

DALLAS AREA RAPID TRANSIT

SEVENTEENTH SUPPLEMENTAL DEBT RESOLUTION

Authorizing

**DALLAS AREA RAPID TRANSIT
SENIOR SUBORDINATE LIEN SALES TAX REVENUE
COMMERCIAL PAPER NOTES, SERIES II**

Adopted November __, 2018

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SEVENTEENTH SUPPLEMENTAL DEBT RESOLUTION AUTHORIZING AND ESTABLISHING A COMMERCIAL PAPER PROGRAM UNDER WHICH WILL BE ISSUED FROM TIME TO TIME SENIOR SUBORDINATE LIEN OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$125,000,000 AT ANY ONE TIME OUTSTANDING TO PROVIDE INTERIM FINANCING FOR PROJECT COSTS; AUTHORIZING SUCH OBLIGATIONS TO BE ISSUED, SOLD, AND DELIVERED AS COMMERCIAL PAPER NOTES IN ONE OR MORE SERIES, AUTHORIZING THE EXECUTION OF LOAN NOTES, AND PRESCRIBING THE TERMS, FEATURES, AND CHARACTERISTICS OF SUCH INSTRUMENTS; APPROVING AND AUTHORIZING AUTHORIZED OFFICERS TO ACT ON BEHALF OF DART IN THE SALE AND DELIVERY OF SUCH SHORT TERM OBLIGATIONS, WITHIN THE LIMITATIONS AND PROCEDURES SPECIFIED HEREIN AND IN ACCORDANCE WITH APPLICABLE LAW; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE, SECURITY, AND DELIVERY OF SUCH SHORT TERM OBLIGATIONS, INCLUDING THE APPROVAL OF ONE OR MORE CREDIT AGREEMENTS PROVIDING LIQUIDITY SUPPORT THEREFOR; APPROVING AN OFFERING MEMORANDUM AND ITS USE BY THE DEALERS; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS RESOLUTION; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, Dallas Area Rapid Transit (“DART”) is a regional transportation authority, public body corporate and politic, whose creation was confirmed at an election held on August 13, 1983, pursuant to the provisions and requirements of Chapter 452, Transportation Code, as amended (the “Act”); and

WHEREAS, the Subregional Board of Directors (the “Board of Directors” or the “Board”) of DART has heretofore adopted a certain “Master Debt Resolution” that establishes the provisions, terms, and conditions and security for DART’s bonds, notes, and other obligations that may be issued from time to time for its lawful purposes by (i) prescribing the terms and conditions upon the basis of which the Initial Senior Lien Obligations, Additional Senior Lien Obligations and Subordinate Lien Obligations, including Credit Agreement Obligations, may be issued and executed, and (ii) providing, establishing, and confirming the pledge, security, and liens securing DART’s obligations to pay all of such Obligations when due; and

WHEREAS, DART is a qualified “issuer” under Chapter 1371, Texas Government Code (“Chapter 1371”) and is authorized to issue all or any portion of the aforesaid obligations as commercial paper notes, to execute and deliver one or more credit agreements (including related fee agreements) with respect to such commercial paper notes and execute and deliver loan notes to evidence DART’s reimbursement obligations under such credit agreements, all as provided in the Act; and

WHEREAS, for the benefit of DART, the Board desires to establish, pursuant to the provisions of the Act, a commercial paper program known as the Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Program Series II (the “Series II Program” or “Program”), pursuant to which DART will from time to time issue commercial paper notes in one or more series but initially in two series (the commercial paper notes of any such series, as further defined and described herein, the “Commercial Paper Notes”), for the purpose of providing DART with an interim financing program, as well as with ready access to capital as necessary to provide interim financing to pay project costs; and

WHEREAS, under the Program, DART shall be permitted to issue from time to time, Senior Subordinate Lien Obligations permitted by Section 3.3(c) of the Master Debt Resolution as Commercial Paper Notes, the proceeds of which may be used for the purposes, shall have the characteristics, and shall be secured in the manner hereinafter described; provided however, the aggregate principal amount outstanding at any one time cannot exceed the lesser of (i) the maximum principal amount of Commercial Paper Notes hereunder authorized and (ii) the amount of credit and/or liquidity support for the Commercial Paper Notes at any one time available; and

WHEREAS, to provide certain credit and/or liquidity support for the Commercial Paper Notes, the Board hereby authorizes the execution of one or more credit agreements, in substantially the forms attached hereto as Exhibit A and/or Exhibit B, as applicable, with such changes as may be authorized by an Authorized Officer (as defined herein) in connection with the issuance of the Commercial Paper Notes authorized herein with one or more banks in the aggregate principal amount of \$125,000,000 and, in connection therewith, to execute one or more Loan Notes evidencing DART’s repayment obligations thereunder; and

WHEREAS, the Board now desires to initially enter into two separate credit agreements, one relating to each of the hereinafter-defined Series IIA Notes and the other relating to the hereinafter defined Series IIB Notes both with JPMorgan Chase Bank, National Association, to provide credit and/or liquidity support for these two initial series of Commercial Paper Notes in the aggregate principal amount of \$125,000,000; and

WHEREAS, the Board hereby finds and determines that the issuance of short-term obligations in the form of one or more series of Commercial Paper Notes, and loan notes with respect to revolving credit agreements, subject to the terms, conditions and limitations hereinafter prescribed, should be approved and authorized at this time; and

WHEREAS, the Board hereby finds and determines that the authorization and establishment of the Program to permit the issuance of Commercial Paper Notes thereunder, and the adoption of this Supplemental Resolution, are in the best interests of DART, now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DALLAS AREA RAPID TRANSIT:

ARTICLE I

DEFINITIONS

Section 1.1. Short Title. This Resolution may be hereafter cited in other documents and without further description as the “Seventeenth Supplemental Debt Resolution.”

Section 1.2. Definitions. The capitalized terms used herein, including the capitalized terms used in the preambles hereto, that are not otherwise defined herein, shall have the same meanings and definitions as are applied to such terms, respectively, in or incorporated into the Master Debt Resolution. Additionally, unless otherwise expressly provided or unless the context clearly provides otherwise the following additional terms, shall have the respective meanings specified below:

“Act” shall mean Chapter 452, Transportation Code, as amended.

“Applicable Law” shall mean the Act and all other laws or statutes, rules or regulations, and any amendments thereto, of the State or of the United States by which DART and its powers, securities, bonds, notes, and any other obligations and its operations and procedures, or may be, governed or from which such powers may be derived.

“Authorized Officer” shall mean any of the President/Chief Executive Officer, the Chief Financial Officer, Treasurer, and the Assistant Treasurer of DART, including any successor thereto or person holding any such position on an acting or interim basis.

“Available Commitment” shall mean the aggregate commitment available in support of Notes of a particular series within Series II at any time under the terms of a Credit Agreement at such time valid and then in effect (and which includes, initially, the Initial Credit Agreements).

“Bank” shall mean initially (and as applicable) JPMorgan Chase Bank, National Association, as the party that has executed and delivered the Series IIA Agreement and the Series IIB Agreement, and thereafter (i) an obligated financial institution under a substitute or additional Credit Agreement entered into under Sections 2.16 and 2.17 hereof, or (ii) in the event that DART has contracted with a syndicate of financial institutions under a single Credit Agreement (including the addition of a financial institution to either Initial Credit Agreement), such syndicate of financial institutions, the financial institution identified as the representative or agent of such syndicate of financial institutions, or any individual financial institution that is a part of such syndicate, as applicable or as identified by an Authorized Officer.

“Bank Rate” shall mean the net effective interest rate payable to the Bank pursuant to the terms of any Credit Agreement; provided, however, that the Bank Rate, subject to any interest rate recapture provision in the related Credit Agreement, shall never exceed the Maximum Interest Rate.

“Board” shall mean the Board of Trustees of DART.

“Bond Counsel” shall mean any firm or firms of nationally recognized bond counsel selected by the Board on behalf of DART.

“Bonds” shall mean bonds of DART issued to refund/refinance any of the then-currently outstanding Notes pursuant to authority granted by Chapter 452, Transportation Code, as amended, the Act, and/or Chapter 1207.

“Business Day” shall mean any day when (i) banks are not required or authorized by law or executive Resolution to be closed in Dallas, Texas or New York, New York, and (ii) when the New York Stock Exchange is not required or authorized by law or executive Resolution to be closed. Except as otherwise provided in the applicable Credit Agreement, any payments required hereunder to be made on any day which is not a Business Day may be made instead on the next succeeding Business Day, and no interest shall accrue on such payments in the interim.

“Calculation Agent” shall mean, with respect to the Series IIB Agreement, JPMorgan Chase Bank, National Association, as the “Calculation Agent” or any successor thereto, or, with respect to any Credit Agreement, such other entity serving the role of calculation agent for the purpose of calculating, from time to time, the applicable interest rate on Notes directly placed with a purchaser (which may include a Bank) under any Credit Agreement.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Commercial Paper Notes”, “Note”, or “Notes” shall mean a note or notes of a particular series issued pursuant to the provisions of this Resolution, having the terms and characteristics specified in Section 2.2 hereof and in the form described in Section 2.6 hereof and including, initially, the Series IIA Notes and the Series IIB Notes.

“Chapter 1207” shall mean Chapter 1207, Texas Government Code, as amended.

“Credit Agreement” shall mean a loan agreement, revolving credit agreement, note purchase agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase any debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of the Notes, and which includes the Initial Credit Agreements.

“DART” shall mean Dallas Area Rapid Transit.

“Dealer” or “Dealers” shall initially mean J.P. Morgan Securities LLC, and Loop Capital Markets as the respective counterparties to the Dealer Agreements attached hereto as Exhibit D and relating to any series of Notes (and initially relating only to the Series IIA Notes), and any other nationally recognized commercial paper dealer or co-dealer hereafter selected by DART to serve in such capacity with respect to any series of Notes.

“Dealer Agreement” shall mean the agreement, by and between DART and the Dealer(s) as approved, authorized, confirmed and ratified pursuant to Section 3.4 hereof, substantially in the form and substance attached hereto as Exhibit D, as amended, supplemented or otherwise modified

from time to time in accordance with its terms, or any similar agreement with a substitute or successor Dealer or Dealers.

“Depository” shall mean one or more official depository banks of DART.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“Eligible Investments” shall mean any or all of the authorized investments described in the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, in which DART may purchase, sell and invest its funds and funds under its control or any other authorized investments as provided by the laws of the State of Texas.

“Eligible Projects” shall mean the acquisition, purchase, construction, improvement, enlargement, and/or equipping of any property, program or improvement authorized by Applicable Law for, on behalf of or as part of the System.

“Excess Earnings” shall mean the excess and any income attributable to such excess described in section 148(f)(2) of the Code.

“Event of Default” shall mean any event of default as defined in Section 5.1 hereof.

“Fee Letter” shall have the meaning ascribed to such term in any Credit Agreement and, initially, the Fee Letter described in the Initial Credit Agreements.

“Fiscal Year” shall mean the fiscal year used by DART, now being the period of time beginning on October 1 and ending on September 30 of the next calendar year.

“Government Securities” shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Notes.

“Holder” or “Noteholder” shall mean the registered owner of any Note as shown on the registration books maintained by the Registrar, but if a Note is not in registered form, such terms shall mean any person, firm, association, or corporation who is in possession of any Note drawn, issued or endorsed to such person, firm, association or corporation or to the Resolution of such person, firm, association or corporation or to bearer or in blank.

“Initial Credit Agreement” or “Initial Credit Agreements”, whether generally referred to individually or together, as applicable, shall mean the Series IIA Agreement and the Series IIB Agreement, as from time to time amended or supplemented, or a substitute Credit Agreement provided in lieu of either of the foregoing in accordance with the provisions of Sections 2.16 and 2.17 hereof.

“Issuing and Paying Agent”, “Paying Agent/Registrar” or “Registrar” shall mean any agent appointed pursuant to Section 2.2 hereof, or any successor to such agent.

“Issuing and Paying Agency Agreement” shall mean the Issuing and Paying Agency Agreement, between DART and the Issuing and Paying Agent, initially relating to the Series IIA Notes, approved and authorized to be entered into by Section 3.3 hereof, as from time to time amended or supplemented, or any subsequent agreement entered into with any Issuing and Paying Agent regarding any series of Notes.

“Loan” shall mean a loan made under and subject to the conditions set forth in any Credit Agreement.

“Loan Note” shall mean the promissory note or notes executed and delivered by DART pursuant to any Credit Agreement as evidence of loans made pursuant to any such Credit Agreement, to the extent required thereunder and having the characteristics contained therein and issued in accordance therewith, as the same shall be delivered pursuant to a Credit Agreement.

“Loan Note Rate” shall mean the applicable rate of interest payable on a Loan pursuant to a Loan Note related thereto, as further described and provided in the applicable Credit Agreement.

“Master Debt Resolution” shall mean the Master Debt Resolution adopted by the Board on January 23, 2001, as amended.

“Master Note” shall mean that form of Note relating to a particular series of Notes issued in book-entry form only and registered in the name of Cede & Co., as nominee of DTC or another securities depository pursuant to Section 6.11 hereof which is intended to evidence DART’s aggregate obligations under all Notes of such particular series that are issued in book-entry form (and which relates, initially, only to the Series IIA Notes).

“Maximum Interest Rate” shall mean the lesser of 10% and the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by DART in the exercise of its borrowing powers (currently prescribed by Chapter 1204, as amended, Texas Government Code, or any successor provision); provided however, that the 10% limitation described above shall not apply to obligations arising under Credit Agreements (including Loan Notes) or Notes directly purchased by a Bank pursuant to a Credit Agreement (including, initially, the Series IIB Agreement).

“Maximum Maturity Date” shall mean the fortieth (40th) anniversary of the date of passage of this Resolution.

“Notes” shall mean and include Commercial Paper Notes and/or Loan Notes, as applicable.

“Note Construction Fund” shall mean the fund so designated in Section 2.12 hereof.

“Note Date” shall have the meaning given to such term in Section 2.2 hereof.

“Note Payment Fund” shall mean the fund so designated in Section 2.10 hereof.

“Outstanding” shall mean, as of the date of determination, all Notes theretofore delivered under this Resolution, except:

(1) Notes theretofore canceled and delivered to DART or delivered to the Issuing and Paying Agent for cancellation;

(2) Notes upon transfer of or in exchange for and in lieu of which other Notes have been delivered pursuant to this Resolution; and

(3) Notes under which the obligations of DART have been released, discharged or extinguished in accordance with the terms thereof.

“Program” shall mean the commercial paper program to be known as Dallas Area Rapid Transit Senior Subordinate Sales Tax Revenue Commercial Paper Series II Program established by this Resolution.

“Project Costs” shall mean all costs and expenses incurred in relation to Eligible Projects, including without limitation design, planning, engineering and legal costs, acquisition costs of land, interests in land, right-of-way and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related to an Eligible Project, financing costs, (including the payment of any previously or subsequently issued Senior Subordinate Lien Obligations, the proceeds of which were used to finance Project Costs), interest during construction and thereafter, underwriter’s discount and/or fees, legal, financial, and other professional services, and reimbursement for such Project Costs attributable to Eligible Projects incurred prior to the issuance of any Notes.

“Registration Books” shall have the meaning given to such term in Section 2.9 hereof.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1986, as such regulations may be amended or supplemented from time to time.

“Series IIA Agreement” shall mean the initial Credit Agreement between DART and the Bank relating to those Commercial Paper Notes issued as Series IIA Notes, as approved and authorized pursuant to Section 2.15 hereof.

“Series IIA Notes” shall mean that series of Commercial Paper Notes designated “Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIA.”

“Series IIB Agreement” shall mean the initial Credit Agreement between DART and the Bank relating to those Commercial Paper Notes issued as Series IIB Notes, as approved and authorized pursuant to Section 2.15 hereof.

“Series IIB Notes” shall mean that series of Commercial Paper Notes designated “Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIB.”

“Series II Notes” shall have the meaning given such term in Section 2.1 hereof.

“System” shall mean the public transportation system of DART, including complementary transportation services, and all of the properties and assets of DART that are defined in and permitted by the Act, whether owned or operated by DART directly or provided for on behalf of DART by others pursuant to contracts executed for such purposes as provided by the Act.

“Term Loans” shall mean the unpaid principal amount of the Loans that are converted to “term loans” pursuant to a Credit Agreement.

Section 1.3. Construction of Terms Utilized in This Resolution. If appropriate in the context of this Resolution, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

Section 1.4. Declarations and Additional Rights and Limitations Under Master Debt Resolution. (a) For all purposes of Master Debt Resolution, DART declares and provides as follows:

(i) The Series II Notes are Bond Obligations that are Senior Subordinate Lien Obligations authorized by Section 3.3(c) of the Master Debt Resolution. The Loans and Loan Notes are Senior Subordinate Lien Obligations under the Master Debt Resolution. The Series II Notes are Interim Obligations under the Master Debt Resolution.

(ii) Administrative Expenses relating to the Series II Notes shall include (A) the fees and reasonable expenses owed to the Issuing and Paying Agent, (B) the amount payable to the Trustee as reimbursement of its reasonable expenses, if any, (C) the fees and reasonable expenses payable to the Dealers under the Dealer Agreements, (D) the fees, expenses and other amounts payable to each Bank under each Credit Agreement, including, without limitation, the Initial Credit Agreements, and (E) the amounts, if any, required by Applicable Law to be paid to the United States Internal Revenue Service as rebate of investment earnings on any fund or account subject to rebate under the Code.

(iii) The Issuing and Paying Agent is a Paying Agent and Registrar required by the Master Debt Resolution with respect to the Series II Notes.

(iv) Each Holder of Series II Notes and, with respect to the Loans and Loan Notes, the Bank is a Holder under the Master Debt Resolution.

(v) This Resolution is a Supplemental Resolution.

(vi) Each of the Authorized Officers is designated and appointed as an “officer” of DART for the purposes of administering this Resolution, the Dealer Agreements, and the Issuing and Paying Agent Agreement in accordance with Chapter 1371, Government Code, as amended.

(vii) The Series II Notes, the Loans, the Loan Notes and the Administrative Expenses described in subparagraph (ii) in this Section 1.3(a) are secured solely by the lien on and pledge of Pledged Revenues as Senior Subordinate Lien Obligations, but, DART may, but is not required to, pay the same from any other legally available funds held by DART, including, without limitation, the proceeds of Obligations and amounts held in the General Operating Fund.

(b) For all purposes of the Outstanding Resolutions, the following additional rights and limitations are granted and imposed:

(i) In the event of the occurrence of an Event of Default, the right of acceleration of the Stated Maturity Dates and the Maximum Maturity Date of the Series II Notes is not granted as a remedy, and the right of acceleration is expressly denied.

ARTICLE II

ESTABLISHMENT OF PROGRAM; AUTHORIZATION OF NOTES

Section 2.1. General Authorization. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State of Texas, particularly the Act and Chapter 1371, the Program is hereby established under which Commercial Paper Notes in one or more series (and, initially, in two series) shall be and are hereby authorized to be issued from time to time in an aggregate principal amount at any one time Outstanding not to exceed ONE HUNDRED TWENTY FIVE MILLION DOLLARS (\$125,000,000), to be designated and bear the title of “DALLAS AREA RAPID TRANSIT SENIOR SUBORDINATE LIEN SALES TAX REVENUE COMMERCIAL PAPER NOTES, SERIES II” (the “Series II Notes”), and additionally distinguished alphabetically and by series (initially, as SERIES IIA and SERIES IIB, respectively) and in the form provided in Section 2.6 hereof, for the purpose of financing Project Costs of Eligible Projects; to refinance, renew or refund Notes issued pursuant to the provisions hereof and any Loan Notes issued pursuant to a Credit Agreement; and the Loan Notes shall be and are hereby authorized to be issued from time to time in the aggregate principal amount at any one time Outstanding not to exceed ONE HUNDRED TWENTY FIVE MILLION DOLLARS (\$125,000,000), plus requisite interest coverage on the Series IIA Notes (initially interest coverage at the Maximum Interest Rate for a period not more than 270 days), for the purpose of evidencing Loans to pay the principal of and (as applicable) interest on the Notes of any particular series; all in accordance with and subject to the terms, conditions and limitations contained herein and in any Credit Agreement from time to time in effect and, initially, the Initial Credit Agreements. For purposes of this Section 2.1, any portion of Outstanding Notes to be paid from money on deposit in the Note Payment Fund and from the available proceeds of Notes or Bonds on the day of calculation shall not be considered Outstanding. The authority to issue Notes from time to time under the provisions of this Resolution shall exist until the Maximum Maturity Date, regardless of whether prior to the Maximum Maturity Date there are at any time no Notes outstanding. The

designation of the Notes shall be made in accordance with the requirements of Section 2.4 hereof and the instructions to the Issuing and Paying Agent as described in Section 3.1 hereof.

Section 2.2. Terms applicable to Notes - General. Subject to the limitations contained herein, Notes herein authorized shall be dated as of their date of issuance or prior thereto, but within 30 days of the date of issuance (the “Note Date”), as determined by an Authorized Officer; shall bear no interest or bear interest at such rate or rates per annum computed on the basis of either actual days elapsed or twelve 30-day months whichever is applicable, and on a 365-day or 366-day year, or a 360-day year, whichever is applicable (but in no event in any case to exceed the Maximum Interest Rate in effect on the date of issuance thereof) as may be determined by an Authorized Officer (pursuant to and by operation of the applicable terms of this Resolution), and all Notes authorized herein shall mature on or prior to the Maximum Maturity Date.

Subject to any applicable limitations contained herein, DART reserves the right and has delegated to the designated Authorized Officers the ability to enter into the Initial Credit Agreements and/or one or more future Credit Agreements, each with a single bank provider or a syndicate of banks acting through a single administrative agent. Such Initial Credit Agreement or additional Credit Agreement may provide credit and/or liquidity support for Notes, whether directly purchased by a bank, privately placed or publicly offered on the municipal capital markets, and shall be evidenced by one or more Credit Agreements substantially in the applicable form attached hereto as Exhibit A or Exhibit B, as applicable.

Subject to any applicable Maximum Interest Rate limitation, Notes authorized to be issued hereunder without a fixed numerical rate of interest (that are interest bearing Notes) for the term thereof shall bear interest in accordance with a clearly stated formula or method of calculation as determined by an Authorized Officer, or by a Calculation Agent, if any, pursuant to the terms of a Credit Agreement, and such formula or method of calculation shall be set forth in each Note.

Notes issued hereunder may contain terms and provisions for the redemption or prepayment thereof prior to maturity, subject to any applicable limitations contained herein, as shall be determined by an Authorized Officer.

As determined from time to time by an Authorized Officer in accordance with Section 2.3 and Section 3.1 hereof for each issuance of Commercial Paper Notes, Commercial Paper Notes shall be issued by series; provided, however, that, unless specifically determined otherwise by an Authorized Officer, Commercial Paper Notes issued to refund outstanding Commercial Paper Notes or Loan Notes shall be of the same series within Series II and designated status for purposes of federal income tax treatment as the Commercial Paper Notes to be refunded, with no further action required by an Authorized Officer. Nothing contained herein shall prohibit DART from refunding or refinancing Commercial Paper Notes of one series with Commercial Paper Notes of another series if authorized by the applicable Credit Agreement and approved by the Authorized Officer.

Subject to applicable terms, limitations and procedures contained herein, Notes may be sold in such manner through a direct purchase by a bank or at public or private sale and at a price and under terms (within the interest rate and yield restrictions provided herein) as an Authorized Officer shall approve at the time of the sale thereof; provided, however, that no price shall result

in the realization of Note proceeds exceeding the amount of Notes authorized hereunder and under and pursuant to applicable law.

The Notes shall be issued in registered form, without coupons. The principal of, premium, if any, and interest on the Notes shall be payable in lawful money of the United States of America, without exchange or collection charges to the Holder of the Note; the principal thereof to be payable upon presentation and surrender of the Note at the corporate trust office of the Paying Agent/Registrar and interest thereon to be payable to the registered owner thereof either (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on the Registration Books of DART maintained by the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by the registered owner, but interest on a Note registered to bearer shall be payable only upon presentation of the Note at the principal corporate trust office of the Paying Agent/Registrar.

The selection and appointment of Zions Bancorporation, National Association or such other qualified bank as determined by an Authorized Officer, to serve as Issuing and Paying Agent, Paying Agent/Registrar and Registrar for the Series IIA Notes, is hereby confirmed; the selection and appointment of JPMorgan Chase Bank, National Association, as the Bank under the Series IIB Agreement, to serve as Issuing and Paying Agent, Paying Agent/Registrar and Registrar for the Series IIB Notes, is also hereby confirmed.

DART covenants to maintain and provide an Issuing and Paying Agent and Paying Agent/Registrar at all times while the Notes are outstanding, which shall be a national or state banking association or corporation or trust company organized and doing business under the laws of the United States of America or of any state and authorized under such laws to exercise trust powers. DART may appoint separate Issuing and Paying Agents and Paying Agent/Registrars for each series of Notes. The Issuing and Paying Agent and/or Paying Agent/Registrar for any series of Notes may be removed from its duties hereunder at any time with or without cause by action of the Board entered in its minutes and not less than 30 days' notice to each Holder specifying the substitution of another Issuing and Paying Agent and Paying Agent/Registrar for such affected series of Notes, the effective date thereof, and the address of such successor Issuing and Paying Agent and Paying Agent/Registrar, but no such removal shall become effective until such successor shall have accepted the duties of the Issuing and Paying Agent and/or Paying Agent/Registrar for such affected series of Notes hereunder by written instrument. Should a change in the Issuing and Paying Agent and/or Paying Agent/Registrar for a series of Notes occur, DART, acting through the Authorized Officer, agrees to promptly cause a written notice thereof to be sent to each registered owner of the Notes of such series then Outstanding by United States mail, first class, postage prepaid. Such notice shall give the address of the successor Issuing and Paying Agent and/or Paying Agent/Registrar. A successor Issuing and Paying Agent and/or Paying Agent/Registrar may be appointed without the consent of the Holders. In addition to the foregoing, the maintenance of and appointment of an Issuing and Paying Agent and/or Paying Agent/Registrar shall be subject to the terms of the applicable Credit Agreement.

DART and the Paying Agent/Registrar shall treat the registered owner thereof as the absolute owner of any Note for the purpose of receiving payment thereof and for all purposes, and DART and the Paying Agent/Registrar shall not be affected by any notice or knowledge to the contrary.

Section 2.3. Authorized Officer. So long as any Notes remain Outstanding, each Authorized Officer is hereby appointed, to act for and on behalf of DART, and authorized to carry out and discharge the purposes, duties and obligations set forth in this Resolution, any Issuing and Paying Agency Agreement, Credit Agreement, Fee Letter and Dealer Agreement and for the purpose of renewing, extending, modifying or substituting any such agreement or entering into any other Credit Agreement upon the terms and conditions set out therein and herein. Each Authorized Officer shall have the authority to appoint (subject to the requirements of this Resolution and any Issuing and Paying Agency Agreement, Credit Agreement, and Dealer Agreement) any one or more persons to act on behalf of the Authorized Officer. Any such appointment(s) shall be in writing and shall be delivered to any Dealer, Issuing and Paying Agent and Bank within a reasonable time after such appointment(s).

Section 2.4. Commercial Paper Notes. Under and pursuant to the authority granted hereby and subject to the limitations contained herein, (i) Notes in the form of Commercial Paper Notes to be designated “Dallas Area Rapid Transit Senior Lien Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series II,” initially issued as “Series IIA” and “Series IIB” and with respect to which credit and/or liquidity support is initially provided under the applicable Initial Credit Agreement, are hereby authorized to be directly placed with a bank or issued and sold and delivered from time to time in such principal amounts, as determined by an Authorized Officer in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof, alphabetically marked to indicate series, and numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on such dates as an Authorized Officer shall determine at the time of sale; provided, however, that no Commercial Paper Note shall (i) mature after the Maximum Maturity Date, (ii) mature after the Business Day that is three Business Days prior to the stated date of termination of any Credit Agreement then-relating to such series of Commercial Paper Notes, (iii) have a term in excess of two hundred seventy (270) days; or (iv) be issued at any time that a “non-issuance notice” or similar instrument has been issued by the Bank that has been received by DART and the Issuing and Paying Agent and is, therefore, effective, pursuant to the Credit Agreement relating to such Notes which provides that no such Notes are to be authenticated and delivered; provided, however that the limitation contained in subsections (ii) and (iii) shall not apply to any term-out provisions contained in a Credit Agreement. Interest, if any, on Commercial Paper Notes shall be payable, with principal, at maturity, or at such other times as set forth in a Credit Agreement and approved by an Authorized Officer.

Section 2.5. Loan Notes. Under and pursuant to authority granted hereby and subject to the limitations contained herein and in any Credit Agreement, one or more Loan Notes relating to a series of Commercial Paper Notes, any such Loan Note to be designated “Dallas Area Rapid Transit Credit Agreement Loan Note, Series II”, and further designated by series to conform to the series of related Notes (and to reference the Bank under the applicable Credit Agreement), are hereby authorized and approved in accordance with the terms of this Resolution and the applicable Credit Agreement. The form of such initial Loan Note shall be as set forth in each applicable Credit Agreement.

Section 2.6. Form of Notes. The Notes and the Certificate of Authentication to appear on each of the Notes shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions and other variations as are permitted or required

by this Resolution, including any changes required to conform with the provisions of the applicable Credit Agreement, and may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Banker Association) and such legends (including insurance companies) and endorsements thereon as may, consistent herewith, be approved by an Authorized Officer. Any portion of the text of any Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Notes.

The Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Officer.

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(a) Form of Notes.

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF DALLAS
DALLAS AREA RAPID TRANSIT
SENIOR SUBORDINATE LIEN SALES TAX REVENUE COMMERCIAL PAPER NOTE,
SERIES II_

No.: _____
Principal Amount: _____
Interest to Maturity: _____
Due at Maturity: _____

Note Date: _____
Maturity Date: _____
Number of Days: _____
Interest Rate¹ (%): _____

Owner: _____

The Dallas Area Rapid Transit ("DART"), FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of the Owner specified above on the Maturity Date specified above, the Principal Amount specified above and to pay interest, if any, on said Principal Amount at said [Maturity Date or interest payment date (as applicable)], from the above specified Note Date to said Maturity Date at the per annum Interest Rate shown above (computed on the basis of actual days elapsed and [a 365-day or 366-day year, as may be applicable][30/360])²; both principal and interest on this Note (defined herein) being payable in lawful money of the United States of America at the principal corporate trust office of the Issuing and Paying Agent executing the "Certificate of Authentication" endorsed hereon and appearing below, or its successor. No interest will accrue on the Principal Amount hereof after said Maturity Date.

This Note is one of an issue of commercial paper notes (the "Notes") of the indicated series, which, together with other forms of short-term obligations[, including the below referenced Loan Note³], has been duly authorized and issued in accordance with the provisions of the Master Debt Resolution, adopted January 23, 2001, as amended, and the Seventeenth Supplemental Debt Resolution passed by the Board of DART on November 13, 2018 (collectively, the "Resolution"), for the purpose of financing Project Costs of Eligible Projects and to refinance, renew or refund certain obligations described in the Resolution, all in accordance and in strict conformity with the provisions of the Act and Chapter 1371, Government Code, as amended.

¹ If rate of interest calculated pursuant to a formula, the word "Variable" is placed in the blank rather than a numeric interest rate and this footnote is completed with the applicable formula.

² To be completed as applicable for such Note.

³ Delete, if not applicable.

This Note, together with the other Notes, is payable from and ratably secured by (i) the proceeds from (a) the sale of other Notes issued for such purpose and (b) the sale of a series or issue of Bonds to be issued by DART for such purpose, [(ii) Loans under and pursuant to that certain Revolving Credit Agreement (the “Credit Agreement”), between DART and _____ (the “Bank”), as amended, revised, supplemented, or substituted, pursuant to which the Bank has agreed to provide credit to DART under the terms and conditions set forth therein, which Loans are to be evidenced by a Loan Note; provided, however, that the proceeds of Loans may only be used to pay the principal of and (as applicable) interest on the Notes)⁴], (iii) the Pledged Revenues that are junior and subordinate to the prior lien on and pledge thereof in favor of Senior Lien Obligations to be issued and executed by DART; and from amounts held in the Issuing and Paying Agent Fund.

This Note, together with the other Notes authorized to be issued and from time to time outstanding under the Resolution, is payable solely from the sources hereinabove identified securing the payment thereof. The Holder hereof shall never have the right to demand payment of this obligation from any other sources or properties of DART except as identified above.

Reference is hereby made to the Resolution, a copy of which may be obtained upon request to DART, and to all of the terms and provisions the Holder hereof by acceptance of this Note hereby assents, including, but not limited to, provisions relating to definitions of capitalized terms used herein without definition, the description of and the nature of the security for the Notes, and the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders of the Notes.

It is hereby certified and recited that all acts, conditions and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Note, do exist, have happened and have been performed in regular and in due time, form and manner as required by law and that the issuance of this Note, together with all other Notes and Loan Notes, is not in excess of the principal amount of Notes permitted to be issued under the Resolution.

This Note is, and has all the qualities and incidents of, a negotiable instrument under the laws of the State of Texas.

This Note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Note shall have been authenticated by the execution by the Issuing and Paying Agent of the Certificate of Authentication hereon.

⁴ Information to be completed based on Credit Agreement in effect at the time Notes are issued **[and if Credit Agreement provides for open market liquidity (rather than direct placement to or purchase of Notes by a bank thereunder)]**. Renumber based on applicability of this provision.

[The remainder of this page intentionally left blank.]

IN TESTIMONY WHEREOF, DART has authorized and caused this Note to be executed on its behalf by the manual or facsimile signature of the Chair of the Board of Directors and countersigned by the manual or facsimile signature of its President/Executive Director and Secretary of the Board of Directors and its official seal to be impressed or a facsimile thereof to be printed hereon.

Chair, Board of Directors
Dallas Area Rapid Transit

COUNTERSIGNED:

President/Executive Director
Dallas Area Rapid Transit

Secretary, Board of Directors
Dallas Area Rapid Transit
(SEAL)

ISSUING AND PAYING AGENT'S
CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes delivered pursuant to the within mentioned Resolution.

_____,
as Issuing and Paying Agent

By: _____
Authorized Signatory

[The remainder of this page intentionally left blank.]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address, and zip code of transferee): _____

(Social Security or other identifying number: _____)

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Note on the books kept for registration thereof, with full power substitution in the premises.

DATED: _____

Signature Guaranteed

NOTICE: The signature of the registered owner must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within Note in every particular.

[The remainder of this page intentionally left blank.]

Section 2.7. Execution - Authentication.

(a) The Notes shall be executed on behalf of DART by the Chair of the Board and countersigned by the President/Executive Director and the Secretary of the Board under its seal reproduced or impressed thereon, all as provided in Section 2.6 hereof. The signature of said officers on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of DART on the date of passage of this Resolution shall be deemed to be duly executed on behalf of DART, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of the initial sale and delivery of Notes authorized to be issued hereunder and with respect to Notes delivered in subsequent sales, exchanges and transfers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

(b) No Note shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Note a Certificate of Authentication substantially in the form provided in Section 2.6 hereof, executed by the Issuing and Paying Agent or the Paying Agent/Registrar by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly certified or registered and delivered.

Section 2.8. Notes Mutilated, Lost, Destroyed or Stolen. If any Note shall become mutilated, DART, at the expense of the Holder of said Note, shall execute and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to DART of the Note so mutilated. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to DART and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, DART, at the expense of the Holder, shall execute and deliver a new Note of like interest rate and tenor in lieu of and in substitution for the Note so lost, destroyed or stolen. Neither DART nor the Issuing and Paying Agent shall be required to treat both the original Note and any duplicate Note as being Outstanding for the purpose of determining the principal amount of Notes which may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same instrument.

Section 2.9. Negotiability, Registration and Exchangeability. The Notes issued hereunder shall be, and shall have all of the qualities and incidents of, a negotiable instrument under the laws of the State of Texas, and each successive Holder, in accepting any of the Notes, shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of a negotiable instrument under the laws of the State of Texas. The registration books relating to the registration, payment and transfer or exchange of each series of Notes (collectively, the "Registration Books") shall at all times be kept and maintained by DART at the principal corporate trust office of the Registrar therefor, and such Registrar shall obtain, record and maintain in the Registration Books the name and address of each registered owner of the Notes, except for Notes registered to bearer, issued under and pursuant to the provisions of this Resolution. Each Registrar shall provide DART with a copy of the Registration Books and shall thereafter provide DART (at the notice address for DART set forth in the Issuing and Paying Agent Agreement between DART and the Registrar or a Credit Agreement, as applicable) with copies of any changes in the Registration Books within one (1) Business Day after such change. Any Note may, in accordance with its terms and the terms hereof, be transferred or exchanged for Notes of

like interest rate, tenor, series, and character and of other authorized denominations upon the Registration Books by the Holder in person or by his duly authorized agent, upon surrender of such Note to the applicable Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to such Registrar. Upon surrender for transfer of any Note at the principal corporate trust office of a Registrar, such Registrar shall register and deliver, in the name of the designated transferee or transferees (or to bearer, as appropriate), one or more new Notes executed on behalf of, and furnished by, DART of like tenor, series, and character and of authorized denominations and having the same maturity, bearing interest at the same rate and of a like aggregate principal amount as the Note or Notes surrendered for transfer. Furthermore, Notes may be exchanged for other Notes of like tenor, series, and character and of authorized denominations and having the same maturity, bearing the same rate of interest and of like aggregate principal amount as the Notes surrendered for exchange, upon surrender of the Notes to be exchanged at the principal corporate trust office of the applicable Registrar. Whenever any Notes are so surrendered for exchange, the applicable Registrar shall register and deliver new Notes of like tenor, series, and character as the Notes exchanged, executed on behalf of, and furnished by, DART to the Holder requesting the exchange. DART and the applicable Registrar may charge the Holder a sum sufficient to reimburse them for any expenses incurred in making any transfer or exchange after the first such transfer or exchange for such Holder. The applicable Registrar or DART may also require payment from the Holder of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Note shall be delivered. DART and the applicable Registrar shall not be required (i) to issue, transfer or exchange any Note during a period beginning at the opening of business on the 15th day next preceding either any maturity date of such Note or any date of possible selection of such Note or parts thereof to be redeemed and ending at the close of business on the interest payment date or day on which the applicable notice of redemption is given, or (ii) to transfer or exchange any Note selected, called or being called for redemption in whole or in part. New Notes delivered upon any transfer or exchange shall be valid special obligations of DART, evidencing the same debt as the Notes surrendered by this Resolution and shall be entitled to all of the security and benefits hereof to the same extent as the Notes surrendered. DART reserves the right to change the above registration and transferability provisions of the Notes at any time on or prior to the delivery thereof in Resolution to comply with applicable laws and regulations of the United States in effect at the time of issuance thereof. No purchase, sale, or transfer of any Notes, as herein provided, nor the setting of interest rates in respect thereof, shall constitute or be construed to be the extinguishment of any security or the indebtedness represented thereby or the reissuance of any security or the refunding of any indebtedness represented thereby. The sale or other transfer of any Series IIB Note shall be subject to any and all restrictions or requirements set forth in the Series IIB Agreement.

Section 2.10. Note Payment Fund.

(a) There is hereby created and established by DART a separate and special fund to be designated the “Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Series II Note Payment Fund” (the “Note Payment Fund”). Money on deposit in the Note Payment Fund shall be used to pay principal of, premium, if any, and interest on Notes at the respective interest payment, maturity or redemption dates of each issue of such Notes as

provided herein and, as applicable, the repayment of any Loans made pursuant to any Credit Agreement (evidenced by a Loan Note).

(b) Within the Note Payment Fund, there is hereby created with respect to each series of Notes, and to be established with the applicable Issuing and Paying Agent or a Depository, a separate account relating to each series of Notes, each to be designated "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Note Payment Account" and as further designated by series (collectively, the "Note Payment Accounts"). Money on deposit in each Note Payment Account shall be used to pay principal of, premium, if any, and interest on Notes of the applicable series within Series II at the respective interest payment, maturity or redemption dates of each such Note as provided herein and the repayment of any Loans made pursuant to any Credit Agreement (evidenced by a Loan Note), including (initially and with respect to the separate Note Payment Accounts established with respect to the Series IIA Notes and the Series IIB Notes) the Initial Credit Agreements and all other amounts payable under any Credit Agreement. With respect to the Series IIA Notes, respectively, and the Series IIB Notes the following subaccounts are hereby created within the related Note Payment Account:

- (i) Interest Payment Account (which may contain within it one or more subaccounts); and
- (ii) Principal Payment Account (which may contain within it one or more subaccounts).

The Board hereby authorizes the Authorized Officer to create and establish such different or additional accounts and subaccounts within the Note Payment Fund as may be necessary or desirable for the operation of the Program and compliance with the applicable Credit Agreements.

(c) DART shall, from the sources set forth in Section 2.11 hereof, deposit into the applicable accounts or subaccounts within the applicable Note Payment Account at such times and in such amounts as are necessary to provide for the full payment of the principal of and the interest on the Notes, the Loan Notes and all other amounts payable under any Credit Agreement, when due, after taking into account funds currently on deposit in the applicable accounts or subaccounts within the applicable Note Payment Account.

(d) Pursuant to Section 3.2(a) hereof, and pursuant to the applicable provision of any Credit Agreement at such time effective, all proceeds of Loans and/or Series IIB Notes (except proceeds of Loans and/or Series IIB Notes retained by the Bank to repay all or any part of an outstanding Loan or Series IIB Note), shall be deposited into the applicable account or subaccount of the applicable Note Payment Account and used to pay the principal of, premium, if any and interest on such series of Notes (provided, however, that the proceeds of Loans and/or Series IIB Notes pursuant to a Credit Agreement may only be used to pay principal of and (as and if applicable) interest on Notes of the series to which such Credit Agreement relates or Series IIB Notes which are deemed paid from refunding Series IIB Notes delivered to the Series IIB Bank as provided in the Series IIB Agreement) and to pay the principal of and interest on any Loan coming due pursuant and subject to the terms of the applicable Credit Agreement.

(e) Pending the expenditure of money in the Note Payment Fund for authorized purposes, money deposited in said Fund may be invested at the direction of an Authorized Officer in Eligible Investments. Any income received from such investments shall be deposited, as received, and held in the Note Payment Fund until used for permitted purposes of amounts held in the Note Payment Fund.

Section 2.11. Payments; Pledge.

(a) The Notes and the Loan Notes (and any other obligations payable under any Credit Agreement) are payable from and secured solely by the funds pledged as security therefor pursuant to this Section 2.11. DART shall make payments into the Note Payment Fund (for further deposit to the appropriate account therein) from proceeds of Notes, Loans or Bonds (or from Pledged Revenues that are junior and subordinate to a prior lien on and pledge thereof in favor of Senior Lien Obligations), and which are transferred to the Note Payment Fund pursuant to Section 2.11(c) of this Resolution in order to pay principal of and interest on the Notes) at such times and in such amounts as are necessary to provide for the full payment of the principal of and the interest on the Notes and Loan Notes, as applicable, when due.

(b) To provide security for the payment of the principal of and interest on the Notes, the Loan Notes, and any other amounts payable under any Credit Agreement relating to Notes, as the same shall become due and payable, there is hereby granted a lien on and pledge of, subject only to the provisions of this Resolution permitting the application thereof for purposes and on the terms and conditions set forth herein:

(i) the proceeds from (A) the sale of Bonds issued for such purpose and (B) the sale of Notes issued pursuant to this Resolution for such purpose;

(ii) the proceeds from Loans; provided, however, that such Loan proceeds pursuant to the applicable Credit Agreement may be used to pay the principal of and interest on Notes (so long as any such Credit Agreement so permits the use of Loan proceeds to pay interest on the Notes); provided, further, however, that proceeds attributable to and derived from borrowings under and pursuant to a Credit Agreement are pledged to, and shall be used to pay, the principal of, premium, if any, and interest on the Notes of the particular series to which such Credit Agreement relates (to the extent permitted by the terms of such Credit Agreement);

(iii) the amounts held in the Note Payment Fund until the amounts deposited therein are used for authorized purposes; provided, however, that amounts in the respective Note Payment Accounts of the Note Payment Fund attributable to and derived from Loans shall be used only to pay, prior to any application to the payment of the respective Loan Notes, the principal of (but no redemption premium) and interest on the respective series of Notes; and

(iv) the Pledged Revenues that are junior and subordinate to a prior lien on and pledge thereof in favor of Senior Lien Obligations;

and it is hereby resolved and declared that the principal of and interest on the Notes, the Loan Notes, and any other amounts due under a Credit Agreement related to Notes of such series shall

be and are hereby equally and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i), (ii), (iii) and (iv), subject and subordinate only to the exceptions noted therein.

(c) Money in the Note Payment Fund and the Note Construction Fund, to the extent not invested as permitted hereunder, shall be secured in the manner prescribed by law for securing funds of DART. Chapter 1208, as amended, Texas Government Code, applies to DART's incurring indebtedness under this Resolution and the lien on and pledge of security granted by DART under this Section, and such lien and pledge is therefore valid, effective and perfected without any further action to be taken. If Texas law is amended at any time while the indebtedness remains Outstanding under this Resolution such that the pledge of revenues granted by DART under this Section is to be subject to the filing requirements of Chapter 9, as amended, Business and Commerce Code, then in order to preserve to the Registered Owners and Holders of such indebtedness the perfection of the security interest in said pledge, DART agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 2.12. Note Construction Fund.

(a) There is hereby created and established a separate fund hereby designated as the "Dallas Area Rapid Transit Note Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series II Construction Fund" (the "Note Construction Fund"), to which shall be deposited the proceeds of Notes issued to pay Project Costs of Eligible Projects. The Note Construction Fund shall be held by DART at a Depository. Money deposited in the Note Construction Fund shall remain therein until from time to time expended to pay for Project Costs of Eligible Projects, and shall not be used for any other purposes whatsoever, except as otherwise provided below, and pending such expenditure, money in the Note Construction Fund may be invested at the direction of an Authorized Officer in Eligible Investments. Any income received from such investments (except as otherwise required to be rebated to the United States of America in accordance with the provisions of Section 4.5 hereof) shall be deposited into the Note Construction Fund.

(b) Any amounts on deposit in the Note Construction Fund may be designated by an Authorized Officer as eligible to pay interest during construction and thereafter may be transferred from time to time at the direction of an Authorized Officer to the credit of the Note Payment Fund for use in accordance with the terms of Section 2.10 hereof. Any amounts remaining in the Note Construction Fund after the payment of all Project Costs shall be paid into the Note Payment Fund (for further deposit to the particular Note Payment Account related to the series of Notes from which such proceeds were derived) and used for the payment of such maturities of the Notes coming due at such times as may be selected by an Authorized Officer or for the payment of the Loan Notes, as the case may be; provided, however, that, in the event there are then in effect multiple Credit Agreements and have been issued multiple series of Notes, such amounts will be used to pay all Loan Notes arising under the Credit Agreement or Credit Agreements, respectively, relating to the series of Notes from which such remaining proceeds were originally derived. In the event no Notes are outstanding and there are no outstanding Loans, any amounts in the Note Construction Fund not anticipated to be needed to pay Project Costs shall be transferred, upon discretion of an Authorized Officer, to DART. For the avoidance of doubt, funds held in the Note

Construction Fund are not pledged as security for repayment of any Notes or Loan Notes or any amounts from time to time owed under any Credit Agreement.

(c) DART hereby authorizes, within the Note Construction Fund and at the direction of an Authorized Officer, the creation and establishment of one or more accounts or subaccounts within the Note Construction Fund. Initially, there shall be no individual accounts created within the Note Construction Fund.

Section 2.13. Cancellation. All Notes which at maturity are surrendered to the applicable Paying Agent/Registrar for the collection of the principal of and interest thereon or are surrendered for transfer or exchange pursuant to the provisions hereof shall, upon payment or issuance of new Notes, be canceled by such Paying Agent/Registrar, and such Paying Agent/Registrar forthwith shall transmit to DART a certificate identifying such Notes and that such Notes have been duly canceled and destroyed.

Section 2.14. Fiscal and Other Agents. In furtherance of the purposes of this Resolution, DART may from time to time appoint and provide for the payment of such additional fiscal, paying or other agents or trustees as it may deem necessary or appropriate in connection with the Notes.

Section 2.15. Initial Credit Agreements. The Initial Credit Agreements, each of which constitutes a Credit Agreement, initially entered into to provide credit and/or liquidity support for the Series IIA Notes and to provide the extension of credit to DART through the direct purchase of the Series IIB Notes from time to time and substantially in the forms attached hereto as Exhibit A and Exhibit B, respectively, are hereby approved, and shall be entered into with the respective Bank identified therein. The form of the Loan Note contained in the Series IIA Agreement is also approved, including the interest rate thereon to be determined as set forth in the Series IIA Agreement. The form of the Loan Note contained in the Series IIB Agreement is also approved, including the interest rate thereon to be determined as set forth in the Series IIB Agreement. Each Authorized Officer is hereby authorized to execute and deliver each Initial Credit Agreement and any other documents called for thereunder, including but not limited to any related Fee Letter. In addition, the Chair and Secretary of the Board are hereby authorized to execute and deliver any Loan Note. The signatures of said officers may be manual or facsimile. Loan Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of DART on the date of execution of the Loan Notes shall be deemed to be duly executed on behalf of DART, notwithstanding that such individuals or either of them shall cease to hold such offices. The Secretary of the Board is authorized to place DART seal on any and all of the foregoing instruments.

DART hereby finds that each Initial Credit Agreement is a Credit Agreement hereunder relating, respectively, to the series of Notes identified therein. The payment of the fees identified in the respective Fee Letters and the other costs, expenses, and taxes described in each Initial Credit Agreement, as well as the timing of such payments, is hereby authorized from funds on deposit in the Note Payment Fund (or within the appropriate Note Payment Account therein, as applicable). When required, any "request for extension" (or other document having similar effect, in accordance with the terms of an Initial Credit Agreement) shall be delivered by DART to the Dealer and to each rating agency then providing a rating on the applicable series of Commercial Paper Notes simultaneously with the delivery to the Bank under an Initial Credit Agreement, and

DART will promptly provide to each such rating agency a copy of any “notice of extension” (or other document having similar effect, in accordance with the terms of the applicable Initial Credit Agreement) it receives or notice that no extension with respect thereto was given.

DART is hereby authorized to enter into any agreement supplemental to an Initial Credit Agreement or Fee Letter with the Bank thereunder, as an Authorized Officer may deem appropriate. An Authorized Officer, on behalf of DART, may agree with the Bank to add additional banking institutions as a Bank under an Initial Credit Agreement; provided, however, that such action shall not cause the then existing rating by each rating agency then providing a rating on the Notes of an affected series, if any, to be reduced, as evidenced by a letter from the respective rating agency confirming the rating of such Notes prior to such action.

Section 2.16. Reservation of Right to Enter into Certain Credit Agreements. Each Authorized Officer is authorized to enter into Credit Agreements and related Fee Letters, whether as an extension of any existing Credit Agreement, in substitution for any Credit Agreement or in addition to an existing Credit Agreement, in conjunction with the issuance, payment, sale, resale or exchange of Notes (and payment of amounts existing thereunder and as may be evidenced by one or more Loan Notes), the payment obligations of DART under which may be on a parity with the Notes, subject to the following conditions:

- (a) each Credit Agreement must be in substantially the same form as the form of an Initial Credit Agreement approved pursuant to the terms of this Resolution and attached hereto as Exhibit A;
- (b) the maximum amount of liquidity or other commitment provided pursuant to the terms of any Credit Agreement shall not exceed the Program’s capacity (measured as the maximum aggregate principal amount of Notes at any one time Outstanding plus interest thereon at the Maximum Interest Rate for a period not more than 270 days);
- (c) the maximum interest rate borne by any obligations owed pursuant to the terms of any Credit Agreement shall not exceed the Maximum Interest Rate;
- (d) the maximum term of any Credit Agreement shall not exceed the Maximum Maturity Date; and
- (e) a determination by an Authorized Officer that entering into any such Credit Agreement shall not result in default or breach of covenants relating to the Program (including the terms of Outstanding Notes or Loan Notes or any then-existing Credit Agreement that remains in effect after the effectiveness of the new or extended Credit Agreement) and that entering into the subject Credit Agreement complies with applicable law.

The foregoing relates to the entry into Credit Agreements subsequent to DART’s initial entry into the Initial Credit Agreements, such initial entry being hereby explicitly approved.

Section 2.17. Substitution of Credit Agreements. DART reserves the right to substitute one or more Credit Agreements for the Initial Credit Agreements or any other Credit Agreement delivered in accordance with the terms of this Resolution, with one or more Banks, so long as:

(a) either (i) such substitution (or any assignment of all or any part of any Credit Agreement) does not cause any rating agency then rating the related series of Notes to withdraw, lower or suspend its short-term rating assigned to any such Notes then Outstanding, as evidenced by written notice to DART or (ii) takes effect on a Business Day on which all of the outstanding Notes of the related series within Series II are scheduled to mature;

(b) the substitute Credit Agreement shall have a term of at least 270 days or until at least three Business Days after the last maturing Note of the related series;

(c) the substitute Credit Agreement shall not cause DART to violate its covenants in Section 4.2; and

(d) the substitute Credit Agreement shall be approved by the Attorney General of Texas to the extent required by law.

ARTICLE III

ISSUANCE AND SALE OF NOTES

Section 3.1. Issuance and Sale of Notes.

(a) The Commercial Paper Notes shall be completed and delivered by the applicable Issuing and Paying Agent in accordance with telephonic, computer (electronic mail) or written instructions of an Authorized Officer and in the manner specified below and in the Issuing and Paying Agency Agreement or Credit Agreement, as applicable. To the extent such instructions are delivered telephonically, they shall be confirmed in writing (which may be electronically) by an Authorized Officer within 24 hours. Any such instructions from an Authorized Officer relating to the issuance of Commercial Paper Notes for the purpose of refinancing, renewing or refunding Notes may be in the form of standing instructions to the effect that the Issuing and Paying Agent may rely upon instructions it receives from a Dealer for the issuance and sale of such Commercial Paper Notes unless otherwise notified in writing by an Authorized Officer. Said instructions shall specify such principal amounts, Note Dates, dates of issue, maturities, rates of discount or interest, or the formula or method for calculating interest and the basis upon which it is to be computed, and other terms and conditions which are hereby authorized and permitted to be fixed by an Authorized Officer at the time of sale of the Commercial Paper Notes. Such instructions shall include the purchase price of the Commercial Paper Notes and a request that the applicable Issuing and Paying Agent authenticate such Commercial Paper Notes by counter signature of its authorized officer or employee and deliver them to the named purchaser or purchasers thereof upon receipt of payment in accordance with the custom then prevailing in the New York financial market in regard to such Commercial Paper Notes. Such instructions shall also contain provisions representing that all action on the part of DART necessary for the valid issuance of the Commercial Paper Notes then to be issued has been taken, that all provisions of Texas and federal law necessary for the valid issuance of such Commercial Paper Notes with provision for interest exclusion from federal income taxation have been complied with, and that such Commercial Paper Notes will be valid and enforceable obligations of DART according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors, rights heretofore or hereafter

enacted to the extent constitutionally applicable, and that based upon the advice of Bond Counsel, the stated interest or earned original issue discount, as the case may be, on the Commercial Paper Notes is excludable from federal income taxation, subject to the conditions set forth in the opinion of Bond Counsel delivered concurrently with the commencement of the issuance of Commercial Paper Notes. Such instructions shall also certify that:

(i) no Event of Default under Section 5.1 hereof has occurred and is continuing as of the date of such instructions and that the Issuing and Paying Agent and DART have not received a “no-issuance” or similar notice under a Credit Agreement then in effect and so applicable relating to a series of Notes then to be issued;

(ii) DART is in compliance with the covenants set forth in Article IV hereof and with any covenants of DART set forth in any applicable Dealer Agreement as of the date of such instructions;

(iii) if the Commercial Paper Notes are being issued to pay Project Costs, DART has been advised by Bond Counsel that the projects to be financed with the proceeds of the Commercial Paper Notes will constitute Eligible Projects, and, further, that the proposed expenditure of the proceeds of such Commercial Paper Notes for such Eligible Projects will not cause DART to be in violation of its covenants set forth in Section 4.5 hereof; and

(iv) the sum of the interest payable on such Commercial Paper Notes will not exceed a yield (calculated on the principal amount of the Commercial Paper Notes on the basis of a 365 or 366-day year or 30/360, as may be applicable, and actual number of days elapsed) to the maturity date of such Commercial Paper Notes in excess of the Maximum Interest Rate in effect on the date of issuance of such Commercial Paper Notes.

Notwithstanding any other provision of this Section 3.1(a) to the contrary, the instructions required to be given by an Authorized Officer to the Issuing and Paying Agent in connection with the issuance of Commercial Paper Notes for the Payment of Project Costs may include a provision to the effect that each sale of Commercial Paper Notes thereafter made by DART for the purpose of refinancing, renewing or refunding the Commercial Paper Notes that are the subject of such instructions shall be deemed a representation and certification by DART as of the date of each such sale that any one or more of the representations and certifications contained in such instructions are true and correct as if made on and as of each such date.

(b) Notwithstanding the provisions of subsection (a) above, to the extent the Commercial Paper Notes are being directly purchased by or privately placed with a Bank under a Credit Agreement, the contents of the instructions may be specified in such Credit Agreement.

(c) Any Loan Note, as applicable, shall be or have been delivered to the applicable Bank, as applicable, and indebtedness may be incurred thereunder in accordance with the terms of the applicable Credit Agreement.

Section 3.2. Proceeds of sale of Notes. The proceeds of the sale of any Notes (net of all expenses and costs of sale and issuance) shall be applied for any or all of the following purposes as directed by an Authorized Officer:

(a) Proceeds to be used for the payment or redemption of outstanding Notes at or before maturity and the repayment of any Loans (evidenced by the applicable Loan Note) or other amounts due under the applicable Credit Agreement shall be deposited in the Note Payment Fund (for further deposit to the applicable Note Payment Account therein), and expended therefor; and

(b) Proceeds to be used to pay Project Costs of Eligible Projects shall be deposited to the Note Construction Fund (and, if necessary or required, further deposited to an account within such Fund) and used and applied in accordance with the provisions of Section 2.12 hereof.

Section 3.3. Issuing And Paying Agency Agreement. The Issuing and Paying Agency Agreement, attached hereto as Exhibit C, is hereby approved as to form and content, and each Authorized Officer is hereby authorized and directed to execute the same for and on behalf of DART and, in connection with the execution thereof, approve such changes, additions, or amendments thereto as may be necessary and proper to carry out the purpose and intent of such Issuing and Paying Agency Agreement. DART is hereby authorized to enter into, and any Authorized Officer is authorized to execute and deliver, any supplemental agreements with any Issuing and Paying Agent (including a successor to any initial Issuing and Paying Agent) in Resolution to implement the functions of Paying Agent/Registrar or Registrar with respect to any series of Notes, and any other documents called for thereunder, for and on behalf of DART and the Board. Initially, DART is entering into an Issuing and Paying Agency Agreement relating to the Series IIA Notes; the Bank, under the Series IIB Agreement, will serve as the Issuing and Paying Agent for the Series IIB Notes.

Section 3.4. Dealer Agreements. The Dealer Agreement in the form attached hereto as Exhibit D with the Dealer pertaining to the sale, from time to time, of the Commercial Paper Notes or the purchase of Commercial Paper Notes from DART, all for a fee as set forth in the Dealer Agreement, is hereby ratified and approved as to form and content, and each Authorized Officer is hereby authorized and directed to have the Dealer Agreement executed by the Chair of the Board and attested by the Secretary of the Board or to execute the same for and on behalf of DART. Any Authorized Officer, on behalf of DART, is expressly authorized, subject to any conditions or prerequisites specified in a then-effective Credit Agreement that relates to the Notes of a particular series then at issue, to negotiate, secure, and finalize a replacement, substitute, amended, or revised Dealer Agreement and to have any Authorized Officer execute and deliver the same, and any other documents called for thereunder, for and on behalf of DART. DART will initially enter into a Dealer Agreement with the Dealer with respect to the Series IIA Notes. There initially is no Dealer or Dealer Agreement for the Series IIB Notes.

ARTICLE IV

COVENANTS OF DART

Section 4.1. Limitation on Issuance. Unless this Resolution is amended and modified by the Board in accordance with the provisions of Section 6.1 hereof, DART covenants that there will not be issued and Outstanding at any one time under this Resolution more than \$125,000,000 in aggregate principal amount of Notes; subject, however, to the provision below regarding the Available Commitment. For purposes of this Section 4.1 any portion of Outstanding Notes to be paid on a particular day from money on deposit in the Note Payment Fund or available proceeds

of Notes or Bonds shall not be considered Outstanding on such day. Additionally, DART covenants and agrees that the total principal amount of all Notes of a particular series outstanding at any one time shall not exceed the sum total of the Available Commitment relating thereto or available therefor.

Section 4.2. Maintenance of available Credit Facilities Requirement.

(a) DART agrees and covenants that at all times up to and including the Maximum Maturity Date, unless the Notes are no longer Outstanding, it will maintain one or more Credit Agreements with a Bank or Banks in an aggregate amount such that, assuming that all then Outstanding Notes were to become due and payable immediately, the aggregate amount available for borrowing under the Credit Agreement(s) applicable to such Notes would be sufficient at that time to pay the principal of all such Outstanding Notes. No Note shall be issued which if, after giving effect to the issuance thereof and, if applicable, the immediate application of the proceeds therefrom to retire other Notes secured by the Credit Agreement, the aggregate principal amount of all Notes secured by the Credit Agreements would exceed the amount of the aggregate credit commitment under all such Credit Agreements. The availability for borrowing of such amounts under the Credit Agreements may be subject to reasonable conditions precedent, including but not limited to, bankruptcy of DART. In furtherance of the foregoing covenant, DART agrees that it will not issue any Notes or make any borrowings which will result in a violation of such covenant, will not amend any Credit Agreements then in effect in a manner which will cause a violation of such covenant and, if and to the extent necessary to maintain compliance with such covenant, will arrange for delivery of an alternate or substitute Credit Agreement prior to, or contemporaneously with, the expiration of an existing Credit Agreement.

(b) The Initial Credit Agreements initially satisfy the covenant contained in the first sentence of subsection (a) above with respect to Available Commitment that supports the issuance of up to \$125,000,000 in aggregate principal amount of the Notes at any one time Outstanding, plus interest coverage (as and if applicable).

Section 4.3. Bonds. DART hereby acknowledges that the Notes are being issued as short term obligations, and therefore DART in good faith shall endeavor to sell a sufficient principal amount of Notes or Bonds in order to have funds available, together with other money available therefor, to pay the maturing Notes and the interest thereon, or any renewals thereof, as the same shall become due and payable, including Loan Notes and interest thereon due under the Credit Agreement or Credit Agreements from time to time valid and in effect.

Section 4.4. Punctual Payment. DART will punctually pay or cause to be paid the principal of and interest, if any, on the Notes and Loan Notes (but only from the sources pledged herein), in conformity with the Notes, Loan Notes, this Resolution and any Credit Agreement.

Section 4.5. Covenants Regarding Tax Exemption.

(a) General. DART intends that the interest on the Notes shall be excludable from gross income of the Holders thereof for federal income tax purposes pursuant to sections 103 and 141 through 150, inclusive, of the Code. DART covenants and agrees not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would (i) cause the

interest on the Notes to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes or (ii) result in the violation of or failure to satisfy any applicable provision of Section 103 and 141 through 150, inclusive, of the Code. In particular, DART covenants and agrees to comply with each requirement of this Section 4.5; provided, however, that DART will not be required to comply with any particular requirement of this Section 4.5 if DART has received an opinion of nationally recognized bond counsel (“Counsel’s Opinion”) that (i) such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Notes or (ii) compliance with some other requirement set forth in this Section 4.5 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel’s Opinion will constitute compliance with the corresponding requirement specified in this Section 4.5.

(b) No Private Use or Payment and No Private Loan Financing. DART covenants and agrees that it will make such use of the proceeds of the Notes, including interest or other investment income derived from Note proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Notes will not be “private activity bonds” within the meaning of section 141 of the Code. Moreover, DART will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, that the proceeds of the Notes will not be used in a manner that would cause the Notes to be “private activity bonds” within the meaning of section 141 of the Code.

(c) No Federal Guarantee. DART covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the Notes to be “federally guaranteed” within the meaning of section 149(b) of the Code, except as permitted by section 149(b)(3) of the Code.

(d) No Hedge Bonds. DART covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the Notes to be “hedge bonds” within the meaning of section 149(g) of the Code.

(e) No Arbitrage. DART covenants and agrees that it will make such use of the proceeds of the Notes, including interest or other investment income derived from Note proceeds, regulate investments of proceeds of the Notes, and take such other and further action as may be required so that the Notes will not be “arbitrage bonds” within the meaning of section 148(a) of the Code. Moreover, DART will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, that the proceeds of the Notes will not be used in a manner that would cause the Notes to be “arbitrage bonds” within the meaning of section 148(a) of the Code.

(f) Arbitrage Rebate. If DART does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, DART will take all necessary steps to comply with the requirement that certain amounts earned by DART on the investment of the “gross proceeds” of the Notes (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, DART will (i) maintain records regarding the investment of the gross proceeds of the Notes as may be required to calculate the amount earned on the investment of the gross proceeds of the Notes separately from records of

amounts on deposit in the funds and accounts of DART allocable to other bond issues of DART or moneys that do not represent gross proceeds of any bonds of DART, (ii) determine at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Notes which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Notes, or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, DART will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Notes that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(g) Information Reporting. DART covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Notes are issued, an information statement concerning the Notes, all under and in accordance with section 149(e) of the Code.

(h) Record Retention. DART will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Notes until three years after the last Note is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of DART to retrieve and reproduce such books and records in the event of an examination of the Notes by the Internal Revenue Service.

(i) Registration. The Notes will be issued in registered form.

(j) Deliberate Actions. DART will not take a deliberate action (as defined in section 1.141-2(d)(3) of the Regulations) that causes the Notes to fail to meet any requirement of section 141 of the Code after the issue date of the Notes unless an appropriate remedial action is permitted by section 1.141-12 of the Regulations, DART takes such action, and an opinion of Bond Counsel is obtained that such remedial action cures any failure to meet the requirements of section 141 of the Code.

(k) Continuing Obligation. Notwithstanding any other provision of this Resolution, DART's obligations under the covenants and provisions of this Section 4.5 will survive the defeasance and discharge of the Notes for as long as such matters are relevant to the exclusion from gross income of interest on the Notes for federal income tax purposes.

Section 4.6. Opinion of Bond Counsel. DART shall cause the legal opinion of Bond Counsel as to the validity of the Notes and as to the excludability of interest on the Notes from gross income for federal income tax purposes to be furnished to any Holder without cost to the Holder. In addition, a copy of said opinion may be printed on each of the Notes.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

Section 5.1. Events of Default. If one or more of the following events shall occur, that is to say:

(a) if default shall be made in the due and punctual payment of any installment of principal of any Note or Loan Note when and as the same shall become due and payable, whether at maturity as therein expressed or otherwise;

(b) if DART shall fail to make due and punctual payment of any installment of interest on any Note when and as such interest installment shall become due and payable and such failure shall continue for five (5) Business Days;

(c) if applicable under a Credit Agreement at such time valid and in effect, if the Bank has delivered to the Issuing and Paying Agent and DART notice of an “Event of Default” under a Credit Agreement that would permit the principal of and interest on the Notes (if purchased directly by a Bank pursuant to a Credit Agreement) or Loan Notes evidencing Loans made under a Credit Agreement (and interest accrued thereon) to be made to become due and payable under such Notes, Loan Notes and the Credit Agreement, as applicable;

(d) if default shall be made by DART in the performance or observance of any other of the covenants, agreements or conditions on its part in this Resolution or in the Notes contained, and such default shall continue for a period of sixty (60) days after written notice thereof; provided, however, that if such default cannot be cured within the sixty (60) day period but corrective action to cure such default is commenced and diligently pursued until the default is corrected no such Event of Default shall be deemed to have occurred;

(e) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of DART or the filing by DART of a voluntary petition in bankruptcy, or adjudication of DART as a bankrupt, or assignment by DART for the benefit of its creditors, or the entry by DART into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to DART in any proceeding for its reorganization instituted under the provisions of the U.S. Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; or

(f) if an order or decree shall be entered, with the consent or acquiescence of DART, appointing a receiver or receivers of DART, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of DART shall not be vacated or discharged or stayed within ninety (90) days after the entry thereof;

then such event as described above shall constitute an “Event of Default” under this Resolution.

Section 5.2. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Holder of any Note or Loan Note at the time

Outstanding shall be entitled to proceed to protect and enforce such Holder's rights by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Resolution, or in aid of the exercise of any power granted in this Resolution, or to enforce any other legal or equitable right vested in the Holders of Notes or Loan Notes, as applicable, by this Resolution or the applicable Credit Agreement or by law or in equity. The provisions of this Resolution shall be a contract with each and every Holder of Notes or Loan Notes, as applicable, and the duties of DART and the Board shall be enforceable by any Holder of Notes or Loan Notes, as applicable, by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Section 5.3. Remedies not Exclusive.

(a) No remedy herein conferred upon or reserved to the Holders of Notes or Loan Notes, as applicable, is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Holder of any one or more of the Notes or Loan Notes, as applicable.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Amendments or Modifications.

(a) Amendments Without Consent of Holders. This Resolution and the rights and obligations of DART and of the Holders of Notes may be modified or amended at any time by a supplemental Resolution, without notice to or the consent of any Holders, but only to the extent permitted by law and any Credit Agreement for any one or more of the following purposes:

(i) to add to the covenants and agreements of DART in this Resolution contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon DART;

(ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provision contained in this Resolution, upon receipt by DART of an opinion of Bond Counsel that the same is needed for such purpose, and will more clearly express the intent of this Resolution; or

(iii) to add to the security for the Notes, change the form of the Notes, or to make such other changes in the provisions hereof as DART may deem necessary or desirable and which shall not materially adversely affect the interests of the Holders of the Notes.

(b) Amendments Requiring Consent of All Holders. Nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions of this Resolution or of the Notes or Loan Notes so as to:

- (i) make any change in the maturity of any of the Outstanding Notes;
- (ii) reduce the rate of interest borne by any of the Outstanding Notes;
- (iii) reduce the amount of the principal payable on any of the Outstanding Notes;
- (iv) modify the terms of payment of principal of or interest on the Outstanding Notes, or impose any conditions with respect to such payment;
- (v) affect the rights of the Holders of less than all of the Outstanding Notes;
- (vi) give priority of payment to any Note over other Notes; or
- (vii) reduce or restrict the pledge made pursuant to Section 2.11 hereof for payment of the Notes,

unless such amendment shall be approved by the Holders of all of the Notes (including any Bank as the Holder of a Loan Note) then Outstanding.

(c) Amendments Requiring Consent of Bank and a Majority of Holders of Notes. DART may, with the written consent of the Bank and the Holders of a majority in aggregate principal amount of the Notes then Outstanding affected thereby, amend, change, modify, or rescind any provisions of this Resolution which are otherwise not described under Section 6.1(a) or Section 6.1(b) hereof.

(d) Amendments Effective Upon Receipt of Written Consent. Except as expressly provided in any Credit Agreement, whenever DART shall desire to make any amendment to this Resolution requiring consent of the Bank and the Holders of the Notes then outstanding, DART shall cause notice of the amendment to be sent by first class mail, postage prepaid, to the Bank and the Holders of the Notes then Outstanding at the respective addresses shown on any Registration Books maintained by a Registrar. Whenever at any time after the date of the giving of such notice, DART shall receive an instrument or instruments in writing executed by (i) the Bank and (ii) the Holders of a majority in aggregate principal amount of the Notes then Outstanding, which instrument or instruments shall refer to the proposed amendment described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, DART may adopt such amendment in substantially such form, except as herein provided. Neither the Bank nor any Holder of Notes may thereafter object to the adoption of such amendment or to any of the provisions thereof, and such amendment shall be fully effective for all purposes.

(e) Amendments Effective Upon Maturity of all then Outstanding Notes. Whenever DART shall desire to make any amendment to or additions to or rescission of this Resolution requiring consent of the Bank and the Holders of the Notes then Outstanding, DART may adopt such amendment, addition or recession (upon prior consent of the Bank but without having to

receive the consent of any Holder of then Outstanding Notes) which will become effective only upon the payment in full of all such Outstanding Notes. Any offering memorandum prepared by DART and used by the Dealer to sell any series of publicly marketed Notes which will be Outstanding on and after the effective date of any such amendment, addition or rescission must clearly state or describe such amendment, addition or rescission, and all persons who become Holders of Notes of such series on and after the effective date of such amendment, addition or rescission shall be deemed to have consented to such amendment, addition or rescission.

(f) Approval of Attorney General Required. Notwithstanding the foregoing provisions of this Section 6.1, no change, modification or amendment shall be made in this Resolution or become valid and effective without the approval of such change, modification or amendment by the Attorney General of the State of Texas, to the extent (but only to the extent) required by the Act.

Section 6.2. Additional Actions. The Chair and Secretary of the Board, any other Authorized Officer, and the other officers of DART are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Notes and otherwise to effectuate the purposes of this Resolution and any Credit Agreement, Dealer Agreement, Offering Memorandum relating to the Notes, and Issuing and Paying Agency Agreement. Specifically, by the adoption of this Resolution, the Board hereby authorizes the payment of the fees and expenses incurred and to be paid by DART in connection with the issuance, sale and delivery of the Notes and the execution and delivery of the Initial Credit Agreements, the Dealer Agreement, the Issuing and Paying Agency Agreement, and as otherwise provided in this Resolution.

Section 6.3. Resolution to constitute a Contract; Equal Security. In consideration of the acceptance of the Notes, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between DART and the Holders from time to time of the Notes (including any Loan Notes) and the pledge made in this Resolution by DART and the covenants and agreements set forth in this Resolution to be performed by DART shall be for the equal and proportionate benefit, security and protection of all Holders of the Notes (or any Loan Notes), without preference, priority or distinction as to security or otherwise of any of the Notes (including any Loan Notes) authorized hereunder over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Resolution or, with respect to any Loan Note, the related Credit Agreement.

Section 6.4. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Notes issued hereunder.

Section 6.5. Payment and Performance on Business Days. Unless otherwise provided in the applicable Credit Agreement, whenever under the terms of this Resolution or the Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Notes, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

Section 6.6. Defeasance. If, when all or any portion of the Notes shall have become due and payable in accordance with their terms or otherwise as provided in this Resolution, the entire principal and interest so due and payable upon said Notes shall be paid, or if at or prior to the date said Notes have become due and payable, sufficient money and/or Government Securities the principal of and interest on which will provide sufficient money for such payment, shall be held in trust by an authorized escrow agent and provision shall also be made for paying all other sums payable hereunder by DART with respect to said Notes, the pledge herein created with respect to said Notes shall thereupon cease, terminate and become discharged and said Notes shall no longer be deemed Outstanding for purposes of this Resolution and all the provisions of this Resolution relating to the Notes, including all covenants, agreements, liens and pledges made herein for the benefit thereof, shall be deemed duly discharged, satisfied and released.

Section 6.7. Limitation of Benefits with respect to the Resolution. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the Notes is intended or should be construed to confer upon or give to any person other than DART, Bond Counsel, the Holders of the Notes, any Issuing and Paying Agent, and the respective parties to any Dealer Agreement and any Credit Agreement, any legal or equitable right, remedy or claim under or by reason of or in respect to this Resolution or any covenant, condition, stipulation, promise, agreement or provision herein contained. This Resolution and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of DART, Bond Counsel, the Holders of the Notes, any Issuing and Paying Agent and the respective parties to any Dealer Agreement and any Credit Agreement as herein and therein provided.

Section 6.8. Approval and Use of Offering Memorandum. The Offering Memorandum in substantially the form set forth in Exhibit G is hereby approved with any amendments, updates and supplements thereto as are approved by the Authorized Officer. The Dealers are hereby authorized to use the Offering Memorandum in connection with the sale of the Series IIA Notes.

Section 6.9. Ongoing Continuing Disclosure Covenant. To the extent required by the provisions of U.S. Securities and Exchange Commission Rule 15c2-12 (Rule 15c2-12), DART agrees to enter into an agreement to file financial information and operating data with respect to the Notes with such entities as are designated pursuant to the terms of said Rule 15c2-12. Under the provisions of said Rule 15c2-12, as they exist on the date this Resolution is adopted, DART is exempted from complying with the undertaking described in the first sentence of this Section 6.9, as the Notes are to be issued in the form of Commercial Paper Notes.

Section 6.10. Approval of Attorney General. No Notes herein authorized to be issued shall be sold or delivered by or on behalf of DART until the Attorney General of the State of Texas shall have approved this Resolution, one or both, as applicable, of the Initial Credit Agreements and other agreements and proceedings as may be required in connection therewith, all as required by the Act.

Section 6.11. The Depository Trust Company.

(a) DART has determined to issue the Series IIA Notes initially in book-entry form and has determined to appoint The Depository Trust Company, New York, New York (DTC) to serve as the initial securities depository for the Series IIA Notes and to maintain a book-entry only system of recording the ownership and transfer of ownership of beneficial interests in the Series IIA Notes in accordance with this Section 6.11. These provisions shall apply to any additional series of Notes issued in book-entry form.

(b) Notwithstanding any provision of this Resolution to the contrary, unless DART shall otherwise direct, one or more Master Notes shall be issued in lieu of individual Notes of a particular series, which Master Notes shall be registered in the name of Cede & Co., as nominee of DTC, as the Registered Owner of the Master Notes, and held in the custody of the applicable Issuing and Paying Agent. Beneficial owners of Notes of such series will not receive physical delivery of such Notes except as provided hereinafter as long as DTC shall continue to serve as securities depository for Notes of such series within Series II as provided herein, all transfers and beneficial ownership interests in Notes of such series will be made by book-entry only, and no investor or other party purchasing, selling, or otherwise transferring beneficial ownership interests in the Notes is to receive, hold, or deliver any Notes; provided, that, if DTC fails or refuses to act as securities depository for those Notes, DART shall take the actions necessary to provide for the issuance of certificates to the Registered Owners of such Notes.

With respect to Master Notes registered in the name of Cede & Co., as nominee of DTC, DART and the applicable Issuing and Paying Agent shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom a DTC Participant holds an interest in the Notes of such series. Without limiting the immediately preceding sentence, DART and the applicable Issuing and Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Notes of such series, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown in the applicable Registration Books, of any notice with respect to those Notes, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the applicable Registration Books, of any amount with respect to the principal of, premium, if any, or interest on those Notes.

(c) In the event that (i) DTC determines not to continue to act as securities depository for the Notes of the applicable series (which determination shall become effective not less than ninety (90) days after written notice to such effect is given to DART and the applicable Issuing and Paying Agent); (ii) DART or the applicable Issuing and Paying Agent determines (which determination is conclusive as to DTC, any DTC Participant and the beneficial owners of the Notes of such series) that DTC is incapable of discharging its responsibilities described herein and in the

DTC Letter of Representations; or (iii) DART or the applicable Issuing and Paying Agent determines (which determination is conclusive as to DTC, any DTC Participant and the beneficial owners of the Notes of such series) that it is in the best interests of the beneficial owners of those Notes not to continue DTC's book-entry only system of transfer for the Notes of such series, then DART shall use its best efforts to appoint a successor securities depository, qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended. In the event of such an appointment, DART shall notify (a) DTC of the appointment of such successor securities depository and transfer one or more separate Notes of such series to such successor securities depository or (b) DTC Participants of the availability through DTC of Notes of such series within Series II and transfer one or more separate Notes to DTC Participants having Notes of such series credited to their DTC accounts.

In such event, the Master Notes and Notes of such series shall no longer be restricted to being registered in the applicable Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Notes of such series shall designate, in accordance with the provisions of this Resolution.

In the event that DART fails to appoint a successor securities depository for the Notes of series registered in book-entry form, DART shall execute and cause to be authenticated and delivered replacement Notes of such series, in certificated form, to the beneficial owners of those Notes.

(d) Notwithstanding any other provision of this Resolution to the contrary, as long as any Master Notes or the Notes of a particular series within Series II are registered in the name of Cede & Co., as nominee of DTC, (i) all payments with respect to the principal of and interest on such Notes and all notices with respect to those Notes shall be made and given, respectively, in the manner provided in the DTC Letter of Representations (attached hereto as Exhibit E); (ii) the requirements of this Resolution of holding, delivering, or transferring Notes of such series shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC, and (iii) delivery of the Master Notes and the Notes of such series will be in accordance with arrangements among DART, the applicable Issuing and Paying Agent, and DTC.

(e) If at any time DTC ceases to hold the Master Notes or the Notes of a particular series in book-entry only form, all references herein to DTC shall be of no further force or effect.

(f) The DTC Letter of Representations and the Master Notes shall be substantially in the form attached hereto as Exhibits D and E hereto, respectively, the terms and provisions of which are hereby approved. The Chair and Secretary of the Board are hereby authorized to execute and deliver such Master Notes on behalf of DART; any Authorized Officer is hereby authorized to execute and deliver such DTC Letter of Representations on behalf of DART.

Section 6.12. Notice to Rating Agencies. Any notices required to be delivered hereunder shall also be provided to each rating agency at such time providing a rating on the Notes.

For the purposes of this Section 6.12, DART covenants to provide notice to each rating agency of the following events:

- (a) material changes to this Resolution or related documents authorizing the issuance of the Notes;
- (b) any change of the Issuing and Paying Agent under Section 2.2 hereof;
- (c) extension, termination, substitution, or expiration of the Initial Credit Agreement relating to the Series IIA Notes and any Credit Agreement authorized under Sections 2.15 and 2.16, respectively, herein; and
- (d) a determination by DART that the Program has been terminated.

Section 6.13. Preamble. The preamble to this Resolution shall be considered an integral part of this Resolution, and is herein incorporated as part of the body of this Resolution for all purposes.

Section 6.14. Further Procedures. The officers and employees of DART are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of DART all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the initial sale and delivery of each series of Notes, any Issuing and Paying Agency Agreement, any Dealer Agreement, the Initial Credit Agreements, and the Offering Memorandum, as each of the foregoing is applicable and relating to a particular series of Notes. In addition, prior to the initial delivery of the Notes, the Chair and Secretary of the Board, any Authorized Officer, and Bond Counsel are hereby authorized and directed to approve any changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Resolution and as described, with respect to the Series IIA Notes, in the Offering Memorandum, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Notes or proceedings by the Texas Attorney General's office. In case any officer of DART whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 6.15. DART's Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the "Texas MAC"), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, DART hereby consents to and authorizes any Authorized Officer, Bond Counsel to DART, and/or Financial Advisor to DART to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Notes; provided, however, that no such information and documentation shall be provided prior to the delivery of the Notes. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Notes.

Section 6.16. Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public, and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, Texas Government Code, as amended.

Section 6.17. Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

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FINALLY PASSED, APPROVED AND EFFECTIVE the ____ day of November, 2018.

Chair, Board of Directors
Dallas Area Rapid Transit

ATTEST:

Secretary, Board of Directors
Dallas Area Rapid Transit

[SEAL]

EXHIBIT A

Form of Series IIA Credit Agreement

REVOLVING CREDIT AGREEMENT

by and between

DALLAS AREA RAPID TRANSIT

and

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

Dated as of November 1, 2018

Dallas Area Rapid Transit
Senior Subordinate Lien
Sales Tax Revenue
Commercial Paper Notes, Series IIA

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REVOLVING CREDIT AGREEMENT

This REVOLVING CREDIT AGREEMENT, dated as of November 1, 2018 (as amended and supplemented from time to time, the "*Agreement*"), is entered into by and between the DALLAS AREA RAPID TRANSIT ("*DART*"), a regional transportation authority, public body corporate and politic, whose creation was confirmed at an election held on August 13, 1983, pursuant to the provisions and requirements of Chapter 452, Texas Transportation Code, as amended (the "*Act*") and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, a national banking association (including its successors and assigns, the "*Bank*").

WITNESSETH:

WHEREAS, the Subregional Board of Directors (the "*Board*") of DART has authorized DART to borrow money through the issuance and reissuance of its "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIA" (the "*Series IIA Notes*"), in a maximum aggregate principal amount not to exceed \$125,000,000, pursuant to the Master Debt Resolution authorizing Dallas Area Rapid Transit Sales Tax Revenue Obligations adopted on January 23, 2001, as amended to date and as further amended in accordance with the terms hereof and thereof (the "*Master Debt Resolution*");

WHEREAS, the Master Debt Resolution, as supplemented by the Seventeenth Supplemental Debt Resolution adopted by the Board on November 18, 2018 (together with any amendments thereto in accordance with the terms hereof, the "*Seventeenth Supplement*," and, together with the Master Debt Resolution, the "*Resolution*"), authorizes DART to execute a credit agreement in the form and to the effect set forth herein with respect to the Series IIA Notes;

WHEREAS, DART has requested that the Bank provide liquidity to support payment of the principal of and interest on the Series IIA Notes at stated maturity by making available a revolving line of credit for such purpose, and the Bank is willing to make available such a revolving line of credit to DART, subject to the terms and conditions of this Agreement; and

WHEREAS, DART has also authorized its "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIB" (the "*Series IIB Notes*") pursuant to the Seventeenth Supplement in a maximum aggregate principal amount not to exceed \$125,000,000, and DART and the Bank have agreed to enter into that certain Note Purchase Agreement dated as of November 1, 2018 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "*JPMorgan Note Purchase Agreement*"), to provide for the purchase of Series IIB Notes from time to time by the Bank in accordance with the terms thereof; *provided, however*, that the combined support hereunder and under the JPMorgan Note Purchase Agreement with respect to the principal amount of both the Series IIA Notes and the Series IIB Notes shall not exceed \$125,000,000.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. In addition to the terms defined elsewhere in this Agreement or by reference to another document or agreement, the following terms used in this Agreement shall have the following respective meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“*Act*” means Chapter 452, Texas Transportation Code, as amended, modified or supplemented from time to time.

