

including debt, investment, pension and benefits. He has also served as Executive Officer, Administration and Controller of LACMTA and as Director of Strategic Funding Analysis for LACMTA's Regional Transportation Planning and Development Division. Prior to joining LACMTA, Mr. Matsumoto was the Controller with the Community Redevelopment Agency of the City of Los Angeles. His prior experience includes managing financial functions for Republic Geothermal, Inc., divisional finance and administration for Tetra Tech, Inc., in Arlington, Virginia, and auditing functions for Coopers & Lybrand. He is a Certified Public Accountant and holds a Bachelor of Arts in Economics and an MBA from the UCLA.

Public Transportation Services Corporation

In December 1996, LACMTA created the Public Transportation Services Corporation ("PTSC"), a nonprofit public benefit corporation organized under the laws of the State. PTSC was created in order to transfer certain functions, then performed by LACMTA, and the employees related to those functions, to this new corporation. The purpose of PTSC is to conduct essential public transportation activities including but not limited to the following: (a) to coordinate multimodal multi-jurisdictional transportation planning; (b) to program federal, State and local funds for transportation projects County-wide within the County; (c) to oversee construction; (d) to provide certain administrative services to the Los Angeles County–Service Authority for Freeway Emergencies and the Southern California Regional Rail Authority; (e) to provide administrative support and security services for the foregoing and to the operation of LACMTA's bus and rail system; and (f) such other activities and services as it deems necessary. One advantage of PTSC is that it allows its employees, including those transferred from LACMTA, to participate in the California Public Employees Retirement System.

RAPID TRANSIT SYSTEM

LACMTA is a multi-faceted transportation agency responsible for the coordination of transportation policy, funding and planning within the County as well as the development and operation of bus, rail, highway and commuter rail within the greater Los Angeles region. This breadth of services distinguishes LACMTA from other transportation agencies across the country. Most other transportation agencies specialize in three or fewer of the referenced transportation services.

Bus System

LACMTA operates the second largest bus system in the United States. LACMTA provides bus service within its service area in the County and to portions of Orange and Ventura Counties, operating a vehicle fleet of over 2,200 buses. LACMTA's bus system covers more than 185 routes and serves approximately 16,000 bus stops, including two premium bus rapid transit dedicated busways. Systemwide, LACMTA buses provide more than 7.2 million revenue service hours annually with an average of approximately 1.2 million weekday boardings as of June 2011. In addition, LACMTA contracts with outside service providers for an additional 173 buses carrying approximately 43,800 average weekday boardings as of June 2011. Virtually all of LACMTA's bus fleet is composed of compressed-natural gas ("CNG") powered buses. The last diesel bus in the 2,227 vehicle fleet directly operated by LACMTA was retired in January 2011, making LACMTA the first major transit agency in the world to operate only alternative clean fueled buses. As of July 2011, the average age of LACMTA's bus fleet was approximately eight years.

Metro Rapid Bus. In June 2000, LACMTA launched the Metro Rapid Demonstration Program ("Metro Rapid"). Initially, Metro Rapid consisted of two lines – one along Ventura Boulevard in the San Fernando Valley and the other along the Wilshire/Whittier transit corridor. In September 2002, based on the success of Metro Rapid, the Board adopted the Metro Rapid Five-Year Implementation Plan that

identified additional Metro Rapid corridors to be implemented through Fiscal Year 2007-08. Twenty-four of 25 Metro Rapid corridors are now operating, representing nearly 400 miles in the City of Los Angeles, the County and 33 other cities. In addition to LACMTA, Santa Monica's Big Blue Bus and Culver CityBus operate Metro Rapid, and the remaining planned Metro Rapid corridor is expected to be provided by Torrance Transit. The Metro Rapid Program provides fast, frequent regional bus service throughout the County. Key features of the Metro Rapid Program include simple route layouts, frequent service, fewer stops, low-floor buses to facilitate boarding and alighting, color-coded buses and stations, and traffic signal priority. Currently, more than 350 CNG-powered buses serve 21 of the 24 major corridors now operating across the County.

The Metro Rapid program's success has garnered national acclaim from the federal government and major transit providers. Since the inception of the Metro Rapid program, passenger travel times on Metro Rapid routes have been reduced by an average of 26% while demand for Metro Rapid service has increased significantly. Ridership has increased by as much as 40% in some corridors. Nearly one-third of this ridership increase has been generated by patrons who previously used automobiles.

