest in the Series 2012 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 2012 Bonds, as nominee of DTC, references herein to "Owners," "Bondholders" or "Registered Owners" mean Cede & Co. and not the Beneficial Owners of the Series 2012 Bonds. In this Official Statement, the term "Beneficial Owner" means the person for whom its DTC Participant acquires an interest in the Series 2012 Bonds.

So long as Cede & Co. is the Registered Owner of the Series 2012 Bonds, the principal of and interest on the Series 2012 Bonds are payable by wire transfer to Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as nominee for DTC which, in turn, is to remit such amounts to the Direct Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX D—"INFORMATION ABOUT DTC AND ITS BOOK–ENTRY SYSTEM."

So long as the Series 2012 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 2012 Bonds are not subject to the Book-Entry System, the exchange and transfer of Series 2012 Bonds will be permitted as set forth in the Indenture.

Redemption of Series 2012 Bonds

Optional Redemption of Series 2012 Bonds. The Series 2012 Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2022, 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.

Mandatory Redemption of Series 2012 Bonds. The Series 2012 Bonds maturing on September 1, 2037, 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 2012 Bonds Due September 1, 2037

Redemption Date (September 1)	Principal Amount
2033	$5,195,000
2034	5,465,000
2035	5,745,000
2036	6,040,000
2037†	6,345,000

†Final Maturity.

Selection for Redemption of Series 2012 Bonds. If fewer than all of the Outstanding Series 2012 Bonds within a maturity are to be redeemed prior to maturity, the Series 2012 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 2012 Bonds are no longer in book-entry form).

Notice of Redemption

The Indenture requires for any Series 2012 Bonds that are in book-entry form the Trustee to notify DTC of any redemption of the Series 2012 Bonds in accordance with DTC's rules not less than twenty (20) days prior to the date fixed for redemption of the Series 2012 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 2012 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 2012 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 2012 Bonds or portions of Series 2012 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 2012 Bonds or portions of such Bonds shall cease to bear interest.

Defeasance

The Indenture permits the defeasance of the Series 2012 Bonds. See "TAX MATTERS" below and APPENDIX E—"SUMMARY OF THE INDENTURE—Defeasance."

SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS

The Specified Tax Revenues and the Trust Estate

In the Indenture, TriMet has pledged as security for the payment of the principal of, premium, if any, and interest on the Senior Lien Bonds, (a) the "Specified Tax Revenues," described below, (b) the moneys and investments (including investment earnings) on deposit from time to time in the Debt Service Account, (c) 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, subject to certain conditions specified in the Indenture, and (d) such other properties and assets and interest in properties and assets as may be pledged to the payment of the Bonds pursuant to any Supplemental Indenture (collectively, the "Trust Estate"). The lien of this pledge is superior to all other liens on the Trust Estate. As of September 2, 2012, $125,490,000 aggregate principal amount of Senior Lien Bonds will be outstanding under the Indenture, excluding the Series 2012 Bonds. See APPENDIX E—"SUMMARY OF THE INDENTURE—Pledge of Trust Estate."

The "Specified Tax Revenues" pledged as part of the Trust Estate to the payment of the Outstanding Bonds are comprised of TriMet's payroll taxes, self-employment taxes, and State in-lieu payments. See "THE SPECIFIED TAX REVENUES."

The Indenture provides that the Series 2012 Bonds are also payable from any lawfully available funds of TriMet if the Trustee does not have sufficient amounts in the Debt Service Account to make Senior Lien Bond payments when due. See "—Collection and Application of Revenues" and APPENDIX E—"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 E—"SUMMARY OF THE INDENTURE—Financial and Related Covenants—Tax Reductions and Substitute Taxes."

Collection and Application of Revenues

The Specified Tax Revenues are collected for TriMet by the State of Oregon, which deposits the Specified Tax Revenues directly into an account of the Trustee in the Oregon Short Term Fund (the "Trustee OSTF Account"). On the last Business Day of each week (a "Settlement Date") the Indenture requires the Trustee to make substantially equal transfers of Specified Tax Revenues to the Debt Service Account for each Series of Bonds, so that an amount sufficient to make each Bond principal and interest payment will be transferred to the Debt Service Account on the fourth Settlement Date before each Bond principal and interest payment date. Amounts held by the Trustee on each Settlement Date that exceed the required transfers to the Debt Service Account are remitted to TriMet for use in its operations. On the seventh day before a Senior Lien Bond principal or interest payment date, if the Trustee does not have sufficient amounts in the Debt Service Account to make the Senior Lien Bond payments that are due on that payment date, the Trustee is required to notify TriMet, and TriMet is required to pay the deficiency to the Trustee from any lawfully available funds of TriMet. See "FINANCIAL INFORMATION—Collection of Specified Tax Revenues" and APPENDIX E—"SUMMARY OF THE INDENTURE—Revenue Fund and Accounts; Deposits to and Application of Revenue Fund."

To improve the security for the Senior Lien Bonds, the Fifth Supplemental Indenture amends the original Indenture to require earlier transfers into the Debt Service Account. The Fifth Supplemental Indenture provides for the transfer of amounts sufficient to pay Senior Lien Bond principal and interest into the Debt Service Account on the fourth Settlement Date preceding a Senior Lien Bond principal or interest payment date. The original indenture provided for the transfer of those amounts on the Settlement Date preceding a principal or interest payment date. See APPENDIX E—"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 for any period of 12 consecutive months during the 18 months immediately preceding the issuance of such additional Bonds and adjusted as permitted by the Indenture, 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. "Annual Debt Service" includes debt service on Outstanding Bonds, parity Derivative Products, and the proposed Additional Bonds. TriMet may convert variable rate Bonds to fixed rates, and issue certain Completion Bonds and Refunding Bonds without obtaining this report. See APPENDIX E—"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 that is subordinate 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 on a subordinate basis its payroll tax and self-employment tax revenues to the repayment of a line of credit, which currently does not have an outstanding balance. TriMet does not currently have any outstanding subordinate obligations, except for the available line of credit. TriMet has the right to and expects to issue subordinate obligations in the future. See "DEBT INFORMATION—Short-Term Debt," "—Long-Term Debt," "—Future Debt Plans—FFGA Interim Bonds" and APPENDIX E—"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. The use of Derivative Products is not addressed by TriMet's current debt management policy, and under Oregon law, the TriMet Board is required to approve a derivative policy prior to TriMet entering into such 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 E—"SUMMARY OF THE INDENTURE—Events of Default."

THE SPECIFIED TAX REVENUES

TriMet has pledged its Specified Tax Revenues to pay the Bonds. The Specified Tax Revenues consist of TriMets's payroll taxes received from certain 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 E—"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, the Specified Tax Revenues are collected for TriMet by the State of Oregon and deposited directly in the account of the Trustee in the Oregon Short Term Fund (the "Trustee OSTF

Account"). The Trustee makes required weekly deposits to the Debt Service Account before Specified Tax Revenues are remitted to TriMet for payment of operating expenses and capital expenditures. APPENDIX E—"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 imposed directly on any resident or non-resident employer or any self-employed individual performing services with the TriMet service district. The tax is calculated on the amount of gross payroll or self-employment income paid for services performed within the TriMet service district. Certain businesses are exempt from payroll taxes and self-employment taxes, including, for example, federal credit unions, insurance companies, public school districts, 501(c)(3) entities (except hospitals), religious organizations such as churches, truck drivers (non-resident long-haul drivers), domestic household employers and seasonal agricultural workers. See "FINANCIAL INFORMATION—Collection of Specified Tax Revenues" for a description of how these taxes are collected.

In TriMet's fiscal year ("FY") ended June 30, 2011, approximately 55 percent of total operating and non-operating revenue was derived from the payroll taxes, self-employment taxes and State in-lieu payments, and passenger fares accounted for approximately 24 percent of total operating and non-operating revenue. Approximately 10 percent of total operating and non-operating revenue was derived from state and federal operating grants in FY 2011 and approximately 10 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 A—"AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2011 AND 2010."

Payroll Taxes and Self-Employment Taxes. Under Oregon law, TriMet needs statutory authorization from the Oregon Legislative Assembly (the "Legislative Assembly") to increase payroll tax and self-employment tax rates. In addition, TriMet is permitted to 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."

In 2003, the Legislative Assembly gave the TriMet Board the authority to increase the rate for payroll and self-employment taxes by 1/10th of one percent (from .6218 percent to .7218 percent) over a ten year period, in addition to any increases resulting from withdrawals. In 2004, the TriMet Board used that authority to approve ten annual rate increases 1/100th of one percent each. The first increase was effective on January 1, 2005, and the last increase will take effect on January 1, 2014. The rate for payroll and self-employment taxes is now .7018 percent, will increase to .7118 percent on January 1, 2013 and will also be increased in 2013 as a result of the withdrawal of the Boring are from the District, as described below, and will increase another 1/100th of one percent on January 1, 2014.

In 2009, the Legislative Assembly gave the TriMet Board the authority to increase the rate for payroll and self-employment taxes by an additional 1/10th of a percent, in addition to any increases resulting from withdrawals. That legislation requires that the additional increases be phased in over ten years, prohibits any annual increase from exceeding .02 percent, and requires the TriMet Board to find, before implementing any additional increase, that the economy in the District has recovered to an extent sufficient to warrant the increase in tax. At this time the TriMet Board has not approved any increase authorized by the 2009 legislation.

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 transit districts. The rate of assessment is limited to 0.6 percent of the total wages paid to State employees for performing services within the boundaries of the transit district. State in-lieu payments are not subject to the rate increases described above. The State has made in-lieu payments every year since FY 1983. If the State stops making in-lieu payments, current statutes authorize TriMet to impose payroll taxes directly on the State. See "FINANCIAL INFORMATION—Collection of Specified Tax Revenues."

The historical payroll and self-employment tax revenues and historic State in-lieu tax revenues, including increases that occurred in connection with the withdrawal of territory from the TriMet district are shown in Table 6. See "FINANCIAL INFORMATION—Forecast Specified Tax Revenues—Table 6—Historical and Forecast Payroll Tax, Self-Employment and State in-lieu 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. 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 opportunity to file a petition to withdraw is in 2016. 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 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. 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.

Effective January 1, 2013, the Boring area, which is a suburban community located approximately 22 miles southeast of downtown Portland will withdraw from the TriMet district. TriMet will increase its tax rate .001905 percent ($0.019 per $1,000) effective January 1, 2013. 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 2012 Bonds, when due. See "FINANCIAL INFORMATION—Forecast Specified Tax Revenues—Table 6—Historical and Forecast Payroll Tax, Self-Employment and State in-lieu Tax Revenues."

THE 2012 PROJECTS

The proceeds to be received from the sale of the Series 2012 Bonds are to be applied (i) to pay or to reimburse TriMet for the payment of costs of transit-related capital projects and (ii) to pay costs of issuing the Series 2012 Bonds.

TriMet expects to finance all or a portion of the costs of certain transit-related capital projects described below with proceeds of the Series 2012 Bonds. Other transit-related capital projects may be substituted for any of these projects.

Project Summary	**Estimated Bond Proceeds (In Millions)**
Portland-Milwaukie Light Rail	$40.0
Partial funding of replacement of fixed route buses	23.0
Rebuild fareboxes to new condition	4.6
Ticket vending machine refurbishment	2.1
WES Positive Train Control, as mandated by 2008 Rail Safety Act	3.0
Maintenance of Way Central Maintenance Facility	3.3
Paratransit communications system	4.0
Bus and rail communications system and transfer printers	30.0
Total	**$110.0**

ESTIMATED APPLICATION OF PROCEEDS

The estimated application of the proceeds of the Series 2012 Bonds are as follows:

Estimated Sources and Uses of Funds

Sources of Funds	
Par amount of the Series 2012 Bonds	$93,290,000
Original issue premium	17,401,632
Total sources	$110,691,632
Uses of Funds	
Project Costs	$110,000,000
Costs of Issuance*	691,632
Total uses	$110,691,632

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* Costs of issuance include 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 540 square miles within Multnomah, Washington and Clackamas counties after the January 1, 2013 withdrawal of the Boring area. 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

District No.	Director	Date of Original Appointment	Current Term Expiration
1	Bruce Warner, President	February 20, 2012	February 19, 2016
2	Tiffany Sweitzer, Vice President	November 22, 2004	June 30, 2013
3	Steve Clark	June 1, 2010	May 31, 2014
4	Consuelo Saragoza	July 1, 2010	June 30, 2014
5	Dr. T. Allen Bethel	March 1, 2010	February 28, 2014
6	Travis Stovall	February 20, 2012	February 19, 2016
7	Craig Prosser	December 1, 2011	February 28, 2014

Source: TriMet

Key Administrative Staff

Neil McFarlane, General Manager, has served as Chief Executive Officer of TriMet since July 1, 2010. Before becoming General Manager, Mr. McFarlane served as TriMet's executive director for capital projects since 1998. In this role, he led the development, design and construction of TriMet's capital facilities, including the Airport, Interstate, I-205 and Portland Mall MAX extensions, and Westside Express Service Commuter Rail. From 1991 to 1998, he was TriMet's project control director for the Westside light rail project. Prior to joining TriMet, he worked for Metro and helped manage construction for the Oregon Convention Center. Mr. McFarlane received a Bachelor's degree from California State Polytechnic University at Pomona, and a Masters degree in Urban Planning from the University of California at Los Angeles.

Beth deHamel, Executive Director of Finance and Administration, oversees TriMet's financial position, including debt management, budgeting, accounting and risk management. Ms. deHamel began working for TriMet in January 2009. On June 27, 2012, Ms. deHamel announced that she will be departing TriMet effective August 22, 2012. TriMet has appointed David Auxier as interim Executive Director of Finance and Administration and is conducting a search for a permanent Executive Director. Mr. Auxier previously served as Executive Director of Finance and Administration at TriMet from April 2003 to January 2009 when he retired.

Claire Potter, Director of 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 Baker, Director of Financial Services, is responsible for management of TriMet's finance and accounting functions. Ms. Baker is a Certified Public Accountant and received a Bachelor of Science degree in Accounting from the University of Oregon. She joined TriMet in 2006.

Staff and Bargaining Units

As of July 1, 2012, TriMet has approximately 2,081 union and 438 non-union full time and part time employees budgeted. Of these 1,050 are bus drivers and 195 are rail operators. Also employed are 655 maintenance personnel, of which 296 are for bus maintenance. 277 are for light rail facilities, trains and equipment and 82 are for other transit facilities. The Amalgamated Transit Union (the "ATU") represents TriMet's union employees.

The ATU and TriMet previously negotiated a labor agreement that ran through November 30, 2009 (the "2003 Agreement"). Subsequent legislative changes made TriMet's workplace strike prohibited under ORS 243.738 and required that an arbitrator determine the provisions of a disputed labor contract in the event that the parties are unable to agree. The successor contract to the expired 2003 Agreement was submitted to an arbitrator in May 2012 and the arbitrator's decision was released on July 12, 2012 awarding TriMet's last best offer (the "Arbitration Decision"). The Arbitration Decision is currently being implemented. The successor contract is retroactive to November 30, 2009 and will expire on November 30, 2012. With the expiration of the successor contract imposed by the Arbitration Decision, the parties will begin collective bargaining and attempt to reach a new working and wage agreement that includes fair, reasonable and sustainable compensation to TriMet's union employees and all retirees. See "FINANCIAL INFORMATION—Fiscal Years 2012 and 2013 Budgets."

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 approximately 540 square miles after the January 1, 2013 withdrawal of the Boring area, described above. The Tri-County Area contains a total population of approximately 1.6 million, approximately 43 percent of the population of the State of Oregon. Between 2000 and 2010, the population within the Tri-County Area increased at an average annual rate of 1.3 percent. The major cities in the TriMet service area are Portland, Oregon, with a 2010 population of 583,835; Gresham, Oregon, with a 2010 population of 101,595; and Beaverton, Oregon with a 2010 population of 87,440. See the economic and demographic information about the Tri-County Area and the TriMet service area map in "DISTRICT DEMOGRAPHIC INFORMATION."

Operations

As of September 2012, TriMet's services are to 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 (known as the Westside Express Service or "WES"). TriMet's 81 bus lines serve 17 major transit centers where buses and trains meet, and include 73 routes that connect with MAX light rail, the Portland Streetcar (which is owned by the City of Portland and described below), or TriMet's WES commuter rail line.

TriMet's bus and MAX services are concentrated in downtown Portland along the Portland Transit Mall.

TriMet's passenger facilities include 1,100 bus shelters; 625 buses; 6,800 bus stops; 32 park-and-ride lots, with approximately 11,523 parking spaces; three bike-and-ride facilities with secure parking for 180 bicycles and 253 paratransit buses and 15 vans that provide door-to-door service as part of TriMet's current paratransit service ("LIFT") for passengers with disabilities unable to ride TriMet buses or MAX.

TriMet's MAX light rail system, a 52-mile system with four lines, includes 127 vehicles and 85 stations. A fifth line, the Portland-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, the City of Milwaukie and north Clackamas County. Construction on the PMLR project began in July 2011 and construction is expected to be completed in 2015. See "—Capital Improvements" below and "DEBT INFORMATION—Long-Term Debt" and "—Future Debt Plans—FFGA Interim Bonds." for further information concerning the PMLR.

The City of Portland owns and operates the Portland Streetcar system, which provides service in downtown Portland and inner Northwest and inner southwest Portland neighborhoods. The infrastructure of the Portland Streetcar is owned and financed by the City of Portland. TriMet does not pay for costs of capital construction related to the Portland Streetcar, however, TriMet personnel provide assistance with the operation and maintenance of the Portland Streetcar. TriMet contributes approximately half of the operating costs for the Portland Streetcar.

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

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

The weighted average age of the fixed-route bus fleet is 14 years, and the weighted average age of TriMet's light rail vehicles is 14 years. In FY 2012, TriMet operated 22.7 million fixed-route bus miles, 8.0 million light rail car miles, 0.1 million commuter rail miles and 8.8 million paratransit vehicle miles. TriMet's entire system is wheelchair accessible.

Between 1988 and 2011, TriMet's system ridership has grown in every year but one. For the period of 1999 through 2009, TriMet ridership has grown 25 percent, outpacing population growth of 14 percent and daily vehicle miles traveled growth of 11 percent during the same period.

TABLE 2
TRIMET RIDERSHIP: FISCAL YEAR ENDED JUNE 30, 2003-2012 BOARDINGS
($000s)

	Fixed Route Bus and Rail		Paratransit		System	
Fiscal Year	Annual	Average Weekday	Annual	Average Weekday	Annual	Average Weekday
2003	88,864	286	919	3.1	89,783	289
2004	91,071	292	958	3.2	92,029	295
2005	95,759	306	1,026	3.5	96,785	310
2006	95,736	307	1,050	3.6	96,786	311
2007	96,918	310	1,084	3.7	98,002	314
2008	99,230	315	1,122	3.8	100,352	319
2009[1]	101,467	323	1,088	3.7	102,555	327
2010[2]	99,337	315	1,073	3.6	100,410	319
2011	100,003	318	1,064	3.6	101,067	322
2012	102,238	325	1,063	3.6	103,301	329
Total Change 2003-2012	13,374	39	144	0.5	13,518	40
Total % Change 2003-2012	15.05%	13.70%	15.66%	14.66%	15.06%	13.71%
Compounded Annual Rate of Change 2003-2012	1.57%	1.44%	1.63%	1.53%	1.57%	1.44%

(1) Includes WES commuter rail beginning February 2009.
(2) Ridership in FY10 decreased due to bus service reductions and regional employment which was down 4.3 percent in FY10 compared to FY09.
Source: TriMet.

Capital Improvements

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

TriMet’s capital budget for the Fiscal Year ending June 30, 2012 included the following major expenditures: 1) the purchase of 51 40-foot fixed route and 81 paratransit vehicles to replace old vehicles; 2) full funding of on-going rail right of way capital maintenance; 3) the replacement of the bus and rail communications system, as mandated by the FCC and 4) initial costs to replace bus fareboxes. The Fiscal Year ending June 30, 2012 capital budget included $293 million for PMLR final design and early construction. Funding sources for the PMLR project include State Lottery Bond proceeds, MTIP bond proceeds and ODOT grants.

TriMet’s capital budget for the fiscal year ending June 30, 2013 includes the following major expenditures: 1) the purchase of 54 40-foot fixed route buses to replace buses put in service in 1990 and 1992; 2) the purchase of 27 LIFT vehicles to replace old, high mileage vehicles; 3) costs to refurbish ticket vending machines; 4) construction of a central Maintenance of Way facility; 5) final costs of complete the bus and rail communications system replacement; 6) construction of the PMLR project.

Portland-Milwaukie Light Rail (PMLR) Project. The PMLR project includes the 7.3-mile extension of TriMet's MAX system between the cities of Portland and Milwaukie, Oregon, and upon its completion will extend MAX service from the campus of Portland State University in downtown Portland to the City of Milwaukie. The project includes the construction of a new bus, rail, pedestrian and bicycle bridge spanning the Willamette River, as well as the construction of ten new light rail stations and two park-and-ride facilities. TriMet is working with the State of Oregon, the City of Portland, Metro, the City of Milwaukie, Clackamas County and the Federal Transit Administration (the "FTA") in developing the PMLR project. See "DEBT INFORMATION—Long-Term Debt" and "—Future Debt Plans—FFGA Interim Bonds."

Columbia River Crossing. TriMet is also participating with Clark County, Washington, the Oregon Department of Transportation ("ODOT"), the Washington State Department of Transportation and other local governments (the "CRC Participants") 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. The CRC Participants expect that, subject to receiving the necessary approvals, the Washington State Department of Transportation would be the grantee and execute a full funding grant agreement with the Federal Transit Administration to provide financing for part of the transit component of the CRC Project. TriMet does not anticipate any capital commitment to the CRC Project. All TriMet's expenses related to the CRC capital construction project are expected to be reimbursed by the State of Washington and the State of Oregon, who are jointly funding 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 2012 Bonds are issued, TriMet will have nine long-term debt issues outstanding, including the Series 2012 Bonds. Five series of bonds (not including the Series 2012 Bonds) are Senior Lien Bonds that are payable from and secured by a pledge of Specified Tax Revenues on parity with the pledge that secures the Series 2012 Bonds. As presented in Table 3 below, those Senior Lien Bonds, excluding the Series 2012 Bonds, are outstanding as of September 2, 2012, in the aggregate principal amount of $125,490,000.

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 $40,515,000 are 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 intergovernmental agreements (the "IGAs") 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.

In June 2011, TriMet issued $142,380,000 aggregate principal amount of Capital Grant Receipt Revenue Bonds, Series 2011A (Tax-Exempt) and Series 2011B (Federally Taxable) (collectively, the "2011 Capital Grant Bonds"), all of which are outstanding. The 2011 Capital Grant Bonds are secured by a pledge of funds under the IGAs with Metro on parity with the pledge of such funds to the 2005 Capital Grant Bonds.

Table 3, below, lists TriMet's outstanding long-term bond issues and the Series 2012 Bonds as of September 2, 2012.