“*Additional Senior Lien Obligations*” has the meaning set forth in the Master Debt Resolution.

“*Advance*” means a loan made hereunder pursuant to Section 2.1(a) hereof.

“*Advance Maturity Date*” means the date that is the earliest of (i) the date occurring ninety (90) days after the date such Advance was made, (ii) the Final Date, and (iii) the Business Day when Series IIA Notes (or Series IIB Notes) are sold to fund the repayment of such Advance.

“*Alternate Facility*” means a credit agreement, letter of credit or other facility delivered in substitution for this Agreement, the delivery of which shall satisfy the requirements of the Note Authorization and the Issuing and Paying Agency Agreement.

“*Amortization Payment*” has the meaning set forth in Section 2.1(b) hereof.

“*Amortization Payment Date*” means (a) the Advance Maturity Date and each three-month anniversary of the Advance Maturity Date occurring thereafter which occurs prior to the Term Loan Maturity Date and (b) the Term Loan Maturity Date.

“*Authorized Officer*” means the President and Executive Director, the Chief Financial Officer, the Treasurer or such other officer or employee of DART so designated by the Board to perform the duties of an “*Authorized Officer*” hereunder pursuant to the Resolution.

“*Amortization Period*” has the meaning set forth in Section 2.1(b) hereof.

“*Available Commitment*” means, at any date, the sum of the Available Principal Commitment and the Available Interest Commitment then in effect.

“Available Funds” means, for any period, the Pledged Revenues, plus operating revenue, plus interest income during such period, less operating expenses net of debt service and depreciation for such period plus the actual ending cash balance, at the end of each calendar quarter, maintained in the accounts of DART identified in the certificate of DART described in Section 6.29(iii), to the extent, but only to the extent, the same are free and clear of any lien or encumbrance other than the lien on Pledged Revenues granted pursuant to the Master Debt Resolution, less any reserves maintained in connection with DART’s self-insurance program.

“Available Interest Commitment” means, and in no event shall it exceed, \$9,246,576 which constitutes two hundred seventy (270) days of interest at ten percent (10%) on the maximum Available Principal Commitment calculated on the basis of actual number of days and a 365 day year, such initial amount adjusted from time to time as follows: (a) downward in an amount equal to the Interest Component of any Advance; (b) upward in an amount equal to the Interest Component of any Advance that is repaid, pursuant to the terms of Section 2.1 or 2.7; and (c) downward by an amount that bears the same proportion to the Available Interest Commitment immediately prior to such reduction as the amount of any reduction in the Commitment bears to the Commitment immediately prior to such reduction; *provided, however*, that after giving effect to any such adjustment the Available Interest Commitment shall never exceed \$9,246,576. Any adjustments pursuant to clause (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

“Available Principal Commitment” means \$125,000,000 as adjusted from time to time as follows: (a) downward in an amount equal to the principal amount of each Loan made hereunder and the principal amount of each Series IIB Note purchased by the Bank from time to time pursuant to the JPMorgan Note Purchase Agreement; (b) downward by the amount of any reduction in the Commitment pursuant to Section 2.6, Section 7.2 or Section 7.4; and (c) so long as the Revolving Credit Period has not terminated, upward in an amount equal to the principal amount of any Loan that is repaid pursuant to the terms hereof and the principal amount of any Series IIB Notes repaid pursuant to the JPMorgan Note Purchase Agreement; *provided*, that, after giving effect to any such adjustment the Available Commitment shall never exceed the lesser of \$125,000,000 or the Commitment from time to time in effect. Any adjustments pursuant to clause (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

“Bank” has the meaning set forth in the preamble hereof.

“Bank Agreement” has the meaning set forth in Section 6.9 hereof.

“Bank Note” shall mean the promissory note made by DART to the order of the Bank, evidencing Loans payable from the Collateral, substantially in the form of Exhibit A attached hereto, with appropriate completions, and any and all renewals, extensions or modifications thereof.

“Bank Rate” means the following rate(s) of interest per annum applicable with respect to each Advance (and each Term Loan, if any, that such Advance is converted into): (a) for

any day commencing on the date such Advance is made up to and including the ninetieth (90th) day next succeeding the date such Advance is made, a rate of interest equal to the Base Rate from time to time in effect and (b) for any day commencing on the ninety-first (91st) day next succeeding the date such Advance is made and thereafter, a rate of interest equal to the sum of the Base Rate from time to time in effect *plus* one percent (1.0%) per annum; *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, “Bank Rate” shall mean the Default Rate; *provided further, however*, that in no event shall the Bank Rate be less than the highest per annum interest rate applicable to any Series IIA Notes that are outstanding.

“*Bankruptcy Code*” means 11 U.S.C. Section 101, *et seq.*, as amended, and any successor statute thereto.

“*Base Rate*” means, for any day, the per annum rate of interest equal to the highest of (a) the Prime Rate plus one and one-half percent (1.5%) per annum, (b) the Federal Funds Rate plus two percent (2.0%) per annum and (c) seven and one-half percent (7.5%) per annum.

“*Board*” means the Subregional Board of Directors of DART.

“*Bond Counsel*” means any firm or firms of nationally recognized bond counsel selected by DART.

“*Bond Obligation*” has the meaning set forth in the Master Debt Resolution.

“*Business Day*” means any day other than (a) a Saturday, Sunday or other day on which commercial banks located in the State of New York or State of Texas are authorized or required by law or executive order to close or (b) a day on which the New York Stock Exchange is closed.

“*Capital Lease*” means any lease of property by any Person which, in accordance with GAAP, would be required to be capitalized on the balance sheet of such Person.

“*Change in Law*” means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Acts and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities shall in each case be deemed to be a “*Change in Law*,” regardless of the date enacted, adopted or issued.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time.

“*Collateral*” has the meaning set forth in Section 2.9 hereof.

“*Commitment*” means, initially \$134,246,576 (i.e., the sum of the maximum principal amount of the Series IIA Notes in the amount of \$125,000,000, and interest thereon at a maximum interest rate of 10% per annum for a period of 270 days), as such amount may be reduced or terminated pursuant to Section 2.6, Section 7.2 and Section 7.4 hereof, which amount shall be reduced if and to the extent that the authorized maximum principal amount of the Series IIA Notes is reduced.

“*Commitment Fee*” has the meaning set forth in the Fee Letter.

“*Credit Agreement Obligations*” has the meaning set forth in the Master Debt Resolution.

“*Credit Provider*” has the meaning set forth in the Master Debt Resolution.

“*DART*” shall mean the Dallas Area Rapid Transit, a regional transportation authority, public body corporate and politic, whose creation was confirmed at an election held on August 13, 1983, pursuant to the provisions and requirements of Chapter 452, Texas Transportation Code, as amended.

“*Dealer*” means DART’s commercial paper dealer or co-commercial paper dealers appointed pursuant to the Seventeenth Supplement, initially J.P. Morgan Securities LLC and Loop Capital LLC.

“*Dealer Agreements*” means the Dealer Agreements, dated as of [_____] 1, 2018, between DART and the Dealers (together with any amendments or replacements thereto or any successor agreement thereto).

“*Debt*” of any Person means, at any date, without duplication, (a) all obligations of such Person for borrowed money including, without limitation, obligations secured by any of the revenues or assets of such Person and all obligations of such Person evidenced by bonds (including revenue bonds), debentures, notes or other similar instruments, (b) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (c) all obligations of such Person as lessee under Capital Leases, (d) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (e) all Debt of others guaranteed by, or secured by any of the revenues or assets of, such Person.

“*Debtor Relief Laws*” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief

Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Debt Service” has the meaning set forth in the Master Debt Resolution.

“Debt Service Accrual Period” has the meaning set forth in the Master Debt Resolution.

“Default” means any occurrence, circumstance or event, or any combination thereof, which, with the lapse of time and/or giving of notice, would constitute an Event of Default.

“Default Rate” means a per annum rate of interest equal to the sum of the Base Rate from time to time in effect plus 3.0% per annum; *provided, however*, that, subject to Section 2.4(c), in no event shall the Default Rate exceed the Highest Lawful Rate.

“Designated Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Effective Date” means November 30, 2018, the date on which this Agreement becomes effective, subject to the satisfaction or waiver by the Bank of the conditions set forth in Section 4.1 hereof.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor Sections.

“Event of Default” with respect to this Agreement has the meaning set forth in the introductory statement to Article VII of this Agreement and, with respect to any Related Document, has the meaning assigned therein.

“Excess Interest Amount” has the meaning set forth in Section 2.4(c) hereof.

“Excluded Taxes” means, with respect to the Bank or any Participant, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which the Bank or such Participant is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Bank or such Participant is located.

“Expiration Date” means November 30, 2021, or such other date to which such day may be extended pursuant to Section 2.10 hereof

“Federal Funds Rate” means, for any day, the rate calculated by the Federal Reserve Bank of New York based on such day’s federal funds transactions by depository institutions,

as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time, and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate. Notwithstanding anything herein to the contrary, if the Federal Funds Rate as determined as provided above would be less than zero percent (0.0%), then the Federal Funds Rate shall be deemed to be zero percent (0.0%).

“Fee Letter” means that certain Fee Letter dated the Effective Date, from the Bank to DART regarding fees, costs and expenses in connection with this Agreement, as the same may be amended, restated or otherwise modified from time to time.

“Final Date” means the earliest of:

- (a) the Expiration Date; and
- (b) the date the Commitment is reduced to zero pursuant to Section 2.6 or terminated pursuant to Section 7.2 or 7.4 of this Agreement; and
- (c) the Substitution Date.

“Fiscal Year” shall mean the period beginning on October 1 of each year and ending on the next succeeding September 30, or any other twelve month period hereafter designated as the official fiscal year period of DART, which designation shall be provided to the Bank in a certificate of DART.

“GAAP” means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such other entity as may be in general use by significant segments of the U.S. accounting profession, which are applicable to the circumstances as of the date of determination and consistently applied.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Gross Sales Tax Revenues” has the meaning set forth in the Master Debt Resolution.

“Guarantee” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt or other obligation payable or performable by another Person (the *“primary obligor”*) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or

indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Debt or other obligation of the payment or performance of such Debt or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Debt or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Debt or other obligation of any other Person, whether or not such Debt or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Debt to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Highest Lawful Rate" shall mean the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by DART in the exercise of its borrowing powers (as currently prescribed by Chapter 1204, Texas Government Code), as amended.

"Holder" shall mean the Bank and any other holder of a Bank Note or any Person to which the Bank or any such other holder sells a participation in a Bank Note (whether or not DART was given notice of such sale and whether or not the Holder has an interest in a Bank Note at the time amounts are payable to such Holder thereunder and under this Agreement).

"Immediate Termination Event" has the meaning set forth in Section 7.3 hereof.

"Incipient Invalidity Event" means (i) the validity or enforceability of any provision of the Act, the Master Debt Resolution or the Seventeenth Supplement that impacts DART's ability or obligation to levy the Sales Tax within DART's boundaries or to collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or the Comptroller of Public Account's ability or obligation to collect the Sales Tax or to pay the Sales Tax revenues to the Issuing and Paying Agent is publicly contested by duly authorized action of DART or the State or any instrumentality of the State with appropriate jurisdiction or is determined by a court or the State or any instrumentality of the State with appropriate jurisdiction in a proceeding subject to further appeals to be invalid or unenforceable, or (ii) the validity or enforceability of any Payment and Collateral Obligation, or of any Series IIA Note or the Bank Note or any provision of any Related Document related to the payment of principal and interest on any Series IIA Note or the Bank Note, or the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes and the Bank Note, is publicly contested or repudiated by duly authorized action of DART or is declared invalid or unenforceable in a proceeding subject to further appeals by the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction.

“Indemnatee” means each of (a) the Bank, (b) any Participant (whether or not DART was given notice of the granting of the Participation in question to such Participant and whether or not the Indemnatee has an interest in any Series IIA Note or this Agreement at the time any amount is payable to such Indemnatee hereunder), (c) any member at any time of any affiliated group (within the meaning of Section 1504 of the Code) of which any Indemnatee is a member, (d) any of the foregoing Persons’ respective officers, directors, shareholders, employees, consultants, servants, attorneys and agents, and (e) any successor to any of such Persons.

“Interest Component” in respect of any Advance, means the portion of such Advance equal to the accrued interest on the maturing Series IIA Notes which is paid with the proceeds of such Advance pursuant to Section 2.1 hereof.

“Interim Obligations” has the meaning set forth in the Master Debt Resolution.

“Invalidity Event” means (i) the Act, the Master Debt Resolution or the Seventeenth Supplement is repealed, (ii) a Federal court or any other court with appropriate jurisdiction or the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction determines in a final non-appealable order or judgment, as the case may be, that any provision or provisions of the the Act, the Master Debt Resolution or the Seventeenth Supplement regarding (A) DART’s ability or obligation to levy or impose the Sales Tax within DART’s boundaries or collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or (B) the Comptroller of Public Account’s obligation to collect the Sales Tax or the Comptroller of Public Account’s ability or obligation to make payment of the Sales Tax directly to the Issuing and Paying Agent, or the pledge of and lien on Pledged Revenues securing the payment of the principal of or interest on the Series IIA Notes or the payment of the Bank Note, is null and void, (iii) the Act, the Master Debt Resolution or the Seventeenth Supplement is ruled to be null and void by a Federal court or any court with appropriate jurisdiction or the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction, (iv) any provision of this Agreement, the Bank Note, any Series IIA Note, the Act, the Master Debt Resolution or the Seventeenth Supplement relating to DART’s ability or obligation to make payments of the principal or interest on the Series IIA Notes or the payment of the Bank Note or the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes or the Bank Note (each such provision, a *“Payment and Collateral Obligation”*) or the pledge of and lien on the Pledged Revenues to secure the payment of the principal of and interest on the Series IIA Notes and the Bank Note is ruled to be null and void by a Federal court or any other court with appropriate jurisdiction or the court or the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction in a final nonappealable order or judgment by such court or the State or any instrumentality of the State, as applicable, or (v) an authorized official of DART, by duly authorized action, publicly denies, contests or repudiates that DART has any or further liability or obligation with respect to (A) the payment of the principal of or interest on the the Series IIA Notes or the Bank Note or (B) any provision under the Act, the Master Debt Resolution or the Seventeenth Supplement with respect to the payment of, or the

pledge of or lien on the Pledged Revenues to secure the payment of, the Series IIA Notes, the Bank Note or any Payment and Collateral Obligation.

“Investment Policy” has the meaning set forth in Section 6.21(a) hereof.

“Issuing and Paying Agent” means Zions Bancorporation, National Association, acting in such capacity under the Issuing and Paying Agency Agreement, or any successor issuing and paying agent appointed by DART.

“Issuing and Paying Agency Agreement” means the Issuing and Paying Agency Agreement, dated as of [_____] 1, 2018, between DART and the Issuing and Paying Agent (together with any amendment or supplements thereto or any successor agreement thereto).

“JPMorgan Note Purchase Agreement” has the meaning set forth in the recitals hereto.

“Junior Subordinate Lien Obligations” has the meaning set forth in the Master Debt Resolution.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” means an Advance or Term Loan made by the Bank to DART pursuant to Article II hereof.

“Loan Note” has the meaning assigned to the term “Loan Note” under the JPMorgan Note Purchase Agreement.

“Master Debt Resolution” has the meaning set forth in the recitals hereto.

“Material Adverse Change” or *“Material Adverse Effect”* means a material adverse change in, or a material adverse effect upon, any of (a) the operations, business, properties or financial condition of DART or (b) the legality, validity, binding effect or enforceability of this Agreement, the Bank Note, the Issuing and Paying Agency Agreement, the Note Authorization, the Master Debt Resolution or the Seventeenth Supplement.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns.

“No-Issuance Instruction” means the notice described in Section 4.4 hereof.

“Note Agreements” mean, collectively, the Series IIA Notes issued by DART from time to time, the Note Authorization, the Series IIB Notes, the Issuing and Paying Agency Agreement and the Dealer Agreements.

“Note Authorization” means the Seventeenth Supplement and any written direction to the Issuing and Paying Agent directing the issuance of Series IIA Notes.

“Note Payment Account” has the meaning set forth in Section 6.3(a) hereof.

“Note Payment Fund” has the meaning set forth in Section 6.3(a) hereof.

“Notice of Advance” means a written borrowing request in substantially the form of Exhibit B attached hereto, with appropriate completions, executed by the Issuing and Paying Agent acting on behalf of DART, which requests an Advance from the Bank.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, DART arising under any Related Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against DART of any proceeding under any Debtor Relief Laws naming DART as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Offering Memorandum” means the offering memorandum relating to the issuance of the Series IIA Notes, including any amendment or supplement thereto.

“Other Taxes” has the meaning set forth in Section 3.2 hereof.

“Outstanding” has the meaning set forth in the Master Debt Resolution.

“Parity and Senior Debt” means (i) any bonds, notes, certificates, debentures or other evidence of similar indebtedness issued by or on behalf of DART the payment or lien priority of which ranks senior to or on parity with the Series IIA Notes and the Bank Note, (ii) the obligations of DART under any Swap Contract (other than any termination payments under any Swap Contract) (the payment of which ranks senior to or on parity with the Series IIA Notes and the Bank Note) providing interest rate support with respect to any indebtedness issued by or on behalf of DART the payment or lien priority of which ranks senior to or on parity with the Series IIA Notes and the Bank Note, (iii) any obligation of DART as lessee under a capital lease the payment or lien priority of which ranks senior to or on parity with the Series IIA Notes and the Bank Note (x) which is not subject to appropriation or abatement or (y) which is rated by each Rating Agency then rating the Series IIA Notes at a level equal to or higher than the unenhanced debt rating assigned by each such Rating Agency to the Series IIA Notes, and (iv) any Guarantee by DART the payment or lien

priority of which ranks senior to or on parity with the Series IIA Notes and the Bank Note (*provided, however*, that the failure to pay any such Guarantee as a result of any set-off, recoupment, counterclaim or any other defense of DART shall not constitute a failure to pay Parity and Senior Debt for purposes of this Agreement).

“Participant” has the meaning set forth in Section 8.2(b) hereof.

“Participation” has the meaning set forth in Section 8.2(b) hereof.

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107-56 (signed into law October 26, 2001).

“Payment and Collateral Obligation” has the meaning assigned to that term in the definition of Invalidity Event.

“Person” means a natural person, corporation (which shall be deemed to include a business trust), unincorporated organization, a government or any department or agency thereof, association, company, partnership, or any other entity.

“Pledged Revenues” has the meaning set forth in the Master Debt Resolution.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by the Bank as its prime rate in effect at its office located at 270 Park Avenue, New York, New York; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective. Notwithstanding anything herein to the contrary, if the Prime Rate determined as provided above would be less than zero percent (0.0%), then the Prime Rate shall be deemed to be zero percent (0.0%).

“Principal Component” in respect of any Loan, means the portion of such Loan equal to the principal amount of the Series IIA Notes paid with the proceeds of such Loan.

“Prior Notes” means the previously issued and outstanding commercial paper notes of DART issued pursuant to the Tenth Supplemental Debt Resolution, adopted on _____, as amended by the First Amendment to Tenth Supplemental Debt Resolution, adopted on _____, and as further amended by the Second Amendment to Tenth Supplemental Debt Resolution adopted on September 11, 2018.

“Quarterly Disclosure Updates” means the Quarterly Disclosure Updates of DART for the three-month period ended December 31, the six-month period ended March 31, and the nine-month period ended June 30 during each Fiscal Year, in form and substance as posted on DART’s website as of the Effective Date.

“Rating Agencies” means Moody’s and S&P.

“Refunding Notes” mean any Series IIA Notes issued by DART the proceeds of which are used solely to pay the maturing principal of and interest on previously issued Series IIA Notes and Prior Notes.

“Related Documents” means and includes (without limitation) this Agreement, the Fee Letter, the Note Agreements, the Bank Note, the JPMorgan Note Purchase Agreement, the Master Debt Resolution, the Seventeenth Supplement and any and all other documents which DART has executed and delivered, or may hereafter execute and deliver, to evidence or secure DART’s obligations thereunder.

“Related Parties” means, with respect to any Person, the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person.

“Resolution” has the meaning set forth in the recitals hereto.

“Revolving Credit Period” means the period commencing on the Effective Date and continuing to the Final Date.

“S&P” means S&P Global Ratings, and any successor rating agency.

“Sales Tax” has the meaning set forth in the Master Debt Resolution.

“Sanction(s)” means any international economic sanction administered or enforced by the United States Government (including, without limitation, OFAC).

“Senior Lien Obligations” shall have the same meaning herein as in the Master Debt Resolution.

“Senior Subordinate Lien Obligations” shall have the same meaning herein as in the Master Debt Resolution.

“Senior Subordinate Lien Debt Service Fund” shall have the same meaning herein as in the Master Debt Resolution.

“Series IIA Notes” has the meaning set forth in the recitals hereto.

“Series IIB Notes” has the meaning set forth in the recitals hereto.

“Seventeenth Supplement” has the meaning set forth in the recitals hereto.

“Specified Debt” means (i) any bonds, notes, certificates, debentures or other evidence of similar indebtedness issued by or on behalf of DART that constitutes Parity and Senior Debt of DART, (ii) the obligations of DART under any Swap Contract (other than any termination payments under any Swap Contract) providing interest rate support with respect to any Debt, (iii) any obligation of DART as lessee under a capital lease which is not subject

to appropriation or abatement, (iv) any guarantee by DART (*provided, however*, that the failure to pay any such guarantee as a result of any set-off, recoupment, counterclaim or any other defense of DART shall not constitute a failure to pay Specified Debt for purposes of this Agreement) and (v) direct obligations of DART arising under letters of credit (including standby and commercial), credit agreements, bankers' acceptances, bank guaranties, surety bonds and similar instruments, and in the case of each of the foregoing clauses (i) through (v), the payment of which is payable from Pledged Revenues within the limits prescribed by applicable law.

"Standard Assumptions" has the meaning set forth in the Master Debt Resolution.

"State" means the State of Texas.

"Substitution Date" means the date of acceptance by DART and the Issuing and Paying Agent of an Alternate Facility in replacement of this Agreement.

"Suspension Event" has the meaning set forth in Section 7.4(b) hereof.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a *"Master Agreement"*), including any such obligations or liabilities under any Master Agreement.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), value added taxes, or any other goods and services, use or sales taxes, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Loan" means an Advance which has been converted to a term loan pursuant to Section 2.1(b) hereof.

"Term Loan Maturity Date" means the earliest of (i) the date that is one (1) year from the date the related Advance was made, (ii) the date the Commitment is reduced to zero pursuant to Section 2.6 or terminated pursuant to Section 7.2 or 7.4 of this Agreement, and (iii) the Substitution Date.

“*Variable Interest Rate Obligations*” has the meaning set forth in the Master Debt Resolution.

Section 1.2. Interpretation. In this Agreement (unless otherwise specified), the singular includes the plural and the plural the singular; words importing any gender include the other gender; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; references to “writing” include printing, typing, lithography and other means of reproducing words in a tangible, visible form; references to times of day shall refer to New York City time; the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; references to articles, sections (or subdivisions of sections), recitals, exhibits, annexes or schedules are to those of this Agreement unless otherwise indicated; references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement; the phrase “and/or” shall be deemed to mean the words both preceding and following such phrase, or either of them; and references to the parties and to Persons include their respective permitted successors and assigns and, in the case of governmental Persons, Persons succeeding to their respective functions and capacities.

ARTICLE II

REVOLVING CREDIT; TERM LOANS

Section 2.1. Commitment to Lend. (a) Revolving Credit. The Bank agrees that it will, during the Revolving Credit Period, on the terms and conditions set forth in this Agreement, lend to DART from time to time amounts up to, but not to exceed, an aggregate amount at any one time outstanding equal to the Commitment. Each Advance by the Bank under this Section 2.1(a) shall be made in such amount equal to the Principal Component plus the Interest Component, if any, as may be requested by the Issuing and Paying Agent to enable the Issuing and Paying Agent, on behalf of DART, to pay the principal of and accrued interest on the maturing Series IIA Notes during the Revolving Credit Period and on the date of the Advance. The aggregate Principal Component of all Advances made on any date shall not exceed the Available Principal Commitment on such date. The aggregate Interest Component of all Advances made on any date shall equal the lesser of (i) the Available Interest Commitment on such date and (ii) the actual aggregate amount of interest, if any, accrued on the Series IIA Notes to be paid with the proceeds of all such Advances on such date. The Interest Component shall be due and payable **[two (2)]** Business Days after such Advance is made by the Bank (and shall accrue interest from date of such Advance unless paid on the same day as such Advance pursuant to Section 2.4(a)). The Principal Component of any Advance made by the Bank, may be paid by DART on any date, but shall be paid not later than its Advance Maturity Date, subject to the provisions of Section 2.1(b) below; *provided, however*, that in the event that on the date of any Advance (i) the representations and warranties set forth in Article V hereof are not true and correct in all material respects or (ii) any Event of Default shall have occurred and be continuing, such Principal Component of such Advance shall be due and payable on the date that is **[two (2)]** Business Days after such Advance is made. DART may borrow under this Section 2.1(a),

prepay under Section 2.7, and reborrow under this Section 2.1(a) at any time and from time to time during the Revolving Credit Period; *provided, however*, that the aggregate of all Advances and Term Loans which are not repaid shall not exceed the aggregate Commitment at any time.

(b) *Term Loans.* The Bank agrees that it will, so long as the terms and conditions set forth in Section 4.3 hereof shall have been satisfied, convert the Principal Component of an Advance, on its Advance Maturity Date, to a Term Loan. Each Term Loan shall be due and payable in installments on each Amortization Payment Date (each such payment, an “*Amortization Payment*”), with the final installment in an amount equal to the entire then-outstanding principal amount of such Term Loan to be repaid on the Term Loan Maturity Date, together with all accrued interest thereon (the period commencing on the Advance Maturity Date and ending on the Term Loan Maturity Date is herein referred to as the “*Amortization Period*”). Each Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Amortization Payments over the Amortization Period. During each Amortization Period, interest on the Term Loans shall accrue at the Bank Rate, be payable monthly in arrears on the first Business Day of each calendar month and be calculated on the basis of a 365 or 366 day year, as applicable, and actual days elapsed.

(c) *Generally.* Notwithstanding anything herein to the contrary, in no event shall the Bank be obligated to make Loans if the sum of such Loan plus the aggregate principal amount of Loans and Series IIB Notes then outstanding would be in excess of the Commitment in effect on such date.

Section 2.2. Method of Borrowing. Each Advance shall be made to the Issuing and Paying Agent pursuant to a completed Notice of Advance signed by the Issuing and Paying Agent and delivered to the Bank not later than 12:00 p.m. (noon) of the Business Day on which an Advance is to be made to the Issuing and Paying Agent. A completed and signed Notice of Advance shall be made to the Bank by delivery of a telecopy, electronic mail, or other written form containing the information prescribed in Exhibit B hereto. Notwithstanding the foregoing, the Bank shall, subject to the conditions set forth in this Section and in Section 4.2 hereof, honor a Notice of Advance made to the Bank on or after any date the Bank has delivered an effective No-Issuance Instruction pursuant to Section 4.4 hereof, which is also a date upon which Series IIA Notes are due and payable.

Upon receipt by the Bank of a Notice of Advance, the request for an Advance as therein set out shall be irrevocable by DART. At or prior to 2:00 p.m. on the date for which the Advance is requested, and subject to satisfaction of the applicable conditions set forth in this Section 2.2 and Section 4.2 hereof, the Bank shall make available, in federal or other immediately available funds, to the Issuing and Paying Agent funds for the account of DART with instructions to deposit such funds to the Note Payment Fund (with instructions for further deposit to any principal or interest payment subaccounts therein, as and if necessary). All Advances made by the Bank pursuant to the terms of this Agreement shall be made from funds of the Bank, and not from the funds of any other Person.

Section 2.3. Bank Note. (a) The Loans made by the Bank shall be evidenced by a Bank Note payable to the order of the Bank in a principal amount equal to the Commitment. The Bank Note shall bear interest on the aggregate principal balance of the outstanding Loans (which balance shall not exceed the principal amount of outstanding Loans received by DART or the Issuing and Paying Agent), and shall be due and payable on the dates, in the amounts and under the circumstances set forth herein and in the Bank Note. No interest shall begin to accrue on the Bank Note until such time as DART or the Issuing and Paying Agent has received a Loan from the Bank under this Agreement.

(b) The Bank shall record, and prior to any transfer of its Bank Note, shall endorse on the schedules forming a part thereof, appropriate notations to evidence the date, amount, type, and maturity of each Loan made by it and the date and amount of each payment of principal and interest made by DART with respect thereto; *provided, however*, that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of DART hereunder or under the Bank Note. In any legal action or proceeding in respect of this Agreement or a Bank Note, the notations made on the Bank Note or as provided by the Bank's accounting records shall be presumptive evidence of the existence and amount due thereunder. The Bank is hereby authorized by DART to endorse the Bank Note and to attach to and make a part of the Bank Note a continuation or substitution of any such schedule as and when required.

Section 2.4. Interest.

(a) *Interest Accrual.* Each Loan shall bear interest at the Bank Rate or the Default Rate (as applicable) on the outstanding principal amount thereof for each day from the date such Loan is made until paid in full. To the extent that funds are advanced to DART to pay the accrued interest on Series IIA Notes maturing on the date of the related Advance and DART repays the Bank the Interest Component of the related Advance by 3:00 p.m. on the same Business Day that such funds are advanced for such purpose, no interest shall accrue on the Interest Component of such Advance.

(b) *Payment Dates.*

(i) Interest on each Advance shall be payable monthly in arrears on the first Business Day of each month (commencing on the first such date to occur after the making of the related Advance) and on the Advance Maturity Date thereof.

(ii) Interest on each Term Loan shall be payable monthly in arrears on the first Business Day of each month (commencing on the first such date to occur after the making of the related Term Loan) and on the Term Loan Maturity Date.

(c) In the event that the rate of interest payable hereunder or under the Bank Note shall exceed the applicable Highest Lawful Rate for any period for which interest is payable, then (i) interest at such Highest Lawful Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof and (B) such Highest Lawful Rate

(the "*Excess Interest Amount*"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed such Highest Lawful Rate, at which time DART shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest Amount as will cause the rate of interest then paid to the Bank, to equal such Highest Lawful Rate, which payments of deferred Excess Interest Amount shall continue to apply to such unpaid amounts hereunder or under the Bank Note until all deferred Excess Interest Amount is fully paid to the Bank. Notwithstanding the foregoing and to the extent permitted by Texas law, upon the date on which no principal amount with respect to the Loans remains unpaid, DART shall pay to the Bank a fee equal to the accrued and unpaid portion of Excess Interest Amount on such date; *provided* that such payment shall not cause interest to exceed the maximum net effective interest rate authorized under Chapter 1204, Texas Government Code, as amended.

(d) Notwithstanding anything contained herein or in the Bank Note to the contrary, the Excess Interest Amount due under the Bank Note shall be paid by DART to the Bank from any unrestricted legally available funds appropriated to make payment thereof.

(e) To the extent permitted by law, any overdue principal of and overdue interest on any Loan or any other amount due to the Bank hereunder shall bear interest, payable on demand, for each day the same is overdue until paid, at a rate per annum equal to the Default Rate, payable on demand.

(f) All computations of interest in respect of Loans under this Agreement shall be made on a 365-day year basis and actual days elapsed. Each determination of an interest rate by the Bank pursuant to any provision of this Agreement shall be conclusive and binding on DART and the Bank in the absence of manifest error. In addition, any calculation made pursuant to this Section 2.4(f) hereof that would cause the interest (including amounts described in Section 2.4(e) hereof) paid, payable, or accruing on the indebtedness of DART under this Agreement and the Bank Note to exceed the Highest Lawful Rate shall be adjusted so as to reduce the interest paid, payable, and accruing hereunder to such Highest Lawful Rate, as more fully set out in Section 2.4(c) hereof. All sums paid or agreed to be paid to the Bank for the use, forbearance, or detention of the indebtedness evidenced by the Bank Note shall, to the extent permitted by law (including, to the extent applicable, Chapter 1204, Texas Government Code, as amended), be amortized, prorated, allocated, and spread through the full term of the Bank Note.

(g) Notwithstanding anything contained herein to the contrary, the interest rates applicable to Loans may be changed at any time upon the mutual written agreement of DART and the Bank. If any such change in the interest rates applicable to Loans is so agreed to, this Agreement and the Bank Note shall remain outstanding and continue in full force and effect, with no modification other than as to the change in the interest rates applicable to Loans, and all Loans will continue to be made under the Bank Note in accordance with this Agreement, modified only to reflect the agreement of the parties with respect to the changed interest rate applicable to Loans.

Section 2.5. Fees. DART hereby agrees to pay to the Bank all amounts set forth in the Fee Letter on the terms, in the amounts and in the manner set forth herein and therein and the terms of the Fee Letter are hereby incorporated herein by reference as if fully set forth herein. Any reference herein to fees and/or any other amounts or obligations payable hereunder or under this Agreement shall include, without limitation, all fees and other amounts or obligations payable pursuant to the Fee Letter, and any reference to this Agreement shall be deemed to include a reference to the Fee Letter. All computations of fees and other amounts due under the Fee Letter shall be made by the Bank on the basis of a year of 360 days and the actual number of days elapsed.

Section 2.6. Termination or Reduction of Commitment. (a) During the Revolving Credit Period, DART may, upon at least three (3) Business Days' notice to the Bank, the Issuing and Paying Agent, the Dealer, and any Rating Agency which has issued a rating on the Series IIA Notes, reduce from time to time the aggregate unused Commitment by \$1,000,000 or any integral multiple of \$100,000 in excess thereof; *provided* that DART may not reduce the Commitment if the Available Commitment as proposed to be reduced would be less than the aggregate principal amount of all Outstanding Series IIA Notes and Outstanding Series IIB Notes. The notice delivered pursuant to the preceding sentence must certify that the conditions set forth in the proviso to such sentence have been satisfied and the Bank shall be entitled to rely upon such certification without any further investigation.

(b) The Commitment shall terminate on the Final Date, subject to the terms hereof.

(c) If the Commitment is terminated in its entirety, all accrued Commitment Fees shall be payable on the effective date of such termination. If the Commitment is reduced, Commitment Fees on the amount by which the Commitment is so reduced shall be payable on the effective date of such reduction and Commitment Fees on the amount by which the Commitment is reduced shall cease to accrue on the date of such reduction.

(d) Notwithstanding any provision of this Agreement or any Related Document to the contrary, DART agrees not to terminate the Commitment, except upon (i) the payment by DART to the Bank of any and all fees required to be paid pursuant to the terms of the Fee Letter, (ii) the payment to the Bank of all obligations of DART payable hereunder, under the Bank Note and under the Fee Letter and (iii) DART providing the Bank with thirty (30) days' prior written notice of its intent to terminate the Commitment; *provided* that all payments to the Bank referred to in clauses (i) and (ii) above shall be made in immediately available funds.

(e) Notwithstanding the foregoing and anything set forth herein to the contrary, DART agrees not to permanently reduce the Commitment except upon payment by DART to the Bank on the date of such reduction of any and all fees required to be paid pursuant to the terms of the Fee Letter, such amount to be made in immediately available funds.

Section 2.7. Prepayment of Loans. (a) *Optional Prepayments.* DART may, at its option, upon written notice to the Bank, at any time and from time to time, prepay Loans, in whole or in part, without premium or penalty. Each partial prepayment permitted above shall be in the principal amount of \$1,000,000 or any multiple thereof plus accrued interest thereon.

(b) *Mandatory Prepayments.* If on any date (A) the sum of the aggregate principal amount of outstanding Loans and the aggregate principal amount of the Series IIA Notes and the Series IIB Notes Outstanding and all interest to accrue on the Series IIA Notes through their respective maturity dates thereof exceed the amount of the Commitment then in effect, DART shall immediately prepay the Loans in an amount equal to such excess, (B) the aggregate principal amount of Outstanding Series IIA Notes plus the amount of interest to accrue thereon to maturity exceeds the Available Commitment then in effect, DART shall immediately prepay the Loans in an amount equal to such excess, or (C) any Series IIA Notes are sold to finance the repayment of a Loan, DART shall immediately prepay any outstanding Loans in an amount equal to the sum of the proceeds from such sale.

(c) *Notice Irrevocable.* Upon receipt by the Bank of a notice of prepayment pursuant to this Section, such notice shall not be revocable by DART.

(d) *Accrued Interest.* Each prepayment shall be accompanied by the payment of accrued interest to the date of such prepayment on the amount prepaid. Section 2.8.
General Provisions as to Payment. The following general provisions shall apply to all payments of Commitment Fees and payments due under the Bank Note and hereunder:

(a) The Bank shall calculate and notify DART in writing of the amounts payable by DART hereunder (other than any Interest Component) and under the Fee Letter not less than ten (10) Business Days preceding any payment date; *provided* that in no event shall the failure by the Bank to timely deliver such an invoice affect the obligation of DART to make all such payments in the amounts and on the dates required in this Agreement and/or the Fee Letter. Such calculations will be based on the assumptions that the interest rate and the Commitment Fee rate will not change from the date of calculation to the payment date. In the event any of such applicable rates change between the date of notification and the payment date, any overpayment or underpayment resulting from such change will be applied to the next ensuing payment or reimbursed, as the case may be.

(b) DART shall make each payment due to the Bank hereunder or under the Fee Letter not later than 3:00 p.m. on the day when due, in federal or other funds immediately available, by wire transfer to such account as the Bank may from time to time designate. All payments received by the Bank after 3:00 p.m. shall be determined to have been received on the next succeeding Business Day and the applicable interest or fee shall continue to accrue.

(c) Whenever any payment due hereunder or under the Fee Letter shall be due on any day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for the payment or prepayment of amounts due hereunder or under the Fee Letter is extended by the preceding sentence, or by operation of law, or otherwise, interest thereon shall be payable for the period of such extension at the rate applicable thereto under other provisions of this Agreement.

Section 2.9. *Security* . The Obligations of DART under this Agreement are special obligations of DART payable from and secured solely by the funds pledged therefor pursuant

to the Resolution, including specifically Section 2.3 of the Master Debt Resolution, Section 2.11 of the Seventeenth Supplement, and this Agreement, as authorized thereby.

To provide security for the payment of the principal of and interest on the Bank Note and any other amounts payable under this Agreement as the same shall become due and payable, DART has pledged and granted, pursuant to Section 2.3 of the Master Debt Resolution, a pledge of and lien on the Pledged Revenues, such pledge of and lien on Pledged Revenues to secure the payment of the principal of and interest on the Bank Note and all other amounts payable under this Agreement, however, being subordinate only to the pledge of and lien on the Pledged Revenues securing the payment of the Senior Lien Obligations and on parity with the lien on and pledge of Pledged Revenues securing the payment of the principal of and interest on the Senior Subordinate Lien Obligations. Additionally, the pledge and lien granted by DART under Section 2.3 of the Master Debt Resolution includes a pledge of and lien on the money and investments deposited and held in the Senior Subordinate Lien Debt Service Fund pursuant to Section 5.5 of the Master Debt Resolution. The Bank Note, being secured by and payable from the pledge of and lien on the Pledged Revenues as described in the preceding sentences, shall constitute a Senior Subordinate Lien Obligation on a parity with the currently outstanding Senior Subordinate Lien Obligations. The Master Debt Resolution creates the valid pledge and lien which it purports to create on the Pledged Revenues for the benefit of the Holders of the Bank Note. All of such sources and pledges referred to in this Section 2.9 are herein called the "*Collateral*." The Bank Note shall further be entitled to the benefits of this Agreement.

No filing, registration, recording or publication of this Agreement or any other instrument nor any prior separation or physical delivery of the Collateral is required to establish the pledge provided for under this Agreement or to perfect, protect or maintain the pledge of the Collateral to secure the Obligations. If Texas law is amended at any time while the Bank Note is outstanding and unpaid such that the pledge made by DART hereunder is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the Bank the perfection of the security interest in said pledge, DART agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur. Section 2.10.

Extension of Revolving Credit Period. Not more than one hundred twenty (120) days prior to the Expiration Date, DART may submit a written request in the form of Exhibit D hereto to the Bank that the Expiration Date be extended for an additional period as agreed to by the parties hereto. DART may request one or more such extensions. Any such written request may be accompanied by requests to increase or decrease the amount, or otherwise modify the terms and conditions, of the Commitment. The Bank has no obligation to agree to extend the Revolving Credit Period or any other request or condition accompanying such request. If the Bank, in its sole discretion following such request by DART, agrees to extend the Revolving Credit Period, the Bank shall give written notice of the election by the Bank to extend to DART, the Issuing and Paying Agent and the Dealer within thirty (30) days from the date of receipt of information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision; and such extension shall be subject to preparation, execution and delivery of documentation in form and substance satisfactory to the Bank and DART. If the Bank does not so notify DART, the

Expiration Date shall not be so extended. At the time of any extension, the Bank may, in its sole discretion as a condition to such extension, require changes in the terms and conditions of this Agreement, including the Commitment Fee, the Bank Rate or the Default Rate.

ARTICLE III

YIELD PROTECTION; TAXES

Section 3.1. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, liquidity or similar requirement (including any compulsory loan requirement, insurance charge or other assessment) against assets of, deposits with or for the account of, or credit extended by, the Bank;

(ii) impose on the Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement, the Bank Note or any Loans made by the Bank; or

(iii) subject the Bank to any Taxes (other than Excluded Taxes and Taxes covered by Section 3.2 hereof) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to the Bank of making, continuing, converting or maintaining any Advance or Term Loan (or of maintaining the Commitment) or to reduce the amount of any sum received or receivable by the Bank hereunder (whether of principal, interest or otherwise), then DART will pay to the Bank such additional amount or amounts as will compensate the Bank for such additional costs incurred or reduction suffered from lawfully available funds.

(b) If the Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Bank's capital or liquidity or on the capital or liquidity of the Bank's holding company, if any, as a consequence of this Agreement or the Loans made by the Bank to a level below that which the Bank or such Bank's holding company could have achieved but for such Change in Law (taking into consideration the Bank's policies and the policies of the Bank's holding company with respect to capital adequacy and liquidity), then, from time to time upon written request of the Bank, DART will pay to the Bank, as the case may be, such additional amount or amounts as will compensate such the Bank or the Bank's holding company for any such reduction suffered.

(c) A certificate of the Bank setting forth the amount or amounts necessary to compensate the Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section together with a commercially reasonable explanation of the amounts payable shall be delivered to DART and shall be conclusive absent manifest

error. DART shall pay the Bank the amount shown as due on any such certificate within 30 days after receipt thereof from lawfully available funds.

(d) Failure or delay on the part of the Bank to demand compensation pursuant to this Section shall not constitute a waiver of the Bank's right to demand such compensation; *provided, however*, that the Bank shall use commercially reasonable efforts to notify DART of any Change in Law that the Bank is aware of and, in its reasonable judgement, has determined has or will result in increased costs for which the Bank expects to demand compensation.

(e) DART agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Section 3.1 as if such Participant were the Bank.

(f) DART shall have no liability to the Bank for any increased costs, increased capital or reduction in return to the extent incurred by the Bank more than one (1) year prior to the date the above certificate is given to DART with respect thereto (the "*Cut-Off-Date*"), except where (A) the Bank, through no fault of its own, had no actual knowledge of the Change in Law or action resulting in such increased costs, increased capital or reduction as of the Cut-Off-Date or (B) such Change in Law giving rise to such increased costs, increased capital or reduction is retroactive to a date prior to the Cut-Off-Date. If the Bank shall impose increased costs pursuant to this Section 3.1 then DART shall be able to terminate this Agreement as provided in Section 2.6 hereof; *provided, however*, such termination shall be permitted without payment of a termination fee in accordance with the terms of the Fee Letter.

(g) Without prejudice to the survival of any other agreement of DART hereunder, the agreements and obligations of DART contained in this Section shall survive the termination of this Agreement and the payment in full of the obligations of DART hereunder; *provided* that no demand for compensation for increased costs or reductions pursuant to this Section 3.1 shall be made later than sixty (60) days following the termination of this Agreement other than with respect to any Change in Law after such date that is retroactive to a date prior to the date sixty (60) days following the termination of this Agreement.

Section 3.2. Net of Taxes, Etc. (a) Any and all payments to the Bank or a Participant by DART hereunder and under the Fee Letter shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank or Participant by any Governmental Authority or therein solely as a result of a connection between the Bank or Participant and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If DART shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder or under the Fee Letter to the Bank or any Participant, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to

additional sums payable under this Section 3.2), the Bank or Participant receives an amount equal to the sum it would have received had no such deductions been made, (ii) DART shall make such deductions and (iii) DART shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law. If DART shall make any payment under this Section 3.2 to or for the benefit of the Bank or a Participant with respect to Taxes and if the Bank or a Participant shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank or such Participant to any taxing jurisdiction in the United States then the Bank or such Participant shall pay to DART an amount equal to the amount by which such other taxes are actually reduced; *provided* that the aggregate amount payable by the Bank or such Participant pursuant to this sentence shall not exceed the aggregate amount previously paid by DART with respect to such Taxes. In addition, DART agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America, the State of Texas or the State of New York from any payment made hereunder or under the Fee Letter or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as “*Other Taxes*”). The Bank and any Participant making a claim hereunder shall provide to DART within a reasonable time a copy of any written notification it receives with respect to Taxes or Other Taxes owing by DART to the Bank or such Participant hereunder or under the Fee Letter; *provided* that the Bank’s or Participant’s failure to send such notice shall not relieve DART of its obligation to pay such amounts hereunder or under the Fee Letter.

(b) DART shall, to the extent permitted by law and subject to the provisions hereof, indemnify the Bank and each Participant for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 3.2 paid by the Bank or a Participant or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided* that DART shall not be obligated to indemnify the Bank or any Participant for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank’s or such Participant’s negligence or willful misconduct. The Bank and each Participant agree to give notice to DART of the assertion of any claim against the Bank or such Participant relating to such Taxes or Other Taxes as promptly as is reasonably practicable after being notified of such assertion; *provided* that the Bank’s or Participant’s failure to notify DART promptly of such assertion shall not relieve DART of its obligation under this Section 3.2. Payments by DART pursuant to this indemnification shall be made upon receipt of a written demand therefor, accompanied by a certificate describing in reasonable detail the basis thereof. The Bank and each Participant agree to repay to DART any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by DART pursuant to this Section 3.2 received by the Bank or Participant for Taxes or Other Taxes that were paid by DART pursuant to this Section 3.2 and to contest, with the cooperation and at the expense of DART, any such Taxes or Other Taxes which the Bank, such Participant or DART reasonably believes not to have been properly assessed.

(c) Within thirty (30) days after the date of any payment of Taxes by DART, DART shall furnish to the Bank the original or a certified copy of a receipt evidencing payment thereof.

(d) The obligations of DART under this Section 3.2 shall survive the termination of this Agreement, the Bank Note and the Note Agreements; *provided* that no demand for payment under this Section 3.2 shall be made later than sixty (60) days following the termination of this Agreement other than with respect to Taxes that are retroactive to a date prior to the date sixty (60) days following the termination of this Agreement.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.1. Conditions Precedent to Commitment. The obligation of the Bank to establish the Commitment and execute and deliver this Agreement is subject to the satisfaction of each of the following conditions precedent on or before the Effective Date, all in form and substance satisfactory to the Bank:

(a) *Approvals.* The Bank shall have received copies of all action taken by DART including, but not limited to, the Seventeenth Supplement, approving the execution and delivery by DART of this Agreement, the Fee Letter, the Bank Note, the Note Agreements and the Offering Memorandum, in each case, certified by an authorized official of DART as complete and correct as of the Effective Date.

(b) *Incumbency Certificate.* The Bank shall have received an incumbency certificate of DART in respect of each of the officials who is authorized to (i) sign this Agreement, the Fee Letter, the Bank Note and the Note Agreements on behalf of DART and (ii) take actions for DART under this Agreement, the Fee Letter, the Bank Note and the Note Agreements.

(c) *Opinion of Bond Counsel.* The Bank shall have received a written opinion of Bond Counsel, addressed to the Bank, dated the Effective Date, in the form attached hereto as Exhibit E.

(d) *Opinion of Counsel to DART.* The Bank shall have received a written opinion of counsel to DART, dated the Effective Date, in the form attached hereto as Exhibit F.

(e) *Attorney General Opinion.* The Bank shall have received the approving opinion of the Attorney General of Texas approving the proceedings authorizing the Series IIA Notes and this Agreement.

(f) *Documents.* The Bank shall have received copies of each of this Agreement, the Fee Letter, the JPMorgan Note Purchase Agreement, the Master Debt Resolution, the Seventeenth Supplement and the Note Agreements, duly executed by

the parties thereto, which agreements shall be in full force and effect as well as an executed or certified copy of each document, instrument, certificate and opinion delivered pursuant to the foregoing in connection with the issuance and delivery of the Series IIA Notes, including a specimen copy of the Series IIA Notes.

(g) *Bank Note.* The Bank shall have received the executed Bank Note.

(h) *Offering Memorandum.* The Bank shall have received the final version of the Offering Memorandum.

(i) *No Default, Etc.* (i) No Default or Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution and delivery by DART of this Agreement, the Fee Letter, the Bank Note and the Note Agreements, and the establishment of the Commitment, (ii) the representations and warranties made by DART in Article V hereof (including those incorporated by reference) shall be true and correct in all material respects on and as of the Effective Date as if made on and as of such date, and (iii) the Bank shall have received a certificate, dated the Effective Date, from DART to the foregoing effect.

(j) *Issuing and Paying Agent.* The Bank shall have received evidence of the power and authority of the Issuing and Paying Agent to execute its responsibilities under the Issuing and Paying Agency Agreement and a certificate, dated the Effective Date and in a form reasonably acceptable to the Bank, of the Issuing and Paying Agent as to such matters incident to this Agreement and the other Related Documents and the transactions contemplated hereby and thereby as the Bank shall have reasonably requested.

(k) *Dealer.* The Bank shall have received evidence that J.P. Morgan Securities LLC is the duly appointed and acting Dealer for the Series IIA Notes.

(l) *Ratings.* The Bank shall have received evidence that (i) the Series IIA Notes have been rated at least “P-1” by Moody’s and “A-1” by S&P and (ii) the long-term credit rating assigned to DART’s Senior Lien Obligations (without giving effect to any bond insurance policy or other credit enhancement) is at least “[]” (or its equivalent) by Moody’s and “[]” (or its equivalent) by S&P.

(m) *Bank Note.* DART shall have provided a CUSIP number for the Bank Note and a rating applicable to the Bank Note of no less than “Baa3” or “BBB-” (or its equivalent) or better by Moody’s or S&P, respectively.

(n) *Other Documents.* The Bank shall have received such other documents, certificates, and opinions as the Bank or its counsel shall have reasonably requested as well as such copies of DART’s annual budget, Investment Policy and financial reports as the Bank shall have requested.

(o) *Fees and Expenses.* All fees and expenses due and payable to the Bank or its legal counsel pursuant to the Fee Letter shall be paid.

(p) *Reserved.*

In addition, (A) the Bank shall have determined, as of the Effective Date, that no law, regulation, ruling or other action of the United States, the State of New York or the State of Texas or any political subdivision or other Governmental Authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent DART, the Issuing and Paying Agent, the Dealer or the Bank from fulfilling their respective obligations under this Agreement, the Fee Letter or the other Related Documents to which each such entity is a party and (B) no material adverse change in the laws, rules, guidelines, or regulations (or their interpretation or administration) currently in effect and applicable to the parties hereto, and the transactions contemplated hereby, as determined in sole discretion of the Bank, shall have occurred.

Section 4.2. Conditions Precedent to Making Advances. The obligation of the Bank to make an Advance hereunder is subject to the following conditions precedent on or before the time on which the Advance is to be made:

(a) *Notice of Advance.* As provided in Section 2.2 hereof, the Bank shall have received a properly completed Notice of Advance.

(b) *No Immediate Termination Event or Suspension Event.* No Immediate Termination Event or Suspension Event shall have occurred; *provided, however,* that in the case of a Suspension Event, the Bank's obligation to make Advances hereunder is subject to reinstatement as provided in Section 7.4(b) hereof.

In addition, the Bank shall not have any obligation to make an Advance to pay the principal of or interest on any Series IIA Notes which were issued by DART after receipt by the Issuing and Paying Agent, the Dealer, and DART of a No-Issuance Instruction.

Section 4.3. Conditions Precedent to Term Loan. The obligation of the Bank to make any Term Loan is subject to satisfaction of the conditions that (A) no Default or Event of Default has occurred and is continuing, and (B) the representations and warranties of DART contained in this Agreement or the other Related Documents are true and correct in all respects as of the related Advance Maturity Date.

Section 4.4. Conditions Precedent to Issuance of Series IIA Notes. No Series IIA Notes shall be issued unless on the date of such issuance, each of the following conditions precedent shall have been fulfilled in a manner satisfactory to the Bank (or waived by the Bank in writing):

(i) *Representations and Warranties, No Event of Default.* The representations and warranties contained herein, each other Related Document and each certificate or other writing delivered to the Bank pursuant hereto or thereto on

or prior to the date of such issuance shall be correct on and as of such date as though made on and as of such date, except to the extent a representation or warranty relates specifically to an earlier date (in which case such representation or warranty shall be true and correct as of such date), and no Event of Default or Default shall have occurred and be continuing on such date or would result from such issuance.

(ii) *Commercial Paper.* All conditions precedent for the issuance of the Series IIA Notes hereunder and under the Note Agreements shall have been satisfied.

(iii) *Note Agreements.* The Note Agreements shall be in full force and effect.

(iv) *No-Issuance Instruction.* The Bank shall not have given a No-Issuance Instruction that is effective.

(v) *Available Commitment.* The aggregate principal amount of Outstanding Series IIA Notes, after giving effect to such issuance, shall not exceed the Available Commitment then in effect.

Unless DART shall have previously advised the Bank in writing that one or more conditions set forth in subsections (i), (ii), (iii) and (v) of this Section 4.4 have not been satisfied, DART shall be deemed to have represented and warranted that on the date of such issuance or authentication of any Series IIA Notes, the above conditions have been satisfied. The Bank may deliver a notice to the Issuing and Paying Agent and to DART in the form of Exhibit C hereto and shall be effective once received by the Issuing and Paying Agent and DART, directing DART and the Issuing and Paying Agent not to issue or authenticate any Series IIA Notes (a “*No-Issuance Instruction*”), at any time that the Bank shall have determined that any condition to the issuance of any Series IIA Notes has not been satisfied. The No-Issuance Instruction may be delivered by telecopy, by facsimile, by mail, by electronic mail or by messenger, and may also be given by telephone if promptly confirmed in writing, *provided* that the failure to confirm such No-Issuance Instruction promptly in writing shall not render any telephonic notice ineffective or invalid in any respect. Upon receipt of such No-Issuance Instruction, DART will not permit the Issuing and Paying Agent to issue or authenticate any Series IIA Notes, unless and until such No-Issuance Instruction is rescinded by the Bank. DART shall use its best efforts to cause the Issuing and Paying Agent to comply immediately with any such No-Issuance Instruction. The Bank shall not incur any liability as a result of the Bank’s giving any No-Issuance Instruction that, in its good faith judgment, the Bank determines to be in accordance with this Section 4.4. The Bank agrees that if, after the delivery of a No-Issuance Instruction, the Bank determines that the conditions to the issuance of any Series IIA Notes have been satisfied and the Bank has received a notice from DART to such effect, then the Bank shall promptly deliver a notice (a copy of which shall be delivered by the Bank to DART and each Dealer) to the Issuing and Paying Agent, rescinding such No-Issuance Instruction.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Agreement, extend the Commitment and make Advances, DART represents and warrants to the Bank on the Effective Date that:

Section 5.1. Due Existence. DART (i) is a regional transportation authority, public body corporate and politic, whose creation was confirmed at an election held on August 13, 1983, pursuant to the provisions and requirements of Chapter 452, Texas Transportation Code, as amended; and (ii) has the full legal right, power, and authority to (A) own its properties and to carry on its business as now being and hereafter proposed to be conducted, (B) execute and deliver this Agreement and the Related Documents, (C) perform all its obligations and liabilities under this Agreement and the Related Documents, (D) receive Loans, and otherwise incur Debt in accordance with this Agreement and the Fee Letter, and (E) levy the Sales Tax to pay the principal of and interest on the Series IIA Notes, all other outstanding bonds and notes of DAR and all of its obligations hereunder (including, without limitation, the obligation to repay all Loans, to pay all interest thereon, and to pay all fees and other amounts payable hereunder and under the Fee Letter).

Section 5.2. Authorization; No Conflict. The execution and delivery of this Agreement and the Fee Letter, the execution and delivery of the Bank Note, the authorization and issuance of the Series IIA Notes, the execution and delivery of the Note Agreements, the borrowings represented by the Loans hereunder and the performance by DART of its obligations under this Agreement, the Bank Note and the Note Agreements, are within DART's powers, have been duly authorized by all necessary governmental action, have received all necessary approval (if any shall be required), and do not and will not contravene or conflict with any provision of law (including the Constitution of the State of Texas) or of any agreement binding upon DART.

Section 5.3. Valid and Binding Nature. This Agreement, the Fee Letter, the Bank Note, the Note Agreements and the other Related Documents are, and the Series IIA Notes when issued will be, legal, valid, and binding obligations of DART enforceable against DART (assuming this Agreement and the Fee Letter are valid and binding agreements of the Bank) in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors rights and remedies generally.

Section 5.4. Litigation and Contingent Liabilities. Except as disclosed in the Offering Memorandum as in effect on the Effective Date, no litigation, arbitration proceedings, or governmental proceedings are pending or threatened against DART which question or seek to limit the right, power, or authority of DART to enter into this Agreement to issue the Bank Note, to issue the Series IIA Notes, to enter into the other Note Agreements or to perform any of its obligations under this Agreement, the Fee Letter, the Bank Note, the Note Agreements or the other Related Documents or that would, if adversely determined,

materially and adversely affect the financial condition of DART or its ability to perform its obligations hereunder or thereunder.

Section 5.5. Governmental Approvals. No approval, permit, consent or authorization of, or registration or filing with, any Governmental Authority or Person not already obtained or made (or will have been obtained on or prior to the Effective Date) is required on the part of DART in connection with the execution and delivery by DART or the performance of any of its obligations under this Agreement, the Fee Letter, the Bank Note, any Note Agreement or any other Related Document.

Section 5.6. Financial Statements. The audited financial statements of DART for the fiscal year ended September 30, 2017, and the auditors' reports with respect thereto, copies of which have been furnished to the Bank, correctly and fairly present the financial position, changes in financial position and the results of operations of DART at and for the periods ended on such dates, and were prepared in accordance with GAAP. Since September 30, 2017, there has been no Material Adverse Change in such financial condition.

Section 5.7. No Default. DART is not in default under (a) any order, writ, injunction or decree of any Governmental Authority applicable to it, (b) any law applicable to it, (c) any Parity and Senior Debt or other obligations payable from or secured by the Collateral, or (d) any contract, agreement or instrument to which DART is a party or by which it or its property is bound, which default would have a Material Adverse Effect on the properties, business, condition (financial or other), results of operations or prospects of DART or the transactions contemplated by this Agreement, the Bank Note, the Fee Letter, the Note Documents or any other Related Document, or which could reasonably be expected to have a Material Adverse Effect on the validity or enforceability of, or the authority or ability of DART to perform its obligations under, this Agreement, the Bank Note, the Fee Letter or any other Related Document to which it is a party; and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default. No Default or Event of Default has occurred or is existing hereunder.

Section 5.8. Full Disclosure. None of the representations or warranties made by DART in this Agreement as of the date such representations and warranties are made or deemed made, and none of the statements contained in each exhibit or any certificate furnished by or on behalf of DART contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading.

Section 5.9. Collateral. The provisions of the Resolution and this Agreement are effective to create in favor of the Bank a legal, valid, and enforceable pledge of all of DART's right, title, and interest in the Collateral. The Resolution and this Agreement shall constitute a valid and enforceable pledge of all right, title and interest of DART in, and all rights of DART to receive, any and all of the Collateral, subject only to the pledge of the Collateral to secure the Senior Lien Obligations and a parity pledge and lien to secure the Series IIA Notes, the Series IIB Notes, the Loans, the Loan Note and other Senior Subordinate Lien Obligations. All documents or instruments required to be filed or recorded in any public

office, and all notifications required to be given to any Person, in order to provide notice of such pledge to present and future creditors and otherwise protect and perfect the pledge in favor of the owners of the Series IIA Notes and the Bank, have been filed, recorded or given, as the case may be.

Section 5.10. Limited Obligation. All obligations in respect of principal of, and interest on, the Series IIA Notes and all Obligations hereunder (including, without limitation, the obligation to repay all Loans, to pay all interest thereon, and to pay all fees and other amounts payable hereunder) constitute limited obligations of DART payable from the Collateral as set forth in Section 2.3 of the Master Debt Resolution, Section 2.11 of the Seventeenth Supplement, and this Agreement.

Section 5.11. Status. Except for the Senior Lien Obligations, the Series IIA Notes, the Bank Note, the Series IIB Notes, the Loan Note and all other Senior Subordinate Lien Obligations, there are no obligations of DART that are entitled to the benefit of any portion of the Pledged Revenues on a parity with or senior to the benefit of the Pledged Revenues conferred by the Resolution for the benefit of the Series IIA Notes, the Series IIB Notes, the Bank Note, the Loan Note and the Obligations of DART under this Agreement.

Section 5.12. Margin Stock. No portion of the proceeds of any Loans shall be used by DART (or the Issuing and Paying Agent or any other Person on behalf of DART) for the purpose of “purchasing” or “carrying” any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation U of the Board of Governors of the Federal Reserve System or any other regulation of the Board or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Advances and such use of proceeds.

Section 5.13. Tax-Exempt Status. DART has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other person or entity, which action, if taken or omitted, would cause interest on the Series IIA Notes to be subject to federal income taxes or such Series IIA Notes to be subject to local personal property taxes within DART’s service area levied by it or any political subdivision thereof.

Section 5.14. Permitted Investments. DART has neither made any investment nor entered into any agreements for the purpose of effecting any investment which are not permitted to be made by it pursuant to its Investment Policy, the Seventeenth Supplement or any other Related Document.

Section 5.15. No Proposed Legal Changes. There is no amendment or, to the knowledge of DART, proposed amendment certified for placement on a ballot within the State of Texas, or any legislation that has passed either house of the State of Texas Legislature, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect (i) the Series IIA Notes, or any holder thereof in its capacity as such, (ii) the execution and delivery of this Agreement, the Bank Note, the Fee Letter or any of the other Related Documents to which DART is a party, (iii) the adoption of the Master Debt Resolution or the Seventeenth Supplement, (iv) the creation, organization

or existence of DART or the titles to office of any officers thereof, or (v) the power of DART to perform its obligations under this Agreement, the Bank Note, the Fee Letter or any of the other Related Documents to which DART is a party.

Section 5.16. Related Documents. DART makes each of the representations, warranties and covenants contained in the Related Documents to which it is a party to, and for the benefit of, the Bank as if the same were set forth at length herein together with all applicable definitions thereto. Except to the extent expressly permitted by Section 6.15 hereof, no amendment, modification, termination or replacement of any such representations, warranties, covenants and definitions contained in the Related Documents shall be effective to amend, modify, terminate or replace the representations, warranties, covenants and definitions incorporated herein by this reference, without the prior written consent of the Bank.

Section 5.17. OFAC. Neither DART, nor, to the knowledge of DART, any Related Party, (a) is currently the subject of any Sanctions, (b) is located, organized or residing in any Designated Jurisdiction, or (c) is or has been (within the previous five (5) years) engaged in any transaction with any Person who is now or was then the subject of Sanctions or who is located, organized or residing in any Designated Jurisdiction. Neither DART nor, to the knowledge of DART, any Related Party, have used the proceeds from the Series IIA Notes or any Loans, directly or indirectly, to lend, contribute, provide or otherwise be made available to fund any activity or business in any Designated Jurisdiction or to fund any activity or business of any Person located, organized or residing in any Designated Jurisdiction or who is the subject of any Sanctions, or in any other manner that will result in any violation by any Person (including the Bank) of Sanctions.

Section 5.18. Mandamus. The duties and obligations of DART under this Agreement that are clearly defined and non-discretionary and for which there is no other remedy available at law are enforceable by mandamus in any court of competent jurisdiction.

Section 5.19. ERISA. DART is not required to maintain or contribute to, does not maintain or contribute to, and has not maintained or contributed to, any employee pension benefit plan that is subject to Title IV of ERISA.

ARTICLE VI

COVENANTS

From the Effective Date and so long as the Bank is obligated to make Advances hereunder and under the Bank Note and until the payment in full of all of the obligations of DART under this Agreement and the Bank Note, DART shall (unless the Bank otherwise consents in writing):

Section 6.1. Reporting Requirements. DART will deliver to the Bank:

(a) as soon as available and in any event within ninety (90) days after the end of each fiscal quarter of DART for the fiscal periods ended December 31, March 31 and June 30, the Quarterly Disclosure Updates of DART for the respective fiscal period, whether or not such posted on DART's website, setting forth in each case in comparative form the figures for the corresponding fiscal period of the previous Fiscal Year and the corresponding portion of the previous Fiscal Year and the budget for the corresponding fiscal period of the Fiscal Year, all in reasonable detail, subject only to normal year-end audit adjustments and the absence of footnotes, in each case in form and substance satisfactory to the Bank;

(b) as soon as available and in any event within two hundred seventy (270) days after the end of each Fiscal Year of DART, audited financial statements of DART for such Fiscal Year, prepared in accordance with generally accepted accounting principles applicable to political subdivisions such as DART, consistently applied and audited and certified by independent certified public accountants of recognized standing (such certification shall not be qualified or limited), including a balance sheet of DART as of the end of such Fiscal Year and related statements of revenues, expenses, and changes in retained earnings and cash flows for the Fiscal Year ended setting forth in each case in comparative form the figures from the previous Fiscal Year and from the budget for such Fiscal Year;

(c) concurrently with the delivery of the financial statements referred to in Section 6.1(b) above, a certificate of an Authorized Officer stating that, to the best of such officer's knowledge, DART, during such period, has observed and performed all of its covenants and other agreements, and satisfied every condition contained in this Agreement to be observed, performed or satisfied by it, and that such officer has obtained no knowledge of any Default or Event of Default except as specified (by applicable Section reference) in such certificate;

(d) promptly upon the availability thereof, a copy of any official statement, offering memorandum or other disclosure documents relating to the offering of any Parity and Senior Debt;

(e) as soon as available, but not later than ninety (90) days after adoption by DART, DART's budget and a copy of the capital budget, and any amendments thereto;

(f) such other statements, lists of property and accounts, budgets, forecasts or reports with respect to DART as the Bank may reasonably request; and

(g) from time to time such additional information regarding the financial position, operations, business or prospects of DART as the Bank may reasonably request.

As and to the extent the information required by this Section 6.1 has been properly and timely filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System, DART will be deemed to have complied with the provisions of this Section.

Section 6.2. Accounting Records. DART shall maintain adequate books, accounts and records and permit employees or agents of the Bank at any reasonable time to examine or audit the books, accounts and records of DART and make copies and memoranda.

Section 6.3. Note Payment Fund. (a) DART will create and establish with the Issuing and Paying Agent a separate and special account to be designated as the "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Series II Note Payment Fund" (the "*Note Payment Fund*"). Within the Note Payment Fund shall be established separate accounts relating to each of the Series IIA Notes and the Series IIB Notes, to be designated "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Note Payment Account," as further designated by series (each a "*Note Payment Account*"), and each such Note Payment Account shall contain the following accounts: (i) Interest Payment Account; and (ii) Principal Payment Account (which may contain within it one or more subaccounts for the Term Loans). Moneys on deposit in the Note Payment Fund shall be used to pay principal of and interest on Series IIA Notes and the Bank Note as the same shall become due and payable as provided herein and in the Seventeenth Supplement and to repay any borrowings or other amounts payable pursuant to this Agreement and under the Fee Letter.

(b) All proceeds of borrowings under this Agreement, all proceeds received by DART with respect to any Series IIA Notes and Refunding Notes, and all other available funds of DART that DART may elect at its sole option to deposit therein, shall be deposited into the Note Payment Fund and used to pay the principal of and interest on the Series IIA Notes and the Bank Note.

(c) Moneys deposited in said Note Payment Fund may be invested by the Issuing and Paying Agent at the direction of DART in investments as are permitted by the laws of the State of Texas and are within DART's Investment Policy; *provided, however*, that such investment does not inhibit the punctual payment of the principal and interest on the Series IIA Notes and the Bank Note; and *provided, further*, that no funds derived from Advances made pursuant to this Agreement may be invested by or on behalf of DART and all said funds shall be held segregated from all other accounts and funds of the Issuing and Paying Agent.

Section 6.4. Collateral. DART shall at all times keep the Collateral and every part thereof free and clear of all pledges, liens and security interests except the pledges and liens granted in or permitted by the Resolution or permitted under the Related Documents and shall maintain the pledge of and lien on the Collateral in favor of the Bank as a pledge of and lien on all right, title and interest of DART in the Collateral and all rights of DART to receive any and all of the Collateral, subject only to the rights of the owners of Senior Lien

Obligations and the parity pledge and lien to secure the Series IIA Notes, the Series IIB Notes, the Bank Note, the Loan Note and any other Senior Subordinate Lien Obligations.

Section 6.5. Voluntary Liens. DART shall not create or assume any Lien on any part of the Collateral now owned or hereafter acquired by it, except the Liens created for the benefit of the owners of the Series IIA Notes, the Series IIB Notes, the Bank Note, the Loan Note, other obligations under this Agreement, the Senior Lien Obligations, the Junior Subordinate Lien Obligations or other Senior Subordinate Lien Obligations.

Section 6.6. Covenants Incorporated by Reference. (i) DART agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Resolution, including, without limitation, Sections 3.2 and 3.3 of the Master Debt Resolution, all of which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable against DART. To the extent that any such incorporated provision permits DART or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to DART or any other party, for purposes of this Agreement, such provision shall be complied with unless it is specifically waived by the Bank in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank which shall only be evidenced by the written approval by the Bank of the same. Except as permitted by Section 6.15 hereof, no termination or amendment to such covenants and agreements or defined terms or release of DART with respect thereto made pursuant to the Resolution, shall be effective to terminate or amend such covenants and agreements and defined terms or release DART with respect thereto in each case as incorporated by reference herein without the prior written consent of the Bank. Notwithstanding any termination or expiration of any provision of the Resolution, DART shall continue to observe the covenants therein contained for the benefit of the Bank until the termination of this Agreement and the payment in full of the Bank Note and all other obligations hereunder. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

(ii) Notwithstanding anything in the Master Debt Resolution to the contrary, for purposes of determining “Debt Service” as referenced in Sections 3.2(b) and 3.3(b) of the Master Debt Resolution, as well as in connection with DART’s obligations under Section 6.29 hereof, the maximum principal amount of Obligations authorized to be issued or that are or could be at any time Outstanding, regardless of the principal amount at any time Outstanding or whether such Obligations are Interim Obligations, shall be included in such determination.

Section 6.7. Punctual Payment. DART will punctually pay or cause to be paid (i) the principal and interest due on the Series IIA Notes and the Bank Note and (ii) the fees owed to the Bank under this Agreement and under the Fee Letter, in strict conformity with the

terms hereof, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement.

Section 6.8. Proceeds of Series IIA Notes. The proceeds of the Series IIA Notes will be used by DART solely for the purposes described in the Resolution and not in contravention of applicable law. The proceeds of the Advances will be applied by DART only to pay the principal of and interest on the Series IIA Notes at stated maturity during the Revolving Credit Period.

Section 6.9. Other Documents. DART shall not enter into any agreement containing any provision which would be violated or breached by the performance by DART of its obligations hereunder or under the Related Documents. In the event that DART shall enter into, or otherwise consent to any amendment, supplement or other modification of, any credit agreement, standby bond purchase agreement, reimbursement agreement or other agreement or instrument relating to Senior Subordinate Lien Obligations (each a “*Bank Agreement*”) under which, directly or indirectly, any Person or Persons undertake to make or provide funds to make payment of, or to purchase or provide credit enhancement for Senior Subordinate Lien Obligations and which includes financial covenants not included in this Agreement, any other more favorable terms (including, without limitation, events of default and remedies, but subject to any applicable cure periods related thereto) granted to any such Person or Persons, or covenants that are more restrictive as to DART (excluding any additional or more restrictive (i) events of default under any agreement the remedy for which is an immediate termination or suspension of the obligations of the related liquidity provider and (ii) conditions to funding thereunder) than those contained in this Agreement, this Agreement shall be deemed to be amended to include such additional or more restrictive terms (including, without limitation, events of default and remedies, but subject to any applicable cure periods related thereto) or covenants so long as such additional or more restrictive terms or covenants remain in effect under the other agreement or instrument. Notwithstanding anything to the contrary set forth in this Agreement, the obligations of the Bank hereunder may not be immediately terminated or suspended other than as a result of an Immediate Termination Event or a Suspension Event or in connection with a failure of the conditions to purchase (in each case, as such terms or provisions are defined or provided as of the Effective Date or as amended pursuant to any amendment hereto and, in connection with such amendment, (i) the then-current ratings on the Series IIA Notes have been confirmed by each Rating Agency then rating the Series IIA Notes and (ii) such amendments will not go into effect until the date which is no earlier than the latest maturity date of any outstanding Series IIA Notes determined as of the latest date the terms of such more restrictive rights or remedies (x) are posted on EMMA as a material event, (y) are provided in a written notice to the holders of the Series IIA Notes through DTC or (x) the Offering Memorandum for the Series IIA Notes shall have been updated to describe such changes and the effective date after which any Series IIA Notes issued will be subject to those terms).

Section 6.10. Notices to Rating Agencies. DART will notify the Rating Agencies in a timely manner of any matter with respect to which DART has separately agreed with any of the Rating Agencies to provide such notice, and DART shall promptly provide the Bank with a copy of such notice.

Section 6.11. Performance by DART. DART shall punctually pay or cause to be paid all amounts payable under this Agreement, the Bank Note, the Fee Letter and the other Related Documents and observe and perform all of the conditions, covenants and requirements of this Agreement, the Bank Note, the Fee Letter and the other Related Documents. In addition, DART covenants that it will comply with the requirements of all applicable law of any Governmental Authority having jurisdiction over DART, non-compliance with which could reasonably be expected to have a Material Adverse Effect on its ability to perform its obligations under this Agreement, the Bank Note, the Fee Letter or the other Related Documents to which it is a party, unless the same is being contested in good faith and by appropriate proceedings and such contest shall operate to stay the Material Adverse Effect of any such non-compliance. DART will perform all of its obligations under each of the Note Agreements.

Section 6.12. Notice of Certain Events. DART will:

(a) Promptly, and in any event within five (5) Business Days of DART becoming aware thereof, notify the Bank in writing of the occurrence of any Default or Event of Default, describing the nature thereof and the action DART proposes to take with respect thereto.

(b) Promptly, and in any event within fifteen (15) Business Days of DART becoming aware thereof, notify the Bank in writing of any litigation or administrative proceedings against DART of which DART has received actual notice and in which there is a reasonable possibility of an adverse determination and which could reasonably be expected to have a Material Adverse Effect on (A) the financial condition of DART or (B) DART's ability to perform its obligations under this Agreement, the Bank Note, any Note Agreement or any other Related Document.

(c) Promptly notify the Bank in writing of any amendment to the Act or any governing instruments of DART, which would have a material adverse effect on DART, the Series IIA Notes, this Agreement, the Pledged Revenues, the Sales Tax or the rights of the Bank hereunder or under the Bank Note.

(d) Promptly, and in any event at least ten (10) Business Days prior to the effective date thereof, notify the Bank in writing of any proposed amendment, modification or supplement to the Master Resolution or the Seventeenth Supplement.

Section 6.13. Maintenance of Issuing and Paying Agent and Dealer. DART will maintain in place an Issuing and Paying Agent under the Issuing and Paying Agency Agreement and a Dealer for the Series IIA Notes, and obtain the prior written consent of the Bank (which consent shall not be unreasonably withheld) to any change in the Persons acting as Issuing and Paying Agent or Dealer. If a Dealer fails to perform its duties under the Dealer Agreements (including, without limitation, an inability or failure to sell Series IIA Notes to pay maturing Series IIA Notes), then DART agrees at the written request of the Bank, to cause the Dealer to be replaced with a Dealer satisfactory to the Bank.

Section 6.14. No Conflicting Agreements. DART will not enter into any agreement containing any provision which would be violated or breached by the performance of its obligations hereunder, under the Bank Note, under the Note Agreements or under any other Related Document.

Section 6.15. Amendments to Related Documents. DART will not amend or modify any provision of, or give any consent or grant any waiver under, any Related Document without first obtaining the Bank's written consent.

Section 6.16. Total Outstanding. At no time shall DART permit (i) the aggregate principal amount of outstanding Series IIA Notes plus the amount of interest to accrue thereon to maturity to exceed the Available Commitment; and (ii) the sum of (x) the aggregate principal amount of the Series IIA Notes and the Series IIB Notes Outstanding and all interest to accrue on the Series IIA Notes and Series IIB Notes through the maturity dates thereof, and (y) the aggregate principal amount of all outstanding and unpaid Advances, Term Loans and the "Term Loan" as defined in the JPMorgan Note Purchase Agreement, to exceed the Commitment.

Section 6.17. Tax Exemption. DART will not take any action, or omit to take any action, under present or future laws, rules, regulations, or official interpretations thereof which, if omitted or taken, would cause interest on the Series IIA Notes to be includable in the gross income of the owners thereof for federal tax purposes.

Section 6.18. Offering Memorandum. Other than as expressly consented to in writing by the Bank, DART will not refer to the Bank in any offering or reoffering document with respect to the Series IIA Notes or make any changes in reference to the Bank in any revision of the Offering Memorandum or any such offering or reoffering document without the Bank's prior written consent thereto.

Section 6.19. Further Assurance. DART will execute and deliver to the Bank all such documents and instruments as may be necessary or reasonably required by the Bank to enable the Bank to exercise and enforce its rights under this Agreement, the Bank Note, the Note Agreements and any other Related Document.

Section 6.20. Ratings. DART shall at all times maintain (i) a credit rating on the Series IIA Notes from both Rating Agencies, and (ii) a long-term unenhanced credit rating on its Senior Lien Obligations from at least one Rating Agency. DART covenants and agrees that it shall not at any time withdraw any long-term unenhanced credit rating on its Senior Lien Obligations from any of Moody's or S&P if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement or reduce the Commitment Fee.

Section 6.21. Investments Guidelines. DART will:

- (a) Promptly notify the Bank in writing of any changes proposed to DART's written investment policies or guidelines (the "*Investment Policy*"), a copy of which has been delivered by DART to the Bank prior to the Effective Date, if the

proposed change would increase the types of investments permitted by such Investment Policy.

(b) Promptly notify the Bank in writing, after the adoption thereof by DART, of any change in the Investment Policy, which change increases the types of investments permitted by the Investment Policy and of which change the Bank was not previously notified pursuant to clause (a) above.

Section 6.22. Reserved.

Section 6.23. Substitution. (a) DART will not provide an Alternate Facility unless (i) DART shall have given the Bank at least sixty (60) days' prior written notice thereof, (ii) this Agreement shall have been returned to the Bank for cancellation no later than one (1) Business Day after the effective date of such Alternate Facility and (iii) all obligations of DART hereunder, under the Fee Letter and under the Bank Note shall have been paid in full.

(b) DART shall obtain an Alternate Facility to replace this Agreement (and, prior to the effectiveness thereof, shall make arrangements reasonably satisfactory to the Bank for the payment in full of all obligations of DART hereunder, under the Fee Letter and under the Bank Note) not more than ninety (90) days after an extension of the Expiration Date is not effected pursuant to Section 2.10 hereof. DART covenants and agrees to cause the repayment of all obligations of DART hereunder, under the Fee Letter and under the Bank Note as and when due.

Section 6.24. Fiscal Year. DART will not adopt, permit or consent to any change in its established Fiscal Year without giving the Bank written notice thereof.

Section 6.25. Swap Contracts. DART shall at all times require that any termination fees or settlement amounts payable in connection with any Swap Contract entered into by DART on or after the Effective Date shall be subordinate to the payment of principal of, and interest on, the Series IIA Notes, the Bank Note, the Series IIB Notes and any other Obligation due hereunder; *provided, however*, that the foregoing shall not operate to prevent amendments and supplements to Swap Contracts entered into prior to the date hereof as long as such amendments or supplements do not operate to modify the priority of payment of any related termination fees or settlement amounts. DART shall not agree to provide any collateral to support the obligations of DART under any Swap Contract entered into after the Effective Date other than as a Lien on Pledged Revenues that ranks as a Junior Subordinate Lien Obligations under the Master Debt Resolution.

Section 6.26. Provisions to Facilitate Payments. DART shall cause to be included in each annual budget of DART reasonable provisions for the payment of all amounts due and estimated to become due with respect to the Series IIA Notes and obligations payable to the Bank under this Agreement, the Fee Letter, the Bank Note and the other Related Documents during the fiscal year covered by such budget. To the extent that amounts actually due and payable to the Bank under this Agreement, the Fee Letter, the Bank Note and the other Related Documents in any fiscal year exceed the amounts estimated and/or available

therefrom in an annual budget of DART for such fiscal year, DART shall take, or cause to be taken, as promptly as possible, all such actions (including, without limitation, amendments of such annual budget) as may be required to permit and facilitate the expenditure of additional moneys from all sources legally available for the payment of such amounts.

Section 6.27. Waiver of Sovereign Immunity. To the extent allowed by Texas law, including particularly Chapter 1371, Texas Government Code, DART waives immunity from suit or liability for the purpose of adjudicating a claim to enforce DART's contractual obligations under this Agreement and the Bank Notes.

Section 6.28. JPMorgan Note Purchase Agreement. DART shall cause the JPMorgan Note Purchase Agreement to remain in full force and effect at all times during the term of this Agreement (except to the extent terminated by the Bank).

Section 6.29. Capacity. DART shall at all times maintain the ability under Section 3.2 of the Master Debt Resolution to issue Senior Lien Obligations in an aggregate principal amount not less than the maximum authorized principal amount of all Interim Obligations, whether or not Outstanding. Prior to the issuance of any Additional Senior Lien Obligations pursuant to Section 3.2 of the Master Debt Resolution, DART shall deliver a certificate demonstrating DART's ability to satisfy the requirements of this Section 6.29 immediately following the issuance of such Obligations.

Section 6.30. No Grant of Acceleration. DART shall not grant the remedy of acceleration to any Holder (as defined in the Master Debt Resolution) of Obligations (as defined in the Master Debt Resolution) unless such remedy shall be expressly granted to the Bank hereunder.

Section 6.31. Reserved.

Section 6.32. Consolidation, Merger, etc. DART shall not dissolve or otherwise dispose of all or substantially all of the assets of DART or consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into DART; *provided, however,* that DART may consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into DART if each of the following conditions shall have been fulfilled: (i) such merger or consolidation shall be with or into another governmental entity which shall assume in writing, satisfactory in form and substance to the Bank, or by operation of law the due and punctual performance and observance of all of the covenants, agreements and conditions of this Agreement and the other Related Documents; (ii) such merger or consolidation shall not adversely affect or impair to any extent or in any manner (a) the Collateral, (b) the availability of the Collateral for the payment and security of the Series IIA Notes and the obligations of DART under this Agreement and under the Bank Note; (iii) such merger or consolidation (as evidenced by, among other things, pro forma financial statements and projections) will not result in a Material Adverse Effect; and (iv) DART shall have given the Bank not less than sixty (60) days' prior notice of such disposition, merger or consolidation and furnished to the Bank

all such information concerning such disposition, merger or consolidation as shall have been reasonably requested by the Bank.

Section 6.33. No Different or More Restrictive Immediate Termination Events or Suspension Events. DART shall not, directly or indirectly, enter into or otherwise consent to any Bank Agreement relating to Senior Lien Obligations or Senior Subordinate Lien Obligations, which such Bank Agreement provides the counterparty thereto with additional or more restrictive events of default the remedy for which is in an immediate termination or suspension of the obligations of the related provider than are provided to the Lender in this Agreement without the prior written consent of the Lender.

ARTICLE VII

EVENTS OF DEFAULT

The occurrence of any event set forth in Section 7.1 or Section 7.3 shall constitute an event of default hereunder (each, an “*Event of Default*”).

Section 7.1. Events of Default Not Permitting Immediate Termination.