Metro Orange Line. The Metro Orange Line is a 14-mile Bus Rapid Transit service that operates along an exclusive right-of way and transports thousands of commuters between Warner Center in the west San Fernando Valley and the Metro Red Line subway station in North Hollywood. The Metro Orange Line buses operate in exclusive lanes along a 13-mile stretch of LACMTA-owned right-of-way and one mile in mixed flow traffic on public streets. The Metro Orange Line has 14 stations, each located roughly one mile apart, with park and ride facilities at seven stations providing approximately 4,700 parking spaces. The Metro Orange Line opened in October 2005, at a total cost of \$273.1 million. Average weekday ridership was approximately 22,700 in June 2011. LACMTA has begun the Metro Orange Line Extension Project (the "MOL Extension"), which is a four-mile extension of the Metro Orange Line extending from the Canoga park-and-ride lot to the Chatsworth Metrolink Station. The MOL Extension includes: the busway, new station platforms at the Canoga park-and-ride lot, and new stations at Sherman Way (with park-and-ride), Roscoe Boulevard, Nordhoff Street, and the Chatsworth Metrolink Station (with park-and-ride). The estimated total cost for the MOL Extension is \$215.6 million. The MOL Extension is projected to open in summer 2013.

Highway System

The High Occupancy Vehicle ("HOV") lane program is a cooperative effort between Caltrans and LACMTA, and is funded through a combination of federal, State and local resources. In November 2002, the Board approved a comprehensive evaluation report for its HOV Performance Program that fully documents the user and regional mobility benefits of HOV investments. Freeways were analyzed to determine the best and most cost-effective way to use HOV lanes with other transit services. There were 535 lane miles of HOV lanes on Los Angeles freeways as of May 1, 2011. Some HOV lanes are being converted to allow not only high occupancy vehicles but other vehicles whose drivers pay a toll to drive in the converted HOV lanes.

LACMTA also provides highway construction funding and traffic flow management.

Rail System

General. In 1992, the Commission developed a comprehensive rail rapid transit system development plan (the "Rail System") which has been revised from time to time. The Rail System currently consists of the Metro Blue Line, the Metro Green Line, the Metro Gold Line, Metro Red Line and the Metro Purple Line.

Metro Blue Line. The Metro Blue Line was designed as a modern, state-of-the-art light rail transit line, which extends approximately 22 miles from downtown Los Angeles, where it links to the Metro Red Line, to the City of Long Beach. The Metro Blue Line passes through portions of the cities of Los Angeles, Long Beach, Compton, Carson and other cities, and certain unincorporated areas of the County. A portion of the Metro Blue Line utilizes a reserved, but not necessarily grade-separated, right-of-way on which electrically powered vehicles, drawing current from overhead wire, operate singly or in trains. Passenger service began in July 1990 and had estimated average weekday boardings of approximately 84,200 in June 2011.

The Metro Blue Line consists of a dual-track line with 22 stations, with a fleet of 54 articulated rail cars and a primary maintenance facility and yard located in Long Beach adjacent to the Long Beach Freeway with a storage and maintenance capacity of 89 vehicles. The vehicle maintenance facility supports vehicles from both the Metro Blue Line and the Metro Green Line. Fares are collected through self-service, barrier-free fare collection machines. Total travel time between the terminal points of the Metro Blue Line is approximately 58 minutes. The Metro Blue Line project budget was \$877 million and the project was completed within budget.

Metro Green Line. The Metro Green Line is a 19.5-mile light rail line linking the El Segundo employment area near the Los Angeles International Airport to the City of Norwalk near the San Gabriel River Freeway. The Metro Green Line has 14 stations including a station that intersects the Metro Blue Line and one that provides passenger connections to the Harbor Freeway Transitway, an elevated busway developed by Caltrans. Travel time between the terminal points of the Metro Green Line is approximately 35 minutes. The Metro Green Line began operations in August 1995, and had estimated average weekday boardings of approximately 42,400 in June 2011. The Metro Green Line Project budget was \$712.3 million and the project was completed within budget.