TABLE 3
TRIMET'S OUTSTANDING LONG-TERM DEBT – AS OF SEPTEMBER 2, 2012

	Dated Date	Final Maturity Date	Original Principal Amount	Amount Outstanding
Bonds Secured by Specified Tax Revenues				
Senior Lien Bonds				
2003 Series A	01/01/03	09/01/16	$ 19,705,000	$ 6,820,000
2005 Series A	03/29/05	09/01/20	65,475,000	34,940,000
2007 Series A	01/23/07	09/01/31	45,450,000	38,140,000
Series 2009A and 2009B	10/27/09	09/01/33	49,550,000	45,590,000
Series 2012A	08/30/12	09/01/37	93,290,000	93,290,000
Total Bonds Secured by Specified Tax Revenues			**$ 273,470,000**	**$ 218,780,000**
Bonds Not Secured by Specified Tax Revenues				
Capital Grant Receipt Revenue Bonds, Series 2005	06/23/05	10/01/17	$ 79,320,000	$ 40,515,000
Capital Grant Receipt Revenue Bonds, Series 2011A and 2011B	06/30/11	10/01/27	142,380,000	142,380,000
Total Bonds Not Secured by Specified Tax Revenues			**$ 221,700,000**	**$ 182,895,000**
Total Long Term Debt			**$ 495,170,000**	**$ 401,675,000**

Source: TriMet

Debt Service Requirements

The debt service requirements on the Outstanding Senior Lien Bonds and the Series 2012 Bonds are summarized in Table 4 below.

TABLE 4
DEBT SERVICE REQUIREMENTS ON SENIOR LIEN PAYROLL TAX REVENUE BONDS[(1)]

		Series 2012 Bonds		
Fiscal Year	**Outstanding Senior Lien Bonds**	**Principal**	**Interest**	**Total Senior Lien Bonds**
2013	$ 13,687,557	-	$ 2,245,858	$ 15,933,415
2014	13,672,982	$ 2,050,000	4,456,650	20,179,632
2015	13,652,907	2,090,000	4,415,050	20,157,957
2016	13,627,957	2,165,000	4,340,400	20,133,357
2017	13,608,682	2,265,000	4,240,475	20,114,157
2018	11,731,532	2,380,000	4,124,350	18,235,882
2019	11,721,807	2,490,000	4,015,050	18,226,857
2020	11,720,157	2,605,000	3,900,125	18,225,282
2021	11,723,700	2,725,000	3,780,500	18,229,200
2022	6,426,044	2,850,000	3,654,750	12,930,794
2023	6,416,382	3,000,000	3,508,500	12,924,882
2024	6,414,369	3,150,000	3,354,750	12,919,119
2025	6,411,538	3,315,000	3,193,125	12,919,663
2026	6,405,969	3,485,000	3,023,125	12,914,094
2027	6,406,482	3,660,000	2,844,500	12,910,982
2028	6,401,882	3,850,000	2,656,750	12,908,632
2029	6,397,557	4,045,000	2,459,375	12,901,932
2030	6,393,057	4,255,000	2,251,875	12,899,932
2031	6,393,394	4,475,000	2,033,625	12,902,019
2032	6,391,453	4,700,000	1,804,250	12,895,703
2033	3,502,216	4,945,000	1,563,125	10,010,341
2034	3,502,553	5,195,000	1,309,625	10,007,178
2035		5,465,000	1,043,125	6,508,125
2036		5,745,000	762,875	6,507,875
2037		6,040,000	468,250	6,508,250
2038		6,345,000	158,625	6,503,625
Total	$192,610,171	$93,290,000	$71,608,708	$357,508,879

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

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. As of July 1, 2012, there is no outstanding debt under the Credit Agreement. Unless extended or terminated earlier, the Credit Agreement expires on June 1, 2013.

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 2012 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.

Future Debt Plans

Senior Lien Bonds. TriMet anticipates issuing a total of approximately $64 million of additional Senior Lien Bonds in FY ending June 30, 2015 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.

FFGA Interim Bonds. In May 2012, TriMet signed a $745 million full funding grant agreement under the FTA New Starts program, which is expected to pay for 50 percent of the costs of construction of the PMLR project (the "PMLR FFGA"). TriMet expects to issue up to $500 million of interim, grant-backed bonds in calendar years 2013 to 2015 to pay costs of construction for the PMLR project. Interim borrowing is necessary to fund the cashflow mismatch between construction costs and the expected receipt of grant funds under the PMLR FFGA. TriMet currently expects these bonds to be secured with and primarily paid from grant funds it receives under the PMLR FFGA. TriMet may also provide a subordinate lien pledge of the Specified Tax Revenues as additional security for these bonds.

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, 2011 and 2010 were performed by Moss Adams LLP, Portland, Oregon (the "Auditor"). A copy of the financial statements and supplementary information for June 30, 2011 and 2010, with the Auditor's report therein, is included in Appendix A. The Auditor was not engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor 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. The Auditor is currently preparing the audit for FY ended June 30, 2012 and June 30, 2011, and it is expected to be presented to the TriMet Board and publicly available in September 2012.

Budgeting Process

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

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

For the FY13 Budget (as defined below), the General Manager appointed a budget task force of citizens, transit riders and community leaders (the "Budget Task Force") to make recommendations on the FY 2012-2013 budget. The Budget Task Force worked closely with the General Manager and produced a separate report of recommendations for consideration in the FY13 Budget process. Approval of the budget requires a majority vote of the Board but does not require any approval by the Budget Task Force.

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. 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 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. During the course of the Fiscal Year, interfund transfers and changes and reductions in spending may be made with approval of the Board and do not require formal budget amendments or supplements.

Fiscal Year 2012 and 2013 Budgets

The budget for TriMet's Fiscal Year ending June 30, 2012 (the "FY12 Budget"), adopted by the Board June 26, 2011, reflected TriMet's top spending priorities given a constrained fiscal environment. TriMet funded several safety initiatives, restored a small amount of bus and rail service to reduce overcrowding and improve service reliability, and re-started annual bus replacement. A critically important assumption upon which TriMet's FY12 Budget was based was that TriMet would enter into a Working and Wage Agreement ("WWA") with the ATU in the fall of 2011. The WWA was expected to occur through the binding arbitration process, and the FY12 Budget included assumptions that under the WWA adjustments would be made to wage and benefits that would save TriMet approximately $10 million a year. Several decisions by the Oregon Employment Relations Board ("ERB") resulted in additional costs to TriMet, including a $6.1 million liability associated with back wages and taxes for union employees in Fiscal Year 2012. As a result of these additional on-going costs and in compliance with Oregon Budget Law, the TriMet Board adopted a resolution on June 13, 2012, authorizing the transfer of appropriated funds within the FY12 Budget to reallocate funds between divisions within TriMet and reflect changes to expenditures from the estimates made at the time the FY12 Budget was adopted.

The budget for Fiscal Year ending June 30, 2013 (the "FY13 Budget") was adopted by the TriMet Board on June 13, 2012. As a result of the recession and costs which are growing faster than revenue, TriMet faced a revenue shortfall for the FY13 Budget of $12 to $17 million. This shortfall was attributable to three primary factors: (1) $5 million to $10 million higher expenses related to the outcome of labor negotiations; (2) $3 million lower revenue related to a reduction in FY 2013 forecast payroll tax growth; and (3) $4 million lower revenue related to a forecast reduction in FY 2013 federal formula funds.

To keep continuing revenues and continuing expenditures in balance and maintain sufficient liquidity, the FY13 Budget includes a $12 million revenue increase/expenditure reduction package, based on the assumption of a labor arbitration decision favorable to TriMet. The $12 million revenue increase/expenditure reduction package includes, among other things, (1) elimination of fare zones and the creation of a flat fare system, which is expected to increase revenues approximately $6 million; (2) elimination of free MAX and Portland Streetcar service in downtown Portland, which is expected to increase fare revenue approximately $2.7 million; (3) non-union staffing and other reductions, which is expected to save $1.2 million; (4) revenue from the sale of additional transit advertising; and (5) reductions in funding for Portland Streetcar and LIFT services. See "TRIMET'S MASS TRANSIT SYSTEM—Operations." Interest arbitration was held in May 2012, and as described above, the Arbitration Decision was released on July 12, 2012 in TriMet's favor. See "TRIMET—Staff and Bargaining Units."

TriMet's adopted budgets for fiscal years 2011-2012 and 2012-2013 are summarized in Table 5 below. The beginning fund balance shown in the FY13 Budget is based on a projection of revenues and expenditures for FY 2012. At this time, FY 2012 projected end of year results indicate that net operating income after debt service is to be $8 million. This will be primarily attributable to differences in budget to actual timing variances.

Effective September 2, 2012, TriMet will eliminate the free rail zone and zone fares, and implement a flat fare system. As a result of these changes, TriMet is projecting a decrease in bus and MAX ridership in FY 2013, and expects ridership to increase in FY 2014. These projections are incorporated into the revenue reflected in the adopted FY13 Budget.

In July 2012, TriMet and the City of Portland agreed to a funding solution that allows the Youth Pass Program to continue for the 2012-13 school year. The Youth Pass Program, which provides free transit passes to nearly 13,000 high school students in the Portland Public School District, is estimated to cost approximately $2.9 million per school year. For the 2012-13 school year, the City of Portland has agreed to fund $200,000 and the Portland Public School District agreed to fund $950,000 of the Youth Pass Program costs. TriMet has agreed to absorb the program balance of $1.8 million in foregone fare revenue for the 2012-13 school year. This decision, which was made after the FY 13 Budget was adopted, is not reflected in the FY 13 Budget, but has been incorporated into TriMet's financial forecast.

TABLE 5
TRIMET ADOPTED BUDGETS

	FY 2012 General Fund Operating Account Budget[1]	FY 2013 General Fund Operating Account Budget
Resources		
Beginning fund balance	$ 131,297,305	$ 139,286,751
Operating revenues		
Passenger	104,472,899	115,100,000
Other	28,881,845	30,742,127
Total operating revenue	133,354,744	145,842,127
Tax revenue		
Employer payroll	218,751,478	230,598,208
Self-employed	10,886,130	11,081,117
State "in-lieu"	2,676,000	2,778,655
Total tax revenue	232,313,608	244,457,980
Other revenue		
Federal operating grants[2]	91,708,168	79,141,451
State operating grants	1,036,731	728,987
Interest	670,000	350,000
Miscellaneous	13,013,837	6,490,045
Total other revenue	106,428,736	86,710,483
Total operating resources (excluding beginning Fund balance)	472,097,088	477,010,590
Capital Program Resources	64,081,125	82,747,298
Light Rail Program Resources	293,198,134	444,464,061
Other Non-Operating Resources	37,859,253	12,641,634
Resources to Retire Interim Financing		
Total resources	998,532,905	1,156,150,334
Expenditures		
Office of the General Manager	1,746,309	1,514,548
Public Affairs	9,380,615	8,305,783
Safety & Security	11,999,915	13,435,090
Information Technology	6,825,879	7,280,489
Finance & Administration	10,618,428	11,851,883
Labor Relations & Human Resources	2,730,129	2,952,739
Legal Services	1,784,232	1,617,543
Operations	304,532,962	314,036,182
Capital Projects & Facilities	18,002,038	16,536,891
Debt Service	38,534,825	48,177,780
OPEB & Pension UAAL	45,851,441	47,758,079
Total	452,006,773	473,467,007
Contingency	2,400,000	20,000,000
Pass Through Requirements	37,859,253	12,641,634
Capital Programs	71,299,490	105,383,491
Light Rail Programs	296,933,506	446,410,689
Project Interim Financing	41,890,000	0
Ending Fund Balance	96,143,882	98,247,512
Total Requirements	$ 998,532,904	$ 1,156,150,333

(1) Budget as revised by the Board on May 23, 2012.

(2) Federal operating grants are typically received in May-June, the end of TriMet's fiscal year. However, in some years the federal funds are not received until July or August, which is the next fiscal year. The budget tries to anticipate timing of federal funds. Budgeted FY 12 Federal Operating Grant receipts include $29 million of the federal formula funds for FY 11, which were not received until early in FY 12, as well as expected FY12 Federal Operating Grants. Budged FY 13 revenues include $10 million of federal formula funds for FY 12, which TriMet projected to be received in early FY 12. Absent timing issues, annual federal formula funds have been flat for TriMet's last three fiscal years.

Source: TriMet.

Collection of Specified Tax Revenues

The employer payroll tax and self-employment 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. The employer payroll tax is calculated on the amount of gross payroll and the self-employment tax is calculated on income paid for services performed within the TriMet district boundaries. 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 deposited in the Trustee OSTF Account. In 2010 and 2011, administrative costs amounted to slightly less than 0.83 percent of total collected.

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 DAS. At the end of each calendar quarter DAS distributes TriMet's share of moneys in the MTA Account to the Trustee OSTF Account. Once the Specified Tax Revenues are deposited to the Trustee OSTF Account, the Trustee credits those Specified Tax Revenues to the Debt Service Account in the amounts required under the Indenture, and distributes the remainder to TriMet. See "SECURITY AND SOURCES OF PAYMENT—Collection and Application of Revenues" and APPENDIX E—"SUMMARY OF INDENTURE—Revenue Fund and Accounts; Deposits to and Application of Revenue Fund."

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. For FY 2012, underlying employer payroll tax revenues (which exclude revenues from the annual 0.01 percent increase in the payroll tax rate) are estimated to have grown 7.6 percent. For FY 2013, employer payroll tax revenues are forecast to increase 5 percent (3.5 percent underlying growth and 1.5 percent from the increase in the payroll tax rate) and total $242.03 million. For FY 2014 employer payroll tax revenues are forecast to grow 5.5 percent (4.0 percent underlying growth and 1.5 percent from the increase in the payroll tax rate) and total $255.3 million.

For business planning purposes, for FYs 2015 through 2017, TriMet assumes growth in payroll tax revenues of 4.5 percent (growth in employment, wages and salaries) and growth in self-employment tax revenues of 3.0 percent. 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.

Table 6 summarizes historical Specified Tax Revenues since 1990, when payroll taxes began, through 2017. The historical Specified Tax Revenues shown in Table 6 were derived from TriMet's audited financial statements. State in-lieu payments were not included in Specified Tax Revenues until FY 2010.

TABLE 6
HISTORICAL AND FORECAST PAYROLL TAX, SELF-EMPLOYMENT AND STATE IN-LIEU TAX REVENUES
($000s)

Fiscal Year	Payroll Tax	Percent Change	Self-Employment	Percent Change	State-In-Lieu	Percent Change	Total	Percent Change
1990	$ 60,453		$ 4,636		$ 1,699		$ 65,089	
1991[1]	66,181	9.5%	4,867	5.0%	1,923	3.2%	71,048	9.2%
1992[1]	69,780	5.4	5,001	2.8	2,068	7.5	74,781	5.3
1993[1]	76,438	9.5	5,282	5.6	2,227	7.7	81,720	9.3
1994[1]	81,948	7.2	5,354	1.4	2,233	0.3	87,302	6.8
1995	90,006	9.8	5,645	5.4	2,343	4.9	95,651	9.6
1996[2]	100,477	11.6	5,810	2.9	1,784	-23.9	106,287	11.1
1997[2]	113,734	13.2	6,355	9.4	1,390	-22.1	120,089	13.0
1998[3]	122,866	8.0	6,700	5.4	1,407	1.2	129,566	7.9
1999	130,309	6.1	6,434	-4.0	1,471	4.5	136,743	5.5
2000	138,289	6.1	6,608	2.7	1,683	14.4	144,897	6.0
2001	151,578	9.6	6,558	-0.8	1,675	-0.5	158,136	9.1
2002[3]	146,228	(3.5)	7,289	11.1	1,941	15.9	153,517	-2.9
2003	145,231	(0.7)	6,801	-6.7	1,869	-3.7	152,032	-1.0
2004	145,427	0.1	7,269	6.9	1,855	-0.7	152,696	0.4
2005[3]	157,277	8.1	7,963	9.5	1,971	6.3	165,240	8.2
2006[3]	178,317	13.4	11,004	38.2	1,990	1.0	189,321	14.6
2007[3]	191,073	7.2	12,837	16.7	2,260	13.6	203,910	7.7
2008[3]	201,163	5.3	10,868	-15.3	2,255	-0.2	212,031	4.0
2009[3]	198,864	(1.1)	7,743	-28.8	2,482	10.1	206,607	-2.6
2010[3][4]	194,241	(2.3)	10,165	31.3	2,676	7.8	207,082	0.2
2011[3][4]	211,280	8.8	10,919	7.4	2,659	-0.6	224,858	8.6
Forecast								
2012[3][4]	$ 230,506	9.1%	$ 11,288	3.4%	$ 2,872	8.0%	$ 244,665	8.8%
2013[3][4]	242,031	5.0	11,626	3.0	2,958	3.0	256,615	4.9
2014[3][4]	255,343	5.5	11,975	3.0	3,047	3.0	270,365	5.4
2015[4]	266,833	4.5	12,334	3.0	3,138	3.0	282,305	4.4
2016[4]	278,840	4.5	12,704	3.0	3,232	3.0	294,776	4.4
2017[4]	291,388	4.5	13,085	3.0	3,329	3.0	307,802	4.4

(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: 1998 City of Sandy withdrawal +.0019 percent ($.019 per $1,000); 2002 City of Canby withdrawal +.0023 percent ($.023 per $1,000); January 1, 2005 +.01 percent ($.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); 2013 City of Boring withdrawal +.001905 percent ($0.019 per $1,000). No increase in rates is assumed after January 1, 2014.
(4) Totals 2010 through 2017 include State in-lieu payments. Totals before 2010 do not include State in-lieu payments.
Source: TriMet.

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.

Debt Service Coverage

The following Table 7 summarizes total historical and forecast Specified Tax Revenues for FYs 2001 through 2017, 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 FY 2015.

TABLE 7
HISTORICAL AND FORECAST SPECIFIED TAX REVENUES, DEBT SERVICE AND DEBT SERVICE COVERAGE[1]
($000s)

	Fiscal Year	Total Specified Revenues[2]	Existing Senior Lien Bonds	Projected Series 2012 Bonds[3]	Projected Forecast FY15 Senior Lien Bonds [4]	Projected Estimated Total Senior Lien Bonds [3], [4]	Gross Coverage
Historical	2001	$ 158,136	$ 9,059			$ 9,059	17.5x
Historical	2002	153,517	10,685			10,685	14.4
Historical	2003	152,032	9,033			9,033	16.8
Historical	2004	152,696	10,143			10,143	15.1
Historical	2005	165,240	15,189			15,189	10.9
Historical	2006	189,321	13,233			13,233	14.3
Historical	2007	203,910	13,648			13,648	14.9
Historical	2008	212,031	12,939			12,939	16.4
Historical	2009	206,607	12,925			12,925	16.0
Historical	2010	207,082	13,682			13,682	15.1
Historical	2011	224,858	16,403			16,403	13.7
Estimated	2012	244,665	15,500			15,500	15.8
Estimated	2013	256,615	13,688	$ 2,246		15,934	16.1
Estimated	2014	270,365	13,673	6,507		20,180	13.4
Estimated	2015	282,305	13,653	6,505	$ 1,920	22,078	12.8
Estimated	2016	294,776	13,628	6,505	4,855	24,988	11.8
Estimated	2017	307,802	13,609	6,505	4,852	24,966	12.3

(1) May not total due to rounding.
(2) See Table 6 for explanations of increases in certain FYs.
(3) Reflects the expected issuance of the Series 2012 Bonds on August 30, 2012.
(4) Assumes the issuance of $64 million of Additional Bonds in FY 2015, at an interest rate of 4.5 percent and level debt service over 20 years.
Source: TriMet.

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.

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 8 and 9. The historical financial data shown in Tables 8 and 9 for FYs 2008 through 2011 were derived from TriMet's audited financial statements.

General. TriMet's audited financial statements for the July 1, 2011 to June 30, 2012 fiscal year are expected be available by the end of September 2012.

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TABLE 8
SUMMARY OF TRIMET BALANCE SHEETS FOR FISCAL YEARS ENDED JUNE 30
($000s)

	2008	2009	2010	2011
Assets				
Current Assets (unrestricted)				
Cash & cash equivalents	$ 17,777	$ 56,665	$ 94,877	$ 53,084
Investments	209,891	-	250	6,898
Taxes & other receivables	76,888	72,998	69,612	75,129
Grants receivable	10,293	12,142	8,660	8,683
Prepaid expenses	5,933	10,457	7,375	4,997
Prepaid lease	5,337	2,234	2,234	2,234
Current Assets (restricted)[1]				
Cash & cash equivalents	16,489	42,948	27,266	102,808
Investments	119,414	42,532	137,682	312,439
Taxes & other receivables	1,321	603	945	698
Grants receivable	321	54,083	27,167	9,451
Total current assets	463,664	294,662	376,068	576,421
Capital assets				
Land and other	138,516	145,414	147,331	187,877
Construction in progress	504,615	538,498	45,065	93,958
Property & equipment	2,093,280	2,265,978	2,813,534	2,824,562
Less accumulated depreciation	(841,657)	(900,151)	(969,997)	(1,039,662)
Net capital assets	1,894,754	2,049,739	2,035,933	2,066,735
Prepaid lease expenses	192,959	171,642	168,973	163,330
Long-term restricted lease deposit	85,489	58,007	61,655	65,535
Long-term restricted receivable	22,035	6,109	3,054	-
Materials, supplies & other	11,696	15,060	18,400	20,225
Other assets	2,696	2,955	2,245	2,627
Restricted investments	-	-	-	-
Total assets	$ 2,673,293	$ 2,598,174	$ 2,666,328	$ 2,894,903
Liabilities				
Current liabilities				
Accounts payable	$ 11,683	$ 13,484	$ 19,556	$ 28,845
Accounts payable from restricted funds	46,796	18,134	38,699	22,881
Accrued payroll	17,179	18,902	18,933	19,104
Current portion of long-term debt	66,125	96,928	66,553	66,901
Accrued pension obligation	33,677	32,920	38,842	23,505
Current portion of other postemployment benefits	11,340	13,298	13,279	16,997
Current portion of noncurrent liabilities	6,508	6,221	8,614	5,580
Unearned revenue	10,062	8,752	32,528	163,766
Other accrued liabilities	8,801	13,489	7,312	5,889
Unearned lease revenue, current portion	5,337	2,234	2,234	2,234
Total current liabilities	217,508	224,362	246,550	355,702
Noncurrent liabilities				
Long-term debt	405,331	273,088	257,019	345,010
Unearned lease revenue	123,582	78,138	74,830	71,522
Long-term lease liability	127,044	130,810	134,814	139,070
Other postemployment benefits liability	34,693	77,965	152,581	222,847
Other long-term liabilities	4,657	6,948	7,686	7,595
Total noncurrent liabilities	695,307	566,949	626,930	786,044
Total liabilities	912,815	791,311	873,480	1,141,746
Net Assets				
Invested in capital assets, net of related debt	1,427,816	1,679,816	1,712,456	1,814,183
Restricted for capital projects	72,572	25,610	46,279	14,453
Restricted for debt service	103,218	133,620	133,677	101,721
Unrestricted	156,872	(32,183)	(99,564)	(177,230)
Total net assets	1,760,478	1,806,863	1,792,848	1,753,127
Total liabilities & net assets	$ 2,673,293	$ 2,598,174	$ 2,666,328	$ 2,894,903

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

Source: TriMet. Derived from TriMet's Audited Financial Statements, which are included herein. This summary is not audited.