(a) DART fails to pay any fees, expenses or other amounts (other than an Advance or a Term Loan covered by Section 7.3(a)) payable hereunder or under the Fee Letter within five (5) days after receipt of an invoice therefor; or

(b) A breach or failure of performance by DART of any covenant contained in Section 6.5, 6.6, 6.7, 6.8, 6.12, 6.16, 6.17, 6.18, 6.20, 6.22, 6.31, 6.32 or 6.33 hereof; or

(c) A breach or failure of performance by DART of any covenant, condition, or agreement on its part to be observed or performed contained herein (other than a breach or failure covered by another paragraph in this Section 7.1 or Section 7.3) and any such breach or failure (if capable of remedy) continues for a period of thirty (30) days after notice thereof from the Bank to DART; *provided, however,* that if such default cannot be cured in such 30-day period, but can reasonably be cured within ninety (90) days after such notice and DART is diligently working to cure the same, then such default shall not become an Event of Default until ninety (90) days after such notice; or

(d) Any of DART’s representations or warranties made or deemed made herein or in any statement or certificate at any time given pursuant hereto or in connection herewith proves at any time to have been false or misleading in any material respect when made and any such false or misleading statement or certificate (if capable of remedy) continues for a period of sixty (60) days after notice thereof from the Bank to DART; or

(e) Entry or filing of any judgment, order, writ or warrant of attachment in an amount in excess of \$10,000,000 against DART or against any of its property and failure of DART to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of sixty (60) days or a failure to pay or satisfy such judgment within sixty (60) days or as otherwise required by such judgment, writ or warrant of attachment; or

(f) DART shall fail to pay when due and payable (i) any principal of or interest on any Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt (including, in each case, without limitation, any principal or sinking fund installments), and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning the Senior Lien Obligations, the Senior Subordinate Lien Obligations or any other Parity and Senior Debt; or any failure to pay principal or interest on any Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt under any indenture, contract or instrument providing for the creation of or concerning such Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure to pay principal or interest on any Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt is to accelerate, or to permit the acceleration of, the maturity of such Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt or (ii) any principal of or interest on any other Debt of DART having a principal amount in excess of \$5,000,000 and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation thereof or any other default under any indenture, contract or instrument providing for the creation of or concerning such other Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such other debt, in each case for a reason other than as described in another paragraph of this Section 7.1 or Section 7.3; or

(g) The rating (without regard to credit enhancement) assigned to any of the long-term Senior Lien Obligations or, if at any time any Rating Agency provides a long-term rating (without regard to credit enhancement) thereon, any Senior Subordinate Lien Obligations, by Moody's or S&P shall be withdrawn, suspended or reduced below "Baa3" by Moody's or "BBB-" by S&P (in each case to the extent such Rating Agency then maintains a rating on the long-term Senior Lien Obligations or the long-term Senior Subordinate Lien Obligations), unless such Rating Agency states, in the case of a withdrawal or suspension, that such withdrawal or suspension is for reasons that are not credit-related; or

(h) DART fails to pay when due and payable, after giving effect to any applicable grace period, the principal on the Series IIA Notes (other than the principal on the Series IIA Notes for which an Advance has been requested); or

(i) An “event of default” under the JPMorgan Note Purchase Agreement or any Related Document shall have occurred; or

(j) (i) an authorized officer of DART publicly contests in an administrative or judicial proceeding, repudiates or otherwise publicly denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) that it has any further liability or obligation under or with respect to any provision of this Agreement, the Series IIA Notes, the Bank Note, any Parity and Senior Debt, the Act, the Seventeenth Supplement, the Issuing and Paying Agency Agreement or any other Related Document relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIA Notes, any Parity and Senior Debt or the Bank Note, (y) the Pledged Revenues or (z) the pledge of and lien on the Collateral securing, in each case, the Series IIA Notes, the Bank Note or any Parity and Senior Debt of DART; or

(ii) an authorized officer of DART publicly contests in an administrative or judicial proceeding, repudiates or otherwise publicly denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) the legality, validity or enforceability of any provision of this Agreement, the Series IIA Notes, the Bank Note, any Parity and Senior Debt, the Act, the Seventeenth Supplement, the Issuing and Paying Agency Agreement or any other Related Document relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIA Notes, any Parity and Senior Debt or the Bank Note, (y) the Pledged Revenues or (z) the pledge of and lien on Collateral securing, in each case, the Series IIA Notes, the Bank Note or any Parity and Senior Debt of DART; or

(iii) an authorized officer of DART shall have taken or permitted to be taken any official action (including enactment of a statute or adoption of an ordinance) which would adversely affect the legality, validity or enforceability of any provision of this Agreement, the Series IIA Notes, the Bank Note, any Parity and Senior Debt, the Seventeenth Supplement, the Issuing and Paying Agency Agreement or any other Related Document relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIA Notes or the Bank Note, (y) the Pledged Revenues or (z) the pledge of and lien on Collateral securing, in each case, the Series IIA Notes, the Bank Note or any Parity and Senior Debt of DART; or

(k) An Incipient Invalidity Event shall have occurred.

Section 7.2. Actions Taken in Respect of Events of Default. Upon the occurrence and during the continuance of any Event of Default, the Bank may take one or more of the

following actions: (i) give a No-Issuance Instruction to DART and the Issuing and Paying Agent as provided in Section 4.4 hereof, (ii) by written notice delivered to DART and the Issuing and Paying Agent, (A) terminate the Commitment in whole (except for the obligation of the Bank, existing as of the time of the written notice to terminate the Commitment in whole, to make Advances to fund then outstanding Series IIA Notes) and (B) to the extent permitted by law and, to the extent provided for in Section 6.30 hereof, declare all amounts payable by DART to the Bank hereunder, under the Fee Letter and under the Bank Note, including, without limitation, all outstanding Advances and Term Loans, to be forthwith due and payable without presentment, demand, protest, all of which are expressly waived by DART; *provided, however*, that to the extent that the Bank pursues the rights granted to it under Section 7.2(ii)(B) above, DART shall pay to the Bank such amounts from any unrestricted funds legally available; *provided further, however*, that interest on any unpaid amounts during the continuance of an Event of Default shall bear interest at the Default Rate until such amounts are paid in full; or (iii) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable hereunder or under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of DART under the Related Documents, whether for specific performance of any agreement or covenant of DART or in aid of the execution of any power granted to the Bank herein or in the Related Documents.

Section 7.3. Immediate Termination Events. Each of the following Events of Default shall also constitute an “Immediate Termination Event” under this Agreement:

(a) DART fails to pay any amount of the principal of or interest on any Advance or Term Loan when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) other than payments on any Advance or Term Loan due solely as a result of any acceleration that may be permitted pursuant to Section 6.30 hereof and caused by the Bank pursuant to Section 7.2 hereof; or

(b) DART (i) applies for or consents to the appointment of or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or of a substantial part of its property or assets, (ii) admits in writing its inability, or is generally unable, to pay its Parity and Senior Debt as such Debt becomes due, (iii) makes a general assignment for the benefit of creditors or declares a moratorium with respect to its Parity and Senior Debt, (iv) commences a voluntary case under the Bankruptcy Code, (v) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, liquidation, winding-up, or composition or adjustment of Parity and Senior Debts, or (vi) acquiesces in writing to, or fails to controvert in a timely and appropriate manner, any petition filed against it in an involuntary case filed under the Bankruptcy Code (as now or hereafter in effect) seeking liquidation or reorganization with respect to a substantial part of its assets, and such case or proceeding is not stayed, discharged or dismissed within sixty (60) days of the filing of such petition; or

(c) (i) Without the application or consent of DART, a case or other proceeding is commenced in any court of competent jurisdiction seeking (y) the reorganization, dissolution, winding-up, liquidation, or composition or readjustment of Parity and Senior Debt of DART or (z) the appointment of a trustee, receiver, custodian, liquidator or the like of DART or any substantial part of the assets thereof and such case or proceeding continues undismissed, or an order, judgment or decree approving or ordering any of the foregoing is entered and continues unstayed and in effect, in either case, for a period of sixty (60) consecutive days, or (ii) an order for relief in respect of DART is entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or

(d) (i) DART shall impose, declare or announce (whether or not in writing) a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any Specified Debt (including, without limitation, the Series IIA Notes, the Bank Note or the Loans) or (ii) any Governmental Authority having appropriate jurisdiction over DART shall impose, declare or announce (whether or not in writing) as a result of a finding, ruling or other determination or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on (A) the Series IIA Notes, the Loans or the Bank Note, (B) all of DART's Parity and Senior Debt, or (C) all of DART's Debt; or

(e) The rating (without regard to credit enhancement) assigned to any of the long-term Senior Lien Obligations by Moody's and S&P shall be withdrawn, suspended or reduced below "Baa3" by Moody's and "BBB-" by S&P (in each case to the extent such Rating Agency then maintains a rating on the long-term Senior Lien Obligations), for credit related reasons; or

(f) One or more final unappealable judgments or orders, issued or rendered by a Governmental Authority of competent jurisdiction, for the payment of money in excess of \$10,000,000, individually or in the aggregate, shall be issued or rendered against DART, and such judgment or order shall continue unsatisfied, unbonded, undismissed and unstayed for a period of sixty (60) days; or

(g) DART shall fail to pay when due any principal of or interest on any Specified Debt (including, in each case, without limitation, any principal or sinking fund installments, but excluding, in each case, (i) payments due on Specified Debt owing to a liquidity provider under a liquidity facility solely as a result of acceleration caused by such liquidity provider with respect to such Specified Debt and (ii) any Specified Debt which is in the form of commercial paper notes which are supported as to the payment of principal and/or interest thereof by a credit enhancement or liquidity facility if such failure to make such payment is due solely to the failure of the related credit enhancement or liquidity facility provider to make such payment), and such failure shall continue beyond any applicable period of grace specified in any

underlying indenture, contract or instrument providing for the creation of or concerning such Specified Debt; or

(h) Any provision of this Agreement, the Series IIA Notes, the Bank Note, the Act, the Master Debt Resolution, the Seventeenth Supplement or the Issuing and Paying Agency Agreement relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIA Notes or the Bank Note (including the Loans evidenced thereby), (y) the Pledged Revenue or (z) the pledge of and lien on the Collateral securing the Series IIA Notes and the Bank Note shall at any time, and for any reason, cease to be valid and binding on DART, or shall be declared to be null and void, invalid or unenforceable as determined by any Governmental Authority of competent jurisdiction in a final nonappealable judgment or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over DART; or

(i) An Invalidity Event shall have occurred.

Section 7.4. Actions Taken in Respect of Immediate Termination Events and Suspension Events; Other Remedies Related Thereto.

(a) *Immediate Termination Events.* Upon the occurrence and continuance of an Immediate Termination Event, the Commitment shall immediately and automatically terminate, without notice from the Bank and, thereafter, the Bank shall be under no obligation to make Loans hereunder; *provided*, that the Event of Default described in Section 7.3(a) will not qualify as an “Immediate Termination Event” hereunder if the failure to pay the principal of, or interest due on, the Bank Note is due solely to an acceleration of the Bank Note by the Bank for any reason other than nonpayment as described in Section 7.3(a) hereof. Promptly upon the occurrence of any such Immediate Termination Event, the Bank shall notify DART, the Issuing and Paying Agent and the Dealer of such termination and the effective date of such termination in writing by facsimile, promptly confirmed by regular mail; *provided*, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the automatic and immediate termination of the Commitment or its obligation to make Advances pursuant hereto.

(b) *Suspension Events.* In the case of a Default described in Section 7.3(c)(i), or in the case of an Event of Default described in Section 7.1(j) or Section 7.1(k) (each, a “*Suspension Event*”), the obligation of the Bank to make Advances under this Agreement shall be immediately suspended without notice or demand and, thereafter, the Bank shall be under no obligation to make Advances hereunder until the Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the Bank shall notify DART, the Issuing and Paying Agent and the Dealer of such suspension and the effective date of such suspension in writing by facsimile, and confirmed by telephone; *provided*, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Commitment or the suspension of its obligation to make Advances pursuant to this Agreement.

(i) In the event that a Default described in Section 7.3(c)(i) is cured prior to becoming an Event of Default (and thereby becoming an Immediate Termination Event), the Bank’s obligation to make Advances shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Commitment shall otherwise have been terminated, suspended or expired as provided in this Agreement).

(ii) Upon the occurrence of an Event of Default described in Section 7.1(j), if a Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of any document or provision described in Section 7.1(j) shall find or rule by entry of a final and nonappealable judgment that the material provision is legal, valid and binding on, or enforceable against, DART, then the Commitment and the obligations of the Bank under this Agreement shall, thereupon, be reinstated (unless the Commitment shall otherwise have been terminated, suspended or expired as provided in this Agreement). Notwithstanding the foregoing, if the suspension of the obligations of the Bank pursuant to any Event of Default described in Section 7.1(j) remains in effect and litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made pursuant to a final and nonappealable judgment, as the case may be, within one (1) year of the commencement of the action or proceeding giving rise to the Event of Default described in Section 7.1(j), then the Commitment and the obligation of the Bank to make Advances hereunder shall terminate without notice or demand and, thereafter, the Bank shall be under no obligation to make Advances.

(iii) Upon the occurrence of an Event of Default described in Section 7.1(k) hereof, the obligation of the Bank to make Loans hereunder shall be automatically and immediately suspended from the time of the occurrence of such Event of Default until a final, non-appealable judgment of a court having jurisdiction in the premises shall be entered declaring that (i) all contested provisions of the Act, the Master Debt Resolution and the Seventeenth Supplement that impact DART’s ability or obligation to levy the Sales Tax within DART’s boundaries or to collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or the Comptroller of Public Account’s ability or obligation to collect the Sales Tax or to pay the Sales Tax revenues to the Issuing and Paying Agent, (ii) all contested provisions of

any Payment and Collateral Obligation, any Series IIA Note, the Bank Note, any Loan and any provision of any Related Document related to the payment of principal and interest on any Series IIA Note, the Bank Note or any Loan, and/or (iii) the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes, the Bank Note and the Loans, as applicable, are upheld in their entirety. In the event such judgment is entered declaring that (x) all contested provisions of the Act, the Master Debt Resolution and the Seventeenth Supplement that impact DART's ability or obligation to levy the Sales Tax within DART's boundaries or to collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or the Comptroller of Public Account's ability or obligation to collect the Sales Tax or to pay the Sales Tax revenues to the Issuing and Paying Agent, (y) all contested provisions of any Payment and Collateral Obligation, any Series IIA Note, the Bank Note, any Loan and any provision of any Related Document related to the payment of principal and interest on any Series IIA Note, the Bank Note or any Loan, and/or (z) the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes, the Bank Note and the Loans, as applicable, are upheld in their entirety, the obligation of the Bank to make Loans hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless this Agreement shall have otherwise expired or terminated in accordance with the terms hereof or there has occurred an Immediate Termination Event) as if there had been no suspension. In the event (1) any provision of the Act, the Master Debt Resolution and the Seventeenth Supplement that impacts DART's ability or obligation to levy the Sales Tax within DART's boundaries or to collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or the Comptroller of Public Account's ability or obligation to collect the Sales Tax or to pay the Sales Tax revenues to the Issuing and Paying Agent, (2) any provision of any Payment and Collateral Obligation, any Series IIA Note, the Bank Note, any Loan and any provision of any Related Document related to the payment of principal and interest on any Series IIA Note, the Bank Note or any Loan, and/or (3) the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes, the Bank Note and the Loans, as applicable, is declared to be null and void or unenforceable, then the obligations of the Bank under this Agreement will terminate as set forth above. Notwithstanding the foregoing, if, upon the Final Date, litigation is still pending and a judgment regarding the validity and enforceability of (A) any provision of the Act, the Master Debt Resolution and the Seventeenth Supplement that impacts DART's ability or obligation to levy the Sales Tax within DART's boundaries or to collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or the Comptroller of Public Account's ability or obligation to collect the Sales Tax or to pay the Sales Tax revenues to the Issuing and Paying Agent, (B) any provision of any Payment and Collateral Obligation, any Series IIA Note, the Bank Note, any Loan and any provision of any Related Document related to the payment of principal and interest on any Series IIA Note, the Bank Note or any Loan, and/or (C) the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes, the Bank Note and the Loans, as is the subject of such Event of Default has not been

obtained, then the Commitment and the obligation of the Bank to make Loans hereunder shall at such time terminate without notice or demand.

(c) *Other Remedies.* For the avoidance of doubt, in addition to the remedies set forth in Sections 7.4(a) and 7.4(b) above, upon the occurrence of an Immediate Termination Event or if a Suspension Event has not been cured as required by Section 7.4(b) above thereby resulting in the termination of the Commitment and the obligation of the Bank to make Advances hereunder, the Bank may take one or more of those actions set forth in Section 7.2 above.

Section 7.5. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Bank shall be entitled to proceed to protect and enforce its rights by (i) way of mandamus to require DART to perform its obligations under this Agreement, or (ii) enforcement by writ of mandamus of any provision of the Master Debt Resolution, the Seventeenth Supplement and this Agreement in any court of competent jurisdiction.

Section 7.6. No Remedy Exclusive. The rights and remedies of the Bank under this Agreement shall be cumulative and not exclusive of any rights or remedies which it would otherwise have, and no failure or delay by the Bank in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

ARTICLE VIII

GENERAL

Section 8.1. Notices. All notices and other communications provided for hereunder shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier service), facsimile transmission, or regular mail, as follows:

(a) if to DART:

Dallas Area Rapid Transit
1401 Pacific Avenue
Dallas, Texas 75292
Attention: Chief Financial Officer
Telephone: (214) 749-3066
Fax: (214) 749-3657

(b) if to the Bank:

For general matters:

JPMorgan Chase Bank, National Association
383 Madison Avenue, 3rd Floor
New York, New York 10179
Mail Code NY1-M165
Attention: Public Finance, David Bayer
Telephone: (212) 270-4186
Telecopy: (917) 546-2657
E-Mail: David.m.bayer@jpmorgan.com

With respect to each Notice of Advance and a copy of each other Notice:

JPMorgan Chase Bank, National Association
JPM-Delaware Loan Operations
500 Stanton Christiana Road, NCC5, Floor 01
Newark, DE 19713-2107
Attention: Brandon T. Allen
Telephone: (302) 634-9588
E-Mail: 12012443628@tls.ldsprod.com

In each case, with a copy to:

E-mail: public.finance.notices@jpmorgan.com

(c) if to the Issuing and Paying Agent:

Zions Bancorporation, National Association
[_____]
[_____]
Attention: [_____]
Telephone: [_____]
Facsimile: [_____]
E-mail: [_____]

(d) if to the Dealers:

J.P. Morgan Securities LLC
383 Madison Avenue, Floor 3
New York, New York 10179
Attention: Peter McCarthy
E-Mail: Peter.McCarthy@jpmorgan.com

Loop Capital LLC

[_____]
[_____]
Attention: [_____]
Telephone: [_____]
Facsimile: [_____]
E-Mail: [_____]

or, as to each Person named above, at such other address as shall be designated by such Person in a written notice to the parties hereto. All such notices and communications shall, when delivered or sent by facsimile transmission or mailed, be effective when deposited with the courier, sent by facsimile transmission or mailed respectively, addressed as aforesaid, except that Requests for Advances submitted to the Bank shall not be effective until received by the Bank.

Section 8.2. Survival of Covenants; Successors and Assigns. (a) All covenants, agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Loan hereunder and shall continue in full force and effect so long as the Commitment is in effect and until all obligations of DART hereunder and under the Bank Note shall have been paid in full. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of DART which are contained in this Agreement and the Bank Note shall inure to the benefit of the successors and assigns of the Bank. DART may not transfer its rights or obligations under this Agreement and the Bank Note without the prior written consent of the Bank. The Bank may transfer some or all of its rights and obligations under this Agreement with the prior written consent of DART (which consent shall not be withheld unreasonably); provided that (i) any assignment of the Bank's obligation to make Advances hereunder shall require prior written confirmation from Moody's and S&P (in each case, to the extent such rating agency then provides a short-term rating on the Series IIA Notes) that such assignment shall not result in a reduction, suspension or withdrawal of such rating agency's respective short-term rating on the Series IIA Notes, and (ii) the Bank shall be responsible for all costs resulting from the transfer. This Agreement and the Bank Note are made solely for the benefit of DART and the Bank, and no other person or entity (including, without limitation, the Issuing and Paying Agent, the Dealer or any holder of Series IIA Notes) shall have any right, benefit or interest under or because of the existence of this Agreement and the Bank Note.

(b) Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a "Participant") a participation or participations in all or any part of the Bank's rights and benefits under this Agreement and the Bank Note on a participating basis but not as a party to this Agreement and the Bank Note (a "Participation"), without the consent of DART; provided that the Bank agrees to give DART notice of the grant of any Participation upon the effectiveness thereof. In the event of any such grant by the Bank of a Participation to a Participant, whether or not upon notice to DART, the Bank shall remain responsible for the performance of its obligations hereunder, and DART shall continue to deal solely and directly with the Bank in connection with the Bank's rights and

obligations under this Agreement and the Bank Note. DART agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement and the Bank Note as if such Participant were the Bank; *provided* that no Participant shall have the right to declare, or to take actions in response to, an Event of Default under Sections 7.1 or 7.3 hereof.

(c) The Bank may assign and pledge all or any portion of the obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operation Circular issued by such Federal Reserve Bank; *provided* that any payment in respect of such assigned obligations made by DART to the Bank in accordance with the terms of this Agreement shall satisfy DART's obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

Section 8.3. Unconditional Obligations. The obligations of DART under this Agreement, under the Fee Letter and the Bank Note shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of this Agreement and the Bank Note, under all circumstances whatsoever, including, without limitation, the following:

- (a) any lack of validity or enforceability of this Agreement, the Bank Note or, to the extent permitted by law, the Series IIA Notes or any other Related Document;
- (b) any amendment or waiver of or any consent to departure from the terms of all or any of the Related Documents to which the Bank has not consented in writing;
- (c) the existence of any claim, counterclaim, set-off, recoupment, defense, or other right which any Person may have at any time against the Bank, DART, the Issuing and Paying Agent, the Dealer, or any other Person, whether in connection with this Agreement, the Bank Note, the Note Agreements, any other Related Document or any other transaction;
- (d) any statement or any other document presented pursuant hereto proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; and
- (e) payment by the Bank of an Advance hereunder against presentation of a Notice of Advance which does not comply with the terms of this Agreement; *provided* that such payment shall not have constituted negligence of the Bank.

Section 8.4. Liability of Bank; Indemnification. (a) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE OF TEXAS, DART ASSUMES ALL RISKS OF THE ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT WITH RESPECT TO THE USE OF THE COMMITMENT AND THE ADVANCES MADE PURSUANT THERETO; *PROVIDED* THAT THIS ASSUMPTION WITH RESPECT TO THE BANK IS NOT

INTENDED TO AND SHALL NOT PRECLUDE DART FROM PURSUING SUCH RIGHT AND REMEDIES AS IT MAY HAVE AGAINST THE ISSUING AND PAYING AGENT UNDER ANY OTHER AGREEMENTS. NEITHER THE BANK NOR ITS OFFICERS OR DIRECTORS SHALL BE LIABLE OR RESPONSIBLE FOR (I) THE USE OF THE PROCEEDS OF THE LOANS OR THE TRANSACTIONS CONTEMPLATED HEREBY AND BY THE NOTE AGREEMENTS OR FOR ANY ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT OR THE DEALER, (II) THE VALIDITY, SUFFICIENCY, OR GENUINENESS OF ANY DOCUMENTS, EVEN IF SUCH DOCUMENTS SHALL, IN FACT, PROVE TO BE IN ANY OR ALL RESPECTS INVALID, FRAUDULENT, FORGED OR INSUFFICIENT, (III) PAYMENTS BY THE BANK AGAINST PRESENTATION OF DOCUMENTS WHICH DO NOT COMPLY WITH THE TERMS OF THIS AGREEMENT, OR (IV) ANY OTHER CIRCUMSTANCES WHATSOEVER IN MAKING OR FAILING TO MAKE PAYMENT HEREUNDER; *PROVIDED* THAT DART SHALL HAVE A CLAIM AGAINST THE BANK TO THE EXTENT OF ANY DIRECT, AS OPPOSED TO CONSEQUENTIAL DAMAGES, BUT ONLY TO THE EXTENT CAUSED BY THE WILLFUL FAILURE OR NEGLIGENCE OF THE BANK (AS DETERMINED BY A COURT OF COMPETENT JURISDICTION) IN FAILING TO MAKE AN ADVANCE REQUIRED TO BE MADE BY THE BANK HEREUNDER AFTER STRICT COMPLIANCE BY DART WITH ALL CONDITIONS PRECEDENT TO SUCH ADVANCE, UNLESS THE MAKING OF SUCH ADVANCE WAS NOT OTHERWISE PERMITTED BY LAW.

(b) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE OF TEXAS, DART HEREBY INDEMNIFIES AND HOLDS HARMLESS EACH INDEMNITEE FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, CONSEQUENTIAL DAMAGES, LIABILITIES, REASONABLE COSTS OR EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES (WHICH SHALL NOT INCLUDE SALARIES, FEES OR EXPENSES OF COUNSEL THAT IS AN EMPLOYEE OF THE BANK OR AN AFFILIATE OF THE BANK)) WHATSOEVER WHICH SUCH INDEMNITEE MAY INCUR (OR WHICH MAY BE CLAIMED AGAINST SUCH INDEMNITEE BY ANY PERSON WHATSOEVER) BY REASON OF OR IN CONNECTION WITH (I) THE EXECUTION OR DELIVERY OF THIS AGREEMENT, ANY OTHER RELATED DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, THE PERFORMANCE BY THE PARTIES HERETO OF THEIR RESPECTIVE OBLIGATIONS HEREUNDER OR THEREUNDER, THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, (II) ANY LOAN OR THE USE OR PROPOSED USE OF THE PROCEEDS THEREFROM, OR (III) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY, WHETHER BROUGHT BY A THIRD PARTY OR BY DART, AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO, IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE; *PROVIDED* THAT DART SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK OR ANY PARTICIPANT FOR ANY LOSSES, CLAIMS, DAMAGES, LIABILITIES, COSTS OR EXPENSES (OTHER THAN THOSE DESCRIBED IN CLAUSE (I)) TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY THE WILLFUL MISCONDUCT OR NEGLIGENCE OF THE BANK OR SUCH PARTICIPANT (AS DETERMINED BY A COURT OF COMPETENT JURISDICTION). THE PROVISIONS OF THIS SECTION 8.4(b) SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT.

Section 8.5. Expenses and Taxes. DART will promptly pay (i) the reasonable costs and expenses of the Bank in connection with the negotiation, preparation, execution, and delivery of this Agreement, the Fee Letter and any other documents which may be delivered in connection with this Agreement, plus the reasonable fees and disbursements of counsel to the Bank, (ii) the fees and disbursements of counsel to the Bank with respect to advising the Bank as to the rights and responsibilities under this Agreement after the occurrence of a

Default or an Event of Default (whether or not said Default or Event of Default has resulted in an Immediate Termination Event or a Suspension Event), and (iii) all costs and expenses, if any, in connection with the enforcement of this Agreement, the Fee Letter and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, DART shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Bank Note, the Note Agreements, the other Related Documents and any related documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition, DART agrees to pay, after the occurrence of a Default or an Event of Default (whether or not said Default or Event of Default has resulted in an Immediate Termination Event or a Suspension Event), all costs and expenses (including attorneys' fees (which shall not include salaries, fees or expenses of counsel that is an employee of the Bank or an affiliate of the Bank) and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from DART hereunder or under the Fee Letter or the Bank Note by reason of such Default or Event of Default (whether or not said Default or Event of Default has resulted in an Immediate Termination Event or a Suspension Event) or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings.

Section 8.6. No Waiver; Conflict. Neither any failure nor any delay on the part of the Bank in exercising any right, power or privilege hereunder, nor any course of dealing with respect to any of the same, shall operate as a waiver thereof, preclude any other or further exercise thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies herein provided are cumulative, and not exclusive of any remedies provided by law. To the extent of any conflict between this Agreement and the Note Agreements, this Agreement shall control as between DART and the Bank.

Section 8.7. Modification, Amendment, Waiver, Etc. No modification, amendment or waiver of any provision of this Agreement or the Bank Note shall be effective unless the same shall be in writing and signed by the party against whom such amendment, modification or waiver is to be enforced.

Section 8.8. Dealing with DART, the Issuing and Paying Agent, and/or the Dealer. The Bank and its affiliates may accept deposits from, extend credit to and generally engage in any kind of banking, trust or other business with DART, the Issuing and Paying Agent, and/or the Dealer regardless of the capacity of the Bank hereunder.

Section 8.9. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and all

other remaining provisions hereof will be construed to render them enforceable to the extent permitted by law.

Section 8.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Agreement or any other Related Document, or any certificate delivered thereunder, by fax transmission or e-mail transmission (e.g. “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this Agreement or such other Related Document or certificate. Without limiting the foregoing, to the extent a manually executed counterpart is not specifically required to be delivered under the terms of any Related Document, upon the request of any party, such fax transmission or e-mail transmission shall be promptly followed by such manually executed counterpart.

Section 8.11. Table of Contents; Headings. The table of contents and the Section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

Section 8.12. Beneficiaries. This Agreement is made solely for the benefit of DART and the Bank, their successors and assigns, and no other Person (including, without limitation, any owners of the Series IIA Notes) shall have any right, benefit or interest under or because of the existence of this Agreement.

Section 8.13. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY LAW, BOTH DART AND THE BANK HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE BANK NOTE, ANY OF THE NOTE AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 8.14. Entire Agreement. THIS AGREEMENT TOGETHER WITH THE OTHER RELATED DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.

Section 8.15. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS; PROVIDED, HOWEVER, THAT THE RIGHTS, DUTIES AND OBLIGATIONS OF THE BANK UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF

THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO CONFLICT OF LAW PROVISIONS (OTHER THAN NEW YORK GENERAL OBLIGATIONS LAWS 5-1401 AND 5-1402).

Section 8.16. Venue. With respect to any suit, action or proceedings relating to this Agreement, each party agrees to bring any such suit, action or proceeding in, and irrevocably submits, to the extent permitted by applicable law, to the exclusive jurisdiction of, the courts of the United States District Court located in the Northern District of Texas.

Section 8.17. Patriot Act. The Bank is subject to the Patriot Act (as hereinafter defined) and hereby notifies DART that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Bank is required to obtain, verify, and record information that identifies DART which information includes the name and address of DART and other information that will allow the Bank to identify DART in accordance with the Patriot Act.

Section 8.18. No Advisory or Fiduciary Responsibility. In connection with all aspects of the transactions contemplated by this Agreement and the Related Documents (including in connection with any amendment, waiver or other modification of this Agreement or of any Related Document), DART acknowledges and agrees that: (a)(i) any arranging, structuring and other services regarding this Agreement and the Related Documents provided by the Bank or any affiliate of the Bank are arm's length commercial transactions between DART on the one hand, and the Bank and any affiliate of the Bank on the other hand, (ii) DART has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) DART is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Agreement and the Related Documents; (b)(i) the Bank and each affiliate of the Bank is and has been acting solely as a principal and has not been, is not, and will not be acting as an advisor, agent or fiduciary for DART or any other Person and (ii) neither the Bank nor any affiliate of the Bank has any obligation to DART with respect to the transactions contemplated by this Agreement and the Related Documents, except those obligations expressly set forth herein; and (c) the Bank and each affiliate of the Bank may be engaged in a broad range of transactions that involve interests that differ from those of DART, and neither the Bank nor any affiliate of the Bank has any obligation to disclose any of such interests to DART. To the extent permitted by applicable laws, DART hereby waives and releases any claims that it may have against the Bank and each affiliate of the Bank with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of the transactions contemplated by this Agreement and the Related Documents.

Section 8.19. No Israel Boycott. The Bank hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations

specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Bank understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Bank and exists to make a profit.

Section 8.20. Contracts with Companies Engaged in Business with Iran, Sudan or Foreign Terrorist Organizations Prohibited. The Bank represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or 2270.0201 of the Texas Government Code, and posted on any of the following pages of such officer’s internet website:

*<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.*

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Bank and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Bank understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Bank and exists to make a profit.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, DART and the Bank have duly executed this Revolving Credit Agreement as of the date first above written.

DALLAS AREA RAPID TRANSIT

By: _____

Name: _____

Title: _____

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____
Name: _____
Title: _____

EXHIBIT A

FORM OF
DALLAS AREA RAPID TRANSIT
REVOLVING CREDIT AGREEMENT BANK NOTE

November 30, 2018

\$[] Initial Maximum Amount

The DALLAS AREA RAPID TRANSIT, acknowledges itself indebted and for value received promises to pay to the order of JPMorgan Chase Bank, National Association (the “*Bank*”), at the address provided in the Agreement (hereinafter defined), the aggregate unpaid principal amount of all Loans hereunder and under the Agreement, not to exceed [] and No/100 Dollars (\$[]) in principal amount at any one time outstanding, made by the Bank to DART hereunder, in lawful money of the United States of America, in federal or other immediately available funds, and to pay interest at the rates set forth in the Agreement on the actual unpaid principal amount hereof for each day outstanding from the date hereof until this Bank Note is paid in full, in like money and funds at such office. Interest shall be payable in the amounts, on the dates and in the manner set forth in the Agreement. Principal of this Bank Note shall be payable in the amounts, on the dates and in the manner set forth in the Agreement.

This Bank Note is subject to prepayment, and amounts prepaid prior to the last day of the Revolving Credit Period may be reborrowed, all pursuant to the terms and under the conditions of the Revolving Credit Agreement, dated as of November 1, 2018, between DART and the Bank (as amended, restated, supplemented or otherwise modified from time to time, the “*Agreement*”), the terms of which are hereby incorporated by reference in this Bank Note). All terms used herein and not defined shall have the same meaning as in the Agreement. Reference is made to the Agreement for provisions as to the prepayment hereof and for reborrowing. Reference is also made to the Agreement for provisions providing for additional interest and other amounts to be payable under certain circumstances.

Provision has been made for the payment of principal of and interest on this Bank Note sufficient to provide for the payment of principal hereof and interest hereon, as such principal and interest becomes due, and such security interests have been irrevocably pledged for such payment. It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this Bank Note is within every applicable debt or other limit.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the DALLAS AREA RAPID TRANSIT has caused this Bank Note to be signed in its name by its [_____] and this Bank Note to be dated the date and year first written above.

DALLAS AREA RAPID TRANSIT

By: _____
Name: _____
Title: _____

EXHIBIT B

NOTICE OF ADVANCE

TO: JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (the “*Bank*”) under the Revolving Credit Agreement, dated as of November 1, 2018 between the Bank and the Dallas Area Rapid Transit (“*DART*”) (the “*Agreement*”)

Re: The Dallas Area Rapid Transit
Senior Subordinate Lien Sales Tax Revenue
Commercial Paper Notes, Series IIA

DART, acting herein by the undersigned Issuing and Paying Agent, pursuant to Section 2.2 and related provisions of the Agreement, issues this Notice of Advance to be made under the Agreement as follows:

1. Business Day on which Advance is to be made (“*Advance Date*”):
_____;
2. Aggregate Principal Amount of Advance: _____;
(Amount as to Principal Component _____)
(Amount as to Interest Component _____)

The Advance shall be available for the account of holders of the Series IIA Notes at the Issuing and Paying Agent.

Date of this Notice of Advance: _____

[ISSUING AND PAYING AGENT]

By: _____
Name: _____
Title: _____

EXHIBIT C

NO-ISSUANCE INSTRUCTION

_____, 20__

[ISSUING AND PAYING AGENT]

Re: Dallas Area Rapid Transit
Senior Subordinate Lien Sales Tax Revenue
Commercial Paper Notes, Series IIA

Ladies and Gentlemen:

JPMorgan Chase Bank, National Association (the “*Bank*”) and the Dallas Area Rapid Transit (“*DART*”), have entered into that certain Revolving Credit Agreement dated as of November 1, 2018 (the “*Agreement*”). Any term defined in the Agreement and used in this letter shall have the meanings ascribed to it in the Agreement.

[There exists a Default or an Event of Default] and this letter constitutes your notice thereof pursuant to Section 4.4 of the Agreement. [Describe Default or Event of Default] Effective as of your receipt of this notice, and until you receive written notice from the Bank that this notice has been rescinded, you are instructed not to authenticate or deliver any Series IIA Notes.

Very truly yours,

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____
Name: _____
Title: _____

cc: DART; J.P. Morgan Securities LLC; Loop Capital LLC

EXHIBIT D

FORM OF EXPIRATION DATE EXTENSION REQUEST

[Date]

JPMorgan Chase Bank, National Association
383 Madison Avenue, 3rd Floor
New York, New York 10179
Mail Code NY1-M165
Attention: Public Finance, David Bayer
Telecopy: (917) 546-2657
Telephone: (212) 270-4186
E-Mail: David.m.bayer@jpmorgan.com

Re: Dallas Area Rapid Transit
Senior Subordinate Lien Sales Tax Revenue
Commercial Paper Notes, Series IIA

Ladies and Gentlemen:

Pursuant to Section 2.10 of that certain Revolving Credit Agreement, dated as of November 1, 2018, between the Dallas Area Rapid Transit (“*DART*”) and the Bank, DART requests that the Expiration Date (as defined in the Revolving Credit Agreement) be extended to _____.

Very truly yours,

DALLAS AREA RAPID TRANSIT

By: _____
Name: _____
Title: _____

EXHIBIT B

Form of Series IIB Credit Agreement

NOTE PURCHASE AGREEMENT

by and between

DALLAS AREA RAPID TRANSIT

and

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

Dated as of November 1, 2018

Dallas Area Rapid Transit
Senior Subordinate Lien
Sales Tax Revenue
Commercial Paper Notes, Series IIB

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NOTE PURCHASE AGREEMENT

This NOTE PURCHASE AGREEMENT, dated as of November 1, 2018 (as amended and supplemented from time to time, the "*Agreement*"), is entered into by and between the DALLAS AREA RAPID TRANSIT ("*DART*"), a regional transportation authority, public body corporate and politic, whose creation was confirmed at an election held on August 13, 1983, pursuant to the provisions and requirements of Chapter 452, Texas Transportation Code, as amended (the "*Act*") and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, a national banking association (including its successors and assigns, the "*Bank*").

WITNESSETH:

WHEREAS, the Subregional Board of Directors (the "*Board*") of DART has authorized DART to borrow money through the issuance and reissuance of its "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series II" in a maximum aggregate principal amount not to exceed \$125,000,000, pursuant to the Master Debt Resolution authorizing Dallas Area Rapid Transit Sales Tax Revenue Obligations adopted on January 23, 2001, as amended to date and as further amended in accordance with the terms hereof and thereof (the "*Master Debt Resolution*");

WHEREAS, the Master Debt Resolution, as supplemented by the Seventeenth Supplemental Debt Resolution adopted by the Board on November 18, 2018 (together with any amendments thereto in accordance with the terms hereof, the "*Seventeenth Supplement*," and, together with the Master Debt Resolution, the "*Resolution*"), authorizes DART to sell commercial paper notes in two subseries. The Seventeenth Supplement authorizes DART to issue a series of Senior Subordinated Lien Obligations, entitled "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIA (the "*Series IIA Notes*"). The Seventeenth Supplement also authorizes DART to sell commercial paper notes directly to the Bank in a direct purchase series of Senior Subordinated Lien Obligations, entitled "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIB" (the "*Series IIB Notes*");

WHEREAS, DART has requested that the Bank purchase the Series IIB Notes from time to time, and the Bank is willing to do so, subject to the terms and conditions of this Agreement; and

WHEREAS, DART and the Bank have agreed to enter into that certain Revolving Credit Agreement dated as of November 1, 2018 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "*JPMorgan Credit Agreement*"), to provide for a revolving line of credit to pay the principal of and interest on the Series IIA Notes at stated maturity in accordance with the terms thereof; *provided, however*, that the combined support hereunder and under the JPMorgan Credit Agreement with respect to the principal amount of both the Series IIB Notes and the Series IIA Notes shall not exceed \$125,000,000.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. In addition to the terms defined elsewhere in this Agreement or by reference to another document or agreement, the following terms used in this Agreement shall have the following respective meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Act” means Chapter 452, Texas Transportation Code, as amended, modified or supplemented from time to time.

“Additional Senior Lien Obligations” has the meaning set forth in the Master Debt Resolution.

“Affiliate” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

“Amortization Payment” has the meaning set forth in Section 2.4 hereof.

“Amortization Payment Date” means (a) the Initial Amortization Payment Date and each three-month anniversary of the Initial Amortization Payment Date occurring thereafter which occurs prior to the Term Loan Maturity Date and (b) the Term Loan Maturity Date.

“Amortization Period” has the meaning set forth in Section 2.4 hereof.

“Applicable Factor” means 79%.

“Applicable Spread” means initially 85 basis points (0.85%); provided, however, that in the event of any change in any Rating by Moody’s or S&P, the Applicable Spread shall be the number of basis points associated with such new Rating as set forth in the following schedule:

Level	S&P Rating*	Moody’s Rating*	Applicable Margin (Basis Points)

Level 1	AA- or above	Aa3 or above	85 bps
Level 2	A+	A1	95 bps
Level 3	A	A2	100 bps
Level 4	A-	A3	105 bps
Level 5	BBB+	Baa1	115 bps
Level 6	BBB	Baa2	120 bps
Level 7	BBB-	Baa3	125 bps

In the case of a split in the Ratings (i.e., the Rating of one Rating Agency is at a different Level than the Rating of the other Rating Agency), the Applicable Spread shall be based upon the Level in which the lower of the two Ratings appears. Any change in the Applicable Spread resulting from a change in a Rating shall be and become effective as of and on the date of the public announcement of the change in such Rating. References to the Ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, including, without limitation, any recalibration of the applicable Rating in connection with the adoption of a “*global*” rating scale, the Rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. Upon the occurrence of and during the continuance of an Event of Default the applicable interest rate on the Series IIB Notes shall increase automatically to the Default Rate.

For purposes of this definition of Applicable Spread, “*Ratings*” shall mean the long-term credit ratings assigned to DART’s Senior Lien Obligations (without regard to any bond insurance or other credit enhancement) by each of the Rating Agencies.

“*Approved Fund*” means any Fund that is administered or managed by (a) the Bank, (b) an Affiliate of the Bank or (c) an entity or an Affiliate of an entity that administers or manages the Bank.

“*Authorized Officer*” means the President and Executive Director, the Chief Financial Officer, the Treasurer, or such other officer or employee of DART so designated by the Board to perform the duties of an “*Authorized Officer*” hereunder pursuant to the Resolution.

“*Available Commitment*” means the Commitment from time to time in effect, as such amount is adjusted from time to time as follows: (a) downward in an amount equal to the principal amount of Series IIB Notes purchased and held by the Bank pursuant to the terms hereof, the principal amount of each “Loan” (as defined in the JPMorgan Credit Agreement) made to DART pursuant to the JPMorgan Credit Agreement, and the principal amount of each Series IIA Note at any time issued and outstanding; and (b) so long as this Agreement has not terminated, upward in an amount equal to the principal amount of any Series IIB Notes repaid hereunder, the principal amount of each “Loan” that is repaid pursuant to the terms of the JPMorgan Credit Agreement (as defined in the JPMorgan Credit Agreement) and the principal amount of each Series IIA Note which is paid at maturity; *provided*, that, after giving effect to any such adjustment the Available Commitment shall never exceed the Commitment from

time to time in effect. Any adjustments pursuant to clause (a) or (b) above shall occur simultaneously with the event requiring such adjustment.

“Available Funds” means, for any period, the Pledged Revenues, plus operating revenue, plus interest income during such period, less operating expenses net of debt service and depreciation for such period plus the actual ending cash balance, at the end of each calendar quarter, maintained in the accounts of DART identified in the certificate of DART described in Section 6.25(iii), to the extent, but only to the extent, the same are free and clear of any lien or encumbrance other than the lien on Pledged Revenues granted pursuant to the Master Debt Resolution, less any reserves maintained in connection with DART’s self-insurance program.

“Bank” has the meaning set forth in the preamble hereof.

“Bank Agreement” has the meaning set forth in Section 6.9 hereof.

“Bank Note” means the “Bank Note” as defined in the JPMorgan Credit Agreement.

“Bank Rate” means the following rate(s) of interest per annum: (a) for any day commencing on the Expiration Date to and including the ninetieth (90th) day next succeeding the Expiration Date, a rate of interest equal to the Base Rate from time to time in effect and (b) for any day commencing on the ninety-first (91st) day next succeeding the Expiration Date and thereafter, a rate of interest equal to the sum of the Base Rate from time to time in effect plus one percent (1.0%) per annum; *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, “Bank Rate” shall mean the Default Rate.

“Bank Transferee” has the meaning set forth in Section 8.2 hereof.

“Bankruptcy Code” means 11 U.S.C. Section 101, *et seq.*, as amended, and any successor statute thereto.

“Base Rate” means, for any day, the per annum rate of interest equal to the highest of (a) the Prime Rate plus one and one-half percent (1.5%) per annum, (b) the Federal Funds Rate plus two percent (2.0%) per annum and (c) seven and one-half percent (7.5%) per annum.

“Board” means the Subregional Board of Directors of DART.

“Bond Counsel” means any firm or firms of nationally recognized bond counsel selected by DART.

“Bond Obligation” has the meaning set forth in the Master Debt Resolution.

“Breakage Expenses” has the meaning set forth in Section 2.12 hereof.

“Business Day” means any day other than (a) a Saturday, Sunday or other day on which commercial banks located in the State of New York or State of Texas are authorized or required by law or executive order to close or (b) a day on which the New York Stock Exchange is closed.

“Capital Lease” means any lease of property by any Person which, in accordance with GAAP, would be required to be capitalized on the balance sheet of such Person.

“Change in Law” means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Acts and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities shall in each case be deemed to be a *“Change in Law,”* regardless of the date enacted, adopted or issued.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collateral” has the meaning set forth in Section 2.14 hereof.

“Commitment” means \$125,000,000, as such amount may be reduced pursuant to Section 2.10 hereof.

“Commitment Fee” has the meaning set forth in the Fee Letter.

“Credit Agreement Obligations” has the meaning set forth in the Master Debt Resolution.

“Credit Provider” has the meaning set forth in the Master Debt Resolution.

“DART” shall mean the Dallas Area Rapid Transit, a regional transportation authority, public body corporate and politic, whose creation was confirmed at an election held on August 13, 1983, pursuant to the provisions and requirements of Chapter 452, Texas Transportation Code, as amended.

“Debt” of any Person means, at any date, without duplication, (a) all obligations of such Person for borrowed money including, without limitation, obligations secured by any of the revenues or assets of such Person and all obligations of such Person evidenced by bonds (including revenue bonds), debentures, notes or other similar instruments, (b) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts

payable to construction contractors and other professionals for services rendered), (c) all obligations of such Person as lessee under Capital Leases, (d) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (e) all Debt of others guaranteed by, or secured by any of the revenues or assets of, such Person.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Debt Service” has the meaning set forth in the Master Debt Resolution.

“Debt Service Accrual Period” has the meaning set forth in the Master Debt Resolution.

“Default” means any occurrence, circumstance or event, or any combination thereof, which, with the lapse of time and/or giving of notice, would constitute an Event of Default.

“Default Rate” means a per annum rate of interest equal to the sum of the Base Rate from time to time in effect plus 3.0% per annum; *provided*, that for any Series IIB Note accruing interest at the LIBOR Index Rate at the time of the applicable Event of Default, the *“Default Rate”* shall mean the sum of 3.0% *plus* the LIBOR Index Rate then in effect until the end of the LIBOR Index interest period applicable thereto and, thereafter, at a rate per annum equal to the sum of 3.0% *plus* the Base Rate from time to time in effect; *provided further, however*, that, subject to Section 2.6, in no event shall the Default Rate exceed the Highest Lawful Rate.

“Designated Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Determination of Taxability” means and shall be deemed to have occurred on the first to occur of the following:

(i) on the date when DART files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability has occurred;

(ii) on the date when a Holder or any former Holder notifies DART that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) days after receipt by DART of such notification from such Holder or such former Holder, as applicable, DART shall deliver to such Holder or such former Holder, as applicable, a ruling or determination letter issued to or on behalf of DART by the Commissioner of the Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other

government official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) on the date when DART shall be advised in writing by the Commissioner of the Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government official exercising the same or a substantially similar function from time to time, including an employee subordinate to one of these officers who has been authorized to provide such advice) that, based upon filings of DART, or upon any review or audit of DART or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(iv) on the date when DART shall receive notice from a Holder, a Holder representative, on behalf of the Bank, or any former Holder that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Holder or such former Holder the interest on the Series IIB Notes due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (iii) or (iv) hereunder unless DART has been afforded the reasonable opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined and is not subject to further appeal; *provided further, however*, that upon demand from a Holder, a Holder representative, on behalf of the Bank, or former Holder, DART shall promptly reimburse, such Holder or former Holder for any payments, including any taxes, interest, penalties or other charges, such Holder (or former Holder) shall be obligated to make as a result of the Determination of Taxability.

“Effective Date” means November 30, 2018, the date on which this Agreement becomes effective, subject to the satisfaction or waiver by the Bank of the conditions set forth in Section 4.1 hereof.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor Sections.

“Event of Default” with respect to this Agreement has the meaning set forth in the introductory statement to Article VII of this Agreement and, with respect to any Related Document, has the meaning assigned therein.

“Event of Taxability” means all or any portion of the interest paid or payable on the Series IIB Notes is includable in the gross income of the Holder or any former Holder for federal income tax purposes.

“*Excess Interest Amount*” has the meaning set forth in Section 2.6 hereof.

“*Excluded Taxes*” means, with respect to the Bank, any Holder or any Participant, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which the Bank, such Holder or such Participant is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Bank, such Holder or such Participant is located.

“*Expiration Date*” means November 30, 2021, as such date may be extended pursuant to Section 2.10 hereof.

“*Federal Funds Rate*” means, for any day, the rate calculated by the Federal Reserve Bank of New York based on such day’s federal funds transactions by depository institutions, as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time, and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate. Notwithstanding anything herein to the contrary, if the Federal Funds Rate as determined as provided above would be less than zero percent (0.0%), then the Federal Funds Rate shall be deemed to be zero percent (0.0%).

“*Fee Letter*” means that certain Fee Letter dated the Effective Date, from the Bank to DART regarding fees, costs and expenses in connection with this Agreement, as the same may be amended, restated or otherwise modified from time to time.

“*Fiscal Year*” shall mean the period beginning on October 1 of each year and ending on the next succeeding September 30, or any other twelve month period hereafter designated as the official fiscal year period of DART, which designation shall be provided to the Bank in a certificate of DART.

“*Fund*” means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“*GAAP*” means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such other entity as may be in general use by significant segments of the U.S. accounting profession, which are applicable to the circumstances as of the date of determination and consistently applied.

“*Governmental Authority*” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising

executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Gross Sales Tax Revenues” has the meaning set forth in the Master Debt Resolution.

“Guarantee” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt or other obligation payable or performable by another Person (the *“primary obligor”*) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Debt or other obligation of the payment or performance of such Debt or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Debt or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Debt or other obligation of any other Person, whether or not such Debt or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Debt to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term *“Guarantee”* as a verb has a corresponding meaning.

“Highest Lawful Rate” shall mean the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by DART in the exercise of its borrowing powers (as currently prescribed by Chapter 1204, Texas Government Code, as amended).

“Holder” shall mean the Bank and any other holder of the Series IIB Notes or the Loan Note or any entity to which the Bank or any such other holder sells a participation in the Series IIB Notes or the Loan Note (whether or not DART was given notice of such sale and whether or not the Holder has an interest in the Series IIB Notes or the Loan Note at the time amounts are payable to such Holder thereunder and under this Agreement).

“Indemnatee” means each of (a) the Bank, (b) any Participant (whether or not DART was given notice of the granting of the Participation in question to such Participant and whether or not the Indemnatee has an interest in any Series IIB Note or this Agreement at the time any amount is payable to such Indemnatee hereunder), (c) any member at any time of any affiliated group (within the meaning of Section 1504 of the Code) of which any Indemnatee is a member, (d) the Paying Agent/Registrar, (e) any of the foregoing Persons’ respective officers, directors, shareholders, employees, consultants, servants, attorneys and agents, and (f) any successor to any of such Persons.

“Initial Amortization Payment Date” means the first Business Day of the third (3rd) full calendar month following the Expiration Date.

“Interest Payment Date” means, with respect to any Series IIB Note, each Reset Date and the related Maturity Date of such Series IIB Note.

“Interest Period” means, as to each Series IIB Note, (i) the period from and including the date such Series IIB Note is purchased by the Bank to but excluding the next succeeding Reset Date, and (ii) thereafter, the period from and including such Reset Date to but excluding the earliest of (A) the next succeeding Reset Date, (B) the related Maturity Date of such Series IIB Note and (C) the Termination Date.

“Interim Obligations” has the meaning set forth in the Master Debt Resolution.

“Invalidity Event” means (i) the Act, the Master Debt Resolution or the Seventeenth Supplement is repealed, (ii) a Federal court or any other court with appropriate jurisdiction or the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction determines in a final non-appealable order or judgment, as the case may be, that any provision or provisions of the the Act, the Master Debt Resolution or the Seventeenth Supplement regarding (A) DART’s ability or obligation to levy or impose the Sales Tax within DART’s boundaries or collect Pledged Revenues or to pay the Pledged Revenues directly to the Paying Agent/Registrar or (B) the Comptroller of Public Account’s obligation to collect the Sales Tax or the Comptroller of Public Account’s ability or obligation to make payment of the Sales Tax directly to the Paying Agent/Registrar, or the pledge of and lien on Pledged Revenues securing the payment of the principal of or interest on the Series IIB Notes or the payment of the the Term Loan, is null and void, (iii) the Act, the Master Debt Resolution or the Seventeenth Supplement is ruled to be null and void by a Federal court or any court with appropriate jurisdiction or the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction, (iv) any provision of this Agreement, any Series IIB Note, the Loan Note, the Act, the Master Debt Resolution or the Seventeenth Supplement relating to DART’s ability or obligation to make payments of the principal or interest on the Series IIB Notes or the payment of the Term Loan or the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIB Notes and the Term Loan (each such provision, a *“Payment and Collateral Obligation”*) or the pledge of and lien on the Pledged Revenues to secure the payment of the principal of and interest on the Series IIB Notes or the Term Loan is ruled to be null and void by a Federal court or any other court with appropriate jurisdiction or the court or the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction in a final nonappealable order or judgment by such court or the State or any instrumentality of the State, as applicable, or (v) DART, by duly authorized action, publicly denies, contests or repudiates that DART has any or further liability or obligation with respect to (A) the payment of the principal of or interest on the the Series IIB Notes or the Term Loan or (B) any provision under the Act, the Master Debt Resolution or the Seventeenth Supplement with respect to the payment of, or the pledge of or lien on the Pledged Revenues to secure the payment of, the Series IIB Notes, the Term Loan or any Payment and Collateral Obligation.

“Investment Policy” has the meaning set forth in Section 6.15(a) hereof.

“Issuing and Paying Agent” means the “Issuing and Paying Agent” as defined in the JPMorgan Credit Agreement.

“JPMorgan Credit Agreement” has the meaning set forth in the recitals hereto.

“Junior Subordinate Lien Obligations” has the meaning set forth in the Master Debt Resolution.

“LIBOR Index” means, for any Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for U.S. Dollars for a period equal in length to one month as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page or screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Bank in its reasonable discretion; in each case the *“LIBOR Screen Rate”*) at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period; *provided* that if the LIBOR Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; *provided further* that if the LIBOR Screen Rate shall not be available at such time, or the Bank shall determine that any law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for the Bank to purchase, continue or fund Series IIB Notes whose interest is determined by reference to the LIBOR Screen Rate, or to determine or charge interest rates based upon the LIBOR Screen Rate, then “LIBOR Index” shall be the rate determined by reference to such other comparable publicly available service for displaying interest rates for dollar deposits in the London interbank market as may be selected by the Bank in its reasonable discretion after consultation with DART, or, in the absence of such availability, by reference to the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Bank, in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period; *provided further* that if any of the foregoing rates is unavailable (whether temporarily or permanently), then the Bank and DART shall endeavor to establish an alternate rate of interest to the LIBOR Index and shall amend this Agreement to reflect such alternate rate of interest and other related changes; *provided further* that if any rate established pursuant to the foregoing clauses is less than zero, such rate shall be deemed to be zero for purposes of this Agreement). Until the Bank and DART shall have established an alternate rate of interest as set forth above (and only to the extent that the LIBOR Screen Rate or any successor or substitute page or screen that displays such rate or any comparable publicly available service for displaying interest rates for dollar deposits in the London interbank market is not available or not published at such time on a current basis), the “LIBOR Index” shall be deemed to be equal to the Prime Rate for purposes of this Agreement. The Bank’s internal records of applicable interest rates shall be determinative in the absence of manifest error.

“LIBOR Index Rate” means a per annum rate of interest equal to the sum of (i) the Applicable Spread plus (ii) the product of (A) the LIBOR Index for the applicable Interest Period multiplied by (B) the Applicable Factor. The LIBOR Index Rate shall be rounded upwards to the fourth decimal place.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan Note” means the promissory note of DART delivered to the Bank to evidence the Term Loan, if any, made by the Bank hereunder, in the form of Exhibit A attached hereto.

“London Banking Day” means any day that is a day for trading by and between banks in Dollar deposits in the London interbank market.

“Master Debt Resolution” has the meaning set forth in the recitals hereto.

“Material Adverse Change” or *“Material Adverse Effect”* means a material adverse change in, or a material adverse effect upon, any of (a) the operations, business, properties or financial condition of DART or (b) the legality, validity, binding effect or enforceability of this Agreement, the Series IIB Notes, the Loan Note, the Note Authorization, the Master Debt Resolution or the Seventeenth Supplement.

“Maturity Date” means the date a Series IIB Note matures under the Seventeenth Supplement and as described in the Series IIB Note; provided that in no event shall the Maturity Date of any Series IIB Note be later than the earlier of (i) the date that is 270 days from the dated date of any particular Series IIB Note and (ii) the Expiration Date.

“Maximum Federal Corporate Tax Rate” means, for any day, the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect as of such day (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations is generally shall not be applicable to the Bank, the maximum statutory rate of federal income taxation which could apply to the Bank as of such day).

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns.

“Non-Bank Transferee” has the meaning set forth in Section 8.2 hereof.

“Note Agreements” mean, collectively, the Series IIB Notes issued by DART from time to time, the Note Authorization, the Series IIA Notes and the Paying Agent/Registrar Agreement.

“Note Authorization” means the Seventeenth Supplement and any written direction to the Paying Agent/Registrar directing the issuance of Series IIB Notes.

“Note Payment Account” has the meaning set forth in Section 6.3(a) hereof

“Note Payment Fund” has the meaning set forth in Section 6.3(a) hereof.

“Obligation” has the meaning set forth in the Master Debt Resolution.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Other Taxes” has the meaning set forth in Section 3.2 hereof.

“Outstanding” has the meaning set forth in the Master Debt Resolution.

“Parity and Senior Debt” means (i) any bonds, notes, certificates, debentures or other evidence of similar indebtedness issued by or on behalf of DART the payment or lien priority of which ranks senior to or on parity with the Series IIB Notes and the Term loan, (ii) the obligations of DART under any Swap Contract (other than any termination payments under any Swap Contract) (the payment of which ranks senior to or on parity with the Series IIB Notes and the Term Loan) providing interest rate support with respect to any indebtedness issued by or on behalf of DART the payment or lien priority of which ranks senior to or on parity with the Series IIB Notes and the Term Loan, (iii) any obligation of DART as lessee under a capital lease the payment or lien priority of which ranks senior to or on parity with the Series IIB Notes and the Term Loan (x) which is not subject to appropriation or abatement or (y) which is rated by each Rating Agency then rating the Series IIB Notes at a level equal to or higher than the unenhanced debt rating assigned by each such Rating Agency to the Series IIB Notes, and (iv) any Guarantee by DART the payment or lien priority of which ranks senior to or on parity with the Series IIB Notes and the Term Loan (*provided, however*, that the failure to pay any such Guarantee as a result of any set-off, recoupment, counterclaim or any other defense of DART shall not constitute a failure to pay Parity and Senior Debt for purposes of this Agreement).

“Participant” has the meaning set forth in Section 8.2(b) hereof.

“Participation” has the meaning set forth in Section 8.2(b) hereof.

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107-56 (signed into law October 26, 2001).

“Paying Agent/Registrar” means JPMorgan Chase Bank, National Association, acting in such capacity pursuant to the terms hereof and the terms of the Seventeenth Supplement, or any successor paying agent/registrar appointed by DART.

"Paying Agent/Registrar Agreement" means (i) initially, this Agreement, and (ii) any Paying Agent/Registrar Agreement entered into between DART and the Paying Agent/Registrar or any successor Paying Agent/Registrar subsequent to the Effective Date in accordance with the terms of this Agreement and the Seventeenth Supplement.

"Person" means a natural person, corporation (which shall be deemed to include a business trust), unincorporated organization, a government or any department or agency thereof, association, company, partnership, or any other entity.

"Pledged Revenues" has the meaning set forth in the Master Debt Resolution.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by the Bank as its prime rate in effect at its office located at 270 Park Avenue, New York, New York; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective. Notwithstanding anything herein to the contrary, if the Prime Rate determined as provided above would be less than zero percent (0.0%), then the Prime Rate shall be deemed to be zero percent (0.0%).

"Principal Installment" has the meaning set forth in the Master Debt Resolution.

"Prior Notes" means the previously issued and outstanding commercial paper notes of DART issued pursuant to the Tenth Supplemental Debt Resolution, adopted on _____, as amended by the First Amendment to Tenth Supplemental Debt Resolution, adopted on _____, and as further amended by the Second Amendment to Tenth Supplemental Debt Resolution adopted on September 11, 2018.

"Purchase Period" shall mean the period commencing on the Effective Date and continuing to the Termination Date.

"Quarterly Disclosure Updates" means the Quarterly Disclosure Updates of DART for the three-month period ended December 31, the six-month period ended March 31, and the nine-month period ended June 30 during each Fiscal Year, in form and substance as posted on DART's website as of the Effective Date.

"Rating Agencies" means Moody's and S&P.

"Refunding Notes" mean any Series IIB Notes issued by DART the proceeds of which are used solely to pay the maturing principal of and interest on previously issued Series IIB Notes or Prior Notes.

"Related Documents" means and includes (without limitation) this Agreement, the Fee Letter, the Note Agreements, the Loan Note, the JPMorgan Credit Agreement, the Master Debt Resolution, Seventeenth Supplement and any and all other documents which DART has executed and delivered, or may hereafter execute and deliver, to evidence or secure DART's obligations thereunder.

“Related Parties” means, with respect to any Person, the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person.

“Reset Date” means the first Business Day of each calendar month.

“Resolution” has the meaning set forth in the recitals hereto.

“Request for Purchase” means a written notice in the form of Exhibit B hereto made by DART to the Bank requesting that the Bank to purchase Series IIB Notes hereunder.

“S&P” means S&P Global Ratings, and any successor rating agency.

“Sales Tax” has the meaning set forth in the Master Debt Resolution.

“Sanction(s)” means any international economic sanction administered or enforced by the United States Government (including, without limitation, OFAC).

“Senior Lien Obligations” shall have the same meaning herein as in the Master Debt Resolution.

“Senior Subordinate Lien Obligations” shall have the same meaning herein as in the Master Debt Resolution.

“Senior Subordinate Lien Debt Service Fund” shall have the same meaning herein as in the Master Debt Resolution.

“Series IIA Notes” has the meaning set forth in the recitals hereto.

“Series IIB Notes” has the meaning set forth in the recitals hereto.

“Seventeenth Supplement” has the meaning set forth in the recitals hereto.

“Standard Assumptions” has the meaning set forth in the Master Debt Resolution.

“State” means the State of Texas.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and

(b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“*Taxable Date*” means the date on which interest on any Series IIB Note is first includable in gross income of a Holder (including, without limitation, any previous Holder) as a result of an Event of Taxability as such a date is established pursuant to a Determination of Taxability.

“*Taxable Period*” has the meaning set forth in Section 2.7 hereof.

“*Taxable Rate*” means, for each day during a Taxable Period, the product of (i) the interest rate on the applicable Series IIB Notes for such day and (ii) the applicable Taxable Rate Factor.

“*Taxable Rate Factor*” means, for each day that the Taxable Rate is determined, the quotient of (i) one *divided by* (ii) one minus the Maximum Federal Corporate Tax Rate in effect as of such day, rounded upward to the second decimal place.

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), value added taxes, or any other goods and services, use or sales taxes, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“*Term Loan*” has the meaning set forth in Section 2.4 hereof.

“*Term Loan Maturity Date*” means the date that is one (1) year from the Expiration Date.

“*Termination Date*” means the earliest of (i) the Expiration Date, (ii) the date the Commitment is terminated or permanently reduced to zero in accordance with Section 2.10 hereof or (iii) the date the Commitment is terminated in accordance with Section 7.2 hereof.

“*Variable Interest Rate Obligations*” has the meaning set forth in the Master Debt Resolution.

Section 1.2. Interpretation. In this Agreement (unless otherwise specified), the singular includes the plural and the plural the singular; words importing any gender include the other gender; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; references to “writing” include printing, typing, lithography and other means of reproducing words in a tangible, visible form; references to times of day shall refer to New York City time; the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; references to

articles, sections (or subdivisions of sections), recitals, exhibits, annexes or schedules are to those of this Agreement unless otherwise indicated; references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement; the phrase “and/or” shall be deemed to mean the words both preceding and following such phrase, or either of them; and references to the parties and to Persons include their respective permitted successors and assigns and, in the case of governmental Persons, Persons succeeding to their respective functions and capacities.

ARTICLE II

THE COMMITMENT

Section 2.1. The Commitment. (a) DART proposes to sell Series IIB Notes to the Bank in an aggregate principal amount not to exceed the Commitment. Such Series IIB Notes will be issued pursuant to the Seventeenth Supplement. The Series IIB Notes, if purchased by the Bank, shall be purchased for the account of the Bank as evidence of a loan to DART. The Series IIB Notes to be purchased shall be (i) in minimum denominations of \$1,000,000 (except for the initial purchase as set forth in Section 2.2 hereto) and integral multiples of \$100,000 in excess thereof, (ii) registered in the name of the Bank, (iii) purchased pursuant to a written notice from DART to the Bank in the form of a Request for Purchase, (iv) in physical form (and not registered through a securities depository), (v) dated the date of delivery thereof, mature and be payable as provided herein and in the Seventeenth Supplement and the Series IIB Notes (but not in excess of 270 days from their dated date and not later than the Expiration Date), subject to the right of prior prepayment as provided in the Seventeenth Supplement and herein (if any), and shall bear interest and shall have such other terms and provisions as provided herein, in the Seventeenth Supplement and in the Series IIB Notes, and (vi) secured by the Collateral in the manner described in Section 2.14 hereof. Series IIB Notes repaid may be reborrowed again prior to the Termination Date and new Series IIB Notes may be delivered in exchange for maturing Series IIB Notes prior to the Termination Date.

(b) During the Purchase Period, and upon and subject to the terms and conditions hereof and on the basis of the representations, warranties and agreements contained herein, the Bank hereby agrees, when requested by DART pursuant to this Agreement, to purchase Series IIB Notes from DART from time to time (but in no event more than two (2) purchases per calendar month) in principal amounts not to exceed the Available Commitment from time to time in effect. To request a purchase of Series IIB Notes by the Bank, DART shall submit a Request for Purchase, properly completed, to the Bank, delivered by 10:00 a.m. on a Business Day that is at least three (3) London Banking Days prior to the date on which the requested purchase is to be made. If such a Request for Purchase is received by the Bank by such time on such a Business Day and all conditions to such purchase set forth in this Agreement (including those specified in this Section 2.1, Section 4.1 and Section 4.2 hereof and no Event of Default having then occurred and being in existence) and the Seventeenth Supplement are satisfied, the Bank will purchase such Series IIB Notes (or accept in exchange for maturing

Series IIB Notes without the requirement for cash exchange) on the date specified in such Request for Purchase.

(c) Following the determination of the initial rate for any Series IIB Note and thereafter, the applicable LIBOR Index Rate for each succeeding Interest Period shall be determined by the Bank immediately preceding such Interest Period, and such rate shall be effective on the related Reset Date and such rate shall be effective for the related Interest Period.

Section 2.2. Direct Purchase. (a) DART intends to sell Series IIB Notes directly to the Bank pursuant to this Agreement in an amount up to the Available Commitment from time to time in effect.

(b) The Bank shall make an initial purchase of Series IIB Notes on the Effective Date upon satisfaction of the conditions set forth herein, including, without limitation, those set forth in Section 2.1, Section 2.10 and Section 4.1 hereof. DART agrees that the initial purchase by the Bank on the Effective Date shall be at least one hundred thousand dollars (\$100,000) in principal amount of Series IIB Notes. The Series IIB Notes shall be delivered by DART to the Bank on the Effective Date upon funding by the Bank.

Section 2.3. Payment of Series IIB Notes. (a) *Generally.* The obligations of DART under the Series IIB Notes, the Loan Note and this Agreement constitute special obligations of DART secured by a pledge of and lien on the Collateral as set forth in Section 2.14 hereto. DART hereby agrees to make prompt and full payment of all amounts due and owing to the Bank under this Agreement, the Series IIB Notes, the Loan Note and the other Related Documents and to pay all amounts due and owing to the Bank, with interest thereon at the rate or rates provided in this Agreement, the Series IIB Notes or such other Related Documents.

(b) *Interest.* Subject to adjustment from time to time as set forth in Sections 2.4, 2.5, 2.6 and 2.7 hereof, each Series IIB Note shall bear interest at a rate per annum equal to the LIBOR Index Rate for the applicable Interest Period. Except as otherwise set forth herein, accrued but unpaid interest on each Series IIB Note shall be due and payable on each Interest Payment Date and on the applicable Maturity Date. The Bank shall promptly notify DART and the Paying Agent/Registrar of the interest rate applicable to any Series IIB Notes upon determination of such interest rate; *provided, however*, that the failure by the Bank to provide notice of the applicable interest rate shall not relieve DART of its obligation to make payment of amounts as and when due hereunder. Each determination by the Bank of an interest rate shall be conclusive and binding for all purposes, absent manifest error.

(c) *Principal.* DART shall pay to the Bank the outstanding principal amount of each Series IIB Note on the applicable Maturity Date and on the Termination Date; *provided*, however, prior to the Termination Date, subject to the terms of this Agreement, in lieu of repayment of maturing Series IIB Notes on the Maturity Date, DART may deliver to the Bank replacement refunding Series IIB Notes of the same principal amount as the maturing Series IIB Notes to be refunded, which refunding Series IIB Notes shall otherwise satisfy the

conditions of Section 2.1 and Section 4.2 hereof. Subject to the terms and conditions set forth in Section 2.4, Series IIB Notes maturing on the Expiration Date and not paid on such date shall be deemed to have been paid with the proceeds of a Term Loan advanced by the Bank. All amounts paid pursuant to this Agreement shall be non-refundable and shall be paid in immediately available funds.

Section 2.4. Term Loan. Notwithstanding Section 2.3 above, if DART has not repaid the outstanding principal amount of the Series IIB Notes in full on the Expiration Date and (i) no Default or Event of Default shall have occurred and be continuing and (ii) the representations and warranties set forth in Article V shall be true and correct on such date, except to the extent the same expressly relate to an earlier date, in which case they shall be true and correct as of such earlier date, then the Bank shall be deemed to have made a term loan (the “*Term Loan*”) to DART in an amount equal to the outstanding principal amount of the Series IIB Notes that mature on the Expiration Date, and the unpaid principal amount of such Series IIB Note will be deemed have been paid in full with the proceeds of such Term Loan. The Term Loan shall be due and payable in installments on each Amortization Payment Date (each such payment, an “*Amortization Payment*”), with the final installment in an amount equal to the entire then-outstanding principal amount of the Term Loan to be repaid on the Term Loan Maturity Date, together with all accrued interest thereon (the period commencing on the Expiration Date and ending on the Term Loan Maturity Date is herein referred to as the “*Amortization Period*”). Each Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Amortization Payments over the Amortization Period. During each Amortization Period, interest on the Term Loan shall accrue at the Bank Rate, be payable quarterly in arrears on the first Business Day of each calendar quarter and be calculated on the basis of a 365 or 366 day year, as applicable, and actual days elapsed.

Section 2.5. Default Rate. DART agrees to pay, or cause to be paid to the Bank, upon demand, interest on any and all amounts due and owing by DART under this Agreement, the Series IIB Notes, the Loan Note or the other Related Documents from and after the earlier of (i) the date amounts owed hereunder are due and not paid and (ii) the occurrence and continuance of an Event of Default, but only for so long as such amounts due remain unpaid or such Event of Default continues, at the Default Rate. The obligations of DART under this Section shall survive the termination of this Agreement and the payment in full of the Series IIB Notes and the Term Loan, if any. The Default Rate shall be calculated on the basis of a 360 day year and actual days elapsed.

Section 2.6. Excess Interest. In the event that the rate of interest payable hereunder or under the Series IIB Notes shall exceed the applicable Highest Lawful Rate for any period for which interest is payable, then (i) interest at such Highest Lawful Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof or the Series IIB Notes, as applicable, and (B) such Highest Lawful Rate (the “*Excess Interest Amount*”), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof or the Series IIB Notes, as applicable, ceases to exceed such Highest Lawful Rate, at which time DART shall pay to the Bank, with respect to amounts then payable to the Bank

that are required to accrue interest hereunder or under the Series IIB Notes, such portion of the deferred Excess Interest Amount as will cause the rate of interest then paid to the Bank, to equal such Highest Lawful Rate, which payments of deferred Excess Interest Amount shall continue to apply to such unpaid amounts hereunder or under the Series IIB Notes until all deferred Excess Interest Amount is fully paid to the Bank. Notwithstanding the foregoing and to the extent permitted by Texas law, upon the date on which no principal amount with respect to the Series IIB Notes or the Term Loan remains unpaid, DART shall pay to the Bank a fee equal to the accrued and unpaid portion of Excess Interest Amount on such date; *provided* that such payment shall not cause interest to exceed the maximum net effective interest rate authorized under Chapter 1204, Texas Government Code, as amended. Notwithstanding anything contained herein or in any Related Document to the contrary, the Excess Interest Amount due hereunder is payable by DART to the Bank from any unrestricted legally available funds appropriated to make payment thereof.

Section 2.7. Taxability. (a) In the event a Taxable Date occurs, the Series IIB Notes shall bear interest at the Taxable Rate on and after the Taxable Date, payable on each Interest Payment Date. In addition to the foregoing (but not in duplication thereof), in the event a Taxable Date occurs, DART hereby agrees to pay to the Bank or any Holder on demand therefor, (1) an amount equal to the difference between (A) the amount of interest that would have been paid to the Bank or any Holder, as applicable, on any Series IIB Note during the period for which interest on such Series IIB Note is includable in the gross income of the Bank or any Holder, if such Series IIB Note had borne interest at the Taxable Rate, beginning on the Taxable Date (the "*Taxable Period*"), and (B) the amount of interest actually paid to the Bank or any Holder, as applicable, during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by the Bank or any Holder, as applicable, as a result of interest on the Series IIB Notes becoming includable in the gross income of the Bank or any Holder, as applicable, together with any and all reasonable attorneys' fees (which shall not include salaries, fees or expenses of counsel that is an employee of the Bank or an Affiliate of the Bank), court costs, or other out-of-pocket costs incurred by the Bank or any Holder, as applicable, in connection therewith; *provided*, that at no time shall the interest rate exceed the applicable Highest Lawful Rate. The Bank agrees to deliver to DART an invoice with respect to any amounts payable under the foregoing clause (2) of this Section 2.7 together with a commercially reasonable explanation of such amounts.

(b) The obligations of DART under this Section 2.7 shall survive the termination of this Agreement.

Section 2.8. Calculation of Interest. Except as otherwise provided herein, all computations of interest in respect of the Series IIB Notes shall be made on a 360-day year basis and actual days elapsed. Each determination of an interest rate by the Bank pursuant to any provision of this Agreement shall be conclusive and binding on DART and the Bank in the absence of manifest error. In addition, any calculation made pursuant to this Section 2.8 hereof that would cause the interest paid, payable, or accruing on the indebtedness of DART under this Agreement, the Series IIB Notes or the Loan Note to exceed the Highest Lawful Rate shall be adjusted so as to reduce the interest paid, payable, and accruing hereunder to such Highest Lawful Rate, as more fully set out in Section 2.6 hereof. Interest due and payable

on a Series IIB Note or a Term Loan shall be equal to the amount accrued to, but excluding the related payment date.

Section 2.9. Fees. DART hereby agrees to pay to the Bank all amounts set forth in the Fee Letter on the terms, in the amounts and in the manner set forth herein and therein and the terms of the Fee Letter are hereby incorporated herein by reference as if fully set forth herein. Any reference herein to fees and/or any other amounts or obligations payable hereunder or under this Agreement shall include, without limitation, all fees and other amounts or obligations payable pursuant to the Fee Letter, and any reference to this Agreement shall be deemed to include a reference to the Fee Letter. All computations of fees and other amounts due under the Fee Letter shall be made by the Bank on the basis of a year of 360 days and the actual number of days elapsed.

Section 2.10. Termination or Reduction of Commitment. (a) During the Purchase Period, DART may, upon at least three (3) Business Days' notice to the Bank and the Paying Agent/Registrar permanently reduce from time to time the Commitment by \$1,000,000 or any integral multiple of \$100,000 in excess thereof; *provided however*, at all times DART shall cause the aggregate outstanding principal amount of Series IIB Notes outstanding and held by the Bank to be in an aggregate principal amount of not less than \$100,000, unless this Agreement shall be terminated as provided herein.

(b) Notwithstanding any provision of this Agreement or any Related Document to the contrary, DART agrees not to terminate the Commitment, except upon (i) the payment by DART to the Bank of any and all fees set forth in the Fee Letter, (ii) the payment to the Bank of all obligations payable hereunder, under the Series IIB Notes, under the Loan Note and under the Fee Letter and (iii) DART providing the Bank with thirty (30) days' prior written notice of its intent to terminate the Commitment; *provided* that all payments to the Bank referred to in clauses (i) and (ii) above shall be made in immediately available funds. If the Commitment is terminated in its entirety, all accrued Commitment Fees shall be payable on the effective date of such termination. If the Commitment is reduced, Commitment Fees on the amount by which the Commitment is so reduced shall be payable on the effective date of such reduction and Commitment Fees on the amount by which the Commitment is reduced shall cease to accrue on the date of such reduction.

(c) Notwithstanding the foregoing and anything set forth herein to the contrary, DART agrees not to permanently reduce the Commitment except upon payment by DART to the Bank on the date of such reduction of any and all fees set forth in the Fee Letter, such amount to be made in immediately available funds.

Section 2.11. Prepayment of Series IIB Notes. (a) *Optional Prepayments.* DART may, at its option, upon written notice to the Bank, at any time and from time to time, prepay Series IIB Notes, in whole or in part, subject to the Breakage Expense described in Section 2.12 hereof. Each partial prepayment permitted above shall be in the principal amount of \$1,000,000 or any integral multiple of \$100,000 in excess thereof plus accrued interest thereon.

(b) *Mandatory Prepayments.* If on any date (A) the Available Commitment would be less than zero, DART shall immediately prepay the Series IIB Notes in an amount that would

cause the Available Commitment to be greater than or equal to zero, or (B) any Series IIB Notes are purchased by the Bank for the repayment of outstanding Series IIB Notes, DART shall immediately prepay any Outstanding Series IIB Notes in an amount equal to the sum of the proceeds from such purchase.

(c) Upon receipt by the Bank of a notice of prepayment pursuant to this Section, such notice shall not be revocable by DART.

(d) Each prepayment shall be accompanied by the payment of accrued interest to the date of such prepayment on the amount prepaid.

Section 2.12. Breakage. In the event the Bank shall incur any loss, cost, or expense (including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Bank to purchase or hold the Series IIB Notes or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Bank) as a result of any prepayment or redemption of the Series IIB Notes or the Loan Note on a date other than an Interest Payment Date (the “*Breakage Expenses*”) for any reason, whether before or after the occurrence of an Event of Default, then upon the demand of the Bank, DART shall pay to the Bank a prepayment or redemption premium, as applicable, in such amount as will reimburse the Bank for such Breakage Expenses; *provided* that any prepayment or redemption which occurs following any payment by DART of any compensation pursuant to Section 3.1 hereof shall not be subject to any such prepayment or redemption premium, as applicable. If the Bank requests such prepayment or redemption premium, as applicable, it shall provide to DART a certificate setting forth the computation of the Breakage Expenses giving rise to the request for such prepayment or redemption premium, as applicable, in reasonable detail and such certificate shall be conclusive if reasonably determined.

Section 2.13. General Provisions as to Payment. The following general provisions shall apply all payments due under the Fee Letter, under the Series IIB Notes, under the Loan Note and hereunder:

(a) The Bank shall calculate and notify DART in writing of the amounts payable by DART hereunder and under the Fee Letter not less than ten (10) Business Days preceding any payment date; *provided* that in no event shall the failure by the Bank to timely deliver such an invoice affect the obligation of DART to make all such payments in the amounts and on the dates required in this Agreement and/or the Fee Letter. Such calculations will be based on the assumptions that the interest rate and the Commitment Fee rate will not change from the date of calculation to the payment date. In the event any of such applicable rates change between the date of notification and the payment date, any overpayment or underpayment resulting from such change will be applied to the next ensuing payment or reimbursed, as the case may be.

(b) DART shall make each payment due to the Bank hereunder or under the Fee Letter not later than 3:00 p.m. on the day when due, in federal or other funds immediately available, by wire transfer to such account as the Bank may from time to time designate. All payments received

by the Bank after 3:00 p.m. shall be determined to have been received on the next succeeding Business Day and the applicable interest or fee shall continue to accrue.

(c) Whenever any payment due hereunder or under the Fee Letter shall be due on any day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for the payment or prepayment of amounts due hereunder or under the Fee Letter is extended by the preceding sentence, or by operation of law, or otherwise, interest thereon shall be payable for the period of such extension at the rate applicable thereto under other provisions of this Agreement.

Section 2.14. Security . The obligations of DART under this Agreement are special obligations of DART payable from and secured solely by the funds pledged therefor pursuant to the the Resolution, including specifically Section 2.3 of the Master Debt Resolution, Section 2.11 of the Seventeenth Supplement, and this Agreement, as authorized thereby.

To provide security for the payment of the principal of and interest on the Series IIB Notes and the Loan Note and any other amounts payable under this Agreement as the same shall become due and payable, DART has pledged and granted, pursuant to Section 2.3 of the Master Debt Resolution, a pledge of and lien on the Pledged Revenues, such pledge of and lien on Pledged Revenues to secure the payment of the principal of and interest on Series IIB Notes and the Loan Note and all other amounts payable under this Agreement, however, being subordinate only to the pledge of and lien on the Pledged Revenues securing the payment of the Senior Lien Obligations and on parity with the lien on and pledge of Pledged Revenues securing the payment of the principal of and interest on the Senior Subordinate Lien Obligations. Additionally, the pledge and lien granted by DART under Section 2.3 of the Master Debt Resolution includes a pledge of and lien on the money and investments deposited and held in the Senior Subordinate Lien Debt Service Fund pursuant to Section 5.5 of the Master Debt Resolution. The Series IIB Notes and the Loan Note, being secured by and payable from the pledge of and lien on the Pledged Revenues as described in the preceding sentences, shall each constitute a Senior Subordinate Lien Obligation on a parity with the currently outstanding Senior Subordinate Lien Obligations. The Master Debt Resolution creates the valid pledge and lien which it purports to create on the Pledged Revenues for the benefit of the Holders of the Series IIB Notes and the Loan Note. All of such sources and pledges referred to in this Section 2.14 are herein called the “*Collateral.*” The Series IIB Notes and the Loan Note shall further be entitled to the benefits of this Agreement.

No filing, registration, recording or publication of this Agreement or any other instrument nor any prior separation or physical delivery of the Collateral is required to establish the pledge provided for under this Agreement or to perfect, protect or maintain the pledge of the Collateral to secure the Obligations. If Texas law is amended at any time while the Series IIB Notes, the Loan Note or any obligation hereunder or under the Fee Letter is outstanding and unpaid such that the pledge made by DART hereunder is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the Bank the perfection of the security interest in said pledge, DART agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas

Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 2.15. Extension of Purchase Period. Not more than one hundred twenty (120) days prior to the Expiration Date, DART may submit a written request in the form of Exhibit D hereto to the Bank that the Expiration Date be extended for an additional period as agreed to by the parties hereto. DART may request one or more such extensions. Any such written request may be accompanied by requests to increase or decrease the amount, or otherwise modify the terms and conditions, of the Commitment. The Bank has no obligation to agree to extend the Expiration Date or any other request or condition accompanying such request. If the Bank, in its sole discretion following such request by DART, agrees to extend the Expiration Date, the Bank shall give written notice of the election by the Bank to extend to DART and the Paying Agent/Registrar within thirty (30) days from the date of receipt of information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision; and such extension shall be subject to preparation, execution and delivery of documentation in form and substance satisfactory to the Bank and DART. If the Bank does not so notify DART, the Expiration Date shall not be so extended. At the time of any extension, the Bank may, in its sole discretion as a condition to such extension, require changes in the terms and conditions of this Agreement, including the fees and interest rates referenced herein.

ARTICLE III

YIELD PROTECTION; TAXES

Section 3.1. Increased Costs. (a) If any Change in Law shall:

- (i) impose, modify or deem applicable any reserve, special deposit, liquidity or similar requirement (including any compulsory loan requirement, insurance charge or other assessment) against assets of, deposits with or for the account of, or credit extended by, the Bank;
- (ii) impose on the Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement, the Loan Note or any Series IIB Notes purchased by the Bank; or
- (iii) subject the Bank to any Taxes (other than Excluded Taxes and Taxes covered by Section 3.2 hereof) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to the Bank of making, continuing, converting or maintaining any Series IIB Notes, or the purchase thereof, or the Term Loan (or of maintaining the commitment to purchase Series IIB Notes) or to reduce the amount of any sum received or receivable by the Bank hereunder (whether of principal, interest or otherwise), then DART will pay to the Bank such additional amount or amounts as

will compensate the Bank for such additional costs incurred or reduction suffered from lawfully available funds.