Metro Gold Line. The Metro Gold Line (formerly known as the Pasadena Gold Line) is a 13.7-mile light rail line which extends from downtown Los Angeles (where it links to the Metro Red Line) to the City of Pasadena. The Metro Gold Line consists of a dual-track line with 13 stations. Travel time of the Metro Gold Line between the Sierra Madre Villa station and downtown Los Angeles is approximately 35 minutes. The Metro Gold Line began operations in July 2003. The Metro Gold Line project budget was \$725 million, \$451 million of which was funded by the Pasadena Metro Blue Line Construction Authority and \$274 million of which was funded by LACMTA.

Gold Line Eastside Extension. The Gold Line Eastside Extension Project (“Eastside Extension”), which opened in November 2009, is a six-mile, dual track light rail system with eight new stations and one station modification. The system originates at Union Station in downtown Los Angeles, where it connects with the Metro Gold Line, traveling generally east to Pomona and Atlantic Boulevards through one of the most densely populated areas of the County. The total estimated project cost for the Eastside Extension is \$898.8 million. Estimated average weekday boardings for the Gold Line, including the Eastside Extension, were approximately 39,100 in June 2011.

Gold Line Foothill Extension. LACMTA has been working with the Metro Gold Line Foothill Extension Construction Authority to extend the existing Metro Gold Line from its current terminus in Pasadena to Montclair. The proposed extension consists of two phases. The first phase will continue from Sierra Madre Villa in Pasadena east over 11 miles with stops in the cities of Arcadia, Duarte, Irwindale, Monrovia and two in Azusa. Funding is currently being sought for the second phase, which would continue east from Azusa over 12 miles through the cities of Glendora, La Verne, Montclair, Pomona and San Dimas. The final Environmental Impact Report for the first phase (Sierra Madre Villa to Azusa) was certified in 2007. The Gold Line Foothill Extension Construction Authority is beginning to develop a final Environmental Impact Report/Environmental Impact Statement for the second phase. The

Measure R Ordinance allocated \$735 million towards the construction of the Metro Gold Line Foothill Extension.

Metro Red Line and Metro Purple Line. The Metro Red Line and Metro Purple Line were designed as state-of-the-art, modern heavy rail subway lines comparable to transit systems in San Francisco, Atlanta and Washington, D.C. The Metro Red Line and Metro Purple Line are dual-rail steel-wheeled, high speed rapid subway systems that originally were to consist of a 19.7 mile 18-station line that was to connect the Los Angeles central business district to the San Fernando Valley, through the Wilshire Corridor and Hollywood, and to East Los Angeles through Union Station. However, due to the Act of 1998 and federal and State funding shortfalls, the development of the Metro Red Line and Metro Purple Line have been drastically reduced, including the indefinite suspension of certain of the extensions. The Act of 1998 prohibits LACMTA from utilizing any of the Proposition A Sales Tax or the Proposition C Sales Tax revenues for the costs of planning, design, construction or operation of any new subway, including debt service on any obligations issued for such purposes after March 30, 1998. However, LACMTA is not precluded from continuing the construction of the Metro Red Line and Metro Purple Line as long as such design, construction and operation are paid from funds other than Proposition A Sales Tax revenues and Proposition C Sales Tax revenues.

The initial 4.4-mile Metro Red Line Segment 1, previously known as MOS-1, extends from Union Station to Alvarado Street in the downtown section of the City of Los Angeles, with five stations located along the line. Segment 1 began operating in January 1993. The total cost of constructing Segment 1 was \$1.45 billion. In addition to constructing the rail line, the total cost of Segment 1 included the purchase of passenger vehicles, fare collection equipment, automatic train control equipment, the yards and shops required for the full construction of the Metro Red Line alignment.

Segment 2 of the Metro Red Line, previously known as MOS-2, is 6.8-miles long with eight stations extending west from Alvarado Street to Vermont Avenue where it branches north and west. The west branch continues west under Wilshire Boulevard to Western Avenue. The west branch became operational in July 1996 and was renamed the Purple Line in August 2006. The north branch turns up Vermont Avenue and travels through Hollywood to Hollywood Boulevard and Vine Street. The north branch opened for service in June 1999. The total cost of Segment 2 was \$1.81 billion.