TABLE 9
SUMMARY OF TRIMET STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR FISCAL YEARS ENDED JUNE 30 ($000s)

	2008	2009	2010	2011
Revenues				
Operating revenues				
Passenger revenue	$ 80,815	$ 90,017	$ 93,729	$ 96,890
Auxiliary transportation & other revenue	31,803	32,770	35,872	35,862
Total operating revenues	112,618	122,787	129,601	132,752
Operating expenses				
Labor	128,586	127,309	125,688	123,482
Fringe benefits	151,831	163,588	191,263	200,875
Materials and services	72,928	85,143	90,358	73,859
Utilities	6,152	6,858	7,682	7,687
Purchased transportation	33,010	35,430	36,359	37,105
Depreciation expense	63,960	65,013	82,452	82,585
Other operating expense	6,500	8,391	11,358	8,434
Total operating expenses	462,967	491,732	545,160	534,027
Operating loss	(350,349)	(368,945)	(415,559)	(401,275)
Nonoperating revenues and (expenses)				
Payroll tax and other tax revenue	215,133	209,937	208,933	226,456
Property tax revenue	9,416	8,908	10,132	10,697
Grant revenue	60,440	63,599	84,217	39,659
Interest income	6,874	1,767	726	824
Net leveraged lease expense	(765)	2,464	(85)	(3,080)
Interest and other expense	(7,401)	(4,068)	(12,999)	(11,200)
Total nonoperating revenue	283,697	282,607	290,924	263,356
Loss before contributions and special items	(66,652)	(86,338)	(124,635)	(137,919)
Capital contributions	151,522	127,349	110,620	104,198
Special item-local agency/government donation	(621)	5,374	-	(6,000)
Changes in net assets	84,249	46,385	(14,015)	(39,721)
Total net assets-beginning	1,676,229	1,760,478	1,806,863	1,792,848
Total net assets-ending	$ 1,760,478	$ 1,806,863	$ 1,792,848	$ 1,753,127

Source: TriMet. Derived from TriMet's Audited Financial Statements, which are included herein. This summary is not audited.

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, 2011, TriMet had the following investments:

TABLE 10
CASH AND INVESTMENTS AS OF JUNE 30, 2011 ($000s)

Cash	**Fair Value**	**% of Portfolio**	**Weighted Average Maturity (years)**
Cash on hand	$ 125		
Demand deposits with financial institutions	81,355		
Total Cash	81,480		
Investments			
State of Oregon local government investment pool	37,934	8.0%	
Federal Farm Credit Bank	7,769	1.6%	0.58
Federal Home Loan Bank	66,734	14.0%	0.04
Federal Home Loan Mortgage Corporation	108,882	22.9%	0.48
Federal National Mortgage Association	127,437	26.8%	0.45
U.S. Treasuries	44,993	9.5%	0.86
Commercial Paper	-	0.0%	
Total Investments	393,749		
Total Cash and Investments	$ 475,229		

(1) Includes $102.8 million of restricted cash or cash equivalents, and $312.4 million of restricted investments.
Source: TriMet. Derived from Note 3 of TriMet's Audited Financial Statements, which are included herein. This table is not audited.

TriMet's investment policy, interest rate risk, credit risk and concentration of credit risk are described in Note 3 of TriMet's audited financial statements in Appendix A.

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. In January 2012, TriMet exercised its early purchase option under one lease transaction. Payments related to the purchase option for this lease are being paid in installments, with the final payment scheduled for December 15, 2012.

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, including American International Group, Inc. and its subsidiaries (AIG) and Financial Security Assurance Inc. (FSA), which has subsequently been acquired by Assured Guaranty Ltd. 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 five of the Leases. Certain of the remaining Leases require TriMet to post collateral if the ratings on TriMet's senior lien payroll tax revenue bonds fall below A1 by Moody's or A+ by Standard and Poor's. The maximum value of the collateral TriMet could currently be required to post is approximately $25 million. TriMet's senior lien payroll tax revenue bonds are currently rated Aa1 by Moody's and AAA by Standard and Poor's. See APPENDIX A—"AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2011 AND 2010," Note 12(b) and 12(c) for additional details relating to these leveraged lease transactions.

Pension Responsibilities

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

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

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

The actuarial value of assets and liabilities and annual required contributions of each of the Management DB Plan and the Bargaining Unit DB Plan are determined by independent actuaries appointed by the DB Plan trustees and are based upon assumptions approved by the respective plan trustees. HP Northwest (the business name of Heintzberger Payne & Company, LLC) prepared the actuarial valuation report for the Management DB Plan as of June 30, 2012 (the "2012 Management DB Plan Valuation Report"), and Milliman, Inc. ("Milliman") prepared the actuarial valuation report for the Bargaining Unit DB Plan as of July 1, 2012 (the "2012 Bargaining Unit DB Plan Valuation Report").

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

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

As of June 30, 2011, 196 active employees were covered by the Management DC Plan, and TriMet contributions and employee contributions in the Fiscal Year ended June 30, 2011 were $1.159 million and $0.581 million, respectively.

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

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

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

The funding policy of the Management DB Plan provides for an actuarially 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 Fiscal Year 2009, TriMet adopted changes recommended by the plan actuary, resulting in (i) funding of past service obligations over a closed, 20-year period beginning with Fiscal Year 2009 (instead of over the working lifetime of participants, estimated to be six years for 2009); (ii) using the entry age normal cost method to determine normal cost; and (iii) substituting a five-year smoothed value (spreading market gains or losses over five years) for market value when determining the actuarial value of the Management DB Plan assets to calculate the ARC.

For purposes of the actuarial valuations for Fiscal Years 2010, 2011 and 2012, TriMet and the plan actuary used an assumed future net rate of return of 7.0 percent. Other assumptions used in the 2012 Management DB Plan Valuation Report include an annual cost of living increase of 4 percent and annual salary increases of 5 percent.

A schedule of funding progress and contributions is presented below.

TABLE 11
MANAGEMENT DB PLAN
SCHEDULE OF FUNDING PROGRESS ($000s)

	Actuarial Valuation Date		
	June 30, 2012[4]	**June 30, 2011**	**June 30, 2010**
Actuarial value of plan assets[1]	$ 76,728	$ 72,170	$ 67,689
Actuarial accrued liability (the "AAL")	113,750	105,750	98,834
Actuarial Funded Ratio	67.5%	68.3%	68.5%
Annual covered payroll	$ 14,869	$ 15,099	$ 15,626
Unfunded AAL	37,022	33,580	31,145
Unfunded AAL as a percentage of payroll	249.0%	222.4%	199.3%
Annual required contribution (the "ARC") as of June 30	$ 4,834	$ 4,576	$ 3,962
Contributions made by September 30[2][3]	4,876	4,608	4,015
Contributions as a percentage of ARC	100.9%	100.7%	101.3%
Contributions as a percentage of covered payroll	32.8%	29.9%	25.7%

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(1) Effective 2009, Management DB Plan adopted a policy of smoothing gains and losses over five years. As reported by the actuary, the market value of assets as of June 30, 2012 was $75.0 million.

(2) Contribution amounts include 7% interest from the valuation date to the date the payment is made, and thus the amounts shown are higher than the amounts of the required contributions.

(3) For FY11, TriMet made a payment of $1.6 million in June 2011 and the remainder in August 2011. TriMet makes annual deposits to the Management DB Plan by September 30. The difference between the ARC and the payment is interest accrued from July 1 through the payment date.

(4) FY12 schedule is from the 2012 Management DB Plan Valuation Report.

Source: TriMet. See Note 15 in the Audited Financial Statements attached hereto for 2011 data; 2012 data is from the 2012 Management DB Plan Valuation Report.

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

As a result of the expiration of the labor contract in November 2009, and the failure to agree on a new contract, TriMet imposed a wage freeze for union employees in 2010 which continues to the present. Because retiree benefits are adjusted based on general wage adjustments, neither the benefit multiplier, nor retiree pension benefits (which includes cost of living adjustments) increased in 2011 or 2012. As a result of a decision by the Employment Relations Board and the decision by the arbitrator, TriMet will be making a retroactive wage payment to active employees in late 2012. See "TRIMET—Staff and Bargaining Units" and "FINANCIAL INFORMATION—Fiscal Year 2012 and 2013 Budgets."

ATU retirees will also receive a retroactive payment, paid by the Bargaining Unit DB Plan trust, based on the higher pension benefit payments. The estimated payment from pension fund assets will be

$630,000. This payment is included in the calculations of the Bargaining Unit DB Plan funded status by Milliman in the 2012 Bargaining Unit DB Plan Valuation Report. The benefit multiplier (monthly amount per year of service) for covered members retiring on or after September 1, 2011, will be calculated at $77.40 and on or after September 1, 2012 will be calculated at $79.94. No employee contributions are required or permitted under the Bargaining Unit DB Plan.

The Arbitration Decision issued on July 12, 2012, as described above in "TRIMET—Staff and Bargaining Units," includes the following changes to the provisions of the Bargaining Unit DB Plan:

- The timing of the annual cost of living adjustments to retirees changed from February 1 to May 1 and annual increases will not be less than 0% and not more than 7%.

- The benefits for participants who retire on or after August 1, 2012 will be adjusted each May 1 by 90% of the percentage increase in the CPI-W for the previous year. Annual increases will not be less than 0% and not more than 7%.

- Effective July 12, 2012, active participants who accumulate 30 or more years of continuous service may no longer retire early with unreduced benefits.

Pursuant to the terms of the WWA, 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. TriMet is amortizing past service liabilities over 20 years from the date of valuation. On each valuation date, the Bargaining Unit DB Plan's unfunded accrued actuarial liability is reamortized over 20 years beginning on that valuation date. In August 2011, the plan trustees for the Bargaining United DB Plan approved a change in the assumed investment earnings rate to 7.75 percent per annum. Prior to August 2011, the assumed earnings rate was 8 percent per annum. The new assumed earnings rate is reflected in the 2012 Bargaining Unit DB Plan Actuarial Report. The assumed investment earnings are 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.

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

TABLE 12
BARGAINING UNIT DB PLAN
SCHEDULE OF FUNDING PROGRESS ($000s)

	Actuarial Valuation Date		
	June 30, 2012[1]	**June 30, 2011**	**June 30, 2010**
Actuarial value of plan assets [2]	$ 290,642	$ 289,425	$ 255,279
Actuarial accrued liability (the "AAL")	557,131	517,979	491,495
Actuarial Funded Ratio	52.2%	55.9%	51.9%
Annual covered payroll	$ 125,142	$ 119,166	$ 121,124
Unfunded AAL	266,489	243,811	236,216
Unfunded AAL as a percentage of payroll	212.9%	204.6%	195.0%
Annual required contribution (the "ARC")	$ 34,826	$ 32,224	$ 34,028
Contributions as a percentage of ARC[3]	100.0%	100.0%	100.0%
Contributions as a percentage of covered payroll	27.8%	27.0%	28.1%

(1) FY12 schedule is from the 2012 Bargaining Unit DB Plan Valuation Report.
(2) As reported by the actuary, the market value of assets as of July 1, 2012 was $280.9 million.
(3) For FY 11, TriMet made a payment of $13.4 million in June 2011 and the remainder in August 2011. TriMet makes annual deposits to the Bargaining Unit DB Plan by September 30.
Source: TriMet. See Note 16 in the Audited Financial Statements attached hereto for 2011 data; 2012 data is from the 2012 Bargaining Unit DB Plan Valuation Report.

Other Post-Employment Benefit Responsibilities

TriMet provides post-employment health care and life insurance benefits ("OPEB"), in accordance with the Working and Wage Agreement for union employees and TriMet's personnel policies to all eligible employees and their qualified dependents, who retire from TriMet on or after attaining age 55 with service of at least 10 years for union employees 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, and pays the Medicare part B premium for eligible union retirees. TriMet provides a $10,000 life insurance benefit to union retirees and $7,500 to eligible non-union retirees hired before May 1, 2009. There were 1,371 and 1,188 union and non-union retirees, dependents, and surviving spouses receiving the post-employment health care and life insurance benefits at June 30, 2011 and 2010, respectively.

TriMet no longer pays retiree medical premiums for non-union 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.

TriMet paid the costs of postemployment health care and life insurance benefits totaling $16.3 million and $15.9 million in Fiscal Year 2012 and 2011, respectively. TriMet has also created a trust fund for future net OPEB obligations. An initial deposit was made to the fund in June 2012 of $400,000.

TriMet retained an independent actuary, The Segal Company, to determine for accounting purposes the actuarial present value of the projected cost of TriMet's OPEB responsibilities, as well as the annual required contribution (ARC). The OPEB ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period of 28 years for the valuation report as of December 31, 2011 and 30 years for valuation report as of December 31, 2009, using the following assumptions: a discount rate of 4.5 percent and health care cost increases trending down from 10 percent annually in 2010 to 5 percent in 2020 for the major medical component; a funding method of entry age normal, with normal cost developed as a level percentage of payroll, and amortization of the UAL using the level-dollar method with a closed-group 30-year amortization methodology. Table 13 below presents components of TriMet's annual OPEB cost for the calendar years ended December 31, 2011 and 2009 and a schedule of funding progress.

TABLE 13
TRIMET OPEB COSTS ($000s)

	December 31, 2011	December 31, 2009
Actuarial Accrued Liability (AAL)	$ 900,541	$ 816,544
Actuarial Value of Assets	0	0
Funded Ratio	0.00%	0.00%
Market Value of Assets	$0	$0

ANNUAL REQUIRED CONTRIBUTION (ARC)
FOR FISCAL YEAR THAT ENDS 6 MONTHS FOLLOWING DATE OF VALUATION ($000s)

	June 30, 2012	June 30, 2010
Normal cost	$ 42,025	$ 40,195
Amortization of the unfunded actuarial accrued liability	41,254	35,207
Total Annual Required Contribution (ARC)	$ 83,279	$ 75,402
Covered payroll	$ 151,448	$ 137,869
ARC as a percentage of pay	54.99%	54.69%
Contributions made	$ 16,256	$ 14,256

Source: TriMet; based on actuarial valuations and other post-employment benefits (OPEB) as of December 31, 2011 in accordance with GASB Statement No. 45.

DISTRICT DEMOGRAPHIC INFORMATION

The boundaries of TriMet incorporate areas within Multnomah, Washington and Clackamas Counties and cover an area of 540 square miles, including the entire City of Portland which encompasses approximately 145 square miles, taking into account the withdrawal of the Boring area on January 1, 2013. 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 as of January 1, 2013.

The 2011 population of the TriMet district is estimated to be 1,585,195, which is approximately 96% of the population of the Tri-County Area and 41% of the State's population of 3.86 million.

As of 2011, the Tri-County Area accounted for approximately 46% 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 D-1
POPULATION OF THE TRI-COUNTY AREA

Year[1]	Multnomah County	Washington County	Clackamas County	Total
2011	741,925	536,370	378,480	1,656,775
2010	736,785	531,070	376,780	1,644,635
2009	731,001	525,641	374,729	1,631,371
2008	723,546	518,581	372,074	1,614,201
2007	715,036	509,886	368,214	1,593,136

(1) Estimate as of July 1.

Source: Portland State University, Population Research Center, as of March 2012.

TABLE D-2
ANNUAL AVERAGE NONAGRICULTURAL EMPLOYMENT IN THE TRI-COUNTY AREA[1]

	2012[2]	2011	2010	2009	2008
Total	818,500	816,700	798,000	801,700	853,700
Natural Resources and Mining	500	500	600	500	700
Construction	36,050	36,500	34,900	38,000	47,100
Manufacturing	92,725	92,100	88,200	89,600	100,700
Trade, Transportation and Utilities	159,175	159,800	156,900	158,700	171,100
Information	19,050	19,300	19,400	19,900	21,800
Financial Activities	52,475	53,100	53,400	55,400	58,500
Professional and Business Services	116,550	115,500	110,900	108,500	119,400
Education and Health Services	117,875	115,600	112,500	108,900	107,300
Leisure and Hospitality	79,175	80,200	77,900	77,700	81,900
Other Services	29,625	29,700	29,000	29,400	31,200
Government	115,250	114,400	114,900	115,200	114,300

(1) Not seasonally adjusted.
(2) Average through April 2012.

Note: Totals may not foot due to rounding.

Source: Oregon Employment Department, as of June 2012.

TABLE D-3
ANNUAL AVERAGE UNEMPLOYMENT IN THE TRI-COUNTY AREA(1)

	Multnomah County		Washington County		Clackamas County	
Year	Civilian Labor Force	% Unemployed	Civilian Labor Force	% Unemployed	Civilian Labor Force	% Unemployed
2012(2)	407,837	8.0%	295,146	7.3%	202,670	8.2%
2011	407,497	8.5	294,403	7.7	202,378	8.7
2010	402,077	9.8	290,348	8.9	199,859	10.0
2009	393,830	10.4	291,274	9.3	202,492	10.2
2008	388,761	5.8	289,681	5.3	200,399	5.7

(1) Not seasonally adjusted.
(2) Average through April 2012.

Source: Oregon Employment Department, as of June 2012.

TABLE D-4
25 LARGEST PAYROLL TAX PAYERS IN THE DISTRICT
(As of March 2012)

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

Source: TriMet.

INITIATIVE AND REFERENDUM PROCESS

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.

Initiative Measures

State law permits any person to file a proposed initiative with the Secretary of State's office without payment of fees or other burdensome requirements. To place a proposed initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Although a large number of initiative measures are submitted, a much smaller number of petitions contain sufficient signatures to qualify for the ballot. For the 2012 general election, the requirement is 8 percent (116,284 signatures) for a constitutional amendment measure and 6 percent (87,213 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2012 general election is July 6, 2012. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. None of the initiative measures that have qualified for the 2012 general election are expected to have a material effect on TriMet.

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 2012, the signature requirement is 58,142 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. None of the referendum petitions that have qualified for the 2012 general election are expected to have a material effect on TriMet.

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 2012 Bonds or (ii) question the validity of the Series 2012 Bonds or the authority of TriMet to make principal and interest payments or to collect Specified Tax Revenues to pay the Series 2012 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

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to TriMet, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by TriMet in connection with the Series 2012 Bonds, and Bond Counsel has assumed compliance by TriMet with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to TriMet, under existing statutes, interest on the Series 2012 Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2012 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2012 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2012 Bonds in order that interest on the Series 2012 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2012 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2012 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. TriMet has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2012 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2012 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2012 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2012 Bonds.

Prospective owners of the Series 2012 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2012 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2012 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2012 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2012 Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2012 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2012 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2012 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

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

Bond Premium

In general, if an owner acquires a Series 2012 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2012 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2012 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2012 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2012 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2012 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2012 Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2012 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2012 Bonds.

Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERWRITING

The Series 2012 Bonds are being purchased for reoffering by Morgan Stanley & Co. Incorporated and J.P. Morgan Securities LLC (collectively, the "Underwriters"). The Contract of Purchase provides that the Underwriters will purchase all of the Series 2012 Bonds, if any are purchased. The purchase price of the Series 2012 Bonds is $110,168,488.46, which is equal to the principal amount of the Series 2012 Bonds ($93,290,000.00), plus net premium of $17,401,631.80 and less an Underwriters' discount of $523,143.34. 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 2012 Bonds to the public. The Underwriters may offer and sell the Series 2012 Bonds to certain dealers (including dealers depositing the Series 2012 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, the parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2012 Bonds, has entered into a retail brokerage joint venture. As part of the joint venture Morgan Stanley & Co. LLC 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. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with its allocation of Series 2012 Bonds.

J.P. Morgan Securities LLC ("JPMS"), an underwriter of the Series 2012 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2012 Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS& Co. will purchase the Series 2012

Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2012 Bonds that such firm sells.

RATINGS

The Series 2012 Bonds have received ratings of “Aa1” 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 2012 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 2012 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 2012 Bonds, or the investment quality of the Series 2012 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 2012 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 2012 Bonds.

LEGALITY

Hawkins, Delafield & Wood LLP, Portland, Oregon, Bond Counsel to TriMet, will render an opinion with respect to the validity and enforceability of the Series 2012 Bonds and the Indenture. Hawkins, Delafield & Wood LLP from time to time represents the Underwriters on unrelated transactions. The form of the opinion of Bond Counsel appears as Appendix B to this Official Statement. Certain legal matters will be passed upon for the TriMet by Jana Toran, General Counsel to TriMet, and 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 2012 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 2012 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 2012 Bonds. The form of the Continuing Disclosure Certificate is included in this Official Statement as Appendix C. These covenants are being made by TriMet to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5), as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule").

TriMet 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. In May 2010, Moody's recalibrated its long-term municipal ratings to its global rating scale, which resulted in the rating on TriMet's Senior Lien Bonds changing from Aa3 to Aa2. TriMet filed its material event notice with respect to this rating change in June 2011.

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 2012 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 2012 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 2012 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 2012 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/ Jana Toran
Authorized Representative

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

TRI MET

Financial Statements and Supplementary Information
June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

Board of Directors

Name	District
Rick Van Beveren, President	#1
Tiffany Sweitzer	#2
Steve Clark	#3
Consuelo Saragoza	#4
Dr. T. Allen Bethel	#5
Lynn Lehrbach	#6
Hakeem Olanrewaju	#7

****

Board of Directors	4012 S.E. 17th Avenue Portland, Oregon 97202
General Manager	Neil McFarlane 4012 S.E. 17th Avenue Portland, Oregon 97202
General Counsel and Registered Agent	M. Brian Playfair 4012 S.E. 17th Avenue Portland, Oregon 97202

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Financial Section

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MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Tri-County Metropolitan Transportation District of Oregon

We have audited the accompanying balance sheets of the Enterprise Fund and statements of plan net assets of the Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund and Pension Plan for Bargaining Unit Employees of TriMet Trust Fund (pension trust funds) of Tri-County Metropolitan Transportation District of Oregon (the District), as of June 30, 2011 and 2010, and the statements of revenues, expenses, and changes in net assets of the Enterprise Fund for the years ended June 30, 2011 and 2010, and the statements of changes in plan net assets of the pension trust funds for the year ending June 30, 2011, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Enterprise Fund, the Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund and Pension Plan for Bargaining Unit Employees of TriMet Trust Fund as of June 30, 2011 and 2010, the changes in financial position and cash flows for the Enterprise fund for the years ended June 30, 2011 and 2010, and the changes in plan net assets for the Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund and Pension Plan for Bargaining Unit Employees of TriMet Trust Fund for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 14, and the required supplementary information on page 48 are not a required part of the basic financial statements but are 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental budgetary schedules and property tax schedule on pages 50 through 54 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.

James C. Lanzarotta

James C Lanzarotta, Partner
for Moss Adams LLP
Portland, Oregon
September 28, 2011

Management's Discussion and Analysis

(dollars in thousands)

Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial performance of Tri-County Metropolitan Transportation District of Oregon ("TriMet" or "the District") for the fiscal years ended June 30, 2011 and 2010, including the District operations within the Enterprise Fund, the TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund and the Pension Plan for Bargaining Unit Employees of TriMet Trust Fund ("the Trust funds"). The Enterprise Fund accounts for all activities and operations of the District except for the activities included within the Trust funds. The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the non-union employee benefit plan held by the District in a trustee capacity. The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the union employee benefit plan held by the District in a trustee capacity. The MD&A is designed to assist readers of the financial statements 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 this information is presented in summary form, it should be read in conjunction with the financial statements including the notes to financial statements and other supplementary information that is provided in addition to this MD&A. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The report includes the following three basic financial statements for the TriMet Enterprise Fund: the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. The report also includes the following two basic financial statements for each Trust Fund: Statements of Net Assets and Statement of Changes in Net Assets.