(b) If the Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Bank's capital or liquidity or on the capital or liquidity of the Bank's holding company, if any, as a consequence of this Agreement or the Series IIB Notes to a level below that which the Bank or such Bank's holding company could have achieved but for such Change in Law (taking into consideration the Bank's policies and the policies of the Bank's holding company with respect to capital adequacy and liquidity), then, from time to time upon the written request of the Bank, DART will pay to the Bank, as the case may be, such additional amount or amounts as will compensate such the Bank or the Bank's holding company for any such reduction suffered.

(c) A certificate of the Bank setting forth the amount or amounts necessary to compensate the Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section together with a commercially reasonable explanation of the amounts payable shall be delivered to DART and shall be conclusive absent manifest error. DART shall pay the Bank the amount shown as due on any such certificate within 30 days after receipt thereof from lawfully available funds.

(d) Failure or delay on the part of the Bank to demand compensation pursuant to this Section shall not constitute a waiver of the Bank's right to demand such compensation; *provided, however*, that the Bank shall use commercially reasonable efforts to notify DART of any Change in Law that the Bank is aware of and, in its reasonable judgement, has determined has or will result in increased costs for which the Bank expects to demand compensation.

(e) DART agrees that each other Holder and Participant shall, to the extent of its ownership of Series IIB Notes or the Term Loan or its Participation, as applicable, be entitled to the benefits of this Section 3.1 as if such Holder or Participant were the Bank.

(f) DART shall have no liability to the Bank for any increased costs, increased capital or reduction in return to the extent incurred by the Bank more than one (1) year prior to the date the above certificate is given to DART with respect thereto (the "*Cut-Off-Date*"), except where (A) the Bank, through no fault of its own, had no actual knowledge of the Change in Law or action resulting in such increased costs, increased capital or reduction as of the Cut-Off-Date or (B) such Change in Law giving rise to such increased costs, increased capital or reduction is retroactive to a date prior to the Cut-Off-Date. If the Bank shall impose increased costs pursuant to this Section 3.1 then DART shall be able to terminate this Agreement as provided in Section 2.10 hereof; *provided, however*, such termination shall be permitted without payment of a termination fee in accordance with the terms of the Fee Letter.

(g) Without prejudice to the survival of any other agreement of DART hereunder, the agreements and obligations of DART contained in this Section shall survive the termination of this Agreement and the payment in full of the obligations of DART hereunder; *provided* that no demand for compensation for increased costs or reductions pursuant to this Section 3.1 shall be made later than sixty (60) days following the termination of this Agreement

other than with respect to any Change in Law after such date that is retroactive to a date prior to the date sixty (60) days following the termination of this Agreement.

Section 3.2. Net of Taxes, Etc. (a) Any and all payments to the Bank, a Holder or a Participant by DART hereunder, under any Series IIB Note and under the Fee Letter shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank, such Holder or such Participant by any Governmental Authority or therein solely as a result of a connection between the Bank, such Holder or such Participant and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If DART shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder, under any Series IIB Note or under the Fee Letter to the Bank, any Holder or any Participant, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.2), the Bank, such Holder or such Participant receives an amount equal to the sum it would have received had no such deductions been made, (ii) DART shall make such deductions and (iii) DART shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law. If DART shall make any payment under this Section 3.2 to or for the benefit of the Bank, a Holder or a Participant with respect to Taxes and if the Bank, such Holder or such Participant shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank, such Holder or such Participant to any taxing jurisdiction in the United States then the Bank, such Holder or such Participant shall pay to DART an amount equal to the amount by which such other taxes are actually reduced; *provided* that the aggregate amount payable by the Bank, such Holder or such Participant pursuant to this sentence shall not exceed the aggregate amount previously paid by DART with respect to such Taxes. In addition, DART agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America, the State of Texas or the State of New York from any payment made hereunder or under the Fee Letter or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as "*Other Taxes*"). The Bank, any Holder and any Participant making a claim hereunder shall provide to DART within a reasonable time a copy of any written notification it receives with respect to Taxes or Other Taxes owing by DART to the Bank, such Holder or such Participant hereunder, under any Series IIB Note or under the Fee Letter; *provided* that the Bank's, such Holder's or such Participant's failure to send such notice shall not relieve DART of its obligation to pay such amounts hereunder or under the Fee Letter.

(b) DART shall, to the extent permitted by law and subject to the provisions hereof, indemnify the Bank, each Holder and each Participant for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 3.2 paid by the Bank, a Holder or a Participant or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided* that DART shall not be obligated to indemnify the Bank, any Holder or any Participant for any penalties, interest or

expenses relating to Taxes or Other Taxes arising from the Bank's, such Holder's or such Participant's negligence or willful misconduct. The Bank, each Holder and each Participant agree to give notice to DART of the assertion of any claim against the Bank, such Holder or such Participant relating to such Taxes or Other Taxes as promptly as is reasonably practicable after being notified of such assertion; *provided* that the Bank's, such Holder's or such Participant's failure to notify DART promptly of such assertion shall not relieve DART of its obligation under this Section 3.2. Payments by DART pursuant to this indemnification shall be made upon receipt of a written demand therefor, accompanied by a certificate describing in reasonable detail the basis thereof. The Bank, each Holder and each Participant agree to repay to DART any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by DART pursuant to this Section 3.2 received by the Bank, such Holder or such Participant for Taxes or Other Taxes that were paid by DART pursuant to this Section 3.2 and to contest, with the cooperation and at the expense of DART, any such Taxes or Other Taxes which the Bank, such Holder, such Participant or DART reasonably believes not to have been properly assessed.

(c) Within thirty (30) days after the date of any payment of Taxes by DART, DART shall furnish to the Bank the original or a certified copy of a receipt evidencing payment thereof.

(d) The obligations of DART under this Section 3.2 shall survive the termination of this Agreement and the Note Agreements; *provided* that no demand for payment under this Section 3.2 shall be made later than sixty (60) days following the termination of this Agreement other than with respect to Taxes that are retroactive to a date prior to the date sixty (60) days following the termination of this Agreement.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.1. Conditions Precedent to Commitment. The obligation of the Bank to execute and deliver this Agreement, and to enter into the commitment to purchase Series IIB Notes hereunder, is subject to the satisfaction of each of the following conditions precedent on or before the Effective Date, all in form and substance satisfactory to the Bank:

(a) *Approvals.* The Bank shall have received copies of all action taken by DART including, but not limited to, the Seventeenth Supplement, approving the execution and delivery by DART of this Agreement, the Fee Letter, the Loan Note, and the Note Agreements, in each case, certified by an authorized official of DART as complete and correct as of the Effective Date.

(b) *Incumbency Certificate.* The Bank shall have received an incumbency certificate of DART in respect of each of the officials who is authorized to (i) sign this Agreement, the Fee Letter, the Loan Note and the Note Agreements on behalf of DART and (ii) take actions for DART under this Agreement, the Fee Letter, the Loan Note and the Note Agreements.

(c) *Opinion of Bond Counsel.* The Bank shall have received the written opinion of Bond Counsel, addressed to the Bank, dated the Effective Date, in the form attached hereto as Exhibit F, and to the effect that the interest with respect to the Series IIB Notes purchased by the Bank from time to time as provided for herein is excludable from gross income for federal income tax purposes, and including an acknowledgement that the Bank will rely on such opinion in connection with each purchase of Series IIB Notes hereunder unless the Bank receives prior written notice that such opinion may no longer be relied upon.

(d) *Opinion of Counsel to DART.* The Bank shall have received a written opinion of counsel to DART, dated the Effective Date, in the form attached hereto as Exhibit G.

(e) *Attorney General Opinion.* The Bank shall have received the approving opinion of the Attorney General of Texas approving the proceedings authorizing the Series IIB Notes and this Agreement.

(f) *Documents.* The Bank shall have received copies of each of this Agreement, the Fee Letter, the JPMorgan Credit Agreement, the Master Debt Resolution, the Seventeenth Supplement and the Note Agreements, duly executed by the parties thereto, which agreements shall be in full force and effect as well as an executed or certified copy of each document, instrument, certificate and opinion delivered pursuant to the foregoing.

(g) *Loan Note.* The Bank shall have received the executed Loan Note.

(h) *No Default, Etc.* (i) No Default or Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution and delivery by DART of this Agreement, the Fee Letter, the Loan Note and the Note Agreements, (ii) the representations and warranties made by DART in Article V hereof (including those incorporated by reference) shall be true and correct in all material respects on and as of the Effective Date as if made on and as of such date, and (iii) the Bank shall have received a certificate, dated the Effective Date, from DART to the foregoing effect.

(i) *[Reserved].*

(j) *Ratings.* The Bank shall have received evidence that the long-term credit rating assigned to DART's Senior Lien Obligations (without giving effect to any bond insurance policy or other credit enhancement) is at least "[__]" (or its equivalent) by Moody's and "[__]" (or its equivalent) by S&P.

(k) *Other Documents.* The Bank shall have received such other documents, certificates, and opinions as the Bank or its counsel shall have reasonably requested as well as such copies of DART's annual budget, Investment Policy and financial reports as the Bank shall have requested.

(l) *Fees and Expenses.* All fees and expenses due and payable to the Bank or its legal counsel pursuant to the Fee Letter shall be paid.

(m) *Reserved.*

(n) *No DTC or Offering Document.* No Series IIB Note shall be registered with The Depository Trust Company or any other securities depository. No offering document or official statement shall be prepared with respect to the Series IIB Notes.

In addition, (A) the Bank shall have determined, as of the Effective Date, that no law, regulation, ruling or other action of the United States, the State of New York or the State of Texas or any political subdivision or other Governmental Authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent DART, the Paying Agent/Registrar, or the Bank from fulfilling their respective obligations under this Agreement, the Fee Letter or the other Related Documents to which each such entity is a party and (B) no material adverse change in the laws, rules, guidelines, or regulations (or their interpretation or administration) currently in effect and applicable to the parties hereto, and the transactions contemplated hereby, as determined in sole discretion of the Bank, shall have occurred.

Section 4.2. Certain Conditions to Bank's Purchase of Series IIB Notes. The Bank has entered into this Agreement in reliance upon the representations and warranties of DART contained herein and to be contained in the documents and instruments to be delivered on the Effective Date and in connection with each purchase of Series IIB Notes, and upon the performance by DART of its obligations hereunder, as of the Effective Date and the date of each purchase of Series IIB Notes. Accordingly, any obligation of the Bank under this Agreement to purchase, to accept delivery of and to pay for any Series IIB Notes shall be subject to performance by DART of its obligations to be performed hereunder and the delivery of the documents and instruments required to be delivered hereby on or prior to each date of purchase of Series IIB Notes, and shall also be subject to the following additional conditions:

- (i) No Default or Event of Default shall have occurred and be continuing;
- (ii) receipt by the Bank of a Request for Purchase as described in Section 2.1 hereof;
- (iii) the amount of the requested purchase of Series IIB Notes shall not exceed the Available Commitment, and each Series IIB Note requested to be purchased by the Bank shall be delivered to the Bank on the related date of purchase and in a minimum principal amount of \$1,000,000 or an integral multiple of \$100,000 in excess thereof;
- (iv) the representations and warranties of DART contained in Article V shall be true, complete and correct on the date hereof, on the date of the delivery of the Request for Purchase and on each date of purchase of the Series IIB Notes except to the extent the same expressly relate to an earlier date, in which case they shall be true and correct as of such earlier date;

(v) in the event of a request to purchase Series IIB Notes in exchange for maturing Series IIB Notes, the Request for Purchase shall be at least equal the principal amount of maturing Series IIB Notes to be exchanged;

(vi) at the time of each purchase of Series IIB Notes, this Agreement, each Note Agreement and any other Related Document shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any manner which will adversely affect (i) the ability of DART to issue the Series IIB Notes or perform its obligations thereunder or under this Agreement or (ii) the security for the Series IIB Notes;

(vii) at the time of each purchase of Series IIB Notes, all official action of DART relating to this Agreement, the Series IIB Notes and the Note Agreements shall have been taken and shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material adverse respect;

(viii) no Change in Law shall have occurred that would make the purchase of Series IIB Notes illegal. In such event, DART will have no liability whatsoever with respect to such request for purchase and the Bank will have no liability for its failure to so purchase if such failure is due to a Change in Law; and

(ix) neither DART nor the Bank shall have received written notice from Bond Counsel) that the approving opinion delivered pursuant to Section 4.1(c) hereof may no longer be relied upon.

The submission by DART of a Request for Purchase shall be deemed to be a representation and warranty by DART on the date of each applicable purchase that the conditions specified above have been satisfied on and as of such date.

Section 4.3. Satisfaction or Waiver of Conditions. All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Bank, and the Bank shall have the right to waive any condition set forth in this Article IV.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Agreement, extend the Commitment and purchase Series IIB Notes, DART represents and warrants to the Bank on the Effective Date that:

Section 5.1. Due Existence. DART (i) is a regional transportation authority, public body corporate and politic, whose creation was confirmed at an election held on August 13,

1983, pursuant to the provisions and requirements of Chapter 452, Texas Transportation Code, as amended; and (ii) has the full legal right, power, and authority to (A) own its properties and to carry on its business as now being and hereafter proposed to be conducted, (B) execute and deliver this Agreement and the Related Documents, (C) perform all its obligations and liabilities under this Agreement and the Related Documents, (D) receive Loans, and otherwise incur Debt in accordance with this Agreement and the Fee Letter, and (E) levy the Sales Tax to pay the principal of and interest on the Series IIB Notes, all other outstanding bonds and notes of DART and all of its obligations hereunder (including, without limitation, the obligation to repay all Series IIB Notes and the Term Loan, to pay all interest thereon, and to pay all fees and other amounts payable hereunder and under the Fee Letter).

Section 5.2. Authorization; No Conflict. The execution and delivery of this Agreement and the Fee Letter, the execution and delivery of the Loan Note, the authorization and issuance of the Series IIB Notes, the execution and delivery of the Note Agreements, the borrowings represented by the Series IIB Notes and the Term Loan hereunder and the performance by DART of its obligations under this Agreement, the Loan Note and the Note Agreements, are within DART's powers, have been duly authorized by all necessary governmental action, have received all necessary approval (if any shall be required), and do not and will not contravene or conflict with any provision of law (including the Constitution of the State of Texas) or of any agreement binding upon DART.

Section 5.3. Valid and Binding Nature. This Agreement, the Fee Letter, the Loan Note, the Note Agreements and the other Related Documents are, and the Series IIB Notes when issued will be, legal, valid, and binding obligations of DART enforceable against DART (assuming this Agreement and the Fee Letter are valid and binding agreements of the Bank) in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors rights and remedies generally.

Section 5.4. Litigation and Contingent Liabilities. Except as disclosed in the offering memorandum relating to the issuance of the Series IIA Notes as in effect on the Effective Date, no litigation, arbitration proceedings, or governmental proceedings are pending or threatened against DART which question or seek to limit the right, power, or authority of DART to enter into this Agreement, to issue the Loan Note, to issue the Series IIB Notes, to enter into the other Note Agreements or to perform any of its obligations under this Agreement, the Fee Letter, the Loan Note, the Note Agreements or the other Related Documents or that would, if adversely determined, materially and adversely affect the financial condition of DART or its ability to perform its obligations hereunder or thereunder.

Section 5.5. Governmental Approvals. No approval, permit, consent or authorization of, or registration or filing with, any Governmental Authority or Person not already obtained or made (or will have been obtained on or prior to the Effective Date) is required on the part of DART in connection with the execution and delivery by DART or the performance of any of its obligations under this Agreement, the Fee Letter, the Loan Note, any Note Agreement or any other Related Document.

Section 5.6. Financial Statements. The audited financial statements of DART for the fiscal year ended September 30, 2017, and the auditors' reports with respect thereto, copies of which have been furnished to the Bank, correctly and fairly present the financial position, changes in financial position and the results of operations of DART at and for the periods ended on such dates, and were prepared in accordance with GAAP. Since September 30, 2017, there has been no Material Adverse Change in such financial condition.

Section 5.7. No Default. DART is not in default under (a) any order, writ, injunction or decree of any Governmental Authority applicable to it, (b) any law applicable to it, (c) any Parity and Senior Debt or other obligations payable from or secured by the Collateral, or (d) any contract, agreement or instrument to which DART is a party or by which it or its property is bound, which default would have a Material Adverse Effect on the properties, business, condition (financial or other), results of operations or prospects of DART or the transactions contemplated by this Agreement, the Loan Note, the Fee Letter, the Note Documents or any other Related Document, or which could reasonably be expected to have a Material Adverse Effect on the validity or enforceability of, or the authority or ability of DART to perform its obligations under, this Agreement, the Loan Note, the Fee Letter or any other Related Document to which it is a party; and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default. No Default or Event of Default has occurred or is existing hereunder.

Section 5.8. Full Disclosure. None of the representations or warranties made by DART in this Agreement as of the date such representations and warranties are made or deemed made, and none of the statements contained in each exhibit or any certificate furnished by or on behalf of DART contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading.

Section 5.9. Collateral. The provisions of the the Resolution and this Agreement are effective to create in favor of the Bank a legal, valid, and enforceable pledge of all of DART's right, title, and interest in the Collateral. The Resolution and this Agreement shall constitute a valid and enforceable pledge of all right, title and interest of DART in, and all rights of DART to receive, any and all of the Collateral, subject only to the pledge of the Collateral to secure the Senior Lien Obligations and a parity pledge and lien to secure the Series IIB Notes, the Series IIA Notes, the Term Loan, the Bank Note and other Senior Subordinate Lien Obligations. All documents or instruments required to be filed or recorded in any public office, and all notifications required to be given to any Person, in order to provide notice of such pledge to present and future creditors and otherwise protect and perfect the pledge in favor of the owners of the Series IIB Notes and the Bank, have been filed, recorded or given, as the case may be.

Section 5.10. Limited Obligation. All obligations in respect of principal of, and interest on, the Series IIB Notes, the Loan Note and all Obligations hereunder (including, without limitation, the obligation to repay all Series IIB Notes and the Loan Note, to pay all interest thereon, and to pay all fees and other amounts payable hereunder) constitute limited

obligations of DART payable from the Collateral as set forth in Section 2.3 of the Master Debt Resolution, Section 2.11 of the Seventeenth Supplement, and this Agreement.

Section 5.11. Status. Except for the Senior Lien Obligations, the Series IIB Notes, the Loan Note, the Series IIA Notes, the Bank Note and all other Senior Subordinate Lien Obligations, there are no obligations of DART that are entitled to the benefit of any portion of the Pledged Revenues on a parity with or senior to the benefit of the Pledged Revenues conferred by the the Resolution for the benefit of the Series IIB Notes, the Loan Note, the Series IIA Notes, the Bank Note and the other obligations of DART under this Agreement.

Section 5.12. Margin Stock. No portion of the proceeds of any Series IIB Notes or the Term Loan shall be used by DART (or the Paying Agent/Registrar or any other Person on behalf of DART) for the purpose of “purchasing” or “carrying” any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation U of the Board of Governors of the Federal Reserve System or any other regulation of the Board or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of the purchase of such Series IIB Notes and such use of proceeds.

Section 5.13. Tax-Exempt Status. DART has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other person or entity, which action, if taken or omitted, would cause interest on the Series IIB Notes to be subject to federal income taxes or such Series IIB Note to be subject to local personal property taxes within DART’s service area levied by it or any political subdivision thereof.

Section 5.14. Permitted Investments. DART has neither made any investment nor entered into any agreements for the purpose of effecting any investment which are not permitted to be made by it pursuant to its Investment Policy, the Seventeenth Supplement or any other Related Document.

Section 5.15. No Proposed Legal Changes. There is no amendment or, to the knowledge of DART, proposed amendment certified for placement on a ballot within the State of Texas, or any legislation that has passed either house of the State of Texas Legislature, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect (i) the Series IIB Notes, or any holder thereof in its capacity as such, (ii) the execution and delivery of this Agreement, the Series IIB Notes, the Loan Note, the Fee Letter or any of the other Related Documents to which DART is a party, (iii) the adoption of the Master Debt Resolution or the Seventeenth Supplement, (iv) the creation, organization or existence of DART or the titles to office of any officers thereof, or (v) the power of DART to perform its obligations under this Agreement, the Loan Note, the Fee Letter or any of the other Related Documents to which DART is a party.

Section 5.16. Related Documents. DART makes each of the representations, warranties and covenants contained in the Related Documents to which it is a party to, and for the benefit of, the Bank as if the same were set forth at length herein together with all applicable definitions thereto. Except to the extent expressly permitted by Section 6.15 hereof, no amendment, modification, termination or replacement of any such representations,

warranties, covenants and definitions contained in the Related Documents shall be effective to amend, modify, terminate or replace the representations, warranties, covenants and definitions incorporated herein by this reference, without the prior written consent of the Bank.

Section 5.17. OFAC. Neither DART, nor, to the knowledge of DART, any Related Party, (a) is currently the subject of any Sanctions, (b) is located, organized or residing in any Designated Jurisdiction, or (c) is or has been (within the previous five (5) years) engaged in any transaction with any Person who is now or was then the subject of Sanctions or who is located, organized or residing in any Designated Jurisdiction. Neither DART nor, to the knowledge of DART, any Related Party, have used the proceeds from the Series IIB Notes or any Loans, directly or indirectly, to lend, contribute, provide or otherwise be made available to fund any activity or business in any Designated Jurisdiction or to fund any activity or business of any Person located, organized or residing in any Designated Jurisdiction or who is the subject of any Sanctions, or in any other manner that will result in any violation by any Person (including the Bank) of Sanctions.

Section 5.18. Mandamus. The duties and obligations of DART under this Agreement that are clearly defined and non-discretionary and for which there is no other remedy available at law are enforceable by mandamus in any court of competent jurisdiction.

Section 5.19. ERISA. DART is not required to maintain or contribute to, does not maintain or contribute to, and has not maintained or contributed to, any employee pension benefit plan that is subject to Title IV of ERISA.

ARTICLE VI

COVENANTS

From the Effective Date and so long as the Bank is obligated to purchase Series IIB Notes hereunder and under the Loan Note and until the payment in full of all of the obligations of DART under this Agreement and the Loan Note, DART shall, unless the Bank otherwise consents in writing:

Section 6.1. Reporting Requirements. DART will deliver to the Bank:

(a) as soon as available and in any event within ninety (90) days after the end of each fiscal quarter of DART for the fiscal periods ended December 31, March 31 and June 30, the Quarterly Disclosure Updates of DART for the respective fiscal period, whether or not such posted on DART's website, setting forth in each case in comparative form the figures for the corresponding fiscal period of the previous Fiscal Year and the corresponding portion of the previous Fiscal Year and the budget for the corresponding fiscal period of the Fiscal Year, all in reasonable detail, subject only to normal year-end audit adjustments and the absence of footnotes, in each case in form and substance satisfactory to the Bank;

(b) as soon as available and in any event within two hundred seventy (270) days after the end of each Fiscal Year of DART, audited financial statements of DART for such Fiscal Year, prepared in accordance with generally accepted accounting principles applicable to political subdivisions such as DART, consistently applied and audited and certified by independent certified public accountants of recognized standing (such certification shall not be qualified or limited), including a balance sheet of DART as of the end of such Fiscal Year and related statements of revenues, expenses, and changes in retained earnings and cash flows for the Fiscal Year ended setting forth in each case in comparative form the figures from the previous Fiscal Year and from the budget for such Fiscal Year;

(c) concurrently with the delivery of the financial statements referred to in Section 6.1(b) above, a certificate of an Authorized Officer stating that, to the best of such officer's knowledge, DART, during such period, has observed and performed all of its covenants and other agreements, and satisfied every condition contained in this Agreement to be observed, performed or satisfied by it, and that such officer has obtained no knowledge of any Default or Event of Default except as specified (by applicable Section reference) in such certificate;

(d) promptly upon the availability thereof, a copy of any official statement, offering memorandum or other disclosure documents relating to the offering of any Parity and Senior Debt;

(e) as soon as available, but not later than ninety (90) days after adoption by DART, DART's budget and a copy of the capital budget, and any amendments thereto;

(f) such other statements, lists of property and accounts, budgets, forecasts or reports with respect to DART as the Bank may reasonably request; and

(g) from time to time such additional information regarding the financial position, operations, business or prospects of DART as the Bank may reasonably request.

As and to the extent the information required by this Section 6.1 has been properly and timely filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System, DART will be deemed to have complied with the provisions of this Section.

Section 6.2. Accounting Records. DART shall maintain adequate books, accounts and records and permit employees or agents of the Bank at any reasonable time to examine or audit the books, accounts and records of DART and make copies and memoranda.

Section 6.3. Note Payment Fund. (a)) DART will create and establish with the Issuing and Paying Agent a separate and special account to be designated as the "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Series II Note Payment Fund" (the "*Note Payment Fund*"). Within the Note Payment Fund shall be established

separate accounts relating to each of the Series IIB Notes and the Series IIA Notes, to be designated "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Note Payment Account," as further designated by series (each a "*Note Payment Account*"), and each such Note Payment Account shall contain the following accounts: (i) Interest Payment Account; and (ii) Principal Payment Account (which may contain within it one or more subaccounts for the Term Loan). Moneys on deposit in the Note Payment Fund shall be used to pay principal of and interest on Series IIB Notes and the Loan Note as the same shall become due and payable as provided herein and in the Seventeenth Supplement and to repay any borrowings or other amounts payable pursuant to this Agreement and under the Fee Letter.

(b) All proceeds of borrowings under this Agreement, all proceeds received by DART with respect to any Series IIB Notes and Refunding Notes, and all other available funds of DART that DART may elect at its sole option to deposit therein, shall be deposited into the Note Payment Fund and used to pay the principal of and interest on the Series IIB Notes and the Loan Note.

(c) Moneys deposited in said Note Payment Fund may be invested by the Paying Agent/Registrar at the direction of DART in investments as are permitted by the laws of the State of Texas and are within DART's Investment Policy; *provided, however*, that such investment does not inhibit the punctual payment of the principal and interest on the Series IIB Notes and the Loan Note; and *provided, further*, that no funds derived from the purchase of Series IIB Notes pursuant to this Agreement may be invested by or on behalf of DART and all said funds shall be held segregated from all other accounts and funds of the Paying Agent/Registrar.

Section 6.4. Collateral. DART shall at all times keep the Collateral and every part thereof free and clear of all pledges, liens and security interests except the pledges and liens granted in or permitted by the Resolution or permitted under the Related Documents and shall maintain the pledge of and lien on the Collateral in favor of the Bank as a pledge of and lien on all right, title and interest of DART in the Collateral and all rights of DART to receive any and all of the Collateral, subject only to the rights of the owners of Senior Lien Obligations and the parity pledge and lien to secure the Series IIB Notes, the Series IIA Notes, the Loan Note, the Bank Note and any other Senior Subordinate Lien Obligations.

Section 6.5. Voluntary Liens. DART shall not create or assume any Lien on any part of the Collateral now owned or hereafter acquired by it, except the Liens created for the benefit of the owners of the Series IIB Notes, the Series IIA Notes, the Bank Note, the Loan Note, other obligations under this Agreement, the Senior Lien Obligations, the Junior Subordinate Lien Obligations or other Senior Subordinate Lien Obligations.

Section 6.6. Covenants Incorporated by Reference. (i) DART agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Resolution, including, without limitation, Sections 3.2 and 3.3 of the Master Debt Resolution, all of which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every

such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable against DART. To the extent that any such incorporated provision permits DART or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to DART or any other party, for purposes of this Agreement, such provision shall be complied with unless it is specifically waived by the Bank in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank which shall only be evidenced by the written approval by the Bank of the same. Except as permitted by Section 6.15 hereof, no termination or amendment to such covenants and agreements or defined terms or release of DART with respect thereto made pursuant to the Resolution, shall be effective to terminate or amend such covenants and agreements and defined terms or release DART with respect thereto in each case as incorporated by reference herein without the prior written consent of the Bank. Notwithstanding any termination or expiration of any provision of the Resolution, DART shall continue to observe the covenants therein contained for the benefit of the Bank until the termination of this Agreement and the payment in full of the Series IIB Notes, any Term Loan and all other obligations hereunder. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

(ii) Notwithstanding anything in the Master Debt Resolution to the contrary, for purposes of determining “Debt Service” as referenced in Sections 3.2(b) and 3.3(b) of the Master Debt Resolution, as well as in connection with DART’s obligations under Section 6.25 hereof, the maximum principal amount of Obligations authorized to be issued or that are or could be at any time Outstanding, regardless of the principal amount at any time Outstanding or whether such Obligations are Interim Obligations, shall be included in such determination.

Section 6.7. Punctual Payment. DART will punctually pay or cause to be paid (i) the principal and interest due on the Series IIB Notes and the Loan Note and (ii) the fees owed to the Bank under this Agreement and under the Fee Letter, in strict conformity with the terms hereof, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement.

Section 6.8. Proceeds of Series IIB Notes. The proceeds of the Series IIB Notes will be used by DART solely for the purposes described in the Resolution and not in contravention of applicable law.

Section 6.9. Other Documents. DART shall not enter into any agreement containing any provision which would be violated or breached by the performance by DART of its obligations hereunder or under the Related Documents. In the event that DART shall enter into, or otherwise consent to any amendment, supplement or other modification of, any credit agreement, standby bond purchase agreement, reimbursement agreement or other agreement or instrument relating to Senior Subordinate Lien Obligations (each a “*Bank Agreement*”) under which, directly or indirectly, any Person or Persons undertake to make or provide funds to make payment of, or to purchase or provide credit enhancement for Senior Subordinate

Lien Obligations and which includes financial covenants not included in this Agreement, any other more favorable terms (including, without limitation, events of default and remedies, but subject to any applicable cure periods related thereto) granted to any such Person or Persons, or covenants that are more restrictive as to DART (excluding any additional or more restrictive conditions to funding thereunder) than those contained in this Agreement, this Agreement shall be deemed to be amended to include such additional or more restrictive terms (including, without limitation, events of default and remedies, but subject to any applicable cure periods related thereto) or covenants so long as such additional or more restrictive terms or covenants remain in effect under the other agreement or instrument.

Section 6.10. Notices to Rating Agencies. DART will notify the Rating Agencies in a timely manner of any matter with respect to which DART has separately agreed with any of the Rating Agencies to provide such notice, and DART shall promptly provide the Bank with a copy of such notice.

Section 6.11. Performance by DART. DART shall punctually pay or cause to be paid all amounts payable under this Agreement, the Series IIB Notes, the Loan Note, the Fee Letter and the other Related Documents and observe and perform all of the conditions, covenants and requirements of this Agreement, the Series IIB Notes, the Loan Note, the Fee Letter and the other Related Documents. In addition, DART covenants that it will comply with the requirements of all applicable law of any Governmental Authority having jurisdiction over DART, non-compliance with which could reasonably be expected to have a Material Adverse Effect on its ability to perform its obligations under this Agreement, the Series IIB Notes, the Loan Note, the Fee Letter or the other Related Documents to which it is a party, unless the same is being contested in good faith and by appropriate proceedings and such contest shall operate to stay the Material Adverse Effect of any such non-compliance. DART will perform all of its obligations under each of the Note Agreements.

Section 6.12. Notice of Certain Events. DART will:

(a) Promptly, and in any event within five (5) Business Days of DART becoming aware thereof, notify the Bank in writing of the occurrence of any Default or Event of Default, describing the nature thereof and the action DART proposes to take with respect thereto.

(b) Promptly, and in any event within fifteen (15) Business Days of DART becoming aware thereof, notify the Bank in writing of any litigation or administrative proceedings against DART of which DART has received actual notice and in which there is a reasonable possibility of an adverse determination and which could reasonably be expected to have a Material Adverse Effect on (A) the financial condition of DART or (B) DART's ability to perform its obligations under this Agreement, the Loan Note, any Note Agreement or any other Related Document.

(c) Promptly notify the Bank in writing of any amendment to the Act or any governing instruments of DART, which would have a material adverse effect on

DART, the Series IIB Notes, this Agreement, the Pledged Revenues, the Sales Tax or the rights of the Bank hereunder or under the Loan Note.

(d) Promptly, and in any event at least ten (10) Business Days prior to the effective date thereof, notify the Bank in writing of any proposed amendment, modification or supplement to the Master Resolution or the Seventeenth Supplement.

Section 6.13. Maintenance of Paying Agent/Registrar. DART will maintain in place a Paying Agent/Registrar for the Series IIB Notes, and obtain the prior written consent of the Bank (which consent shall not be unreasonably withheld) to any change in the Persons acting as Paying Agent/Registrar.

Section 6.14. No Conflicting Agreements. DART will not enter into any agreement containing any provision which would be violated or breached by the performance of its obligations hereunder, under the Series IIB Notes, under the Loan Note, under the Note Agreements or under any other Related Document.

Section 6.15. Amendments to Related Documents. DART will not amend or modify any provision of, or give any consent or grant any waiver under, any Related Document without first obtaining the Bank's written consent.

Section 6.16. Total Outstanding. At no time during the Purchase Period shall DART permit (i) the Available Commitment to be less than zero and (ii) the aggregate outstanding principal amount of Series IIB Notes held by the Bank to be less than \$100,000.

Section 6.17. Further Assurance. DART will execute and deliver to the Bank all such documents and instruments as may be necessary or reasonably required by the Bank to enable the Bank to exercise and enforce its rights under this Agreement, the Series IIB Notes, the Loan Note and the Note Agreements or to maintain any rights, revenues and other funds and Collateral hereby pledged or assigned for the payment of the Series IIB Notes, Loan Note or other amount due and owing to the Bank hereunder, under the Fee Letter or any of the other Related Documents.

Section 6.18. Investments Guidelines. DART will:

(a) Promptly notify the Bank in writing of any changes proposed to DART's written investment policies or guidelines (the "*Investment Policy*"), a copy of which has been delivered by DART to the Bank prior to the Effective Date, if the proposed change would increase the types of investments permitted by such Investment Policy.

(b) Promptly notify the Bank in writing, after the adoption thereof by DART, of any change in the Investment Policy, which change increases the types of investments permitted by the Investment Policy and of which change the Bank was not previously notified pursuant to clause (a) above.

Section 6.19. Reserved.

Section 6.20. Fiscal Year. DART will not adopt, permit or consent to any change in its established Fiscal Year without giving the Bank written notice thereof.

Section 6.21. Swap Contracts. DART shall at all times require that any termination fees or settlement amounts payable in connection with any Swap Contract entered into by DART on or after the Effective Date shall be subordinate to the payment of principal of, and interest on, the Series IIB Notes and the Loan Note; *provided, however,* that the foregoing shall not operate to prevent amendments and supplements to Swap Contracts entered into prior to the date hereof as long as such amendments or supplements do not operate to modify the priority of payment of any related termination fees or settlement amounts. DART shall not agree to provide any collateral to support the obligations of DART under any Swap Contract entered into after the Effective Date other than as a Lien on Pledged Revenues that ranks as a Junior Subordinate Lien Obligation under the Master Debt Resolution.

Section 6.22. Provisions to Facilitate Payments. DART shall cause to be included in each annual budget of DART reasonable provisions for the payment of all amounts due and estimated to become due with respect to the Series IIB Notes and obligations payable to the Bank under this Agreement, the Fee Letter, the Loan Note and the other Related Documents during the Fiscal Year covered by such budget. To the extent that amounts actually due and payable to the Bank under this Agreement, the Fee Letter, the Loan Note and the other Related Documents in any fiscal year exceed the amounts estimated and/or available therefrom in an annual budget of DART for such fiscal year, DART shall take, or cause to be taken, as promptly as possible, all such actions (including, without limitation, amendments of such annual budget) as may be required to permit and facilitate the expenditure of additional moneys from all sources legally available for the payment of such amounts.

Section 6.23. Waiver of Sovereign Immunity. To the extent allowed by Texas law, including particularly Chapter 1371, Texas Government Code, DART waives immunity from suit or liability for the purpose of adjudicating a claim to enforce DART's contractual obligations under this Agreement and the Loan Notes.

Section 6.24. Ratings. DART shall at all times maintain a long-term unenhanced credit rating on its Senior Lien Obligations from each Rating Agency. DART covenants and agrees that it shall not at any time withdraw any long-term unenhanced credit rating on its Senior Lien Obligations from any Rating Agency if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement or reduce the Commitment Fee.

Section 6.25. Capacity. DART shall at all times maintain the ability under Section 3.2 of the Master Debt Resolution to issue Senior Lien Obligations in an aggregate principal amount not less than the maximum authorized principal amount of all Interim Obligations, whether or not Outstanding. Prior to the issuance of any Additional Senior Lien Obligations pursuant to Section 3.2 of the Master Debt Resolution, DART shall deliver a certificate demonstrating DART's ability to satisfy the requirements of this Section 6.25 immediately following the issuance of such Obligations.

Section 6.26. No Grant of Acceleration. DART shall not grant the remedy of acceleration to any Holder (as defined in the Master Debt Resolution) of Obligations (as defined in the Master Debt Resolution) unless such remedy shall be expressly granted to the Bank hereunder.

Section 6.27. Reserved.

Section 6.28. Consolidation, Merger, etc. DART shall not dissolve or otherwise dispose of all or substantially all of the assets of DART or consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into DART; *provided, however,* that DART may consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into DART if each of the following conditions shall have been fulfilled: (i) such merger or consolidation shall be with or into another governmental entity which shall assume in writing, satisfactory in form and substance to the Bank, or by operation of law the due and punctual performance and observance of all of the covenants, agreements and conditions of this Agreement and the other Related Documents; (ii) such merger or consolidation shall not adversely affect or impair to any extent or in any manner (a) the Collateral, (b) the availability of the Collateral for the payment and security of the Series IIB Notes and the obligations of DART under this Agreement and under the Bank Note; (iii) such merger or consolidation (as evidenced by, among other things, pro forma financial statements and projections) will not result in a Material Adverse Effect; and (iv) DART shall have given the Bank not less than sixty (60) days' prior notice of such disposition, merger or consolidation and furnished to the Bank all such information concerning such disposition, merger or consolidation as shall have been reasonably requested by the Bank.

Section 6.29. Limitation on Series IIB Notes. DART will not issue any Series IIB Notes the proceeds of which are used to (i) pay, repay, defease or refund any Bond Obligations without the prior written consent of the Bank or (ii) pay, repay, defease or refund the principal of or interest on Series IIA Notes.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1. Events of Default. Each of the following shall constitute an "Event of Default" under this Agreement:

(a) DART fails to pay (i) the principal of or interest on any Series IIB Note or the Term Loan when due, or (ii) within five (5) days after receipt of an invoice therefor, any fees, expenses or other amounts (other than principal of or interest on any Series IIB Note or the Term Loan) payable hereunder or under the Fee Letter; or

(b) A breach or failure of performance by DART of any covenant contained in Section 6.5, 6.6, 6.7, 6.8, 6.12, 6.16, 6.17, 6.19, 6.24, 6.26, 6.27 or 6.28 hereof; or

(c) A breach or failure of performance by DART of any covenant, condition, or agreement on its part to be observed or performed contained herein (other than a breach or failure covered by another paragraph in this Section 7.1) and any such breach or failure (if capable of remedy) continues for a period of sixty (60) days after notice thereof from the Bank to DART; or

(d) Any of DART's representations or warranties made or deemed made herein or in any statement or certificate at any time given pursuant hereto or in connection herewith proves at any time to have been false or misleading in any material respect when made and any such false or misleading statement or certificate (if capable of remedy) continues for a period of sixty (60) days after notice thereof from the Bank to DART; or

(e) DART (i) applies for or consents to the appointment of or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or of a substantial part of its property or assets, (ii) admits in writing its inability, or is generally unable, to pay its Parity and Senior Debt as such Debt becomes due, (iii) makes a general assignment for the benefit of creditors or declares a moratorium with respect to its Parity and Senior Debt, (iv) commences a voluntary case under the Bankruptcy Code, (v) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, liquidation, winding-up, or composition or adjustment of Parity and Senior Debts, or (vi) acquiesces in writing to, or fails to controvert in a timely and appropriate manner, any petition filed against it in an involuntary case filed under the Bankruptcy Code (as now or hereafter in effect) seeking liquidation or reorganization with respect to a substantial part of its assets, and such case or proceeding is not stayed, discharged or dismissed within sixty (60) days of the filing of such petition; or

(f) (i) Without the application or consent of DART, a case or other proceeding is commenced in any court of competent jurisdiction seeking (y) the reorganization, dissolution, winding-up, liquidation, or composition or readjustment of Parity and Senior Debt of DART or (z) the appointment of a trustee, receiver, custodian, liquidator or the like of DART or any substantial part of the assets thereof and such case or proceeding continues undismissed, or an order, judgment or decree approving or ordering any of the foregoing is entered and continues unstayed and in effect, in either case, for a period of sixty (60) consecutive days, or (ii) an order for relief in respect of DART is entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or

(g) The State of Texas or any other Governmental Authority having jurisdiction over DART imposes a debt moratorium, debt restructuring or comparable restriction on repayment when due and payable of the principal of or interest on the Series IIB Notes, the Loan Note (and the Term Loan evidenced thereby) or on DART's other Parity and Senior Debt; or

(h) The rating (without regard to credit enhancement) assigned to any of the long-term Senior Lien Obligations or, if at any time any Rating Agency provides a long-term rating (without regard to credit enhancement) thereon, any Senior Subordinate Lien Obligations, by Moody's or S&P shall be withdrawn, suspended or reduced below "Baa3" by Moody's or "BBB-" by S&P (in each case to the extent such Rating Agency then maintains a rating on the long-term Senior Lien Obligations or the long-term Senior Subordinate Lien Obligations), unless such Rating Agency states, in the case of a withdrawal or suspension, that such withdrawal or suspension is for reasons that are not credit-related; or

(i) Entry or filing of any judgment, order, writ or warrant of attachment in an amount in excess of \$10,000,000 against DART or against any of its property and failure of DART to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of sixty (60) days or a failure to pay or satisfy such judgment within sixty (60) days or as otherwise required by such judgment, writ or warrant of attachment; or

(j) (i) DART fails to pay when due and payable, after giving effect to any applicable grace period, the principal of or interest on any Debt in excess of \$10,000,000 in the aggregate or (ii) any event shall occur with respect to any Debt of DART in excess of \$10,000,000 or any Parity and Senior Debt of DART that results in such Debt becoming due, or permits the holder of such Debt to cause such Debt to become due, in each case prior to its stated maturity date; or

(k) DART fails to pay when due and payable, after giving effect to any applicable grace period, the principal of and interest on any of its Parity and Senior Debt (other than such Debt consisting of the obligation of another Person guaranteed by DART or any of the Series IIB Notes); or

(l) Any provision of this Agreement, the Series IIB Notes, the Loan Note, the Act, the Seventeenth Supplement or any other Related Document relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIB Notes or the Loan Note, (y) the Pledged Revenues or (z) the pledge of and lien on Collateral securing the Series IIB Notes and the Loan Note shall at any time, and for any reason, cease to be valid and binding on DART, or shall be declared to be null and void, invalid or unenforceable as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over DART; or

(m) DART contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) that it has any further liability or obligation under or with respect to any provision of this Agreement, the Series IIB Notes, the Loan Note, any Parity and Senior Debt, the Act, or the Seventeenth Supplement relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIB Notes, any Parity and Senior Debt or the Loan

Note, (y) the Pledged Revenues or (z) the pledge of and lien on the Collateral securing, in each case, the Series IIB Notes, any Parity and Senior Debt and the Loan Note; or

(n) DART contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) the legality, validity or enforceability of any provision of this Agreement (with the exception of any indemnification provision herein), the Series IIB Notes, the Loan Note, any Parity and Senior Debt, the Act, or the Seventeenth Supplement relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIB Notes, any Parity and Senior Debt or the Loan Note, (y) the Pledged Revenues or (z) the pledge of and lien on Collateral securing, in each case, the Series IIB Notes, any Parity and Senior Debt and the Loan Note; or

(o) DART shall have taken or permitted to be taken any official action (including enactment of a statute or adoption of an ordinance) which would materially adversely affect the legality, validity or enforceability of any provision of this Agreement, the Series IIB Notes, the Loan Note, any Parity and Senior Debt, or the Seventeenth Supplement relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIB Notes or the Loan Note, (y) the Pledged Revenues or (z) the pledge of and lien on Collateral securing, in each case, the Series IIB Notes, any Parity and Senior Debt and the Loan Note; or

(p) Any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of this Agreement, the Series IIB Notes, the Loan Note, the Act, or the Seventeenth Supplement shall find or rule, in a judicial or administrative proceeding, that any provision of this Agreement, the Series IIB Notes, the Loan Note, the Act, or the Seventeenth Supplement relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIB Notes or the Loan Note, (y) the Pledged Revenue, or (z) the pledge of and lien on Collateral securing, in each case, the Series IIB Notes and the Loan Note, is not valid or not binding on, or not enforceable against, DART;

(q) An “event of default” under the JPMorgan Credit Agreement or any Related Document shall have occurred; or

(r) An Invalidity Event shall have occurred.

Section 7.2. Actions Taken in Respect of Events of Default. Upon the occurrence and during the continuance of any Event of Default, the Bank may take one or more of the following actions: (i) by written notice delivered to DART and the Paying Agent/Registrar, (A) terminate the Commitment in whole and (B) to the extent permitted by law and, to the extent provided for in Section 6.26 hereof, declare all amounts payable by DART to the Bank hereunder and under any Series IIB Note, the Fee Letter and the Loan Note, to be forthwith due and payable without presentment, demand, protest, all of which are expressly waived by DART; *provided, however,* that to the extent that the Bank pursues the rights granted to it

under Section 7.2(i)(B) above, DART shall pay to the Bank such amounts from any unrestricted funds lawfully available, and following such Event of Default, appropriated by DART for such purpose as described above; *provided further, however*, that interest on any unpaid amounts during the continuance of an Event of Default shall bear interest at the Default Rate until such amounts are paid in full; or (ii) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable hereunder or under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of DART under the Related Documents, whether for specific performance of any agreement or covenant of DART or in aid of the execution of any power granted to the Bank herein or in the Related Documents.

Section 7.3. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Bank shall be entitled to proceed to protect and enforce its rights by (i) way of mandamus to require DART to perform its obligations under this Agreement, or (ii) enforcement by writ of mandamus of any provision of the Seventeenth Supplement and this Agreement in any court of competent jurisdiction.

Section 7.4. No Remedy Exclusive. The rights and remedies of the Bank under this Agreement shall be cumulative and not exclusive of any rights or remedies which it would otherwise have, and no failure or delay by the Bank in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

ARTICLE VIII

GENERAL

Section 8.1. Notices. All notices and other communications provided for hereunder shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier service), facsimile transmission, or regular mail, as follows:

(a) if to DART:

Dallas Area Rapid Transit
1401 Pacific Avenue
Dallas, Texas 75292
Attention: Chief Financial Officer
Telephone: (214) 749-3066
Fax: (214) 749-3657

(b) if to the Bank:

For general matters:

JPMorgan Chase Bank, National Association
383 Madison Avenue, 3rd Floor
New York, New York 10179
Mail Code NY1-M165
Attention: Public Finance, David Bayer
Telephone: (212) 270-4186
Telecopy: (917) 546-2657
E-Mail: David.m.bayer@jpmorgan.com

With respect to each Request for Purchase and a copy of each other Notice:

JPMorgan Chase Bank, National Association
JPM-Delaware Loan Operations
500 Stanton Christiana Road, NCC5, Floor 01
Newark, DE 19713-2107
Attention: Brandon T. Allen
Telephone: (302) 634-9588
E-Mail: 12012443628@tls.ldsprod.com

In each case, with a copy to:

E-mail: public.finance.notices@jpmorgan.com

(c) if to the Paying Agent/Registrar: Same as above for the Bank

or, as to each Person named above, at such other address as shall be designated by such Person in a written notice to the parties hereto. All such notices and communications shall, when delivered or sent by facsimile transmission or mailed, be effective when deposited with the courier, sent by facsimile transmission or mailed respectively, addressed as aforesaid, except that Requests for Purchases submitted to the Bank shall not be effective until received by the Bank.

Section 8.2. Survival of Covenants; Successors and Assigns. All covenants, agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the purchase of any Series IIB Note or making of any Term Loan hereunder and shall continue in full force and effect so long as the Commitment is in effect and until all obligations of DART hereunder and any Series IIB Note or under the Loan Note shall have been paid in full. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of DART which are contained in this Agreement and the Loan Note shall inure to the benefit of the successors and assigns of the Bank.

(a) *Successors and Assigns Generally.* This Agreement is a continuing obligation and shall be binding upon DART and the Bank, their respective successors, transferees and assigns and shall inure to the benefit of DART, the Bank and the Holders and their respective permitted successors, transferees and assigns. DART may not assign or otherwise transfer any of its rights or obligations hereunder or under the Loan Note without the prior written consent of the Bank. The Bank may not at any time assign to one or more assignees all or a portion of its obligations under this Agreement relating to the Commitment without the consent of DART (such consent not to be unreasonably withheld, conditioned or delayed) unless such assignment is to an Affiliate of the Bank or an Approved Fund; *provided* that DART shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Bank within twenty (20) Business Days after having received notice thereof. Each Holder may, in its sole discretion and in accordance with applicable law, from time to time assign, sell or transfer in whole or in part, its interest in the Series IIB Notes, this Agreement and the other Related Documents in accordance with the provisions of paragraph (b) or (c) of this Section. Each Holder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (d) of this Section. Each Holder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section.

(b) *Sales and Transfers by Holder to a Bank Transferee.* Without limitation of the foregoing generality, a Holder may at any time sell or otherwise transfer to one or more transferees all or a portion of the Series IIB Notes or the Loan Note (and the Term Loan evidenced thereby) to a Person that is (i) an Affiliate of the Bank or (ii) a trust or other custodial arrangement established by the Bank or an Affiliate of the Bank, the owners of any beneficial interest in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the 1933 Act, or “institutional accredited investors” as defined in Rule 501 of Regulation D under the 1933 Act (each, a “Bank Transferee”). From and after the date of such sale or transfer, JPMorgan Chase Bank, National Association (and its successors) shall continue to have all of the rights of the Bank hereunder and under the other Related Documents as if no such transfer or sale had occurred; *provided, however*, that (A) no such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall in any way affect the obligations of the Bank hereunder, (B) DART and the Paying Agent/Registrar shall be required to deal only with the Bank with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii) hereof, only the Bank shall be entitled to enforce the provisions of this Agreement against DART.

(c) *Sales and Transfers by Holder to a Non-Bank Transferee.* Without limitation of the foregoing generality, a Holder may at any time sell or otherwise transfer to one or more transferees which are not Bank Transferees but each of which constitutes a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act or an “institutional accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act (each a “Non-Bank Transferee”) all or a portion of the Series IIB Notes or the Loan Note (and the Term Loan evidenced thereby) if (A) written notice of such sale or transfer, including that such sale or transfer is to a Non-Bank Transferee, together with addresses and related information with respect to the Non-Bank Transferee, shall have been given to DART, the Paying Agent/Registrar and the Bank (if different than the Holder) by such selling Holder and

Non-Bank Transferee, and (B) the Non-Bank Transferee shall have delivered to DART, the Paying Agent/Registrar and the selling Holder, an investment letter in substantially the form attached as Exhibit E to this Agreement (the "*Investor Letter*").

From and after the date DART, the Paying Agent/Registrar and the selling Holder have received written notice and an executed Investor Letter, (A) the Non-Bank Transferee thereunder shall have the rights and obligations of a Holder hereunder and under the other Related Documents, and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Bank Transferee, and any reference to the transferring Holder hereunder and under the other Related Documents shall thereafter refer to such transferring Holder and to the Non-Bank Transferee to the extent of their respective interests, and (B) if the transferring Holder (other than the Bank) no longer owns any Series IIB Notes or any portion of the Term Loan, then it shall relinquish its rights and be released from its obligations hereunder and under the Related Documents.

(d) Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a "*Participant*") a participation or participations in all or any part of the Bank's rights and benefits under this Agreement, the Series IIB Notes and the Loan Note on a participating basis but not as a party to this Agreement (a "*Participation*"), without the consent of DART; *provided* that the Bank agrees to give DART notice of the grant of any Participation upon the effectiveness thereof. In the event of any such grant by the Bank of a Participation to a Participant, whether or not upon notice to DART, the Bank shall remain responsible for the performance of its obligations hereunder, and DART shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement, the Series IIB Notes and the Loan Note. DART agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement, the Series IIB Notes and the Loan Note as if such Participant were the Bank; *provided* that no Participant shall have the right to declare, or to take actions in response to, an Event of Default under Sections 7.1 hereof.

(e) The Bank may assign and pledge all or any portion of the obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operation Circular issued by such Federal Reserve Bank; *provided* that any payment in respect of such assigned obligations made by DART to the Bank in accordance with the terms of this Agreement shall satisfy DART's obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

Section 8.3. Unconditional Obligations. The obligations of DART under this Agreement, the Note Agreements, the Fee Letter and the Loan Note shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of this

Agreement, the Note Agreements and the Loan Note, under all circumstances whatsoever, including, without limitation, the following:

- (a) any lack of validity or enforceability of this Agreement, the Loan Note or, to the extent permitted by law, the Series IIB Notes or any other Note Agreement;
- (b) any amendment or waiver of or any consent to departure from the terms of all or any of the Note Agreements to which the Bank has not consented in writing;
- (c) the existence of any claim, counterclaim, set-off, recoupment, defense, or other right which any Person may have at any time against the Bank, DART, the Paying Agent/Registrar or any other Person, whether in connection with this Agreement, the Loan Note, the Note Agreements or any other transaction;
- (d) any statement or any other document presented pursuant hereto proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; and
- (e) purchase of Series IIB Notes by the Bank against presentation of a Request for Purchase which does not comply with the terms of this Agreement; *provided* that such payment shall not have constituted negligence of the Bank.

Section 8.4. Liability of Bank; Indemnification. (a) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE OF TEXAS, DART ASSUMES ALL RISKS OF THE ACTS OR OMISSIONS OF THE PAYING AGENT/REGISTRAR WITH RESPECT TO THE USE OF THE COMMITMENT AND THE PURCHASES MADE PURSUANT THERETO; *PROVIDED* THAT THIS ASSUMPTION WITH RESPECT TO THE BANK IS NOT INTENDED TO AND SHALL NOT PRECLUDE DART FROM PURSUING SUCH RIGHT AND REMEDIES AS IT MAY HAVE AGAINST THE PAYING AGENT/REGISTRAR UNDER ANY OTHER AGREEMENTS. NEITHER THE BANK NOR ITS OFFICERS OR DIRECTORS SHALL BE LIABLE OR RESPONSIBLE FOR (I) THE USE OF THE PROCEEDS OF SERIES IIB NOTES OR TERM LOAN OR THE TRANSACTIONS CONTEMPLATED HEREBY AND BY THE NOTE AGREEMENTS OR FOR ANY ACTS OR OMISSIONS OF THE PAYING AGENT/REGISTRAR, (II) THE VALIDITY, SUFFICIENCY, OR GENUINENESS OF ANY DOCUMENTS, EVEN IF SUCH DOCUMENTS SHALL, IN FACT, PROVE TO BE IN ANY OR ALL RESPECTS INVALID, FRAUDULENT, FORGED OR INSUFFICIENT, (III) PAYMENTS BY THE BANK AGAINST PRESENTATION OF DOCUMENTS WHICH DO NOT COMPLY WITH THE TERMS OF THIS AGREEMENT, OR (IV) ANY OTHER CIRCUMSTANCES WHATSOEVER IN MAKING OR FAILING TO MAKE PAYMENT HEREUNDER; *PROVIDED* THAT DART SHALL HAVE A CLAIM AGAINST THE BANK TO THE EXTENT OF ANY DIRECT, AS OPPOSED TO CONSEQUENTIAL DAMAGES, BUT ONLY TO THE EXTENT CAUSED BY THE WILLFUL FAILURE OR NEGLIGENCE OF THE BANK (AS DETERMINED BY A COURT OF COMPETENT JURISDICTION) IN FAILING TO MAKE A PURCHASE REQUIRED TO BE MADE BY THE BANK HEREUNDER AFTER STRICT COMPLIANCE BY DART WITH ALL CONDITIONS PRECEDENT TO SUCH PURCHASE, UNLESS THE MAKING OF SUCH PURCHASE WAS NOT OTHERWISE PERMITTED BY LAW.

(b) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE OF TEXAS, DART HEREBY INDEMNIFIES AND HOLDS HARMLESS EACH INDEMNITEE FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, CONSEQUENTIAL DAMAGES, LIABILITIES, REASONABLE COSTS OR EXPENSES

(INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES OF COUNSEL FOR THE INDEMNIFIED PARTIES THAT IS NOT AN EMPLOYEE OF AN INDEMNIFIED PARTY OR AN AFFILIATE THEREOF AND EXPENSES) WHATSOEVER WHICH SUCH INDEMNITEE MAY INCUR (OR WHICH MAY BE CLAIMED AGAINST SUCH INDEMNITEE BY ANY PERSON WHATSOEVER) BY REASON OF OR IN CONNECTION WITH (I) THE EXECUTION OR DELIVERY OF THIS AGREEMENT, ANY OTHER RELATED DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, THE PERFORMANCE BY THE PARTIES HERETO OF THEIR RESPECTIVE OBLIGATIONS HEREUNDER OR THEREUNDER, THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, (II) ANY PURCHASE OF SERIES IIB NOTES OR THE USE OR PROPOSED USE OF THE PROCEEDS THEREFROM, OR (III) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY, WHETHER BROUGHT BY A THIRD PARTY OR BY DART, AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO, IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE; *PROVIDED* THAT DART SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK OR ANY PARTICIPANT FOR ANY LOSSES, CLAIMS, DAMAGES, LIABILITIES, COSTS OR EXPENSES (OTHER THAN THOSE DESCRIBED IN CLAUSE (I)) TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY THE WILLFUL MISCONDUCT OR NEGLIGENCE OF THE BANK OR SUCH PARTICIPANT (AS DETERMINED BY A COURT OF COMPETENT JURISDICTION). THE PROVISIONS OF THIS SECTION 8.4(B) SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT.

Section 8.5. Expenses and Taxes. DART will promptly pay (i) the reasonable costs and expenses of the Bank in connection with the negotiation, preparation, execution, and delivery of this Agreement, the Fee Letter and any other documents which may be delivered in connection with this Agreement, plus the reasonable fees and disbursements of counsel to the Bank subject to any limitations or caps set forth in the Fee Letter, (ii) the fees and disbursements of counsel to the Bank with respect to advising the Bank as to the rights and responsibilities under this Agreement after the occurrence of a Default or an Event of Default, and (iii) all costs and expenses, if any, in connection with the enforcement of this Agreement, the Fee Letter and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, DART shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Loan Note, the Note Agreements and any related documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition, DART agrees to pay, after the occurrence of a Default or an Event of Default, all costs and expenses (including attorneys' fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from DART hereunder or under the Series IIB Notes, the Fee Letter or the Loan Note by reason of such Default or Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings.

Section 8.6. No Waiver; Conflict. Neither any failure nor any delay on the part of the Bank in exercising any right, power or privilege hereunder, nor any course of dealing with

respect to any of the same, shall operate as a waiver thereof, preclude any other or further exercise thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies herein provided are cumulative, and not exclusive of any remedies provided by law. To the extent of any conflict between this Agreement and the Note Agreements, this Agreement shall control as between DART and the Bank.

Section 8.7. Modification, Amendment, Waiver, Etc. No modification, amendment or waiver of any provision of this Agreement or the Loan Note shall be effective unless the same shall be in writing and signed by the party against whom such amendment, modification or waiver is to be enforced.

Section 8.8. Dealing with DART, the Issuing and/or the Paying Agent/Registrar. The Bank and its affiliates may accept deposits from, extend credit to and generally engage in any kind of banking, trust or other business with DART, the Issuing and the Paying Agent/Registrar, regardless of the capacity of the Bank hereunder.

Section 8.9. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and all other remaining provisions hereof will be construed to render them enforceable to the extent permitted by law.

Section 8.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Agreement or any other Related Document, or any certificate delivered thereunder, by fax transmission or e-mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement or such other Related Document or certificate. Without limiting the foregoing, to the extent a manually executed counterpart is not specifically required to be delivered under the terms of any Related Document, upon the request of any party, such fax transmission or e-mail transmission shall be promptly followed by such manually executed counterpart.

Section 8.11. Table of Contents; Headings. The table of contents and the Section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

Section 8.12. Beneficiaries. This Agreement is made solely for the benefit of DART and the Bank, their successors and assigns, and no other Person (including, without limitation, any owners of the Series IIB Notes) shall have any right, benefit or interest under or because of the existence of this Agreement.

Section 8.13. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY LAW, BOTH DART AND THE BANK HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE LOAN NOTE, ANY OF THE NOTE AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 8.14. Entire Agreement. THIS AGREEMENT TOGETHER WITH THE OTHER RELATED DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.

Section 8.15. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS; PROVIDED, HOWEVER, THAT THE RIGHTS, DUTIES AND OBLIGATIONS OF THE BANK UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO CONFLICT OF LAW PROVISIONS (OTHER THAN NEW YORK GENERAL OBLIGATIONS LAWS 5-1401 AND 5-1402).

Section 8.16. Venue. With respect to any suit, action or proceedings relating to this Agreement, each party agrees to bring any such suit, action or proceeding in, and irrevocably submits, to the extent permitted by applicable law, to the exclusive jurisdiction of, the courts of the United States District Court located in the Northern District of Texas.

Section 8.17. Patriot Act. The Bank is subject to the Patriot Act (as hereinafter defined) and hereby notifies DART that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Bank is required to obtain, verify, and record information that identifies DART which information includes the name and address of DART and other information that will allow the Bank to identify DART in accordance with the Patriot Act.

Section 8.18. No Advisory or Fiduciary Responsibility. In connection with all aspects of the transactions contemplated by this Agreement and the Related Documents (including in connection with any amendment, waiver or other modification of this Agreement or of any Related Document), DART acknowledges and agrees that: (a)(i) any arranging, structuring and other services regarding this Agreement and the Related Documents provided by the Bank or any affiliate of the Bank are arm's length commercial transactions between DART on the one hand, and the Bank and any affiliate of the Bank on the other hand, (ii) DART has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) DART is capable of evaluating, and understands and accepts, the terms, risks and

conditions of the transactions contemplated by this Agreement and the Related Documents; (b)(i) the Bank and each affiliate of the Bank is and has been acting solely as a principal and has not been, is not, and will not be acting as an advisor, agent or fiduciary for DART or any other Person and (ii) neither the Bank nor any affiliate of the Bank has any obligation to DART with respect to the transactions contemplated by this Agreement and the Related Documents, except those obligations expressly set forth herein; and (c) the Bank and each affiliate of the Bank may be engaged in a broad range of transactions that involve interests that differ from those of DART, and neither the Bank nor any affiliate of the Bank has any obligation to disclose any of such interests to DART. To the extent permitted by applicable laws, DART hereby waives and releases any claims that it may have against the Bank and each affiliate of the Bank with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of the transactions contemplated by this Agreement and the Related Documents.

Section 8.19. Paying Agent/Registrar. The Bank hereby acknowledges and accepts its appointment as Paying Agent/Registrar for the Series IIB Notes during the term of this Agreement. The Paying Agent/Registrar's sole duties in connection with the issuance of the Series IIB Notes in physical form when DART delivers Series IIB Notes from time to time to the Paying Agent/Registrar pursuant to the terms of the Seventeenth Supplement shall be as follows:

- (i) to hold the Series IIB Notes in safekeeping, pending receipt of DART's submission of a Request for Purchase to the Bank;
- (ii) to cause a duly authorized officer or duly authorized employee of the Paying Agent/Registrar to countersign each Series IIB Note to be delivered to the Bank for purposes of authentication of the Series IIB Note only; and
- (iii) to deliver the Series IIB Notes in accordance with the instructions (A) by hand, against receipt for payment, (B) by overnight mail to the address provided in the Instructions, or (C) as otherwise provided in the instructions and as agreed to between the Paying Agent/Registrar, the Bank and DART.

The Paying Agent/Registrar shall not be obligated to authenticate and deliver any Series IIB Notes to the extent prohibited by the terms of this Agreement or the Seventeenth Supplement. It is acknowledged and agreed by DART that the Bank, in its role as Paying Agent/Registrar for the Series IIB Notes as hereinabove provided, has not, is not and will not be acting as an agent or fiduciary for DART or any other Person.

Section 8.20. No Israel Boycott. . The Bank hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically

with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Bank understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Bank and exists to make a profit.

Section 8.21. Contracts with Companies Engaged in Business with Iran, Sudan or Foreign Terrorist Organizations Prohibited. The Bank represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or 2270.0201 of the Texas Government Code, and posted on any of the following pages of such officer’s internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Bank and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Bank understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Bank and exists to make a profit.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, DART and the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date first above written.

DALLAS AREA RAPID TRANSIT

By: _____

Name: _____

Title: _____

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____
Name: _____
Title: _____

EXHIBIT A

FORM OF
DALLAS AREA RAPID TRANSIT
NOTE PURCHASE AGREEMENT LOAN NOTE, SERIES IIB

November 30, 2018
\$125,000,000 Initial Maximum Amount

The DALLAS AREA RAPID TRANSIT, acknowledges itself indebted and for value received promises to pay to the order of JPMorgan Chase Bank, National Association (the “*Bank*”), at the address provided in the Agreement (hereinafter defined), the aggregate unpaid principal amount of the Term Loan hereunder and under the Agreement, not to exceed One Hundred Twenty Five Million and no/100 (\$125,000,000) in principal amount at any one time outstanding, made by the Bank to DART hereunder, in lawful money of the United States of America, in federal or other immediately available funds, and to pay interest at the rates set forth in the Agreement on the actual unpaid principal amount hereof for each day outstanding from the date hereof until this Loan Note is paid in full, in like money and funds at such office. Interest shall be payable in the amounts, on the dates and in the manner set forth in the Agreement. Principal of this Loan Note shall be payable in the amounts, on the dates and in the manner set forth in the Agreement.

This Loan Note is subject to prepayment all pursuant to the terms and under the conditions of the Note Purchase Agreement, dated as of November 1, 2018, between DART and the Bank (as amended, restated, supplemented or otherwise modified from time to time, the “*Agreement*”), the terms of which are hereby incorporated by reference in this Loan Note). All terms used herein and not defined shall have the same meaning as in the Agreement. Reference is also made to the Agreement for provisions providing for additional interest and other amounts to be payable under certain circumstances.

Provision has been made for the payment of principal of and interest on this Loan Note sufficient to provide for the payment of principal hereof and interest hereon, as such principal and interest becomes due, and such security interests have been irrevocably pledged for such payment. It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this Loan Note is within every applicable debt or other limit.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the DALLAS AREA RAPID TRANSIT has caused this Loan Note to be signed in its name by its [_____] and this Loan Note to be dated the date and year first written above.

DALLAS AREA RAPID TRANSIT

By: _____
Name: _____
Title: _____

EXHIBIT B

REQUEST FOR PURCHASE

JPMorgan Chase Bank, National Association.
JPM-Delaware Loan Operations
500 Stanton Christiana Road, NCC5, Floor 01
Newark, DE 19713-2107
Attention: Brandon T. Allen
Telephone: (302) 634-9588
Email: 12012443628@tls.ldsprod.com

Re: Dallas Area Rapid Transit
Senior Subordinate Lien
Sales Tax Revenue Commercial Paper Notes, Series IIB (the "*Series IIB Notes*")

Date: _____

Ladies and Gentlemen:

DART refers to the Note Purchase Agreement dated as of November 1, 2018 (together with any amendments or supplements thereto, the "*Agreement*"), between Dallas Area Rapid Transit ("*DART*") and JPMorgan Chase Bank, National Association (the "*Bank*") (the terms defined therein being used herein as therein defined) and hereby requests, pursuant to Section 2.1 of the Agreement, that the Bank make a purchase of Series IIB Notes under the Agreement, and in that connection sets forth below the following information relating to such purchase (the "*Proposed Purchase*"):

1. The Business Day of the Proposed Purchase is _____, 20__ (the "*Purchase Date*"), which is at least three Business Days after the date hereof.
2. The principal amount of the Proposed Purchase of a Series IIB Note is \$_____, which is not greater than the Available Commitment as of the Purchase Date set forth in 1 above.
3. The aggregate amount of the Proposed Purchase shall be used solely for the purposes permitted in the Seventeenth Supplement and the Agreement.
4. The Maturity Date shall be _____ (such date is not later than the earlier of (i) the Expiration Date and (ii) 270 days from the Purchase Date).

5. The Paying Agent/Registrar is directed to issue and deliver a Series IIB Note to the Bank, consistent with the instructions herein, pursuant to the Seventeenth Supplement and the Agreement.

The submission of this Request for Purchase constitutes a representation and warranty that the conditions specified in subsection 4.2 of the Agreement have been satisfied on and as of the date hereof.

The Proposed Purchase shall be made by the Bank by wire transfer of immediately available funds to the undersigned in accordance with the instructions set forth below:

[Insert wire instructions]

DALLAS AREA RAPID TRANSIT

By: _____
Name: _____
Title: _____

EXHIBIT C

RESERVED

EXHIBIT D

FORM OF EXPIRATION DATE EXTENSION REQUEST

[Date]

JPMorgan Chase Bank, National Association
383 Madison Avenue, 3rd Floor
New York, New York 10179
Mail Code NY1-M165
Attention: Public Finance, David Bayer
Telecopy: (917) 546-2657
Telephone: (212) 270-4186
E-Mail: David.m.bayer@jpmorgan.com

Re: Dallas Area Rapid Transit
Senior Subordinate Lien
Sales Tax Revenue Commercial Paper Notes, Series IIB (the "*Series IIB Notes*")

Ladies and Gentlemen:

Pursuant to Section 2.10 of that certain Note Purchase Agreement, dated as of November 1, 2018, between the Dallas Area Rapid Transit ("*DART*") and the Bank, DART requests that the Expiration Date (as defined in the Note Purchase Agreement) be extended to _____.

Very truly yours,

DALLAS AREA RAPID TRANSIT

By: _____
Name: _____
Title: _____

EXHIBIT E

FORM OF INVESTOR LETTER

_____, 20__

Dallas Area Rapid Transit
1401 Pacific Avenue
Dallas, Texas 75292

Re: Dallas Area Rapid Transit
Senior Subordinate Lien
Sales Tax Revenue Commercial Paper Notes, Series IIB (the "*Series IIB Notes*")

Ladies and Gentlemen:

This letter is to provide you with certain representations and agreements with respect to our purchase of all of the above-referenced commercial paper notes (the "*Series IIB Notes*"), dated their date of issuance. The Series IIB Notes were issued pursuant to that certain Seventeenth Supplemental Debt Resolution adopted by the Board on November 18, 2018 (as amended and supplemented from time to time, the "*Seventeenth Supplement*"). JPMorgan Chase Bank, National Association (the "*Bank*," the "*undersigned*," "*us*" or "*we*," as applicable) is purchasing the Series IIB Notes pursuant to a Note Purchase Agreement dated as of November 1, 2018, between Dallas Area Rapid Transit ("*DART*") and the Bank. We hereby represent and warrant to you and agree with you as follows:

1. We understand that the Series IIB Notes have not been registered pursuant to the Securities Act of 1933, as amended (the "*1933 Act*"), the securities laws of any state nor has the Trust Agreement been qualified pursuant to the Trust Agreement Act of 1939, as amended, in reliance upon certain exemptions set forth therein. We acknowledge that the Series IIB Notes (i) are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, and (ii) will not be listed on any securities exchange.

2. We have not offered, offered to sell, offered for sale or sold any of the Series IIB Notes by means of any form of general solicitation or general advertising, we are not an underwriter of the Series IIB Notes within the meaning of Section 2(11) of the 1933 Act, and we are not selling or offering to sell the Series IIB Notes in a primary offering by, or on behalf of, DART.

3. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations and taxable

obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Series IIB Notes.

4. The Bank is either a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act, or an “institutional accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act, and is able to bear the economic risks of such investment.

5. The Bank understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to the Series IIB Notes. The Bank has made its own inquiry and analysis with respect to DART, the Series IIB Notes and the security therefor, and other material factors affecting the security for and payment of the Series IIB Notes.

6. The Bank acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, regarding DART, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning DART, the Series IIB Notes and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase the Series IIB Notes.

7. The Series IIB Notes are being acquired by the Bank for investment for its own account and not with a present view toward resale or distribution; *provided, however*, that the Bank reserves the right to sell, transfer or redistribute the Series IIB Notes, but agrees that any such sale, transfer or distribution by the Bank shall be to a Person:

- (a) that is an affiliate of the Bank;
- (b) that is a trust or other custodial arrangement established by the Bank or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers or institutional accredited investors;
- (c) that is a secured party, custodian or other entity in connection with a pledge by the Bank to secure public deposits or other obligations of the Bank or one of its affiliates to state or local governmental entities; or
- (d) that the Bank reasonably believes to be a qualified institutional buyer or institutional accredited investor and who executes an investor letter substantially in the form of this letter.

Very truly yours,

[INVESTOR]

By: _____
Name: _____
Title: _____

EXHIBIT F

FORM OF OPINIONS OF BOND COUNSEL

EXHIBIT G

FORM OF OPINION OF COUNSEL TO DART

EXHIBIT C

Form of Issuing and Paying Agency Agreement

ISSUING AND PAYING AGENCY AGREEMENT

This Issuing and Paying Agency Agreement is entered into as of _____, 2018 (this “Agreement”) by and between the Dallas Area Rapid Transit (“DART”), a regional transportation authority, public body corporate and political duly organized and existing under the laws of the State of Texas (“DART”) and Amegy Bank, National Association, a national banking association serving as issuing and paying agent hereunder (the “Issuing and Paying Agent”).

RECITALS

WHEREAS, DART has duly authorized and provided for the issuance of its “Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series II A” authorized to be Outstanding at any one time in an aggregate principal amount not to exceed \$125,000,000 (the “Series II A Notes”) pursuant to a certain Master Debt Resolution, as amended (the “Master Debt Resolution”) and a certain Seventeenth Supplemental Debt Resolution (the “Seventeenth Supplement”) adopted by the Board of Division of DART on _____, 2018, and in conjunction with the issuance and sale of such Series II A Notes for and on behalf of DART, the Issuing and Paying Agent has agreed to act (i) as depository for the safekeeping of such Series II A Notes, (ii) as issuing agent on behalf of DART in connection with the issuance of such Series II A Notes, and (iii) as paying agent to undertake certain obligations to make payments in respect of the Series II A Notes;

NOW, THEREFORE, DART and the Issuing and Paying Agent hereby mutually agree as follows:

1. Appointment of Agent. (a) DART hereby appoints the Issuing and Paying Agent and the Issuing and Paying Agent hereby agrees to act, on the terms and conditions specified herein and in the Resolution, as depository and issuing and paying agent for the Series II A Notes. Capitalized terms used herein and not otherwise defined shall have the meaning as presented by Paragraph 16 of this Agreement.

(b) The Series II A Notes. DART may direct the Issuing and Paying Agent to issue Series II A Notes in accordance with the Resolution, the Series II A Agreement (as defined in the Resolution), this Agreement, and the Dealer Agreement (as defined in the Resolution) at any time and from time to time after the Effective Date, so long as the principal amount that is Outstanding as Series II A Notes and Series II B Notes at any one time under the Resolution shall not collectively exceed \$125,000,000. The Series II A Notes will initially be issued in book-entry form (“Book-Entry Notes”) with the aggregate of all such obligations evidenced by a Master Note (the “Master Note”) in substantially the form set forth in the Resolution, a copy of which is attached hereto as Exhibit A. Pursuant to the Resolution, DART may elect to terminate issuing the Series II A Notes in book-entry form in which case they shall be issued in certificated form evidenced by individual certificates (the “Certificated Notes”), a copy of which is attached hereto as Exhibit B. The Series II A Notes will be sold through such commercial paper dealer or dealers as DART shall have notified the Issuing and Paying Agent from time to time (the “Dealer”). The Dealers currently are J. P. Morgan Securities LLC and Loop Capital LLC.

2. Book-Entry Only System. Pursuant to Section 6.11 of the Seventeenth Supplement, DART has determined initially to issue the Series II A Notes in book-entry only form through The Depository Trust Company (“DTC”) for delivery and settlement of the Series II A Notes. DART shall provide the Issuing and Paying Agent and DTC an executed Letter of Representations (a copy of which is attached hereto as Exhibit C) or other appropriate agreements, that establish or will establish, among other things, the procedures to be followed by the Issuing and Paying Agent in connection with the issuance and custody of the Series II A Notes in book-entry form. DART’s obligations under the Series II A Notes issued in book-entry form shall be evidenced by the Master Note.

3. Series II A Notes.

(a) DART’s Book-Entry Notes shall be represented by the Master Note which shall be executed by manual signature by an Authorized Official (as hereafter defined) in accordance with the Letter of Representations. The Issuing and Paying Agent will hold the Master Note in safekeeping for the account of DTC in accordance with the requirements of the Certificate Agreement (as referred to in the Letter of Representations) or other such agreement prescribed by DTC.

(b) If Certificated Series II A Notes are to be issued, DART will from time to time furnish the Issuing and Paying Agent with an adequate supply of Series II A Notes, as DART in its sole and absolute discretion considers appropriate. Certificated Series II A Notes shall be serially numbered and shall have been executed by manual or facsimile signature of an Authorized Official, with the principal amount, payee, date of issue, maturity date, amount of interest (if an interest-bearing Series II A Note) and maturity value left blank. Pending receipt of instructions pursuant to this Agreement. Certificated Series II A Notes shall be printed on a manifold that will produce one original and three non-negotiable copies for the account of DART in accordance with DART’s customary practice in the event Certificated Series II A Notes are issued.

4. Authorized Officials. Prior to the initial issuance of Series II A Notes, DART will furnish the Issuing and Paying Agent with a certificate or certificates, substantially in the form attached hereto as Exhibit D, certifying the incumbency and specimen signatures of officers or agents of DART (each, an Authorized Official) authorized to execute Series II A Notes on behalf of DART by manual or facsimile signature and/or to take other action hereunder on behalf of DART. Until the Issuing and Paying Agent receives a subsequent incumbency certificate of DART, it shall be entitled to rely on the last such certificate delivered to the Issuing and Paying Agent for purposes of determining the Authorized Officials. The Issuing and Paying Agent shall not have any responsibility to DART to determine by whom or by what means a facsimile signature may have been affixed on the Series II A Notes, or to determine whether any facsimile or manual signature(s) resembles the specimen signature(s) filed with the Issuing and Paying Agent by an Authorized Official of DART. Any Series II A Notes bearing the manual or facsimile signature of a person who is an Authorized Official on the date such signature is affixed shall be binding on DART after the authentication thereof by the Issuing and Paying Agent notwithstanding that such person shall have died or shall have otherwise ceased to hold his office on the date such Series II A Note is countersigned or delivered to the Issuing and Paying Agent.

5. Completion, Authentication, and Delivery of Series II A Notes. Instructions for the issuance of Commercial Paper Notes (the “Issuance Instructions”) will be given via an issuance system, if available (the “SPANS Online” as defined in Section hereof”), or by telephone, promptly confirmed in writing (which may be by facsimile or electronic mail) either by an Authorized Official, or by any officer or employee of a Dealer who has been designated by an Authorized Official in writing to the Issuing and Paying Agent as a person authorized to give such instructions hereunder (each an “Authorized Dealer Representative”), provided that instructions shall be given in writing if the Issuance System is unavailable or is inoperative. Upon receipt of instructions as described in the preceding sentence, the Issuing and Paying Agent will withdraw the necessary Series II A Note(s) from safekeeping and, in accordance with such instructions, shall, (i) in the case of Book-Entry Notes, cause the issuance of such Book-Entry Notes in the manner set forth in, and take such other actions as are required by, the Letter of Representations, , or other such agreement, or, (ii) in the case of Certificated Series II A Notes:

(a) complete each Certificated Series II A Note as to principal amount (which shall not be less than \$100,000 and integral multiples of \$1,000 in excess of such amount or which, collectively with the outstanding Series II A Notes will not exceed \$125,000,000), payee, date of issue, maturity date (which shall not be more than 270 days from the date of issue with respect to a Series II A Note or three business days prior to the termination date of the Credit Agreement, whichever is earlier), amount of interest, and maturity value; and

(b) manually countersign each Certificated Series II A Note by any one of the Issuing and Paying Agent’s officers or employees who are duly authorized and designated for such purpose; and

(c) deliver the Certificated Series II A Note(s) to the appropriate Dealer or its agent within the Borough of Manhattan, City and State of New York, which delivery shall be against receipt for payment as herein provided or as otherwise provided in such instructions. If such instructions do not provide for such receipt, such Dealer shall nevertheless pay the purchase price for the Certificated Series II A Note(s) (in accordance with Paragraph 6 hereof. Of the three non-negotiable copies of the Certificates Note(s), two shall be retained by the Issuing and Paying Agent and one shall be sent promptly to DART.

(d) The instructions for the issuance of Series II A Notes shall include the following information with respect to each Series II A Note:

- (i) the date of issuance of each such Book Entry Series II A Note (which shall be a Business Day);
- (ii) the maturity date of each such Book Entry Series II A Note (provided that the Authorized Official or Authorized Dealer Representative shall ensure that such date is a Business Day and that it shall not be more than 270 days from the date of issue or 3 Business Days prior to the termination date or substitution date of a Series A Agreement relating to the Series II A Notes, whichever date is earlier);

- (iii) the face amount (provided that the Authorized Official shall ensure that such face amount is \$100,000 or integral multiples of \$1,000 in excess thereof) in figures; and
- (iv) the interest rate and applicable discount or interest amount.

Issuing and Paying Agent shall have no liability to DART for any failure or inability on the part of the Dealer to make payment for Series II A Notes or if any DTC participant purchasing a Book-Entry Note fails to settle or delays in settling its balance with DTC or if DTC or any DTC participant fails to perform in any respect. Nothing in this Agreement shall require Issuing and Paying Agent to purchase any Series II A Note or expend Issuing and Paying Agent's own funds for the purchase price of a Series II A Note or Series II A Notes.

Issuance Instructions given via the SPANS Online must be entered by 11:00 a.m., New York, New York time, and Issuance Instructions delivered by telephone or in writing must be received by the Issuing and Paying Agent by 1:00 p.m., New York, New York time, if the Series II A Note(s) are to be delivered the same day. Telephone instructions shall be confirmed in writing the same day.

(f) If the Issuing and Paying Agent receives a written instruction identified by a [credit provider] to be a No-Issuance Instruction pursuant to a Series II A Agreement then in effect (a "No-Issuance Instruction"), the Issuing and Paying Agent shall not thereafter issue, authenticate or deliver any Series II A Notes, notwithstanding any contrary instructions received by the Issuing and Paying Agent from an Authorized Official of DART or a Dealer. The Issuing and Paying Agent shall promptly give notice to DART and the Dealer of the receipt of a No-Issuance Instruction. A No-Issuance Instruction shall not be effective until received by the Issuing and Paying Agent. No further authentication or delivery of Series II A Notes shall be made after the Issuing and Paying Agent's receipt of the No-Issuance Instruction until such time as the applicable credit provider shall have rescinded such instructions by a notice in writing to the Issuing and Paying Agent. The Issuing and Paying Agent shall not be responsible for determining the existence of any event or condition pursuant to which a No-Issuance Instruction may be given by a Credit Provider and shall be entitled conclusively to rely upon any such No-Issuance Instruction and shall have no obligation or responsibility to make any investigation into the validity of the facts or matters stated or asserted in any such notice. Subject to the foregoing, the Issuing and Paying Agent may request Loans under the applicable Series II A Agreement as the related series of Series II A Notes that were issued prior to the date of the No-Issuance Instruction mature.

The Issuing and Paying Agent will deliver purchased Certificated Series II A Notes before receipt of payment in immediately available funds. Therefore, once the Issuing and Paying Agent has delivered a Certificated Series II A Note to a Dealer or its agent as provided in Paragraph 5 hereof, DART shall bear the risk that a Dealer or its agent fails to remit payment for the Certificated Series II A Note to the Issuing and Paying Agent. It is understood that each delivery of Series II A Notes hereunder shall be subject of the rules of the New York Clearing House in effect at the time of such delivery.

6. Proceeds of Sale of the Series II A Notes. Contemporaneously with the execution and delivery of this Agreement, and for the purposes of this Agreement, the Issuing and Paying

Agent will establish a clearing account designated as the “Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Series II A Clearing Account” in DART’s name (the “Note Clearing Account”) the Dallas Area Rapid Transit Series II A Note Payment Fund” (the “Note Payment Fund”). Within the Note Payment Fund a separate account relating to each series of Notes, each to be designated “Dallas Area Rapid Transit Series II A Note Payment Account” which shall contain the Interest Payment Account and Principal Payment Accounts with such subaccounts as are necessary to distinguish Commercial Paper Notes by series and funds drawn under the Series II A Agreement for the payment of the Series II A Notes and the repayment of “Loans” due under a Series II A Agreement. On each day on which a Dealer or its agent receives Commercial Paper Notes (whether through the facilities of DTC in the manner set forth in the Letter of Representations, or other agreement relating to the book-entry only system, or by delivery in accordance with Paragraph 5 hereof), the Issuing and Paying Agent, upon receipt of funds from the Dealer, shall deposit the proceeds of sale of the Commercial Paper Notes in immediately available funds to the credit of the Series II A Note Clearing Account. From time to time upon telephonic or written instructions received by the Issuing and Paying Agent from an Authorized Official, the Issuing and Paying Agent agrees to transfer immediately available funds from the Series II A Note Clearing Account (i) to the Interest Payment Account, (ii) the Principal Payment Account or (iii) to the Issuing and Paying Agent or trust company designated by DART where the Note Construction Fund (created and established in the Order) is kept and maintained.