Segment 3 of the Metro Red Line, previously known as MOS-3, was originally designed to consist of the north and west extensions from Segment 2 and an east extension from Union Station of Segment 1. As a result of the passage of the Act of 1998, funding shortfalls and the internal guidelines adopted by the Board, only the north extension was completed. The eastside extension has been reengineered as a light rail line. See “—Gold Line Eastside Extension” above. The north extension runs west and north from the Segment 2 Hollywood and Vine station to a North Hollywood station with two intermediate stops. This final segment of the subway opened in June 2000. The total cost of the North Hollywood segment was \$1.29 billion.

The average weekday ridership estimate for the entire Metro Red Line and Metro Purple Line was approximately 156,000 in June 2011. The Metro Red Line and Metro Purple Line are serviced by a main storage yard and maintenance facility located near the Los Angeles River at the eastern terminus of the line. As currently planned, primary passenger access to the Metro Red Line and Metro Purple Line will be provided from other rail projects and from LACMTA’s extensive bus network. The 2009 Long Range Transportation Plan includes a recommendation for an extension of the Metro Purple Line to the Westside of Los Angeles. See “FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan” below.

Exposition Light Rail Transit Project. The Exposition Light Rail Transit Project (the “Exposition Project”) is a light rail project under development by LACMTA that is being designed and constructed by the Exposition Metro Line Construction Authority (“Exposition Authority”), a single purpose entity created under State law. The light rail transit line will be approximately 15 miles and run from downtown Los Angeles to Santa Monica along the Exposition Boulevard corridor. Phase One of the project will extend approximately 8.6 miles from downtown Los Angeles to Venice/Robertson in Culver City. In April 2005, the Board approved a full funding plan for Phase One of the project, not to exceed \$640 million. During Fiscal Year 2007-08, the Board approved increasing the budget by \$222.3 million to \$862.3 million; in July 2010, increased the budget to \$898.9 million; and in December 2010, the Board increased the budget to \$927.4 million. Pursuant to the current full funding plan for Phase One, approximately 88% of the projected total costs are to be paid from State and federal sources, and the remainder are to be paid from Proposition A Sales Tax revenues, Proposition C Sales Tax revenues and other local sources. Construction on the Exposition Project began in September 2006; a minimum operable segment is scheduled to open in 2011. Phase Two will extend westward from the Venice/Robertson station, primarily along the old Pacific Electric Exposition right-of-way to 4th Street and Colorado in downtown Santa Monica. A portion of the Phase Two project is being funded with the Measure R Bonds (defined below).

Commuter Rail. LACMTA initiated, with the active participation of five surrounding counties (Riverside, Ventura, Orange, San Bernardino and San Diego), joint planning, project development and procurement activities related to the initiation of new commuter rail services. Such services from multiple corridors, principally into Los Angeles Union Passenger Terminal, currently operate on existing rights-of-way for which the purchase and operating rights were acquired. The commuter rail initiative is principally geared toward providing better commuter rail service from outlying communities to downtown Los Angeles.

In July 1991, the Southern California Regional Rail Authority (“SCRRA”) was created to oversee commuter rail services in the region. LACMTA is the Los Angeles County participant in SCRRA. Other participants include the Orange County Transportation Authority, the Riverside County Transportation Commission, the San Bernardino Association of Governments and the Ventura County Transportation Authority.

On October 26, 1992, SCRRA opened the first three Commuter Rail (“Metrolink”) lines to downtown Los Angeles initiating commuter rail service for the first time ever in the County. Service is being provided between Los Angeles and Lancaster in the County, Oxnard in Ventura County, San Bernardino in San Bernardino County, Riverside in Riverside County, San Clemente in Orange County, and Oceanside in San Diego County. Metrolink also provides service between San Bernardino in San Bernardino County and Oceanside in San Diego County. The Metrolink system consists of seven lines totaling 512 miles and 55 stations. Average weekday ridership was approximately 41,700 daily for June 2011. These facilities were constructed within their project budgets and time specifications.

FUTURE TRANSPORTATION IMPROVEMENTS

LACMTA, as the State-designated planning and programming agency for the County, identifies future transportation needs and transportation funding and construction priorities in the County. LACMTA prepares both a Long Range Transportation Plan and a Short Range Transportation Plan that identify the costs of major transportation projects and the anticipated funding sources.