TriMet's financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") as applied to governmental units. The 2011 and 2010 financial statements are presented using the economic resource measurement focus and accrual basis of accounting. In accordance with GAAP, all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of the District are included in the Enterprise Fund Balance Sheets, and depreciation of capital assets is recognized in the Statements of Revenues, Expenses and Changes in Net Assets.

ENTERPRISE FUND FINANCIAL HIGHLIGHTS

- Total operating and non-operating revenues were $410,388 for fiscal year 2011, a decrease of 5.4 percent, during the fiscal year. Passenger revenue increased 3.4 percent, to $96,890, during fiscal year 2011, as a result of a fare increase implemented in September 2010, an 8.2 percent increase in annual light rail ridership, offset in part by a 3.4 percent decrease in bus ridership.
- Total payroll and other tax revenues increased $17,523, or 8.4 percent, compared to fiscal year 2010. Employer payroll tax revenue increased $17,039, or 8.8 percent, while self employment and other tax revenues increased $484, or 3.3 percent, over fiscal year 2010, due to the combined impact of tax rate increases, offset by the impact of economic difficulties in the region over the past two years, transitioning to a slow economic turnaround beginning in fiscal year 2011.

  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 is being phased in over a 10 year period. The rate has increased by .0001 each January 1 since 2005 and will continue to increase until the rate reaches .007218 on January 1, 2014. The rate was .006818 on January 1, 2010 and .006918 on January 1, 2011.

  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 0.0002. 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.

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

- Grant revenue decreased $44,558, or 52.9 percent, compared to fiscal year 2010, as a result of delays in Federal approval of preventive maintenance grants as the federal transportation program is operating under a series of short-term extensions which allow FTA to continue its current programs. The final federal approval of short-term extensions for this program occurred after TriMet's fiscal year end. The remaining fiscal year 2011 grant applications were approved and funds were drawn down in August 2011.

- Total operating and non-operating expenses decreased 1.8 percent to $548,307, during fiscal year 2011. Fringe benefits expense increased 5.0 percent or $9,612 due primarily to costs associated with retiree pension and other post employment benefits. Materials and services expenses decreased 18.3 percent or $16,499 due primarily to decreases in transit enhancement expense ($3,090) and facilities maintenance ($3,185) performed in association with receipt of Federal Stimulus funding, decreases in intergovernmental transfers ($3,847), and other materials and services declines associated with overall budget reductions implemented in conjunction with reductions in service for the fiscal year.

- Total net assets at June 30, 2011, were $1,753,127, a decrease of $39,721 from 2010. The decrease in net assets is due primarily to an increase in the Other postemployment benefits (OPEB) liability. The net OPEB obligation at June 30, 2011 was $222,847, an increase of $70,266 over 2010. TriMet funds OPEB on a pay-as-you-go basis, funding benefits for current retirees, but does not make contributions towards the unfunded accrued OPEB liability.

- Total capital assets, net of accumulated depreciation, were $2,066,735 at June 30, 2011, an increase of $30,802 from 2010. This increase was due primarily to the net impact of costs related to the Portland to Milwaukie light rail project, offset by depreciation expense related to existing capital assets currently in use.

ENTERPRISE FUND FINANCIAL SUMMARY

Net Assets

The District's total net assets at June 30, 2011, were $1,753,127, a decrease of $39,721 or 2.2 percent from June 30, 2010 (see Table 1). Total assets increased $228,545, or 8.6 percent, and total liabilities increased $268,266 or 30.7 percent. The increase in total assets is due primarily to increases in cash and investments of $215,154 associated with the issuance of bonds and the receipt of the remaining funds from Oregon Lottery Bond proceeds restricted for use in funding the Portland to Milwaukie light rail project. The increase in total liabilities is due primarily to increases in unearned capital project revenue of $131,238 related to the unspent portion of ODOT funds noted above and long term debt of $87,991 which resulted from issuance of $142,380 of capital grant receipt revenue bonds offset by regular debt service payments made during the year.

Table 1

Net Assets
As of June 30
(dollars in thousands)

	2011	2010	2009	Increase (decrease) 2011 - 2010	Percentage change 2011 - 2010	Increase (decrease) 2010 - 2009	Percentage change 2010 - 2009
Assets							
Current and other assets	$ 828,138	$ 630,395	$ 548,435	$ 197,743	31.4%	$ 81,960	14.9%
Capital assets, net of depreciation	2,066,735	2,035,933	2,049,739	30,802	1.5%	(13,806)	(0.7)%
Total assets	2,894,873	2,666,328	2,598,174	228,545	8.6%	68,154	2.6%
Liabilities							
Current liabilities	355,702	246,550	211,064	109,152	44.3%	35,486	16.8%
Noncurrent liabilities	786,044	626,930	580,247	159,114	25.4%	46,683	8.0%
Total liabilities	1,141,746	873,480	791,311	268,266	30.7%	82,169	10.4%
Net assets							
Invested in capital assets, net of related debt	1,814,183	1,712,456	1,679,816	101,727	5.9%	32,640	1.9%
Restricted for capital projects	14,453	46,279	25,610	(31,826)	(68.8)%	20,669	80.7%
Restricted for debt service	101,721	133,677	133,620	(31,956)	(23.9)%	57	0.0%
Unrestricted	(177,230)	(99,564)	(32,183)	(77,666)	78.0%	(67,381)	209.4%
Total net assets	1,753,127	1,792,848	1,806,863	(39,721)	(2.2)%	(14,015)	(0.8)%
Total liabilities and net assets	$ 2,894,873	$ 2,666,328	$ 2,598,174	$ 228,545	8.6%	$ 68,154	2.6%

Management's Discussion and Analysis

continued

(dollars in thousands)

Total net assets at June 30, 2010, were $1,792,848, a 0.8 percent decrease from June 30, 2009. Total assets increased $68,154, or 2.6 percent, and total liabilities increased $82,169 or 10.4 percent. The increase in total assets is due primarily to increases in cash and investments restricted for capital projects. The increase in total liabilities resulted from increases in unearned capital project revenue and OPEB liabilities.

Current and other assets increased $197,743, or 31.4 percent, in 2011, due primarily to the increase in cash and investments associated with the receipt of the remaining $197 million of a State grant funded with Oregon Lottery Bond proceeds and restricted for the Milwaukie light rail project, and the issuance of bonds on June 30, 2011.

Current and other assets increased $81,960, or 14.9 percent, in 2010, due primarily to the increase in cash and investments associated with the receipt of final federal funding for the I205/Portland Mall light rail project, that are restricted for payment of outstanding revenue bonds used to finance the project, and receipt of the first portion of funding from the Oregon Lottery Bond proceeds restricted for the Milwaukie light rail project.

Current liabilities consist primarily of accounts payable, accrued compensation, current portion of bonds payable and unearned revenue. The increase in current liabilities of $109,152, or 44.3 percent, in 2011 was primarily a result of increases in unearned capital project revenue associated with receipt of the remaining $197 million Oregon lottery bond funds noted above. The increase in current liabilities of $35,486, or 16.8 percent, in 2010, is primarily the result of increases in Accounts payable associated with pass-though funding of the Eastside Streetcar project for the City of Portland, and increases in unearned capital project revenue associated with Oregon lottery bond funding received for the Milwaukie light rail project.

Noncurrent liabilities consist primarily of long term debt, long term lease liabilities and OPEB liabilities. Noncurrent liabilities increased $159,114 or 25.4 percent in 2011, primarily due to the issuance of $142,380 in bonds on June 30, 2011. Noncurrent liabilities increased $46,683, or 8.0 percent, in 2010, primarily due to an increase of $61,328 in OPEB liabilities, offset by a decline in long term debt of $16,069.

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 9), as well as restricted deposits related to the lease transactions (discussed in Note 12).

Unrestricted net assets have negative balances for both fiscal years 2011 and 2010. This resulted primarily from the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension.* This statement established standards for the measurement, recognition, and presentation of other postemployment benefits in the District's financial statements. Prior to implementation of this statement in fiscal year 2008, the District recorded costs associated with other postemployment benefits on a pay-as-you-go basis. Other postemployment benefit liabilities recorded on the balance sheet in accordance with this statement totaled $222,847 and $152,581 for the years ended June 30, 2011 and 2010, respectively.

Changes in Net Assets

The District's total revenues decreased $23,221, or 5.4 percent, during fiscal year 2011 (see Table 2). Passenger revenue increased $3,161, or 3.4 percent, and grant revenue decreased $44,558, or 52.9 percent, due to delays in preventive maintenance grant approvals by the federal government as discussed above.

Total revenues increased $26,611, or 6.5 percent, during fiscal year 2010. Passenger revenue increased $3,712, or 4.1 percent, and grant revenue increased $20,618, or 32.4 percent.

Management's Discussion and Analysis

continued

(dollars in thousands)

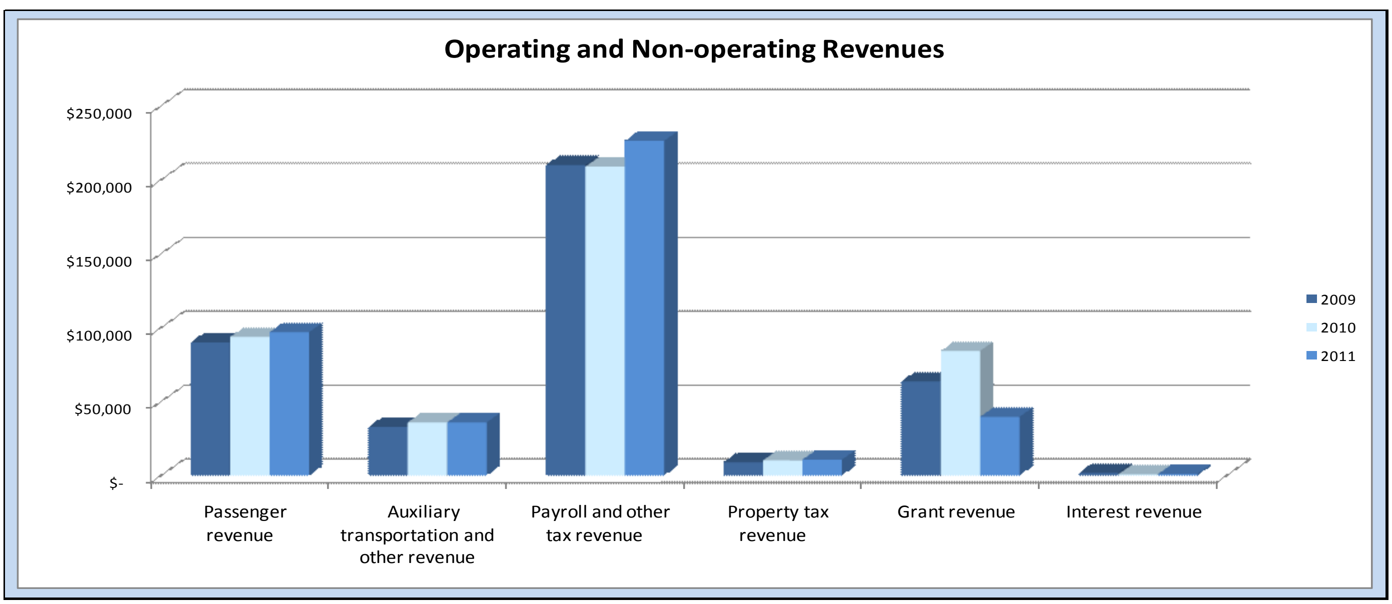
Table 2

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

	2011	2010	2009	Increase (decrease) 2011 - 2010	Percentage change 2011 - 2010	Increase (decrease) 2010 - 2009	Percentage change 2010 - 2009
Revenues							
Operating revenues							
Passenger revenue	$ 96,890	$ 93,729	$ 90,017	$ 3,161	3.4%	$ 3,712	4.1%
Auxiliary transportation and other revenue	35,862	35,872	32,770	(10)	(0.0)%	3,102	9.5%
Nonoperating revenues							
Payroll and other tax revenue	226,456	208,933	209,937	17,523	8.4%	(1,004)	(0.5)%
Property tax revenue	10,697	10,132	8,908	565	5.6%	1,224	13.7%
Grant revenue	39,659	84,217	63,599	(44,558)	(52.9)%	20,618	32.4%
Interest revenue	824	726	1,767	98	13.5%	(1,041)	(58.9)%
Total operating and nonoperating revenues	410,388	433,609	406,998	(23,221)	(5.4)%	26,611	6.5%
Expenses							
Labor	123,482	125,688	127,309	(2,206)	(1.8)%	(1,621)	(1.3)%
Fringe benefits	200,875	191,263	163,588	9,612	5.0%	27,675	16.9%
Materials and services	73,859	90,358	85,143	(16,499)	(18.3)%	5,215	6.1%
Utilities	7,687	7,682	6,858	5	0.1%	824	12.0%
Purchased transportation	37,105	36,359	35,430	746	2.1%	929	2.6%
Depreciation expense	82,585	82,452	65,013	133	0.2%	17,439	26.8%
Other operating expense	8,434	11,358	8,391	(2,924)	(25.7)%	2,967	35.4%
Net leveraged lease (income) expense	3,080	85	(2,464)	2,995	3,523.5%	2,549	(103.4)%
Interest and other expense	11,200	12,999	4,068	(1,799)	(13.8)%	8,931	219.5%
Total expenses	548,307	558,244	493,336	(9,937)	(1.8)%	64,908	13.2%
Loss before contributions	(137,919)	(124,635)	(86,338)	(13,284)	10.7%	(38,297)	44.4%
Capital contributions	104,198	110,620	127,349	(6,422)	(5.8)%	(16,729)	(13.1)%
Special items	(6,000)	-	5,374	(6,000)	(100.0)%	(5,374)	100.0%
Increase (decrease) in net assets	(39,721)	(14,015)	46,385	(25,706)	183.4%	(60,400)	(130.2)%
Total net assets - beginning	1,792,848	1,806,863	1,760,478	(14,015)	(0.8)%	46,385	2.6%
Total net assets - ending	$ 1,753,127	$ 1,792,848	$ 1,806,863	$ (39,721)	(2.2)%	$ (14,015)	(0.8)%

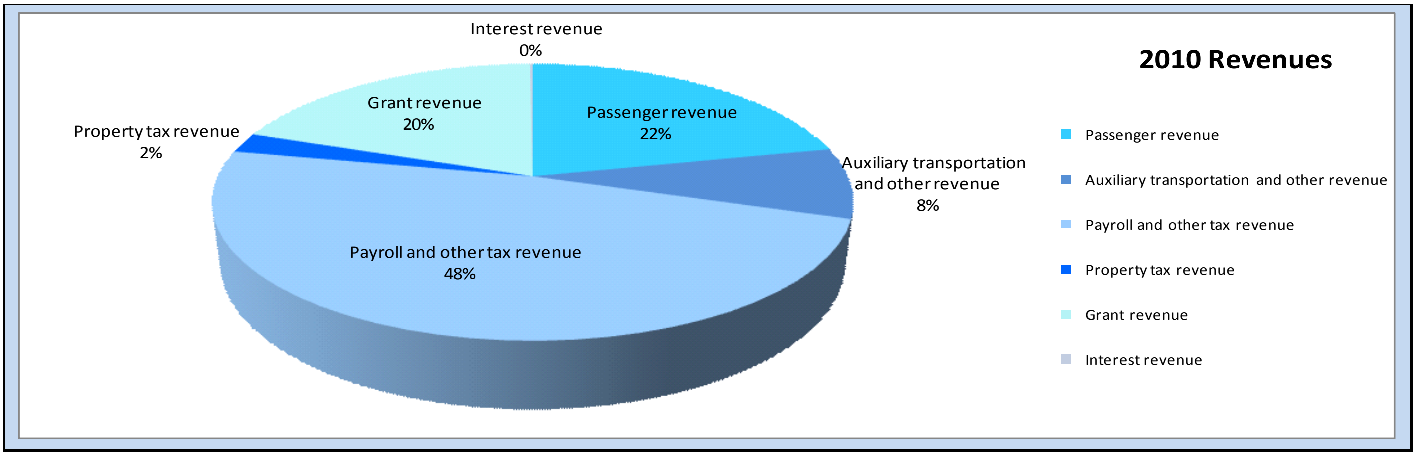
The Oregon economy began slowing in fiscal year 2008, after experiencing strong growth from 2004 to 2007. In fiscal year 2009, the economic recession began to impact the District's revenues, due to declining regional employment. This impact on revenues continued through fiscal year 2010. In fiscal year 2011, revenues reflected an emerging economy characterized by slow job growth.

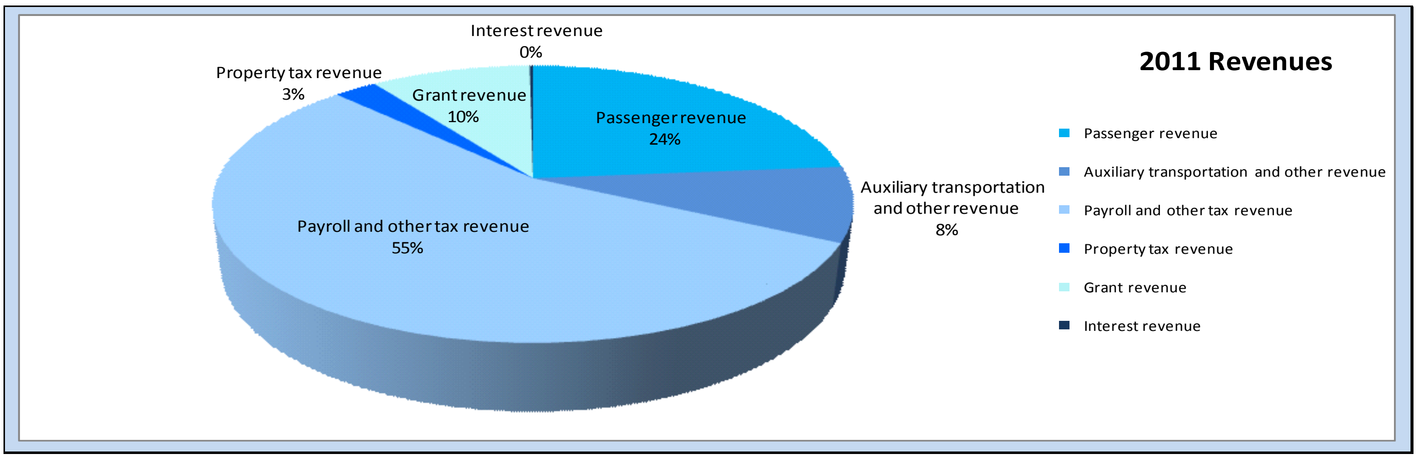
The following chart displays trends in Operating and Non-operating Revenues for the last three fiscal years:



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

The following charts display the allocation of District revenues for fiscal years 2010 and 2011:





Operating Revenues

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

Passenger Revenue
Passenger revenue includes fares earned from the sale of passes, tickets, ticket vending machine and farebox receipts from riders. In fiscal year 2011, the District experienced overall growth in passenger revenue of 3.4 percent, due to increases in ridership and a rate increase in September 2010. TriMet budgeted an increase of 1.5 percent in light rail ridership while actual ridership increased 8.2 percent for the fiscal year. Bus ridership for the fiscal year declined 3.4 percent, slightly better than the budget assumption of a 5% decline in bus ridership resulting from fewer people commuting to jobs due to recession and service reductions in 2011.

Auxiliary Transportation and Other Revenue
Auxiliary Transportation and Other Revenue includes revenue from the Medical Transportation Program, LIFT service, Streetcar operating revenues, Local grants and operating assistance from other local governments. In fiscal year 2011, TriMet experienced consistent auxiliary transportation and other revenues as compared to 2010, resulting from improved cost recovery for Streetcar maintenance of way, improved recoveries associated with workers compensation and accidents, and other reimbursements, offset by decreases in Medical Transportation revenues resulting from decreases in the number of rides taken in this program.

Non-operating Revenues

Non-operating revenues include Payroll and other tax revenues, Property tax revenue restricted for debt service related to outstanding general obligation bonds, Grant revenue and Interest earnings.

Management's Discussion and Analysis

continued

(dollars in thousands)

Payroll and Other Tax Revenues

Payroll tax revenues are the District's main source of revenue. In fiscal year 2011, payroll tax revenues reflected an emerging economy characterized by slow job growth, resulting in an increase of $17,523, or 8.4 percent, compared to fiscal year 2010. After six consecutive years of increases, Payroll tax revenues decreased for two consecutive years, before increasing again in 2011. Payroll and other tax revenues decreased $1,004, or 0.5 percent in fiscal year 2010, while they decreased $5,196, or 2.4 percent, in fiscal year 2009.

Operating and Other Expenses

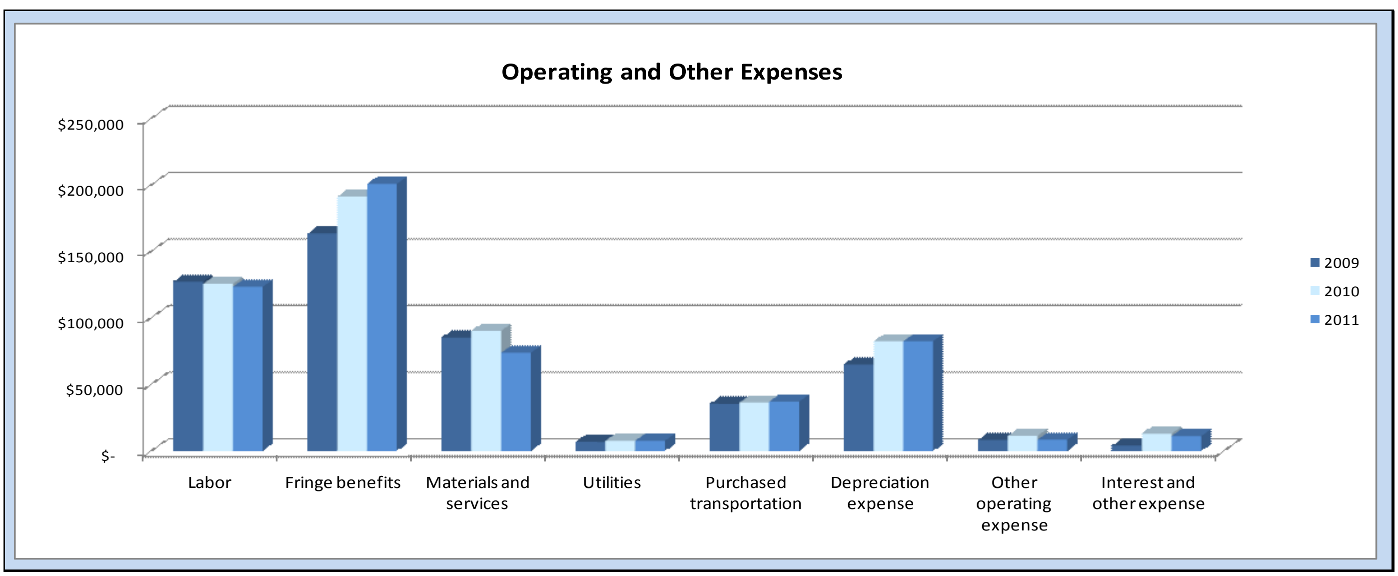
Operating and Other Expenses include operations and maintenance costs, general and administrative expenses, purchased transportation costs associated with the Medical Transportation and LIFT programs, depreciation of capital assets, interest on outstanding debt and other costs.