7. Payment of Matured Series II A Notes.

(a) By 11:00 a.m., New York, New York time, on the date that any Series II A Notes are scheduled to mature, there shall have been transferred to the Issuing and Paying Agent for deposit in the Series II A Note Payment Fund in immediately available funds an amount together with the anticipated proceeds from the sale of Series II A Notes on such date at least equal to the amount of Series II A Notes maturing on such date. When any matured Series II A Note is presented to the Issuing and Paying Agent for payment by DTC or a nominee of DTC the payment of (i) the principal thereof shall be made from and charged to the Principal Payment Account of the Series II A Note Payment Fund (or the Loan Payment Account therein, an account to be maintained on the books of the Issuing and Paying Agent for the receipt of Loans under and pursuant to the Series II A Agreement) to the extent funds sufficient to effect such payment are available in said account and (ii) the interest thereon shall be made from the Interest Payment Account of the Series II A Note Payment Fund (or the Loan Payment Account therein, an account to be maintained on the books of the Issuing and Paying Agent for the receipt of Loans pursuant to DART’s obligations under the Series II A Agreement).

(b) While the Series II A Notes are secured by the Series II A Agreement, the Issuing and Paying Agent shall make timely payments of the principal of the Series II A Notes, to the extent that other funds are not available for such purpose in the Principal Payment Account, from Loans under the Series II A Agreement, and in connection therewith, the Issuing and Paying Agent, acting on behalf of DART, hereby agrees to make demands for payment under the Series II A Agreement, to enable the applicable credit provider to make payment by 2:00 p.m., New York City time, on such Payment Date on or before each date any Commercial Paper Notes are to mature (the “Principal Payment Date”) to enable the Credit Provider thereunder to receive such demands for payment by 12:00 p.m., New York, New York time on such Principal Payment Date. All Loans received under the Series II A Agreement pursuant to demands thereunder shall

be deposited into the appropriate subaccount of the Principal Payment Account of the Series II A Note Payment Fund (or the Loan Payment Account) and applied solely to the payment of the principal amount of the Series II A Notes . The Issuing and Paying Agent shall have no obligation to make a payment pursuant to this Section 7(b) unless it has received from the Credit Provider sufficient immediately available funds not later than 2:00 p.m. on such scheduled maturity date.

(c) As provided in the Resolution, DART is obligated to make deposits to the Note Payment Account relating to the Series II A Notes of amounts, taking into account funds currently on deposit in the Interest Payment Account sufficient to pay when due and payable all interest on the Series II A Notes and all interest on the Loan Notes (as defined in the Resolution) which amounts shall be used for the purpose of paying interest on maturing Series II A Notes and on the Loan Notes. While the Series II A Notes are secured by the Series II A Agreement, the Issuing and Paying Agent shall make timely payments of the interest on the Series II A Notes, to the extent that other funds are not available for such purpose in the Interest Payment Account, from Loans under the Series II A Agreement, to enable the applicable credit provider to make payment by 2:00 p.m., New York City time, on such Payment Date and in connection therewith, the Issuing and Paying Agent, acting on behalf of DART, hereby agrees to make demands for payment under the Series II A Agreement, in on or before each date interest on any Series II A Notes due (the “Interest Payment Date”) to enable the credit provider thereunder to receive such demands for payment by 12:00 p.m., New York, New York time on such Interest Payment Date. All Loans received under the Series II A Agreement pursuant to demands thereunder shall be deposited into the appropriate subaccount of the Interest Payment Account of the Series II A Note Payment Fund (or the Loan Payment Account) and applied solely to the payment of the interest on the Series II A Notes. The Issuing and Paying Agent shall have no obligation to make a payment pursuant to this Section 7(b) unless it has received from the credit provider sufficient immediately available funds not later than 2:00 p.m. on such scheduled maturity date.

(d) After receipt of a No Issuance Notice the Issuing and Paying Agent will not complete, authenticate or deliver any Series II A Notes pursuant to Paragraph 5 hereof, unless and until the Issuing and Paying Agent receives a written notice rescinding such No Issuance Notice from the party originally delivering the subject notice.

(e) Amounts deposited by DART in the Series II A Note Payment Fund shall be invested pending their disbursement at the written direction of an Authorized Official of DART either in (1) money market mutual funds (investing in U.S. Treasury obligations or tax-exempt obligations) which funds are rated in one of the two highest categories by a rating agency that has a current rating on the Series II A Notes or (2) other legally authorized short term direct obligations of the United States of America which are scheduled to mature on or before the date or dates on which proceeds of such other investments are required to pay interest and/or principal on maturing Series II A Notes; provided, however, that if for any reason such funds are not disbursed on a scheduled payment date (e.g. as a result of an owner’s failure to present a Series II A Note for payment at maturity), any continued investment of such funds pending disbursement shall be limited to short term direct obligations of the United States of America.

(f) The Issuing and Paying Agent may elect, but shall not be obligated, to credit the any account established hereunder with funds representing income or principal payments due on, or sales proceeds due in respect of, assets in such account, or to credit to such account assets intended

to be purchased with such funds, in each case before actually receiving the requisite funds from the payment source, or to otherwise advance funds for transactions hereunder. Notwithstanding anything else in this Agreement, (i) any such crediting of funds or assets shall be provisional in nature, and the Issuing and Paying Agent shall be authorized to reverse or offset any such transactions or advances of funds in the event that it does not receive good funds with respect thereto, and (ii) nothing in this Agreement shall constitute a waiver of any Issuing and Paying Agent's rights as a securities intermediary under Uniform Commercial Code §9-206. The Issuing and Paying Agent may also set-off and deduct funds in any account with respect to checks or other deposits that have been credited to such account but are subsequently returned unpaid or reversed.

8. Reliance on Instructions. The Issuing and Paying Agent shall incur no liability to DART in acting hereunder upon telephonic or other instructions contemplated hereby which the recipient thereof believed in good faith to have been given by an Authorized Official or an Authorized Dealer Representative, as the case may be. Any telephonic instructions provided pursuant to the terms of this Agreement shall be confirmed by such an Authorized Official or an Authorized Dealer Representative, as the case may be, in writing the same business day. In the event a discrepancy exists between any telephonic instructions and any other such instructions, the telephonic instructions as understood by the Issuing and Paying Agent will be deemed to control.

9. Cancellation of Series II A Notes. After payment of any matured Book-Entry Note, the Issuing and Paying Agent shall annotate its records to reflect the face amount of Book-Entry Notes outstanding in accordance with the Letter of Representations. In the event Series II A Notes are issued, the Issuing and Paying Agent will in due course cancel and destroy Series II A Note(s) presented for payment and furnish DART with an affidavit of cancellation and destruction. Promptly upon the written request of DART, the Issuing and Paying Agent agrees to cancel and return to DART all unissued Series II A Notes in its possession at the time of such request.

10. Replacement or Substitution of Series II A Agreement. (a) The Series II A Agreement will not be replaced or substituted unless either (i) DART shall have received written evidence from each rating agency then rating the related subseries of Notes, that such substitution or replacement will not cause the outstanding short-term ratings assigned by such rating agency to any such Notes then Outstanding to be withdrawn, lowered or suspended or (ii) such replacement or substitution takes effect on a Business Day on which all of the outstanding Notes are scheduled to mature. This provision relating to the Series II A Agreement shall also apply to any substitute or replaced Credit Agreement.

(b) DART will give the Issuing and Paying Agent and the Dealer at least fifteen (15) days written notice of any proposed substitution or replacement by DART of the Series II A Agreement and, if applicable, the identity of the provider of any substituted or replaced Credit Agreement. Upon receipt of such notice, the Issuing and Paying Agent shall promptly give a copy of such notice to DTC.

11. Notices; Addresses. (a) All communications by or on behalf of DART or a Dealer, by telephone or otherwise, relating to the completion, delivery or payment of the Series II A Note(s) are to be directed to the Issuing and Paying Agent's Commercial Paper Issuance Unit of the Corporate Trust and Agency Group (or such other department or division which the Issuing and Paying Agent shall specify in writing to DART and the Dealer), delivered to the Issuing and

Paying Agent via SPANS Online. DART will send all Series II A Notes to be completed and delivered by the Issuing and Paying Agent to its Commercial Paper Issuance Unit of the Corporate and Agency Group (or such other department or divisions the Issuing and Paying Agent shall specify in writing to DART). The Issuing and Paying Agent will advise DART and the Dealer from time to time in writing of the individuals generally responsible for the administration of this Agreement and will from time to time certify incumbency and specimen signatures of officers or employees authorized to countersign Series II A Notes.

Amegy Bank National Association
1801 Main Street, Suite 850
Houston, Texas 77002

Attention:
Telephone:
Facsimile:
Email:

(b) Notices and other communications hereunder not otherwise delivered to the Issuing and Paying Agent via SPANS Online shall (except to the extent otherwise expressly provided) be in writing (which may be by facsimile or electronic mail) and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notice:

if to DART, at:	Dallas Area Rapid Transit 1400 Pacific Avenue Dallas, Texas 75202 Attention: Chief Financial Officer Telephone: Facsimile: E-Mail:
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if to the Issuing and Paying Agent, at:	Amegy Bank National Association 1801 Main Street, Suite 850 Houston, Texas 77002 Attention: Telephone: Facsimile:
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Notices shall be deemed delivered when received at the address specified above. For purposes of this paragraph, "when received" shall mean actual receipt (i) of an electronic communication by electronic mail, a facsimile machine, telecopier or SPANS Online; (ii) or an oral communication by any person answering the telephone at the Issuing and Paying Agent's office specified in Paragraph 11(b) hereof and otherwise at the office of the individual or department specified in or pursuant to this Agreement; or (iii) of a written communication hand-delivered by national overnight courier service, or by first class, certified or registered mail, return receipt requested, at the office specified in or pursuant to this Agreement.

12. Additional Information. Upon the request of DART given at any time and from time to time, the Issuing and Paying Agent shall promptly provide DART with information with respect to the Series II A Note(s) issued and paid hereunder. Such request shall be in written form and, to the extent known by DART, shall include the serial number, principal amount, date of issue, maturity date and amount of interest, if any, of each Series II A Note which has been issued or paid by the Issuing and Paying Agent and for which the request is being made.

13. Liability. The Issuing and Paying Agent shall not be liable for any act or omission hereunder, except in the case of negligence or willful misconduct. The Issuing and Paying Agent's duties and obligations and those of its officers and employees shall be determined by the express provisions of this Agreement and the Letter of Representations (or other agreement executed in connection with the book-entry only system, including the documents referred to in such agreements), and they shall not be liable except for the performance of such duties and obligations as are specifically set forth herein and therein, and no implied covenants shall be read into any such document against them. Neither the Issuing and Paying Agent nor any of its officers or employees shall be required to ascertain whether any issuance or sale of Series II A Note(s) (or any amendment or termination of this Agreement or any other direction received by the Issuing and Paying Agent pursuant to this Agreement) has been duly authorized or is in compliance with any other agreement to which DART is a party (whether or not the Issuing and Paying Agent is a party to such other agreement). The Issuing and Paying Agent has no fiduciary or discretionary duties of any kind.

(a) In no event shall the Issuing and Paying Agent be liable for incidental, indirect, special, consequential or punitive damages or penalties (including, but not limited to lost profits), even if the Issuing and Paying Agent has been advised of the likelihood of such damages or penalty and regardless of the form of action. The Issuing and Paying Agent shall not be responsible for delays or failures in performance resulting from acts beyond its control, including without limitation acts of God, strikes, lockouts, riots, acts of war or terror, epidemics, governmental regulations, fire, communication line failures, computer viruses, intrusions or attacks, power failures, earthquakes or other disasters.

(b) The Issuing and Paying Agent shall not be obligated to take any legal action or commence any proceeding in connection with this Agreement, any funds in the Note Clearing or Note Payment Fund, prosecute or defend any such legal action or proceeding or to take any other action that the Issuing and Paying Agent determines, in its sole judgment, may expose it to liability or expense.

(c) If, at any time, the Issuing and Paying Agent is unable to determine, to the Issuing and Paying Agent's sole satisfaction, the proper disposition of all or any portion of the Note Payment Fund or the Issuing and Paying Agent's proper actions with respect to its obligations hereunder, then the Issuing and Paying Agent may, in its sole discretion, take either or both of the following actions:

- (i) suspend the performance of any of its obligations (including without limitation any disbursement obligations) under this Agreement until such uncertainty shall be resolved to the good faith satisfaction of the Issuing and Paying Agent.

- (ii) petition (by means of an interpleader action or any other appropriate method) any court of competent jurisdiction, in any venue convenient to the Issuing and Paying Agent, for instructions with respect to such dispute or uncertainty, and to the extent required or permitted by law, pay into such court, for holding and disposition in accordance with the instructions of such court, all funds held by it hereunder, after deduction and payment to the Issuing and Paying Agent of all fees and expenses (including court costs and attorneys' fees) payable to, incurred by, or expected to be incurred by the Issuing and Paying Agent in connection with the performance of its duties and the exercise of its rights hereunder.

14. INDEMNIFICATION. TO THE EXTENT PERMITTED BY LAW, DART AGREES TO INDEMNIFY AND HOLD THE ISSUING AND PAYING AGENT AND ITS OFFICERS, EMPLOYEES, AND AGENTS HARMLESS FROM AND AGAINST ALL LIABILITIES, CLAIMS, DAMAGES, COSTS, AND EXPENSES (INCLUDING REASONABLE LEGAL FEES AND EXPENSES) RESULTING FROM THEIR ACTIONS OR INACTIONS IN CONNECTION WITH THIS AGREEMENT, EXCEPT TO THE EXTENT A COURT OF COMPETENT JURISDICTION DETERMINES THAT THEY ARE CAUSED BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OF THE ISSUING AND PAYING AGENT OR ITS OFFICERS, OR EMPLOYEES. THIS INDEMNITY SHALL SURVIVE THE RESIGNATION OR REMOVAL OF THE ISSUING AND PAYING AGENT AS ISSUING AND PAYING AGENT AND THE TERMINATION OF THIS AGREEMENT.

15. Benefit of Agreement. This Agreement is solely for the benefit of DART and the Issuing and Paying Agent, and no other person or entity shall acquire or have any right under or by virtue hereof. For the avoidance of doubt, the Issuing and Paying Agent has no obligation of any kind to any Credit Provider, Dealer or beneficial owner under any provision of this Agreement or otherwise with respect to any Series II A Notes.

16. Defined Terms. Except as otherwise indicated herein, the capitalized terms used herein have the meanings assigned in the Resolution adopted by DART.

17. Termination. This Agreement may be terminated at any time by either the Issuing and Paying Agent or DART by thirty (30) days prior written notice to the other, provided that, so long as DART continues to pay the fees and expenses of the Issuing and Paying Agent as set forth herein, the Issuing and Paying Agent agrees to continue acting as issuing and paying agent hereunder until such time as a successor has been selected and has entered into an agreement with DART to that effect. Such termination shall not affect the respective liabilities of the parties hereunder arising prior to such termination. If no successor issuing and paying agent shall have been appointed and have accepted the appointment within 30 days of giving notice of resignation, the Issuing and Paying Agent may petition any court of competent jurisdiction to appoint a successor under this Agreement.

18. GOVERNING LAW. THIS AGREEMENT IS TO BE DELIVERED AND PERFORMED IN, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF TEXAS. HOWEVER, THE DUTIES, OBLIGATIONS AND IMMUNITIES OF

THE ISSUING AND PAYING AGENT UNDER THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK

19. Fees. DART agrees to compensate Issuing and Paying Agent on demand for its services hereunder in accordance with Exhibit E attached hereto and incorporated by reference and to reimburse Issuing and Paying Agent, upon its request, for all reasonable expenses, disbursements, and advances made or incurred in connection with this Agreement, including with respect to investigating and defending itself against any claim or potential liability and the enforcement of DART's compensation and reimbursement obligations hereunder. in writing in accordance with Exhibit E attached hereto and incorporated by reference. Payment of such fees and expenses shall be made by DART upon receipt of an invoice therefor from the Issuing and Paying Agent.

20. SPANS Online. DART and each Authorized Representative may use the U.S. Bank Securities Processing Automated Notes System Online ("SPANS Online") instruction and reporting communication service to transmit instructions to the Issuing and Paying Agent or obtain reports with respect to the Series II A Notes. DART may, by separate agreement between DART and one or more of its Authorized Persons, authorize the Authorized Person to directly access SPANS Online for the purposes of transmitting instructions to the Issuing and Paying Agent or obtaining reports with respect to the Series II A Notes. DART acknowledges that (i) some or all of the services utilized in connection with SPANS Online are furnished by SS&C Technologies, Inc. ("SS&C"), (ii) SPANS Online is provided to DART "AS IS" without warranties or representations of any kind whatsoever, and (iii) SPANS Online is proprietary and confidential property disclosed to DART in confidence and may be utilized only on the SPANS Online Terms and Conditions as set forth in the SPANS Online website and for purposes set forth in this Agreement.

To permit the use of SPANS Online to transmit instructions and/or obtain reports with respect to the Series II A Notes, the Issuing and Paying Agent will supply DART with a customer identification number and initial passwords. DART may thereafter change its passwords directly through SPANS Online. DART will keep all information relating to its identification number and passwords strictly confidential and will be responsible for the maintenance of adequate security over its customer identification number and passwords. Instructions transmitted over SPANS Online and received by the pursuant to this Agreement shall be deemed conclusive evidence that such instructions are correct and complete and that the issuance or redemption of the Series II A Notes directed thereby has been duly authorized by DART.

21. Identifying Information. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, Issuing and Paying Agent requires documentation to verify its formation and existence as a legal entity. Issuing and Paying Agent may ask to see financial statements, licenses, and identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation. The parties acknowledge that a portion of the identifying information set forth herein is being requested by Issuing and Paying Agent in connection with the USA Patriot Act, Pub.L.107-56 (the "Act"), and each agrees to provide any additional information requested by Issuing and Paying Agent in

connection with the Act or any other legislation or regulation to which Issuing and Paying Agent is subject, in a timely manner.

22. Anti-Boycott Verification. The Issuing and Paying Agent hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, ‘boycott Israel’ means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Issuing and Paying Agent understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Underwriter and exists to make a profit.

23. Iran, Sudan and Foreign Terrorist Organizations. The Issuing and Paying Agent represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf> The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Issuing and Paying Agent and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Issuing and Paying Agent understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Underwriter and exists to make a profit.

24. Dealings. The Issuing and Paying Agent and any stockholder, director, officer or employee of the Issuing and Paying Agent may buy, sell, and deal in any of the securities of the Issuer, any Dealer or any purchaser of Series II A Notes and become financially interested in any transaction in which the Issuer, any Dealer or any such purchaser may be interested, and contract and lend money to the Issuer, any Dealer or any such purchaser and otherwise act as fully and freely as though it were not a depository, issuing or paying agent under this Agreement. Nothing herein shall preclude the Issuing and Paying Agent from acting in any other capacity for the Issuer, any Dealer or any such purchaser or for any other person or entity.

25. Tax Reporting. The Issuing and Paying Agent shall have no responsibility for the tax consequences of this Agreement and DART shall consult with independent counsel concerning any and all tax matters. DART shall provide IRS Form W-9 or Form W-8, as applicable, for each payee, together with any other documentation and information requested by the Issuing and Paying Agent in connection with the Issuing and Paying Agent’s reporting obligations under applicable

U.S. law or regulation. If such tax documentation is not so provided, the Issuing and Paying Agent is authorized to withhold taxes as required by applicable U.S. law or regulation.

26. WAIVER OF TRIAL BY JURY. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY ON ANY CLAIM, COUNTERCLAIM, SETOFF, DEMAND, ACTION OR CAUSE OF ACTION ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT.

27. Publicity. No party will (a) use any other party's proprietary indicia, trademarks, service marks, trade names, logos, symbols, or brand names, or (b) otherwise refer to or identify any other party in advertising, publicity releases, or promotional or marketing publications, or correspondence to third parties without, in each case, securing the prior written consent of such other party

28. Representations and Warranties of DART. DART hereby warrants and represents to the Issuing and Paying Agent, and, each request to issue Series II A Notes shall constitute DART's continuing warranty and representation, as follows:

(a) This Agreement is, and all Series II A Notes delivered to the Issuing and Paying Agent pursuant to this Agreement will be, duly authorized, executed and delivered by DART.

(b) This Agreement constitutes, and the Series II A Notes, when completed, countersigned, and delivered pursuant hereto, will constitute, DART's legal, valid and binding obligations enforceable against DART in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity and governmental immunity.

(c) DART is duly organized and validly existing under the laws of the State of Texas and no liquidation, dissolution, bankruptcy, windup or similar proceedings have been instituted with respect to DART.

(d) DART has, and at all relevant times has had, all necessary power and authority to execute, deliver and perform this Agreement and to issue the Series II A Notes.

(e) All actions on the part of DART which are required for the authorization of the issuance of the Series II A Notes, and for the authorization, execution, delivery and performance of this Agreement, do not require the approval or consent of any holder or trustee of any indebtedness or obligations of DART.

(f) The issuance of Series II A Notes by DART (i) does not and will not contravene any provision of any governmental law, regulation or rule applicable to DART, and (ii) does not and will not conflict with, breach or contravene the provisions of any contract or other instrument binding upon DART.

29. Binding Effect; Successors. This Agreement shall be binding upon the respective parties hereto and their heirs, executors, successors or assigns. If Issuing and Paying Agent consolidates, merges or converts into, or transfers all or substantially all of its corporate trust

business (including this Agreement) to another corporation, the successor or transferee corporation without any further act shall be the successor Issuing and Paying Agent.

30. Execution in Counterparts, Facsimiles. This Agreement may be executed in two or more counterparts, which when so executed shall constitute one and the same agreement. The delivery of copies of this Agreement as executed by PDF or facsimile transmission shall constitute effective execution and delivery as to the parties and may be used in lieu of originals for all purposes.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AMEGY BANK NATIONAL
ASSOCIATION, as Issuing and Paying
Agent

By: _____
Title: _____

DALLAS AREA RAPID TRANSIT

By: _____
Name:
Title:

EXHIBIT A

DTC MASTER NOTE

FORM OF MASTER NOTE

The Depository Trust Company
A subsidiary of The Depository Trust & Clearing Corporation

Municipal Commercial Paper – TECP Master Note

[Date of Issuance]

DALLAS AREA RAPID TRANSIT (“Issuer”), for value received, hereby promises to pay to Cede & Co., as nominee of the Depository Trust Company, or to registered assigns (i) the principal amount, together with unpaid accrued interest thereon, if any, on the maturity date of each obligation identified on the records of Issuer (the “Underlying Records”) as being evidenced by this Master Note, which Underlying Records are maintained by _____ (“Paying Agent”); (ii) interest on the principal amount of each such obligation that is payable in installments, if any, on the due date of each installment, as specified on the Underlying Records; and (iii) the principal amount of each such obligation that is payable in installments, if any, on the due date of each installment, as specified on the Underlying Records. Interest shall be calculated at the rate and according to the calculation convention specified on the Underlying Records. Payments shall be made solely from the sources stated on the Underlying Records by wire transfer to the registered owner from Paying Agent without the necessity of presentation and surrender of this Master Note.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS MASTER NOTE SET FORTH ON THE REVERSE HEREOF.

This Master Note is a valid and binding obligation of Issuer.

Not Valid Unless Countersigned for Authentication by Paying Agent.

DALLAS AREA RAPID TRANSIT

[Paying Agent]

[Issuer]

By: _____
[Authorized Officer’s Signature]

By: _____
[Authorized Officer’s Signature]

(Reverse Side of Note)

At the request of the registered owner, Issuer shall promptly issue and deliver one or more separate note certificates evidencing each obligation evidenced by this Master Note. As of the date any such note certificate or certificates are issued, the obligations which are evidenced thereby shall no longer be evidenced by this Master Note.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(Name, Address, and Taxpayer Identification Number of Assignee)

the Master Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Master Note on the books of issuer with full power of substitution in the premises.

Dated:

Signature(s) Guaranteed (Signature)

(Signature)

Notice: The signature on this assignment must correspond with the name as written upon the face of this Master Note, in every particular, without alteration or enlargement or any change whatsoever.

Unless this certificate is presented by an authorized representative of the Depository Trust Company, a New York corporation ("DTC"), to issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

EXHIBIT B

FORM OF CERTIFICATED NOTES

**UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF DALLAS
DALLAS AREA RAPID TRANSIT
UNLIMITED TAX COMMERCIAL PAPER NOTE, SERIES A**

No.: _____ Note Date: _____
Principal Amount: _____ Maturity Date: _____
Interest to Maturity: _____ Number of Days: _____
Due at Maturity: _____ Interest Rate¹ (%): _____

Owner: _____

The Dallas Area Rapid Transit (the “District”), FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of the Owner specified above on the Maturity Date specified above, the Principal Amount specified above and to pay interest, if any, on said Principal Amount at said [Maturity Date or interest payment date (as applicable)], from the above specified Note Date to said Maturity Date at the per annum Interest Rate shown above (computed on the basis of actual days elapsed and [a 365-day or 366-day year, as may be applicable][30/360]); both principal and interest on this Note (defined herein) being payable in lawful money of the United States of America at the principal corporate trust office of the Issuing and Paying Agent executing the “Certificate of Authentication” endorsed hereon and appearing below, or its successor. No interest will accrue on the Principal Amount hereof after said Maturity Date.

This Note is one of an issue of commercial paper notes (the “Notes”) of the indicated series, which, together with other forms of short-term obligations[, including the below referenced Loan Note²], has been duly authorized and issued in accordance with the provisions of an order passed by the Board of DART on August 16, 2018 (the “Order”), for the purpose of financing Project Costs of Eligible Projects and to refinance, renew or refund certain obligations described in the Order, all in accordance and in strict conformity with the provisions of the Act, Chapter 45, Chapter 1371, and the Elections.

This Note, together with the other Notes, is payable from and ratably secured by (i) the proceeds from (a) the sale of other Notes issued for such purpose and (b) the sale of a series or issue of Bonds to be issued by DART for such purpose, [(ii) Loans under and pursuant to a

¹ If rate of interest calculated pursuant to a formula, the word “Variable” is placed in the blank rather than a numeric interest rate and this footnote is completed with the applicable formula.

² Delete, if not applicable.

_____ (the “Credit Agreement”), dated as of _____, 20__, but effective as of _____, 20__, between DART and _____ (the “Issuing and Paying Agent”), as amended, revised, supplemented, or substituted, pursuant to which the Issuing and Paying Agent has agreed to provide credit to DART under the terms and conditions set forth therein, which Loans are to be evidenced by a Loan Note; provided, however, that the proceeds of Loans may only be used to pay the principal of and (as applicable) interest on the Notes³], (iii) from the proceeds of an unlimited ad valorem tax levied, without limit as to rate or amount by DART upon all taxable property within its boundaries, and (iv) amounts in certain funds established pursuant to the Order.

This Note, together with the other Notes authorized to be issued and from time to time outstanding under the Order, is payable solely from the sources hereinabove identified securing the payment thereof. The Holder hereof shall never have the right to demand payment of this obligation from any other sources or properties of DART except as identified above.

Reference is hereby made to the Order, a copy of which may be obtained upon request to DART, and to all of the terms and provisions the Holder hereof by acceptance of this Note hereby assents, including, but not limited to, provisions relating to definitions of capitalized terms used herein without definition, the description of and the nature of the security for the Notes, and the conditions upon which the Order may be amended or supplemented with or without the consent of the Holders of the Notes.

It is hereby certified and recited that all acts, conditions and things required by law and the Order to exist, to have happened and to have been performed precedent to and in the issuance of this Note, do exist, have happened and have been performed in regular and in due time, form and manner as required by law and that the issuance of this Note, together with all other Notes and Loan Notes, is not in excess of the principal amount of Notes permitted to be issued under the Order.

This Note is, and has all the qualities and incidents of, a negotiable instrument under the laws of the State of Texas.

This Note shall not be entitled to any benefit under the Order or be valid or become obligatory for any purpose until this Note shall have been authenticated by the execution by the Issuing and Paying Agent of the Certificate of Authentication hereon.

[The remainder of this page intentionally left blank.]

³ Information to be completed based on Credit Agreement in effect at the time Notes are issued and if Credit Agreement provides for open market liquidity (rather than direct placement to or purchase of Notes by a Issuing and Paying Agent thereunder). Renumber based on applicability of this provision.

IN TESTIMONY WHEREOF, DART has authorized and caused this Note to be executed on its behalf by the manual or facsimile signature of the President of the Board of Trustees and countersigned by the manual or facsimile signature of the Secretary of the Board of Trustees and its official seal to be impressed or a facsimile thereof to be printed hereon.

COUNTERSIGNED:

Secretary, Board of Trustees
Dallas Area Rapid Transit

President, Board of Trustees
Dallas Area Rapid Transit

(SEAL)

ISSUING AND PAYING AGENT'S
CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes delivered pursuant to the within mentioned Order.

_____,
as Issuing and Paying Agent

By: _____
Authorized Signatory

[The remainder of this page intentionally left blank.]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address, and zip code of transferee): _____

(Social Security or other identifying number: _____)

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Note on the books kept for registration thereof, with full power substitution in the premises.

DATED: _____

Signature Guaranteed

NOTICE: The signature of the registered owner must be guaranteed by a member of the New York Stock Exchange or a commercial Issuing and Paying Agent or trust company.

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within Note in every particular.

[The remainder of this page intentionally left blank.]

EXHIBIT C

DTC Letter of Representations

The Depository Trust Company
A subsidiary of The Depository Trust & Clearing Corporation

**Book-Entry-Only Municipal Tax-Exempt Commercial Paper (TECP)
(Master Note) Program**

Letter of Representations

[To be completed by Issuer, Issuing Agent, and Paying Agent]

[Name of Issuer]

[Name and DTC Participant Number of Issuing Agent and Transfer Agent]

[Date]

Attention: Underwriting Department
The Depository Trust Company
570 Washington Blvd, 4th FL
Jersey City, NJ 07310

Re: _____

[Description of Program, including reference to the provision of the Securities Act of 1933, as amended,
pursuant to which Program is exempt from registration.]

Ladies and Gentlemen:

This letter sets forth our understanding with respect to certain matters relating to the issuance by Issuer from time to time of notes under its Municipal Commercial Paper--TECP program described above (the "Securities"). Issuing Agent shall act as issuing agent with respect to the Securities. Paying Agent shall act as paying agent or other such agent of Issuer with respect to the Securities. Issuance of the Securities has been authorized pursuant to a prospectus supplement, offering circular, or other such document dated _____.

Paying Agent has entered into a Money Market Instrument Certificate Agreement with The Depository Trust Company ("DTC") dated as of _____, pursuant to which Paying Agent shall act as custodian of a Master Note Certificate evidencing the Securities, when issued. Paying Agent shall amend Exhibit A to such Certificate Agreement to include the program described above, prior to issuance of the Securities.

To induce DTC to accept the Securities as eligible for deposit at DTC and to act in

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accordance with its Rules with respect to the Securities, Issuer, Issuing Agent, and Paying Agent make the following representations to DTC:

1. The Securities shall be evidenced by a Master Note Certificate in registered form registered in the name of DTC's nominee, Cede & Co., and such Master Note Certificate shall represent 100% of the principal amount of the Securities. The Master Note Certificate shall include the substance of all material provisions set forth in the DTC model Municipal Commercial Paper -- TECP Master Note, a copy of which previously has been furnished to Issuing Agent and Paying Agent, and may include additional provisions as long as they do not conflict with the material provisions set forth in the DTC model.

2. Issuer: (a) understands that DTC has no obligation to, and will not, communicate to its participants ("Participants") or to any person having an interest in the Securities any information contained in the Master Note Certificate; and (b) acknowledges that neither DTC's Participants nor any person having an interest in the Securities shall be deemed to have notice of the provisions of the Master Note Certificate by virtue of submission of such Certificate to DTC.

3. Issuer or Issuing Agent has obtained from the CUSIP Service Bureau a written list of approximately 900 nine-character numbers (the basic first six characters of which are the same and uniquely identify Issuer and the Securities to be issued under its Municipal Commercial Paper -- TECP program described above). The CUSIP numbers on such list have been reserved for future assignment to issues of the Securities. At any time when fewer than 100 of the CUSIP numbers on such list remain unassigned, Issuer or Issuing Agent shall promptly obtain from the CUSIP Service Bureau an additional written list of approximately 900 such numbers.

4. When Securities are to be issued through DTC, Issuing Agent shall notify Paying Agent and shall give issuance instructions to DTC in accordance with DTC's Procedures, including Operational Arrangements and the Issuing/Paying Agent General Operating Procedures (the "MMI Procedures"), a copy of which previously has been furnished to Issuing Agent and Paying Agent. The giving of such issuance instructions, which include delivery instructions, to DTC shall constitute: (a) a representation that the Securities are issued in accordance with applicable law; and (b) a confirmation that the Master Note Certificate evidencing such Securities, in the form described in paragraph 1, has been issued and authenticated.

5. All notices and payment advises sent to DTC shall contain the CUSIP number of the Securities.

6. Issuer recognizes that DTC does not in any way undertake to, and shall not have any responsibility to, monitor or ascertain the compliance of any transactions in the Securities with the following, as amended from time to time: (a) any exemptions from registration under the Securities Act of 1933; (b) the Investment Company Act of 1940; (c) the Employee Retirement Income Security Act of 1974; (d) the Internal Revenue Code of 1986; (e) any rules of any self-regulatory organizations (as defined under the Securities Exchange Act of 1934); or (f) any other local, state, federal, or foreign laws or regulations thereunder.

7. If issuance of Securities through DTC is scheduled to take place one or more days after Issuing Agent has given issuance instructions to DTC, Issuing Agent may cancel such issuance by giving a cancellation instruction to DTC in accordance with the MMI Procedures.

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8. At any time that Paying Agent has Securities in its DTC accounts, it may request withdrawal of such Securities from DTC by giving a withdrawal instruction to DTC in accordance with the MMI Procedures. Upon DTC's acceptance of such withdrawal instruction, Paying Agent shall reduce the principal amount of the Securities evidenced by the Master Note Certificate accordingly.

9. In the event of any solicitation of consents from or voting by holders of the Securities, Issuer, Issuing Agent, or Paying Agent shall establish a record date for such purposes (with no provision for revocation of consents or votes by subsequent holders) and shall send notice of such record date to DTC's Reorganization Department, Proxy Unit no fewer than 15 calendar days in advance of such record date. If sent by telecopy, such notice shall be directed to (212) 855-5181 or (212) 855-5182. If the party sending the notice does not receive a telecopy receipt from DTC such party shall confirm DTC's receipt of such telecopy by telephoning (212) 855-5187. For information regarding such notices, telephone The Depository Trust and Clearing Corporation's Proxy hotline at (212) 855-5191.

10. Paying Agent may override DTC's determination of interest and principal payment dates, in accordance with the MMI Procedures.

11. Notice regarding the amount of variable interest and principal payments on the Securities shall be given to DTC by Paying Agent in accordance with the MMI Procedures.

12. Paying Agent shall confirm with DTC daily, by CUSIP number, the face value of the Securities outstanding, and Paying Agent's corresponding interest and principal payment obligation, in accordance with the MMI Procedures.

13. DTC may direct Issuer, Issuing Agent, or Paying Agent to use any other telephone number or address as the number or address to which notices may be sent.

14. Payments on the Securities, including payments in currencies other than the U.S. Dollar, shall be made by Paying Agent in accordance with the MMI Procedures.

15. In the event that Issuer determines that beneficial owners of Securities shall be able to obtain certificated Securities, Issuer or Paying Agent shall notify DTC of the availability of certificates. In such event, Issuer or Paying Agent shall issue, transfer, and exchange certificates in appropriate amounts, as required by DTC and others.

16. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer, Issuing Agent or Paying Agent (at which time DTC will confirm with Issuer or Paying Agent the aggregate amount of Securities outstanding by CUSIP number). Under such circumstances, at DTC's request Issuer, Issuing Agent and Paying Agent shall cooperate fully with DTC by taking appropriate action to make available one or more separate certificates evidencing Securities to any Participant having Securities credited to its DTC accounts.

17. Nothing herein shall be deemed to require Issuing Agent or Paying Agent to advance funds on behalf of Issuer.

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18. This Letter of Representations may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts together shall constitute but one and the same instrument.

19 This Letter of Representations shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to principles of conflicts of law.

20. The sender of each notice delivered to DTC pursuant to this Letter of Representations is responsible for confirming that such notice was properly received by DTC.

21. Issuing and/or Paying Agent represent to DTC that the Issuing and/or Paying Agent screened the name of the party in whose name a deposited Security certificate is registered against the U.S. Department of the Treasury's Office of Foreign Asset Control's ("OFAC") Specially Designated Nationals Blocked Persons List ("SDN List") and against OFAC's regulations and that there were no matches identified by such comparison. Issuer is prohibited from submitting Securities for DTC eligibility if the issuer of the securities is listed on the OFAC's SDN List, or is incorporated or formed in a country that is subject to OFAC sanctions or embargoes, or otherwise subject to sanctions administered by OFAC.

22. Issuer hereby authorizes DTC to provide to Issuing Agent and/or Paying Agent listings of DTC Participants' holdings, known as Security Position Reports ("SPRs") with respect to the Assets from time to time at the request of Issuing Agent or Paying Agent. DTC charges a fee for such SPRs. This authorization, unless revoked by Issuer, shall continue with respect to the Assets while any Assets are on deposit at DTC, until and unless Issuing Agent and/or Paying Agent shall no longer be acting as Issuing and/or Paying Agent for Issuer. In such event, Issuer shall provide DTC with similar evidence, satisfactory to DTC, of the authorization of any successor thereto so to act. Proxy Web Services are available at www.dtcc.com. To register for or inquire about Proxy Web Services, telephone The Depository Trust and Clearing Corporation's Proxy Hotline at (212) 855-5191.

23. Issuer, Issuing Agent and Paying Agent shall comply with the applicable requirements stated in DTC's MMI Procedures, as they may be amended from time to time.

24. The following rider(s), attached hereto, are hereby incorporated into this Letter of Representations:

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Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

[Issuer]

By: _____
[Authorized Officer's Signature]

[Guarantor]

By: _____
[Authorized Officer's Signature]

[Issuing Agent]

By: _____
[Authorized Officer's Signature]

[Paying Agent]

By: _____

cc: Underwriter
Underwriter's Counsel

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SCHEDULE A

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. 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.

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

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

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5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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Before me, on this day personally appeared the foregoing individuals, known to me to be the persons whose names are subscribed to the foregoing instrument and who executed this document in my presence.

Given under my hand and seal of office this _____ day of _____, 2018.

Notary Public, State of Texas

(NOTARY SEAL)

EXHIBIT E

ISSUING AND PAYING AGENT FEES AND EXPENSES

[Attached]

EXHIBIT D

Form of Dealer Agreements

DEALER AGREEMENT

This Dealer Agreement (this “Agreement”), dated as of _____, 2018, is by and between Dallas Area Rapid Transit (the “Issuer”) and _____ (“_____”), (“Dealer”) with respect to the Issuer’s Senior Subordinate Lien Sales Tax Revenues Commercial Paper Notes, Series IIA (the “Notes”).

1. The Notes shall be issued by the Issuer in an aggregate principal amount which is not to exceed \$125,000,000 outstanding at any one time. Each of the Notes shall (a) be issued in a minimum denominations of \$100,000 or any integral multiple of \$1,000 in excess of \$100,000; (b) will bear such interest rates, if interest bearing, or will be sold at such discount from their face amounts, as shall be agreed upon by the Dealer and the Issuer, (c) have maturities not exceeding 270 days from the date of issue (exclusive of days of grace); (d) not contain any condition of redemption or right to prepay, and (e) not contain any provision for extension, renewal or automatic “rollover.”

2. Capitalized terms used herein shall, unless otherwise defined herein, have the meanings ascribed to them in the Issuing and Paying Agency Agreement, dated as of _____, 2018, by and between the Issuer and Zions Bancorporation, National Association, (the “Issuing and Paying Agent”) (the “Issuing and Paying Agency Agreement”) and in the Issuer’s Seventeenth Supplemental Debt Resolution duly adopted by the Issuer on November 18, 2018 (the “Resolution”).

3. The Issuer represents and warrants that:

(a) The Issuer is regional transportation authority, public body corporate and political duly created, organized and existing under the Constitution and laws of the State, and has all the requisite power and authority to execute, deliver and perform its obligations under the Notes, this Agreement, the Issuing and Paying Agency Agreement and the Resolution.

(b) This Agreement, the Resolution, the Issuing and Paying Agency Agreement and the Revolving Credit Agreement, dated as of _____, 2018 between JPMorgan Chase Bank, National Association and the Issuer (the “Liquidity Agreement”) have been duly authorized, executed and delivered by the Issuer and are in full force and effect and constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) The Notes have been duly authorized and, when issued as provided in the Issuing and Paying Agency Agreement and the Resolution, will be duly and validly issued and will constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws

affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(d) The Notes are not required to be registered under the Securities Act (as defined herein), pursuant to the exemption from registration contained in Section 3(a)(2) thereof, and no indenture in respect of the Notes is required to be qualified under the Trust Indenture Act of 1939, as amended.

(e) No consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC (as defined herein), is required to authorize, or is otherwise required in connection with the execution, delivery or performance of, this Agreement, the Notes, the Issuing and Paying Agency Agreement, the Resolution or the Liquidity Agreement, except as may be required by the securities or Blue Sky laws of the various states (other than the State of Texas) in connection with the offer and sale of the Notes.

(f) Neither the execution and delivery of this Agreement and the Issuing and Paying Agency Agreement, the Liquidity Agreement, the adoption of the Resolution nor the issuance of the Notes in accordance with the Issuing and Paying Agency Agreement or the Resolution, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Issuer, will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer, or (ii) violate or result in a breach or a default under any applicable constitutional provision, law or administrative regulation of the State or the United States relating to the issuance of the Notes or the documents related thereto or any contract or instrument to which the Issuer is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction or decree of any court or government instrumentality, to which the Issuer is subject or by which it or its property is bound, which breach or default might have a material adverse effect on the condition (financial or otherwise), operations or business prospects of the Issuer, the validity of the Notes, or the ability of the Issuer to perform its obligations under this Agreement, the Notes, or the Issuing and Paying Agency Agreement, the Resolution or the Liquidity Agreement.

(g) There is no litigation or governmental proceeding pending, or to the knowledge of the Issuer threatened, against or affecting the Issuer or any of its subsidiaries which might reasonably be expected to result in a material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer or the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agency Agreement, the Resolution or the Liquidity Agreement.

(h) The Issuer is not an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(i) Neither the Issuer nor any director, officer, or employee of the Issuer, to the knowledge of the Issuer, any agent, affiliate or other person associated with or

acting on behalf of the Issuer or any of its subsidiaries has (i) used any funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any government or regulatory official or employee, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any other applicable anti-bribery or anti-corruption laws; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. The Issuer has instituted, and maintains and enforces, policies and procedures designed to promote and ensure compliance with all applicable anti-bribery and anti-corruption laws.

(j) The operations of the Issuer are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions where the Issuer conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental or regulatory agency (collectively, the “Anti- Money Laundering Laws”) and no action, suit or proceeding by or before any court or governmental or regulatory agency, authority or body or any arbitrator involving the Issuer with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Issuer, threatened.

(k) Neither the Issuer nor any of its directors, officers or employees, nor, to the knowledge of the Issuer, any agent, or affiliate or other person associated with or acting on behalf of the Issuer is currently the subject or the target of any sanctions administered or enforced by the U.S. Government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”) or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked person”), or other relevant sanctions authority (collectively, “Sanctions”), nor is the Issuer, located, organized or resident in a country or territory that is the subject or the target of Sanctions, including, without limitation, Cuba, Iran, North Korea, Sudan and Syria (each, a “Sanctioned Country”); and the Issuer will not directly or indirectly use the proceeds of the offering of the Securities hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or the target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as dealer, advisor, investor or otherwise) of Sanctions. For the past 5 years, the Issuer has not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at

the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

(1) Each issuance of Notes by the Issuer hereunder (including each “rollover” of the Notes) shall be deemed a representation and warranty by the Issuer to the Dealer, as of the date thereof, that, after giving effect to such issuance, (i) the representations and warranties given by the Issuer set forth above in this Section 3 remain true and correct on and as of such date as if made on and as of such date, (ii) the Notes being issued on such date have been duly authorized and when issued as provided in the Issuing and Paying Agency Agreement and the Resolution will constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), (iii) since the date of the most recent offering memorandum, there has been no material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer which has not been disclosed to the Dealer in writing and (iv) the Issuer is not in default of any of its obligations hereunder, under the Notes or under the Issuing and Paying Agency Agreement, the Resolution or the Liquidity Agreement.

4. (a) The Dealer and the Issuer agree that any Notes which the Dealer may purchase or for which the Dealer may arrange the sale will be purchased or sold on the terms and conditions and in the manner provided in this Agreement. While (i) the Issuer has and shall have no obligation to sell the Notes to the Dealer or to permit the Dealer to arrange any sale of the Notes for the account of the Issuer, and (ii) the Dealer has and shall have no obligation to purchase the Notes from the Issuer or to arrange any sale of the Notes for the account of the Issuer, the parties hereto agree that in any case where the Dealer purchases Notes from the Issuer, or arranges for the sale of Notes by the Issuer, such Notes will be purchased or sold by the Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein.

(b) The Dealer agrees that it shall not purchase or arrange the sale of any Notes following the receipt by it of written notice from the Issuer instructing it not to issue Notes, until such time as such instruction is revoked by written notice from the Issuer.

(c) The Dealer agrees that by 11:30 a.m., New York City time, on each date on which the principal of and interest on Notes outstanding come due, it shall give the Issuer and the Issuing and Paying Agent notice (in accordance with standing procedures acceptable to the Dealer, the Issuer and the Issuing and Paying Agent) of (i) the interest then due on such Notes outstanding, (ii) in the event that the Dealer arranges the sale of Notes to pay all or any portion of such Notes outstanding, the principal of such Notes outstanding that will be paid from proceeds of the sale of such other Notes and (iii) in the event that the Dealer is unable to arrange or fails to arrange the sale of Notes in an amount sufficient to pay the principal of such

Notes outstanding, the principal of such Notes outstanding that will not be paid from the proceeds of the sale of other Notes.

(d) If the Issuer and the Dealer shall agree on the terms of the purchase of any Note by the Dealer or the sale of any Note arranged by the Dealer (including, but not limited to, agreement with respect to the date of issue, purchase price, principal amount, maturity and interest rate (in the case of interest-bearing Notes) or discount thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the Dealer's services hereunder) pursuant to this Agreement, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agency Agreement and the Resolution and payment for such Note shall be made by the purchaser thereof, either directly or through the Dealer, to the Issuing and Paying Agent, for the account of the Issuer.

5. (a) The Issuer has prepared, and the Dealer has distributed, that certain Commercial Paper Offering Memorandum, dated _____, 2018 (the "Offering Memorandum"), relating to the Notes in connection with the offering thereof. The Issuer agrees to give at least ten (10) days' notice to the Dealer prior to preparation of any amendment to such Offering Memorandum or any other offering memorandum relating to the Notes or any amendments thereto and to provide the Dealer with a draft of any such amendments or offering memoranda for review at least five (5) days prior to the printing and distribution thereof.

(b) The Issuer further agrees to promptly notify the Dealer of the occurrence of any event affecting the power of the Issuer to issue or pay the Notes as they mature, the due authorization and execution of the Notes, the legal existence of the Issuer, or the financial condition and affairs of the Issuer in any material respect or which would otherwise render untrue or misleading in any material respect any material fact in any document pertaining to the Issuer and its affairs which was provided by the Issuer to the Dealer in connection with the issuance, purchase and sale of the Notes. The Issuer will discuss with the Dealer and will prepare, as and if necessary in connection therewith, an amendment or supplement to the Offering Memorandum or other offering memorandum; provided, however, in the absence of changes described above (unless otherwise agreed or determined by the Issuer from time to time), the Issuer shall provide to the Dealer annually upon request (but not more than once per year) updated versions of the Offering Memorandum.

(c) The Issuer hereby represents and warrants that the information relating to the Issuer contained in the Offering Memorandum (including any exhibits and appendices thereto), as of its date did not contain, and on the date Notes are first issued and delivered does not contain, any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. The Issuer covenants that the information relating to the Issuer contained in any offering memorandum (including the exhibits and appendices thereto) prepared by the Dealer and received by the Issuer in connection with the sale of Notes as of the date of such offering memorandum and as of the date of issuance of such Notes will not contain any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were

made, not misleading. Unless, prior to the date on which a Note is authenticated and delivered, the Issuer has advised the Dealer that the then current offering memorandum in use by the Dealer contains a material misstatement or a material omission, upon the issuance of a Note the Issuer shall be deemed to have represented and warranted that as of the date such Note is issued the information relating to the Issuer contained in the offering memorandum (including the exhibits and appendices thereto) does not contain any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. In connection with the amendment of the Offering Memorandum or any other offering memorandum relating to Notes (including the annual updates to the Offering Memorandum, if applicable) issued subsequent to the initial issuance of the Notes, or any amendment thereof, the Issuer agrees to provide, on the date of the issuance and sale of the Notes to which such offering memorandum relates, a certificate of an Authorized Officer of the Issuer to the effect that the information relating to the Issuer contained in such offering memorandum as of the date of such offering memorandum did not contain, and on such date of issuance and sale of Notes to which such offering memorandum relates, does not contain, any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. The Issuer shall deliver to the Dealer a copy of any reports filed by the Issuer pursuant to any continuing disclosure agreement relating to bonds to which the Issuer is a party (including any annual reports or material events notices) and any other reports filed by the Issuer as required by law.

6. All transactions in Notes between the Dealer and the Issuer shall be in accordance with the Issuing and Paying Agency Agreement and the Resolution and the custom and practice in the commercial paper market to the extent such custom and practice is not inconsistent with the Issuing and Paying Agency Agreement and the Resolution (such custom and practice to be in accordance with the rules of the New York Clearinghouse). The Dealer shall purchase Notes from the Issuer or arrange the sale of Notes for the Issuer; provided, however, that each such purchase or sale arranged by the Dealer shall be negotiated and agreed upon orally between the Dealer personnel and a designated officer of the Issuer and, subject to the standards set forth in the Issuing and Paying Agency Agreement and the Resolution, the principal amount of Notes to be sold, the interest rate applicable thereto, and the maturity thereof shall be so determined.

7. The authentication and issuance of, and payment for, the Notes shall be effected in accordance with the Issuing and Paying Agency Agreement and the Resolution, and the Notes shall be book-entry notes evidenced by a Master Note registered in the name of DTC or its nominee, in the form or forms included within or annexed to the Resolution. Delivery of beneficial ownership interests in the Notes shall be delivered to the Dealer in accordance with the customary practices of the Depository. The Dealer shall pay for such Notes as are delivered to it executed and authenticated in the manner provided for in the Issuing and Paying Agency Agreement and the Resolution, in immediately available funds on the Business Day on which such Notes are delivered to the Dealer.

8. The Issuer and the Dealer agree that the Dealer will be compensated for its fees and its expenses as Dealer hereunder based upon the schedule attached hereto as Exhibit A. This schedule may be amended from time to time by either party with the written consent of the Issuer and the Dealer.

9. The Issuer agrees that, on or prior to the date Notes are first issued, the Issuer shall deliver to the Dealer (a) an opinion of counsel to the Issuer, addressed to the Dealer, satisfactory in form and substance to the Dealer, (b) a copy of the executed Issuing and Paying Agency Agreement as then in effect, (c) a copy of the Resolution adopted by the Board of the Issuer, satisfactory in form and substance to the Dealer and certified by the Secretary or similar officer of the Issuer, authorizing execution and delivery by the Issuer of this Agreement, the Issuing and Paying Agency Agreement, the Liquidity Agreement and the Notes and consummation by the Issuer of the transactions contemplated hereby and thereby, (d) prior to the issuance of any Notes represented by a book-entry note registered in the name of DTC or its nominee, a copy of the executed Letter of Representations among the Issuer, the Issuing and Paying Agent and DTC and (e) such other certificates, opinions, Blue Sky surveys, letters and documents as the Dealer shall have reasonably requested.

10. The Issuer agrees that, on or prior to the date Notes are first issued, the Issuer shall deliver or cause to be delivered to the Dealer the written approving opinion of Bracewell LLP, McCall, Parkhurst & Horton LLP and West & Associates LLP Co-Note Counsel to the Issuer, in form acceptable to the Dealer. If on any date Co-Note Counsel informs the Issuer that, because of a change in law or otherwise, purchasers of the Notes may no longer rely on the most recent opinion of Co-Note Counsel delivered to the Dealer pursuant to this paragraph, the Issuer agrees that (i) it shall immediately so notify the Dealer, either by written or electronic means, and (ii) it shall not issue any Notes at any time thereafter until such Co-Note Counsel, or other note counsel acceptable to the Dealer, issues an opinion in connection with the sale of Notes acceptable in substance to the Dealer.

11. The Issuer agrees to notify the Dealer (i) of any amendments, supplements, waiver or modification to the Notes or the Issuing and Paying Agency Agreement or the Resolution and the Liquidity Agreement promptly after the execution of any such amendment, supplement, waiver or modification but in any event prior to any subsequent issuance of Notes hereunder, including a complete copy of any such amendment, supplement, modification or waiver and (ii) of the occurrence of any event that would result in the Issuer's being unable to issue Notes under the Issuing and Paying Agency Agreement and the Resolution promptly upon the occurrence of such event.

12. (a) This Agreement shall become effective upon execution by the Dealer and the Issuer and shall continue in full force and effect to and including the date on which no Notes are outstanding and no additional Notes are intended to be issued, subject to the right of the Dealer or the Issuer to cancel this Agreement at any time upon the giving of not less than 30 days' prior written notice to the other party such termination. The party canceling this

Agreement shall give a copy of such notice to the Issuing and Paying Agent. Any such termination, however, shall not affect the obligations of the Issuer under Sections 8 and 13 hereof or the respective representations, warranties, agreements, covenants, rights or responsibilities of the parties made or arising prior to the termination of this Agreement.

(b) In addition to the provisions of paragraph (a) of this Section, the Dealer may immediately terminate its obligations under this Agreement at any time by notifying the Issuer in writing or by telegram, telex or other electronic or wire communication of its election so to do (with a copy of such notice to the Issuing and Paying Agent), if:

(i) Legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or be recommended by committee to the Congress of the United States for signature by the President of the United States, or a decision by a court established under Article III of the Constitution of the United States shall be rendered or a ruling, regulation or order of the Treasury Department of the United States of the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation upon interest received on the Notes;

(ii) Legislation shall be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the SEC or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the offering or sale of obligations of the general character of the Notes, as contemplated hereby, is or would be in violation of any provision of the Securities Act as then in effect, or the Exchange Act (as defined herein) as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose of effect of otherwise prohibiting the offering or sale of obligations of the general character of the Notes, or the Notes, as contemplated hereby;

(iii) Any information shall have become known, which, at any time, in the Dealer's reasonable opinion, makes untrue, incorrect, incomplete or misleading in any material respect any statement or information contained in the current offering memorandum relating to the Notes, as the information contained therein has been supplemented or amended by other information, or causes such offering memorandum, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(iv) Except as provided in clauses (i) and (ii) hereof, any legislation, order, ordinance, rule or regulation shall be introduced in, or be enacted by any federal governmental body, department or agency of the United States or the State of New York, or a decision by any court of competent jurisdiction with the United States or the State of New York shall be rendered which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(v) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in Securities generally by any governmental authority or by any national securities exchange;

(vi) Any governmental authority shall impose, as to the Notes, or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force;

(vii) A general banking moratorium shall have been established by Federal or New York authorities;

(viii) Any rating of the Notes shall have been downgraded or withdrawn by a national rating service below "A-1"/"F1" (or equivalent rating category) which downgrading or withdrawal, in the Dealer's reasonable opinion, materially, adversely affects the marketability of the Notes;

(ix) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes; or

(x) An event, including without limitation, the bankruptcy or default of any other Issuer tax exempt or taxable securities, shall have occurred, which, in the Dealer's reasonable opinion, materially adversely affects the securities of the general character of the Notes.

13. (a) The Issuer agrees, to the extent permitted by law, to indemnify and hold harmless the Dealer, any member, officer, official, employee, counsel, consultant and agent of the Dealer, and each person, if any, who controls the Dealer within the meaning of Section 15 of the Securities Act (the "Indemnitees") against any and all losses, claims, damages, liabilities or expenses (or actions in respect thereof) (each, a "Claim") that are caused by, arise out of or are based upon any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact relating to the Issuer made, provided or certified by the Issuer or any agent thereof and contained in any offering memorandum or caused by, arising out of or based upon any omission or alleged omission from any offering memorandum of any material fact relating to the Issuer necessary in order to make the statements made therein in the light of the circumstances under which they were made not misleading. In case any action shall be

brought against any person indemnified pursuant to this Section and in respect of which indemnity may be sought against the Issuer, such person shall promptly notify the Issuer in writing, and the Issuer shall promptly assume the defense thereof, including the employment of counsel reasonably satisfactory to such person, and the payment of all expenses, provided that the Issuer shall have the right to negotiate and consent to settlement and such person shall cooperate with the Issuer in such defense. Such person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such person unless the employment of such counsel has been specifically authorized by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Issuer or if there be a final judgment for the plaintiff in any such action, with or without consent, the Issuer shall indemnify and hold harmless such party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding anything above to the contrary, the Issuer shall not consent to any settlement under which an indemnified party admits guilt to any allegation without the consent of such person.

(b) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 13 is held to be unavailable or insufficient to hold harmless the Indemnitees, although applicable in accordance with the terms of this Section 13, the Issuer shall contribute to the aggregate costs incurred by the Dealer in connection with any Claim in the proportion of the respective economic interests of the Issuer and the Dealer; provided, however, that such contribution by the Issuer shall be in an amount such that the aggregate costs incurred by the Dealer do not exceed the aggregate of the commissions and fees earned by the Dealer hereunder with respect to the issue or issues of Notes to which such Claim relates in that calendar year. The respective economic interests shall be calculated by reference to the aggregate proceeds to the Issuer of the Notes (not to exceed the par amount of the Notes of \$125,000,000) issued hereunder and the aggregate commissions and fees earned by the Dealer hereunder with respect to the issue or issues of Notes to which such Claim relates in that calendar year.

14. Nothing in this Agreement, expressed or implied, is intended to or shall be construed to confer upon or to give to any person other than the Issuer and the Dealer any rights, remedies or claims hereunder or by reason hereof or any covenant, condition or stipulation thereof. All covenants, stipulations, promises and agreements herein contained by or on behalf of the Issuer or the Dealer shall be for the sole and exclusive benefit of the Issuer and the Dealer, which shall have such rights, remedies and claims as are provided hereunder or by reason hereof or by law to enforce the same.

15. The Issuer acknowledges and agrees, whether or not the Dealer or any affiliate thereof has advised or is currently advising the Issuer on other matters, that in connection with the remarketing of the Notes and any other duties or obligations of the Dealer pursuant to and/or as set forth in this Agreement: (a) the Dealer is not an advisor (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act), an “advisor”) of, and owes no fiduciary duty to, the Issuer or any other person, (b) the Dealer’s duties and obligations to the Issuer shall be limited to

those contractual duties and obligations expressly set forth in this Agreement, (c) the Dealer has financial and other interests that differ from those of the Issuer, and (d) the Issuer has consulted with those independent legal, financial and any other advisors to the extent it deemed appropriate in connection with any questions or other issues it might have relating to the remarketing of the Notes.

16. The Issuer acknowledges that _____ may not be able to perform some of the services the Issuer may request of _____ from time to time in connection with J.P. Morgan's engagement as Dealer to the extent that such services would cause J.P. Morgan to be considered a "municipal advisor" under SEC Rel. No. 34-70462 (Sept. 20, 2013)) (such final rules and to the extent referenced therein, Section 975, the "Municipal Advisor Rules") implementing Section 975 ("Section 975") of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

17. This Agreement shall be effective as of the date on which the Notes are first issued and delivered to the purchasers thereof.

18. Definitions.

"Business Day" shall mean, a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in the states where the principal corporate offices of the Issuer, the Dealer or the Issuing and Paying Agent, are located are authorized by law to close or a day on which the New York Stock Exchange or the Federal Reserve Bank is closed. "Claim" shall have the meaning set forth in Section 13(a).

"DTC" shall mean The Depository Trust Company.

"Exchange Act" shall mean the U.S.

"Securities Exchange Act of 1934, as amended.

"Indemnatee" shall have the meaning set forth in Section 13(a).

"SEC" shall mean the United States Securities and Exchange Commission.

"Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

19. General.

(a) Unless otherwise expressly provided herein, all notices under this Agreement to parties hereto shall be in writing and shall be effective when received at the address of the respective party set forth in the Addendum to this Agreement.

(b) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its conflict of law provisions.

(c) The parties agree that any suit, action or proceeding brought by either the Issuer or the Dealer in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes shall be brought solely in the United States federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan. To the extent permitted by law, each of the Dealer and the Issuer waives its right to trial by jury in any suit, action or proceeding with respect to this Agreement or the transactions contemplated hereby.

(d) This Agreement is not assignable by either party hereto without the written consent of the other party.

(e) This Agreement may be executed in counterparts, each of which shall be an original and both of which shall constitute but one and the same instrument.

20. No Boycott of Israel. The Dealer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Dealer understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Dealer and exists to make a profit.

21. Contracts with Companies Engaged in Business with Iran, Sudan or Foreign Terrorist Organizations Prohibited. The Dealer represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or 2270.0201 of the Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Dealer and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be

excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Dealer understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Dealer and exists to make a profit.

IN WITNESS WHEREOF, the parties hereto have set their hands as of the date first.

By: _____
Name: _____
Title: _____

DALLAS AREA RAPID TRANSIT

By: _____
Name: _____
Title: _____

Signature Page to Dealer Agreement

EXHIBIT E

DTC Letter of Representations

The Depository Trust Company
A subsidiary of The Depository Trust & Clearing Corporation

**Book-Entry-Only Municipal Tax-Exempt Commercial Paper (TECP)
(Master Note) Program**

Letter of Representations

[To be completed by Issuer, Issuing Agent, and Paying Agent]

[Name of Issuer]

[Name and DTC Participant Number of Issuing Agent and Transfer Agent]

[Date]

Attention: Underwriting Department
The Depository Trust Company
570 Washington Blvd, 4th FL
Jersey City, NJ 07310

Re: _____

[Description of Program, including reference to the provision of the Securities Act of 1933, as amended,
pursuant to which Program is exempt from registration.]

Ladies and Gentlemen:

This letter sets forth our understanding with respect to certain matters relating to the issuance by Issuer from time to time of notes under its Municipal Commercial Paper--TECP program described above (the "Securities"). Issuing Agent shall act as issuing agent with respect to the Securities. Paying Agent shall act as paying agent or other such agent of Issuer with respect to the Securities. Issuance of the Securities has been authorized pursuant to a prospectus supplement, offering circular, or other such document dated _____.

Paying Agent has entered into a Money Market Instrument Certificate Agreement with The Depository Trust Company ("DTC") dated as of _____, pursuant to which Paying Agent shall act as custodian of a Master Note Certificate evidencing the Securities, when issued. Paying Agent shall amend Exhibit A to such Certificate Agreement to include the program described above, prior to issuance of the Securities.

To induce DTC to accept the Securities as eligible for deposit at DTC and to act in

DTCC

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accordance with its Rules with respect to the Securities, Issuer, Issuing Agent, and Paying Agent make the following representations to DTC:

1. The Securities shall be evidenced by a Master Note Certificate in registered form registered in the name of DTC's nominee, Cede & Co., and such Master Note Certificate shall represent 100% of the principal amount of the Securities. The Master Note Certificate shall include the substance of all material provisions set forth in the DTC model Municipal Commercial Paper -- TECP Master Note, a copy of which previously has been furnished to Issuing Agent and Paying Agent, and may include additional provisions as long as they do not conflict with the material provisions set forth in the DTC model.

2. Issuer: (a) understands that DTC has no obligation to, and will not, communicate to its participants ("Participants") or to any person having an interest in the Securities any information contained in the Master Note Certificate; and (b) acknowledges that neither DTC's Participants nor any person having an interest in the Securities shall be deemed to have notice of the provisions of the Master Note Certificate by virtue of submission of such Certificate to DTC.

3. Issuer or Issuing Agent has obtained from the CUSIP Service Bureau a written list of approximately 900 nine-character numbers (the basic first six characters of which are the same and uniquely identify Issuer and the Securities to be issued under its Municipal Commercial Paper - - TECP program described above). The CUSIP numbers on such list have been reserved for future assignment to issues of the Securities. At any time when fewer than 100 of the CUSIP numbers on such list remain unassigned, Issuer or Issuing Agent shall promptly obtain from the CUSIP Service Bureau an additional written list of approximately 900 such numbers.

4. When Securities are to be issued through DTC, Issuing Agent shall notify Paying Agent and shall give issuance instructions to DTC in accordance with DTC's Procedures, including Operational Arrangements and the Issuing/Paying Agent General Operating Procedures (the "MMI Procedures"), a copy of which previously has been furnished to Issuing Agent and Paying Agent. The giving of such issuance instructions, which include delivery instructions, to DTC shall constitute: (a) a representation that the Securities are issued in accordance with applicable law; and (b) a confirmation that the Master Note Certificate evidencing such Securities, in the form described in paragraph 1, has been issued and authenticated.

5. All notices and payment advises sent to DTC shall contain the CUSIP number of the Securities.

6. Issuer recognizes that DTC does not in any way undertake to, and shall not have any responsibility to, monitor or ascertain the compliance of any transactions in the Securities with the following, as amended from time to time: (a) any exemptions from registration under the Securities Act of 1933; (b) the Investment Company Act of 1940; (c) the Employee Retirement Income Security Act of 1974; (d) the Internal Revenue Code of 1986; (e) any rules of any self-regulatory organizations (as defined under the Securities Exchange Act of 1934); or (f) any other local, state, federal, or foreign laws or regulations thereunder.

7. If issuance of Securities through DTC is scheduled to take place one or more days after Issuing Agent has given issuance instructions to DTC, Issuing Agent may cancel such issuance by giving a cancellation instruction to DTC in accordance with the MMI Procedures.

8. At any time that Paying Agent has Securities in its DTC accounts, it may request withdrawal of such Securities from DTC by giving a withdrawal instruction to DTC in accordance with the MMI Procedures. Upon DTC's acceptance of such withdrawal instruction, Paying Agent shall reduce the principal amount of the Securities evidenced by the Master Note Certificate accordingly.

9. In the event of any solicitation of consents from or voting by holders of the Securities, Issuer, Issuing Agent, or Paying Agent shall establish a record date for such purposes (with no provision for revocation of consents or votes by subsequent holders) and shall send notice of such record date to DTC's Reorganization Department, Proxy Unit no fewer than 15 calendar days in advance of such record date. If sent by telecopy, such notice shall be directed to (212) 855-5181 or (212) 855-5182. If the party sending the notice does not receive a telecopy receipt from DTC such party shall confirm DTC's receipt of such telecopy by telephoning (212) 855-5187. For information regarding such notices, telephone The Depository Trust and Clearing Corporation's Proxy hotline at (212) 855-5191.

10. Paying Agent may override DTC's determination of interest and principal payment dates, in accordance with the MMI Procedures.

11. Notice regarding the amount of variable interest and principal payments on the Securities shall be given to DTC by Paying Agent in accordance with the MMI Procedures.

12. Paying Agent shall confirm with DTC daily, by CUSIP number, the face value of the Securities outstanding, and Paying Agent's corresponding interest and principal payment obligation, in accordance with the MMI Procedures.

13. DTC may direct Issuer, Issuing Agent, or Paying Agent to use any other telephone number or address as the number or address to which notices may be sent.

14. Payments on the Securities, including payments in currencies other than the U.S. Dollar, shall be made by Paying Agent in accordance with the MMI Procedures.

15. In the event that Issuer determines that beneficial owners of Securities shall be able to obtain certificated Securities, Issuer or Paying Agent shall notify DTC of the availability of certificates. In such event, Issuer or Paying Agent shall issue, transfer, and exchange certificates in appropriate amounts, as required by DTC and others.

16. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer, Issuing Agent or Paying Agent (at which time DTC will confirm with Issuer or Paying Agent the aggregate amount of Securities outstanding by CUSIP number). Under such circumstances, at DTC's request Issuer, Issuing Agent and Paying Agent shall cooperate fully with DTC by taking appropriate action to make available one or more separate certificates evidencing Securities to any Participant having Securities credited to its DTC accounts.

17. Nothing herein shall be deemed to require Issuing Agent or Paying Agent to advance funds on behalf of Issuer.

18. This Letter of Representations may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts together shall constitute but one and the same instrument.

19. This Letter of Representations shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to principles of conflicts of law.

20. The sender of each notice delivered to DTC pursuant to this Letter of Representations is responsible for confirming that such notice was properly received by DTC.

21. Issuing and/or Paying Agent represent to DTC that the Issuing and/or Paying Agent screened the name of the party in whose name a deposited Security certificate is registered against the U.S. Department of the Treasury's Office of Foreign Asset Control's ("OFAC") Specially Designated Nationals Blocked Persons List ("SDN List") and against OFAC's regulations and that there were no matches identified by such comparison. Issuer is prohibited from submitting Securities for DTC eligibility if the issuer of the securities is listed on the OFAC's SDN List, or is incorporated or formed in a country that is subject to OFAC sanctions or embargoes, or otherwise subject to sanctions administered by OFAC.

22. Issuer hereby authorizes DTC to provide to Issuing Agent and/or Paying Agent listings of DTC Participants' holdings, known as Security Position Reports ("SPRs") with respect to the Assets from time to time at the request of Issuing Agent or Paying Agent. DTC charges a fee for such SPRs. This authorization, unless revoked by Issuer, shall continue with respect to the Assets while any Assets are on deposit at DTC, until and unless Issuing Agent and/or Paying Agent shall no longer be acting as Issuing and/or Paying Agent for Issuer. In such event, Issuer shall provide DTC with similar evidence, satisfactory to DTC, of the authorization of any successor thereto so to act. Proxy Web Services are available at www.dtcc.com. To register for or inquire about Proxy Web Services, telephone The Depository Trust and Clearing Corporation's Proxy Hotline at (212) 855-5191.

23. Issuer, Issuing Agent and Paying Agent shall comply with the applicable requirements stated in DTC's MMI Procedures, as they may be amended from time to time.

24. The following rider(s), attached hereto, are hereby incorporated into this Letter of Representations:

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

[Issuer]

By: _____
[Authorized Officer's Signature]

[Guarantor]

By: _____
[Authorized Officer's Signature]

[Issuing Agent]

By: _____
[Authorized Officer's Signature]

[Paying Agent]

By: _____

cc: Underwriter
Underwriter's Counsel

SCHEDULE A**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. 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.

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

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

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5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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EXHIBIT F
FORM OF MASTER NOTE

The Depository Trust Company
A subsidiary of The Depository Trust & Clearing Corporation

Municipal Commercial Paper – TECP Master Note

[Date of Issuance]

DALLAS AREA RAPID TRANSIT (“Issuer”), for value received, hereby promises to pay to Cede & Co., as nominee of the Depository Trust Company, or to registered assigns (i) the principal amount, together with unpaid accrued interest thereon, if any, on the maturity date of each obligation identified on the records of Issuer (the “Underlying Records”) as being evidenced by this Master Note, which Underlying Records are maintained by _____ (“Paying Agent”); (ii) interest on the principal amount of each such obligation that is payable in installments, if any, on the due date of each installment, as specified on the Underlying Records; and (iii) the principal amount of each such obligation that is payable in installments, if any, on the due date of each installment, as specified on the Underlying Records. Interest shall be calculated at the rate and according to the calculation convention specified on the Underlying Records. Payments shall be made solely from the sources stated on the Underlying Records by wire transfer to the registered owner from Paying Agent without the necessity of presentation and surrender of this Master Note.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS MASTER NOTE SET FORTH ON THE REVERSE HEREOF.

This Master Note is a valid and binding obligation of Issuer.

Not Valid Unless Countersigned for Authentication by Paying Agent.

DALLAS AREA RAPID TRANSIT

[Paying Agent]

[Issuer]

By: _____
[Authorized Officer’s Signature]

By: _____
[Authorized Officer’s Signature]

(Reverse Side of Note)

At the request of the registered owner, Issuer shall promptly issue and deliver one or more separate note certificates evidencing each obligation evidenced by this Master Note. As of the date any such note certificate or certificates are issued, the obligations which are evidenced thereby shall no longer be evidenced by this Master Note.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(Name, Address, and Taxpayer Identification Number of Assignee)

the Master Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Master Note on the books of issuer with full power of substitution in the premises.

Dated:

Signature(s) Guaranteed (Signature)

(Signature)

Notice: The signature on this assignment must correspond with the name as written upon the face of this Master Note, in every particular, without alteration or enlargement or any change whatsoever.

Unless this certificate is presented by an authorized representative of the Depository Trust Company, a New York corporation ("DTC"), to issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

EXHIBIT G

Form of Offering Memorandum



Offering Memorandum

Dated Date: November ____, 2018

Ratings

Moody's: ____

S&P: ____

See "Ratings of Series IIA Notes" herein

This Offering Memorandum supplements our Annual Disclosure Statement, dated March 13, 2018 (the "Annual Disclosure Statement"), as updated by our Quarterly Disclosure Updates, for the three-month period ended December 31, 2017, the six-month period ended March 31, 2018 and the nine-month period June 30, 2018, respectively. The Annual Disclosure Statement, the Quarterly Disclosure Updates and this Offering Memorandum have been filed as public records with the Municipal Securities Rulemaking Board and are posted on the Internet at our website at <http://www.dart.org>.

\$125,000,000**Dallas Area Rapid Transit****Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIA*****The Series IIA Notes***

The Dealers set forth below (the "Dealers") are offering for sale on behalf of Dallas Area Rapid Transit ("DART") the above captioned commercial paper notes (the "Series IIA Notes"). Capitalized terms used in this Offering Memorandum shall have the meanings assigned to such terms in the Master Debt Resolution, adopted by the Board of Directors (the "Board") of DART on January 23, 2001, as amended (the "Master Debt Resolution") and in the Seventeenth Supplemental Debt Resolution (the "Seventeenth Supplement") adopted on November 13, 2018 (the Seventeenth Supplement, together with the Master Debt Resolution, the "Resolution").

The Series IIA Notes are issued as Interim Obligations under the Master Debt Resolution and are periodically sold, retired, and reissued in installments having short term maturities of no more than 270 days. Prior to each maturity, we expect to sell additional Series IIA Notes in the public markets to provide the funds needed to pay the principal due on the maturing Series IIA Notes. We intend to pay the interest on the Series IIA Notes from the Senior Subordinate Lien Debt Service Fund, but we reserve the right to pay the interest from the proceeds of future installment issues of Series IIA Notes, or from Advances described below. The Series IIA Notes are being issued for the purposes of (i) financing Project Costs of Eligible Projects for DART's public transportation system, and (ii) to refinance, renew or refund Series IIA Notes and any Bank Notes (hereinafter defined) issued pursuant to any Credit Agreement (hereinafter defined), all pursuant to the provisions of the Resolution.

Security for Series IIA Notes – Revolving Credit Agreement

The Series IIA Notes are payable from and are secured by a pledge of and lien on Pledged Revenues (as defined herein) consisting of (i) the Gross Sales Tax Revenues that we receive from the levy and collection of a 1% sales and use tax (the "Sales Tax") and the investment earnings thereon while held by the Trustee in the Gross Sales Tax Revenue Fund, (ii) Pledged Farebox Revenues (as defined herein) and (iii) such additional revenues of DART which by a Supplemental Resolution are expressly and specifically pledged to Obligations. The lien securing the Series IIA Notes is subordinate to Senior Lien Obligations, but is senior to Junior Subordinate Lien Obligations, that we may issue or execute from time to time under the Master Debt Resolution. The lien securing the Series IIA Notes is on parity with other senior subordinate lien obligations, including commercial paper notes currently outstanding and additional commercial paper notes we may issue in the future.

DART has entered into a revolving credit agreement dated as of November 15, 2018 (the "Credit Agreement"), with JPMorgan Chase Bank, National Association (the "Bank" or "Liquidity Provider"), under which the Bank has agreed to provide liquidity support for the Series IIA Notes. The Credit Agreement shall expire on November 14, 2021. If for any reason the Dealers are unable at any time to market the Series IIA Notes in amounts sufficient to pay the principal of and interest on, maturing Series IIA Notes, subject to certain conditions under the Credit Agreement, such maturing Series IIA Notes will be paid with proceeds of amounts drawn ("Advances") under the Credit Agreement. See "SECURITY FOR THE SERIES IIA NOTES" and "INITIAL CREDIT AGREEMENT" herein. **Prospective Series IIA Note purchasers are advised that upon the occurrence of a "Special Event of Default" or a "Suspension Event" (as each is defined in the Credit Agreement and described herein) under the Credit Agreement, the obligations of the Bank to make Advances under the Credit Agreement to pay the principal of and interest on such maturing Series IIA Notes, as well as to make "Loans" thereunder, shall automatically and immediately terminate or be suspended and the herein-defined Bank Note may be declared immediately due and payable.** See "INITIAL CREDIT AGREEMENT – Events of Default; Special Events of Default; and Suspension Events" and "INITIAL CREDIT AGREEMENT – Remedies Under the Credit Agreement" herein. See the "Annual Disclosure Statement - "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds," and "Summary of Certain Terms of the Master Debt Resolution – Defaults and Remedies. See "General Information About DART-Future Debt."

This Offering Memorandum may be used to offer and sell the Series IIA Notes only if it is accompanied by our Annual Disclosure Statement and our Quarterly Disclosure Updates.

J.P. Morgan-Co-Dealer**Loop Capital Markets-Co-Dealer**

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Appendix G -	Certain Information Regarding JPMorgan Chase Bank, National Association

IMPORTANT NOTICES

We are providing information to you about the Series IIA Notes in five separate documents: (1) the Annual Disclosure Statement, dated March 13, 2018, (2) the Quarterly Disclosure Update for the three-month period ended December 31, 2017, (3) the Quarterly Disclosure Update for the six-month period ended March 31, 2018, (4) the Quarterly Disclosure Update for the nine-month period ended June 30, 2018 and (5) this Offering Memorandum, which describes the specific terms of the Series IIA Notes. All references herein to the “Disclosure Statement” mean the Annual Disclosure Statement, as updated by the Quarterly Disclosure Updates and this Offering Memorandum.

Our Disclosure Statement includes a detailed discussion of the Pledged Revenues that we have pledged as security for the Series IIA Notes, the previously issued Senior Lien Bonds, the previously issued or authorized Senior Subordinate Lien Obligations, and other Obligations that we may issue or enter into in the future, of our rights to issue additional Bond Obligations and related Credit Agreement Obligations, of the financial tests that are imposed as preconditions to their issuance and of other matters relating to our organization and our public transportation system. We refer you to specific captions within the Disclosure Statement where additional information may be found regarding specific subjects.

Our most recently audited financial statements, for the Fiscal Year ended September 30, 2017, are included with the Independent Auditors’ Report that is attached to the Annual Disclosure Statement as Appendix C thereto. When we issue Series IIA Notes, you should rely only on the information contained or incorporated by reference in this Offering Memorandum and the Annual Disclosure Statement. We have not authorized anyone to provide you with other information. If information varies between this Offering Memorandum and the Annual Disclosure Statement, you should rely on the information in this Offering Memorandum.

We will not offer the Series IIA Notes in any state where their offer is not permitted. We do not claim that the information contained in the Annual Disclosure Statement, the Quarterly Disclosure Updates and in this Offering Memorandum is accurate as of any date other than the Dated Date stated on their respective cover pages.

The Dealers may use this Offering Memorandum, the Annual Disclosure Statement and the Quarterly Disclosure Updates in connection with the sale of Series IIA Notes from time to time. For that reason, this document may be amended from time to time to update certain information.

The summary of the Seventeenth Supplemental Debt Resolution contained herein in Appendix A hereto is not intended to be comprehensive and is qualified in its entirety by reference to the entire document. You may obtain a copy of the Master Debt Resolution and the Seventeenth Supplemental Debt Resolution on the Internet at our website, www.dart.org, or by contacting our Senior Vice President of Finance and Interim Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

In this Offering Memorandum, “we,” “our,” “us,” and “DART” refer to Dallas Area Rapid Transit. If we use a capitalized term in this Offering Memorandum and do not define the term in this document, its definition is given or summarized in Appendix A to this Offering Memorandum and/or in Appendix B to the Annual Disclosure Statement.

The Dealers have provided the following sentence for inclusion in this Offering Memorandum. The Dealers have reviewed the information in this Offering Memorandum 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 Dealers do not guarantee the accuracy or completeness of such information.

Liquidity Provider Information. Other than with respect to information concerning the Liquidity Provider contained in Appendix G of this Offering Memorandum, none of the information in this Offering Memorandum has been supplied or verified by the Liquidity Provider and the Liquidity Provider does not make any representation or warranty, express or implied, as to

- the accuracy or completeness of information it has neither supplied nor verified.
- the validity of the Series IIA Notes, or
- the tax-exempt status of the interest on the Series IIA Notes.

SEC Rule 15c2-12. SEC Rule 15c2-12 does not require DART to enter into a written agreement for the benefit of holders of the Series IIA Notes to provide continuing disclosure. DART regularly files continuing disclosure in connection with other debt offerings. See “CONTINUING DISCLOSURE OF INFORMATION” herein.

FORWARD-LOOKING STATEMENTS

We make “forward-looking statements” in this document by using forward-looking words such as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates,” or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, receipt of federal grants, and various other factors which may be beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

GENERAL INFORMATION ABOUT DART

The following general information about DART is a summary only and is not intended to be comprehensive. This information should be read together with the information in the Annual Disclosure Statement under the heading “INFORMATION ABOUT DART.”

DART is a subregional transportation authority of the State of Texas. We were created and confirmed by passage of a referendum on August 13, 1983, pursuant to Article 1118y of Vernon’s Annotated Civil Statutes, as amended and recodified as Chapter 452, Texas Transportation Code. Our current boundaries include the territory lying within the corporate limits of the following Participating Municipalities: the Cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett and University Park and the Towns of Addison and Highland Park. We are governed by a 15-member Subregional Board of Directors.

Our administrative office is located in Dallas, Texas, and our boundaries include approximately 700 square miles and a population of approximately 2.4 million persons, according to the most recent estimate available from the North Central Texas Council of Governments.

The Participating Municipalities have certain limited rights to withdraw from DART, subject to the continuing collection of the Sales Tax within the withdrawing municipality until its share of all obligations of DART are collected and paid to DART. See, the Annual Disclosure Statement, “INFORMATION ABOUT DART—DART’s Boundaries, Additions, Withdrawal Rights.”

Mr. David Leininger, DART’s Executive Vice President/Chief Financial Officer, retired in May 2018. His duties have been assumed by Joseph Costello, Senior Vice President of Finance and Interim Chief Financial Officer.

On September 11, 2018 the Board appointed Mr. Gene Gamez, DART’s Senior Assistant General Counsel to serve as Interim General Counsel.

Sources of Revenue

For additional information regarding the Sales Tax, farebox revenues and other sources of revenue and funds, see the Annual Disclosure Statement, “DART’S FINANCIAL PRACTICES AND RESOURCES.” In addition, see information herein under the heading “THE SERIES IIA NOTES – Pledge and Security for Series IIA Notes” regarding the pledge of Pledged Farebox Revenues to Obligations, including the Series IIA Notes.

Outstanding Debt

On the date hereof, we currently have outstanding approximately \$3.21 billion in principal amount of Senior Lien Bonds, all of which bear interest at fixed rates to maturity. In addition to the Series II Notes, we currently have outstanding \$110 million in principal amount of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I.

Future Debt

On August 28, 2018, we approved the Fifteenth Amended and Restated Supplemental Debt Resolution which authorized the issuance of up to \$908 million in principal amount of Senior Lien Sales Tax Revenue Bonds to finance the Cotton Belt Corridor Regional Rail Project (the "Cotton Belt"), a 26-mile passenger rail line from DFW Airport to Plano and the Sixteenth Amended and Restated Supplemental Debt Resolution which authorized the issuance of up to \$1.09 billion in principal amount of Senior Lien Sales Tax Revenue Bonds to finance the "Second Central Business District Light Rail Alignment Project" ("D2"), a major sub-way and surface alignment in downtown Dallas. Such Senior Lien Obligations are secured by a senior lien on our Sales Tax Revenues and Pledged Farebox Revenues and have a priority over the lien pledged to the Series IIA Notes. It is anticipated that the Senior Lien Obligations for the Cotton Belt will be authorized by the Board in the form of a RRIF Loan Agreement with the United States Department of Transportation in the next few months and issued over the next one to two years. DART expects to issue its Senior Lien Bonds to finance D-2 over the next two to three years.

In addition, we anticipate authorizing during the next several months the issuance of up to \$125 million of additional Senior Subordinate Lien Obligations in one or more series of commercial paper notes. Such Senior Subordinate Lien Obligations will be a parity as to security and payment with the Series I Notes and the Series II Notes.