Total expenses decreased $9,937, or 1.8 percent, during fiscal year 2011. Labor costs decreased $2,206, or 1.8 percent, resulting primarily from the impact of service cuts on staffing. Fringe benefits increased $9,612, or 5.0 percent, due to continued increases in medical insurance premiums, and other post-employment benefit costs. Materials and services decreased $16,499, or 18.3 percent, due primarily to declines in Facility maintenance resulting from completion of Federal Stimulus projects.

Total expenses increased $64,908, or 13.2 percent, during fiscal year 2010. Labor costs decreased $1,621, or 1.3 percent, primarily due to service cuts and decreases in staffing. Fringe benefits increased $27,675, or 16.9 percent, due to increased costs of medical premiums, other post-employment benefits costs and pension funding requirements. Materials and services increased $5,215, or 6.1 percent, primarily due to increases related to Federal stimulus funded projects.

Depreciation expense increased $133, or 0.2 percent, during fiscal year 2011 and $17,439, or 26.8 percent, in fiscal year 2010, due to the addition of the WES commuter rail and the I-205/Portland Mall Light Rail line to operations during fiscal years 2009 and 2010.

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



Capital Contributions

Capital contributions include federal grants and other local government contributions restricted for purchase or construction of capital assets. Capital contributions decreased $6,422, or 5.8 percent, during fiscal year 2011, primarily as a result of declines on Federal contributions related to completion of stimulus projects, offset in part by recognition of earned contributions related to the Milwaukie light rail project. Capital contributions decreased $16,729, or 13.1 percent, during fiscal year 2010.

Management's Discussion and Analysis

continued

(dollars in thousands)

Capital Assets

At June 30, 2011, the District had invested $2,066,735, net of accumulated depreciation, in a variety of capital assets (see Table 3 and Note 6).

Table 3

Capital Assets
As of June 30
(net of depreciation, dollars in thousands)

	2011	2010	2009	Increase (decrease) 2011 - 2010	Percentage change 2011 - 2010	Increase (decrease) 2010 - 2009	Percentage change 2010 - 2009
Land and other	$ 187,877	$ 147,331	$ 145,414	$ 40,546	27.5%	$ 1,917	1.3%
Rail right-of-way and stations	1,294,836	1,341,256	1,019,966	(46,420)	(3.5)%	321,290	31.5%
Buildings	204,787	194,710	118,777	10,077	5.2%	75,933	63.9%
Transportation equipment	248,842	268,858	204,534	(20,016)	(7.4)%	64,324	31.4%
Furniture and other equipment	36,435	38,713	22,550	(2,278)	(5.9)%	16,163	71.7%
Construction in progress	93,958	45,065	538,498	48,893	108.5%	(493,433)	(91.6)%
Total capital assets	$ 2,066,735	$ 2,035,933	$ 2,049,739	$ 30,802	1.5%	$ (13,806)	(0.7)%

Total capital assets net of depreciation increased $30,802, or 1.5 percent, during fiscal year 2011, primarily due to preliminary engineering and right of way acquisition on the Milwaukie light rail line, offset in part by the impact of depreciation of assets. Total capital assets net of depreciation decreased $13,806, or 0.7 percent, during fiscal year 2010, primarily due to completion the I-205/Portland Mall Light Rail Project and the impact of depreciation of the related assets beginning with the opening of the light rail line in September 2009.

The I-205/Portland Mall Light Rail Project began operation in September 2009, expanding TriMet's light rail system by 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 extended light rail through downtown Portland on 5th and 6th Avenues between Portland State University and Union Station. The Milwaukie Light Rail Project will extend TriMet's light rail system from Portland State University, to the South Waterfront, adding a new transit and pedestrian bridge across the Willamette River, and extending through Southeast Portland to the City of Milwaukie. The project is projected for completion in September 2015.

Long-Term Debt

Long-term debt includes revenue bonds and general obligation bonds. At June 30, 2011, the District had $373,863 in revenue bonds outstanding and $19,115 in general obligation bonds outstanding (see Note 9).

During fiscal year 2007, the District issued $230,000 in payroll tax and 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. During fiscal year 2008, $42,987 in grant funds were placed in a debt service account. 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. The 2008 and 2009 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 District received the final draw on grant funds pledged as security on these bonds in 2010, a portion of the funds were used to pay a scheduled debt service payment in May 2011, and the remaining funds are invested in a restricted account for payment of final debt service maturity on the bonds in 2012.

During fiscal year 2010, the District issued $49,550 in limited tax pledge revenue bonds to pay for a portion of the costs of capital projects. The bonds are secured by a senior lien of payroll, state in lieu and self employment tax revenues. The limited tax pledge revenue bonds are not general obligations of the District.

In June 2011, the District issued $142,380 in capital grant receipt revenue bonds to pay for a portion of the costs of capital projects, including new buses, construction on the Milwaukie light rail project, and other regional projects. The bonds are secured 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. The capital grant revenue bonds are not general obligations of the District.

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

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

Table 4

General Obligation and Revenue Bond Ratings
As of June 30
(dollars in thousands)

	Original issue amount	Balance at June 30, 2011	Moody's	Standard & Poor's
General obligation bonds				
1999 Series A Refunding	$ 79,965	$ 19,115	Aaa	AAA
Revenue bonds				
Payroll Tax Revenue Bonds:				
2001 Series A Senior Lien Payroll Tax Refunding	23,090	1,750	Aa2	AAA
2003 Series A Payroll Tax Refunding	19,705	9,835	Aa2	AAA
2005 Series A Payroll Tax Refunding	65,475	41,700	Aa2	AAA
2007 Series A Payroll Tax	45,450	40,755	Aa2	AAA
2009 Series A and B Payroll Tax	49,550	48,270	Aa2	AAA
Grant Receipt Bonds:				
2005 Series 2005 Capital Grant Receipt	79,320	48,885	A1	A
2006 Series 2006 Payroll Tax and Grant Receipt	230,000	40,000	Aa3	A+
2011 Series A and B Capital Grant Receipt	142,380	142,380	A1	A

Lease Transactions

In prior years, TriMet entered into several lease-leaseback and sale-leaseback transactions with investors (see Note 12). During the 2008-2009 financial crisis, U.S. and global financial markets experienced extreme 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 these future obligations with District resources. At June 30, 2011, total outstanding Debt Payment obligations relating to the 2005 lease transaction were $20,498.

In November 2008, American International Group, Inc. (AIG) was required to collateralize obligations pursuant to the terms of the 1997 and 1998 lease transactions, and has continued to meet payment and collateralization obligations. 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, 2011.

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

The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. The plan covers all TriMet non-union employees hired before April 27, 2003. Covered employees who retire at or after age 62, with five years of service, are entitled to an annual retirement benefit, payable monthly for life. TriMet is required to maintain funds under the plan sufficient to pay benefits when due. The following chart displays assets, liabilities, and net assets of the trust fund as of June 30, 2011 and 2010:

	Fiscal year	
	2011	2010
Total trust assets	$ 78,321	$ 64,108
Total trust accounts payable for fund expenses	58	29
Total net assets held in trust	$ 78,263	$ 64,079

Management's Discussion and Analysis

continued

(dollars in thousands)

Total net assets as of June 30, 2011 increased by $14,184 or 22.1 percent, due to employer contributions recorded in the plan of $4,576 in fiscal year 2011, and the increase in fair market value of investments resulting from favorable market conditions compared to 2010. TriMet funded the annually required contribution of $4,015 in September 2010, and contributed $1,600 towards the 2011 annually required contribution in June 2011. The remaining portion of the annual required contribution for 2011 was funded in August 2011.

The following chart displays changes in net assets for the year ended June 30, 2011:

	Fiscal year June 30, 2011
Employer contributions	$ 4,576
Investment earnings	12,436
Total additions	17,012
Benefit payments	2,731
Administrative expenses	97
Total deductions	2,828
Change in net assets	14,184
Net assets held in trust, beginning of year	64,079
Net assets held in trust, end of year	$ 78,263

Additional information on the TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund can be found in Note 15 in the accompanying notes to the financial statements.

THE PENSION PLAN FOR BARGAINING UNIT EMPLOYEES OF TRIMET TRUST FUND

The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. The plan covers all full-time and part-time employees represented by the Amalgamated Transit Union. 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. TriMet is required to maintain funds under the plan sufficient to pay benefits when due. The following chart displays assets, liabilities, and net assets of the trust fund as of June 30, 2011 and 2010:

	Fiscal year	
	2011	2010
Total trust assets	$ 305,016	$ 246,871
Total trust accounts payable for fund expenses	202	87
Total net assets held in trust	$ 304,814	$ 246,784

Total net assets as of June 30, 2011 increased by $58,030, or 23.5 percent, due to employer contributions to the plan of $33,929 in fiscal year 2011, and the increase in fair market value of investments resulting from favorable market conditions compared to 2010. TriMet funded the annually required contribution of $34,028 in September 2010, and contributed $13,400 towards the 2011 annually required contribution in June 2011. The remaining portion of the annual required contribution for 2011 was funded in August 2011.

Management's Discussion and Analysis

continued

(dollars in thousands)

The following chart displays changes in net assets for the year ended June 30, 2011:

	Fiscal year June 30, 2011
Employer contributions	$ 33,929
Investment earnings	47,239
Total additions	81,168
Benefit payments	22,869
Administrative expenses	269
Total deductions	23,138
Change in net assets	58,030
Net assets held in trust, beginning of year	246,784
Net assets held in trust, end of year	$ 304,814

Additional information on the Pension Plan for Bargaining Unit Employees of TriMet Trust Fund can be found in Note 16 in the accompanying notes to the financial statements.

ACCOUNTING GUIDANCE AND RECLASSIFICATIONS

The District adopted GASB Statement No. 51*, Accounting and Financial Reporting for Intangible Assets*, in fiscal year 2010. The statement requires that all intangible assets not specifically excluded by scope provisions of the statement should be classified as capital assets.

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.

The District adopted GASB Statement No. 59, *Financial Instruments Omnibus*, during 2011. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools.

Certain reclassifications have been recorded to prior year balances to provide consistent presentation with the current year financial statements. In fiscal year 2010, all costs associated with Other post-employment benefits, including funding of current retiree medical costs, are recorded as part of fringe benefits. In 2010, amounts related to capitalization of labor and fringe benefits are recorded as offsets to labor and fringe benefits. These costs and offsets were recorded in other operating expense in the prior year.

ECONOMIC FACTORS AND FISCAL YEAR 2012 BUDGET

The District's Board of Directors adopted the fiscal year 2012 budget on June 22, 2011. The fiscal year 2012 budget includes $534,156 for operating expenses, an 8.0 percent decrease from fiscal year 2011 due primarily to reductions in pass through requirements. This budget also includes $296,933 for light rail construction projects and $71,299 for other capital expenditures. The budget reflects funding for safety initiatives, restoration of a small amount of bus and light rail service to reduce crowding, and restarting of annual bus replacements to provide better customer service and control maintenance costs.

During fiscal year 2009, TriMet was granted permission by FTA to enter preliminary engineering on the Portland to Milwaukie Light Rail Project. TriMet expects to enter in to a Full Funding Grant Agreement (FFGA) related to the project with the Federal Transit Administration mid-year 2012. The project is budgeted to cost a total of $1.49 billion, with 50% of the cost provided by the Federal New Starts program. The project is expected to open September 2015.

Management's Discussion and Analysis

continued

(dollars in thousands)

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

Enterprise Fund
Balance Sheets

June 30, 2011 and 2010
(dollars in thousands)

	2011	2010
Assets		
Current assets (unrestricted):		
Cash and cash equivalents	$ 53,084	$ 94,877
Investments	6,898	250
Taxes and other receivables, net	75,129	69,612
Grants receivable	8,683	8,660
Prepaid expenses	4,997	7,375
Prepaid lease	2,234	2,234
Current assets (restricted):		
Cash and cash equivalents	102,808	27,266
Investments	312,439	137,682
Taxes and other receivables, net	698	945
Grants receivable	9,451	27,167
Total current assets	576,421	376,068
Capital assets		
Land and other	187,877	147,331
Construction in process	93,958	45,065
Property and equipment	2,824,562	2,813,534
Less accumulated depreciation	(1,039,662)	(969,997)
Net capital assets	2,066,735	2,035,933
Prepaid lease expenses	163,330	168,973
Long-term restricted lease deposit	65,535	61,655
Long-term restricted receivable	-	3,054
Materials, supplies and other	20,225	18,400
Other assets	2,627	2,245
Total assets	$ 2,894,873	$ 2,666,328
Liabilities		
Current liabilities:		
Accounts payable	$ 28,845	$ 19,556
Accounts payable from restricted funds	22,881	38,699
Accrued payroll	19,104	18,933
Current portion of long-term debt	66,901	66,553
Accrued pension obligation	23,505	38,842
Current portion of noncurrent liabilities	5,580	8,614
Unearned revenue	16,997	13,279
Unearned capital project revenue	163,766	32,528
Other accrued liabilities	5,889	7,312
Unearned lease revenue, current portion	2,234	2,234
Total current liabilities	355,702	246,550
Noncurrent liabilities:		
Long-term debt	345,010	257,019
Unearned lease revenue	71,522	74,830
Long-term lease liability	139,070	134,814
Other postemployment benefits liability	222,847	152,581
Other long-term liabilities	7,595	7,686
Total noncurrent liabilities	786,044	626,930
Total liabilities	1,141,746	873,480
Net assets		
Invested in capital assets, net of related debt	1,814,183	1,712,456
Restricted for capital projects	14,453	46,279
Restricted for debt service	101,721	133,677
Unrestricted	(177,230)	(99,564)
Total net assets	1,753,127	1,792,848
Total liabilities and net assets	$ 2,894,873	$ 2,666,328

See accompanying notes to basic financial statements

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

For the Years Ended June 30, 2011 and 2010
(dollars in thousands)

	2011	2010
Operating revenues		
Passenger revenue	$ 96,890	$ 93,729
Auxiliary transportation and other revenue	35,862	35,872
Total operating revenues	132,752	129,601
Operating expenses		
Labor	123,482	125,688
Fringe benefits	200,875	191,263
Materials and services	73,859	90,358
Utilities	7,687	7,682
Purchased transportation	37,105	36,359
Depreciation expense	82,585	82,452
Other operating expense	8,434	11,358
Total operating expenses	534,027	545,160
Operating loss	(401,275)	(415,559)
Nonoperating revenues and (expenses)		
Payroll and other tax revenue	226,456	208,933
Property tax revenue	10,697	10,132
Grant revenue	39,659	84,217
Interest income	824	726
Net leveraged lease expense	(3,080)	(85)
Interest and other expense	(11,200)	(12,999)
Total nonoperating revenues, net	263,356	290,924
Loss before contributions and special items	(137,919)	(124,635)
Capital contributions	104,198	110,620
Special items	(6,000)	-
Changes in net assets	(39,721)	(14,015)
Total net assets - beginning	1,792,848	1,806,863
Total net assets - ending	$ 1,753,127	$ 1,792,848

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010
(dollars in thousands)

	2011	2010
Cash flows from operating activities		
Receipts from passengers	$ 96,874	$ 94,200
Receipts from other sources	40,108	45,278
Payments to employees	(269,553)	(249,577)
Payments to suppliers	(120,989)	(141,474)
Net cash used in operating activities	(253,560)	(251,573)
Cash flows from noncapital financing activities		
Receipts from payroll taxes	221,039	207,673
Receipts from operating grants	59,557	58,577
Net cash provided by noncapital financing activities	280,596	266,250
Cash flows from capital and related financing activities		
Receipts from capital grants	236,285	201,888
Receipts from property taxes	10,638	10,105
Payments to other sources	(6,369)	(368)
Receipts from sales or lease of capital assets	651	6,577
Acquisition and construction of capital assets	(128,252)	(53,089)
Proceeds from issuance of debt and capital leases	153,946	68,550
Principal payments on long-term debt	(60,551)	(115,928)
Interest payments on long-term debt activities	(19,360)	(14,984)
Net cash provided by capital and related financing activities	186,988	102,751
Cash flows from investing activities		
Purchases of investment securities	(561,238)	(321,587)
Proceeds from sales and maturities of investment securities	379,833	226,187
Interest received	1,130	502
Net cash used in investing activities	(180,275)	(94,898)
Net increase in cash and cash equivalents	33,749	22,530
Cash and cash equivalents, beginning of year	122,143	99,613
Cash and cash equivalents, end of year	$ 155,892	$ 122,143
Reconciliation of cash and cash equivalents		
Unrestricted cash and cash equivalents	$ 53,084	$ 94,877
Restricted cash and cash equivalents	102,808	27,266
Total cash and cash equivalents	$ 155,892	$ 122,143

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010
(dollars in thousands)
continued

	2011	2010
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (401,275)	$ (415,559)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	82,585	82,452
Loss on disposal of capital assets	438	280
(Increase) decrease in taxes and other receivables	(100)	4,646
Increase in materials, supplies and other	(1,825)	(3,340)
(Increase) decrease in prepaid and other assets	1,635	(1,406)
Increase in operating accounts payable	9,289	6,072
Increase in accrued payroll	171	31
Increase in unearned revenue	3,718	4,880
Increase (decrease) in pension obligation	(15,337)	5,922
Increase in other post-employment benefit obligation	70,266	61,318
Increase (decrease) in other liabilities	(3,125)	3,131
Total adjustments	147,715	163,986
Net cash used in operating activities	$ (253,560)	$ (251,573)

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

(dollars in thousands)

	2011	2010
Lease income (expense) - net	$ (3,080)	$ (85)
Accretion/amortization of investments	1,440	737
Fiber optic lease	288	282
Amortization of bond issue cost, premium/discount, and deferred amounts	(985)	(979)

See accompanying notes to basic financial statements

Trust Fund
Statements of Pension Plan Net Assets

June 30, 2011 and 2010
(dollars in thousands)

	2011			2010		
	TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund	Pension Plan for Bargaining Unit Employees of TriMet Trust Fund	Total Trust Funds	TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund	Pension Plan for Bargaining Unit Employees of TriMet Trust Fund	Total Trust Funds
Assets						
Cash and cash equivalents	$ 1,855	$ 18,243	$ 20,098	$ 1,278	$ 5,959	$ 7,237
Investments:						
Domestic Large Cap Equity	21,764	86,812	108,576	13,693	55,010	68,703
Domestic Small/Mid Cap Equity	2,440	10,580	13,020	4,819	19,669	24,488
International Equity	13,025	54,538	67,563	7,501	30,371	37,872
US Governmental Obligations	10,969	-	10,969	10,968	-	10,968
Domestic Fixed Income	5,657	-	5,657	4,257	-	4,257
Foreign Fixed Income	762	-	762	382	-	382
Tactical Asset Allocation	10,369	71,183	81,552	9,000	62,923	71,923
Real Estate	2,312	8,533	10,845	2,407	8,883	11,290
Absolute Return	4,072	21,333	25,405	3,847	20,155	24,002
Private Equity	1,927	13,059	14,986	1,751	9,683	11,434
Total investments	73,297	266,038	339,335	58,625	206,694	265,319
Receivables:						
Employer contributions receivable	2,976	20,529	23,505	4,015	34,028	38,043
Investment earnings receivable	193	206	399	190	190	380
Total receivables	3,169	20,735	23,904	4,205	34,218	38,423
Total assets	78,321	305,016	383,337	64,108	246,871	310,979
Liabilities						
Accounts payable	58	202	260	29	87	116
Net assets						
Held in trust for pension benefits	$ 78,263	$ 304,814	$ 383,077	$ 64,079	$ 246,784	$ 310,863

See accompanying notes to basic financial statements

Trust Fund
Statement of Changes in Pension Plan Net Assets
For the Year Ended June 30, 2011
(dollars in thousands)

	2011		
	TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund	Pension Plan for Bargaining Unit Employees of TriMet Trust Fund	Total Trust Funds
Additions			
Employer contributions	$ 4,576	$ 33,929	$ 38,505
Investment earnings:			
Interest	441	111	552
Dividends	1,104	4,403	5,507
Gain on investments sold	1,947	13,022	14,969
Net increase in fair value of investments	9,249	30,730	39,979
Less investment expense	(305)	(1,027)	(1,332)
Total investment earnings	12,436	47,239	59,675
Total additions	17,012	81,168	98,180
Deductions			
Benefits	2,731	22,869	25,600
Administrative expenses	97	269	366
Total deductions	2,828	23,138	25,966
Change in Net Assets	14,184	58,030	72,214
Net assets held in trust for pension benefits:			
Beginning of year	64,079	246,784	310,863
End of year	$ 78,263	$ 304,814	$ 383,077

See accompanying notes to basic financial statements

Notes to Financial Statements

June 30, 2011
(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, serves as contract board, and performs other duties required by state and federal law.

The District uses two budgetary funds to account for its operating 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 ("in lieu"), federal grants, and interest. Primary expenditures in the General Fund are personal services, materials and services, and principal and interest on debt secured by General Fund revenues. The Debt Service Fund accounts for the servicing of general obligation bond debt. The principal source of revenue in the Debt Service Fund is an ad valorem tax. The primary expenditures in the Debt Service Fund are principal repayments and interest expense. The District also has fiduciary responsibility for two pension trust accounts: The TriMet Defined Benefit Plan for Management and Staff Employees Trust Fund, and the Pension Plan for Bargaining Unit Employees of TriMet Trust Fund. The investment, pension funding and benefit payment activity in these funds and pension plan net assets are reported in the Trust Fund.

(a) Financial reporting entity

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

(b) Basis of accounting and 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.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

(c) Restricted assets

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

(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 0.6918 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 trued 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 9). Uncollected property taxes are shown on the balance sheet as receivables. Property is valued at January 1. Taxes are assessed and become property liens on July 1, annually. Property tax statements are mailed in October, and taxes are due in three installments on November 15, February 15, and May 15. Discounts, less than or equal to 3.0 percent, are offered to those paying early.

(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, 2011 and 2010. Actual results may differ from those estimates.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, 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, and repurchase agreements.

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.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

(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) Self insurance liabilities

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

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

(n) Compensated absences

Vacation leave that has been earned but not paid has been accrued. Vacation pay and floating holidays are payable upon termination, retirement or death for both union and non-union employees. Sick leave is accrued as benefits are earned, but only to the extent the District will compensate the employee through a cash payment conditional on the employee's termination or death. Pursuant to the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (the Management DC Plan), 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 $968 and $1,091 at June 30, 2011 and 2010, 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.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

(o) 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.

(p) New pronouncements

During 2011, TriMet implemented the following GASB pronouncement:

GASB Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools.

During 2010, the District implemented the following new GASB pronouncement:

GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets be recorded as capital assets. The adoption of this statement did not have a material impact on the District's financial results.

2. Reclassifications

Certain reclassifications have been recorded to prior year balances to provide consistent presentation with the current year financial statements.

3. Cash and Investments

Cash and Investments at June 30 consisted of the following:

	2011			2010		
	Fair value	% of portfolio	Weighted average maturity (years)	Fair value	% of portfolio	Weighted average maturity (years)
Cash and investments:						
Cash on hand	$ 125	0.0%	-	$ 125	0.0%	-
Demand deposits with financial institutions	81,355	17.1%	-	1,324	0.5%	-
State of Oregon local government investment pool	37,934	8.0%	-	43,135	16.6%	-
Federal Farm Credit Bank	7,769	1.6%	0.58	10,059	3.9%	1.77
Federal Home Loan Bank	66,734	14.0%	0.04	60,452	23.2%	0.14
Federal Home Loan Mortgage Corp.	108,882	22.9%	0.48	57,884	22.3%	0.70
Federal National Mortgage Association	127,437	26.8%	0.45	20,487	7.9%	0.92
U.S. Treasuries	44,993	9.5%	0.86	58,477	22.5%	0.88
Commercial paper	-	0.0%	-	8,132	3.1%	0.21
Total cash and investments	$ 475,229			$ 260,075		
Cash and investments are reflected in the balance sheets as follows:						
Cash and cash equivalents						
Unrestricted	$ 53,084			$ 94,877		
Restricted	102,808			27,266		
Investments						
Unrestricted	6,898			250		
Restricted	312,439			137,682		
Total cash and investments	$ 475,229			$ 260,075		

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

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, TriMet manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to 5 years, with a weighted average maturity of less than 2.0 years. At June 30, 2011, the weighted average maturity of the investment portfolio was 0.5 years.

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

The Local Government Investment Pool (LGIP) is an open-ended, diversified portfolio offered to eligible participants including Oregon municipalities and political subdivisions. The Oregon State Treasurer's Office manages the LGIP in the same manner it oversees the management of the State's funds and in accordance with the prudent investor rule. The LGIP is commingled with the State's short-term funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable net asset value fund, and it is not currently rated by an independent rating agency. The OSTF is an external investment pool as defined by GASB 59. The net asset value per share is calculated by the Oregon State Treasurer's Office and approximates fair value. The LGIP is not registered with the U.S. Securities and Exchange Commission. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments in the LGIP are further governed by portfolio guidelines issued by the Fund Board. At June 30, 2011 and 2010, the LGIP reported an unrealized loss. The District's share of the unrealized loss was calculated in accordance with ORS, and would not have a significant impact on the District's financial statements if realized.

Concentration of credit risk. Concentration of credit risk is the risk associated with the lack of diversification or having too much invested in a few individual issues. TriMet's investment policy sets forth the procedures, guidelines, and criteria for the operation of TriMet's investment program. This policy governs the investment of all TriMet funds, except funds held in trust for pensions and deferred compensation. The investment policy establishes maximum amounts, either as a percentage of total portfolio or fixed dollar amount, that may be invested in investment types and any single issuer including U.S. government securities (no limit), agency securities (35% maximum with any one agency, 90% maximum of the total portfolio), local government investment pool (limited to maximum per ORS 294.810), FDIC guaranteed issues (35% maximum with any issuer, 90% maximum of the total portfolio), corporate indebtedness (5% maximum with any issuer, 20% maximum of the total portfolio) and commercial paper, bankers acceptances, bank time deposits/certificates of deposit/savings accounts and municipal debt obligations (5% maximum with any issuer, 10% maximum of the total portfolio). At June 30, 2011, the District had 9.5 percent invested in U.S. government securities, 65.3 percent in agency securities, and 8.0 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. ORS Chapter 295 governs the collateralization of certain Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. Bank depositories are required to pledge collateral against any public funds deposits in excess of Federal deposit insurance amounts. The Oregon Public Funds Collateralization Program does not cover monies held in trust for debt service. All banks holding funds in TriMet's name are included on the list of qualified depositories maintained by the Oregon State Treasurer.

All investments purchased by the District are held and registered in TriMet's name by a safekeeping bank acting as safekeeping agent. A portion of TriMet's funds are invested in an external investment pool, held by the State of Oregon in the Local Government Investment Pool (LGIP), as described above.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

4. Diesel Fuel Hedge

The District entered into commodity swap agreements to hedge a portion of the District's fuel consumption. As of June 30, 2010, the District had three outstanding commodity swaps. As of June 30, 2011, the District no longer had outstanding commodity swaps.

Under the terms of the agreements, on a monthly basis, the District paid a counterparty an amount based upon a fixed rate per gallon, and received an amount based on an average near month NYMEX home heating oil contract price per gallon. If the fixed rate exceeded the variable rate for the month, the District paid the counterparty for the difference. If the variable rate exceeded the fixed rate for the month, the counterparty paid 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 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, 2010. 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 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 were as follows:

Counterparty	Fixed rate paid (dollars per gallon)	Variable rate received	Fair value at June 30, 2011 (dollars in thousands)	Fair value at June 30, 2010 (dollars in thousands)	Start date	End date	Monthly notional amount in gallons
KeyBank National Association	3.2650	NYMEX home heating oil	$ -	$ (783)	10/1/2009	9/30/2010	210,000
J. Aron & Company	2.9400	NYMEX home heating oil	-	(348)	7/1/2009	9/30/2010	126,000
KeyBank National Association	1.8525	NYMEX home heating oil	-	40	1/1/2010	9/30/2010	84,000
KeyBank National Association	1.8525	NYMEX home heating oil	-	344	10/1/2010	1/31/2011	336,000
			$ -	$ (747)			

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 received from the counterparties an amount based on NYMEX home heating oil prices. The District 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 was mitigated by establishing minimum credit quality criteria. To mitigate credit risk, the District monitored the credit ratings of the counterparties.

The aggregate fair values of commodity swap agreements in asset positions at June 30, 2010 was $384. This represented the maximum loss that would be recognized as the reporting date if the counterparty failed to perform as contracted.

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.

Notes to Financial Statements
June 30, 2011
(dollars in thousands)
continued

5. Receivables

At June 30, 2011 and 2010, the District had the following receivables under various federal and state grant agreements:

2011	Unrestricted	Restricted	Total
Federal pass through	$ 375	$ 8,685	$ 9,060
Other federal	928	149	1,077
State grants	3,732	130	3,862
Local governments	3,648	487	4,135
	$ 8,683	$ 9,451	$ 18,134

2010	Unrestricted	Restricted	Total
Federal pass through	$ -	$ 16,423	$ 16,423
Other federal	3,783	-	3,783
State grants	988	116	1,104
Local governments	3,889	10,628	14,517
	$ 8,660	$ 27,167	$ 35,827

Taxes and other receivables at June 30, 2011 and 2010, including the applicable allowances for uncollectible accounts, are as follows:

2011	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	$ 55,980	$ 2,950	$ 53,030
Self-employment tax	6,762	1,437	5,325
Trade accounts	9,800	400	9,400
Other	7,374	-	7,374
Total unrestricted	79,916	4,787	75,129
Restricted:			
Property tax	573	48	525
Other	173	-	173
Total restricted	746	48	698
Total taxes and other receivables	$ 80,662	$ 4,835	$ 75,827

2010	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	$ 53,283	$ 3,485	$ 49,798
Self-employment tax	6,336	1,483	4,853
Trade accounts	9,578	300	9,278
Other	5,683	-	5,683
Total unrestricted	74,880	5,268	69,612
Restricted:			
Property tax	590	124	466
Other	479	-	479
Total restricted	1,069	124	945
Total taxes and other receivables	$ 75,949	$ 5,392	$ 70,557

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

6. Capital Assets

Capital assets at June 30 consisted of the following:

2011	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
Capital assets, not being depreciated						
Land and other		$ 147,331	$ 22,587	$ -	$ 17,959	$ 187,877
Construction in process		45,065	91,097	-	(42,204)	93,958
Total capital assets, not being depreciated		192,396	113,684	-	(24,245)	281,835
Capital assets, being depreciated						
Rail right-of-way and stations	5-40	1,828,504	-	(500)	4,109	1,832,113
Buildings	40	347,081	6	(6,075)	19,534	360,546
Transportation equipment	5-30	506,979	-	(6,750)	417	500,646
Furniture and other equipment	3-20	130,970	858	(756)	185	131,257
Total capital assets, being depreciated		2,813,534	864	(14,081)	24,245	2,824,562
Less accumulated depreciation for						
Rail right-of-way and stations		(487,248)	(50,047)	18	-	(537,277)
Buildings		(152,371)	(8,852)	5,464	-	(155,759)
Transportation equipment		(238,121)	(20,433)	6,750	-	(251,804)
Furniture and other equipment		(92,257)	(3,253)	688	-	(94,822)
Total accumulated depreciation		(969,997)	(82,585)	12,920	-	(1,039,662)
Total capital assets, being depreciated, net		1,843,537	(81,721)	(1,161)	24,245	1,784,900
Total capital assets, net		$ 2,035,933	$ 31,963	$ (1,161)	$ -	$ 2,066,735

2010	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
Capital assets, not being depreciated						
Land and other		$ 145,414	$ 6,137	$ (374)	$ (3,846)	$ 147,331
Construction in process		538,498	68,565	(6,477)	(555,521)	45,065
Total capital assets, not being depreciated		683,912	74,702	(6,851)	(559,367)	192,396
Capital assets, being depreciated						
Rail right-of-way and stations	5-40	1,463,965	56	(5,089)	369,572	1,828,504
Buildings	40	260,988	-	(128)	86,221	347,081
Transportation equipment	5-30	425,951	-	(3,830)	84,858	506,979
Furniture and other equipment	3-20	115,074	745	(3,565)	18,716	130,970
Total capital assets, being depreciated		2,265,978	801	(12,612)	559,367	2,813,534
Less accumulated depreciation for						
Rail right-of-way and stations		(443,998)	(48,339)	5,089	-	(487,248)
Buildings		(142,212)	(10,286)	127	-	(152,371)
Transportation equipment		(221,416)	(20,535)	3,830	-	(238,121)
Furniture and other equipment		(92,525)	(3,292)	3,560	-	(92,257)
Total accumulated depreciation		(900,151)	(82,452)	12,606	-	(969,997)
Total capital assets, being depreciated, net		1,365,827	(81,651)	(6)	559,367	1,843,537
Total capital assets, net		$ 2,049,739	$ (6,949)	$ (6,857)	$ -	$ 2,035,933

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

7. Enterprise Fund 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").

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. Funding of the defined contribution plan is done on a perpetual basis as part of the District's normal payroll processes.

Plan description

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

Under the Management DC Plan, the District contributes 8.0 percent of considered compensation each pay period. Considered compensation is taxable compensation plus employee elected deferrals, less overtime pay, bonuses, commissions, or other extraordinary pay and cash-out of unused vacation. Within 30 days of becoming eligible for the Management DC Plan, employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Plan on a pretax basis. Voluntary, after-tax employee contributions, up to 15 percent of compensation, are allowed and may be adjusted by the employee at any time. Plan participants fully vest in the District's contributions after three years of service with the District. Upon severance from employment, TriMet will contribute 60 percent of the employee's unused sick leave (up to a maximum of 1,700 hours) to the employees account. The TriMet Board has authority over amendments to plan benefit and contribution provisions.

Basis of accounting

The Management DC Plan uses the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are 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, 2011 and 2010 there were 198 and 201 active employees, respectively, covered by the Management DC Plan. District contributions to the Management DC Plan were $1,159 and $1,261 for the years ending June 30, 2011 and 2010, respectively. Employee contributions to the Management DC Plan were $581 and $616 for the years ending June 30, 2011 and 2010, respectively.

8. Other Employee Benefits

Deferred compensation plan

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

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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, 2011 and 2010, the District's vacation pay liability was $9,908 and $9,838, respectively, all of which was classified as a current liability in Accrued payroll.

Postemployment benefits other than pension

Plan description

TriMet provides postemployment health care and life insurance benefits (OPEB), in accordance with the Working and Wage Agreement for union employees and TriMet's personnel policies to all eligible employees and their qualified dependents, who retire from the District on or after attaining age 55 with service of at least 10 years for union employees and five years for non-union employees hired before April 27, 2003 and 10 years for non-union employees hired before May 1, 2009. The District pays a portion 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 financial report.

Funding policy

The District has created, but not funded, a trust fund for future net OPEB obligations. The District pays for the premiums for eligible retirees, and deducts a small percentage of the premium from retiree pension payments. Retirees may not convert the benefit into an in lieu payment to secure coverage under independent plans. There were 1,371 and 1,188 union and non-union retirees, dependents, and surviving spouses receiving the postemployment health care and life insurance benefits, at June 30, 2011 and 2010, respectively. The District's contribution covers actual pay-as-you-go funding requirements. The District contributed costs of postemployment health care and life insurance benefits totaling $15,936 and $14,256 in fiscal year 2011 and 2010, 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 unfunded actuarial liabilities over a closed period of 30 years. A schedule of the components of the District's annual OPEB cost is presented below:

	2011	2010	2009
Annual required contribution (ARC)	$ 77,664	$ 75,402	$ 54,867
Interest on net OPEB obligation	8,538	4,107	3,160
Adjustment to annual required contribution	-	(3,935)	-
Annual OPEB cost	86,202	75,574	58,027
Contributions made	(15,936)	(14,256)	(12,797)
Increase in net OPEB obligation	70,266	61,318	45,230
Net OPEB obligation - beginning of year	152,581	91,263	46,033
Net OPEB obligation - end of year	$ 222,847	$ 152,581	$ 91,263
Percentage of annual OPEB cost contributed	18%	19%	22%

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Funded status and funding progress

The schedule of funding progress is presented below:

Schedule of funding progress

Actuarial valuation date	January 1, 2010	January 1, 2008
Actuarial value of assets	$ -	$ -
Actuarial accrued liability (AAL)	816,544	632,204
Unfunded AAL (UAAL)	816,544	632,204
Funded ratio	0%	0%
Covered payroll	$ 137,869	$ 130,726
UAAL as a percentage of covered payroll	592%	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, 2010 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 10% in 2010 to 5% in 2020 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. At June 30, 2011 there are 28 years of amortization remaining.

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9. Long-Term Debt

Debt at June 30 consists of the following:

2011	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Long-term debt:					
General Obligation Bonds:					
1999 General Obligation Refunding Bonds, Series A	$ 27,960	$ -	$ (8,845)	$ 19,115	$ 9,315
Payroll Tax Bonds:					
2001 Revenue Refunding Bonds, Series A	4,295	-	(2,545)	1,750	1,750
2003 Revenue Refunding Bonds, Series A	11,260	-	(1,425)	9,835	1,480
2005 Revenue Refunding Bonds, Series A	44,835	-	(3,135)	41,700	3,295
2007 Revenue Bonds, Series A	41,995	-	(1,240)	40,755	1,285
2009 Revenue Bonds, Series A and B	49,550	-	(1,280)	48,270	1,320
2006 Payroll Tax and Grant Receipts Revenue Bonds	80,000	-	(40,000)	40,000	40,000
Capital Grant Receipt Revenue Bonds:					
Capital Grant Receipt Revenue Bonds, Series 2005	56,875	-	(7,990)	48,885	8,370
2011 Capital Grant Receipt Revenue Bonds, Series A and B	-	142,380	-	142,380	-
Capital Leases:					
Other	160	290	(162)	288	86
	316,930	142,670	(66,622)	392,978	66,901
Add (deduct):					
Unamortized bond premium	10,335	13,276	(1,897)	21,714	
Unamortized bond discount	(7)	-	6	(1)	
Deferred amount on legal defeasance	(3,686)	-	906	(2,780)	
Current portion	(66,553)			(66,901)	
Long-term debt, net	$ 257,019			$ 345,010	

2010	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Long-term debt:					
General Obligation Bonds:					
1999 General Obligation Refunding Bonds, Series A	$ 36,380	$ -	$ (8,420)	$ 27,960	$ 8,845
Payroll Tax Bonds:					
2001 Revenue Refunding Bonds, Series A	6,730	-	(2,435)	4,295	2,545
2003 Revenue Refunding Bonds, Series A	12,640	-	(1,380)	11,260	1,425
2005 Revenue Refunding Bonds, Series A	47,830	-	(2,995)	44,835	3,135
2007 Revenue Bonds, Series A	43,190	-	(1,195)	41,995	1,240
2009 Revenue Bonds, Series A and B	-	49,550	-	49,550	1,280
2006 Payroll Tax and Grant Receipts Revenue Bonds	152,770	-	(72,770)	80,000	40,000
Capital Grant Receipt Revenue Bonds:					
Capital Grant Receipt Revenue Bonds, Series 2005	64,515	-	(7,640)	56,875	7,990
Capital Leases:					
Other	253	-	(93)	160	93
	364,308	49,550	(96,928)	316,930	66,553
Interim financing	-	19,000	(19,000)	-	-
Add (deduct):					
Unamortized bond premium	10,314	1,913	(1,892)	10,335	
Unamortized bond discount	(14)	-	7	(7)	
Deferred amount on legal defeasance	(4,592)	-	906	(3,686)	
Current portion	(96,928)			(66,553)	
Long-term debt, net	$ 273,088			$ 257,019	

Total interest cost on all outstanding debt was $13,314 and $14,938 in fiscal years 2011 and 2010, respectively. During fiscal year 2011, $2,114 of interest cost was capitalized and $11,200 was charged to expense, while during fiscal year 2010, $1,939 of interest cost was capitalized and $12,999 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.

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Under U.S. Treasury Department regulations, all governmental tax exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the yield on earnings from the investment of tax exempt bond proceeds, which exceed yield on related bonds, must be remitted to the Federal Government on every fifth anniversary of each bond issue. The District has evaluated each bond issue and has recognized an arbitrage liability of $2,297 and $2,204 as of June 30, 2011 and 2010, respectively. This arbitrage liability is reported in other accrued liabilities.

General Obligation Bonds

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. Final payment on the 1992 bonds has been completed. 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 are 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 $20,128. Principal and interest paid for the current year and total property tax revenues were $10,079 and $10,697, respectively.

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

	Principal	Interest
Fiscal year ending June 30:		
2012	$ 9,315	$ 757
2013	9,800	256
	$ 19,115	$ 1,013

Payroll Tax Bonds

TriMet has six series of Revenue Bonds outstanding which are backed by Payroll Tax Revenues: 2000 Revenue Bonds Series A; 2001 Revenue Refunding Bonds Series A, 2003 Revenue Refunding Bonds Series A, 2005 Revenue Refunding Bonds Series A, 2007 Revenue Bonds Series A, and 2009 Revenue Bonds Series A and B. The Revenue Bonds are payable from and secured by a pledge of the employer payroll and self employment taxes levied by the District.

1999 Revenue Bonds, Series A (Defeased)

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, there were $24,255, in legally defeased bonds. Final payment of all remaining redeemed 1999 Revenue Bonds was completed on August 1, 2009.

2000 Revenue Bonds, Series A (Defeased)

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, 2010 there were $19,485, in legally defeased bonds. Final payment of all remaining redeemed 2000 Revenue Bonds was completed August 1, 2010.

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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). Final payment on the 1992 bonds has been completed. 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 through fiscal year 2012. The total remaining principal and interest on the Revenue Bonds is $1,787. Principal and interest paid for the current year and total employer payroll and self employment taxes were $2,673 and $225,858, respectively.

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

Fiscal year ending June 30:	Principal	Interest
2012	$ 1,750	$ 37
	$ 1,750	$ 37

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). Final payment on the 1995 bonds has been completed. 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 through fiscal year 2017. The total remaining principal and interest on the 2003 Revenue Bonds is $11,242. Principal and interest paid for the current year and total employer payroll and self employment taxes were $1,879 and $225,858, respectively.

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

Fiscal year ending June 30:	Principal	Interest
2012	$ 1,480	$ 399
2013	1,535	339
2014	1,595	277
2015	1,665	211
2016	1,735	135
2017	1,825	46
	$ 9,835	$ 1,407

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). Final payment on the 1999 and 2000 bonds has been completed. 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.

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The 2005 Revenue Bonds are payable through fiscal year 2021. The total remaining principal and interest on the 2005 Revenue Bonds is $52,982. Principal and interest paid for the current year and total employer payroll and self employment taxes were $5,298 and $225,858, respectively.

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

	Principal	Interest
Fiscal year ending June 30:		
2012	$ 3,295	$ 2,003
2013	3,465	1,834
2014	3,645	1,656
2015	3,830	1,469
2016	4,025	1,273
2017-2021	23,440	3,047
	$ 41,700	$ 11,282

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 through fiscal year 2032. The total remaining principal and interest on the Revenue Bonds is $61,499. Principal and interest paid for the current year and total employer payroll and self employment taxes were $3,050 and $225,858, respectively. The 2007 Revenue Bonds are not general obligations of the District.

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:

	Principal	Interest
Fiscal year ending June 30:		
2012	1,285	1,746
2013	1,330	1,681
2014	1,380	1,613
2015	1,430	1,543
2016	1,485	1,470
2017-2021	8,345	6,286
2022-2026	10,175	4,373
2027-2031	12,500	1,972
2032	2,825	60
	$ 40,755	$ 20,744

2009 Revenue Bonds, Series A and B

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

The 2009 Revenue Bonds are payable through fiscal year 2034. The total remaining principal and interest on the Revenue Bonds is $80,601. Principal and interest paid for the current year and total employer payroll and self employment taxes were $3,503 and $225,858, respectively. The 2009 Revenue Bonds are not general obligations of the District.

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

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

	Principal	Interest
Fiscal year ending June 30:		
2012	$ 1,320	$ 2,184
2013	1,360	2,144
2014	1,405	2,102
2015	1,445	2,060
2016	1,490	2,016
2017-2021	8,305	9,212
2022-2026	10,265	7,262
2027-2031	13,020	4,500
2032-2034	9,660	851
	$ 48,270	$ 32,331

Payroll Tax and Grant Receipt Bonds

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 were 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 originally matured through fiscal year 2014. The total remaining principal and interest on the Payroll Tax and Grant Receipt Revenue Bonds is $41,890. 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 $43,728 and $51,688, respectively. The Payroll Tax and Grant Receipts Revenue Bonds are not general obligations of the District. In fiscal year 2010, the District received the final draw on Section 5309 federal grant funds related to the I-205/Portland Mall Light Rail project. All outstanding principal payments are fully funded in an account held by the trustee and is included in restricted investments.

In fiscal year 2009, the District redeemed $77,230 of eligible term bonds. The District redeemed the term bonds during fiscal year 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.

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

	Principal	Interest
Fiscal year ending June 30:		
2012	$ 40,000	$ 1,890
	$ 40,000	$ 1,890

Capital Grant Receipt Bonds

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

Capital Grant Receipt Revenue Bonds, Series 2005

On June 23, 2005, TriMet issued $79,320 in Capital Grant Receipt Revenue Bonds, Series 2005 (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 through fiscal year 2018. The total remaining principal and interest on the Revenue Bonds is $55,377. Principal and interest paid for the current year and total Section 5307, STP, and CMAQ grant receipts for the District were $10,521 and $12,047, respectively. The Grant Receipt Revenue Bonds are not general obligations of the District.