THE SERIES IIA NOTES

The following description of the Series IIA Notes is a summary only and is not intended to be comprehensive. The description should be read together with the description of the terms and provisions of the Seventeenth Supplemental Debt Resolution, as amended, set forth in Appendix A hereto, "SUMMARY OF CERTAIN TERMS OF THE SEVENTEENTH SUPPLEMENTAL DEBT RESOLUTION" and with the description of the terms and provisions of the Master Debt Resolution provided in Appendix B to the Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION."

The Series IIA Notes are Senior Subordinate Lien Obligations authorized by Section 3.3(c) of the Master Debt Resolution. That Section authorizes us to issue the Series IIA Notes based upon certain financial projections made by our Chief Financial Officer. See "Summary of Certain Terms of the Master Debt Resolution" in Appendix B to the Annual Disclosure Statement.

The Series IIA Notes will not be subject to redemption prior to maturity. Interest will be calculated on an actual/365 or 366 or 30/360 day year basis as provided in a Certificate of an Authorized Officer of DART. The interest rate on the Series IIA Notes may not exceed the lesser of 10% per annum or the maximum rate allowable by law. The Series IIA Notes will be issued in registered form in denominations of \$100,000 or integral multiples of \$1,000 in excess thereof. See "BOOK-ENTRY SYSTEM."

Installment Issues

The Series IIA Notes are sold, retired, and reissued periodically in installments. The Series IIA Notes mature on a Business Day fixed by one of our Authorized Officers, but not more than 270 days after their issuance and never later than September 1, 2052.

Although we may retire Series IIA Notes with funds available to us, it is generally expected that prior to each maturity of Series IIA Notes, we will sell additional Series IIA Notes in the public markets to provide the funds needed to pay the principal amount due on the maturing Series IIA Notes.

The Issuing and Paying Agent

Zions Bancorporation, National Association (formerly Amegy Bank National Association), Houston, Texas, is the Issuing and Paying Agent for the Series IIA Notes. The Issuing and Paying Agent will authenticate Series IIA Notes in the principal amounts, with the Note Dates, Stated Maturity Dates, and rates of interest or discount, and for the purchase prices specified by an Authorized Officer.

The Series IIA Notes will be available for countersignature and issuance and will be payable at the offices of the Issuing and Paying Agent. An investor is required to pay the purchase price for the Series IIA Notes to be purchased in immediately available funds, and the amount payable by us at maturity will be paid in same day funds. Series IIA Notes must be presented to the Issuing and Paying Agent by 12:00 noon, New York time, to ensure same day payment.

Uses of Proceeds of Series IIA Notes

The Seventeenth Supplement creates various accounts within the Issuing and Paying Agent Fund to be held by the Issuing and Paying Agent. The proceeds of each installment issue of Series IIA Notes are deposited to special accounts within the Issuing and Paying Agent Fund and used for the purposes set forth in the Seventeenth Supplemental Debt Resolution. See Appendix A, “SUMMARY OF CERTAIN TERMS OF THE SEVENTEENTH SUPPLEMENTAL DEBT RESOLUTION, AS AMENDED BY THE FIRST AMENDMENT AND THE SECOND AMENDMENT— Issuance, Sale, Uses of Proceeds, and Payment of Series IIA Notes (*Article IV*).”

In general, the proceeds of Series IIA Notes are used to:

- Refinance, renew, replace, or refund Series IIA Notes and any other commercial paper notes that have been previously issued, including the interest thereon if sufficient money is not available for that purpose in the Senior Subordinate Lien Debt Service Fund, see, “Payments of Interest on Series IIA Notes, Interest Rate,” above;
- Pay the costs of Reissuance of the Series IIA Notes, including all applicable Administrative Expenses; and
- Provide additional funds for our System Expansion and Acquisition.

Money deposited to the Note Proceeds Account and to the other accounts within the Issuing and Paying Agent Fund is the first source of payment for the principal amount of the Series IIA Notes at their maturity, and the Issuing and Paying Agent will not request the Trustee to make deposits to the Senior Subordinate Lien Debt Service Fund for the purpose of paying the principal amounts due on the Series IIA Notes, at their maturity so long as money is provided to the Issuing and Paying Agent for that purpose from the proceeds of future installment issues of Series IIA Notes, and/or from our unencumbered funds.

If, for any cause or reason, (1) money is not available in the Issuing and Paying Agent Fund from the proceeds of future installment issues of Series IIA Notes or from money deposited to the Senior Subordinate Lien Debt Service Fund in amounts needed to pay in full all amounts due on the Series IIA Notes as they mature, and (2) we do not otherwise make such payments from unencumbered funds, and (3) payment is not otherwise made from the proceeds of timely refinancing of the amounts due, an Event of Default will occur under the Master Debt Resolution. In such an event, the Issuing and Paying Agent will notify the Trustee of such fact, after which the Trustee is required to make deposits, from the next available Gross Sales Tax Revenues that are received from the Comptroller, to the Senior Subordinate Lien Debt Service Fund in accordance with the default provisions of the Master Debt Resolution. See Appendix B to the Annual Disclosure Statement, “SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION-Defaults and Remedies-Remedies for Default.” Such deposits will be required to the extent funds are available in the full amount of the Debt Service and Administrative Expenses that are due, owing, and unpaid on the matured Series IIA Notes and will be delivered, when available, to the Issuing and Paying Agent for payment first to the payment of Administrative Expenses related to the Senior Subordinate Lien Obligations, including the Series IIA Notes, and then to the payment of the matured and unpaid Notes. Until the matured and unpaid Notes are paid in full, all further deposits to the Junior Subordinate Lien Debt Service Fund and all further distributions of Gross Sales Tax Revenues to us will be suspended until the default is cured and the matured and unpaid Series IIA Notes are paid in full.

Periodic Refunding of Outstanding Series IIA Notes with Other Obligations

We may periodically pay or refund the Series IIA Notes with Obligations issued (1) as long-term Obligations or Interim Obligations and/or as Obligations bearing variable rates of interest, and (2) as Senior Lien Obligations, Senior Subordinate Lien Obligations and/or Junior Subordinate Lien Obligations. In issuing these Obligations, we must meet

the applicable financial tests and limitations specified in the Master Debt Resolution, in Supplemental Resolutions, and in any Credit Agreements. See the Annual Disclosure Statement, “OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests.”

SECURITY FOR SERIES IIA NOTES

Sources of Repayment

The Series IIA Notes are payable from and are secured by a pledge of and lien on the following, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein: (i) the proceeds from the sale of other Series IIA Notes from time to time issued to pay the principal amount of outstanding Series IIA Notes; (ii) the proceeds from the sale of Senior Lien Bonds issued by DART, if any, from time to time for the purpose of paying the principal and interest on the Series IIA Notes, (iii) amounts drawn under the Credit Agreement to pay the principal of and interest on outstanding Series IIA Notes supported by such Credit Agreement, (iv) proceeds held in the Note Payment Fund for the Series IIA Notes, and (v) Pledged Farebox Revenues that are junior and subordinate to Senior Lien Obligations. The lien on Pledged Revenues is on a parity with other senior subordinate lien obligations, including currently outstanding commercial paper notes and additional commercial paper notes, we may issue in the future. For additional information regarding the Sales Tax and Gross Sales Tax Revenues, see the Annual Disclosure Statement, “OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds.”

Pursuant to the provisions of the Seventh Supplemental Debt Resolution authorizing the issuance of our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the “Series 2010B Bonds”), we pledged the Pledged Farebox Revenues as security for all of the Obligations, including the Series IIA Notes. The Pledged Farebox Revenues include all fares collected by or on behalf of DART for its bus, rail and paratransit services in an amount equal to 97.3% of the debt service accruing on the Series 2010B Bonds after deducting the 35% federal subsidy applicable to such Bonds.

If we are unable to sell Series IIA Notes in sufficient amounts to pay the principal of and interest on maturing Series IIA Notes, such maturing Series IIA Notes will, subject to certain conditions under the Credit Agreement, be paid with the proceeds of Advances made under the Credit Agreement. See “THE INITIAL CREDIT AGREEMENT.”

Requirement to Maintain Liquidity Support

The Seventeenth Supplement provides that DART will not issue, nor at any time have outstanding, notes under the Program in an amount exceeding liquidity support therefor. Initial liquidity support for the Series IIA Notes is provided by the Credit Agreement. See "Initial Credit Agreement - Establishment of Revolving Credit in Support of Series IIA Notes; Commitment."

Substitution of Credit Agreement

DART is permitted under the Seventeenth Supplement to provide a credit agreement or agreements in substitution for any then-existing credit agreement, including the Credit Agreement, (each an “Alternate Credit Agreement”) so long as: (a) either (i) such substitution (or any assignment of all or any part of any Credit Agreement) does not cause any rating agency then rating the Series IIA Notes to withdraw, lower or suspend its short-term rating assigned to any such Series IIA Notes then Outstanding, as evidenced by written notice to DART or (ii) takes effect on a Business Day on which all of the outstanding Series IIA Notes of the related series are scheduled to mature; (b) the Alternate Credit Agreement shall have a term of at least 270 days or until at least three Business Days after the last maturing Note of the related series; (c) the Alternate Credit Agreement shall not cause DART to violate its covenants regarding the maintenance of one or more Credit Agreements; and (d) the Alternate Credit Agreement shall be approved by the Attorney General of Texas to the extent required by law.

The Issuing and Paying Agency Agreement provides that DART will provide at least fifteen (15) days’ written notice to the Dealer and the Issuing and Paying Agent of any proposed substitution or replacement by DART of the Credit Agreement and, if applicable, the identity of the provider of any substituted or replaced Credit Agreement. The Issuing

and Paying Agent has agreed to promptly deliver a copy of any such notice to The Depository Trust Company (or any successor securities depository for the Series IIA Notes) and, to the extent that the Issuing and Paying Agent is provided with the names and addresses of beneficial owners of the Series IIA Notes, to such beneficial owners.

Notices and Consents

The Seventeenth Supplement provides that DART shall give to each credit rating agency that has issued a rating on the Series IIA Notes notice of the following: (a) material changes to Seventeenth Supplement or related documents authorizing the issuance of the Series IIA Notes; (b) any change of the Issuing and Paying Agent; (c) extension, termination, substitution, or expiration of the Credit Agreement; and (d) a determination by DART that the Program has been terminated.

INITIAL CREDIT AGREEMENT

General

In order to provide liquidity support for the payment of the principal of and interest on maturing Series IIA Notes, DART has entered into the Revolving Credit Agreement, dated as of November 15, 2018 (the “Credit Agreement”) by and between DART and JPMorgan Chase Bank, National Association (the “Liquidity Provider” or, as defined in the Credit Agreement, the “Bank”), providing for the payment of the principal of and interest on maturing Series IIA Notes.

The following summarizes certain provisions of the Credit Agreement, to which document reference is made for the complete provisions thereof. Investors should obtain and review a copy of the Credit Agreement in order to understand all of the terms of that document. The following summary does not purport to be a complete description or restatement of the material provisions of the Credit Agreement. The provisions of any substitute credit agreement under Seventeenth Supplement may be different from those summarized below (but any such substituted credit agreement will be the subject of a new and separate offering document).

For information about the hereinafter-defined Liquidity Provider, see APPENDIX G attached hereto. Capitalized terms used in this section captioned “INITIAL CREDIT AGREEMENT” have the meaning ascribed thereto in the Credit Agreement (to which Credit Agreement is made reference to ascertain the meaning of such capitalized but undefined terms).

Establishment of Revolving Credit in Support of Series IIA Notes; Commitment

Pursuant to the Credit Agreement, the Bank has agreed to establish a revolving line of credit for the benefit of DART for the purpose of making revolving loans in the form of Advances, upon the conditions specified in the Credit Agreement, to fund the payment of the principal of and interest on any Series IIA Notes at the stated maturity thereof (to the extent other funds are unavailable therefor).

The Issuing and Paying Agent may draw upon the Credit Agreement for the payment of the principal of and interest on maturing Notes subject to the conditions in the Credit Agreement. The amount available (the “Commitment”) under the Credit Agreement for making Advances to support the principal of and interest on the Series IIA Notes is \$125,000,000 plus interest thereon calculated at a maximum interest rate of 10% per annum for a period of 270 days; provided, however, that the combined liquidity support for the Program provided by the Bank for both of the Series IIA Notes and the Series IIB Notes shall not exceed a principal sum of \$125,000,000 plus interest as described above for the Series IIA Notes (meaning that the amount of Series IIB Notes issued by DART and purchased by the Bank will reduce by a corresponding amount the liquidity support available to the Series IIA Notes under the Credit Agreement). As DART has initially issued \$100,000 in Series IIB Notes that have been purchased by the Bank, there remains \$124,900,000 plus interest as described above in liquidity support for the Series IIA Notes pursuant to the Credit Agreement.

The Bank, commencing with the initial delivery of any of the Series IIA Notes and continuing to the hereinafter-defined Final Date (such period is referred to as the “Revolving Credit Period”), on the terms and conditions set forth

in the Credit Agreement, has agreed to lend to DART from time to time amounts up to, but not to exceed, an aggregate amount at any one time outstanding equal to the Commitment. All Loans made by the Bank to DART pursuant to the Credit Agreement shall be evidenced by a promissory note (the “Bank Note”) executed and delivered by DART to the Bank. Each Advance shall be requested and, subject to the terms of the Credit Agreement, shall be made in an amount necessary to enable DART to pay the principal of and interest on the maturing Series IIA Notes during the Revolving Credit Period not paid from other sources. The aggregate amount of Loans outstanding on any day shall not, on such date, exceed the Commitment.

The Credit Agreement provides for Loans of up to \$125,000,000 for payment of unpaid principal of the Series IIA Notes (plus interest thereon at the rate and for the duration described above), at maturity (subject to the reductions because of Bank purchases of Series IIB Notes, as described above), such amount to be adjusted from time to time as follows (as so adjusted, the “Available Commitment”): (a) downward in an amount equal to the principal amount of any Loan made under the Credit Agreement and the amount of Series IIB Notes purchased by the Bank from time to time pursuant to the related Series IIB Note Purchase Agreement; (b) downward by the amount of any reduction thereto pursuant to the terms of the Credit Agreement; and (c) so long as the Revolving Credit Period has not terminated, upward in an amount equal to the principal amount of any Loan that is repaid pursuant to the terms of the Credit Agreement and the principal amount of any Series IIB Notes repaid pursuant to the related Series IIB Note Purchase Agreement; provided, that, after giving effect to any such adjustment, the Available Commitment shall never exceed \$125,000,000 (plus applicable interest on the Series IIA Notes in the prescribed amounts). Any adjustments pursuant to clause (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

Under the Credit Agreement, upon the occurrence or continuance of an Event of Default, the Bank may deliver a “No-Issuance Notice” to DART, the Issuing and Paying Agent, and the Dealer. The Issuing and Paying Agent may not issue any additional Notes unless and until such No-Issuance Notice is rescinded by the Bank in writing (which occurs when the Bank has received notice from DART that the Event of Default precipitating the Bank’s delivery of the No-Issuance Notice is no longer continuing). See “INITIAL CREDIT AGREEMENT – Remedies Under the Credit Agreement” below.

The Revolving Credit Period will expire on the earliest of (i) November 30, 2021, as such date may be extended pursuant to the terms of the Credit Agreement, (ii) the date on which the Commitment has been permanently reduced to zero or is terminated upon the occurrence of an Event of Default, all pursuant to the terms of the Credit Agreement, or (iii) the date on which the Credit Agreement has been substituted by a new or replacement credit agreement under the Seventeenth Supplement (the earliest of such date is referred to as the “Final Date”). Upon the occurrence of any Immediate Termination Event or upon the occurrence and during the continuance of any Suspension Event, the Commitment under the Credit Agreement shall immediately and automatically terminate or suspend without notice, as applicable, and the Bank shall have no obligation to make Loans under the Credit Agreement.

Events of Default; Immediate Termination Events; and Suspension Events

Events of Default. Pursuant to the terms of the Credit Agreement, the occurrence of any of the events set forth under the headings “Events of Default Not Permitting Immediate Termination” and “Immediate Termination Events” shall constitute an Event of Default thereunder.

Events of Default Not Permitting Immediate Termination

- (a) DART fails to pay any fees, expenses or other amounts (other than an Advance or a Term Loan covered by subsection (a) below under the heading “Immediate Termination Events”) payable under the Credit Agreement or under the Fee Letter within ten (10) days after receipt of an invoice therefor; or
- (b) A breach or failure of performance by DART of certain specified covenants set forth in the Credit Agreement; or

(c) A breach or failure of performance by DART of any covenant, condition, or agreement on its part to be observed or performed contained in the Credit Agreement (other than a breach or failure covered by another paragraph under the headings “Events of Default Not Permitting Immediate Termination” and “Immediate Termination Events”) and any such breach or failure (if capable of remedy) continues for a period of thirty (30) days after notice thereof from the Bank to DART; *provided, however*, that if such default cannot be cured in such 30-day period, but can reasonably be cured within ninety (90) days after such notice and DART is diligently working to cure the same, then such default shall not become an Event of Default until ninety (90) days after such notice; or

(d) Any of DART’s representations or warranties made or deemed made in the Credit Agreement or in any statement or certificate at any time given pursuant thereto or in connection therewith proves at any time to have been false or misleading in any material respect when made and any such false or misleading statement or certificate (if capable of remedy) continues for a period of sixty (60) days after notice thereof from the Bank to DART; or

(e) Entry or filing of any judgment, order, writ or warrant of attachment in an amount in excess of \$10,000,000 against DART or against any of its property and failure of DART to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of sixty (60) days or a failure to pay or satisfy such judgment within sixty (60) days or as otherwise required by such judgment, writ or warrant of attachment; or

(f) DART shall fail to pay when due and payable (i) any principal of or interest on any Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt (including, in each case, without limitation, any principal or sinking fund installments), and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning the Senior Lien Obligations, the Senior Subordinate Lien Obligations or any other Parity and Senior Debt; or any failure to pay principal or interest on any Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt under any indenture, contract or instrument providing for the creation of or concerning such Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure to pay principal or interest on any Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt is to accelerate, or to permit the acceleration of, the maturity of such Senior Lien Obligations, any Senior Subordinate Lien Obligations or any other Parity and Senior Debt or (ii) any principal of or interest on any other Debt of DART having a principal amount in excess of \$5,000,000 and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation thereof or any other default under any indenture, contract or instrument providing for the creation of or concerning such other Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such other debt, in each case for a reason other than as described in another paragraph under the headings “Events of Default Not Permitting Immediate Termination” and “Immediate Termination Events”; or

(g) The rating (without regard to credit enhancement) assigned to any of the long-term Senior Lien Obligations or, if at any time any Rating Agency provides a long-term rating (without regard to credit enhancement) thereon, any Senior Subordinate Lien Obligations, by Moody’s or S&P shall be withdrawn, suspended or reduced below “Baa3” by Moody’s or “BBB-” by S&P (in each case to the extent such Rating Agency then maintains a rating on the long-term Senior Lien Obligations or the long-term Senior Subordinate Lien Obligations), unless such Rating Agency states, in the case of a withdrawal or suspension, that such withdrawal or suspension is for reasons that are not credit-related; or

(h) DART fails to pay when due and payable, after giving effect to any applicable grace period, the principal on the Series IIA Notes (other than the principal on the Series IIA Notes for which an Advance has been requested); or

(i) An “event of default” under the Series IIB Note Purchase Agreement or any Related Document shall have occurred; or

(j) (i) an authorized officer of DART publicly contests in an administrative or judicial proceeding, repudiates or otherwise publicly denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) that it has any further liability or obligation under or with respect to any provision of the Credit Agreement, the Series IIA Notes, the Bank Note, any Parity and Senior Debt, the Act, the Seventeenth Supplement, the Issuing and Paying Agency Agreement or any other Related Document relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIA Notes, any Parity and Senior Debt or the Bank Note, (y) the Pledged Revenues or (z) the pledge of and lien on the Collateral securing, in each case, the Series IIA Notes, the Bank Note or any Parity and Senior Debt of DART; or

(ii) an authorized officer of DART publicly contests in an administrative or judicial proceeding, repudiates or otherwise publicly denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) the legality, validity or enforceability of any provision of this Agreement, the Series IIA Notes, the Bank Note, any Parity and Senior Debt, the Act, the Seventeenth Supplement, the Issuing and Paying Agency Agreement or any other Related Document relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIA Notes, any Parity and Senior Debt or the Bank Note, (y) the Pledged Revenues or (z) the pledge of and lien on Collateral securing, in each case, the Series IIA Notes, the Bank Note or any Parity and Senior Debt of DART; or

(iii) an authorized officer of DART shall have taken or permitted to be taken any official action (including enactment of a statute or adoption of an ordinance) which would adversely affect the legality, validity or enforceability of any provision of this Agreement, the Series IIA Notes, the Bank Note, any Parity and Senior Debt, the Seventeenth Supplement, the Issuing and Paying Agency Agreement or any other Related Document relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIA Notes or the Bank Note, (y) the Pledged Revenues or (z) the pledge of and lien on Collateral securing, in each case, the Series IIA Notes, the Bank Note or any Parity and Senior Debt of DART; or

(k) An Incipient Invalidity Event shall have occurred.

Action Taken in Respect of Events of Default

Upon the occurrence and during the continuance of any Event of Default, the Bank may take one or more of the following actions: (i) give a No-Issuance Instruction to DART and the Issuing and Paying Agent as provided in the Credit Agreement, (ii) by written notice delivered to DART and the Issuing and Paying Agent, (A) terminate the Commitment in whole (except for the obligation of the Bank, existing as of the time of the written notice to terminate the Commitment in whole, to make Advances to fund then outstanding Series IIA Notes) and (B) to the extent permitted by law and, to the extent provided for in the Credit Agreement, declare all amounts payable by DART to the Bank hereunder, under the Fee Letter and under the Bank Note, including, without limitation, all outstanding Advances and Term Loans, to be forthwith due and payable without presentment, demand, protest, all of which are expressly waived by DART; *provided, however*, that to the extent that the Bank pursues the rights granted to it under subpart (ii)(B) of this paragraph, DART shall pay to the Bank such amounts from any unrestricted funds legally available; *provided further, however*, that interest on any unpaid amounts during the continuance of an Event of Default shall bear interest at the Default Rate until such amounts are paid in full; or (iii) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable hereunder or under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of DART under the Related Documents, whether for specific performance of any agreement or covenant of DART or in aid of the execution of any power granted to the Bank under the Credit Agreement or in the Related Documents.

Immediate Termination Events

Each of the following Events of Default shall also constitute an “Immediate Termination Event” under this Agreement:

(a) DART fails to pay any amount of the principal of or interest on any Advance or Term Loan when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) other than payments on any Advance or Term Loan due solely as a result of any acceleration that may be permitted pursuant to the Credit Agreement and caused by the Bank pursuant to the terms of the paragraph under the heading “Actions Taken in Respect of Events of Default” above; or

(b) DART (i) applies for or consents to the appointment of or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or of a substantial part of its property or assets, (ii) admits in writing its inability, or is generally unable, to pay its Parity and Senior Debt as such Debt becomes due, (iii) makes a general assignment for the benefit of creditors or declares a moratorium with respect to its Parity and Senior Debt, (iv) commences a voluntary case under the Bankruptcy Code, (v) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, liquidation, winding-up, or composition or adjustment of Parity and Senior Debts, or (vi) acquiesces in writing to, or fails to controvert in a timely and appropriate manner, any petition filed against it in an involuntary case filed under the Bankruptcy Code (as now or hereafter in effect) seeking liquidation or reorganization with respect to a substantial part of its assets, and such case or proceeding is not stayed, discharged or dismissed within sixty (60) days of the filing of such petition; or

(c) (i) Without the application or consent of DART, a case or other proceeding is commenced in any court of competent jurisdiction seeking (y) the reorganization, dissolution, winding-up, liquidation, or composition or readjustment of Parity and Senior Debt of DART or (z) the appointment of a trustee, receiver, custodian, liquidator or the like of DART or any substantial part of the assets thereof and such case or proceeding continues undismissed, or an order, judgment or decree approving or ordering any of the foregoing is entered and continues unstayed and in effect, in either case, for a period of sixty (60) consecutive days, or (ii) an order for relief in respect of DART is entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or

(d) (i) DART shall impose, declare or announce (whether or not in writing) a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any Specified Debt (including, without limitation, the Series IIA Notes, the Bank Note or the Loans) or (ii) any Governmental Authority having appropriate jurisdiction over DART shall impose, declare or announce (whether or not in writing) as a result of a finding, ruling or other determination or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on (A) the Series IIA Notes, the Loans or the Bank Note, (B) all of DART’s Parity and Senior Debt, or (C) all of DART’s Debt; or

(e) The rating (without regard to credit enhancement) assigned to any of the long-term Senior Lien Obligations by Moody’s and S&P shall be withdrawn, suspended or reduced below “Baa3” by Moody’s and “BBB-” by S&P (in each case to the extent such Rating Agency then maintains a rating on the long-term Senior Lien Obligations), for credit related reasons; or

(f) One or more final unappealable judgments or orders, issued or rendered by a Governmental Authority of competent jurisdiction, for the payment of money in excess of \$10,000,000, individually or in the aggregate, shall be issued or rendered against DART, and such judgment or order shall continue unsatisfied, unbonded, undismissed and unstayed for a period of sixty (60) days; or

(g) DART shall fail to pay when due any principal of or interest on any Specified Debt (including, in each case, without limitation, any principal or sinking fund installments, but excluding, in each

case, (i) payments due on Specified Debt owing to a liquidity provider under a liquidity facility solely as a result of acceleration caused by such liquidity provider with respect to such Specified Debt and (ii) any Specified Debt which is in the form of commercial paper notes which are supported as to the payment of principal and/or interest thereof by a credit enhancement or liquidity facility if such failure to make such payment is due solely to the failure of the related credit enhancement or liquidity facility provider to make such payment), and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Specified Debt; or

(h) Any provision of the Credit Agreement, the Series IIA Notes, the Bank Note, the Act, the Master Debt Resolution, the Seventeenth Supplement or the Issuing and Paying Agency Agreement relating to (x) the ability or the obligation of DART to pay, when due, the principal of or interest on the Series IIA Notes or the Bank Note (including the Loans evidenced thereby), (y) the Pledged Revenue or (z) the pledge of and lien on the Collateral securing the Series IIA Notes and the Bank Note shall at any time, and for any reason, cease to be valid and binding on DART, or shall be declared to be null and void, invalid or unenforceable as determined by any Governmental Authority of competent jurisdiction in a final nonappealable judgment or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over DART; or

(i) An Invalidity Event shall have occurred.

Action Taken in Respect of Immediate Termination Events and Suspension Events; Other Remedies Thereto

(a) *Immediate Termination Events.* Upon the occurrence and continuance of an Immediate Termination Event, the Commitment shall immediately and automatically terminate, without notice from the Bank and, thereafter, the Bank shall be under no obligation to make Loans hereunder; *provided*, that the Immediate Termination Event described in subsection (a) of such section will not qualify as an “Immediate Termination Event” under the Credit Agreement if the failure to pay the principal of, or interest due on, the Bank Note is due solely to an acceleration of the Bank Note by the Bank for any reason other than nonpayment as described in such subsection (a). Promptly upon the occurrence of any such Immediate Termination Event, the Bank shall notify DART, the Issuing and Paying Agent and the Dealer of such termination and the effective date of such termination in writing by facsimile, promptly confirmed by regular mail; *provided*, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the automatic and immediate termination of the Commitment or its obligation to make Advances pursuant to the Credit Agreement.

(b) *Suspension Events.* In the case of a Default described in subsection (c)(i) under the heading “Immediate Termination Events”, or in the case of an Event of Default described in subsections (j) or (k) under the heading “Events of Default Not Permitting Immediate Termination” (each, a “*Suspension Event*”), the obligation of the Bank to make Advances under the Credit Agreement shall be immediately suspended without notice or demand and, thereafter, the Bank shall be under no obligation to make Advances thereunder until the Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the Bank shall notify DART, the Issuing and Paying Agent and the Dealer of such suspension and the effective date of such suspension in writing by facsimile, and confirmed by telephone; *provided*, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Commitment or the suspension of its obligation to make Advances pursuant to the Credit Agreement.

(i) In the event that a Default described in subsection (c)(i) under the heading “Immediate Termination Events” is cured prior to becoming an Event of Default (and thereby becoming an Immediate Termination Event), the Bank’s obligation to make Advances shall be automatically reinstated and the terms of the Credit Agreement will continue in full force and effect (unless the Commitment shall otherwise have been terminated, suspended or expired as provided in the Credit Agreement).

(ii) Upon the occurrence of an Event of Default described in subsection (j) under the heading “Events of Default Not Permitting Immediate Termination”, if a Governmental Authority with jurisdiction

to rule on the legality, validity or enforceability of any document or provision described in such subsection (j) shall find or rule by entry of a final and nonappealable judgment that the material provision is legal, valid and binding on, or enforceable against, DART, then the Commitment and the obligations of the Bank under the Credit Agreement shall, thereupon, be reinstated (unless the Commitment shall otherwise have been terminated, suspended or expired as provided in this Agreement). Notwithstanding the foregoing, if the suspension of the obligations of the Bank pursuant to any Event of Default described in such subsection (j) remains in effect and litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made pursuant to a final and nonappealable judgment, as the case may be, within one (1) year of the commencement of the action or proceeding giving rise to the Event of Default described in such subsection (j), then the Commitment and the obligation of the Bank to make Advances under the Credit Agreement shall terminate without notice or demand and, thereafter, the Bank shall be under no obligation to make Advances.

(iii) Upon the occurrence of an Event of Default described in subsection (k) under the heading “Events of Default Not Permitting Immediate Termination” hereof, the obligation of the Bank to make Loans under the Credit Agreement shall be automatically and immediately suspended from the time of the occurrence of such Event of Default until a final, non-appealable judgment of a court having jurisdiction in the premises shall be entered declaring that (i) all contested provisions of the Act, the Master Debt Resolution and the Seventeenth Supplement that impact DART’s ability or obligation to levy the Sales Tax within DART’s boundaries or to collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or the Comptroller of Public Account’s ability or obligation to collect the Sales Tax or to pay the Sales Tax revenues to the Issuing and Paying Agent, (ii) all contested provisions of any Payment and Collateral Obligation, any Series IIA Note, the Bank Note, any Loan and any provision of any Related Document related to the payment of principal and interest on any Series IIA Note, the Bank Note or any Loan, and/or (iii) the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes, the Bank Note and the Loans, as applicable, are upheld in their entirety. In the event such judgment is entered declaring that (x) all contested provisions of the Act, the Master Debt Resolution and the Seventeenth Supplement that impact DART’s ability or obligation to levy the Sales Tax within DART’s boundaries or to collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or the Comptroller of Public Account’s ability or obligation to collect the Sales Tax or to pay the Sales Tax revenues to the Issuing and Paying Agent, (y) all contested provisions of any Payment and Collateral Obligation, any Series IIA Note, the Bank Note, any Loan and any provision of any Related Document related to the payment of principal and interest on any Series IIA Note, the Bank Note or any Loan, and/or (z) the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes, the Bank Note and the Loans, as applicable, are upheld in their entirety, the obligation of the Bank to make Loans under the Credit Agreement shall be automatically reinstated and the terms of the Credit Agreement will continue in full force and effect (unless the Credit Agreement shall have otherwise expired or terminated in accordance with the terms thereof or there has occurred an Immediate Termination Event) as if there had been no suspension. In the event (1) any provision of the Act, the Master Debt Resolution and the Seventeenth Supplement that impacts DART’s ability or obligation to levy the Sales Tax within DART’s boundaries or to collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or the Comptroller of Public Account’s ability or obligation to collect the Sales Tax or to pay the Sales Tax revenues to the Issuing and Paying Agent, (2) any provision of any Payment and Collateral Obligation, any Series IIA Note, the Bank Note, any Loan and any provision of any Related Document related to the payment of principal and interest on any Series IIA Note, the Bank Note or any Loan, and/or (3) the pledge of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes, the Bank Note and the Loans, as applicable, is declared to be null and void or unenforceable, then the obligations of the Bank under the Credit Agreement will terminate as set forth above. Notwithstanding the foregoing, if, upon the Final Date, litigation is still pending and a judgment regarding the validity and enforceability of (A) any provision of the Act, the Master Debt Resolution and the Seventeenth Supplement that impacts DART’s ability or obligation to levy the Sales Tax within DART’s boundaries or to collect Pledged Revenues or to pay the Pledged Revenues directly to the Issuing and Paying Agent or the Comptroller of Public Account’s ability or obligation to collect the Sales Tax or to pay the Sales Tax revenues to the Issuing and Paying Agent, (B) any provision of any Payment and Collateral Obligation, any Series IIA Note, the Bank Note, any Loan and any provision of any Related Document related to the payment of principal and interest on any Series IIA Note, the Bank Note or any Loan, and/or (C) the pledge

of and lien on the Pledged Revenues to secure the payment of principal and interest on the Series IIA Notes, the Bank Note and the Loans, as is the subject of such Event of Default has not been obtained, then the Commitment and the obligation of the Bank to make Loans under the Credit Agreement shall at such time terminate without notice or demand.

(c) *Other Remedies.* For the avoidance of doubt, in addition to the remedies set forth in subsections (a) and (b) above under the heading “Actions Taken in Respect of Immediate Termination Events and Suspension Events; Other Remedies Thereto”, upon the occurrence of an Immediate Termination Event or if a Suspension Event has not been cured as required by such subsection (b) above thereby resulting in the termination of the Commitment and the obligation of the Bank to make Advances under the Credit Agreement, the Bank may take one or more of those actions set forth under the heading “Actions Taken in Respect of Events of Default” above.

Suits at Law or in Equity and Mandamus

In case one or more Events of Default shall occur, then and in every such case the Bank shall be entitled to proceed to protect and enforce its rights by (i) way of mandamus to require DART to perform its obligations under the Credit Agreement, or (ii) enforcement by writ of mandamus of any provision of the Master Debt Resolution, the Seventeenth Supplement and the Credit Agreement in any court of competent jurisdiction.

Cross Defaults

If there shall be an event of default under any other document authorizing the issuance of any general obligation bonds by DART, DART shall not issue any additional commercial paper notes under the Program until such event of default is cured or remedied.

No Remedy Exclusive

The rights and remedies of the Bank under the Credit Agreement shall be cumulative and not exclusive of any rights or remedies which they would otherwise have, and no failure or delay by the Bank in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

Payments of Interest on Series IIA Notes, Interest Rate

Unless we instruct the Issuing and Paying Agent that other available funds will be used for the purpose, the Trustee will deposit Gross Sales Tax Revenues to the Senior Subordinate Lien Debt Service Fund, as such revenues are received from the Comptroller, in amounts equal to the Accrued Aggregate Interest on the Outstanding Series IIA Notes during each Debt Service Accrual Period and will transfer to the Issuing and Paying Agent on the maturity dates of Outstanding Series IIA Notes funds sufficient in amount to pay the interest on the Outstanding Series IIA Notes on their respective maturity dates. See, Annual Disclosure Statement, “OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds.”

If amounts on deposit in the Senior Subordinate Lien Debt Service Fund are not sufficient for such purpose, we intend to pay such interest from the proceeds of subsequent installment issues of Series IIA Notes or from our unencumbered funds.

We will pay interest on each installment issue of the Series IIA Notes at the market rate. The annual net effective rate of interest cannot exceed 10% per annum.

Interest on the Series IIA Notes will be calculated on the basis of the actual number of days elapsed and a 365 day year.

BOOK-ENTRY SYSTEM

The information in this Section concerning DTC and DTC's Book-Entry system has been obtained from the Depository Trust Company. DART and the Board take no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, acts as securities depository for the Series IIA Notes. The Series IIA Notes are 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 Note certificate has been and will be issued for each series of the Series IIA Notes, each in the aggregate principal amount of such issue and has been deposited with DTC.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series IIA Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC

mails an Omnibus Proxy to DART 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 IIA Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series IIA Notes 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 DART or the Issuing and 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 Series IIA Notes 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, Issuing and Paying Agent, or DART, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DART or the Issuing and Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC; and reimbursement 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 IIA Notes at any time by giving reasonable notice to DART or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

DART may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

INVESTMENT CONSIDERATIONS

The following information, which you should carefully consider, identifies certain investment considerations associated with the purchase of Series IIA Notes. You should also carefully consider the information set forth under "INVESTMENT CONSIDERATIONS" in the Annual Disclosure Statement.

The lien on Pledged Revenues that secures the Series IIA Notes is subordinate to the lien securing Senior Lien Obligations. We currently have outstanding approximately \$3.21 billion in principal amount of Senior Lien Obligations. See the Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS," and "General Information About DART—Future Debt," herein.

The Master Debt Resolution permits us to issue Additional Senior Lien Obligations only if we can satisfy the financial tests and limitations contained in the Master Debt Resolution, in Supplemental Resolutions, and in Credit Agreements. The subordination of the Series IIA Notes to Senior Lien Obligations increases the likelihood that Holders of Senior Lien Obligations will regularly receive the full amount of scheduled payments of principal and interest due them, and it protects the Holders of Senior Lien Obligations against potential losses. Under the Master Debt Resolution, if our Gross Sales Tax Revenues are not sufficient to pay the principal of and/or interest on both the Senior Lien Obligations and on the Series IIA Notes, we will use such revenues first to pay the Holders of Senior Lien Obligations. **There is no credit agreement or other third party agreement that provides credit support or liquidity for the Series IIA Notes.** See in the Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

Deposits of Gross Sales Tax Revenues to the Senior Subordinate Lien Debt Service Fund are made and accumulated as such revenues are received from the Comptroller. The principal of the Series IIA Notes is payable first from the proceeds of the sale of additional installments of Series IIA Notes. Such proceeds are deposited to the Issuing and Paying Agent Fund and are used to pay the principal of the Series IIA Notes. While that procedure is in effect, deposits to the Senior Subordinate Lien Debt Service Fund on account of the principal of the Series IIA Notes are not required. If (1) we cannot market additional installments of Series IIA Notes, and (2) we do not otherwise make payment from unencumbered funds, and (3) we have not arranged for a timely refinancing of the amounts due, an Event of Default will occur under the Master Debt Resolution. In this circumstance, payment of the Series IIA Notes will be delayed until the Trustee accumulates in the Senior Subordinate Lien Debt Service Fund, from future distributions of Gross Sales Tax Revenues from the Comptroller, amounts of Gross Sales Tax Revenues that are sufficient to make full

payment of the matured and unpaid Series IIA Notes. Such accumulation must be made in accordance with the lien priorities established in the Master Debt Resolution. See, “THE COMMERCIAL PAPER NOTES—Uses of Proceeds of Series IIA Notes.”

The Budget Control Act of 2011 which went into effect as of March 1, 2013, has resulted in the sequestration of the federal Build America Bond Subsidy DART was entitled to receive with respect to Senior Lien Sales Tax Revenue Bonds, Series 2009B and its Senior Lien Sales Tax Revenue Bond, Series 2010B. The percentage of the sequestration has varied over the ensuing years with the sequestration for Fiscal Year 2018 being 6.2% or \$1.89 million. DART’s annual formula funds of approximately \$52 million in Fiscal Year 2018 are exempt from sequestration. Overall DART does not anticipate that sequestration will have a material adverse impact on its cash flow and will not materially impact on its ability to provide service to our customers.

Ratings

The Series IIA Notes are currently rated by nationally recognized rating agencies, as shown below. A rating reflects the rating agency’s assessment of how likely it is that holders of a class of securities will receive the payments to which they are entitled. A rating may not remain in effect for any given period of time, and a rating agency may lower or withdraw a rating entirely. A rating is not a recommendation to purchase, hold, or sell securities because it does not address the market price of the securities or the suitability of the securities for any particular investor.

RATINGS

Moody’s Investors Service	P-1 (short-term rating of Series IIA Notes)
Standard & Poor’s Ratings Services	A-1+ (short-term rating of Series IIA Notes)

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations. We make no representation as to the appropriateness of the ratings. We can provide no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all rating companies, if in the judgment of any or all companies, circumstances so warrant. Any downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of such the Series IIA Notes.

CONTINUING DISCLOSURE AND ACCESS TO INFORMATION

The Series IIA Notes are exempt from the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. However, we intend to replace our Annual Disclosure Statement annually, to update it after the first, second and third quarters of our fiscal year with unaudited financial information, and to prepare a Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum in connection with each issue of Bond Obligations. These disclosure documents and each Supplemental Debt Resolution will be filed with the Municipal Securities Rulemaking Board (the “MSRB”). All of these documents will also be posted on the Internet at our website, www.dart.org. We reserve the right to stop postings on the Internet of annual and quarterly updates at any time. See the “Annual Disclosure Statement-Continuing Disclosure of Information.”

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Series IIA Notes should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Notes.

TAX EXEMPTION . . . In the opinion of Bracewell LLP, McCall Parkhurst & Horton, and West & Associates L.L.P., Co-Bond Counsel, assuming compliance by DART with certain covenants described in the Resolution, under existing law as of the date of the opinions, (i) interest on the Series IIA Notes is excludable from gross income for federal

income tax purposes and (ii) the Notes are not “private activity bonds” under the Code, and, as such, interest on the Series IIA Notes is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Notes, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). DART has covenanted in the Resolution that it will comply with these requirements.

Co-Bond Counsel’s opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code that affect the excludability of interest on the Series IIA Notes from gross income for federal income tax purposes and, in addition, will rely on representations by DART with respect to matters solely within the knowledge of DART, which Co-Bond Counsel has not independently verified. If DART fails to comply with the covenants in the Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Notes could become includable in gross income from the date of delivery of the Series IIA Notes, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Series IIA Notes.

Co-Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Co-Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Co-Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series IIA Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat DART as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Series IIA Notes could adversely affect the value and liquidity of the Notes regardless of the ultimate outcome of the audit.

In connection with the Series IIA Notes, our Co-Bond Counsel will deliver their opinions in the forms attached hereto as Appendix B.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

Prospective purchasers of the Series IIA Notes should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Notes. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Series IIA Notes should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Series IIA Notes, received or accrued during the year.

Tax Legislative Changes

Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Series IIA Notes, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Series IIA Notes from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Series IIA Notes. Prospective purchasers of the Series IIA Notes should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

APPROVALS AND LEGAL OPINIONS

In connection with the issuance of the Series IIA Notes we received an opinion of the Attorney General of Texas approving the proceedings authorizing the Series IIA Notes pursuant to the Master Debt Resolution and the Seventeenth Supplemental Debt Resolution.

All legal matters incident to the legality and enforceability of the Series IIA Notes are subject to the approval of Bracewell LLP, Dallas, Texas, McCall, Parkhurst & Horton LLP, Dallas, Texas, and West & Associates, L.L.P., Dallas, Texas, our Co-Finance Counsel and Co-Bond Counsel.

Our Co-Bond Counsel have reviewed the information describing the Obligations in the Annual Disclosure Statement and the information describing the Series IIA Notes contained in this Offering Memorandum to verify that such information conforms to the provisions of the Master Debt Resolution and the Seventeenth Supplemental Debt Resolution.

/s/ Sue S. Bauman
Chair, Board of Directors

ATTEST:

/s/ Michele Wong Krause
Secretary, Board of Directors

/s/ Gary C. Thomas
President/Executive Director, Dallas Area Rapid Transit

APPENDIX A

SUMMARY OF CERTAIN TERMS OF THE
SEVENTEENTH SUPPLEMENTAL DEBT RESOLUTION

A Table of Contents and brief descriptions of certain provisions of the Seventeenth Supplemental Debt Resolution are included in the following pages of this Appendix A. The descriptions are not intended to be comprehensive or complete but are to be used as a guide to the full provisions of the Seventeenth Supplemental Debt Resolution. Unless otherwise indicated, references in this Appendix A to the “Seventeenth Supplemental Debt Resolution,” are to the Seventeenth Supplemental Debt Resolution. The full and complete text of the Seventeenth Supplemental Debt Resolution may be obtained directly from us without cost at the address given in the text of this document, and it may be viewed on the Internet at our website, www.dart.org. See, “IMPORTANT NOTICES.” Specific Article and Section numbers are identified in “italics” throughout this Summary.

APPENDIX A

SUMMARY OF CERTAIN TERMS OF THE
SEVENTEENTH SUPPLEMENTAL DEBT RESOLUTION

DEFINITIONS AND OTHER PRELIMINARY MATTERS

{Article I}

Definitions {Section 1.2}

The following are definitions of certain terms used in this Summary. Unless otherwise noted Section references are to the Seventeenth Supplemental Debt Resolution. Capitalized terms used in this Summary that are not defined herein have the meanings given to such terms in the Master Debt Resolution. See Appendix B to the Annual Disclosure Statement—“SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—Definitions.”

Business Day - means any day other than (i) a Saturday, Sunday or a day on which banking institutions in the State of Texas, the State of New York, or the state which the Designated Payment/Transfer Office of the Issuing and Paying Agent are authorized or obligated by law or executive order to be closed, (ii) a day on which the New York Stock Exchange is closed; and the definition of such term in the Master Debt Resolution shall not apply for purposes of the matters described in the Seventeenth Supplemental Resolution.

Dealer Agreement – means each Dealer Agreement by and between DART and a Dealer, approved and authorized to be executed pursuant to Section 3.4, as it may be amended, supplemented or otherwise modified from time to time in accordance with its terms, or any similar agreement with a substitute or successor Dealer.

Dealer - means each dealer that is a party to a Dealer Agreement and any successor thereto.

Designated Payment/Transfer Office - means (i) with respect to the initial Issuing and Paying Agent named herein, the office designated by the Issuing and Paying Agent, and (ii) with respect to any successor Issuer and Paying Agent, the office of such successor designated and located as may be agreed upon by DART.

Initial Issuance of Series IIA Notes - means the initial issuance, sale and delivery of the Series IIA Notes.

Issuing and Paying Agent - means Zions Bancorporation, National Association, or any Person acting as its agent, or its successor in interest acting under the Issuing and Paying Agent Agreement.

Issuing and Paying Agent Agreement - means the Commercial Paper Issuing and Paying Agent Agreement between DART and the Issuing and Paying Agent, dated as of December 1, 2018, as it may be amended, supplemented or otherwise modified from time to time in accordance with its terms, or any similar agreement with a substitute or successor issuing and paying agent selected by DART.

Issuing and Paying Agent Fund - means the fund by that name established in and administered pursuant to Sections 5.01 and 5.02.

Master Debt Resolution - means the Master Debt Resolution adopted by the Board on January 23, 2001, as amended.

Maximum Interest Rate - means, (i) with respect to the Series IIA Notes, the lesser of (A) the maximum “net effective interest rate” allowable under Chapter 1204, Government Code, as amended,

currently 15%, or (B) such lesser rate as shall from time to time be fixed by the Board, which initially shall be 10%.

Maximum Maturity Date - means the fortieth (40th) anniversary of the date of passage of this Resolution.

Outstanding Resolutions - means the Master Debt Resolution and any Supplemental Resolutions, under and pursuant to which Obligations have been issued and some or all of which remain Outstanding from time to time.

Rebate Fund - means the special fund described in the Master Debt Resolution and established pursuant to Section 5.01.

Series II Note Date - means the date of actual issuance of each Note as determined in accordance with Section 2.2.

Series II Note Proceeds Account(s) - means any of the special accounts by that name in the Issuing and Paying Agent Fund created pursuant to _____.

Series II Noteholder - means in each case, any Person who is in possession of any Outstanding Series II Note.

Series II Notes - mean the commercial paper notes, to be issued as Senior Subordinate Lien Obligations under the Master Debt Resolution and authorized and described in Section 2.1.

Stated Maturity Date - means the date on which all amounts of principal and interest on each respective Note are due and payable, as designated pursuant to Section 2.2, which date shall not in any event be later than the applicable Maximum Maturity Date.

Declarations and Additional Rights and Limitations Under Master Debt Resolution {Section 1.05}

The Series II Notes are Bond Obligations that are Senior Subordinate Lien Obligations authorized by Section 3.03(c) of, and are Interim Obligations under, the Master Debt Resolution. The Series II Notes Senior Subordinate Lien Obligations, and, together with related Administrative Expenses, are secured solely by the lien on and pledge of the Pledged Revenues as Senior Subordinate Lien Obligations. DART may, but is not obligated, to pay such Obligations from other legally available funds, including the proceeds of Obligations and amounts held in the General Operating Fund.

PURPOSES, PLEDGE AND SECURITY

{Article II}

Purpose of the Seventeenth Supplemental Debt Resolution {Section 2.1}

The purposes of the Seventeenth Supplemental Debt Resolution are to prescribe the specific terms of the Series II Notes, to extend expressly the pledge, lien and security of Master Debt Resolution to and for the benefit of the Holders of the Series II Notes, as Senior Subordinate Lien Obligations, and to authorize the sale and resale of the Series II Notes pursuant to the Dealer Agreements.

Pledge, Security for and Sources of Payment of Series II Notes and Loans {Section 2.2}

The pledge, the security and the filing provisions of Sections 2.03, 2.04, and 2.05, respectively, of the Master Debt Resolution are restated and granted to the Holders of the Series II Notes and the Lenders. The Noteholders have the right to receive payment of the principal of or the interest on the Series II Notes from money on deposit in the Senior

Subordinate Lien Debt Service Fund only to the extent money is not available therefor in the Issuing and Paying Agent Fund, in either case in amounts sufficient to make such payments in accordance with the provisions of Sections 4.2.

**AUTHORIZATION; GENERAL TERMS AND PROVISIONS
RELATING TO THE NOTES**

{Article III}

Authorization {Section 3.1}

The Series II Notes, entitled “Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series II,” are authorized to be issued in an aggregate principal amount that from time to time may be Outstanding under the Seventeenth Supplemental Debt Resolution.

The Notes may be issued for the purposes of: (i) financing Costs of Acquisition and Construction for Eligible Projects, (ii) paying the interest on previously issued Series II Notes during the period of acquisition or construction of Eligible Projects and for one year thereafter, (iii) paying expenses of operation and maintenance of Eligible Projects during the estimated period of such acquisition and construction and for one year thereafter, (iv) during the period prior to the Maximum Maturity Date, refinancing, renewing or refunding obligations issued to finance Eligible Projects, including, but not limited to Series IIA Notes that have been previously issued, including the interest thereon, and (v) paying the costs of issuance and reissuance of the Series IIA Notes, including all applicable Administrative Expenses.

If DART issues Series IIA Notes that are not being issued to refinance or refund Outstanding Series IIA Notes, and the Stated Maturity Date of such Series IIA Notes occurs during the Debt Service Accrual Period during which the Series IIA Notes are issued, DART is required to deposit to the Senior Subordinate Lien Debt Service Fund on the date of such issuance an amount sufficient to pay interest on such Series IIA Notes on their Stated Maturity Date.

Terms, Forms, Registration and Book Entry System; Issuing and Paying Agent {Sections 3.2 through 3.9}

Subject to Sections 3.1 and 3.3, the Series IIA Notes may be issued in installments in such principal amounts and maturing on the dates as determined by DART. No Note shall have a Stated Maturity Date (i) that is not a Business Day, or (ii) that is later than the Maximum Maturity Date. Series II Notes shall bear interest (or shall be issued at a discount without interest) at such rate per annum, not to exceed the Maximum Interest Rate, computed on the basis of actual days elapsed and on a 365 day year, as approved by DART. Series II Notes shall be in registered form as provided in the Seventeenth Supplemental Debt Resolution. The Series II Notes shall be substantially in the forms set forth in the Seventeenth Supplemental Debt Resolution. The Issuing and Paying Agent shall keep the Note Register providing for the registration and transfer of the Series II Notes. Series IIA Notes may be exchanged for other Series IIA Notes as provided in the Seventeenth Supplemental Debt Resolution, and may be issued in book entry only form through DTC. DART agrees to maintain an Issuing and Paying Agent at all times while the Series IIA Notes or any Loans are Outstanding.

ISSUANCE, SALE, USES OF PROCEEDS, AND PAYMENT OF SERIES IIA NOTES

{Article IV}

Proceeds of Sale of Series IIA Notes {Section 4.02}

The proceeds from the sale of the Series IIA Notes (net of all expenses and costs of sale and issuance) shall be deposited to a Note Proceeds Account and shall be applied in the following priority and for the following purposes:

- (a) first, to the payment of the principal of any Outstanding Series IIA Notes maturing on or before the date of the deposit of such proceeds and, only to the extent the Paying Agent has not received an amount sufficient to pay all interest on Outstanding Series IIA Notes maturing on or before such date, to the payment of interest on such Outstanding Series IIA Notes; and

(b) second, any amounts remaining in a Note Proceeds Account shall be transferred and deposited into appropriate accounts within the System Expansion and Acquisition Fund and used in accordance with the provisions of the Seventeenth Supplemental Debt Resolution and the Master Debt Resolution as directed by DART for any of the purposes specified in Section 3.1 of the Seventeenth Supplemental Debt Resolution.

Excess Proceeds in the System Expansion and Acquisition Fund {Section 4.03}

Any proceeds of the Series IIA Notes remaining in the System Expansion and Acquisition Fund and not necessary for the purposes described in Section 4.02(b)(iii), shall be paid to the appropriate account of the Issuing and Paying Agent Fund for the Series IIA Notes from which the proceeds were derived and used for the payment of such maturities of the Series IIA Notes coming due at such times as may be selected by DART. In the event no Series IIA Notes are outstanding, any such proceeds in the System Expansion and Acquisition Fund shall be transferred and deposited into DART's General Operating Fund, unless in the opinion of Bond Counsel such use would adversely affect the tax status of such Series IIA Notes, in which case, the DART will use such proceeds in another manner permitted by Applicable Law.

CREATION OF SPECIAL FUNDS; APPLICATION OF MONEYS

{Article V}

The following funds and accounts are hereby created (i) the Issuing and Paying Agent Fund consisting of Note Proceeds Accounts, Note Payment Account and such other separate accounts as may be required, and (ii) the Rebate Fund. The Issuing and Paying Agent Fund shall be held by the Issuing and Paying Agent and shall be administered pursuant to Section 5.02 and the Issuing and Paying Agent Agreement.

Issuing and Paying Agent Fund. The Issuing and Paying Agent shall deposit: (i) all proceeds from the sale of Series IIA Notes to a Note Proceeds Account, which amounts shall be applied as provided in Section 4.02(b); and (ii) amounts received from the Trustee pursuant to Section 5.03(a) of the Master Debt Resolution that relate to the payment of principal of or interest on Series IIA Notes to the Note Payment Account, which amounts shall be used solely for the purpose of paying the principal of and interest on the Series IIA Notes on their Stated Maturity Date.

Rebate Fund. All amounts deposited in the Rebate Fund shall be held by DART in trust for payment to the United States of America, and neither DART, any Holder, nor the Lenders shall have any rights in or claim to such money.

Investment Limitations. Amounts on deposit in the Issuing and Paying Agent Fund and the Rebate Fund shall be invested in Investment Securities as directed by DART, subject to the restrictions imposed by this Article and by Article VI. Amounts on deposit in any Note Proceeds Account and the Note Payment Account and the Loan Payment Account shall be held by the Issuing and Paying Agent uninvested in trust for the exclusive benefit of the Persons entitled to be paid from such accounts separate and apart from all other funds of DART or the Issuing and Paying Agent. Any other amounts on deposit in the Issuing and Paying Agent Fund shall be invested in direct obligations of the United States of America maturing no later than the earlier of the date on which funds so invested are needed for the purposes specified herein and 30 days after the date on which such securities are purchased, or in money market mutual funds regulated by the Securities and Exchange Commission, consisting entirely of direct obligations of the United States of America or repurchases thereof, having a dollar weighted average stated maturity of 90 days or fewer, and an investment objective of maintaining a stable net asset value of \$1 for each share.

SPECIAL COVENANTS RELATING TO THE SERIES IIA NOTES

{Article IV}

Maintenance of Credit Facility Coverage {Section 4.2}

DART agrees and covenants that at all times up to and including the Maximum Maturity Date, unless the Series IIA Notes are no longer outstanding, it will maintain one or more Credit Agreements with a Bank or Banks in an aggregate amount such that, assuming all then outstanding Series IIA Notes were to become due and payable immediately, the

aggregate amount available for borrowing under the Credit Agreement applicable to such Series IIA Notes would be sufficient at that time to pay the principal of all such outstanding Series IIA Notes.

Exemption from Federal Income Tax *{Section 6.1}*

DART covenants and agrees to do and perform all acts and things within its power and authority necessary to comply with each applicable requirement of the Code in order to maintain the exclusion from gross income of the interest on the Series II Notes for federal income tax purposes and to refrain from any action which would adversely affect the status of the Series II Notes, as described in the First Supplemental Debt Resolution.

THE ISSUING AND PAYING AGENT

{Article IV}

The Issuing and Paying Agent is required to perform such duties as are set forth in the Issuing and Paying Agency Agreement. The Issuing and Paying Agent may resign or be replaced in accordance with and subject to the terms of the First Supplemental Debt Resolution, upon qualification and acceptance by a successor issuing and paying agent.

The Issuing and Paying Agent shall not have any power or be required to take any action during the existence of any event of default under the Master Debt Resolution.

The Issuing and Paying Agent is required to calculate and furnish calculations of Accrued Aggregate Debt Service for the Series IIA Notes upon request of the Trustee as provided in Section 5.03(c) of the Master Debt Resolution and to deposit any amounts received from the Trustee pursuant to such Section as directed in Section 5.02.

APPENDIX B

OPINIONS OF CO-BOND COUNSEL

The signed opinions of our Co-Bond Counsel, Bracewell LLP, Dallas, Texas, West & Associates, L.L.P., Dallas, Texas, and McCall, and Parkhurst & Horton LLP, Dallas, Texas, will be delivered with respect to any Notes issued on and after October 3, 2018 in substantially the forms and substance included in the following pages of this Appendix B.

APPENDIX B

FORMS OF OPINIONS OF CO-BOND COUNSEL

\$125,000,000

DALLAS AREA RAPID TRANSIT SENIOR
SUBORDINATE LIEN SALES TAX REVENUE
COMMERCIAL PAPER NOTES
SERIES IIA)

We have represented Dallas Area Rapid Transit (“DART”) as its Co-Bond Counsel in connection with the authorization and issuance of its Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIA (the “Series IIA Notes”) in the maximum principal amount at any time outstanding of \$125,000,000 (the “Series IIA Notes”). The Series IIA Notes are being issued pursuant to the Master Debt Resolution (the “Master Debt Resolution”), adopted on January 23, 2001, as amended, and the Seventeenth Supplemental Debt Resolution (the “Seventeenth Supplement”), adopted by the Board of Directors of DART on November 18, 2018. The Master Debt Resolution and the Seventeenth Supplement are herein referred to collectively as the “Resolutions.” Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Resolutions.

As Co-Bond Counsel, we are rendering this opinion with respect to the legality and validity of the proceedings authorizing the Series IIA Notes under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Series IIA Notes from gross income of the owners thereof for federal income tax purposes.

We have examined the relevant provisions of the Constitution and laws of the State of Texas as we have deemed necessary, including Chapter 452, Texas Transportation Code (the “Act”), pursuant to which DART was created and functions as a subregional transportation authority and public body corporate and politic of the State of Texas. We have not investigated and do not assume any responsibility with respect to the financial condition or capabilities of DART, or the disclosure thereof, in connection with the offering and sale of the Series IIA Notes.

We have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization of the Series IIA Notes, including (i) the Resolutions; (ii) certificates of officers and representatives of DART, the Issuing and Paying Agent, the Dealers, and the Trustee; (iii) other pertinent instruments relating to the authorization and issuance of the Series IIA Notes and the security for the payment thereof; and (v) such other instruments and matters of law as we have deemed relevant, including the opinion of the Attorney General of Texas, relating to the Series IIA Notes. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant.

Based on the foregoing, it is our opinion that the transcript of certified proceedings evidences complete legal authority for and authorizes the issuance of the Series IIA Notes in accordance with the Resolutions in the maximum principal amount at any time outstanding of \$125,000,000, and that the Series IIA Notes when authenticated and delivered will constitute valid and binding special obligations of DART, secured by and payable from (i) the Pledged Revenues; and (ii) proceeds from the sale of other Series IIA Notes issued by DART for the purpose of paying the principal of maturing Series IIA Notes.

The rights of the Holders of the Series IIA Notes are subject to applicable provisions of federal bankruptcy law and any other similar laws affecting the rights of creditors of political subdivisions, and may be limited by general principles of equity which permit the exercise of judicial discretion. Holders of the Series IIA Notes shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation other than the Gross Sales Tax Revenues.

DART has previously issued and has outstanding “Senior Lien Obligations” that have a lien on Pledged Revenues that are superior to the lien on the Pledged Revenues pledged to the Series IIA Notes. Additionally, DART

has reserved the right to issue additional debt, subject to the restrictions contained in the Resolutions, that is secured by liens on the Pledged Revenues that are superior to, on a parity with or are junior and subordinate to the lien on Pledged Revenues securing the Series IIA Notes.

It is our further opinion that under existing law:

1. Interest on the Series IIA Notes is excludable from gross income for federal income tax purposes.
2. The Bonds are not “private activity bonds” within the meaning of the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals.

In rendering such opinions, we have relied on representations of DART with respect to matters solely within the knowledge of DART which we have not independently verified, and we have assumed continuing compliance with the covenants in the Resolutions and the representations pertaining to those sections of the Code that affect the exclusion of interest on the Series IIA Notes from the gross income of the owners thereof for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or DART fails to comply with the foregoing covenants of the Resolutions, interest on the Series IIA Notes could become includable in the gross income of the owners thereof from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series IIA Notes.

Owners of the Series IIA Notes should be aware that the ownership of tax exempt obligations, such as the Series IIA Notes, may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax exempt interest such as interest on the Series IIA Notes.

This opinion may be relied upon by the owners of the Series IIA Notes, but only to the extent that: (i) there is no change in existing regulations, Internal Revenue Service ruling positions or procedures, or law that may adversely affect the validity of the Series IIA Notes or the exclusion of the interest thereon from the gross income of owners for federal tax purposes, (ii) the Resolutions, the Federal Tax Certificate, the Issuing and Paying Agent Agreement, and the Dealer Agreements, in their respective forms on the date hereof remain in full force and effect and the Series IIA Notes issued after the date hereof are issued in accordance with the provisions of the Resolutions, and the Issuing and Paying Agent Agreement, (iii) the representations, warranties, covenants and agreements of the parties contained in the Resolutions, the Federal Tax Certificate, the Issuing and Paying Agent Agreement, the Dealer Agreements, and certain certificates dated the date hereof and delivered by authorized officers of DART remain true and accurate and have been complied with in all material respects, (iv) there has not been delivered to DART an opinion of this firm of more recent date with respect to the matters referred to herein, and (v) this opinion has not been expressly withdrawn as evidenced by a letter to DART.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representation and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series IIA Notes. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat DART as the taxpayer. We observe that DART has covenanted in the Resolutions not to take any action, or omit to take any action within its control, that if taken or omitted,

respectively, may result in the treatment of interest on the Series IIA Notes as includable in gross income for federal income tax purposes.

Nothing contained in this opinion shall be construed as any undertaking on our part to monitor any changes in applicable law or to monitor or confirm the accuracy of any such representations or warranties or compliance with any such agreements or covenants. In addition, we undertake no duty to expressly advise any Holder of any change or development of which we become aware that may adversely affect the opinions expressed herein.

APPENDIX C
ANNUAL DISCLOSURE STATEMENT



DALLAS AREA RAPID TRANSIT
Annual Disclosure Statement (for the period ended September 30, 2017)

This Annual Disclosure Statement for the period ended September 30, 2017 replaces our Annual Disclosure Statement for the period ended September 30, 2016 and dated March 7, 2017. This Annual Disclosure Statement has been posted on the Internet at our website, www.dart.org, and has been filed with the Municipal Securities Rulemaking Board and is available at www.emma.msrb.org. We intend to update this Annual Disclosure Statement after the first, second, and third quarters of our fiscal year and to replace it annually. We reserve the right to suspend or stop postings on the DART website and quarterly updates at any time. However, we will always provide the annual and periodic information called for under our undertaking in compliance with SEC Rule 15c2-12.

This Annual Disclosure Statement relates to the following securities that we have issued and intend to issue from time to time: Senior Lien Obligations, Senior Subordinate Lien Obligations, and other Bond Obligations (defined below), but does not replace the Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum prepared for a particular series of debt securities.

You should carefully consider the information under the caption "INVESTMENT CONSIDERATIONS" herein.

DART is a subregional transportation authority created pursuant to Chapter 452 of the Texas Transportation Code (the "Act"). Our boundaries include the corporate limits of 13 North Texas cities and towns, and our headquarters are located in Dallas, Texas. Under the Act, we are authorized to provide public transportation and complementary services within such cities and towns.

Our Board of Directors has adopted a "Master Debt Resolution" that authorizes the issuance and execution of various types of debt instruments (the "Bond Obligations"). Bond Obligations that are issued in the form of bonds, notes, or other securities will be issued in multiple series, and each series will be classified as either "Senior Lien Obligations," "Senior Subordinate Lien Obligations," or "Junior Subordinate Lien Obligations." The Senior Lien Obligations are secured by a first lien on Pledged Revenues; the Senior Subordinate Lien Obligations are secured by a second lien on Pledged Revenues; and the Junior Subordinate Lien Obligations are secured by a third lien on Pledged Revenues. These liens are senior to any other claim against the Pledged Revenues. Pursuant to the Master Debt Resolution, we have issued and have outstanding both Senior Lien Obligations and Senior Subordinate Lien Obligations (together, referred to herein as "Bond Obligations"). See, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS."

Under the Master Debt Resolution, Pledged Revenues consist of: (i) the gross revenues that we receive from a 1% sales and use tax (the "Sales Tax"), and the investment earnings thereon while held by the Trustee in the Gross Sales Tax Revenue Fund; (ii) Pledged Farebox Revenues (as defined herein); (iii) with respect to Senior Lien Obligations, Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund; and (iv) any additional revenues of DART which by a Supplemental Resolution are expressly and specifically pledged to the payment of Bond Obligations. However, the Federal Interest Subsidy is not used to pay or secure the TIFIA (defined herein) bond debt service. The Sales Tax is imposed on items and services that are sold, rented, or purchased, or acquired for use within our boundaries, and that are subject generally to the Texas sales and use tax. See, "DART'S FINANCIAL PRACTICES AND RESOURCES—Principal Source of Revenue—The Sales Tax." Bond Obligations will be issued for any one or more of the following purposes: refunding outstanding indebtedness, obtaining capital funds for the expansion of our public transportation system, creating reserves, paying interest during limited periods, paying our costs of issuance, or for other purposes if permitted by applicable law.

Unless otherwise indicated, capitalized terms used herein have the meanings assigned to them in the Master Debt Resolution.

This Annual Disclosure Statement may be used to offer and sell a series of Senior Lien Obligations, Senior Subordinate Lien Obligations, or other Bond Obligations only if it is accompanied by the Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum for that series.

Dated Date: March 13, 2018

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Appendix A – Independent Auditors’ Report, with Audited Financial Statements for the Fiscal Years ended September 30, 2017 and 2016

Appendix B – Summary of Certain Terms of the Master Debt Resolution

IMPORTANT NOTICES

We have included cross-references to captions in the Table of Contents where you can find further discussions of summarized information.

We do not claim that the information in this Annual Disclosure Statement is accurate as of any date other than the Dated Date stated on the front cover, except for financial information which is accurate as of its stated date. We will update this Annual Disclosure Statement as described on the cover page. In addition, the summary of the Master Debt Resolution presented in Appendix B is not intended to be comprehensive. You may obtain copies of the Master Debt Resolution, or any updates to this Annual Disclosure Statement, from the Municipal Securities Rulemaking Board's ("MSRB's") website at www.emma.msrb.org, from our website on the internet at www.dart.org, or by contacting our Senior Vice President, Finance, Interim Chief Financial Officer at our corporate address or telephone number to request a free copy: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, 214-749-3148.

In this Annual Disclosure Statement, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in this Annual Disclosure Statement by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, receipt of federal grants, and various other factors which are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS

As of September 30, 2017, we have thirteen series of Senior Lien Obligations outstanding – our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"), outstanding in the aggregate principal amount of \$118,395,000; our Senior Lien Sales Tax Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), outstanding in the aggregate principal amount of \$18,340,000; our Senior Lien Sales Tax Revenue Bonds, Series 2009A (the "Series 2009A Bonds") outstanding in the aggregate principal amount of \$36,630,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "Series 2009B Bonds"), outstanding in the aggregate principal amount of \$829,615,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds"), outstanding in the aggregate principal amount of \$59,125,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the "Series 2010B Bonds"), outstanding in the aggregate principal amount of \$729,390,000; our Senior Lien Sales Tax Revenue Bonds, Series 2012 (the "Series 2012 Bonds"), outstanding in the aggregate principal amount of \$118,900,000; our Senior Lien Sales Tax Revenue Bond, Taxable Series 2012A issued to evidence a Transportation Infrastructure Finance and Innovation Act Loan (the "TIFIA Bond"), outstanding in the aggregate principal amount of up to \$102,968,481; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014A (the "Series 2014A Bonds"), outstanding in the aggregate principal amount of \$379,480,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014B (the "Series 2014B Bonds"), outstanding in the aggregate principal amount of \$46,555,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds"), outstanding in the aggregate principal amount of \$116,030,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016A (the "Series 2016A Bonds"), outstanding in the aggregate principal amount of \$482,530,000; and our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016B, outstanding in the aggregate principal amount of \$228,900,000.

Bond Obligations We Expect to Issue in 2018

We currently plan to seek a federal loan in the amount of \$908,000,000 in Railroad Rehabilitation Improvement Financing (known as “RRIF”) for the Cotton Belt Project in Fiscal Year 2018.

Preconditions to Issuance of Bond Obligations—Financial Coverage Tests

– Conditions to Issuance of Senior Lien Obligations

There are thirteen series of Senior Lien Obligations outstanding comprised of the Series 2007 Bonds, the Series 2008 Bonds, the Series 2009A and Series 2009B Bonds, the Series 2010A and Series 2010B Bonds, the Series 2012 Bonds, the Series 2012A TIFIA Bond, the Series 2014A and Series 2014B Bonds, the Series 2015 Bonds, and the Series 2016A and 2016B Bonds. Under the Master Debt Resolution, we cannot issue additional Senior Lien Obligations unless:

(1) An independent professional economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of three consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Additional Senior Lien Obligations, are equal at least to 200% of the Debt Service that will be due on all Senior Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; or

(2) During either our most recent Fiscal Year or during 12 out of the most recent 18 months, our Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service that will be due on any outstanding Obligations and the proposed Additional Senior Lien Obligations during any of the current or any future Fiscal Year; and

(3) Our Executive Vice President/Chief Financial Officer (or Interim individual serving as Chief Financial Officer), or the Senior Vice President, Finance, certifies that we will receive Gross Sales Tax Revenues, during each of three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Additional Senior Lien Obligations, which will be sufficient to pay all Senior Lien Obligations and all Subordinate Lien Obligations during such three Fiscal Years; and

(4) We satisfy any additional financial tests that may be contained in a Supplemental Resolution or Credit Agreement.

– Conditions to Issuance of Subordinate Lien Obligations

The Master Debt Resolution does not itself impose financial tests as preconditions to the issuance of additional Senior Subordinate Lien Obligations or Junior Subordinate Lien Obligations beyond the requirement that we demonstrate the ability to pay them when due.

We cannot issue additional Senior Lien Obligations or Senior Subordinate Lien Obligations unless:

(1) We satisfy the financial tests contained in the Master Debt Resolution summarized above; and

(2) An independent economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of the three following and consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Bond Obligations, are equal at least to 150% of the Debt Service that will be due on all Bond Obligations that are issued as

Senior Lien Obligations and Senior Subordinate Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; and

(3) During any four (4) of the most recent six (6) calendar quarters immediately preceding the issuance date of the proposed Bond Obligations, our Gross Sales Tax Revenues must have been equal at least to 200% of the Debt Service on our Bond Obligations that were outstanding during such four (4) calendar quarters plus Debt Service on the proposed Bond Obligations, assuming that they were outstanding during such period and after taking into account any reduction in Debt Service that may result from the issuance of the proposed Bond Obligations; and

(4) If the proposed Bond Obligations are Senior Subordinate Lien Obligations, our Chief Financial Officer certifies that estimated Gross Sales Tax Revenues during each of the three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Additional Senior Subordinate Lien Obligations will be sufficient to pay 200% of the Debt Service due on all Senior Lien Obligations, Senior Subordinate Lien Obligations, and Junior Lien Obligations during such three Fiscal Years.

We expect that future Credit Providers and general market requirements will, from time to time, impose different or additional financial tests as preconditions to the issuance of additional Bond Obligations. Any such additional requirements will be contained in a Supplemental Resolution or in a Credit Agreement. See, Appendix B, SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—Permitted DART Indebtedness.

Method of Issuing Bond Obligations

To issue any series of Bond Obligations, the Master Debt Resolution requires our Board to adopt a Supplemental Resolution establishing the specific terms of the series to be issued. When we issue Bond Obligations, you should purchase them on the basis of this Annual Disclosure Statement only if you have also obtained a “Supplemental Official Statement” or a “Supplemental Annual Disclosure Statement and Offering Memorandum” relating to the series of Bond Obligations you are considering.

Security for the Obligations—Flow of Funds

Our Gross Sales Tax Revenues consist of the money we are entitled to receive under the Act and other state law from the levy and collection of the voter-approved Sales Tax that is levied on taxable items and services that are sold or used within our boundaries. That revenue and the investments thereof, if any, while held by the Trustee in the Gross Sales Tax Revenue Fund are Pledged Revenues that secure all of the Bond Obligations. Additionally, pursuant to the provisions of the Seventh Supplemental Debt Resolution authorizing the issuance of our Series 2010A and Series 2010B Bonds, we pledged the “Pledged Farebox Revenues” as security for all of the Bond Obligations. The Pledged Farebox Revenues include all fares collected by or on behalf of DART for its bus, rail, and paratransit services in an amount equal to 97.3% of the debt service accruing on the Series 2010 Bonds after deducting the Federal Interest Subsidy applicable to such bonds. The annual amount of the Pledged Farebox Revenues varies each year based on the actual debt service on the Series 2010B Bonds. The amount constituting Pledged Farebox Revenues ranges from \$22.9 million in 2012 to \$71.4 million in 2049. In addition, Federal Interest Subsidy Payments that are deposited to the Senior Lien Debt Service Fund are pledged to the payment of Senior Lien Obligations. We reserved the rights (1) to pledge the other farebox revenues as security for the payment of Bond Obligations or any other obligations of DART and (2) to exclude any specified portion of farebox revenues from Pledged Farebox Revenues (including Special Revenues) by Supplemental Resolution, provided that the aggregate amount of Pledged Farebox Revenues then expected to be collected in all future Debt Service Accrual Periods shall not be reduced as a result.

State law requires the sellers and suppliers of taxable items and services to collect the Sales Tax from consumers and to pay collected taxes to the Texas Comptroller of Public Accounts. The Comptroller receives and collects all such taxes that are imposed throughout the state and pays them over to the agencies, such as DART, that levy them, net of a 2% collection fee and reserves for possible refunds.

The Master Debt Resolution establishes (1) the procedure for handling the Gross Sales Tax Revenues from the point of release of the revenues by the Comptroller to the Trustee to the point they are released by the Trustee to us; (2) the priorities of the liens that are created for the benefit of the Senior Lien Obligations, the Senior Subordinate Lien Obligations, and the Junior Subordinate Lien Obligations; and (3) the permissible investments thereof at our direction.

The law requires the Comptroller to deliver the net amount of the collected taxes to us or for our benefit not less frequently than quarterly. Under current practice, the Comptroller delivers net tax collections monthly directly to the Trustee for the benefit of the Holders of Bond Obligations under the Master Debt Resolution.

The Trustee is required to deposit money received from the Comptroller to the Gross Sales Tax Revenue Fund. On the day of receipt, the Trustee is required to withdraw that money and to make deposits to three debt service funds (the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, and the Junior Subordinate Lien Debt Service Fund, collectively referred to herein as "Debt Service Fund(s)") in amounts equal to the Accrued Aggregate Debt Service on the Bond Obligations of each lien ranking, beginning first with the Senior Lien Debt Service Fund, then the Senior Subordinate Lien Debt Service Fund, and finally the Junior Subordinate Lien Debt Service Fund, before any monies are released to us for other uses.

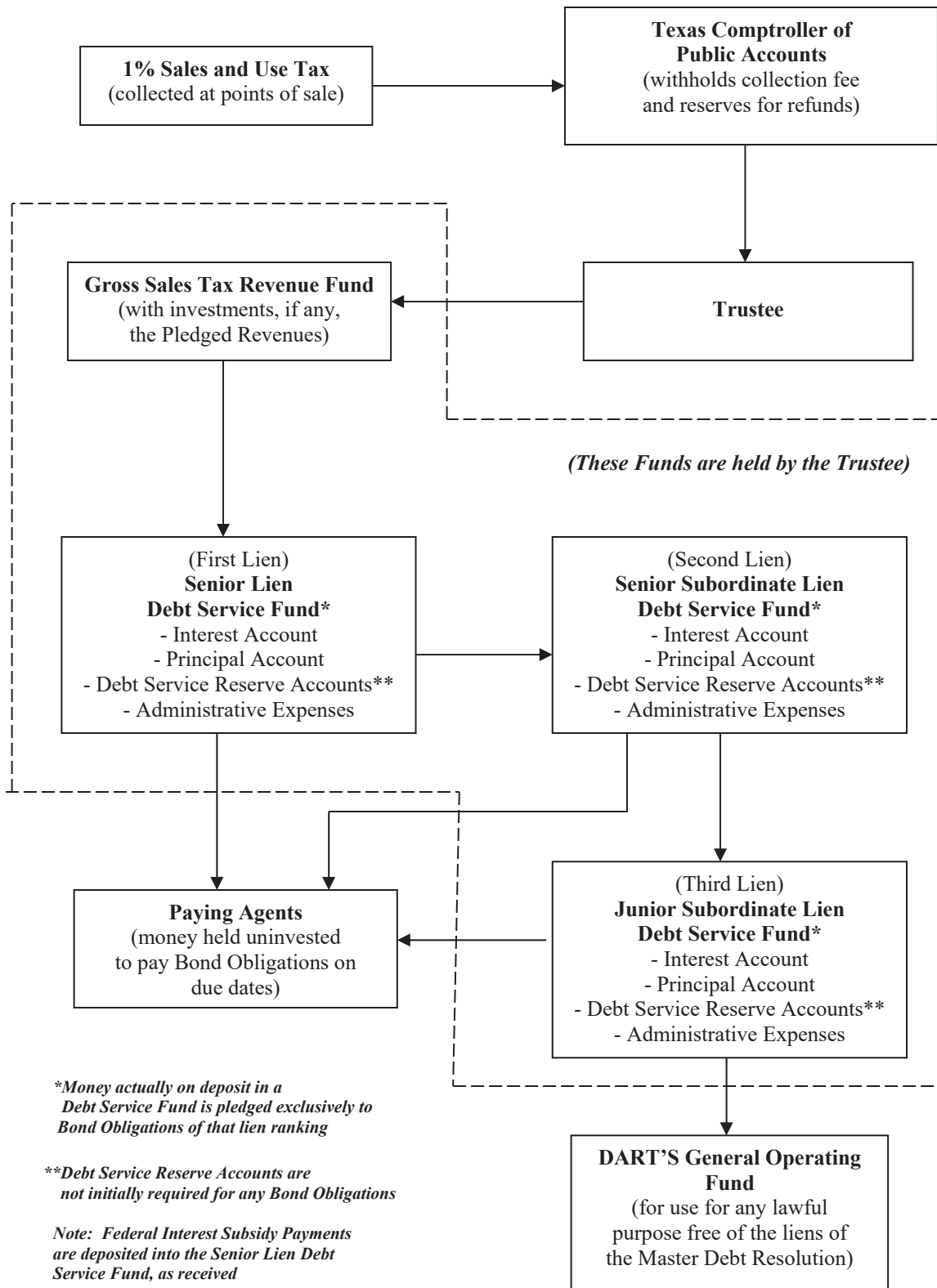
Money actually on deposit in a Debt Service Fund is pledged exclusively and irrevocably to the Bond Obligations of the applicable lien ranking.

If the monies received from the Comptroller are not sufficient to fill all three of the Debt Service Funds to the level of current requirements, they are filled in the order of lien ranking and any deficiencies are restored with the next available Gross Sales Tax Revenues. If amounts on deposit in any Debt Service Fund are not sufficient on any Interest Payment Date, Mandatory Redemption Date or Stated Maturity Date, the Trustee is also required to deposit all the Pledged Farebox Revenues to the Debt Service Funds in the same order of priority as Gross Sales Tax Revenues.

If there is an excess of money over the amounts needed to make the required deposits to all three Debt Service Funds, and after restoring deficiencies, if any, the Trustee is required to deliver the excess revenue to DART, free and clear of the liens of the Master Debt Resolution.

When payments are due on Bond Obligations, the Trustee sends the required amounts from the applicable Debt Service Fund to the Paying Agent(s) for the maturing Bond Obligations, as shown in the following chart of the flow of funds:

Flow of Funds (cont'd)



**Money actually on deposit in a Debt Service Fund is pledged exclusively to Bond Obligations of that lien ranking*

***Debt Service Reserve Accounts are not initially required for any Bond Obligations*

Note: Federal Interest Subsidy Payments are deposited into the Senior Lien Debt Service Fund, as received

Note: Pledged Farebox Revenues are held in the General Operating Fund and are only required to be transferred to the Senior Lien Debt Service Fund if the amounts therein are insufficient to pay debt service on the Bond Obligations.

INFORMATION ABOUT DART

DART is a subregional transportation authority and governmental agency of the State of Texas, created and confirmed by a referendum passed on August 13, 1983, pursuant to Article 1118y of Vernon's Annotated Texas Civil Statutes, as amended and recodified into the Act. The Act authorizes us to provide public transportation and complementary services within the corporate limits of those cities and towns in which the voters have confirmed the creation of or joinder with DART and approved the imposition of the Sales Tax under the Act.

DART's Boundaries, Additions, Withdrawal Rights

Our current boundaries include the following Participating Municipalities: The Cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett, and University Park and the Towns of Addison and Highland Park, Texas. Our boundaries encompass approximately 700 square miles and contains an estimated 2017 population of 2.4 million persons, according to information obtained from the North Central Texas Council of Governments.

If a municipality that we do not currently serve is located at least in part in a county that we serve, the municipality may become a Participating Municipality by holding an election in accordance with the Act at which its joinder with DART and the imposition of the Sales Tax is approved by its voters.

Under the Act, a Participating Municipality has the right to call an election at which its voters may vote to withdraw as a Participating Municipality every sixth calendar year. This process can be initiated by either official action of the Participating Municipality's governing body or by citizen petition. The next year in which withdrawal elections may be held is 2020.

If a withdrawal election is held and voters approve withdrawal from DART, all of our public transportation services to and within the withdrawing municipality must cease on the day following the canvass of the election returns. The Comptroller must continue to collect the Sales Tax within that municipality, however, until we have collected an amount equal to the withdrawing municipality's pro-rata share of our financial obligations that existed at the time of withdrawal. Accordingly, the Act limits the impact a municipality's withdrawal might have on our ability to repay our indebtedness, including any Bond Obligations.

Under the Act, our Board must calculate a withdrawing municipality's financial obligation to us as of the date of withdrawal. This financial obligation shall equal such municipality's portion of the total amount of the following:

- Our outstanding obligations under contract and authorized in our current budget;
- Our outstanding contractual obligations for capital and other expenditures payable from sources other than proceeds of notes, bonds, or other obligations;
- Payments due or to become due in all subsequent years on notes, bonds, or other securities or obligations for debt issued by us;
- Our required reserves for all years to comply with financial covenants made with lenders, note or bond Holders, or other creditors or contractors; and
- The amount necessary for the full and timely payment of our existing obligations, to avoid a default or impairment of those obligations, including contingent liabilities.

Any of our financial obligations that specifically relate to such withdrawing municipality will be allocated completely to it.

DART's General Powers and Purposes

We exercise public and essential governmental functions under the Act, and the Act grants us certain powers to carry out these functions. The Act authorizes us to acquire, construct, develop, plan, own, operate, and maintain all real and personal property needed by us for public transportation or complementary transportation purposes. Complementary transportation services include the following services:

- Special transportation services for elderly or disabled persons;
- Medical transportation services;
- Assistance in street modifications to accommodate our public transportation system;
- The purchase, construction, or renovation of general aviation facilities that are not served by certificated air carriers in order to relieve air traffic congestion at existing facilities; and
- Any other service that complements our public transportation system, such as parking garages.

The Act grants to us the right to acquire property by eminent domain for our public transportation system, so long as the governing body (in a city or town) or the commissioners court of the county (in unincorporated areas) having jurisdiction over the property approves the acquisition. The Act also authorizes us to lease to or contract with a private operator to operate a public transportation system or any part thereof, and to contract with any non-participating city, county, or other political subdivision to provide public transportation services to any area outside our boundaries.

The Board of Directors

We are governed by a 15-member Subregional Board of Directors. The governing bodies of the Participating Municipalities appoint members to our Board according to the ratio of the population of each Participating Municipality to the total population within our boundaries. A Participating Municipality having a population which entitles it to make a fraction of an appointment may combine that fraction with one or more other Participating Municipalities to make one appointment, but no Participating Municipality may appoint more than 65% of the members of the Board. The Board is restructured whenever there is a change in the member municipalities or every fifth year after the date census data or population estimates become available.

Each Board member serves at the pleasure of the governing municipal unit that appoints the member. Board members serve staggered two-year terms. Eight of the member terms begin on July 1 of odd-numbered years and seven of the member terms begin July 1 of even-numbered years. Each member is entitled to receive \$50 for each Board meeting attended and is reimbursed for necessary and reasonable expenses incurred in the discharge of the member's duties.