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:

	Principal	Interest
Fiscal year ending June 30:		
2012	$ 8,370	$ 2,145
2013	8,775	1,736
2014	9,200	1,307
2015	9,660	846
2016	10,150	354
2017-2018	2,730	104
	$ 48,885	$ 6,492

2011 Capital Grant Receipt Revenue Bonds

On June 20, 2011, TriMet issued $142,380 in 2011 Capital Grant Receipt Revenue Bonds to pay for a portion of the costs of capital projects, including new buses, construction on the Milwaukie light rail project, and other regional projects.

The 2011 Revenue Bonds are payable through fiscal year 2028. The total remaining principal and interest on the Revenue Bonds is $220,988. The 2011 Revenue Bonds are not general obligations of the District.

The 2011 Revenue Bonds mature serially each October 1, beginning October 1, 2017 through 2027. Interest is payable semiannually on April 1 and October 1 and fixed interest rates range from 2.5 percent to 5.0 percent on various maturities. The 2011 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after October 1, 2021 at a price of par (100%) plus accrued interest thereon to the date of redemption.

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June 30, 2011
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Future maturities of the 2011 Revenue Bonds, Series A, are as follows:

	Principal	Interest
Fiscal year ending June 30:		
2012	$ -	$ 5,139
2013	-	6,826
2014	-	6,826
2015	-	6,826
2016	-	6,826
2017-2021	49,750	29,124
2022-2026	62,885	15,539
2027-2031	29,745	1,502
	$ 142,380	$ 78,608

Other

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 District renewed the credit agreement in June 2011. The Revolving 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, 2011 and 2010, there were no balances due or draws on the credit line.

10. 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 claim and $1,000 per event occurrence by Oregon SB 311. The District is self-insured to the extent of the first $2,000 per occurrence for industrial accident claims. The District provides for the estimated losses to be incurred from the pending and potential claims that result from industrial and public liability accidents occurring prior to year end. The liabilities include estimated claims that have been incurred but not reported and development of existing claims of $3,140 and $3,139 for 2011 and 2010, 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 (the Act) is the common law sovereign immunity from suit for public bodies in Oregon, including TriMet. Prior to July 1, 2009, the Act capped the liability of public bodies, including TriMet, at $200 for individual claims. In addition, the public body may be substituted as a defendant in lieu of individual employees of the public body, thereby limiting recovery for claims against individual employees to the limits applicable to public bodies. Under the Act, TriMet currently indemnifies its employees for any liability that they incur within the scope of their work. Effective July 1, 2009, Oregon SB 311 increased the per claim damage limits under the Oregon Tort Claims Act to $500 and the per occurrence damage limit to $1,000, for events occurring after July 1, 2009. The new limits are subject to per claims increases of $33 and per occurrence increases of $67 per year, until 2015. At June 30, 2011, the per claims limit was $533 and the per occurrence limit was $1,067.

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June 30, 2011
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continued

Changes in the District's public liability and industrial accident claims liabilities are as follows for the years ended June 30, 2011 and 2010:

	2011		2010	
	Industrial accident claims	Public liability	Industrial accident claims	Public liability
Liability at beginning of year	$ 6,070	$ 5,984	$ 5,495	$ 3,487
Current year claims	2,015	613	2,468	2,741
Changes in estimates for claims of prior periods	1,050	224	1,104	1,238
Payments of claims	(3,870)	(3,055)	(2,997)	(1,482)
Liability at end of year	$ 5,265	$ 3,766	$ 6,070	$ 5,984

Based on historical experience, the District has classified $5,580 and $8,604 of the industrial accident and public liability claims liabilities at June 30, 2011 and 2010, respectively, as current liabilities.

11. Other Long-term Liabilities

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

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Current portion	Long-term balance
Uninsured claims liability:						
Industrial accident claims	$ 6,070	$ 3,065	$ (3,870)	$ 5,265	$ 2,798	$ 2,467
Public liability	5,984	837	(3,055)	3,766	2,782	984
Total uninsured claims liabilit	12,054	3,902	(6,925)	9,031	5,580	3,451
Long-term employee sick leave	1,866		(123)	1,743	-	1,743
Rent payable	9	54	(9)	54	-	54
Deferred Lease	2,371	-	(24)	2,347	-	2,347
Total other long-term liabilities	$ 16,300	$ 3,956	$ (7,081)	$ 13,175	$ 5,580	$ 7,595

12. Lease Transactions

(a) Office and equipment leases

The District leases office space under non-cancelable operating leases. Total costs for such leases were $1,205 and $1,104 in 2011 and 2010, respectively. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2012	$ 1,183
2013	1,134
2014	945
2015	724
2016	129
Thereafter	650
	$ 4,765

(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.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

Equipment sales to the foreign investor resulted in original proceeds to the District of $80,600. The investor leased all assets back to the District for a period of 18 years. The leases qualify for accounting treatment as operating leases. Using the proceeds of the sales, the District fully funded payment agreements with American International Group, Inc. and its subsidiaries (AIG) totaling $65,849. Under the payment agreements, AIG is obligated to make all required lease payments. The prepayments by the District to AIG are recorded as prepaid lease expense in the accompanying 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 may 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 long-term restricted lease 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 may 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 unearned lease revenue on the accompanying balance sheets. The unearned 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 may 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 unearned 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, 2011 and 2010, a third party custodian is holding securities with a market value of $33,408 and $40,278, respectively, 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. AIG is rated A- by Standard & Poors, and Baa1 by Moody's at June 30, 2011.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

In the 1997 leases, in the event that TriMet's General Obligation Bond ratings are downgraded by Standard & Poors below "A+" or by Moody's below "A2" and TriMet's ratio of Specified tax revenues for the fiscal year compared to the total of the equity portion of the basic rent payments plus the equity portion of the purchase price option is less than 4:1, then TriMet will be required to provide an irrevocable letter of credit valued not less than the equity portion of the termination value as stated in the lease documents. TriMet's General Obligation Bonds are rated AAA by Standard & Poors and Aaa by Moody's at June 30, 2011.

As of June 30, 2011, 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 the1997-1998 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 unearned 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 in fiscal year 2009.

(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 long-term lease liability for lease payments of $111,143. The liability is reduced as lease payments are made over the term of the lease.

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 lease 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.

The District's net benefit from the 2005 transactions was $11,646. The net benefit is recorded as unearned lease 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 and received $28,033 and terminated the Debt Payment Undertaking Agreement and received $14,528. Simultaneously, TriMet purchased and placed in trust US Treasury securities for $28,399 to collateralize all future equity payment obligations. Net of transaction expenses, the 2009 MBIA termination created $13,954 in net benefit. The net benefit is recorded as unearned revenue and is recognized over the remaining term of the lease.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

The 2005 leases include the following trigger events relating to TriMet: (1) outstanding General Obligation Bond ratings are downgraded by Standard & Poors below "A+" or by Moody's below "A1", or if General Obligation Bonds are no longer rated, long-term senior payroll tax revenue bonds are downgraded by Standard & Poors below "A+" or by Moody's below "A1", or (2) TriMet becomes eligible to be a debtor under Bankruptcy code, or (3) TriMet loses its taxing authority related to payroll and self-employment taxes. If a trigger event occurs, TriMet is required to provide equity strip collateral in amounts defined in the lease agreements. TriMet's General Obligation Bonds are rated AAA by Standard & Poors and Aaa by Moody's at June 30, 2011.

As of June 30, 2011, 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

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, 2011 no indemnity claims have been made against TriMet. With respect to TriMet's 1997 and 1998 lease transactions, the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), as codified in Section 4965 of the Internal Revenue Code of 1986 as amended (Code), the guidance provided by the Internal Revenue Service (IRS) in IRS Notice 2007-18 published on February 7, 2007 and the Proposed and Temporary Regulations released on July 6, 2007 subsequently thereto, TriMet does not have a TIPRA excise tax liability.

(e) Financial Statement Summary

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

	2011	2010
Assets:		
Prepaid lease expense - current	$ 2,234	$ 2,234
Prepaid lease expense	163,330	168,973
Long-term restricted lease deposit	65,535	61,655
Total assets	$ 231,099	$ 232,862
Liabilities:		
Unearned lease revenue - current	$ 2,234	$ 2,234
Unearned lease revenue	71,522	74,830
Long-term lease liability	139,070	134,814
Total liabilities	$ 212,826	$ 211,878
Net leveraged lease income (expense)	$ (3,080)	$ (85)

13. 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, 2011 were $472,112.

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.

14. Special Items

In June 2011, the District transferred $6,000 of Capital Grant Revenue Bond proceeds to Metro, pursuant to an Intergovernmental Agreement, to support alternatives analysis and project development activities for the Southwest Corridor Project.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

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

The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. TriMet is the sole administrator for the TriMet Defined Benefit Retirement Plan for Management and Staff Employees ("Management DB Plan"). The Management DB Plan is a governmental plan maintained and operated solely by TriMet. The TriMet Board has appointed four people to oversee the Management DB Plan. TriMet's annual required contributions under the Management DB Plan are actuarially determined and recognized in the current reporting period. TriMet funds the Management DB Plan based upon the annual required contribution and in accordance with the assumptions included under the plan.

Summary of accounting policies

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

Investment policy and method to value investments

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

Investments – concentration of credit risk

The plan places no limit on the amount the plan may invest in any one manager. As of June 30, 2011 and 2010, the plan had the following investments of more than 5% of the total Plan investments:

	2011	2010
Fidelity Institutional Trust US Equity Index Fund	15.20%	8.90%
PIMCO All Asset Fund	14.10%	15.00%

Plan description

The Management DB Plan is a single-employer defined benefit plan. The plan covers all TriMet non-union employees hired before April 27, 2003 who are not covered by the Management DC Plan. 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.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

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.

Schedule of Funding Progress

	Actuarial valuation date		
Management DB Plan	June 30, 2011	June 30, 2010	June 30, 2009
Actuarial value of plan assets	$ 72,170	$ 67,689	$ 65,202
Actuarial accrued liability (AAL)	105,750	98,834	96,749
Unfunded AAL	33,580	31,145	31,547
Funded ratio	68.2%	68.5%	67.4%
Annual covered payroll	$ 15,099	$ 15,626	$ 17,130
Unfunded AAL as a percentage of covered payroll	222.4%	199.3%	184.2%

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 accrued contributions for the prior plan year, plus recognition of each year's actuarial gain or loss on plan assets recognized over a five-year period. As of June 30, 2011, the actuarial value of plan assets was less than the market value of plan assets by $3.2 million.

Schedule of Annual Required Contributions

	Actuarial valuation date		
Management DB Plan	June 30, 2011	June 30, 2010	June 30, 2009
Annual required contribution (ARC)	$ 4,576	$ 3,962	$ 4,088
ARC Contributions made by June 30	1,600	-	-
Contributions made as a percentage of ARC	35.0%	0.0%	0.0%
Contributions made as a percentage of covered payroll	10.6%	0.0%	0.0%
Net pension obligation	$ 2,976	$ 3,962	$ 4,088

A portion of the annual required contribution was deposited to the Management DB Plan subsequent to June 30 and, accordingly, an equivalent amount is reflected in the accompanying June 30 balance sheet within accrued pension obligation.

Schedule of Annual Pension Costs and Payments

	Fiscal year		
Management DB Plan	2011	2010	2009
Annual required contribution (ARC)	$ 4,576	$ 3,962	$ 4,088
Interest on annual contribution	53	55	86
Annual cost	4,629	4,017	4,174
Contributions made towards obligation	(5,615)	(4,143)	(6,974)
Change in net pension obligation	(986)	(126)	(2,800)
Beginning net pension obligation	3,962	4,088	6,888
Ending net pension obligation	$ 2,976	$ 3,962	$ 4,088
Contributions made as a percentage of net pension obligation	-141.7%	-101.3%	-101.2%
Contributions made as a percentage of covered payroll	-35.9%	-26.5%	-40.7%

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

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

The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. TriMet is the sole administrator for the Pension Plan for Bargaining Unit Employees of TriMet ("Bargaining Unit DB Plan"). The Bargaining Unit DB Plan is a governmental plan maintained and operated solely by TriMet. Three trustees appointed by the TriMet Board and three union representatives appointed by the Amalgamated Transit Union ("Union") oversee the Bargaining Unit DB Plan. TriMet's annual required contributions under the plan are actuarially determined and recognized in the current reporting period. TriMet funds the plan based upon the annual required contribution and in accordance with the assumptions included under the plan.

Summary of accounting policies

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

Investment policy and method to value investments

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

Investments – concentration of credit risk

The plan places no limit on the amount the plan may invest in any one manager. As of June 30, 2011 and 2010, the plan had the following investments of more than 5% of the total Plan investments:

	2011	2010
Capital Guardian International Fund	7.26%	6.95%
PIMCO All Asset Fund	10.23%	4.90%
PIMCO Total Return Fund	16.52%	24.80%

Plan description

The Bargaining Unit DB Plan is a single-employer defined benefit plan. The Bargaining Unit DB Plan covers all full-time and part-time employees represented by the Amalgamated Transit Union. 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, 2009 are $72.96 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. Benefit provisions are established and amended through provisions of the Working and Wage Agreement between TriMet and the Union.

Notes to Financial Statements

June 30, 2011
(dollars in thousands)
continued

Funding policy and annual pension cost

Pursuant to the terms of the Working and Wage Agreement, TriMet is required to fund the Bargaining Unit DB Plan in accordance with actuarial principles, amortizing past service liabilities over a period of 40 years or less. As of June 30, 2010 TriMet is amortizing past service liabilities over a 20 year open period. 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.

Schedule of Funding Progress

	Actuarial valuation date		
Bargaining Unit DB Plan	July 1, 2011	July 1, 2010	July 1, 2009
Actuarial value of plan assets	$ 289,425	$ 255,279	$ 217,113
Actuarial accrued liability (AAL)	517,979	491,495	460,333
Unfunded AAL	228,554	236,216	243,220
Funded ratio	55.9%	51.9%	47.2%
Annual covered payroll	$ 119,166	$ 121,124	$ 123,784
Unfunded AAL as a percentage of covered payroll	191.8%	195.0%	196.5%

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 to determine the normal retirement benefit for active employees. The actuarial value of plan assets is calculated as the market value of assets held in trust, plus investment returns using a smoothing technique. This method recognizes the difference in actual investment return and the assumed 8.0 percent rate of return over a five year period. The resulting actuarial valuation cannot be less than 80 percent or greater than 120 percent of the market value of plan assets on the valuation date. As of June 30, 2011, the actuarial value of plan assets was less than the market value of plan assets by $15.4 million. The asset valuation method is consistent with the method described in IRS Revenue Procedure 2000-40.

Schedule of Annual Required Contributions

	Actuarial valuation date		
Bargaining Unit DB Plan	July 1, 2011	July 1, 2010	July 1, 2009
Annual required contribution (ARC)	$ 32,224	$ 34,028	$ 28,051
ARC Contributions made by June 30	13,400	-	-
Contributions made as a percentage of ARC	41.6%	0.0%	0.0%
Contributions made as a percentage of covered payroll	11.2%	0.0%	0.0%
Net pension obligation	$ 18,824	$ 34,028	$ 28,051

A portion of the annual required contribution is deposited to the Bargaining Unit DB Plan subsequent to June 30 and, accordingly, an equivalent amount is reflected in the accompanying June 30 balance sheet within accrued pension obligation.

Schedule of Annual Pension Costs and Payments

	Fiscal year		
Bargaining Unit DB Plan	2011	2010	2009
Annual required contribution (ARC)	$ 32,224	$ 34,028	$ 28,051
Contribution made towards obligation	(47,428)	(28,051)	(26,154)
Change in net pension obligation	(15,204)	5,977	1,897
Beginning net pension obligation	34,028	28,051	26,154
Ending net pension obligation	$ 18,824	$ 34,028	$ 28,051
Contributions made as a percentage of net pension obligation	-139.4%	-100.0%	-100.0%
Contributions made as a percentage of covered payroll	-39.2%	-22.7%	-23.4%

TRIMET

Required Supplementary Information

Schedules of Funding Progress

(dollars in thousands)

Other postemployment benefits

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
January 1, 2010	$ -	$ 816,544	$ 816,544	0%	$ 137,869	592%
January 1, 2008	-	632,204	632,204	0%	130,726	484%

Management DB Plan

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
June 30, 2011	$ 72,170	$ 105,750	$ 33,580	68%	$ 15,099	222%
June 30, 2010	67,689	98,834	31,145	68%	15,626	199%
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%

Bargaining Unit DB Plan

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
June 30, 2011	$ 289,425	$ 517,979	$ 228,554	56%	$ 119,166	192%
June 30, 2010	255,279	491,495	236,216	52%	121,124	195%
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%

Supplementary Information

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

For The Year Ended June 30, 2011
(dollars in thousands)

	General fund	G.O. Bond debt service fund	District total
Budget basis			
Revenues	$ 744,100	$ 14,894	$ 758,994
Expenses	549,959	10,039	559,998
Revenues under expenses	194,141	4,855	198,996
Add budget requirements not qualifying as expenses under GAAP:			
Principal payments on long-term debt	58,074	8,845	66,919
Capital asset additions	114,548	-	114,548
Add (subtract) additional adjustments required by GAAP:			
Other resources used to fund capital asset additions	(254,105)	(4,148)	(258,253)
Depreciation	(82,585)	-	(82,585)
Net leveraged lease expense	(3,080)	-	(3,080)
OPEB Costs	(70,266)	-	(70,266)
Subtract budget resources not qualifying as revenues under GAAP:			
Federal, state and local government contributions	(104,198)	-	(104,198)
GAAP basis (loss) income before contributions and special items presented in statement of revenues, expenses and changes in net asse	$ (147,471)	$ 9,552	$ (137,919)

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

June 30, 2011
(dollars in thousands)

Budget basis ending fund balance	
General fund	$ 282,218
G.O. bond debt service fund	14,288
	296,506
Reconciliation to GAAP basis:	
Net capital assets	2,066,735
Capital related debt	(405,540)
Other postemployment benefits	(222,847)
Prepaid lease expense	163,330
Long term restricted lease deposit	65,535
Long term deferred lease revenue	(71,522)
Long term lease liability	(139,070)
GAAP basis net assets	$ 1,753,127

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

For The Year Ended June 30, 2011
(dollars in thousands)

GENERAL FUND

	Original budget	Final budget	Actual	Variance from final budget over (under)
Revenues				
Operating revenue	$ 126,892	$ 126,892	$ 129,136	$ 2,244
Tax revenue	217,227	217,227	224,858	7,631
Operating grant and other revenue	77,945	77,945	45,648	(32,297)
Capital program resources	31,674	31,674	23,489	(8,185)
Light rail program resources	108,756	108,756	218,192	109,436
Other non-operating resources	108,938	108,938	102,777	(6,161)
Total revenues	671,432	671,432	744,100	72,668
Expenses				
Operating program:				
Office of the general manager	2,436	2,436	2,384	(52)
Communications and technology	15,294	15,294	14,921	(373)
Finance and administration	8,108	8,408	8,222	(186)
General counsel/human resources	3,878	3,878	3,354	(524)
Operations	302,147	304,647	301,075	(3,572)
Capital projects and facilities	10,902	13,002	9,617	(3,385)
Debt service	27,542	27,542	24,621	(2,921)
Pension	47,048	42,148	41,603	(545)
Project Interim Financing	43,728	43,728	43,091	(637)
Pass-through requirements	108,938	108,938	101,071	(7,867)
Contingency	10,600	10,600	-	(10,600)
Total operating program	580,621	580,621	549,959	(30,662)
Capital programs				
Communications and technology	13,607	13,607	6,973	(6,634)
Finance and administration	315	315	-	(315)
Operations	8,518	8,518	8,046	(472)
Capital projects and facilities	12,919	12,919	12,638	(281)
Total capital programs	35,359	35,359	27,657	(7,702)
Light rail programs				
I205/Portland Mall Light Rail Project	5,300	5,300	1,341	(3,959)
Columbia River Crossing	821	821	-	(821)
Milwaukie Light Rail Project	107,935	107,935	85,550	(22,385)
Total light rail programs	114,056	114,056	86,891	(27,165)
Total expenses	730,036	730,036	664,507	(65,529)
Revenues over(under) expenses	(58,604)	(58,604)	79,593	138,197
Beginning fund balance	195,317	195,317	202,625	7,308
Ending fund balance	$ 136,713	$ 136,713	$ 282,218	$ 145,505

Schedule of Revenues and Expenses
Budget (Budget Basis) and Actual
For The Year Ended June 30, 2011
(dollars in thousands)

G.O. BOND DEBT SERVICE FUND

	Original budget	Final budget	Actual	Variance from final budget over (under)
Revenues				
Previously levied taxes estimated to be received	$ 100	$ 100	$ 438	$ 338
Interest income	20	20	49	29
Other Resources	-	-	4,148	4,148
Taxes necessary to balance	10,197	10,197	10,259	62
Total revenues	10,317	10,317	14,894	4,577
Expenses				
Redemption of principal	8,845	8,845	8,845	-
Interest expense	1,234	1,234	1,194	(40)
Total expenses	10,079	10,079	10,039	(40)
Revenues over(under) expenses	238	238	4,855	4,617
Beginning fund balance	9,577	9,577	9,433	(144)
Ending fund balance	$ 9,815	$ 9,815	$ 14,288	$ 4,473

Schedule of Property Tax Levies and Collections
Last Five Fiscal Years

For The Year Ended June 30, 2011
(dollars in thousands)

Fiscal year ended June 30	Tax levy for the fiscal year	Collected within the fiscal year of levy: Amount	Collected within the fiscal year of levy: Percentage of levy	Collections in subsequent years	Total collections to date: Amount	Total collections to date: Percentage of levy
2011	$ 10,908	$ 10,259	94%	$ -	$ 10,259	94%
2010	10,422	9,765	94%	229	9,994	96%
2009	9,344	8,722	93%	310	9,032	97%
2008	9,514	8,969	94%	279	9,248	97%
2007	10,269	9,730	95%	314	10,044	98%

Schedule of Property Tax Transactions and Outstanding Balances

For The Year Ended June 30, 2011
(dollars in thousands)

Tax year	Beginning balance	Levy extended by assessor	Discounts	Interest	Adjustments	Collections	Ending balance
2010-11	$ -	$ 10,908	$ (280)	$ 2	$ -	$ (10,259)	$ 371
2009-10	399	-	-	3	(61)	(229)	112
2008-09	101	-	-	2	25	(73)	55
2007-08	57	-	-	2	-	(39)	20
2006-07	17	-	-	1	6	(24)	-
2005-06	1	-	-	-	4	(2)	3
2004-05	3	-	-	-	-	(1)	2
2003-04	2	-	-	-	-	(1)	1
2002-03	2	-	-	-	-	-	2
2001-02	2	-	-	-	-	-	2
2000-01 & prior	6	-	-	-	-	(1)	5
	$ 590	$ 10,908	$ (280)	$ 10	$ (26)	$ (10,629)	$ 573

APPENDIX B

FORM OF BOND COUNSEL LEGAL OPINION

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

August 30, 2012

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

Subject: $93,290,000 Tri-County Metropolitan Transportation District of Oregon
Senior Lien Payroll Tax Revenue Bonds, Series 2012A

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 2012A (the "Series 2012A Bonds"), in the aggregate principal amount of $93,290,000. The Series 2012A Bonds are issued pursuant to Oregon Revised Statutes Section 287A.150 and related provisions, Resolution 12-06-44 of TriMet's Board of Directors adopted on June 13, 2012, and a Trust Indenture between TriMet and The Bank of New York Mellon Trust Company, N.A., as trustee that is dated as of April 1, 2001, as that indenture has been amended and supplemented by the Fifth Supplemental Trust Indenture dated as of August 30, 2012, and by prior amendments and supplements (collectively, the "Indenture"). Capitalized terms used but not defined in this opinion have the respective meanings assigned to such terms in the Indenture.