The following table sets forth information regarding our current Board of Directors. The Board appoints from its members a chair, vice chair, secretary, and assistant secretary as shown in the table.

CURRENT MEMBERS AND OFFICERS OF THE BOARD OF DIRECTORS			
NAME	REPRESENTS	YEAR OF APPOINTMENT TO BOARD	OCCUPATION
Sue S. Bauman, <i>Chair</i>	Dallas	2016	Faculty, Richland College
Paul N. Wageman, <i>Vice Chair</i>	Plano	2012	Attorney
Michele Wong Krause, <i>Secretary</i>	Dallas	2014	Attorney
Jonathan R. Kelly, <i>Assistant Secretary</i>	Garland	2016	Investment Advisor
Amanda Moreno	Dallas	2013	Entrepreneur
Catherine Cuellar	Dallas and Cockrell Hill	2017	Social Enterpriser
Dominique P. Torres	Dallas	2017	Attorney
Faye Moses Wilkins	Plano and Farmer Branch	1999	Telecommunications & System Integration Consultant
Gary Slagel	Richardson, University Park, Addison, and Highland Park	2011	Technology Executive
Jon-Bertrell Killen	Dallas	2017	Architect
Mark C. Enoch	Garland, Rowlett, and Glenn Heights	1997	Attorney
Patrick Kennedy	Dallas	2016	Urban Planner
Ray Jackson	Dallas	2017	Attorney
Richard H. Stopfer	Irving	2013	Retired Automotive Consultant and Mayor, City of Irving
Timothy A. Hayden	Carrollton and Irving	2015	Safety and Risk Control Consultant

Significant Board Policies and Planning Documents

Our Board has adopted a mission statement, strategic priorities, goals, financial and business planning policies, and general policies that provide management a framework within which the agency must operate. The Board has also adopted Bylaws and Rules of Procedure to ensure that it acts in a consistent and orderly manner. Each year, for planning purposes, DART issues an annual business plan (the “Business Plan”) which includes components of the following:

— The Strategic Plan – The Strategic Plan provides a foundation for all other management actions. Beginning with DART’s mission statement and vision, the Strategic Plan includes priorities, goals, objectives, and performance measures that guide decision-making throughout the agency. The other plans and documents described in this section are also considered to be part of DART’s Strategic Plan because they provide significant guidance for agency activities and require alignment of processes and activities to achieve their full functionality and value. Elements of the Strategic Plan are periodically reviewed and updated to reflect the current environment. The mission statement and vision are the most constant elements of the Strategic Plan while individual project plans and employee performance plans are reviewed and revised at least once each year.

— Service Plan and Transit System Plan – The Service Plan, required by DART’s enabling legislation, specifically describes the service provided including the locations of major transit facilities and fixed guideways. The Transit System Plan, which is not required by law, is the financially constrained long-range planning tool that is updated to incorporate changes in the service area. It provides the vision and direction for DART’s future capital projects and operating programs that will be needed to improve regional mobility. The Transit System Plan is closely coordinated with development of the North Central Texas Council of Governments’ Metropolitan

Transportation Plan (MTP) and is revised periodically. The last revision was completed in Fiscal Year 2007 and focuses on transit needs and opportunities within the context of a 2030 horizon. The DART is nearing completion of an update to the 2030 Transit System Plan through the horizon year of 2040. The draft 2040 Transit System Plan was completed and presented to the DART Board October 2017; the final draft is expected to be available in the Calendar Year 2018.

— Annual Budget – DART’s enabling legislation requires the Board to develop, recommend, and approve an annual budget. The Board must make its proposed annual budget available to the governing bodies of the cities in the service area for review and comment at least 30 days prior to its final adoption. The annual budget, which corresponds to the first year of the Twenty-Year Financial Plan, enumerates the amounts authorized for operating expenses, capital and non-operating costs, and debt service.

— Twenty-Year Financial Plan – The Twenty-Year Financial Plan addresses the affordability of the Transit System Plan and the timing of service and capital expansion projects. The Twenty-Year Financial Plan details projected sources and uses of cash for twenty years. The approved Annual Budget is used as the first year of the plan, and the Business Plan is reflected in the first five years of the plan. The final 15 years of the plan validate the affordability of our long-range Transit System Plan, and include our commitments for future system expansion and the issuance and repayment of debt.

— Business Plan – DART’s Business Plan provides a comprehensive summary of the Agency’s plans and commitments and outlines how DART will employ projected resources to achieve its goals and strategic priorities.

— Financial Standards – The Board’s Financial Standards establish limits for capital expansion, the issuance of debt, and the maintenance of cash reserves. These standards are the basis for our Financial Plan projections. The Board has also approved Business Planning Parameters that establish operating service levels, management performance objectives, and policy limitations for projecting major sources and uses of cash.

— Key Performance Indicators – The Business Plan provides a detailed outline of our performance projections and commitments for each mode of service and DART as a whole. The Plan includes "scorecards" addressing key operating, financial, and quality measures (called “Key Performance Indicators”) and identifying initiatives necessary to improve performance. The Business Plan defines how management will achieve the key initiatives presented in the Strategic Plan.

— Five-Year Action Plan – The Five-Year Action Plan provides detailed discussions of our plans to increase bus and rail ridership through service improvements for a five-year period.

DART’s Management

The Board appoints our President/Executive Director, who also serves as our Chief Executive Officer. The Chief Executive Officer’s duties include:

- Administering our daily operations, including the hiring, compensation, and removal of employees;
- Awarding contracts for services, supplies, capital acquisitions, real estate, and construction without Board approval if the amount of any such contract does not exceed \$100,000; and
- Awarding contracts of up to \$250,000 without Board approval for standard off-the-shelf commercial products.

Additional staff positions that report directly to the Board include the General Counsel, a Director of Internal Audit, and a Director of the Office of Board Support.

A summary of our executive management team is shown in the following table:

DART'S EXECUTIVE MANAGEMENT		
NAME	POSITION	JOINED DART
Gary C. Thomas	President/Executive Director	1998
Jesse Oliver	Deputy Executive Director	2012
Carol Wise	Executive Vice President, Chief Operations Officer	2012
David Leininger	Executive Vice President, Business Solutions and Innovation	2008
Timothy H. McKay	Executive Vice President, Growth and Regional Development	2001
John Adler	Vice President, Procurement	2006
Albert Bazis	Director of Internal Audit	2001
Scott Carlson	General Counsel	2012
Joseph G. Costello	Senior Vice President, Finance, Interim Chief Financial Officer	2014
Doug Douglas	Vice President, Mobility Management Services	1990
Nicole Fontayne-Bardowell	Vice President, Chief Information Officer	2014
Garrome Franklin	Vice President, Chief Safety Officer	2015
Nevin Grinnell	Vice President, Chief Marketing Officer	2011
Michael Holbrook	Vice President, Rail Operations	2008
Nancy Johnson	Director of the Office of Board Support	1999
Morgan Lyons	Vice President, External Relations	1996
Michael Miles	Vice President, Government Relations	1982
Michael Muhammad	Vice President, Diversity/Innovative Services	2004
Bonnie Murphy	Vice President, Commuter Rail	2017
Cheryl Orr	Vice President, Chief People Officer	2015
Todd Plesko	Vice President, Planning & Development	2009
John Rhone	Vice President, Capital Design & Construction	2002
Stephen Salin	Vice President, Rail Planning	2000
David Schulze	Vice President, Policy & Strategy	1994
James Spiller	Vice President, DART Chief of Police and Emergency Management	2001
Robert W. Strauss	Vice President, Real Property and Transit Oriented Development	2016
Vacant	Vice President, Bus Operations	N/A

Employees and Employee Relations

DART currently has 3,816 budgeted positions for full-time salaried and hourly employees. Bus operators, mechanics, and call center personnel are represented by The Amalgamated Transit Union, Local 1338. As a Texas governmental agency, we do not collectively bargain or sign labor contracts with these employee representatives. We do, however, meet and confer with these representatives on hourly employee issues, compensation, and benefits.

Pension, Retirement, Deferred Compensation Plans, and Other Post-Employment Benefits

We operate three employee benefit plans. Information about the plans is contained in Note 17 to the Audited Financial Statements attached hereto as Appendix A. In addition to pension benefits, we provide post-retirement health care and life insurance benefits in accordance with DART policy to certain employees. Information about such benefits is contained in Note 18 to the Audited Financial Statements attached hereto as Appendix A. We have implemented GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.”

Significant Contract Services

We use contracted services extensively, including the following:

- MV Transportation, Inc., for Mobility Management Services (ADA Paratransit operations and On-Call Services);
- Herzog Transit Services, Inc. for our Commuter Rail services;
- Echo T&C for University of Texas at Dallas shuttle services;
- Metropolitan Security Services for armed security guard services;
- Triad Commercial Services for janitorial services (Rail and Bus facilities) and property management;
- HealthScope as the third-party administrator over the Agency’s health benefits;
- HDR Engineering, Inc. for General Planning Consultant services; and
- Clean Energy for CNG fuel station maintenance.

We also utilize contracts for a major portion of the planning, design, and construction of major capital programs.

Insurance

We maintain a comprehensive insurance program, including the following:

- We self-insure for auto liability, general liability, and workers’ compensation claims arising out of transit operations. Segregated cash reserves are maintained for these programs.
- We carry all-risk property insurance for full repair or replacement in the event of loss with a \$500 million limit for any one loss or any one location.
- We carry \$300 million liability coverage for the light rail system and the Trinity Railway Express commuter rail service with a \$3 million self-insured retention. This policy covers DART and the Fort Worth Transportation Authority.
- We purchase \$10 million of liability coverage for leased premises to comply with the terms of our lease agreements with third parties. We also purchase insurance to cover non-owned automobile liability, directors and officer’s liability, cyber liability, forgery, theft, disappearance and destruction, computer fraud, and employee dishonesty.
- DART is currently evaluating the option to implement our fifth Owner Controlled Insurance Program (OCIP) for our upcoming construction projects including the Red and Blue Line Platform Extensions project, the Cotton Belt Regional Rail Corridor and Second Central Business District (CBD) light rail alignment project (D2 subway). If implemented, the OCIP will provide all eligible enrolled contractors with statutory workers’ compensation coverage, general and excess liability insurance, railroad protective liability and builders’ risk insurance.

As a public entity, we are protected in many instances by governmental immunity. In cases where our governmental immunity does not apply, our liability is often limited by the Texas Tort Claims Act to \$100,000 per person or \$300,000 per occurrence for bodily injury and \$100,000 per occurrence for property damage. Workers’ compensation payments are statutory and regulated by the Department of Labor and the Texas Department of Insurance’s Division of Workers’ Compensation.

DART'S FINANCIAL PRACTICES AND RESOURCES

Audits of Financial Information

DART's Fiscal Year is from October 1 through September 30. We maintain our records of accounts in accordance with generally accepted accounting principles. Our financial accounts and records are audited at the close of each Fiscal Year by an independent, outside auditing and accounting firm approved by the Board. The audits are usually presented to us not later than 120 days after the close of each Fiscal Year. The Independent Auditors' Report, with our audited annual financial statements for the Fiscal Years ended September 30, 2017 and 2016, is presented as a part of this Annual Disclosure Statement as Appendix A. Each subsequent annual revision of this Annual Disclosure Statement will include our most recent audited annual financial statements and our analysis of the financial results for the year.

Principal Source of Revenue—The Sales Tax

Our principal revenue source is the Sales Tax that is levied on taxable items that are sold, rented, or purchased, or acquired for use, within the boundaries of our Participating Municipalities. The Act and the Limited Sales, Use, and Excise Tax Act, Chapter 151, Texas Tax Code, as amended, contain a full description of the items and services subject to and exempted from the sales and use tax.

The Texas Legislature has modified the sales and use tax base from time to time to add or subtract certain items to or from our taxable base, and even to exempt from taxes certain items purchased during a defined time window. In 1999, the Legislature created an annual three-day "sales tax holiday" just prior to the opening of each new school year which exempts from State and local sales taxes the purchase of certain clothing, school supplies, and footwear. The sales tax holiday exempts these purchases from the Sales Tax as well. While the law establishing the sales tax holiday currently permits us to repeal the temporary exemption from our Sales Tax, we do not intend to repeal this exemption unless it will adversely impact our ability to repay any outstanding Bond Obligations.

The following table shows our Net Sales Tax Revenues for each of the most recent 10 Fiscal Years. The Net Sales Tax Revenues show actual receipts in a given Fiscal Year, and may differ from the sales tax revenues shown on our financial statements. When DART is notified of an overpayment of sales tax, an accounting adjustment is made to reflect the reduction in sales tax revenues in that same fiscal year. In two cases where sizeable overpayments were determined to have been made, DART entered into a repayment plan. The table below shows sales tax receipts less any repayment installments. Since the financial statements reflect a reduction in sales tax revenues for the Fiscal Year in which an overpayment is determined to have been made, rather than in the Fiscal Years over which an overpayment is repaid, the sales tax revenues shown on the financial statements may differ from the Net Sales Tax Revenues shown below.

Net Sales Tax Revenues* (in millions)	
Fiscal Year ended 9/30	Receipts
2008	\$416.1*
2009	\$377.6
2010	\$375.5
2011	\$402.4
2012	\$432.5
2013	\$455.7
2014	\$485.7
2015	\$518.6
2016	\$545.1
2017	\$566.6

*The amount shown for 2008 includes \$3.6 million that the State Comptroller has determined to be overpayments. In 2006, there was a \$13.2 million overpayment. Such amounts are being repaid by DART in quarterly payments through March 2027. See "DART's Operations and Performance Results – Sales Tax Revenues and the Net Operating Subsidy."

Secondary Revenues—Farebox Collections

We collect fares from our bus, rail, and paratransit users. The Act permits us to set fares based upon a zone system or by another classification that we determine to be reasonable and nondiscriminatory.

We receive other miscellaneous revenues, primarily from advertising and leases. We refer to these and the farebox revenues as “Operating Revenues.” The following table lists our operating revenues and expenses for the past 10 fiscal years.

Operating Revenues & Expenses (in millions)		
Fiscal Year ended 9/30	Operating Revenues	Operating Expenses*
2008	\$59.8	\$512.2
2009	\$57.4	\$523.6
2010	\$63.2	\$572.5
2011	\$69.4	\$629.0
2012	\$80.1	\$645.8
2013	\$83.7	\$701.7
2014	\$84.5	\$704.5
2015	\$85.4	\$705.3
2016	\$81.9	\$739.3
2017	\$79.6	\$745.5

- Includes depreciation expense

Federal Grant Funds

We receive federal grant funds primarily from the Federal Transit Administration (“FTA”). We utilize these proceeds to fund a portion of our eligible capitalized maintenance expenses and capital programs. Congress allocates transit funds on both a formula basis and a discretionary basis. We are eligible to receive both types of funds.

Federal grants are on a reimbursement basis, so receipts will not match annual appropriation. The following table reflects actual federal and state cash receipts of DART by Fiscal Year for the past 10 years.

Federal/State Receipts (in millions)		
Fiscal Year	Federal Receipts	State Receipts
2008	\$173.6	\$2.3
2009	\$300.8	\$0.1
2010	\$200.1	\$2.7
2011	\$165.2	\$1.1
2012	\$175.8	\$19.9
2013	\$141.4	\$2.7
2014	\$128.3	\$1.6
2015	\$104.9	\$10.9
2016	\$47.1	\$3.1
2017	\$78.2	\$1.2

Lease/Leaseback Transactions

As authorized by the Act, we entered into ten separate economically defeased lease transactions which, in general, involved our lease and leaseback of specified, depreciable property to various trustee entities, acting on behalf of private investors. As of the date hereof, one of such transaction is still outstanding. The one outstanding transaction involves the lease and leaseback of light rail cars used as a part of our transit system. Although we retain legal title to the leased property, this transaction was structured so as to result in a sale of the leased property to the private

investors for federal income tax purposes. The rent due for the full term of the leases was prepaid to us, and the trustees have no further obligation to pay us any rent under the lease. The trustee subleased the property back to us for a sublease term that is shorter than the term of the lease. At a specified date on or before the end of the sublease term, we have the right to purchase the trustee's interest in the lease.

We paid a portion of the advance rental payments received by us from the trustees to purchase contractual undertakings from certain financial institutions, rated "AA" or better at that time by recognized rating agencies, pursuant to which such financial institutions assumed and agreed to pay to the trustee the sublease rental payments due and owing by us through our purchase option date, together with the purchase option price owed by us if we determine to exercise our purchase option rights. In other leases, we deposited a portion of such advance rental payments with a custodian, whom we instructed to purchase direct obligations of the United States Government and other securities that will mature on the dates and in the amounts required to pay sublease rental payments and the purchase option price.

The excess amounts of the advance rental payments received by us over the costs of the contractual undertakings and the amounts of the custodial deposits, after paying for certain other costs incurred in connection with the transactions, was retained and utilized by us. After closing the transactions, we continue to have the right to uninterrupted use and possession of the leased property so long as we are not otherwise in default under the contractual terms of the lease documents. Notwithstanding such contractual undertakings and custodial deposits, we remain obligated to pay all amounts owed by us under the sublease, including sublease rent and the purchase option price should we exercise it, in the event of the insolvency of or other failure to pay by the financial institution or a failure of the custodial deposits.

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of September 30, 2017, one lease/leaseback transaction was active and is in full compliance with the operative documents, as amended. See Note 11 to the Audited Financial Statements attached hereto as Appendix A.

DART OPERATIONS AND PERFORMANCE RESULTS

The Independent Auditors' Report on DART's financial statements for the fiscal year ended September 30, 2017, is attached as Appendix A. The information contained under this heading presents the comments, observations, and interpretations of financial and other facts and practices by our management and its opinions as to those facts, practices, and circumstances affecting DART. We do not warrant or guarantee that the conclusions we have drawn therefrom are accurate or complete or provide any assurances as to future financial and/or operating results of DART. The financial information discussed in this section is derived from the financial statements attached as Appendix A and other identified sources.

Sales Tax Revenues and the Net Operating Subsidy

Sales tax revenues contributed 72% and 74% of total revenues (which includes capital contributions and grants) in Fiscal Year 2017 and Fiscal Year 2016, respectively. Sales tax revenues in Fiscal Year 2017 were \$567.4 million, a \$21.5 million (3.9%) increase over Fiscal Year 2016. Net receipts were \$566.6 million versus a Sales Tax Budget of \$563.6 million. Our sales taxes highly correlate with personal income and retail sales in the region. Our principal revenue source is the sales tax. Sales tax revenues received by us from the State Comptroller reflect sales transactions that occur approximately two months prior to receipt by us. The sales tax revenues discussed in this section are derived from our annual financial statements which reflect accounting adjustments made as a result of overpayments of sales taxes to DART. As a result of these accounting adjustments, sales tax revenues shown on our financial statements may differ from the Net Sales Tax Revenues (which represent actual receipts in a Fiscal Year) shown in the table on page 12. As a result of overpayments to DART of \$13.2 million in Fiscal Year 2006 and \$3.6 million in Fiscal Year 2008, DART entered into a repayment plan with the State Comptroller which commenced in December 2006, and currently extends to March 2027. Pursuant to the repayment plan, the State Comptroller deducts quarterly repayments from sales tax revenues that would otherwise be owed to DART.

The Fiscal Year 2018 Budget projects Net Sales Tax Revenues of \$593.9 million compared to \$563.6 million for Fiscal Year 2017. This represents a 5.4% increase from the 2017 budget and a 4.8% increase over the 2017 Actual Sales Tax Receipts. For the first three months of Fiscal Year 2018, sales tax receipts are 5.0% over the first three months of Fiscal Year 2017 and 1.2% above our Fiscal Year 2018 sales tax budget for the first three months.

We maintain various cash reserves including a Financial Reserve Account that is funded with sales tax collections, if any, that exceed budget during a given year. In addition, a Capital Project Reserve Account was established. If the Financial Reserve Account exceeds \$50 million, excess funds are placed in the Capital Project Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Project Reserves and the funds may be used for any purpose approved by the Board. As of September 30, 2017, the balance in the Financial Reserve Account was \$50.0 million and the balance in the Capital Project Reserve Account was \$23.7 million. For Fiscal Year 2017, our sales tax receipts exceeded our sales tax budget by \$3.0 million. DART has entered into an Equity Security Agreement on one of our lease/leaseback obligations that requires us to set aside certain investments as security. As of September 30, 2017, DART has \$7.8 million set aside in the Financial Reserve for this purpose. In addition, we are required by our Financial Standards to maintain a working cash balance in the general operating fund equal to at least one month of expenses that are projected to be paid from sales tax collections. As of September 30, 2017, the balance in the general operating fund was \$460.5 million which equals approximately 7.4 months of expenditures.

Results for Fiscal Year 2017 reflect a loss before capital contribution and grants of \$136.4 million compared to \$193.9 million for 2016. This loss in 2017 is less than that of 2016 due to an increase in sales tax revenues, a reduction in other non-operating expenses and debt service costs, and an increase of other federal grant receipts.

Net operating subsidy measures the amount of sales tax dollars required to subsidize the operating costs of our public transit system. We calculate “net operating subsidy” in the following manner: operating expenses minus extraordinary items and depreciation minus operating revenues. Our goal is for the sales tax revenues to increase by a higher percentage than net operating subsidy. In Fiscal Year 2017, net operating subsidy increased as compared to 2016 due to reduced operating revenues because of reduced ridership.

Sales Tax Revenues for Operating Expenses

Sales tax revenues for operating expenses measures the percentage of sales tax revenues required to subsidize net operating costs. Conversely, this ratio also measures the amount of funding available for debt service and future capital expenditures. The sales taxes for operations calculation is as follows: net operating subsidy (define above) less interest income divided by sales taxes. This ratio moves lower if sales taxes grow by a higher percentage than net subsidy. The ratio decreased from 75.5% in Fiscal Year 2016 to 74.2% in Fiscal Year 2017 due primarily to sales tax increasing faster than operating costs.

Subsidy Per Passenger

Subsidy per passenger measures the efficiency of our services. Specifically, it measures the amount of tax subsidy required each time a passenger uses our services. It is calculated as follows: operating expenses minus depreciation minus extraordinary items minus operating revenues divided by passenger boardings. Our goal is to minimize subsidy per passenger each year. For this to happen, ridership must grow at a higher percentage than net subsidy. Total system subsidy per passenger in Fiscal Year 2017 was \$6.36, a \$0.46 (7.8%) increase from Fiscal Year 2016. Fixed-route subsidy per passenger in Fiscal Year 2017 was \$5.98, a \$0.45 (8.14%) increase from Fiscal Year 2016. Subsidy per passenger for Fiscal Year 2017 ranged from a high of \$41.47 for paratransit service to a low of \$0.54 for vanpool service.

INFORMATION ABOUT DART’S TRANSPORTATION SYSTEM

The Current System

Our current mass transit services include:

- Bus Transit service (including DART On-Call and Flex services);
- DART Mobility Management services including ADA Complementary Paratransit services;
- Light rail transit service;
- Commuter rail service;
- Transportation Demand Management (TDM) services including RideShare matching services for carpools and vanpools; and

Special events service provided through the modes listed above.

During Fiscal Year 2017, we moved 65.8 million passengers. The following table highlights total system ridership by mode for the last ten years.

Fiscal Year	Bus	LRT*	Commuter Rail	HOV	Paratransit	TDM	Total**
2008	45.0	19.4	2.7	48.1	0.7	0.7	116.9
2009	43.1	18.9	2.8	51.0	0.8	0.9	117.5
2010	38.0	17.8	2.5	50.1	0.8	0.9	110.1
2011	37.2	22.3	2.4	48.0	0.8	1.0	111.8
2012	38.7	27.7	2.3	34.4	0.8	1.0	104.9
2013	38.0	29.5	2.1	36.3	0.7	0.9	107.5
2014	37.4	29.4	2.3	21.4	0.7	0.9	92.1
2015	36.5	29.9	2.2	22.3	0.8	0.9	92.5
2016	33.7	29.7	2.1	N/A	0.8	0.8	67.1
2017	32.1	30.1	2.1	N/A	0.8	0.7	65.8

* Automatic Passenger Counter (APC) data used beginning in 2012. These counters have proven to be considerably more accurate than our current manual ridership counting methodology. The APCs show that we have been underreporting ridership by approximately 15.5%.

* Streetcar ridership is included in the LRT totals.

**Reporting of HOV ridership was discontinued effective 10/01/2015. Total Agency Ridership will not match previously reported totals without HOV.

The system ridership and fixed-route ridership numbers are highlighted in the analysis given above. Fixed-route service includes bus, light rail, and commuter rail operations. Total system ridership includes fixed-route, paratransit, and vanpools. Ridership figures are based on the number of unlinked passenger boardings (each passenger boarding is counted as one trip). Total system ridership in Fiscal Year 2017 was 65.8 million, a decrease of 1.3 million (2.0%) from Fiscal Year 2016.

We contract for all of our paratransit and commuter rail services. While we remain responsible for these programs, our contracts establish operating performance standards which the contractors are expected to meet. We maintain an aggressive program to monitor and audit contractor compliance.

— ***Bus Transit (48.7% of total system ridership in Fiscal Year 2017)***

Our bus system provides local, express, crosstown, on-call, flex, feeder bus routes and site-specific shuttles. Local routes are focused on the Dallas Central Business District and serve the largest and densest concentration of employment in the service area. The routes are characterized by stops at one to two block intervals along their stop segments. Service is provided six to seven days a week.

— ***Light Rail Transit (45.8% of total system ridership in Fiscal Year 2017)***

Light Rail Transit is an electrically powered rail system that generally operates at street level A 20-mile “Starter System,” opened in phases from June 1996 through May 1997, connects South and West Oak Cliff, downtown Dallas, and the North Central Expressway corridor as far north as Park Lane in Dallas. In 2002, DART’s light rail was extended to North Dallas, Garland, Richardson, and Plano. In 2009, the first phase of the Green Line opened southeast of downtown Dallas with the remainder opening in 2010. In July 2012, the first segment of the Orange Line to Irving opened for service. In December 2012, Irving-2 and the Rowlett extension of the Blue Line opened for service. In August 2014, rail service opened at the Dallas-Fort Worth International Airport. A Blue Line extension to the University of North Texas – Dallas opened in October 2016, bringing the total light rail system to 93 miles.

— ***Commuter Rail (3.2% of total system ridership in Fiscal Year 2017)***

Our commuter rail system, commonly referred to as the Trinity Railway Express (the “TRE”), provides diesel powered passenger railroad services on the TRE Corridor between Dallas and Fort Worth, in mixed traffic with freight railroad operations. The 34-mile corridor is jointly owned by DART and the Fort Worth Transportation Authority (the “FWTA”). TRE service is provided pursuant to an interlocal agreement between DART and the FWTA. This agreement was originally entered into in 1994 and was restated and adopted by both Boards in 2003.

Pursuant to Trackage Rights Agreements, the Burlington Northern Santa Fe, the Dallas Garland and Northeastern, and the Union Pacific railroads pay a fee for the right to operate freight services on the TRE corridor. TRE, through its contractor, Herzog Transit Services, Inc., dispatches and maintains the corridor as well as operates the service and maintains the rolling stock used in the service.

— *Paratransit (1.2% of total system ridership in Fiscal Year 2017)*

We are responsible for providing complementary paratransit service in accordance with the Americans with Disabilities Act of 1990 (“ADA”). In Fiscal Year 2013, we changed our delivery model to contractor-provided vehicles and per trip billing replacing per hour billing and a new contractor, MV Transportation, Inc. (MV), for providing Paratransit service. MV provides, operates, and maintains a fleet of 80 Starcraft vehicles in dedicated service. MV also oversees and manages a fleet of approximately 115 Dodge Entervans outfitted by Braun, which are taxi vehicles provided and operated by Irving Holdings.

— *Transportation Demand Management (1.1% of total system ridership in Fiscal Year 2017)*

We work with area employers to develop strategies for reducing employee trips, such as carpools, vanpools, and flexible work schedules. We provide up to 179 vans for our vanpool program through a third-party contractor. We also assist customers in forming carpools. Prospective carpools can call in and provide us with information for our RideShare database. We then work to link-up customers with common trip origins and destinations.

Financial Plan

On September 26, 2017, the Board of Directors formally adopted the FY 2018 Annual Budget and Twenty-Year Financial Plan by Resolution numbers 170105, and 170104, respectively. Highlights of the FY 2018 Budget and Financial Plan are:

- The FY 2018 Annual Budget totals \$982.1 million; \$523.0 million in operating; \$265.3 million in capital; and \$193.8 million in debt service.
- DART is advancing a Program of Interrelated Projects to address capacity needs under the Federal Transit Administration (FTA) Capital Investment Grant Program. The Program consists of three significant projects: the second light rail alignment in the central business district (CBD) known as D2, platform modifications at 28 stations on the Red and Blue lines to accommodate three-car trains, and a central streetcar link in downtown Dallas. The Financial Plan also includes revenue service along the Cotton Belt Corridor in 2022. This service will connect with DART’s Green Line in Carrollton, the Red Line in Richardson and Plano, and the Orange Line at DFW Airport. Several regional sources of funds and scope modifications are detailed in the FY 2018 Business Plan (including the FY 2018 Annual Budget and Twenty-Year Financial Plan) posted on our website at www.dart.org.

Future Expansions

The Board periodically updates our Transit System Plan. The most recent update, the 2030 Transit System Plan, was adopted in October 2006. Several projects in the Transit System Plan have recently been completed or are in the planning and design stage. The Blue Line southern extension to the University of North Texas Dallas Campus (South Oak Cliff-3) opened in October 2016. In addition, the FTA has authorized DART to enter into Project Development for two projects under the FTA Core Capacity program: 1) the Red and Blue Line Platform Extensions project; and 2) the Dallas CBD Second Light Rail Alignment (D2). The Platform Extension project has completed the Project Development, and engineering was initiated in 2017 to support a completion date in 2021. The D2 project is currently under refinement from a mostly at-grade option to a subway running route. The project schedule was updated after selection of a refined alternative in summer 2017, at which time the Environmental Impact Statement (EIS) and preliminary engineering (PE) was reinitiated. In addition, as part of the adoption of the FY 2018 Twenty-Year Financial Plan, the DART Board restated the schedule for the Cotton Belt regional rail project, which is included in the FY 2018 Financial Plan and has a revenue service date of 2022. The PE/EIS effort was completed in 2017 to support the new service date of 2022.

DART has completed a draft of an update to the Transit System Plan for the year 2040, which is being developed in two phases. Phase 1 is completed and included a comprehensive operations analysis (COA) of the bus system and resulted in a Bus Service Plan that will be phased in over time. Phase 2 is underway and will identify long-term programs and projects. Several projects identified in the 2030 Transit System Plan remain deferred and are being reassessed for potential inclusion in the 2040 Transit System Plan. The new plan will also focus on system sustainability including low-cost initiatives to grow ridership, maintaining the system in a state of good repair, and regional opportunities. A draft 2040 Transit System Plan was completed in Calendar Year 2017 and will also be financially constrained.

LITIGATION

In Ordinary Course of Business

Typically, a number of claims, administrative appeals, and/or lawsuits arise from individuals and businesses in the ordinary course of our business that seek compensation for additional construction costs, labor, and employment claims, personal injuries, death, and/or property damage resulting from routine operation and development of our public transportation system. We do not believe that the outcome of these claims, administrative appeals, and/or lawsuits will have a material adverse effect on our financial condition. We have accrued an estimate of losses on such matters and have included this accrual in accounts payable and accrued liabilities in our consolidated balance sheets.

INVESTMENT CONSIDERATIONS

Source of Payment is Limited

The Bond Obligations will be special obligations of DART and will be secured by a lien on the Pledged Revenues.

The Bond Obligations are not debts or obligations of the State of Texas; nor are they the debt or obligation of any Participating Municipality. The Holders of Bond Obligations will never have the right to demand payment out of any of our funds other than the Pledged Revenues, unless we, in the case of Subordinate Lien Obligations, expressly and specifically pledge Special Revenues to such payment. We do have the right, however, but are not obligated, to enter into Credit Agreements with respect to any issue of Bond Obligations having any lien ranking as to Pledged Revenues. If we do so, the Holders of the issue of Bond Obligations to which a Credit Agreement relates will have such additional security as the Credit Agreement may provide, such as municipal bond insurance policies, bank-issued letters of credit, or other forms of credit enhancement.

Our Ability to Make Payments on Bond Obligations is Dependent Upon the Amount of Gross Sales Tax Revenues Actually Generated

Except for Bond Obligations that may be supported by a Credit Agreement, as discussed above, the only sources of security for the Bond Obligations will be the Gross Sales Tax Revenues collected by the Comptroller and remitted to the Trustee and the investments thereof, Federal Interest Subsidy, and the Pledged Farebox Revenues. Sales Tax receipts are impacted by changes in the economic activity and conditions of a municipality or geographic area, and the amount of Gross Sales Tax Revenues generated in any future year is not certain.

The Collection of the Sales Tax is Beyond Our Control

Generally, the seller of taxable items and services collects the Sales Tax from the consumer at the point of a taxable transaction and remits these taxes to the Comptroller. We do not control the Comptroller's collection efforts, and the Comptroller's collection efforts against a private seller of goods and services are subject to applicable State law and to federal bankruptcy code provisions with respect to the protection of debtors.

The Comptroller May Reduce Future Payments of our Gross Sales Tax Revenues or Require Us to Make Repayments to Provide for the Repayment of Overpayments of Gross Sales Tax Revenues that Occurred in Prior Periods

The Comptroller periodically identifies underpayments and overpayments of Gross Sales Tax Revenues and responds to claims by taxpayers. In the event that the Comptroller determines that we received an overpayment, our Gross Sales Tax Revenues for future periods are subject to reduction or we may be required to make a repayment in order to reimburse the overpayment. Under State law, DART has no legal standing or ability to intervene or appeal the Comptroller's determination. We have previously entered into two repayment agreements with the Comptroller regarding overpayments, approximately \$16.8 million (identified in 2006 and 2008) that will result in a reduction of our Gross Sales Tax Revenues in equal amounts of \$206,000 through March 2027.

We May Receive Payment of Gross Sales Tax Revenues Less Frequently

State law requires the Comptroller to remit Gross Sales Tax Revenues to us only on a quarterly basis. As a matter of convenience and accommodation to local taxing entities, the Comptroller remits Gross Sales Tax Revenues to us and other taxing entities on a monthly basis. While we have no reason to believe that the Comptroller's current practice will be discontinued, there is no assurance that the Comptroller will continue to remit Gross Sales Tax Revenues to us on a monthly basis. Thus, temporary cash flow irregularities could occur.

We May Experience Variations in our Gross Sales Tax Revenues

Variations in the amount of receipts can be adversely affected by a number of variables, including (1) changes in State laws and administrative practices governing the remittance and allocation of Sales Tax receipts, (2) changes in the tax base against which the Sales Tax is assessed, (3) changes in the economic activity and conditions of a municipality or geographic area, and (4) the withdrawal from DART of one or more of the Participating Municipalities. See, "DART'S FINANCIAL PRACTICES AND RESOURCES."

Ratings of the Obligations Do Not Assure Their Payment

The Bond Obligations may be rated by one or more nationally recognized rating agencies. Each Supplemental Disclosure Statement and Offering Memorandum and each Supplemental Official Statement will describe any rating(s) that may be applicable to a series of Bond Obligations. A rating reflects the rating agency's assessment of how likely it is that Holders of a class of securities will receive the payments to which they are entitled. A rating may not remain in effect for any given period of time, and a rating agency may lower or withdraw a rating entirely. A rating is not a recommendation to purchase, hold, or sell securities because it does not address the market price of the securities or the suitability of the securities for any particular investor.

CONTINUING DISCLOSURE OF INFORMATION

We have agreed voluntarily to replace this Annual Disclosure Statement on an annual basis and to update it after the first, second and third quarters of our fiscal year. These disclosure documents will be filed with the Municipal Securities Rulemaking Board ("MSRB") identified below, and will be posted on the Internet at our website, www.dart.org. We reserve the right to suspend or stop postings on the Internet and the annual and quarterly updates at any time.

However, we intend to comply fully with the terms of our agreement in the Master Debt Resolution undertaken pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") for the benefit of the Holders and beneficial owners of Bond Obligations that are subject to the Rule. Under this agreement, so long as any covered Bond Obligations remain outstanding we will provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB.

Annual Reports Required by the Rule

We will provide certain updated financial information and operating data with respect to us and the System to the MSRB annually. This information includes all quantitative financial information and operating data with respect to us and our transportation system of the general type included in this Annual Disclosure Statement and in each Supplemental Disclosure Statement, if any, that is approved by a Supplemental Resolution with respect to Bond Obligations subject to the Rule.

We will update and provide this information within six months after the end of each fiscal year. We will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Access (“EMMA”) system at www.emma.msrb.org.

The updated information will include audited financial statements if they are completed by the required time. If audited financial statements are not available by the required time, we will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as we may be required to employ from time to time pursuant to state law or regulation.

Our fiscal year ends on September 30. Accordingly, we must provide updated information by the last day of March in each year, unless we change our fiscal year. If we change our fiscal year, we will notify the MSRB of the change.

Over and during the last five years, a notice of defeasance and redemption was not timely filed with respect to certain of its Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 that were refunded in December 2015. Also, certain annual and material filings inadvertently were not linked to certain of the related outstanding bonds. DART has updated its annual filings through EMMA and remedied any incorrect or missing CUSIP linkages for any series of bonds of which it is aware.

Material Event Notices Required by the Rule

We will also provide timely notices of any material events to the MSRB, in not more than ten Business Days after the occurrence, thereof, of any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment related default, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TED) or other material notices or determinations with respect to the tax status of Obligations, or other material events affecting the tax status of Obligations;
- (vii) Modifications to rights of Holders of Bond Obligations, if material;
- (viii) Bond Obligation call, if material and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of Bond Obligations, if material; or

- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or similar event of DART, which shall occur as described below;
- (xiii) The consummation of a merger, consolidation, or acquisition involving DART or the sale of all or substantially all of its assets, 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; and
- (xiv) Appointment of a successor or additional paying agent/registrar or change in the name of the Paying Agent/Registrar, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for DART 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 DART, 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 of governmental authority having supervision or jurisdiction over substantially all of the assets or business of DART.

In addition, we will provide timely notice of any failure by us to provide information, data, or financial statements in accordance with our agreement under the Rule.

Availability of Information From MSRB

The information will be available to Holders of Bond Obligations free of charge through the MSRB's EMMA system at www.emma.msrb.org.

BOND RATINGS

The current underlying ratings for all the outstanding Senior Lien Obligations are "Aa2" by Moody's Investors Service, Inc. and "AA+" by Standard & Poor's Ratings Services, a Standard and Poor's Financial Service LLC business. The Series 2007 Bonds and the Series 2008 Bonds are rated "AA-" by Fitch Ratings.

OBLIGATIONS AS LEGAL INVESTMENTS

Under the Act, the Bond Obligations are authorized investments for banks, savings banks, trust companies, savings and loan associations, and insurance companies, and are eligible to secure the deposit of public funds of the State, a political subdivision of the State and any other political corporation of the State. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, a rating of "A" or better as to investment quality of the Bond Obligations by a national rating agency may be required before such obligations are eligible for investments for sinking funds and other public funds. We have not reviewed the laws in other states to determine whether our obligations are legal investments for various institutions in those states.

TRUSTEE AND PAYING AGENTS

The Trustee under the Master Debt Resolution is Amegy Bank, a division of ZB, National Association and its successors. A Paying Agent for each series of Bond Obligations issued under the Master Debt Resolution will be specified in the Supplemental Resolution creating such series.

LEGAL COUNSEL

The law firms of Bracewell LLP, 1445 Ross Avenue, Suite 3800, Dallas, Texas 75202, and West & Associates L.L.P., 320 S. R.L. Thornton Freeway, Suite 300, Dallas, Texas 75203, serve as our Co-Finance Counsel and as our Co-Bond Counsel with respect to the Obligations and other financial matters.

Subsequent to the close of fiscal year 2016, DART retained the services of a third firm, McCall Parkhurst & Horton, LLP, 717 N. Harwood Street, Suite 900, Dallas, Texas 75201, to serve as Co-Finance Counsel and Co-Bond Counsel with respective bond and note obligations relating to the Cotton Belt commuter rail corridor.

This Annual Disclosure Statement, in substantially the form and content presented above, was approved by the Board of Directors of DART on March 13, 2018.

/s/ Sue S. Bauman
Chair, Board of Directors

ATTEST:

/s/ Michele Wong Krause
Secretary, Board of Directors

/s/ Gary C. Thomas
President/Executive Director,
Dallas Area Rapid Transit

APPENDIX A

**Independent Auditors' Report with Audited Financial Statements
for the Fiscal Years ended September 30, 2017 and 2016**

Dallas Area Rapid Transit Dallas, Texas

Financial Statements and Supplemental Information
Years Ended September 30, 2017 and 2016 and
Independent Auditor's Report

**DALLAS AREA RAPID TRANSIT
DALLAS, TEXAS
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Dallas Area Rapid Transit
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Dallas Area Rapid Transit ("DART"), as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise DART's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DART, as of September 30, 2017 and 2016, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Net Pension Liability, the Schedule of Employer's Contributions, and the Schedule of Funding Progress for Other Post Employment Benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018 on our consideration of DART's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DART's internal control over financial reporting and compliance.



Crowe Horwath LLP

Dallas, Texas
January 26, 2018

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

The management of Dallas Area Rapid Transit (DART) offers the users of DART's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2017 and 2016. This discussion and analysis is designed to assist the reader to focus on significant financial activities and identify any significant changes in the financial position of DART. It should be read in conjunction with the financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

As of September 30, 2017 and 2016, total assets and deferred outflows of resources of DART exceeded total liabilities by \$1,445,038 and \$1,570,583, respectively. The amount of unrestricted net position as of September 30, 2017, was \$543,815 compared to \$621,414 as of September 30, 2016.

The net position of DART decreased by \$125,545 during the current fiscal year compared to a decrease of by \$188,923 last year. The decreases in both 2017 and 2016 are due to expenses being higher than revenues.

DART's total debt decreased by \$81,971 (2%) during the current fiscal year compared to a decrease of \$218,168 (6%) in 2016. The decrease in 2017 was due to principal payments of bond, capital lease, and commercial paper notes. The decrease in 2016 was due to principal payments and advance refunding, and a termination of one of the two outstanding lease/leaseback obligations. Debt information is summarized on page 12 of this management discussion and analysis.

Sales and use tax revenue was \$567,418 in 2017 compared to \$545,907 in 2016. It increased by 4% (\$21,511) in 2017 compared to a 5% (\$26,459) increase in 2016.

Capital contributions from federal, state and local governments were \$10,843 in 2017 and \$5,026 in 2016. Such contributions were used to finance DART's transit system expansion projects and acquisition of light rail vehicles, buses and equipment.

Other federal grants were \$68,564 in 2017 compared to \$43,731 in 2016.

For fiscal year 2017, total expenses exceeded total revenues resulting in a loss before capital contributions of \$136,388 compared to \$193,949 for 2016. The loss in 2017 is lower than that of 2016 due to increases in sales tax and grant revenues and decreases in total expenses as shown on page 8.

BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to DART's basic financial statements. DART's basic financial statements are comprised of four components: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and Notes to the Financial Statements.

The Statements of Net Position present information on all of DART's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources equals net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of DART. The Statements of Net Position are shown on page 14 of this report.

The Statements of Revenues, Expenses, and Changes in Net Position present information on revenues, expenses, capital contributions, and how DART's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements for some items that result in cash flows only in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of DART's current year operation on its financial position. The Statements of Revenues, Expenses, and Changes in Net Position are shown on page 15 of this report.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

The Statements of Cash Flows summarize all of DART's cash flows into four categories: cash flows from operating activities; cash flows from non-capital financing activities; cash flows from investing activities; and cash flows from capital and related financing activities. The statements of cash flows, along with related notes and information in other financial statements, can be used to assess the following: DART's ability to generate positive cash flows and pay its debt as the debt matures; the reasons for differences between DART's operating cash flows and operating income (loss); and the effect of cash and non-cash investing, capital, and financing activities on DART's financial position. The Statements of Cash Flows are shown on pages 16-17 of this report.

Notes to the Financial Statements provide additional information that is essential to fully understand the data provided in the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The Notes to the Financial Statements are shown on pages 18-43 of this report.

DART's activities are accounted for as a proprietary fund and are presented in the financial statements of DART as business type activities. The activities of DART are supported by a 1% sales and use tax within the member jurisdictions, fare collections, federal, state, and local financial assistance, and other receipts such as advertising and rental income.

The financial statements of DART include the accounts and operations of blended component units Regional Rail Right-of-Way Corporation and Dallas Area Rapid Transit Bus Service, LGC.

FINANCIAL ANALYSIS

Statements of Net Position – DART's total assets and deferred outflows of resources exceeded total liabilities by \$1,445,038 and \$1,570,583 as of September 30, 2017 and 2016, respectively. The largest portion of this excess (58% in 2017 and 56% in 2016) was net investment in capital assets (capital assets less related outstanding debt). DART uses these capital assets to provide public transportation services to customers and member jurisdictions; consequently, these assets are not available for future spending. Although DART's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be obtained from other sources such as sales and use tax and farebox revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Summary of Assets, Liabilities, Deferred Inflows of Resources, and Net Position			
	2017	2016	2015
Current assets	\$886,981	\$969,600	\$1,123,204
Other non-current assets	136,856	136,246	232,349
Capital assets (net of accumulated depreciation)	4,391,215	4,543,656	4,681,920
Total assets	5,415,052	5,649,502	6,037,473
Deferred outflows of resources	86,293	101,279	45,682
Total assets and deferred outflows of resources	5,501,345	5,750,781	6,083,155
Current liabilities	439,762	476,029	527,781
Non-current liabilities	3,614,367	3,699,634	3,793,857
Total liabilities	4,054,129	4,175,663	4,321,638
Deferred inflows of resources	2,178	4,535	2,011
Total liabilities and deferred inflows of resources	4,056,306	4,180,198	4,323,649
Net position			
Net investment in capital assets	837,067	881,241	938,644
Restricted for:			
Debt service	56,405	59,368	49,757
Security for lease/leaseback liabilities	7,751	8,560	9,334
Unrestricted	543,815	621,414	761,771
Total net position	\$1,445,038	\$1,570,583	\$1,759,506

DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

Current assets decreased by \$82,619 in 2017 compared to a decrease of \$153,604 in 2016. The decreases in both 2017 and 2016 were due to spending on acquisition and construction of capital assets.

Other non-current assets increased by \$610 in 2017 compared to a decrease of \$96,103 in 2016. The increase in 2017 is mainly due to a gain on investment in HOV lanes. The decrease in 2016 is due to a decrease in restricted investments held for lease/leaseback obligations as a result of a capital lease that was terminated in November 2015.

As of September 30, 2017, \$7,751 of DART's net position is restricted to satisfy the requirements of an amended lease/leaseback agreement compared to \$8,560 as of September 30, 2016. The unrestricted portion of net position, \$543,815 in 2017 and \$621,414 in 2016 represent resources available to meet DART's ongoing obligations. The DART Board committed \$86,110 and \$71,876 of the unrestricted net position for self-insurance, financial, and capital reserves in 2017 and 2016. The decrease in unrestricted net position of \$77,599 (12%) in 2017 was due to spending on capital projects. The decrease in unrestricted net position of \$140,357 (18%) in 2016 was due to an increase in expenses and payment of commercial paper notes and a decrease in grant revenue.

Statements of Revenues, Expenses, and Changes in Net Position – During fiscal year 2017, DART's activities resulted in a decrease in net position of \$125,545 compared to a decrease in net position of \$188,923 in 2016. The decrease during both 2017 and 2016 are due to expenses being higher than revenues. The key elements of the changes in net position for the fiscal years ended September 30, 2017 and 2016 with comparative information for 2015 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Position

	2017	2016	2015
Operating revenues			
Passenger revenues	\$65,412	\$67,749	\$71,012
Advertising, rent and other	14,175	14,121	14,412
Total operating revenues	79,587	81,870	85,424
Operating expenses			
Labor	239,382	229,795	220,723
Benefits	103,288	96,528	96,432
Services	40,883	41,998	35,785
Materials and supplies	43,203	43,458	38,487
Purchased transportation	52,531	50,316	45,608
Depreciation	239,381	246,794	239,439
Utilities	18,830	18,008	17,983
Taxes, leases, and other	4,778	4,835	4,829
Casualty and liability	3,238	7,536	5,983
Total operating expenses	745,514	739,268	705,269
Operating loss	(665,927)	(657,398)	(619,845)
Non-operating revenues (expenses)			
Sales and use tax revenue	567,418	545,907	519,448
Investment income	13,815	14,888	23,479
Build America Bonds tax credit	28,381	28,391	28,289
Other federal grants	68,564	43,731	82,112
Other non-operating revenues	17,552	16,412	24,371
Interest expense	(163,620)	(172,340)	(185,933)
Gain (loss) on HOV lane investments	600	(3,100)	(66,465)
Street improvements for member cities	(20)	(501)	(560)
Other non-operating expenses	(3,151)	(9,939)	(13,691)
Transfer of assets to the City of Dallas	-	-	(19,041)
Total net non-operating revenues	529,539	463,449	392,009
Loss before capital contributions and grants	(136,388)	(193,949)	(227,836)
Capital contributions	10,843	5,026	18,400
Decrease in net position	(125,545)	(188,923)	(209,436)
Net position, beginning of the year (as restated)	1,570,583	1,759,506	1,968,942
Net position, end of the year	\$1,445,038	\$1,570,583	\$1,759,506

Significant changes in revenues and expenses are shown and explained on the following pages.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

REVENUES

The following table summarizes revenues for fiscal years 2017 and 2016 with comparative information for 2015:

REVENUES AND CAPITAL CONTRIBUTIONS

Revenues	2017	2016	2015
Passenger revenues	\$65,412	\$67,749	\$71,012
Advertising, rent and other	14,175	14,121	14,412
Sales and use tax revenue	567,418	545,907	519,448
Other federal grants	68,564	43,731	82,112
Investment income	13,815	14,888	23,479
Capital contributions	10,843	5,026	18,400
Build America Bonds tax credit	28,381	28,391	28,289
Other revenues	18,152	16,412	24,371
Total	\$786,760	\$736,225	\$781,523

Passenger revenues – Include farebox receipts, monthly and annual pass revenues, paratransit revenue, and special event fares. Passenger revenues decreased by \$2,337 (3%) in 2017 compared to a decrease of \$3,263 (5%) in 2016. The decreases in both 2017 and 2016 were due to decreases in ridership.

Advertising, rent and other – Advertising income includes revenues from advertisements at transit stations, on DART buses, and electronic signs on light rail cars. Rental income includes revenue from the rental of land along the rail corridor and other properties. Advertising, rent and other income increased by less than 1% (\$54) in 2017 compared to a decrease of 2% (\$291) in 2016. The increase in 2017 is because of increased rental income as a result of higher use of DART rail right-of-way track miles by railroad companies. The decrease in 2016 is because no media partnership advertising revenue (barter advertising) was recognized during 2016.

Sales and use tax revenue – Sales and use tax revenue is a dedicated 1% tax imposed on certain items within DART's member jurisdictions or service area. Sales and use tax revenue increased by 4% (\$21,511) in 2017 compared to an increase of 5% (\$26,459) in 2016. The increases in both 2017 and 2016 are due to a relative improvement in the local economy resulting in better than previous years' retail sales. Sales and use tax revenue constituted approximately 72% of DART's total revenues in 2017 compared to 74% in 2016.

Other federal grants – Other federal grant revenues increased by 57% (\$24,833) in 2017 compared to a decrease of 47% (\$38,381) in 2016. The increase in 2017 is due to receipt of delayed federal funding. The decrease in 2016 was due to less federal grant money made available to DART.

Capital contributions – Capital contributions include federal, state and local grants and contributions. Capital contributions increased by 116% (\$5,817) in 2017 compared to a decrease of 73% (\$13,374) in 2016. The increase in 2017 is due to receipt of delayed federal funding. The decrease 2016 was mainly due to lower federal and state capital contributions as a result of completion of projects funded with such grants.

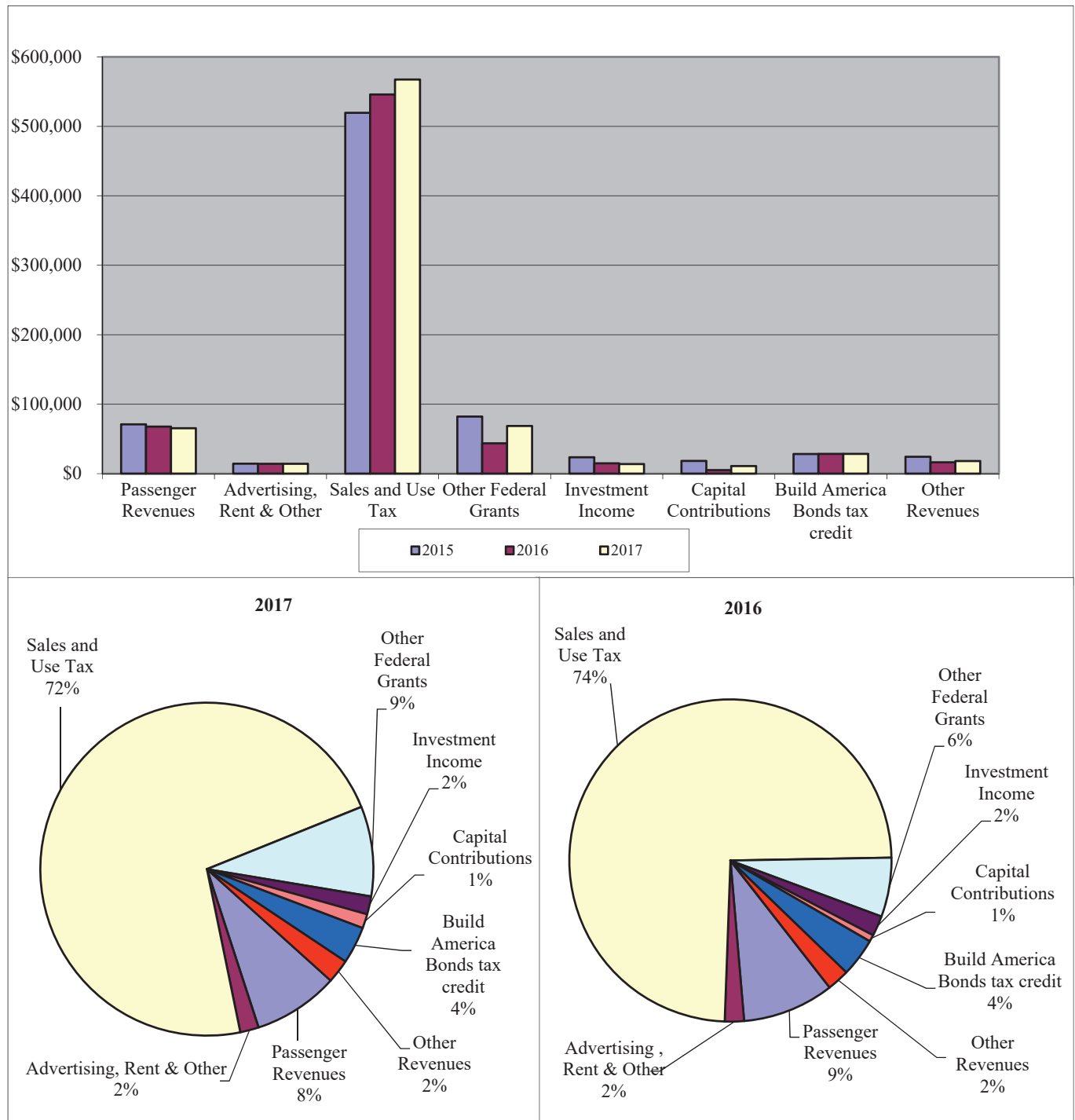
Investment income – Investment income decreased by 7% (\$1,073) in 2017 compared to a decrease of 37% (\$8,591) in 2016. The decrease in 2017 is due to a decrease in total investments and a decrease in the market value of investments held at year-end. The decrease in 2016 is due to a decrease in investments held to pay lease/leaseback obligations as a result of the termination of one of the two remaining capital lease obligations and a decrease in the market value of the DART investment portfolio.

Build America Bonds tax credit – The Build America Bonds (BABs) tax credit decreased by \$10 in 2017 compared to an increase of \$102 in 2016. The changes in both 2017 and 2016 were due to changes in the rate of budget cut by the federal government compared to prior years.

Other revenues – Other revenues increased by 11% (\$1,740) in 2017 compared to a decrease of 33% (\$7,959) in 2016. Other revenues include: revenues from billings to the Fort Worth Transportation Authority (The T) for their share of the Trinity Railway Express (TRE) commuter rail service; billings to the University of Texas at Dallas (UTD) for their share of the UTD shuttle service; and recognition of Toll Credits received from the State of Texas. The increase in 2017 is due to a gain on sale of twelve rail diesel cars. The decrease in 2016 was due to a lower amount of Toll Credits received from the State of Texas compared to the previous year.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

The following charts summarize revenues for fiscal years 2015 through 2017:



**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

EXPENSES

The following table summarizes expenses for fiscal year 2017 and 2016 with comparative information for 2015:

Expenses	EXPENSES BY OBJECT CLASS		
	2017	2016	2015
Labor	\$239,382	\$229,795	\$220,723
Benefits	103,288	96,528	96,432
Services	40,883	41,998	35,785
Materials and supplies	43,203	43,458	38,487
Purchased transportation	52,531	50,316	45,608
Depreciation and amortization	239,381	246,794	239,439
Utilities	18,830	18,008	17,983
Taxes, leases and other	4,778	4,835	4,829
Casualty and liability	3,238	7,536	5,983
Street improvements for member cities	20	501	560
Interest and financing expenses	163,620	172,340	185,933
Other non-operating expense	3,151	9,939	13,691
Loss on HOV lane investments	-	3,100	66,465
Transfer of assets to the City of Dallas	-	-	19,041
Total	\$912,305	\$925,148	\$990,959

Labor – Labor costs increased by 4% (\$9,587) in 2017 compared to an increase of 4% (\$9,072) in 2016. The increases in both 2017 and 2016 are due to merit increases and more positions filled.

Benefits – Benefits increased by 7% (\$6,760) in 2017 compared to an increase of 0.1% (\$96) in 2016. The increase in 2017 was due to an increase in employee medical claims and an increased contribution requirement to the retiree healthcare and life insurance plan. The increase in 2016 is due to workers' compensation claims as a result of large claims.

Services – Services include contracted services such as: security, vehicles, equipment and right-of-way maintenance, advertising, marketing, computing, communication, legal, governmental, and environmental services. Services decreased by 3% (\$1,115) in 2017 compared to an increase of 17% (\$6,213) in 2016. The decrease in 2017 is due to completion of some of the right-of-way maintenance projects resulting in lower expenditures. The increase in 2016 is due to increased spending on maintenance of rail right of way and other facilities, software maintenance and license, and technology-related consulting.

Materials and supplies – Materials and supplies include the cost of fuel, parts and supplies used to operate and maintain vehicles, equipment, and facilities. Materials and supplies expenses decreased by 1% (\$255) in 2017 compared to an increase of 13% (\$4,971) in 2016. The decrease in 2017 was due to savings on the fuel hedge contract payment because of a relative increase in the market price of fuel. The increase in 2016 was due to the need for more bus and rail parts as vehicles aged. Investments made in upgrading DART technology software and hardware also contributed to the increase.

Purchased transportation – Purchased transportation represents the costs of contracted transportation services such as commuter rail, paratransit, DART on-call, and shuttle services. Purchased transportation expenses increased by 4% (\$2,215) in 2017 compared to an increase of 10% (\$4,708) in 2016. The increase in 2017 is mainly due to increases in University of Texas at Dallas (UTD) shuttle service costs, and commuter rail fuel cost. Both DART and UTD contribute to the cost of the UTD shuttle service. DART's share of the cost increased when DART took over the service contract for the UTD shuttle service in 2017. The increase in 2016 is due to rate increases in the commuter rail and paratransit services contracts.

Depreciation – Depreciation expenses decreased by 3% (\$7,413) in 2017 compared to an increase of 3% (\$7,355) in 2016. The decrease in 2017 was due to rail diesel cars that were fully depreciated in the previous year. The increase in 2016 is due to a change in the estimated useful lives of some commuter rail vehicles which resulted in additional depreciation expense being booked during 2016.

Utilities – Utilities represent the cost of electricity, telecommunications, water, sewer, and natural gas. Utilities increased by 5% (\$822) in 2017 compared to an increase of less than 1% (\$25) in 2016. The increase in 2017 is due to greater electricity consumption because of expanded light rail and street car services. Also, an increased use of computer data lines contributed to the increase in utilities expense. The slight increase in 2016 is due to more consumption of electricity for the streetcar service.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

Taxes, leases, and other – Taxes, leases, and other includes fuel and lube taxes, equipment rentals, leases of operating and passenger facilities, training, travel, business meetings, membership dues, subscriptions, employee programs and allowance for uncollectible receivables. Taxes, leases, and other expenses decreased slightly by 1% (\$57) in 2017 compared to an increase of 0.1% (\$6) in 2016.

Casualty and liability – Casualty and liability expenses decreased by 57% (\$4,298) in 2017 compared to an increase of 26% (\$1,553) in 2016. The decrease in 2017 and increase in 2016 were due to changes in estimates of claim losses.

Street improvements – Local assistance is provided to eligible member jurisdictions in the form of technical and financial assistance to reduce traffic congestion and complement bus and public transit operations. The street improvement program costs decreased by 96% (\$481) in 2017 compared to a decrease of 11% (\$59) in 2016. The decrease in both 2017 and 2016 was due to less work on intelligent transportation systems because of projects getting close to completion.

Interest and financing expenses – Interest expense decreased by 5% (\$8,720) in 2017 compared to a decrease of 7% (\$13,593) in 2016. The decreases in both 2017 and 2016 were due to savings in interest expense because of bond refunding (refinancing). A decrease in capital lease/leaseback obligations due to termination of one of the two remaining lease/leaseback transactions in November 2015 also contributed to the decreases.

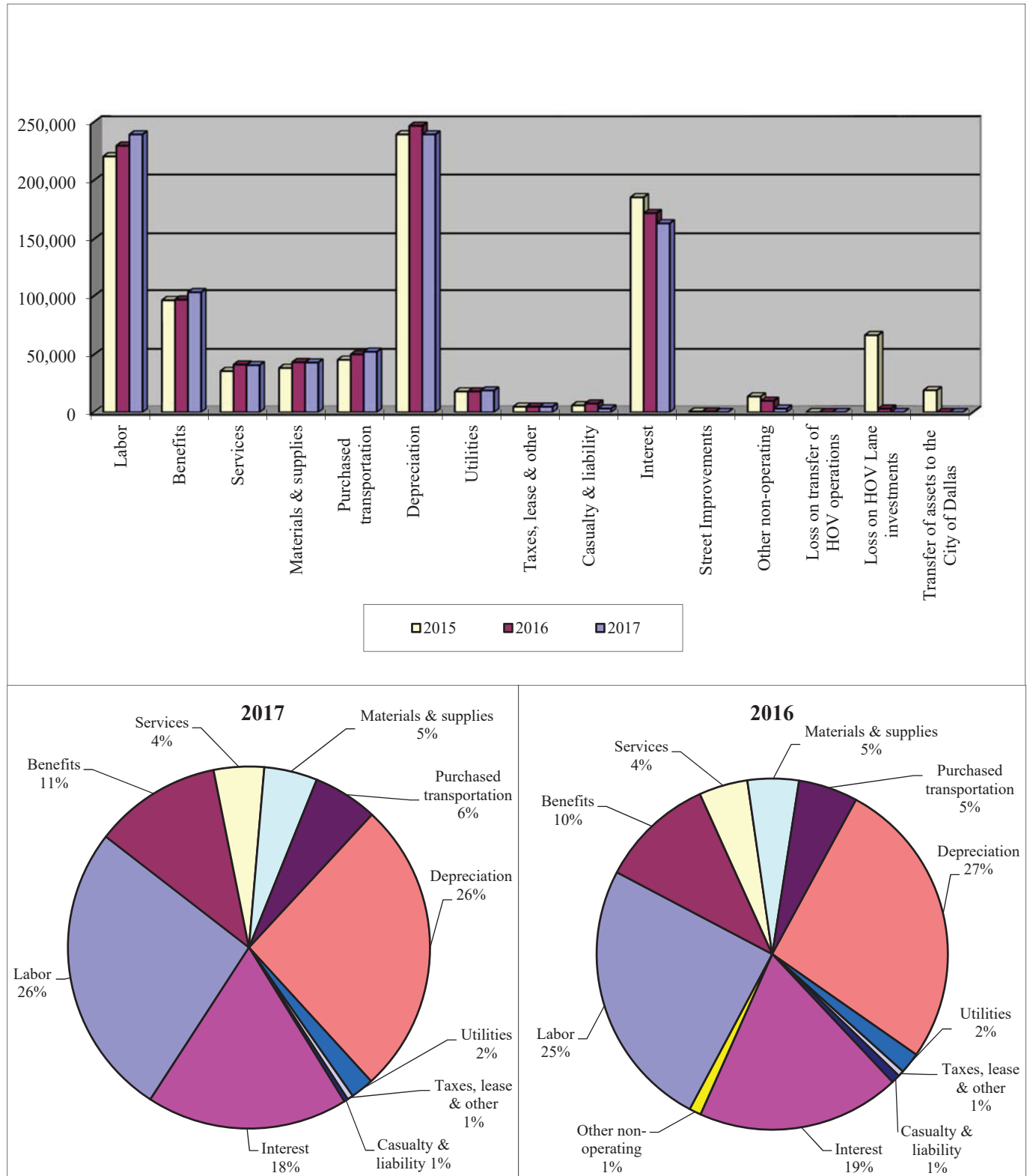
Other non-operating expenses – Other non-operating expenses decreased by 68% (\$6,788) in 2017 compared to a decrease of 27% (\$3,752) in 2016. During 2017, no payment related to HOV Lane projects was made and this resulted in a decrease in non-operating expenses. In 2016, a lower amount of Toll Credit related expenses were incurred compared to 2015 resulting in lower non-operating expenses.

Gain (loss) on HOV lane investments – DART and TxDOT entered into agreements related to two managed HOV lane projects. In anticipation that DART would participate in a toll revenue stream, DART provided a portion of the funding for the two projects. DART's portion of the funding is recorded as Investment in Managed HOV Lane Agreements on the Statements of Net Assets. Every year a financial analysis of the value of DART investment in Managed HOV Lane projects is performed. As of September 30, 2017 and 2016, the value is estimated to be \$11.1 million and \$10.5 million, respectively. A decline in value in the amount of \$3,100 in 2016 was recorded as a loss on HOV lane investments whereas a gain of \$600 was recorded in 2017.

Transfer of assets to the City of Dallas – DART and the City of Dallas entered into various agreements related to the Dallas Streetcar programs and one transit related development project. Under these agreements, DART plays the role of project manager for the City of Dallas to build/acquire assets and the City owns, maintains and uses the assets. With respect to such projects, DART bought the initial two streetcar vehicles by paying up to \$9 million of the cost with its own money, and transferred the ownership of the vehicles to the City of Dallas. In the remaining two projects, DART is the grant recipient of the funding obtained from the Federal Transit Administration for the projects. As a result, DART kept the assets on its books and transferred them to the City of Dallas when the assets were placed in service. The transfer of assets worth \$19 million took place during 2015. This was shown in the Statements of Revenues, Expenses, and Changes in Net Position as Transfer of assets to the City of Dallas in the 2015 fiscal year.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

The following charts summarize expenses for fiscal years 2015 through 2017:



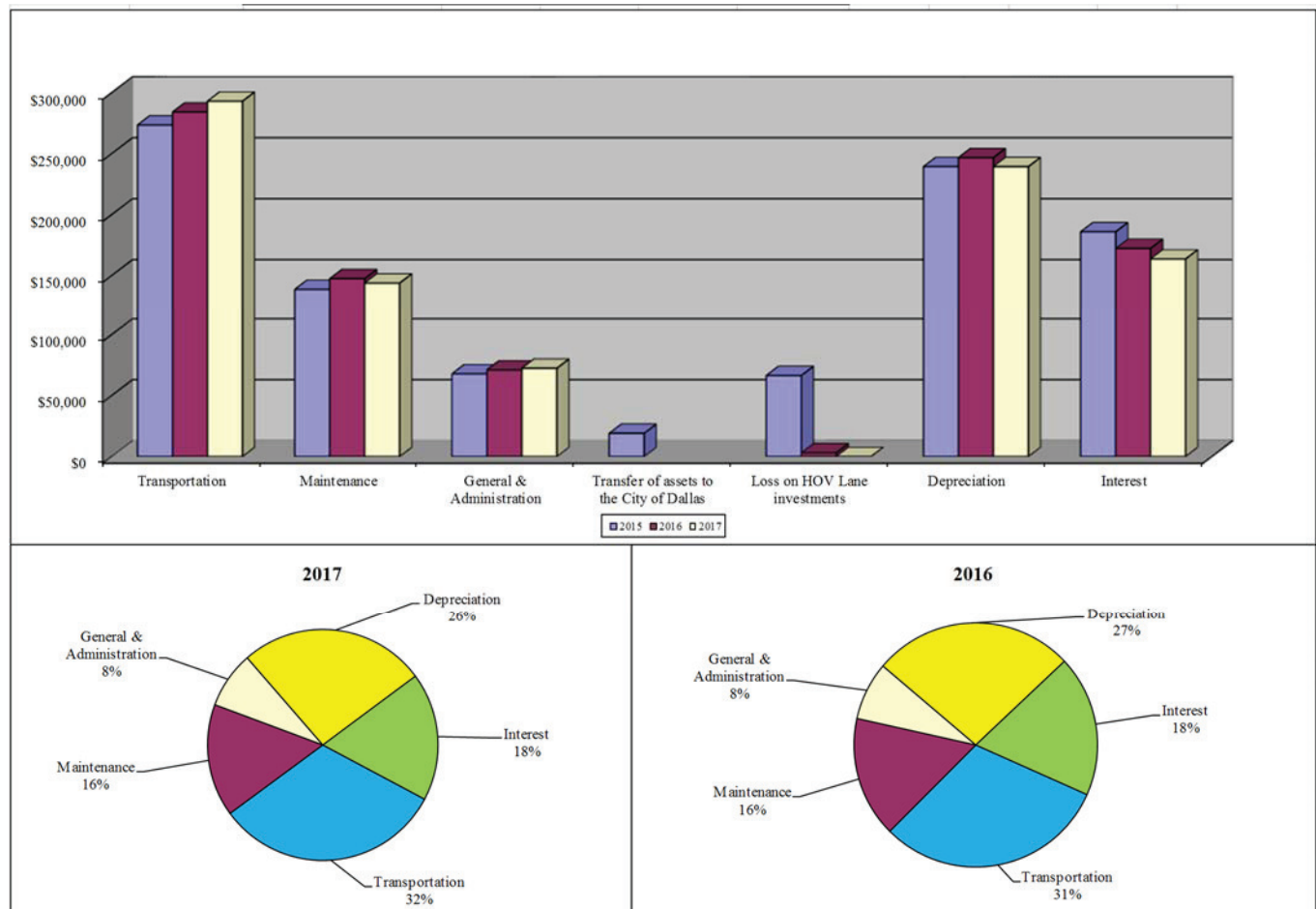
**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

Expenses by function – *Transportation* - includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, and DART on-call and shuttle services. These expenses include such items as wages and benefits for operators, transit center service employees, transportation supervisors and managers, DART police, cost of fuel, tires and tubes, propulsion power, purchased transportation, customer service, revenue collection, and other related costs. *Maintenance* – includes labor costs and benefits for vehicle and facility maintenance, materials and supplies, utilities, and all other costs incurred for maintenance purposes. *General and administration* – includes administrative personnel costs, benefits, accident, general liability and contract claims, street improvements, and other related costs. *Depreciation* – includes depreciation expense on all depreciable capital assets. *Interest* – includes interest expense incurred on debt net of capitalized interest.

EXPENSES BY FUNCTION

	2017	2016	2015
Transportation	\$293,060	\$284,136	\$273,552
Maintenance	143,845	147,499	138,662
General and administration	72,399	71,279	67,867
Loss on HOV lane investments	-	3,100	66,465
Transfer of assets to the City of Dallas	-	-	19,041
Depreciation and amortization	239,381	246,794	239,439
Interest	163,620	172,340	185,933
Total	\$912,305	\$925,148	\$990,959



**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – Investment in capital assets includes: land and rights-of-way; transitways; buildings and improvements; revenue and non-revenue vehicles and equipment; and furniture, fixtures, and leasehold improvements. DART's investment in capital assets as of September 30, 2017, is \$4,391,215 compared to \$4,543,656 in 2016. The net decrease in capital assets during 2017 is \$152,441 (3%) compared to a decrease of \$138,264 (3%) in 2016.

The following table summarizes capital assets net of depreciation as of September 30, 2017 and 2016 with comparative information for 2015.

	Capital Assets (Net of Depreciation)		
	2017	2016	2015
Land and rights-of-way	\$619,026	\$615,709	\$616,728
Projects in progress	66,867	190,992	101,124
Transitways	2,695,295	2,671,832	2,800,198
Buildings and improvements	358,555	382,561	406,635
Revenue and non-revenue vehicles and equipment	645,335	676,793	750,296
Furniture, fixtures, and leasehold improvements	6,137	5,769	6,939
Total	<u>\$4,391,215</u>	<u>\$4,543,656</u>	<u>\$4,681,920</u>

The net decreases in both 2017 and 2016 are due to depreciation. However, there were increases before depreciation in both fiscal years due to the cost of planning, designing and building the Light Rail Transit (LRT) Phase III expansions and new buses placed in service. The Phase III light rail build-out consists of approximately a three-mile extension of the Blue Line from Ledbetter Station toward the University of North Texas (UNT) Dallas Campus located at the southeast corner of Camp Wisdom Road and University Hills Blvd.

Additional information on DART's capital assets is shown in note 7 on pages 27-28.

Outstanding debt – Outstanding debt includes sales tax revenue commercial paper notes, senior lien revenue bonds, TIFIA bonds payable, and capital lease/leaseback liabilities. As of September 30, 2017, DART had total outstanding debt of \$3,518,574 compared to \$3,600,545 as of September 30, 2016. Outstanding debt decreased by 2% (\$81,971) in 2017 compared to a decrease of 6% (\$218,168) in 2016.

The following table summarizes DART's total outstanding debt.

	2017	2016	2015
Sales tax revenue commercial paper notes	\$140,000	\$170,000	\$200,000
Senior lien revenue bonds payable	3,163,890	3,215,820	3,312,615
TIFIA bonds payable	102,968	105,000	105,000
Capital lease/leaseback liabilities	111,716	109,725	201,098
Total debt	<u>\$3,518,574</u>	<u>\$3,600,545</u>	<u>\$3,818,713</u>

The sales tax revenue commercial paper notes outstanding balance was \$140,000 as of September 30, 2017, compared to \$170,000 as of September 30, 2016. Commercial paper notes are issued as a senior subordinate lien to sales and use tax revenues and are payable from the 1% sales and use tax receipts. The decreases during both 2017 and 2016 were due to payments made on commercial paper notes.

Senior lien revenue bonds outstanding are \$3,163,890 as of September 30, 2017, and \$3,215,820 as of September 30, 2016. These are senior lien bonds secured by and payable from the 1% sales and use tax receipts and farebox revenues (pledged revenues). The decrease of \$51,930 is due to principal payment during 2017. The decrease of \$96,795 is due to principal payment and advance refunding during 2016. Although the face value of the bonds increased, overall financing costs decreased during 2016. The senior lien revenue bonds shown above are at face value. The amounts shown in the Statements of Net Position include the unamortized balance of original issuance premium of \$201,935 and \$221,664 as of September 30, 2017 and 2016, respectively.

During 2017, DART maintained a AA+ credit rating from Standard & Poor's, Aa2 from Moody's, and AA from Fitch for its bonds.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)****FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

TIFIA bonds payable are \$102,968 as of September 30, 2017, compared to \$105,000 as of September 30, 2016. On December 13, 2012, DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S. Department of Transportation (DOT). Under this loan agreement, DART issued a Senior Lien Obligation bond to borrow up to \$105,000 from the DOT. The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extends DART's light rail service from Irving to the Dallas Fort Worth International Airport. The TIFIA financing agreement is reimbursement-based and DART requested the money after paying for the capital project costs. The TIFIA bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations.

Capital lease/leaseback liabilities are \$111,716 and \$109,725 as of September 30, 2017 and 2016, respectively. The increase in 2017 is due to accrued interest. Of the decrease in capital lease/leaseback liabilities in 2016, \$91,373 (45%) was due to a termination of one of the outstanding lease/leaseback obligations in November 2015.

Additional information on DART's outstanding debt is shown in notes 11-16.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 72% of total revenues in 2017 compared to 74% in 2016. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2017, DART's sales and use tax revenues showed a 4% increase compared to the previous year. Actual sales and use tax revenues in 2017 are \$567,418 compared to \$545,907 in 2016. The sales and use tax budget for 2018 is \$593,873 compared to \$567,418 actual for 2017. The budget for 2018 represents a 4.7% increase from the 2017 actual sales and use tax revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide our member jurisdictions, customers, investors, and creditors with a general overview of DART's finances. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF NET POSITION**
SEPTEMBER 30, 2017 AND 2016 (Dollars in Thousands)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$39,938	\$53,651
Investments	498,204	562,223
Sales and use tax receivable	95,344	94,308
Transit revenue receivable, net	8,528	5,610
Due from federal and other governments	19,959	29,865
Materials and supplies inventory, net	34,856	33,828
Prepaid transit expense and other	4,176	4,385
Restricted investments held by trustee for debt service	111,734	112,301
Restricted investments held for advance funding agreements	67,868	67,055
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	886,981	969,600
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	7,751	8,560
Investment in joint venture	12,030	13,128
Investment in managed HOV lane agreements	11,100	10,500
Capital assets		
Land and rights-of-way	619,026	615,709
Projects in progress	66,867	190,992
Depreciable capital assets, net of depreciation	3,705,322	3,736,955
Restricted investments held to pay capital lease/leaseback liabilities	105,342	103,351
Unamortized bond insurance premium and other	633	707
TOTAL NONCURRENT ASSETS	4,528,071	4,679,902
TOTAL ASSETS	5,415,052	5,649,502
DEFERRED OUTFLOWS OF RESOURCES	86,293	101,279
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,501,345	5,750,781
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	60,806	56,011
Commercial paper notes payable	140,000	170,000
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	685	685
Retainage payable	6,968	23,205
Unearned revenue and other liabilities	112,840	112,035
Accrued interest payable from restricted assets	55,329	52,933
Current portion of senior lien revenue bonds payable	55,936	53,962
TOTAL CURRENT LIABILITIES	439,762	476,029
NONCURRENT LIABILITIES		
Accrued liabilities	37,113	36,313
Net pension liability	52,127	63,697
Repayment due to State Comptroller	6,927	7,751
Senior lien revenue bonds payable	3,311,980	3,385,554
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	100,878	102,968
Capital lease/leaseback liabilities	105,342	103,351
TOTAL NONCURRENT LIABILITIES	3,614,367	3,699,634
TOTAL LIABILITIES	4,054,129	4,175,663
DEFERRED INFLOWS OF RESOURCES	2,178	4,535
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,056,307	4,180,198
NET POSITION		
Net investment in capital assets	837,067	881,241
Restricted for debt service	56,405	59,368
Restricted as security for capital lease/leaseback liabilities	7,751	8,560
Unrestricted	543,815	621,414
TOTAL NET POSITION	\$1,445,038	\$1,570,583

The accompanying notes are an integral part of these financial statements.

DALLAS AREA RAPID TRANSIT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016 (Dollars in Thousands)

	2017	2016
OPERATING REVENUES		
Passenger revenues	\$65,412	\$67,749
Advertising, rent, and other	14,175	14,121
TOTAL OPERATING REVENUES	79,587	81,870
OPERATING EXPENSES		
Labor	239,382	229,795
Benefits	103,288	96,528
Services	40,883	41,998
Materials and supplies	43,203	43,458
Purchased transportation	52,531	50,316
Depreciation and amortization	239,381	246,794
Utilities	18,830	18,008
Taxes, leases, and other	4,778	4,835
Casualty and liability	3,238	7,536
TOTAL OPERATING EXPENSES	745,514	739,268
NET OPERATING LOSS	(665,927)	(657,398)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	567,418	545,907
Investment income	5,450	5,552
Interest income from investments held to pay capital lease/leaseback	8,365	9,336
Interest expense on capital lease/leaseback	(8,365)	(9,336)
Gain(loss) on HOV lane investments	600	(3,100)
Street improvements	(20)	(501)
Interest and financing expenses	(155,255)	(163,004)
Build America Bonds tax credit	28,381	28,391
Other federal grants	68,564	43,731
Other non-operating revenues	17,552	16,412
Other non-operating expenses	(3,151)	(9,939)
NET NON-OPERATING REVENUES	529,539	463,449
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(136,388)	(193,949)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	9,957	3,656
State capital contributions	885	1,217
Local capital contributions	1	153
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	10,843	5,026
CHANGE IN NET POSITION	(125,545)	(188,923)
TOTAL NET POSITION – BEGINNING OF YEAR	1,570,583	1,759,506
TOTAL NET POSITION – END OF YEAR	\$1,445,038	\$1,570,583

The accompanying notes are an integral part of these financial statements.

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016 (Dollars in Thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$75,623	\$78,983
Cash flows from other sources	16,323	17,487
Payments to suppliers of goods and services	(115,245)	(146,646)
Payments to purchased transportation service providers	(51,172)	(48,434)
Payments to employees	(238,290)	(236,396)
Benefit payments on behalf of employees	(110,379)	(99,110)
NET CASH USED BY OPERATING ACTIVITIES	(423,140)	(434,116)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	565,559	538,461
Other federal grants	69,782	43,889
Other non-capital financing receipts	-	17
Build America Bonds tax credit	28,360	28,391
Local Assistance Program and street improvements	(20)	(1,152)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	663,681	609,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	5,555	7,249
Proceeds from sales and maturity of investments	437,652	900,615
Purchase of investments	(373,146)	(748,733)
Increase in restricted assets	(245)	(2,828)
Investment in managed HOV lane agreements	(600)	-
NET CASH USED BY INVESTING ACTIVITIES	69,216	156,303
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(86,985)	(109,486)
Proceeds from the issuance of commercial paper notes	800,000	880,000
Payment on commercial paper notes	(830,000)	(910,000)
Payment of debt issuance costs	-	(9,730)
Principal payment on revenue bonds	(53,962)	(48,115)
Interest and financing expenses	(164,072)	(153,744)
Federal capital contributions	7,394	1,693
State capital contributions	1,437	3,927
Local capital contributions	1	153
Proceeds from the sale of capital assets	2,717	175
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(323,470)	(345,127)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,713)	(13,334)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	53,651	66,985
CASH AND CASH EQUIVALENTS, END OF YEAR	\$39,938	\$53,651

(Continued)

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016 (Dollars in Thousands)

	2017	2016
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(665,927)	\$(657,398)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	239,381	246,794
Miscellaneous non-operating income	15,435	16,199
Miscellaneous non-operating expenses	(3,151)	(13,018)
Changes in assets and liabilities:		
Increase in transit receivable	(2,771)	(1,222)
Decrease in due from federal & other governments	593	3,681
Decrease (increase) in materials and supplies inventory	(1,027)	1,847
Decrease (increase) in prepaid expenses and other current assets	452	(1,192)
Increase (decrease) in net pension liability	(11,570)	1,507
Increase (decrease) in accounts payable and accrued liabilities	2,385	(23,666)
Increase (decrease) in unearned revenue and other liabilities	3,060	(7,648)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(423,140)</u>	<u>\$(434,116)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$8,365	\$9,336
Interest expense on capital lease/leaseback	(8,365)	(9,336)
Increase in capital lease/leaseback obligations	1,991	91,373
Increase in investments held to pay capital lease/leaseback	(1,991)	(91,373)
Decrease in fair value of investments	(1,337)	(680)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(11,269)	(4,479)
Purchases of capital assets in accounts payable at year-end	13,703	10,503
Gain (loss) on HOV lane investments	600	(3,100)
Toll Credits	-	22
Decrease in deferred outflows of resources – derivative instrument	284	1,423
Proceeds from the issuance of revenue bonds paid into escrow	-	961,340
Payment for advance refunding of revenue bonds	-	(967,191)

(Concluded)

The accompanying notes are an integral part of these financial statements.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Dallas Area Rapid Transit (DART) is a regional transportation authority of the State of Texas, created and confirmed by passage of a referendum on August 13, 1983, pursuant to Article 1118y of the Vernon's Annotated Texas Civil Statutes, as amended, and recodified into Section 452 of the Texas Transportation Code (the Code) effective September 1, 1995. DART is organized to provide public and general transportation services to 13 member jurisdictions in five counties: Dallas, Collin, Ellis, Denton, and Rockwall. The member jurisdictions in which the voters elected to be included in DART consist of the cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett, and University Park, and the towns of Addison and Highland Park. Fifteen Board members represent the 13 member jurisdictions. Board members are appointed according to the ratio of the population of a member jurisdiction to the total population of the service area. One Board member may represent multiple jurisdictions.