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 2012A 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. TriMet has legally authorized, sold, executed and issued the Series 2012A Bonds under and pursuant to the Constitution and Statutes of the State of Oregon and the Indenture. The Series 2012A Bonds constitute valid and legally binding obligations of TriMet that are enforceable in accordance with their terms. The Series 2012A 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. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Series 2012A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by TriMet and others in connection with the Series 2012A Bonds, and we have assumed compliance by TriMet with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012A Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012A Bonds in order that, for Federal income tax purposes, interest on the Series 2012A Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Series 2012A Bond proceeds, restrictions on the investment of Series 2012A Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2012A Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Series 2012A Bonds, TriMet will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. By executing the Tax Certificate, TriMet covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2012A Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2 we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate, and (ii) compliance by TriMet with the procedures and covenants set forth in the Tax Certificate.

3. Interest on the Series 2012A Bonds is exempt from Oregon personal income tax.

We note that TriMet has not designated the Series 2012A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as stated in paragraphs 2 and 3 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Series 2012A Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Series 2012A Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Series 2012A Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as TriMet.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise, or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

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

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to TriMet in connection with the Series 2012A Bonds and have not represented and are not representing any other party in connection with the Series 2012A Bonds. This opinion is given solely for the benefit of TriMet in connection with the Series 2012A Bonds and may not be relied on in any manner or for any purpose by any person or entity other than TriMet, the owners of the Series 2012A Bonds, and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE CERTIFICATE

$93,290,000
Tri-County Metropolitan Transportation District of Oregon
Senior Lien Payroll Tax Revenue Bonds
Series 2012A

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Tri-County Metropolitan Transportation District of Oregon ("TriMet") in connection with the issuance of its Senior Lien Payroll Tax Revenue Bonds, Series 2012A (the "Series 2012A Bonds").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by TriMet for the benefit of the owners of the Series 2012A Bonds and to assist the underwriter(s) of the Series 2012A Bonds in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the "Rule"). This Certificate constitutes TriMet's written undertaking for the benefit of the owners of the Series 2012A Bonds as required by Section (b)(5) of the Rule.

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

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2012A Bonds, including persons holding Series 2012A Bonds through nominees or depositories.

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

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

"Official Statement" means the final official statement for the Series 2012A Bonds dated August 21, 2012.

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

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

A. TriMet's latest publicly available comprehensive annual financial report, including the financial statements of TriMet for the most recently completed fiscal year prepared in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in 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 under the subheadings "Revenue Sources

– Payroll Taxes and Self-Employment Taxes" and "Revenue Sources – State In-Lieu Payments" in "THE SPECIFIED TAX REVENUES";

- Table 6 (Historical and Forecast Payroll Tax, Self-Employment and State In Lieu Tax Revenues);
- Table 7 (Historical and Forecast Specified Tax Revenues, Debt Service and Debt Service Coverage);
- Table 8 (Summary of TriMet Balance Sheets for Fiscal Years Ended June 30); and,
- Table 9 (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 Section 3 above shall be provided on or before nine months after the end of TriMet's fiscal year. TriMet's current fiscal year ends June 30. TriMet may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, TriMet may cross-reference to other documents provided to the MSRB.

TriMet 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 Sections 3.A and 3.B above on or prior to the date set forth in the preceding paragraph.

Section 5. Material Events. TriMet agrees to provide or cause to be provided to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Series 2012A Bonds:

(a) Principal and interest payment delinquencies;

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

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

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

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

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

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

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

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the Series 2012A Bonds, if material;

(k) Rating changes;

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

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

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

TriMet may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of TriMet, such other event is material with respect to the Series 2012A Bonds, but TriMet does not undertake any commitment to provide such notice of any event except those events listed above.

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

Section 7. Termination. TriMet's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2012A Bonds. This Certificate, or any provision hereof, shall be null and void if TriMet (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the Series 2012A Bonds; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

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

A. If the amendment relates to the provisions of Sections 3.A or 3.B or Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of TriMet with respect to the Series 2012A Bonds, or the type of business conducted;

B. If this Certificate, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2012A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment either (i) is approved by the Series 2012A Bondowners pursuant to the governing instrument at the time of amendment or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Series 2012A Bondowners.

In the event of any amendment of a provision of this Certificate, TriMet shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by TriMet. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the amendment shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual report for the first fiscal year that is affected by the change in accounting principles should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Series 2012A Bondowner's Remedies Under This Certificate. The right of any Series 2012A Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of TriMet's obligations hereunder, and any failure by TriMet to comply with the provisions of this undertaking shall not be an event of default with respect to the Series 2012A Bonds. Series 2012A Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause TriMet to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the Series 2012A Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of TriMet to comply with this Certificate shall be an action to compel performance.

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

Section 11. Filing with EMMA. Any filings required by this certificate to be made with the MSRB may be made through EMMA so long as it is approved by the MSRB.

Section 12. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 30th day of August, 2012.

Tri-County Metropolitan Transportation District of Oregon

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Authorized Officer

APPENDIX D

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 2012 Bonds. The Series 2012 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 2012 Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

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

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Tax-Exempt 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 2012 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 2012 Bonds, except in the event that use of the book entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 2012 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 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 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 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as prepayments, tenders, defaults, and proposed amendments to the security documents relating to the Series 2012 Bonds. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 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 2012 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 2012 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 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the Series 2012 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 2012 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 2012 Bonds.

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as nominee for DTC, references herein to the holders or registered owners of the Series 2012 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2012 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 2012 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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APPENDIX E

SUMMARY OF INDENTURE

This Appendix F summarizes selected provisions of the Trust Indenture dated as of April 1, 2001 as amended and supplemented, including amendments made by the Fifth First Supplemental Trust Indenture dated as of August __, 2012 (the "Indenture"). The Indenture is between TriMet (the "Issuer") and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Trustee"). This summary omits references to obligations issued under a 1992 Indenture of Trust because those obligations are no longer outstanding. This summary also omits administrative provisions that do not apply to the Series 2012 Bonds, or that are stated in the body of this Official Statement. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the complete text of the Indenture. Prospective purchasers of the Series 2012 Bonds may obtain the complete text of the Indenture from the Trustee upon written request.

DEFINITIONS.

The Indenture uses the following defined terms:

"ADDITIONAL BONDS" means any Senior Lien Bonds issued after the first Series of Senior Lien Bonds. The first Series of Senior Lien Bonds were issued in 2001.

"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 Senior Lien 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 Senior Lien 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 Senior Lien Bonds in the Fiscal Year in which such maturity date occurs;

(iv) the procedure for determining Annual Debt Service for the Outstanding Senior Lien 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 Senior Lien Bonds may be tendered at the option of the Owners thereof, if a Credit Facility is in effect which will purchase all of such Senior Lien Bonds which are tendered but not remarketed, it shall be assumed that the aggregate principal amount of all such Senior Lien Bonds which may, during such Fiscal Year, be tendered by the Owners thereof, together with interest thereon at the maximum rate at which such Senior Lien 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 Senior Lien 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 Senior Lien Bonds which are tendered but not remarketed, is shall be assumed that every Senior Lien Bond that may be so tendered matures in such Fiscal Year.

(v) for purposes of computing Annual Debt Service for the Outstanding Senior Lien 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 Specified 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien Bonds more than twenty-five percent (25%) of the principal of which, in accordance with the terms of such Senior Lien Bonds, is due and payable in any one Fiscal Year either by reason of the stated maturity date of such Senior Lien Bonds or pursuant to a Mandatory Redemption Schedule; *provided that* with respect to any Senior Lien Bonds issued as Term Obligations, such Senior Lien 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).

"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 Senior Lien Bonds).

"COMPLETION BONDS" means Senior Lien Bonds that are issued 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 Senior Lien 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 Senior Lien 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 Senior Lien Bonds.

"DEBT SERVICE ACCOUNT" means the account held by the Trustee under the Indenture to pay Senior Lien Bonds. The full text of the Indenture uses the term "2001 Debt Service Account" to describe the Debt Service Account.

"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 shall 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 Senior Lien 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 shall 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 shall 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 Senior Lien 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 Senior Lien 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 Senior Lien Bonds during any period in which such Senior Lien 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 Senior Lien Bonds during the immediately preceding 12 month period; or

(2) the rate of interest applicable to such Senior Lien 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,

(ii) as to any Senior Lien 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 Senior Lien Bond principal, interest or premium, whether at maturity, on prior redemption or otherwise;

(ii) other defaults occur with respect to Senior Lien 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 Senior Lien 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 Depositary and any Remarketing Agent or Tender Agent for Senior Lien 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 and as it may be amended or supplemented from time to time in accordance with its terms.

"INTEREST PAYMENT DATE" means the date on which interest on a Series of Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien Bonds that are Variable Rate Obligations would, if such Senior Lien 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 Senior Lien Bonds that are Variable Rate Obligations would, if such Senior Lien 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 Senior Lien 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 Senior Lien Bonds, Senior Lien 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 Senior Lien Bonds is issued.

"OUTSTANDING" when used with reference to a particular Series of Senior Lien Bonds, means, as of a particular date, all Senior Lien 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 Senior Lien Bonds are issued, except:

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

(ii) Senior Lien Bonds (or portions of Senior Lien 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 Senior Lien Bonds (or portions of Senior Lien 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) Senior Lien Bonds in lieu of or in substitution for which other Senior Lien 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 Senior Lien Bonds are held by a *bona fide* purchaser in due course; and

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

In addition, Senior Lien Bonds of a Series held by or for the Issuer shall not be deemed to be Outstanding for most purposes under the Indenture.

"OWNER" means any person who shall be the registered owner of any Senior Lien Bond or Senior Lien Bonds as shown by the registration books maintained by the Bond Registrar for such Senior Lien Bonds. However, the insurer of a Series of Senior Lien Bonds may be entitled to be treated as the Owner of that Series for all purposes under the Indenture except payment.

"PARTICIPANT" means a broker-dealer, bank or other financial institution for which DTC holds Senior Lien Bonds as Securities Depository.

"PAYING AGENT" means, with respect to a particular Series of Senior Lien 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 Senior Lien 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 Series 2012 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 Senior Lien 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 Senior Lien Bonds at the request of the Issuer.

"RECIPROCAL PAYMENT" means any payment to be made to, or for the benefit of, the Issuer 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 Senior Lien 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 Senior Lien Bonds.

"SENIOR LIEN BOND" or **"SENIOR LIEN BONDS"** means obligations that are secured by a senior lien on the Trust Estate. Senior Lien Bonds must be issued under the Indenture and include the Series 2012 Bonds, Additional Bonds, Refunding Bonds and Completion Bonds. The complete text of the Indenture refers to Senior Lien Bonds as "Bonds."

"SETTLEMENT DATE" means the last Business Day of each week.

"SERIES" means all of the Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien Bond has been notified of the Issuer's intent to pledge such revenues as security for the Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien Bond has been notified of the Issuer's intent to pledge such revenues as security for the Senior Lien 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 Senior Lien 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 Senior Lien 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 the Indenture; and

(iv) the Issuer has duly pledged the revenues from such tax, fee or other charge as security for the Senior Lien 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 Senior Lien Bonds (see "PLEDGE OF TRUST ESTATE" below).

PLEDGE OF TRUST ESTATE.

In the Indenture, the Issuer pledges to the Trustee, in trust for the benefit of the Owners of the Senior Lien Bonds, and for the benefit of the provider of any Credit Facility issued with respect to the Senior Lien 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 Debt Service Account;

(iii) any Credit Facility given as security for the payment of any amounts owing under or with respect to any Senior Lien 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 Senior Lien Bonds, such Credit Facility together with the moneys drawn or paid thereunder shall be held by the Trustee solely as security for the Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien Bonds.

The foregoing are referred to collectively as the "Trust Estate."

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

PARI PASSU SERIES OF SENIOR LIEN BONDS; CREDIT AGREEMENT OBLIGATIONS; DERIVATIVE PRODUCTS.

The Indenture provides that all Senior Lien Bonds shall be payable from the Specified Tax Revenues *pari passu* with all other Senior Lien Bonds and Derivative Products. Except as otherwise provided in a Supplemental Indenture, Senior Lien Bonds and amounts owed by the Issuer under any Credit Facility (but not Derivative Products) shall be secured by an equal lien on and pledge of the Trust Estate.

The Issuer may provide that the pecuniary obligations arising under a Credit Agreement pursuant to which a Credit Facility for the Senior Lien Bonds shall be equally and ratably secured by the Trust Estate with all Outstanding Senior Lien Bonds and shall be payable from the Specified Tax Revenues *pari passu* with all Outstanding Senior Lien 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 Senior Lien 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 Senior Lien 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 SENIOR LIEN 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 Senior Lien 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 and the Issuer wishes to preserve the option to issue Completion Bonds, 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 Senior Lien Bonds issued to complete a Project already being funded with Senior Lien Bond Proceeds if there are costs that were not anticipated at the time of issuance or incurrence of the original Series of Senior Lien 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 Senior Lien Bonds issued in accordance with the general rules applicable to Additional Bonds for the purpose of financing the Project.

REFUNDING BONDS.

The Issuer may issue Senior Lien Bonds to refund Senior Lien Bonds without complying with the general conditions precedent to the issuance of Additional Bonds that are listed above, if the issuance of the refunding Senior Lien Bonds will not increase maximum Annual Debt Service on all Senior Lien Bonds.

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 Senior Lien 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 Senior Lien 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 with the Trustee in the manner provided in the Indenture.

The Indenture establishes the Debt Service Account in the Revenue Fund to hold Specified Tax Revenues that are segregated to pay the Senior Lien 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 shall from time to time take such actions as may be necessary or appropriate to ensure that all Specified Tax Revenues shall be paid directly to the Trustee. All Reciprocal Payments under any Derivative Product shall 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 DEBT SERVICE ACCOUNT: The Trustee shall transfer the following amounts from the Revenue Fund to the Debt Service Account for each Series of Senior Lien Bonds except Balloon Indebtedness, Capital Appreciation Obligations and Variable Rate Obligations:

(A) On each Settlement Date during an Interest Deposit Period for each Series of Bonds and except as otherwise provided for Balloon Indebtedness, Capital Appreciation Obligations and Variable Rate Obligations, the Trustee shall transfer from the Revenue Fund to the Debt Service Account an amount such that, if an equal amount is transferred to the Debt Service Account on all remaining Settlement Dates in the Interest Deposit Period, there will be available in the Debt Service Account an amount sufficient to pay the interest on that Series of Bonds that is due on the Interest Payment Date for that Interest Deposit Period. The Trustee shall credit against the transfers required by this subsection any Net Reciprocal Payment received by the Trustee and any capitalized interest for that Series of Bonds as provided in the Indenture. For purposes of paragraph:

> "Interest Accrual Period" means the period of time during which interest on a Series of Bonds accrues before it is scheduled to be paid. For example: if a Series of Bonds is issued on January 1 and the first interest payment is due on July 1, the first Interest Accrual Period will be six months; if the first interest payment for that Series is due on October 1, the first Interest Accrual Period will be nine months.
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> "Interest Deposit Period" means each period that begins on the fourth Settlement Date before the beginning of an Interest Accrual Period for a Series of Bonds (or the Settlement Date immediately following the Original Issue Date of that Series if the fourth Settlement Date before the beginning of an Interest Accrual Period occurs before the Original Issue Date), and ends on the fourth Settlement Date before the end of that Interest Accrual Period. The Interest Deposit Period includes the Settlement Date on which the Interest Deposit Period begins and the Settlement Date on which the Interest Deposit Period ends.

(B) On each Settlement Date during a Principal Deposit Period for each Series of Bonds, except as otherwise provided for Balloon Indebtedness, Capital Appreciation Obligations and Variable Rate Obligations, the Trustee shall transfer from the Revenue Fund to the Debt Service Account an amount such that, if an equal amount is transferred to the Debt Service Fund on all remaining Settlement Dates in the Principal Deposit Period, there will be available in the Debt Service Account on the last Settlement Date of the Principal Deposit Period an amount sufficient to pay the principal on that Series of Bonds that is due on the Principal Payment Date for that Principal Deposit Period. The Trustee may, at the request of the Issuer, credit any surplus in the Debt Service Account against transfers that are required by this subsection. For purposes of this section, "Principal Deposit Period" means each period that begins on the 56th Settlement Date before a Principal Payment Date for a Series of Bonds (or the Settlement Date immediately following the Original Issue Date of that Series if the 56^{th} Settlement Date before a Principal Payment Date occurs before the Original Issue Date) and ends on the fourth Settlement Date before that Principal Payment Date. The Principal Deposit Period includes the Settlement Date on which the Principal Deposit Period begins and the Settlement Date on which the Principal Deposit Period ends.

The Indenture provides special provisions for the calculation of transfers to the Debt Service Account in the case of Senior Lien Bonds which constitute Balloon Indebtedness, the accreted interest on any Senior Lien Bonds which constitute Capital Appreciation Obligations, and the interest on any Senior Lien 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 shall deposit that payment in the 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: If the amounts available in the Revenue Fund for transfer to the Debt Service Account and the Derivative Product Account are not sufficient to make the required transfers on each Settlement Date, the Trustee shall make transfers from the Revenue Fund to the Debt Service Account 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 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.

If seven days before any Interest Payment Date or Principal Payment Date, the Trustee determines that it will not have an amount in Debt Service Account that is sufficient to make the Senior Lien Bond principal or interest payments that are due on that payment date, the Trustee shall notify the Issuer, and the Issuer shall, not later than two days before the payment date, transfer to the Trustee an amount equal to the deficiency from the Issuer's lawfully available funds.

CREDIT FOR INVESTMENT EARNINGS AND UNUSED BALANCES: The Indenture allows the following amounts to be credited against required transfers from the Revenue Fund to the Debt Service Account:

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

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

The moneys on deposit in the Debt Service Account shall be used to pay the principal of, interest on and Redemption Price of the Senior Lien 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 Senior Lien 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 Senior Lien Bonds that would have been paid from the 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 Senior Lien 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 representations and covenants for the benefit of the Owners of the Senior Lien Bonds, including the following:

EXTENSION OF PAYMENT OF SENIOR LIEN BONDS. The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Senior Lien Bonds or the time of payment of any interest on the Senior Lien Bonds. The issuance of Refunding Bonds shall not be deemed to constitute an extension of maturity of Senior Lien 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 Senior Lien Bonds, or intended so to be, or which the Issuer may become bound to pledge or assign.

POWER TO ISSUE SENIOR LIEN BONDS AND TO PLEDGE THE TRUST ESTATE AND OTHER FUNDS. The Issuer is duly authorized under all applicable laws to issue the Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien Bonds issued by the Issuer which are not Tax-Exempt Obligations, the Issuer shall take all actions within its control required by the Code as necessary to preserve the exclusion of interest received on Senior Lien 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 shall 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 Senior Lien 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 Senior Lien Bonds, and the Owners of an aggregate of not less than 15% in aggregate principal amount of the Senior Lien 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 shall 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 Senior Lien 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 shall 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 Senior Lien 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 Senior Lien 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 shall 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 Senior Lien 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 Senior Lien 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 shall, subject only to limitations imposed by law, impose, levy and collect, and shall 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, shall be sufficient to pay when due all Outstanding Senior Lien 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 shall 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 shall 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 Senior Lien 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 Senior Lien Bonds;

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

INCLUSION OF DEBT SERVICE IN FISCAL BUDGET. The Issuer shall 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 Senior Lien Bonds or Derivative Products are Outstanding, the Issuer shall calculate all expenditures related to the Outstanding Senior Lien Bonds and Derivative Products that are projected to be due in such Fiscal Year, and shall 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 Senior Lien 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 Senior Lien Bonds Outstanding, shall declare the principal of all the Senior Lien 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 Senior Lien 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 Senior Lien Bonds, or the Owners of 50% in principal amount of the Senior Lien 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 Senior Lien 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 Senior Lien Bonds;

(III) PAYMENT OF SENIOR LIEN BONDS AND DERIVATIVE PRODUCTS: to the payment of the interest and principal then due on the Senior Lien 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 Senior Lien Bonds or as security for the Issuer's obligations under a Derivative Product, as follows:

(A) unless the principal of all of the Senior Lien 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 Senior Lien Bonds in the order of the maturity of such installments, and, with respect to funds other than those held in the 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 Senior Lien 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 Senior Lien 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 Senior Lien Bonds and, with respect to funds other than those held under the 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 Debt Service Account, under any contract or agreement relating to a Derivative Product given as security for any Series of Senior Lien 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 Senior Lien Bond or Credit Agreement over any other Senior Lien 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 Senior Lien 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 Senior Lien Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Owners of the Senior Lien Bonds or the issuer of any Credit Facility given as security for any Series of Senior Lien Bonds, under the Indenture.

The Owners of not less than a majority in principal amount of the Senior Lien 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 Senior Lien Bonds not parties to such direction.

RESTRICTION ON OWNER'S ACTION.

No Owner of any Senior Lien 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 Senior Lien 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 shall mail written notice of the occurrence of any Event of Default to each Owner of Senior Lien 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 Senior Lien Bonds, the Trustee shall be the Paying Agent and Bond Registrar for all Senior Lien Bonds issued under the Indenture.

Any recitals of fact in the Indenture, in any Supplemental Indenture and in the Senior Lien 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 Senior Lien 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 Senior Lien Bonds shall, however, be responsible for its representation contained in its certificate of authentication on the related Senior Lien 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 Senior Lien 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 Senior Lien 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 covenants and agreements of the Issuer, or to the limitations and restrictions in the Indenture, other covenants, agreements, 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 Senior Lien Bonds and, in connection therewith, to specify and determine the matters and things relative to such Senior Lien 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 Senior Lien Bonds which is not to the prejudice of the Owners of the Senior Lien Bonds of any other Series;

(viii) To surrender any right or power of the Issuer, but only if the surrender is not contrary to the covenants and agreements of the Issuer in the Indenture;

(ix) To incorporate into the Indenture or any Supplemental Indenture any financing powers hereafter granted to or conferred upon the Issuer by law, or

(x) 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien 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, Senior Lien 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 Senior Lien Bonds of such maturity. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien Bonds then Outstanding.

DEFEASANCE.

The Indenture sets forth provisions for the release of the pledge and lien of the Senior Lien Bonds on the Trust Estate and the Indenture ("Defeasance"), if the Issuer pays to the Owners or holders of any Senior Lien 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.

Senior Lien 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 SENIOR LIEN 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 Senior Lien 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 Senior Lien Bond or the issuer of any Credit Facility shall bind all future Owners of such Senior Lien 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 SENIOR LIEN 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 Senior Lien Bonds which remain unclaimed for six years after the date when such Senior Lien 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 Senior Lien 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 Senior Lien 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 Senior Lien 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.