Amendments to DART's enabling legislation require approval of the Texas State Legislature, which holds its regular session every two years. Past legislative changes allowed the issuance of lease/leaseback transactions (see Note 11), changed the collection period of sales taxes from quarterly to monthly, and allowed a joint pledge of sales and use tax and farebox revenues as security for long-term debt. Future changes to DART's enabling legislation could have a material impact on DART's financial position. The next session of the State Legislature is scheduled to begin in January 2019.

On August 12, 2000, the voters of the DART Service Area passed a referendum that allows DART to issue up to \$2.9 billion of bonds or notes that are solely payable from and secured by the DART sales and use tax revenue, have maturities beyond five years, and are issued pursuant to the authority granted at the election. On August 9, 2001, DART issued \$400 million of the authorized \$2.9 billion bonds. On September 10, 2002, \$98.7 million of the authorized bonds were issued. On March 8, 2007, an additional \$770.3 million of the authorized bonds were issued. From the \$770.3 million, \$317.7 million was issued to refund part of the 2001 and 2002 bonds. The remaining \$452.6 million was issued to payoff commercial paper notes. In April 2008, the Board approved the fourth issuance of Bonds (Series 2008), for \$731.4 million as authorized by the Master Debt Resolution. This issuance included \$341 million to refund commercial paper notes.

A change to DART's enabling legislation was enacted during the 2009 Texas Legislative Session allowing DART to pledge multiple revenue sources as a first lien on Senior Lien Long-Term Bonds. This legislative change allowed DART to issue more than \$2.9 billion in long-term debt, provided that DART issues multi-revenue bonds. On July 23, 2012, DART filed a Bond Validation Petition in District Court 160 in Dallas County. DART sought a judicial ruling clarifying whether a \$2.9 billion limitation on "solely" pledged Sales Tax Revenue Bonds applies to "combined" Pledged Revenue Bonds. The hearing was conducted on August 13, 2012, and the Court concurred with DART's position. As a result, DART is no longer limited to \$2.9 billion in long-term debt so long as the debt is backed by a combined pledge of revenues (sales taxes plus another revenue source).

In May 2009, the Board approved the fifth issuance of Bonds (Series 2009A and Series 2009B), for \$1 billion as authorized by the Master Debt Resolution (see Note 13). In September 2010, the Board approved the sixth issuance of Bonds (Series 2010A and Series 2010B), for \$824.6 million as authorized by the Master Debt Resolution (see Note 13). On November 15, 2012, DART issued and sold \$127,775 in Senior Lien Sales Tax Revenue Bonds (Series 2012 Bonds). Series 2012 Bonds were issued to refund \$150,000 Commercial Paper Notes. The Commercial Paper Notes were issued to finance capital expenditures for DART's system expansion and acquisition. On December 13, 2012 DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S. Department of Transportation (see note 14). Under this agreement, DART borrowed \$105,000 from the U.S. Department of Transportation. The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extended DART's light rail service from Irving to the Dallas Fort Worth International Airport. These bonds are Senior Lien Revenue Bonds that are secured by, and payable from, a senior lien on Pledged Revenues. On December 11, 2014, DART issued and sold \$426,035 in Senior Lien Sales Tax Revenue Bonds (\$379,480 in Series 2014A Bonds and \$46,555 in Series 2014B Bonds). The Series 2014A and 2014B bonds were issued to refund part of the 2007 and 2008 bonds. On December 15, 2015, DART issued and sold \$117,470 in Series 2015 Senior Lien Sales Tax Revenue Bonds to refund part of the 2007 bonds. On February 18, 2016, DART issued and sold \$482,530 Series 2016A Senior Lien Sales Tax Revenue Bonds to refund part of the 2008 bonds; and on September 21, 2016 DART issued and sold \$228,900 Series 2016B Senior Lien Sales Tax Revenue Bonds to refund part of the 2007, 2008, and 2009A bonds.

DART received approximately \$567,418 in 2017 from a 1% sales and use tax imposed on certain items within its member jurisdictions compared to \$545,907 in 2016. These revenues constituted approximately 72% of DART's total revenues during fiscal year 2017 compared to 74% during 2016. Approximately 50%, 14%, and 11% of these sales and use tax revenues were collected from sales in the cities of Dallas, Plano, and Irving during both fiscal years 2017 and 2016.

Basis of Accounting – The activities of DART are accounted for as proprietary funds and therefore are reported as an enterprise fund in accordance with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB). Accordingly, DART uses the accrual basis of accounting.

Reporting Entity – DART has two component units, Regional Rail Right-Of-Way Corporation (RRROW) and Dallas Area Rapid Transit Bus Service, LGC (LGC).

DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

Regional Rail Right of Way – The RRROW is a not-for-profit Corporation formed under Article 1396-1.01 of the Texas Non-Profit Corporation Act on October 9, 1990 to facilitate the acquisition of certain properties and right-of-way for DART. On July 9, 2002, The DART Board of Directors authorized the transfer to DART of real estate interest for certain railroad right of way held by RRROW and granted easement rights to RRROW to continue freight rail operations on all of DART active freight rail corridors. DART retains all real estate interests in the active freight rail corridors and RRROW is the common carrier authority under the freight operating easement. RRROW discharges the common carrier obligations through existing trackage rights agreements that are managed by DART personnel on behalf of RRROW. RRROW collects all trackage rights fees from freight operations on active DART owned railroad corridors. At the end of each fiscal year DART receives income earned by the Corporation that is not needed to pay the Corporation's expenses or obligations. DART retains the right to use the railroad corridors for reasonable purposes provided such uses do not materially interfere with common carrier freight service on the railroad corridors.

All powers of the RRROW corporation are vested in a Board of Directors, each member of which is appointed by the DART Board. The RRROW Board of Directors consist of not fewer than three nor more than five directors of which DART is the sole corporate member. Any director may be removed from office at any time, with or without cause, by the DART Board. The DART Board may review and revise the structure, organization, and activities of the Corporation. The property and affairs of RRROW are subject to the restrictions imposed by the DART Board. In the event of dissolution all assets will be turned over to DART.

Dallas Area Rapid Transit Bus Service – The LGC is a not-for-profit Corporation formed on March 6, 2012 under Subchapter D of Chapter 431, Texas Transportation Code, to aide and act on behalf of DART in performance of its governmental purpose of providing a public transportation system by bus primarily outside the DART service area. The Corporation can issue bonds, notes or other obligations and it can also acquire real property, all subject to prior approval of the DART Board of Directors. The LGC must comply with all DART policies and, when applicable, with all Federal Transit Administration requirements in performance of its duties.

There are five members on the LGC Board: Chairman of the DART Board of Directors; one other DART Board member that is appointed by the DART Board of Directors; and three DART employees recommended by the President/Executive Director of DART and subject to the approval from the DART Board of Directors. DART is the sole corporate member of the LGC. The DART Board of Directors may remove any member from the LGC board, with or without cause. Any vacancy on the Board shall be filled by a majority vote of the DART Board of Directors. Staff functions for the Corporation are performed by DART employees, as directed by the DART President/Executive Director. The DART Board of Directors may at any time consider and approve a resolution directing the LGC Board of Directors to proceed with the dissolution of the Corporation in which case, all assets will be turned over to DART. At the end of each fiscal year, DART receives income earned by the Corporation that is not needed to pay the Corporation's expenses or obligations.

Both RRROW and LGC meet the criteria of a blended component unit for the following reasons: They are both non-profit corporations in which the agency is the sole corporate member. DART Board appoints/approves the voting majority of each Board. The DART Board can impose its will on the corporations and may at any time consider and approve a resolution directing their Boards to proceed with the dissolution of the Corporation in which case, all assets will be turned over to DART. Also, the DART Board may remove any member from the LGC or RRROW Board at any time, with or without cause. In the case of RRROW, the corporation provides services that benefit the primary government (DART) by discharging the common carrier obligations through DART's existing trackage rights agreements and collecting the related trackage rights fees. DART is legally entitled to or can otherwise access the organizations resources as it retains the right to use the railroad corridors and at the end of each fiscal year receives income earned by RRROW via the trackage right fees received. In the case of LGC, the LGC benefits DART by aiding and acting on behalf of DART in performance of its governmental purpose of providing a public transportation system. The LGC also provides a financial benefit to DART. At the end of each fiscal year DART receives the income earned by the LGC that is not needed to pay the Corporation's expenses or obligations.

The financial information of the RRROW and LGC are included in the accompanying financial statements of DART as blended component units in accordance with GASB Statement No. 61 and GASB Statement No. 80.

Internally prepared financial statements for either RRROW or LGC may be obtained by contacting the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

New Accounting Pronouncements – In June 2015, GASB issued statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The provisions in Statement 74 became effective for DART OPEB Plan during fiscal year 2017.

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In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions in Statement 77 became effective for DART during fiscal year 2017.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan. The provisions in Statement 78 became effective for DART during fiscal year 2017 but are not applicable to DART since DART does not participate in a Multiple-Employer Defined Benefit Pension Plan.

In January 2016, GASB issued Statement No. 80 *Blending Requirements for Certain Component Units – An amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions in Statement 80 became effective for DART during fiscal year 2017.

In March 2016, GASB issued Statement No. 82 *Pension Issues-an amendment of GASB Statements No. 67, No.68 and No. 73. Investment Pools and Pool Participants*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement 82 became effective for DART during fiscal year 2017.

Implementation of these Statements did not have an impact on the financial statements.

Cash and Cash Equivalents – DART considers investments in unrestricted funds with original maturities of less than 90 days at the date of purchase to be cash equivalents. Cash and cash equivalents were \$39,938 and \$53,651 as of September 30, 2017, and 2016, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), on September 30, 2017, and 2016 are stated at fair value except for money market funds which are valued at amortized cost. Fair value is the amount at which an investment may be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. DART utilizes quoted market prices or other measurements on September 30, 2017, and 2016, as the equivalent of the fair value of investments. When both restricted and unrestricted funds are available, it is DART's policy to spend restricted funds first on eligible expenditures.

Material and Supplies Inventory – An inventory of supplies and parts is maintained at different DART warehouses for use in the operation and is recorded as an expense when consumed or placed in service. Inventory is stated at average cost.

Capital Assets – Capital assets are assets with an initial individual cost of more than five thousand dollars (\$5,000) and an estimated useful life in excess of one year. Such assets are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as indicated in Note 7. Major improvements to buildings and equipment are capitalized. Maintenance and repairs are charged to expense as incurred. Improvements and betterments that extend the useful lives of capital assets or add new functionality are capitalized. Transit system development costs for services such as project-related design, construction, construction management, and project management costs are capitalized when incurred. Interest expense incurred during the construction phase of a capital asset is capitalized. In 2017, total interest and financing expense of \$156,317 was incurred, and \$1,062 of this total was capitalized. In 2016, total interest and financing expense of \$168,267 was incurred, and \$5,263 of this total was capitalized. Donated assets are capitalized at estimated acquisition value on the date of donation.

Federal, State and Local Capital Contributions, and Grants – Grant funds used for the acquisition of property and equipment are recorded as capital contribution revenues when the related grant eligibility requirements are met and qualified expenditures are incurred. DART received \$10,843 in federal, state and local capital contributions during 2017 compared to \$5,026 during 2016. None of the total capital contributions received during 2017 were based on capital expenditures made during the previous years. In addition to capital contributions, DART also received \$68,564 in 2017 compared to \$43,731 in 2016 in the form of other federal grants. Included in these amounts are grants that are substantially related to capital maintenance grants from the federal government.

Paid Time Off, Vacation and Sick Leave – Salaried exempt and non-exempt employees are eligible for a "Paid Time Off" (PTO) benefits program. Accumulated PTO hours have no cash value unless the employee has five or more years of service. Upon termination of employment, a percentage of unused PTO hours will be paid in a lump sum based on number of years of continued service with DART. Hourly employees earn vacation and sick leave, which may be taken or accumulated up to certain levels, until paid upon retirement or termination. The liability for PTO, vacation, and sick leave has been calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, and is included in the accounts payable and accrued liabilities line item in the accompanying Statements of Net Position.

DALLAS AREA RAPID TRANSIT
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Operating Revenues and Expenses – Operating revenues are generated from activities related to providing public transportation services such as bus, light rail, commuter rail, paratransit, and vanpool to DART customers. DART's operating revenues include passenger fare revenues, advertising revenues, and certain rental income. Non-operating revenues are revenues not directly related to the operations of DART's transit service. Sales and use tax revenues, Build America Bond tax credit, and investment income are classified as non-operating revenues.

Operating expenses are incurred for activities directly related to providing public transportation services to DART customers. Such activities include transportation, maintenance, transit police, and general and administrative functions. Non-operating expenses include interest and financing costs, general planning and consulting work not related to current service, and the local assistance provided to eligible member jurisdictions.

Revenue Recognition – Operating revenues are recognized when transit service is provided. Monthly tickets and annual passes are sold for revenue service, including bus and rail operations. An estimate of unused tickets and passes is recorded as unearned transit revenue and is included in the unearned revenue and other liabilities line item in the accompanying Statements of Net Position.

Sales and Use Tax Revenues – Sales and use tax revenues are recognized when the underlying transactions occur. Sales and use tax revenues are subject to audits by the State Comptroller, which sometimes results in refunds to the State.

Self-Insurance Liabilities – DART administers and maintains self-insured reserves for employee medical, operational workers' compensation, auto, and general liability (including bus/rail accidents), directors' and officers' liability, and light rail construction workers' compensation and general liability claims. These programs are administered by DART, or in some instances, a third party. DART accrues the estimated cost of self-insurance liabilities based on actuarial review and the estimate is included in the accounts payable and accrued liabilities line item in the accompanying Statements of Net Position.

The estimate includes incurred but not reported (IBNR) claims. Changes in the liabilities in 2017 and 2016 for DART's self-insured programs are as follows:

Description	2017	2016
Beginning balance	\$17,445	\$16,017
Current year claims and changes in estimates	5,707	6,719
Payments	(5,182)	(5,291)
Ending balance	<u>\$17,970</u>	<u>\$17,445</u>
Amounts due in one year	<u>\$5,158</u>	<u>\$4,909</u>

DART purchases liability insurance coverage for all-risk property, commuter rail, leased premises, crime, directors and officers and light rail project-specific professional liability and light rail build-out workers' compensation and general liability. Coverage is evaluated annually and adjusted as necessary based upon exposure and claim payments. There was no significant reduction in insurance coverage from the previous year, and the settlement amounts did not exceed insurance coverage for each of the past three fiscal years.

Premium and Discounts on Revenue Bonds – Premiums and discounts on Senior Lien Revenue Bonds are amortized using the effective interest method. Bond insurance premiums and gains/losses on refunding are also amortized using the effective interest method over the life of the bonds.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan) and additions to/deductions from the DB Plan's fiduciary net position have been determined on the same basis as they are reported by the DB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position – *Net Investment in Capital Assets*, includes capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. *Restricted* consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is DART's policy to use restricted resources first, and then unrestricted resources when they are needed. *Unrestricted* resources consist of net position that does not meet the definition of "restricted" or "net investment in capital assets."

DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

2. SERVICE AGREEMENTS

DART has entered into several long-term agreements with contractors to provide paratransit, commuter rail, DART on-call and shuttle services. Payments to service providers are recorded as purchased transportation in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

Summary of major services rendered in 2017 and 2016 and the current contract terms, including option periods is shown as follows:

Contractor's Name	Service Type	Annual Payments		Contract Terms	
		2017	2016	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail Service	20,611	\$20,087	10/1/2015	9/30/2025
MV Contract Transportation, Inc.	Paratransit, and On-call services	26,032	25,541	10/1/2012	9/30/2019
Others	Various	5,888	4,688	Various	Various
Total		<u>\$52,531</u>	<u>\$50,316</u>		

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and investments, excluding investments held for lease/leaseback liabilities, as of September 30 are classified in the Statements of Net Position as follows:

	9/30/2017	9/30/2016
Cash and cash equivalents	\$39,938	\$53,651
Investments	498,204	562,223
Restricted investments held by trustee for debt service	111,734	112,301
Restricted investments held for advance funding agreements	67,868	67,055
Restricted investments held as security for capital lease/leaseback liabilities	7,751	8,560
Total cash and investments	<u>\$725,495</u>	<u>\$803,790</u>

Cash and investments as of September 30 consist of the following:

	9/30/2017	9/30/2016
Cash on hand	\$1,599	\$1,605
Cash equivalents	38,339	52,046
Investments	685,557	750,139
Total cash and investments	<u>\$725,495</u>	<u>\$803,790</u>

Deposits

State statutes authorize DART's cash to be deposited in demand deposits, time deposits, or certificates of deposit and require that all deposits be fully collateralized or insured.

On September 30, 2017, the carrying amount of DART's deposits was \$1,599 compared to \$1,605 at September 30, 2016. Bank balances at September 30, 2017 and 2016 were entirely covered either by Federal Depository Insurance or by collateral held by DART's agent in DART's name.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, DART will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. DART's policy requires that all deposits with financial institutions must be collateralized to the extent not protected by F.D.I.C. insurance. Securities that can be accepted as collateral are limited to U.S. Government Securities, Federal Agency Securities, and Municipal Securities.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

Investments

In accordance with the Texas Public Funds Investment Act and DART's investment policy, DART invests in, among others, obligations of the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities, and other state political subdivisions with ratings from a nationally recognized investment rating firm of not less than "A" or its equivalent and commercial paper with ratings of not less than "A1" or "P1." In addition, State statutes authorize DART to invest funds in other cash equivalents such as money market mutual funds among other things. All DART investments are subject to the Texas Public Funds Investment Act. The following table identifies the investment types that are authorized by DART's Investment Policy. The table also identifies certain provisions of DART Investment Policy that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer at the time of purchase
U.S. Government Securities	None	None	None
Federal Agency Securities	None	None	25%
Municipal Securities	None	None	10%
Repurchase and Reverse Repurchase Agreements	90 days	50%	5%
Money Market Mutual Funds	10 years	None	None
Commercial Paper	270 days	None	5%
Banker's Acceptance	270 days	None	5%
Certificate of Deposit	10 years	None	None

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that DART manages exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of it matures evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of DART investments to market interest rate fluctuations as of September 30 is provided in the following tables, which show the distribution of DART investments by maturity.

Investment Type	Total Amount	Remaining Maturity (in months) as of September 30, 2017		
		12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Home Loan Bank	\$168,952	\$38,035	\$17,974	\$112,943
Federal Farm Credit Banks	112,410	48,291	29,816	34,303
Federal Home Loan Mortgage Corporation	107,456	61,635	31,809	14,012
Federal National Mortgage Association	111,543	25,926	43,488	42,129
Commercial Paper	40,242	40,242	-	-
Money Market Funds	183,293	183,293	-	-
Total	\$723,896	\$397,422	\$123,087	\$203,387

Investment Type	Total Amount	Remaining Maturity (in months) as of September 30, 2016		
		12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Home Loan Bank	\$149,786	\$97,679	\$48,087	\$4,020
Federal Farm Credit Banks	131,505	53,634	67,859	10,012
Federal Home Loan Mortgage Corporation	157,058	70,261	54,851	31,946
Federal National Mortgage Association	103,971	4,650	25,929	73,392
Commercial Paper	179,812	179,812	-	-
Money Market Funds	61,344	61,344	-	-
US Treasury Note	18,709	18,709	-	-
Total	\$802,185	\$486,089	\$196,726	\$119,370

DALLAS AREA RAPID TRANSIT
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FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating agency. The following tables show actual ratings as of September 30 for each investment type. Money market funds listed are SEC regulated 2a.7 funds.

Rating as of September 30, 2017				
Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAA/ Aaa
Federal Home Loan Bank	\$168,952	\$168,952	\$ -	\$ -
Federal Farm Credit Banks	112,410	112,410	-	-
Federal Home Loan Mortgage Corporation	107,456	107,456	-	-
Federal National Mortgage Association	111,543	111,543	-	-
Commercial Paper	40,242	-	40,242	-
Money Market Funds	183,293	177,290	-	6,003
Total	\$723,896	\$677,651	\$40,242	\$ 6,003

Rating as of September 30, 2016				
Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAA/ Aaa
Federal Home Loan Bank	\$149,786	\$139,722	\$ 10,064	\$ -
Federal Farm Credit Banks	131,505	108,881	22,624	-
Federal Home Loan Mortgage Corporation	157,058	116,509	40,549	-
Federal National Mortgage Association	103,971	103,971	-	-
Commercial Paper	179,812	-	179,812	-
Money Market Funds	61,344	54,831	-	6,513
US Treasury Note	18,709	18,709	-	-
Total	\$802,185	\$542,623	\$253,049	\$ 6,513

On August 5, 2011, Standard and Poor's, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term United States sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists. Included in DART's investment portfolio as of September 30, 2017 is \$500,361 compared to \$487,792 as of September 30, 2016 are securities with credit ratings of AAA to AA+ by Standard and Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of DART's investment in a single issuer. DART's Investment Policy contains limitations on the amount that can be invested in any one issuer as shown in the table on page 23. Investments in any one issuer that represent 5% or more of total investment portfolio of DART as of September 30 are as shown below:

September 30, 2017		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Home Loan Bank	\$168,952	23%
Federal Farm Credit Banks	112,410	16%
Federal National Mortgage Association	111,543	15%
Federal Home Loan Mortgage Corporation	107,456	15%
Logic	97,043	13%
TexPool	80,247	11%

September 30, 2016		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Home Loan Mortgage Corporation	\$157,058	20%
Federal Home Loan Bank	149,786	19%
Federal Farm Credit Banks	131,505	16%
Federal National Mortgage Association	103,971	13%

DALLAS AREA RAPID TRANSIT
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Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, DART will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All of DART's investments except for money market mutual funds, which by design provide ownership of shares within the fund, are registered in DART's name as of September 30, 2017 and 2016 and are not exposed to custodial credit risk.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. None of DART's investment are in foreign currency-denominated investments.

DART categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using a matrix pricing model. Level 3 inputs are significant unobservable inputs. DART investment fair value measurements as of September 30, 2017 and 2016 are shown on the next page.

DART has the following fair value measurements as of September 30, 2017 and 2016.

Fair Value Measurements as of September 30, 2017				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Home Loan Bank	\$168,952	\$ -	\$168,952	\$ -
Federal Farm Credit Banks	112,410	-	112,410	-
Federal Home Loan Mortgage Corporation	107,456	-	107,456	-
Federal National Mortgage Association	111,543	-	111,543	-
Commercial Paper	40,242	-	40,242	-
Total	<u>\$540,603</u>	<u>\$ -</u>	<u>\$540,603</u>	<u>\$ -</u>
Fair Value Measurements as of September 30, 2016				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Home Loan Bank	\$149,786	\$ -	\$149,786	\$ -
Federal Farm Credit Banks	131,505	-	131,505	-
Federal Home Loan Mortgage Corporation	157,058	-	157,058	-
Federal National Mortgage Association	103,971	-	103,971	-
Commercial Paper	179,812	-	179,812	-
US Treasury Note	18,709	-	18,709	-
Total	<u>\$740,841</u>	<u>\$ -</u>	<u>\$740,841</u>	<u>\$ -</u>

Restricted investments held to pay capital lease/leaseback liabilities – As of September 30, 2017, DART had one outstanding lease/leaseback obligation. When DART entered into the capital lease/leaseback transactions it received advance rental payments. A portion of the advance rental payment received by DART was used to purchase contractual undertakings from certain financial institutions. These institutions assumed and agreed to pay the sublease rental payments due through the purchase option date, together with the purchase option price owed if DART were to exercise the purchase option rights. For other leases, DART deposited a portion of the advance rental payment with a trustee, who was to purchase direct obligations of the US government and other securities that would mature on the dates in the amounts required to pay sublease rental payments and the respective purchase option price. These investments are held by the trustee in the name of DART and are invested in U.S. Treasury strips, U.S. government sponsored enterprise obligations, and guaranteed investment contracts. They include a combination of investments with short-term and long-term maturities which minimizes the exposure to interest rate risk. Because these investments are insured by a third party and are held in U.S. Treasuries and government investment contracts they are not recorded at fair value but are recorded at amortized cost in the Statements of Net Position.

Assigned assets – The DART Board has assigned certain cash and investment balances to be maintained for self-insurance and financial reserve. These amounts are shown as unrestricted investments in the accompanying financial statements. The assets for self-insurance include amounts assigned by the Board to fund future claims and workers' compensation liabilities. The Board established the financial reserve to accumulate sales and use taxes in years when sales and use tax revenues exceed the budgeted amount. Sales and use tax revenues, net of annual repayments to the State Comptroller, were \$3,016 more than budget for fiscal year 2017 compared to \$2,705 for fiscal year 2016. In addition, the Board of Directors authorized the establishment of a Capital Project Reserve Account. Should the Financial Reserve exceed \$50 million, excess funds are placed in the Capital Project Reserve Account.

DALLAS AREA RAPID TRANSIT
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An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Project Reserves, and the funds may be used for any purpose approved by the Board. During 2011, the DART Board approved a request to set aside a portion of the financial reserve investments for potential collateral as required by an amendment to one of the lease/leaseback agreements. The amount set aside for this purpose is \$7,751 as of September 30, 2017, compared to \$8,560 as of September 30, 2016. These amounts are shown as restricted investments held as security for capital lease/leaseback liabilities in the Statements of Net Position and are excluded from the financial reserve amount of September 30, 2017 and 2016 shown as follows:

Assigned for	2017	2016
Self-Insurance	\$12,236	\$ 10,111
Financial Reserve*	42,425	41,473
Capital Reserve	23,699	20,292
Total	<u>\$ 78,360</u>	<u>\$ 71,876</u>

*The financial reserve amounts shown here are net of \$7,751 as of September 30, 2017, and \$8,560 as of September 30, 2016. These amounts are set aside as collateral security for a certain lease/leaseback obligation.

4. RESTRICTED ASSETS

As security for the Senior Lien Obligations (Bonds) and Senior Subordinate Lien Obligations (Commercial Paper Notes), DART is required to maintain a certain amount of money in trust accounts created for this purpose. The money maintained in the trust accounts is reported as *Investments held by trustee for debt service* in the Statements of Net Position. The trustee uses all the monies and investments in the account for payment of principal, interest for bonds and commercial paper notes, and administrative expenses.

Restricted assets shown in the Statements of Net Position also include bond proceeds which will be used to fund capital expenditures.

DART entered into three advance funding agreements with the Texas Department of Transportation and received money for construction of three parking lots. DART also entered into an inter-local agreement with the City of Dallas to plan and design a modern streetcar system for the City of Dallas and received money for this purpose. The remaining balances of these monies are shown as restricted investments held for advance funding agreements in the Statements of Net Position as of September 30, 2017 and 2016.

DART also entered into an additional Equity Security Agreement that requires it to set aside certain investments as security for a certain lease/leaseback obligation. As of September 30, 2017, DART has set aside \$7,751 compared to \$8,560 as of September 30, 2016, for this purpose. These amounts are shown as investments restricted as security for lease/leaseback liabilities in the Statements of Net Position.

5. INVESTMENT IN JOINT VENTURE

DART and the Fort Worth Transportation Authority ("The T") jointly provide commuter rail service between downtown Dallas and downtown Fort Worth. The authorities have adopted the name *Trinity Railway Express* ("TRE") to provide this service. The operation and maintenance of commuter rail service is contracted to Herzog Transit Services, Inc. The cost of operating TRE, net of operating revenues, is shared between DART and The T based on revenue seat miles operated in Dallas County and Tarrant County, respectively. The transit authorities separately contributed the capital for the passenger stations and track storage areas in their respective counties, including fixtures and fare collection equipment at those stations. DART has separately contributed the capital for thirteen rail diesel cars (RDCs) purchased for the initial TRE commuter rail service. DART and The T have jointly contributed the capital for seven rehabilitated locomotives, two new locomotives, ten rehabilitated bi-level coaches, five new bi-level coaches, two rehabilitated bi-level cab cars, and five new bi-level cab cars. The book value of DART's share of these capital assets jointly owned with The T is recorded as Investment in Joint Venture in the Statements of Net Position in accordance with GASB Statement No. 61. There are no separate financial statements for the TRE. Each authority includes its share of revenues, operating costs and capital assets in its own financial statements.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

6. INVESTMENT IN MANAGED HOV LANE AGREEMENTS

In October 2010, DART entered into agreements with TxDOT to invest in managed HOV lane projects that fall under the Regional Transportation Council's (RTC) policy for Excess Toll Revenue Sharing. RTC's policy allows local governments and transportation authorities to invest in Comprehensive Development Agreement (CDA) projects. Any excess revenue will be returned to the funding partners in proportion to their shares and be used to fund future transportation projects. As of September 30, 2017 and 2016, a financial analysis of the value of DART investment managed HOV lane projects is determined to be \$11.1 million and \$10.5 million, respectively. As a result, a gain in value of \$0.6 million is recorded in the Statements of Changes in Net Position as of September 30, 2017, compared to \$3.1 million decline value as of September 30, 2016. These investments are shown on the Statements of Net Position at fair value as of September 30, 2017 and 2016 and will be reviewed annually for a decline in value. As of September 30, 2017, the Statements of Net Position reflects these Investments in Managed HOV Lane Agreements totaling \$11,100 compared to \$10,500 as of September 30, 2016. The fair value of these Investments in Managed HOV Lane Agreements is measured using Level 3 inputs within the fair value hierarchy established by GAAP. The Investments in Managed HOV Lane Agreements in Level 3 is valued using future projected cash flows.

7. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2017 and 2016 are shown as follows:

	Beginning Oct. 1, 2016	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2017
Non-Depreciable Assets					
Land and right-of-way	\$615,709	\$ -	\$(464)	\$3,781	\$619,026
Capital projects in progress	190,992	86,300	-	(210,425)	66,867
Total non-depreciable assets	806,701	86,300	(464)	(206,644)	685,893
Depreciable Assets					
Transitways	3,861,876	-	-	157,991	4,019,867
Buildings and improvements	749,160	-	-	700	749,860
Revenue and non-revenue vehicles and equipment	1,282,270	-	(24,616)	44,226	1,301,880
Furniture, fixtures, and Leasehold improvements	65,909	-	-	3,727	69,636
Total depreciable assets	5,959,215	-	(24,616)	206,644	6,141,243
Less accumulated depreciation					
Transitways	1,190,044	134,528	-	-	1,324,572
Buildings and improvements	366,599	24,706	-	-	391,305
Revenue and non-revenue vehicles and equipment	605,467	75,688	(24,610)	-	656,545
Furniture, fixtures, and Leasehold improvements	60,150	3,349	-	-	63,499
Total accumulated depreciation	2,222,260	238,271	(24,610)	-	2,435,921
Depreciable assets, net	3,736,955	(238,371)	(6)	206,644	3,705,322
Total capital assets	\$4,543,656	\$(151,971)	\$(470)	\$ -	\$4,391,215

**DALLAS AREA RAPID TRANSIT
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FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

	Beginning Oct. 1, 2015	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2016
Non-Depreciable Assets					
Land and right-of-way	\$616,728	\$ -	\$(1,023)	\$4	\$615,709
Capital projects in progress	101,124	103,183	-	(13,315)	190,992
Total non-depreciable assets	<u>717,852</u>	<u>103,183</u>	<u>(1,023)</u>	<u>(13,311)</u>	<u>806,701</u>
Depreciable Assets					
Transitways	3,860,836	-	-	1,040	3,861,876
Buildings and improvements	748,445	-	(42)	757	749,160
Revenue and non-revenue vehicles and equipment	1,287,039	-	(13,197)	8,428	1,282,270
Furniture, fixtures, and Leasehold improvements	64,523	-	(943)	2,329	65,909
Total depreciable assets	<u>5,960,843</u>	<u>-</u>	<u>(14,182)</u>	<u>12,554</u>	<u>5,959,215</u>
Less accumulated depreciation					
Transitways	1,060,638	129,406	-	-	1,190,044
Buildings and improvements	341,810	24,831	(42)	-	366,599
Revenue and non-revenue vehicles and equipment	536,743	82,507	(13,026)	(757)	605,467
Furniture, fixtures, and Leasehold improvements	57,584	3,463	(897)	-	60,150
Total accumulated depreciation	<u>1,996,775</u>	<u>240,207</u>	<u>(13,965)</u>	<u>(757)</u>	<u>2,222,260</u>
Depreciable assets, net	<u>3,964,068</u>	<u>(240,207)</u>	<u>(217)</u>	<u>13,311</u>	<u>3,736,955</u>
Total capital assets	<u>\$4,681,920</u>	<u>\$(137,024)</u>	<u>\$(1,240)</u>	<u>\$ -</u>	<u>\$4,543,656</u>

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Years
Buildings and improvements	20-30
Buses and equipment	4-12
Furniture, fixtures, and leasehold improvements	3-10
Facilities and transitways (LRT System and HOV lanes)	20-30
Light rail transit vehicles and commuter rail vehicles	25
Rebuilt/Remanufactured rail cars	10

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND REPAYMENT DUE TO STATE COMPTROLLER

Accounts payable and accrued liabilities at September 30 are as follows:

Description	2017	2016
Accounts payable and accrued liabilities		
Payroll	\$9,753	\$9,624
Accrued paid time off, vacation and sick leave	25,889	24,938
Self-insurance liabilities	17,970	17,445
Other operating liabilities	30,594	29,814
Total operating expense related	<u>84,206</u>	<u>81,821</u>
Non-operating expense and capital related	13,713	10,503
Total accounts payable and accrued liabilities	<u>97,919</u>	<u>92,324</u>
Non-current	37,113	36,313
Current	<u>\$60,806</u>	<u>\$56,011</u>

**DALLAS AREA RAPID TRANSIT
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FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

The Texas State Comptroller collects the 1% sales and use tax from taxpayers for DART. Sales and use tax revenues are subject to audits by the State Comptroller, which sometimes results in repayments to the State. Outstanding repayments and changes in the repayments due to the State Comptroller at September 30 are as follows:

Description	2017	2016
Beginning balance	\$8,575	\$9,399
Payments	(824)	(824)
Ending balance	7,751	8,575
Non-current	6,927	7,751
Current	\$824	\$824

9. ACCRUED PAID TIME OFF (PTO) VACATION AND SICK LEAVE

Changes in accrued PTO, vacation, and sick leave for the years ended September 30 are shown in the following table.

Description	2017	2016
Beginning balance	\$24,938	\$24,313
Additions	2,575	1,777
Payments	(1,624)	(1,152)
Ending balance	\$25,889	\$24,938
Amounts due in one year	\$1,345	\$1,161

10. LOCAL ASSISTANCE PROGRAM

In 1989, DART created a Local Assistance Program (LAP) to provide technical and financial assistance to cities for the implementation of projects to reduce traffic congestion and complement bus and public transit operations. Eligible member jurisdictions are responsible for developing and submitting projects to DART for approval in order to receive distribution of these funds. According to the terms of inter-local agreements, DART allocated a percentage of its annual sales and use tax collections for the LAP program. Eligible member jurisdictions received 15% of the estimated sales and use taxes collected within that jurisdiction, except Irving, which received 7.5%. Dallas, University Park, and Highland Park were not eligible. The LAP program ended in 2004. Accrued but unpaid funds were carried over to succeeding years and were recorded as a liability on the accompanying Statements of Net Position.

Changes in Local Assistance Program Payable for the years ended September 30 are as follows:

Description	2017	2016
Beginning balance	\$685	\$1,336
Payments	-	(651)
Ending balance	\$685	\$685

11. FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

DART has entered into lease transactions in which certain capital assets are leased to investors (headlease) and simultaneously leased back (sublease). Under these transactions, DART maintains the right to continued use and control of the assets through the end of the lease term and is required to insure and maintain the assets. The headleases and subleases have been recorded as capital lease/leaseback for accounting purposes. The following table summarizes DART capital lease/leaseback transactions as of the respective transaction date.

Lease Date	Property	Fair Value at Closing Date	Prepayment Received on Head Lease	Amount Invested to Satisfy Sublease Obligation	Cash Benefit	Repurchase Option Date	Sublease Termination Date
9/28/2000	28 Light rail cars	\$91,000	\$91,000	\$84,000	\$7,000	01/02/23	12/15/23
10/26/2000*	25 Light rail cars	81,000	81,000	74,700	6,300	-	11/23/15

DALLAS AREA RAPID TRANSIT
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The subleases provide DART with an opportunity, at its sole discretion, to repurchase equipment on specified dates. As these dates approach, DART will complete a financial analysis on each specific lease to determine if it is financially beneficial to repurchase the equipment. At this point in time, DART anticipates that it will exercise the repurchase option on all of its remaining leases at the specified dates and has reflected this option in the amortization.

The following table shows the book value of the light rail cars under the lease/lease back agreements as of September 30, 2017 and 2016.

Lease Date	Property	Book value as of 9/30/2017	Book value as of 9/30/2016
9/28/2000	28 Light rail cars	\$22,008	\$25,059
10/26/2000*	25 Light rail cars	22,964	25,847

*On November 23, 2015, DART entered into a lease termination agreement and terminated the October 26, 2000 lease/leaseback transaction.

The net present value of the future sublease payments has been recorded as both a short-term and long-term liability in the accompanying Statements of Net Position. Prepayments received from the head lease were invested to satisfy the sublease obligations. Since the investments have been structured to meet all future obligations under the subleases at all times when due, the investment balances have been recorded to equal the sublease liabilities on the accompanying Statements of Net Position. The benefits from these transactions, net of transaction costs, were recorded as non-operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position in the fiscal year each transaction occurred.

The capital lease/leaseback liabilities are reported as follows on the Statements of Net Position:

	2017	2016
Amounts due within one year	\$6,374	\$6,374
Amounts due in more than one year	105,342	103,351
Total	<u>\$111,716</u>	<u>\$109,725</u>

Each of the lease/leaseback transactions has specific performance requirements for DART when the financial rating of the Payment Undertaker insurer falls below a specified level. During fiscal year 2010, credit ratings of two of three financial institutions insuring DART's lease/leaseback transactions were downgraded below certain levels specified in the lease/leaseback agreements. As a result, DART has entered into an amended agreement to reset the acceptable credit rating to be maintained at or above BBB for one of these two transactions. For the other lease/leaseback obligation, DART also entered into an additional Equity Security Agreement that requires it to set aside certain investments as security. As of September 30, 2017, DART has set aside \$7,751 compared to \$8,560 as of September 30, 2016 for this purpose. These amounts are shown as investments restricted as security for lease/lease back liabilities in the Statements of Net Position.

On November 23, 2015, DART entered into a lease termination agreement and terminated the October 26, 2000 lease/lease back transaction. As a result of this lease termination agreement, DART has only one outstanding lease/lease back obligation as of September 30, 2017. The following amounts and those shown in the Statements of Net Position as September 30, 2017 reflect the effect of the termination agreement.

Changes in the capital lease/lease back obligations for the years ended September 30 are shown below:

Description	2017	2016
Beginning balance	\$109,725	\$201,098
Accrued interest	8,365	9,336
Retirements	(6,374)	(100,709)
Ending Balance	<u>\$111,716</u>	<u>\$109,725</u>

DALLAS AREA RAPID TRANSIT
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The following schedule shows future minimum sublease payments as of September 30, 2017 for the outstanding lease capital lease/leaseback transactions.

Year Ending September 30	Minimum Sublease Payments
2018	\$6,374
2019	6,374
2020	6,374
2021	6,374
2022	18
2023 – 2024	135,292
Total minimum sublease payments due under capital lease/leaseback	160,806
Less: amount representing interest	(49,090)
Present value of minimum sublease payments	<u>\$111,716</u>

12. SENIOR SUBORDINATE LIEN SALES TAX REVENUE COMMERCIAL PAPER NOTES PAYABLE

In January 2001, the DART Board approved the issuance of up to \$650 million of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes under the provisions of the Master Debt Resolution.

Commercial Paper Self-liquidity Program – after the Revolving Credit Agreement was terminated, the DART Board approved a new Commercial Paper Self-liquidity Program that allows DART to issue up to \$200 million in commercial paper notes backed by self-liquidity. Under this program, DART provides self-liquidity in an aggregate principal amount of \$200 million and 90 days interest calculated at an interest rate 12% of the outstanding commercial paper debt. DART also maintains at least 2.0 times the debt service coverage amount for the self-liquidity commercial paper notes and ensures that no more than \$35 million of the commercial paper notes mature within five days. During fiscal year 2017 and 2016, DART has complied with these requirements of the self-liquidity program. As of September 30, 2017, DART has \$140 million in outstanding commercial paper notes issued under the self-liquidity program.

Commercial paper notes are issued in blocks for terms from 1 to 270 days and recorded as current liabilities on the Statements of Net Position. The average interest rate on outstanding commercial paper was 0.90% at September 30, 2017, and 0.58% at September 30, 2016.

Changes in the Commercial Paper Notes for the years ended September 30 are shown below:

Description	2017	2016
Beginning balance	\$170,000	\$ 200,000
Additions	800,000	880,000
Retirement	(830,000)	(910,000)
Ending Balance	<u>\$140,000</u>	<u>\$ 170,000</u>

The maximum principal of outstanding Commercial Paper Notes did not exceed the \$200 million limit during either year.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

13. SENIOR LIEN REVENUE BONDS

The DART Board has approved several issuances in accordance with the Master Debt Resolution. These bonds are Senior Lien Revenue Bonds that are secured by, and payable from pledged revenues. Pertinent information related to each bond outstanding is shown below:

Bond Series	Board Approval Date	Original Issue Amount	Date issued	Interest rates (Yields) range		Maturity date range		Optional Redemption	
				From	To	From	To	Bonds maturing after	Earliest call date
2007 (a)	Jan. 2007	\$770,270	3/08/07	4.00%	5.30%	12/1/07	12/1/36	12/1/17	12/1/16
2008 (b)	Apr. 2008	731,415	6/23/08	4.50%	5.30%	12/1/09	12/1/48	12/1/18	12/1/17
2009A	May 2009	170,385	6/25/09	2.80%	4.30%	12/1/14	12/1/22	12/1/19	6/1/19
2009B	May 2009	829,615	6/25/09	6.00%	6.30%	12/1/23	12/1/44	12/1/34	5/31/19
2010A	Sep. 2010	95,235	10/7/10	2.00%	5.00%	12/1/13	12/1/23	12/1/21	12/1/20
2010B	Sep. 2010	729,390	10/7/10	4.90%	5.00%	12/1/37	12/1/48	Not applicable	
2012	April 2012	127,775	11/15/12	1.00%	5.00%	12/1/13	12/1/42	12/1/22	12/1/22
2014A (c)	Oct. 2014	379,480	12/11/14	2.00%	5.00%	12/1/17	12/1/36	12/1/25	12/1/24
2014B (c)	Nov. 2014	46,555	12/11/14	5.00%	5.30%	12/1/33	12/1/43	12/1/36 & 12/1/43	12/1/33 & 12/1/39
2015 (d)	Nov. 2015	117,470	12/15/15	2.06%	2.30%	12/1/16	12/1/27	Not applicable	
2016A (e)	Nov. 2015	482,530	02/18/16	5.00%	5.00%	12/1/26	12/1/48	12/1/25	12/1/25
2016B (f)	Mar. 2016	228,900	09/21/16	3.00%	5.00%	12/1/19	12/1/38	12/1/27	12/1/26

- a) The series 2007 bond issuance included \$328,235 to partially refund Series 2001 and 2002 bonds.
- b) The Series 2008 bonds maturing after December 1, 2018 are subject to optional redemption except for those maturing on December 1, 2029 and 2030.
- c) The series 2014A and 2014B were issued to refund series 2007 and 2008 bonds totaling \$453,125.
- d) The series 2015 were issued to refund a portion of series 2007 bonds totaling \$112,720. The Series 2015 bonds were issued with an initial taxable rate of 2.30% converting to tax-exempt rate of 2.06% on 12/01/2016.
- e) The series 2016A were issued to refund a portion of series 2008 bonds totaling \$512,370.
- f) The series 2016B were issued to refund a portion of series 2007, 2008, and 2009A bonds totaling \$252,440.

In June 2009, DART issued and sold \$170,385 in tax exempt Senior Lien Sales Tax Revenue Bonds (Series 2009A Bonds), and \$829,615 in taxable Senior Lien Sales Tax Revenue Bonds (Series 2009B Bonds) to finance capital expenditures for DART's system expansion and acquisition. The Series 2009B bonds are taxable bonds issued under the Build America Bond program of the American Recovery and Reinvestment Act of 2009 (ARRA). In accordance with ARRA, DART receives a tax credit from the United States Treasury in amounts equal to 35% of the interest payable amount on the Series 2009B Bonds. However, during fiscal years 2017 and 2016, this tax credit was reduced by 6.9% and 6.8% due to budget cuts or "sequestration" by the federal government.

In October 2010, DART issued and sold \$95,235 in tax exempt Senior Lien Sales Tax Revenue Bonds (Series 2010A Bonds), and \$729,390 in taxable Senior Lien Sales Tax Revenue Bonds (Series 2010B Bonds) to finance capital expenditures for DART's system expansion and acquisition. The Series 2010B bonds are taxable bonds issued under the Build America Bond program of the American Recovery and Reinvestment Act of 2009 (ARRA). In accordance with ARRA, DART receives a tax credit from the United States Treasury in amounts equal to 35% of the interest payable amount on the Series 2010B Bonds. However, during fiscal years 2017 and 2016 this tax credit was reduced by 6.9% and 6.8% respectively, due to budget cuts or "sequestration" by the federal government. During 2017, DART recorded tax credits of \$28,381 compared to \$28,391 for 2016 as Build America Bonds tax credit (for Series 2009B and 2010B bonds combined) in the Statements of Revenues, Expenses and Changes in Net Position.

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Additional bonds may not be issued unless gross sales and use tax revenues exceed maximum debt service by at least 200% for 12 of the last 18 months. Changes in revenue bonds (shown at par) for the years ended September 30, 2017 and 2016 are as shown below:

Bond Series	Balance, 9/30/2015	Additions	Retirement	Balance, 9/30/2016	Additions	Retirement	Balance, 9/30/2017	Amounts due in one year
2007	\$386,790	\$ -	\$(248,145)	\$138,645	\$ -	\$(20,250)	\$118,395	\$ -
2008	596,450	-	(569,605)	26,845	-	(8,505)	18,340	8,940
2009A	154,920	-	(101,265)	53,655	-	(17,025)	36,630	17,865
2009B	829,615	-	-	829,615	-	-	829,615	-
2010A	65,935	-	(4,435)	61,500	-	(2,375)	59,125	1,895
2010B	729,390	-	-	729,390	-	-	729,390	-
2012	123,480	-	(2,245)	121,235	-	(2,335)	118,900	2,410
2014A	379,480	-	-	379,480	-	-	379,480	12,110
2014B	46,555	-	-	46,555	-	-	46,555	-
2015	-	117,470	-	117,470	-	(1,440)	116,030	10,625
2016A	-	482,530	-	482,530	-	-	482,530	-
2016B	-	228,900	-	228,900	-	-	228,900	-
Total	\$3,312,615	\$828,900	\$(925,695)	\$3,215,820	\$ -	\$(51,930)	\$3,163,890	\$53,845

The revenue bonds shown above are at face value. The amounts shown in the Statements of Net Position include the unamortized balance of original issuance premium of \$201,935 and \$221,664 as of September 30, 2017 and 2016, respectively. Below is a summary of debt service requirements of the Senior Lien Revenue Bonds outstanding as of September 30, 2017:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2018	\$53,845	\$161,302	\$215,147	\$(28,452)	\$186,695
2019	56,140	158,966	215,106	(28,452)	186,654
2020	57,760	156,429	214,189	(28,452)	185,737
2021	60,410	153,781	214,191	(28,452)	185,739
2022	63,105	151,085	214,190	(28,452)	185,738
2023 – 2027	357,825	706,655	1,064,480	(145,958)	918,522
2028 – 2032	438,430	605,606	1,044,036	(133,081)	910,955
2033 – 2037	551,845	472,337	1,024,182	(114,604)	909,578
2038 – 2042	655,385	315,635	971,020	(81,391)	889,629
2043 – 2047	648,750	132,341	781,091	(31,903)	749,188
2048 – 2049	220,395	11,158	231,553	(2,517)	229,036
TOTAL	\$3,163,890	\$3,025,295	\$6,189,185	\$(651,714)	\$5,537,471

14. TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) BONDS

On December 13, 2012, DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S Department of Transportation. Under this agreement, DART issued a Senior Lien Obligation bond to borrow up to \$119,972 from the U.S Department of Transportation at an interest rate of 2.91%. The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extended DART's light rail service from Irving to the Dallas Fort Worth International Airport. According to the TIFIA financing agreement, the U.S. Department of Transportation (DOT) reimburses DART for eligible capital project costs. DART received \$45,000 during fiscal year 2013, \$55,000 during fiscal year 2014 and \$5,000 during fiscal year 2015. Since the project cost is lower than budget, DART borrowed only \$105,000 instead of the maximum amount of \$119,972 allowed in the agreement. The TIFIA bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations.

The table on the next page summarizes estimated debt service requirements of the TIFIA financing agreement executed on December 13, 2012.

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Summary of estimated debt service requirements of TIFIA bonds as of September 30, 2017 is as follows:

Year Ended September 30	Principal	Interest	Total TIFIA Bond Debt Service
2018	\$2,091	\$2,966	\$5,057
2019	2,151	2,904	5,055
2020	2,214	2,845	5,059
2021	2,279	2,772	5,051
2022	2,345	2,708	5,053
2023 – 2027	12,788	12,461	25,249
2028 – 2032	14,760	10,463	25,223
2033 – 2037	17,037	8,149	25,186
2038 – 2042	19,664	5,486	25,150
2043 – 2047	22,697	2,409	25,106
2048	4,943	72	5,015
TOTAL	\$102,969	\$53,235	\$156,204

The annual debt service requirements for the TIFIA bond range from \$5,015 in fiscal year 2048 to \$5,059 in fiscal year 2020.

15. PLEDGED REVENUES

DART has pledged sales and use tax and farebox revenues as security for revenue bonds, TIFIA Bonds and commercial paper debts. The amount of the pledge is equal to the remaining debt service requirements for these obligations. These obligations were issued to pay for DART's system expansion and acquisition costs. The pledge continues for the remaining life of these obligations, which is currently through fiscal year 2049. Total principal and interest remaining on the revenue bonds as of September 30, 2017 is \$6.2 billion before Build America Bonds tax credits of \$652 million and \$5.5 billion net of Build America Bonds tax credits (see the second table on page 33). The annual debt service requirements for these bonds, net of Build America Bonds tax credits, range from \$184,556 in fiscal year 2023 to \$113,057 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest net of Build America Bonds tax credits) is \$184,957. Bonds have a senior lien on pledged revenues.

Total principal and interest remaining on the revenue bonds (TIFIA bonds) as of September 30, 2017 is \$156,204 million. The annual debt service requirements for the TIFIA bonds range from \$5,015 in fiscal year 2048 to \$5,059 in fiscal year 2020. For fiscal year 2017, debt service on the TIFIA bonds (including principal and interest) is \$5,049. TIFIA bonds have a senior lien on pledged revenues.

Total principal and interest remaining on commercial paper as of September 30, 2017 is \$140,108 compared to \$170,122 as of September 30, 2016. Interest payments on commercial paper notes during the current fiscal year totaled \$1,068. Commercial Paper notes have a subordinate senior lien on pledged revenues.

16. DEBT REFUNDINGS

In December 2014, DART issued the Series 2014A and 2014B bonds to refund a portion of Series 2007 and 2008 bonds. As a result, the Series 2007 and 2008 bonds in the total amount of \$453,125 are considered to be defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of the 2014 refunding, DART recognized a book loss of \$29,477, a reduction in debt service of \$51,446 and an economic gain of \$35,555.

In December 2015, DART issued the Series 2015 bonds to refund a portion of Series 2007 bonds. As a result, the Series 2007 bonds in the total amount of \$112,720 are considered to be defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of the 2015 refunding, DART recognized a book loss of \$2,537, a reduction in debt service of \$17,173 and an economic gain of \$15,027.

In February 2016, DART issued the Series 2016A bonds to refund a portion of Series 2008 bonds. As a result, the Series 2008 bonds in the total amount of \$512,370 are considered to be defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of the 2016A refunding, DART recognized a book loss of \$47,493, a reduction in debt service of \$90,144 and an economic gain of \$49,263.

DALLAS AREA RAPID TRANSIT
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In September 2016, DART issued the Series 2016B bonds to refund a portion of Series 2007, 2008 and 2009A bonds. As a result, a total amount of \$252,440 are considered to be defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of the 2016B refunding, DART recognized a book loss of \$8,764, a reduction in debt service of \$62,098 and an economic gain of \$44,534.

As of September 30, 2017 and 2016, the unamortized portion of the book loss of \$75,317 and \$83,776, respectively, have been included in the Statements of Net Position under the deferred outflows of resources section.

As of September 30, 2017, \$727,305 of these refunded DART bonds remains outstanding compared to \$1,281,655 as of September 30, 2016.

17. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS

DART operates several employee benefit plans. The plans include DART Employees' Defined Benefit Plan (formerly the Dallas Transit System [DTS] pension plan), DART Retirement Plan, and DART Capital Accumulation Plan and Trust. DART is the administrator of these retirement plans and has the authority to establish and amend the plans.

Defined Benefit Plan

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

Plan description. The DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan) is a single-employer defined benefit pension plan that was designed to provide retirement, death, and disability benefits to certain employees of DART. On October 1, 1995, the DTS Employees Retirement Plan (Plan A) was amended to become the DB Plan. Participants of the DB Plan are those employees who were members of the former plan on September 30, 1995. Those employees who elected to be covered under Plan A have eligibility, vesting, and benefit provisions different from those who elected the DB Plan. The DB Plan is a closed Plan and is not open to new employees.

Contributions. Contributions to the DB Plan, as stipulated by the "Sale, Purchase, and Transfer Contract Between the City of Dallas and Dallas Area Rapid Transit," are based upon Dallas Area Rapid Transit's agreement to contribute an amount at least equal to the minimum funding standard under Section 412 of the Internal Revenue Code of 1986, as if the Plan were subject to Section 412. An actuary determines the contribution amount that DART pays to the plan each year. Participants who were in the Plan on September 30, 1995 are required to contribute 3% of their base monthly salaries to the Plan. Other participants are not required to contribute to the DB Plan. DART's contribution amount is actuarially determined on an annual basis. Actual contributions made to the DB Plan during the years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Employer contributions	\$9,217	\$9,221
Employee contributions	2	2
	<u>\$9,219</u>	<u>\$9,223</u>

Benefit terms. Participants under the provisions of Original Plan A may elect normal retirement at age 60 or at the date at which the sum of their credited service and age equals 90. Participants who elected to remain under the provisions of the original plan receive monthly benefits equal to 2% times the years of credited service multiplied by the participant's final average monthly compensation. Participants in Amended Plan A are entitled to monthly benefits equal to: 2% times the number of years of credited service up to October 1, 1983; plus 1.5% times the number of years of credited service after October 1, 1983; times the participant's final average monthly compensation. A participant may elect early retirement at age 55 with 10 years of service (30 years of service for participants under the Original Plan A). Monthly income under this election will equal normal retirement benefits reduced by 5/12 of 1% for each full month by which the participant's early retirement date precedes the normal retirement date.

Cost of living adjustments. Annually each monthly retirement payment made to or on behalf of a retired participant, or a beneficiary, shall be subject to a cost of living adjustment. But such adjustment in any year shall only be made with respect to the benefits of persons whose immediate entitlement to benefits commenced prior to such year. The adjustment, up or down, shall be applied to each benefit so payable, except that in the case of commuted amounts and/or lump sum settlements no account shall be taken of future changes in cost of living adjustment occurring after the date as of which such settlement is made. The adjustment, up or down, shall for any year result in a percentage change in the base benefit.

**DALLAS AREA RAPID TRANSIT
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Employees covered by the benefit terms. The following participants were covered by the benefit terms as of October 1, 2016 and 2015:

	10/1/2016	10/1/2015
Inactive employees or beneficiaries currently receiving benefits	747	755
Inactive employee entitled to but not yet receiving benefits	155	163
Active employees	288	298
	<u>1,190</u>	<u>1,216</u>

Actuarial Assumptions – The total pension liability in the September 30, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to the periods included in the measurement:

Valuation Dates	September 30, 2016 and 2015
Inflation	2.5% per annum
Salary Increases	3.00% per annum per the September 30, 2016 valuation and 3.25% per annum per the September 30, 2017 valuation
Investment Return	6.75 at September 30, 2016 and 7% at September 30, 2015 compounded annually, net of expenses
Measurement Date	For the September 30, 2016 valuation, census data was collected as of October 1, 2015. Liabilities measured as of the census date were projected to September 30, 2016, assuming no demographic gains or losses.
	For the September 30, 2015 valuation, census data was collected as of October 1, 2014. Liabilities measured as of the census date were projected to September 30, 2015, assuming no demographic gains or losses.
Mortality	RP-2000 combined mortality table for males and females increased by 8.59% and projected generationally from 2000 by Scale AA.
Disability Mortality	RP-2000 disabled mortality tables for males and females.
Early Retirement Age	55
Normal Retirement Age	60
Actuarial Cost Method	Entry Age Normal (level percent of pay)

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2016 and 2015 are summarized in the following table (note that the rates shown below include the inflation components):

September 30, 2016 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities	39%	4.25%
U.S. Market Fixed Income	40%	0.75%
International Equities	10%	5.00%
Real Estate	10%	4.75%
Cash	1%	-0.25%
September 30, 2015 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities	40%	6.8%
U.S. Market Fixed Income	40%	3.1%
International Equities	10%	8.0%
Opportunity Fund (hedge funds and other alternative investments)	10%	7.0%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

DALLAS AREA RAPID TRANSIT
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FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

Discount rate. The discount rate used to measure the total pension liability was 6.75% at September 30, 2016 and 7.00% at September 30, 2015. This was the only change in assumptions for the September 30, 2016 valuation. There were no changes in assumptions for the September 30, 2015 valuation. The projection of cash flows used to determine the discount rate assumed that DART contributions will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Had there been a point where assets were projected to be depleted, a municipal bond rate of 3.06% as of September 30, 2016 and 3.67% as of September 30, 2015 would have been used in the development of the blended GASB discount rate after that point. These rates are based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balance at 9/30/2015	\$219,019	\$156,829	\$62,190
Service cost	954	-	954
Interest	14,644	-	14,644
Differences between expected and actual experience	(5,082)	-	(5,082)
Benefit payments	(11,369)	(11,369)	-
Contributions-employer	-	8,706	(8,706)
Contributions-employee	-	2	(2)
Net investment income, net of expenses	-	520	(520)
Administrative expenses	-	(219)	219
Net Changes	(853)	(2,360)	1,507
Balance at 9/30/2016	\$218,166	\$154,469	\$63,697
Service cost	1,281	-	1,281
Interest	14,969	-	14,969
Differences between expected and actual experience	(2,815)	-	(2,815)
Changes in assumptions	63	-	63
Benefit payments	(11,203)	(11,203)	-
Contributions-employer	-	9,217	(9,217)
Contributions-employee	-	2	(2)
Net investment income, net of expenses	-	16,067	(16,067)
Administrative expenses	-	(218)	218
Net Changes	2,295	13,865	(11,570)
Balance at 9/30/2017	\$220,461	\$168,334	\$52,127

Sensitivity of the net pension liability to changes in discount rate. The following presents the net pension liability of DART, calculated using the discount rate of 6.75% at September 30, 2017, and 7.00% at September 30, 2016, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
DART's net pension liability, 9/30/2017	\$74,908	\$52,127	\$32,451
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
DART's net pension liability, 9/30/2016	\$92,118	\$63,697	\$47,840

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued DART Employees Defined Benefit Retirement Plan and Trust financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2017, DART recognized pension expense of \$2,316 compared to \$3,969 for fiscal year 2016.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

At September 30, 2017, DART reported deferred inflows/outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,408
Changes of assumptions	32	-
Net difference between projected and actual earnings on pension plan investments	944	-
Employer contribution made after measurement date	10,000	-
Total	<u>\$10,976</u>	<u>\$1,408</u>

The \$10,000 reported as deferred outflows of resources related to pensions resulting from DART contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Year ended September 30:

2018	\$(875)
2019	503
2020	1,006
2021	(1,066)
2022	-
Thereafter	-

At September 30, 2016, DART reported deferred inflows/outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,541
Net difference between projected and actual earnings on pension plan investments	6,777	-
Employer contribution made after measurement date	9,217	-
Total	<u>\$ 15,994</u>	<u>\$ 2,541</u>

DART reported \$8,706 as a deferred outflows of resources related to pensions resulting from contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Year ended September 30:

2017	\$ (972)
2018	1,568
2019	1,569
2020	2,071
2021	-
Thereafter	-

Additional trend information for the DB Plan can be obtained by writing to the DB Plan, Dallas Area Rapid Transit, P.O. Box 660163, Dallas, Texas 75266-7240.

DART Retirement Plan

DART has adopted a defined contribution retirement plan for all employees not covered by the pension plans described above. DART contributes an amount equal to 7.7% of each participant's annual compensation to the plan. Participants hired before January 1, 2006 are vested in 25% of DART's contributions after two years of service, graduating to 100% vesting after five years. Participants hired after December 31, 2005 become 100% vested in DART's contributions to the Plan only after completing five years of service. Total expense to DART to fully fund this plan was approximately \$16,550 and \$15,334 for the years ended September 30, 2017 and 2016, respectively.

**DALLAS AREA RAPID TRANSIT
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FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

DART Capital Accumulation Plan – 401(k)

DART has adopted a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k), which allows employees to contribute up to 50% of their annual compensation to the plan subject to the annual contribution limits of the Internal Revenue Service. DART matches 50% of the employee's contribution up to a maximum of 3% of the employee's annual compensation. Participants hired before January 1, 2006 are vested in 25% of DART's contributions after two years of service, graduating to 100% vesting after five years. Participants hired after December 31, 2005 become 100% vested in DART's contributions to the Plan only after completing five years of service. Total expense to DART to fully fund this plan was approximately \$5,229 and \$5,159 for the years ended September 30, 2017 and 2016, respectively.

Annual financial statements for each of the three retirement plans discussed above may be obtained by contacting the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – DART administers a single-employer defined benefit of other post-employment benefits (OPEB) Plan. The plan provides healthcare and life insurance for eligible retirees and their spouses through DART's group health plan and group life plan, which covers both active employees and retired members. Eligibility criteria for the post-employment health care and life insurance benefits are as follows: Participants of the defined benefit pension plan will be eligible at age 55 with a minimum of ten years of service to DART. Participants of the defined contribution pension plan will be eligible at age 60 with a minimum of ten years of service to DART. The plan does not issue separate stand-alone financial reports.

Funding Policy – DART's contribution to the retiree healthcare and life insurance is an annual required contribution (ARC) determined actuarially based on the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortization of any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The ARC is 2.8% and 2.4% of annual covered payroll for fiscal years 2017 and 2016. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost. For the years ended September 30, 2017 and 2016, DART's annual required contributions to other post-employment benefits (OPEB) trust were \$5,821 and \$4,625. These contribution amounts are the same as annual OPEB costs for both years. The OPEB trust was set up during the fiscal year 2008 for the first time and is not included in those financial statements. DART has 336 retirees and 3,586 active participants in the OPEB plan as of September 30, 2017, compared to 300 retirees and 3,516 active participants as of September 30, 2016.

Actuarial 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 the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. 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.

Actuarial evaluations were performed for the OPEB Plan as of September 30. The following two tables show the summaries of significant actuarial assumptions:

Valuation Date	September 30, 2017
Investment Return	7.00%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage.
Health Care Trend rate	Starts with 6.75% in year 2018 and goes down to 5% in year 2025 and after for Pre-65. For Medicare it starts with 33.10% in year 2018 and goes down to 5% in year 2025 and after.
Inflation	3% included in health care cost trend.
Impact of Cadillac tax	3%
Mortality	RP-2014 Mortality Fully Generational using Projection Scale MP-2015.
Eligibility for Coverage	For Defined Benefit Pension Plan participants: age 55 and 10 years of service and for Defined Contribution Pension Plan participants: age 60 and 10 years of service.
Dependent coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four (4) years younger than their husbands. Percent of future retirees with coverage who elect coverage on spouse is 100%. Any potential costs for children have not been considered for valuation purposes.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Salary Increases	3.25% per annum
Measurement Date	September 30, 2017

DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

Valuation Date	September 30, 2016
Investment Return	7.00%
CPI increase	2.50%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend rate	Initial (year 2017) 7%, ultimate 5%. Ultimate year 2025.
Inflation	3%
Mortality	For active employees and healthy retirees and dependents, the SOA RP-2014 Blue Collar Headcount-weighted mortality projected with the MP-2015 improvement scale on a fully generational basis. For disabled retirees, the SOA RP-2014 Disabled Headcount-weighted mortality projected with the MP-2015 improvement scale on a fully generational basis.
Aging Factor	3% per annum for Pre-65 and 2% for Post-65
Eligibility for Coverage	For Defined Benefit Pension Plan participants: age 55 and 10 years of service and for Defined Contribution Pension Plan participants: age 60 and 10 years of service
Dependent coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four (4) years younger than their husbands. Any potential costs for children have not been considered for valuation purposes.
Actuarial Cost Method	Projected Unit Credit
Salary Increases	3.25% per annum
Amortization	30 Years Level Dollar Amortization Method, Open period
Measurement Date	September 30, 2015

Annual OPEB Cost and Net OPEB Asset – For plan years 2017 and 2016, annual OPEB cost and the net OPEB asset were as follows:

	2017	2016
Annual required contribution	\$5,821	\$4,625
Annual OPEB cost	5,821	4,625
Total employer contributions	5,821	4,625
Increase in net OPEB obligation (decrease in net OPEB asset)	-	-
Net OPEB asset (obligation), beginning of year	-	-
Net OPEB asset (obligation), end of year	\$ -	\$ -
Percentage of annual OPEB cost contributed	100%	100%

Funding Progress – The schedule of funding progress for the DART Other Postemployment Benefits (OPEB) is included in the Required Supplementary Information. The data for the two most recent valuations are as follows:

	Fiscal Year Ended	
	9/30/17	9/30/16
Actuarial value of assets	\$48,024	\$33,894
Actuarial accrued liability (AAL)*	58,230	\$57,520
Unfunded AAL (UAAL)	10,206	\$23,626
Funded ratio	82.5%	58.9%
Covered payroll	205,345	\$196,688
UAAL as a % of covered payroll	5.0%	12.0%

*AAL of \$58,230 at 9/30/2017 is based on 9/30/2016 actuarial valuation.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

19. CLAIMS AND LITIGATION

In the ordinary course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury, death, and/or property damage resulting from accidents occurring in the operation of the system. In addition, DART has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on DART's financial statements.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)

20. COMMITMENTS AND CONTINGENCIES

The Board has approved a Transit System Plan, which included the design and construction of a 46-mile light rail transit (LRT) extension from Downtown Dallas to Buckner Blvd. (the Southeast Corridor) and from Downtown Dallas to Farmers Branch, Carrollton, and Irving (the Northwest Corridor) and from downtown Garland to Rowlett (Rowlett extension) and the three miles extension of the Blue Line from Ledbetter Station toward the University of North Texas (UNT) Dallas Campus located at the southeast corner of Camp Wisdom Road and University Hills Blvd. The plan also includes the Cotton Belt Corridor and Dallas Central Business District (D2) Alignment. The Cotton Belt Corridor is a 26-mile long, regional rail corridor that extends from DFW International Airport through the northern portion of the DART service area to the existing DART Red Line, passing through the cities of Grapevine, Coppell, Carrollton, Addison, Dallas, Richardson, and Plano, with nine proposed stations along the way. The second CBD alignment (D2) will double the downtown LRT capacity, and connects Victory Station and the Green Line. The timing and completion of the Transit System Plan is based on economic assumptions made in DART's 20-year financial plan and is subject to change based on changing economic conditions. The FY 2018 Twenty-Year Financial Plan includes \$6.1 billion for capital and non-operating projects. The first section of the southeast extension, Bryan Street to Fair Park, opened for service on September 14, 2009. Other northwest and southeast extensions opened for service during 2011 and the first section of Irving line segment opened for service in July 2012. The second section of the Irving line segment and the northeast (Rowlett) extension opened for revenue service in December 2012. The third section of the Irving line (Irving-3) opened for service in August 2014. The Blue Line extension to the University of North Texas (UNT) Dallas Campus (UNT Dallas Station) opened for service on October 24, 2016. DART has entered into contract commitments for the LRT build out and other capital developments in the amount of \$3.51 billion and has spent approximately \$3.46 billion of the committed amount as of September 30, 2017.

DART participates in several federal and state grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, no significant contingent liabilities exist relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

DART has entered into certain operating lease agreements. Operating lease expenses are approximately \$801 and \$896 in 2017 and 2016, respectively.

Future minimum lease payments for all non-cancelable operating leases are as follows:

<u>Fiscal Year</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Minimum Lease Payments	\$618	\$470	\$403	\$131	\$131

DART owns and operates a number of facilities. It also acquires new properties for light rail expansion projects. In some of these properties DART has discovered contamination that may require pollution remediation activity. DART is working with relevant state and federal agencies on pollution remediation plans. Management does not believe that the outcome of these remediation activities will have a material adverse effect on DART's financial position. Management has accrued an estimate which is included in the accounts payable and accrued liabilities line item in the accompanying Statements of Net Position.

21. DERIVATIVE INSTRUMENTS

Fuel Hedge

DART has fuel delivery contracts with suppliers for commuter rail vehicles and some DART buses and a gasoline contract for service vehicles. However, the price DART pays for the fuel fluctuates depending on market prices. This exposes DART to significant risk related to fluctuations in the amounts it pays for fuel. It also creates uncertainty in budgeting for fuel costs. In order to minimize the impact of fluctuating fuel market prices on its cash flow, DART has entered into fuel hedge contracts that run from May 1, 2015 to September 30, 2020. The fair values of the derivative instrument associated with this hedge contract were \$769 as of September 30, 2017 and \$486 as of September 30, 2016.

Objective and terms of the fuel hedge contracts –The objective of each of the derivative instruments (diesel fuel hedge contracts) is to hedge changes in cash flows due to market price fluctuations related to expected purchases of diesel fuel for DART buses, commuter rail cars, and service vehicles. The terms of the agreement include DART paying monthly fixed prices and receiving floating prices based on an average of daily mean of Platts US Gulf Coast ultralow sulfur diesel (ULSD) and Gasoline-UNIL 87 Gulf Cost (Pipeline) – Platts U. S. for each month.

DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

Credit risk – The derivative instrument for diesel fuel for fiscal year 2018 to 2020 and for gasoline from 2017 to 2019 is held by the same counterparty. As of the end of fiscal year 2017, DART's position in the derivative instrument was a receivable of \$769. DART could have been exposed to credit risk if the counterparty to the transaction becomes insolvent but that did not happen. The S&P credit rating for the counterparty was A+ during 2017.

Termination risk – DART or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The effect of termination risk on DART is that it will pay market prices for diesel fuel purchased for its operations. No termination event has occurred during fiscal year 2017 and the last contract for diesel fuel hedge will expire on 9/30/2020 and for gasoline will expire on 9/30/2019.

Contingencies – The fuel hedge contracts include provisions that require DART to post collateral in the event its credit rating falls below A- or A3 as issued by Standard & Poors or Moody's and if the exposure exceeds threshold amounts specified in the derivative instruments (contracts). DART maintained a AA+ credit rating from Standard & Poor's, Aa2 from Moody's, and AA from Fitch for its bonds.

Compressed Natural Gas (CNG) Delivery Contract

During fiscal year 2010, DART entered into a fixed price and indexed price CNG delivery contract for the CNG needed to operate these vehicles. The contract specifies monthly volumes of CNG to be used by DART from October 1, 2012 to September 30, 2020 with 85% of the monthly volumes at a fixed price and 15% at an indexed price. When DART uses lower than the volumes specified in the contract, the excess CNG has to be sold back to market at market price. The market price could be lower or higher than the fixed price and indexed price specified in the contract. The difference between the contract and market price can result in an exposure for DART. The amount of this exposure for DART is not expected to be material and no liability is included in the Statements of Net Position as of September 30, 2017 and 2016.

Objective and terms of the CNG delivery contract – The objectives of the CNG delivery contract are: to ensure that DART has delivery of natural gas for its transit buses and contractor owned and operated paratransit vehicles during the contract period; to fix the price for 85% of monthly volumes; and to minimize the fluctuations in cash flows caused by changes in market prices of CNG.

Early Termination – Subject to payment of early termination damages, either party to the delivery contract may terminate the CNG delivery contract by giving at least thirty (30) days written notice to the other party. The effect of termination risk on DART is that it will pay market prices for CNG purchased for its operations. No termination event occurred during fiscal years 2017 and 2016.

22. NEW ACCOUNTING PRONOUNCEMENTS

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

In March 2016, GASB issued Statement No. 81 *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

In November 2016, GASB issued Statement No. 83 *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, GASB issued Statement No. 84 *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

In March 2017, GASB issued Statement No. 85 *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, GASB issued Statement No. 86 *Certain Debt Extinguishment Issues*. This Statement establishes accounting and financial reporting requirements for when a government places cash and other monetary assets from existing resources (as opposed to debt proceeds) in an irrevocable trust to extinguish the debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, GASB issued Statement No. 87 *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management has not yet determined the impact of these statements on the basic financial statements.

**DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF NET PENSION LIABILITY
SEPTEMBER 30, 2017 and 2016 (Dollars in Thousands)**

The schedule of changes in the DART's Net Pension Liability and Related Ratios (Dollar amounts in thousands)

	2017	2016	2015
<u>Total Pension Liability</u>			
Service cost	\$1,281	\$954	\$502
Interest	14,969	14,644	14,674
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(2,815)	(5,082)	-
Changes in assumptions	63	-	-
Benefit payments	(11,203)	(11,369)	(11,364)
Net change in total pension liability	2,295	(853)	3,812
Total pension liability – beginning	218,166	219,019	215,207
Total pension liability – ending (a)	220,461	218,166	219,019
<u>Plan Fiduciary Net Position</u>			
Contributions – employer	9,217	8,706	9,122
Contributions – employee	2	2	2
Net investment income, net of expenses	16,067	520	12,532
Benefit payments	(11,203)	(11,369)	(11,364)
Administrative expenses	(218)	(219)	(250)
Net change in plan fiduciary net position	13,865	(2,360)	10,042
Plan fiduciary net position – beginning	154,469	156,829	146,787
Plan fiduciary net position - ending (b)	168,334	154,469	156,829
DART's net pension liability (a) – (b)	\$52,127	\$63,697	\$62,190
Plan fiduciary net position as a percentage of total pension liability	76.36%	70.80%	71.61%
Covered payroll	\$18,914	\$19,129	\$19,438
DART's net pension liability as a percentage of covered payroll	275.61%	332.99%	319.94%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

Note to Schedule: In fiscal year 2017, the discount rate decreased from 7.00% to 6.75%. There were no significant changes in assumptions for other fiscal years.

**DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2017 (Dollars in Thousands)**

The schedule of DART Contribution to DB Pension Plan (Dollar amounts in thousands)

	9/30/17	9/30/16	9/30/15	9/30/14	9/30/13	9/30/12	9/30/11	9/13/10	9/30/09	9/30/08
Contractually required contribution	\$7,755	\$9,217	\$8,706	\$9,122	\$9,074	\$8,045	\$6,266	\$6,212	\$5,036	\$4,655
Contribution in relation to the contractually required contribution	10,000	9,217	8,706	9,122	9,074	8,045	6,266	6,212	5,036	4,655
Contribution deficiency (excess)	\$(2,245)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	N/A	\$19,129	\$19,129	\$19,438	\$19,467	\$19,306	\$23,727	\$23,904	\$24,721	\$24,832
Contribution as a percentage of covered payroll	N/A	48.18%	45.51%	46.93%	46.61%	41.67%	26.41%	25.99%	20.37%	18.75%

Notes to Schedule

Valuation date: Most recent valuation date is 10/1/2016.

Contractually required contribution rates are calculated by an actuary as of October 1, in the fiscal year in which contributions are reported. That is, the contribution calculated as of October 1, 2016 was made during the fiscal year ended September 30, 2017, and as of October 1, 2015 was made during the fiscal year ended September 30, 2016.

Methods and assumptions used to determine contribution rates include the following:

Funding Method	The minimum required contribution is based upon DART's agreement to contribute an amount at least equal to the minimum funding standard under Section 412 of the Internal Revenue Code of 1986, as if the Plan were subject to Section 412, per the stipulation of the "Sale, Purchase and Transfer contract between the City of Dallas and Dallas Area Rapid Transit
Actuarial Cost Method	Projected Unit Credit and changed to Entry Age Normal for measurement date 9/30/2016.
Asset valuation method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	2.5%.
Investment Return	7.00% per year compounded annually, net of all expenses and lowered to 6.75% for 9/30/2016 measurement date.
Retirement age	10% at age 55 reaching 100% at age 70.
Salary Increases	3.25% and lowered to 3% for 9/30/2016 measurement date.
Mortality	Healthy Lives: RP-2000 Combined Healthy Table (sex distinct) with rates increased by 8.59% and with fully generational mortality improvement projections using Scale AA. Disabled Lives: RP-2000 Disabled Mortality Table (sex distinct). The assumed rates of mortality are reasonable as they sufficiently accommodate expected future mortality improvements.

**DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2017 (Dollars in Thousands)**

The schedule of funding progress for the DART Other Postemployment Benefits (OPEB) calculated by the actuaries is as follows: The data for the most recent valuation is based on payroll information as of September 30, 2016.

	Actuarial Valuation Date			
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarial Value of Assets	\$48,024	\$33,894	\$36,235	\$30,243
Actuarial Accrued Liability (AAL)*	58,230	\$57,520	\$52,034	\$58,315
Unfunded AAL (UAAL)	10,206	\$23,626	\$15,799	\$28,072
Funded Ratio	82.5%	58.9%	69.6%	51.9%
Covered Payroll	205,345	\$196,688	\$185,181	\$174,557
UAAL as a % of Covered Payroll	5.0%	12.0%	8.5%	16.1%

**AAL of \$58,230 at 9/30/2017 is based on 9/30/2016 actuarial valuation.*

APPENDIX B

A Table of Contents and brief descriptions of certain provisions of the Master Debt Resolution, as amended, are included on the following pages of this Appendix B. The descriptions are not intended to be comprehensive or complete but are to be used as a guide to the full provisions of the Master Debt Resolution. The full and complete text of the Master Debt Resolution may be obtained directly from us without cost at the address given in the text of this document, and it may be viewed on the Internet at our website, www.dart.org. See, “IMPORTANT NOTICES.” Specific Article and Section numbers are identified in “*italics*” throughout this Summary.

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**SUMMARY OF CERTAIN TERMS OF
THE MASTER DEBT RESOLUTION**

DEFINITIONS

{Article I}

The following are definitions of certain terms used in this Summary.

Accrued Aggregate Debt Service - means, for any specified Debt Service Accrual Period, and with respect to a specified series of Obligations, an amount equal to the sum of the Debt Service accruing during that Debt Service Accrual Period with respect to all of such Obligations that are Outstanding at the beginning of such Debt Service Accrual Period.

Accrued Aggregate Interest - means, for any Debt Service Accrual Period, that portion of the Accrued Aggregate Debt Service that is attributable to interest on Obligations for the Debt Service Accrual Period.

Act - means Chapter 452, Transportation Code, as amended.

Additional Senior Lien Obligations - means bonds, notes, commercial paper, or other evidences of indebtedness issued by DART on a parity as to the Pledged Revenues with the Initial Senior Lien Obligations pursuant to Section 3.2 of the Master Debt Resolution.

Administrative Expenses - means amounts owed to the Trustee under Section 8.4 of the Master Debt Resolution and, to the extent specified in a Supplemental Resolution, the fees, expenses, and indemnification liabilities payable to the Paying Agent, the Credit Providers, any Bondholder Representative, and others. Said term does not include Credit Agreement Obligations.

Applicable Law - means the Act and all other laws or statutes, rules or regulations, and any amendments thereto, of the State or of the United States by which DART and its powers, securities, bonds, notes, and other obligations, and its operations and procedures are, or may be, governed or from which such powers may be derived.

Authorized Officer - means the President and Executive Director, the Chief Financial Officer, the Senior Vice President, Finance, the Treasurer, the Assistant Treasurer, and such other officers or employees of DART as may be authorized to perform duties under the Master Debt Resolution.

Available Remaining Revenues - means the amount of the Gross Sales Tax Revenues, plus the Special Revenues that are available to DART for spending for lawful purposes and the uses of which are not restricted by Applicable Law, grant condition, or contract (i) after complying with the requirements of Article V of the Master Debt Resolution, and (ii) after applying all of the revenues received from the operation of the System to the purpose of operating and maintaining the System, as required by Section 452.357 of the Act.

Board - means the governing subregional board of directors of DART as authorized and required by, and selected in the manner provided in, Section 452.571 of the Act.

Bondholder Representative - means each Person appointed pursuant to Section 11.8 of the Master Debt Resolution.

Bond Obligation - means any Obligation that is issued in the form of bonds, notes, or other securities or other forms of indebtedness other than a Credit Agreement Obligation.

Business Day - means, unless another definition is provided in a Supplemental Resolution with respect to a series of Obligations, any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the city where the designated payment/transfer office of the Paying Agent and/or Registrar is located, or where the principal office of the Trustee is located, are generally authorized or obligated by law or executive order to close.

Code - means the Internal Revenue Code of 1986, as amended, the regulations and published rulings promulgated or published pursuant thereto, and the provisions of any applicable section of a successor federal income tax law.

Comptroller - means the Constitutional Officer of the State of Texas known as the “Comptroller of Public Accounts” and any successor official or officer that may be charged by law with the duty of collecting the Sales Tax for the account of, and remitting Gross Sales Tax Revenues to, DART.

Costs of Acquisition and Construction - means all costs and expenses of planning, designing, acquiring, constructing, installing, extending, equipping, improving, repairing, replacing and financing any part or all of the System, placing the System in operation, and obtaining governmental approvals, certificates, permits and licenses with respect thereto, including acquisition of land and interests in land, working capital and reserves during construction periods, capitalized interest, and financing costs.

Credit Agreement - means any agreement between DART and a Credit Provider permitted by Applicable Law that is entered into for the purpose of providing credit enhancement or liquidity support for all or a part of a series of Bond Obligations.

Credit Agreement Obligations - means any liability of DART to pay principal, interest, or other payment on any debt or liability created under a Credit Agreement in favor of a Credit Provider that is declared by the terms of the Master Debt Resolution or a Supplemental Resolution to be a Senior Lien Obligation or a Subordinate Lien Obligation.

Credit Provider - means each party named in the Master Debt Resolution or a Supplemental Resolution that provides credit or liquidity support for a series of Bond Obligations, or other financial undertakings in a Credit Agreement.

Debt Service - means, for any specified Debt Service Accrual Period or other period with respect to a specified series of Obligations, an amount equal to:

(i) the sum of (A) all interest that is due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) interest accruing on such Obligations, including as to Interim Obligations, and as to Variable Interest Rate Obligations, if any, the amount estimated to accrue during such Debt Service Accrual Period or other period, but excluding interest that will be paid from the proceeds of Obligations or from Credit Agreements; and

(ii) the sum of (A) all Principal Installments that are due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) that portion of next maturing Principal Installment on such Obligations which will accrue during such Debt Service Accrual Period or other period, other than a Principal Installment with respect to Interim Obligations and Credit Agreement Obligations that are to be paid either with the proceeds of Bond Obligations or with funds provided by a Credit Provider, and other than amounts scheduled to be paid by a counter party to a Swap

Agreement that is not in default, all as determined as provided in the Master Debt Resolution.

Debt Service Accrual Period - means the period commencing on, as applicable, the date of issuance or execution of any Obligation under the Master Debt Resolution, or the most recent date on which the Trustee has transferred Gross Sales Tax Revenues from the Gross Sales Tax Revenue Fund in accordance with Section 5.3(a) the Master Debt Resolution, whichever is later, and ending on, but excluding, the next date on which the Trustee is expected to transfer Gross Sales Tax Revenues to the Gross Sales Tax Revenue Fund, as such period is specified by the Trustee in its request to each Paying Agent as required by Section 5.3(i) of the Master Debt Resolution.

Event of Default - means the occurrence of any of the events or circumstances described as such in Section 7.1 of the Master Debt Resolution.

Federal Interest Subsidy – means the interest subsidy payment received by DART from the United States Treasury relating to the interest payable on the Series 2009B Bonds and the 2010B Bonds under Section 54AA of the Code.

First Supplemental Debt Resolution - means the Supplemental Resolution approved by the Board authorizing the issuance and setting forth the terms of the Senior Subordinate Lien Obligations authorized by Section 3.3(a) of the Master Debt Resolution.

Fiscal Year - means the twelve-consecutive month period established from time to time by the Board as DART's fiscal year. Until changed by resolution of the Board, the fiscal year shall be the period commencing October 1 and ending on the following September 30.

Force Majeure - means any act of God or the public enemy; strike, lockout, work slowdown or stoppage or other labor dispute; insurrection, riot or other civil disturbance; order of the government of the United States or of any state thereof or order of any other civil or military authority; failure of a public utility; or other condition or event beyond the reasonable control of DART, other than a financial condition, business condition or condition or event constituting frustration of purpose.

General Operating Fund - means the fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

Gross Sales Tax Revenue Fund - means the special trust fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

Gross Sales Tax Revenues - means all of the revenues due or owing to, or collected or received by or on behalf of, DART, or by the Trustee pursuant to the Master Debt Resolution, from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retentions are authorized or required by law. Such term expressly does not include any Special Revenues.

Holder - means, with respect to Bond Obligations, the registered owner of a Bond Obligation according to the Obligation Register relating to such Bond Obligation, and, with respect to each Credit Agreement Obligation, the related Credit Provider.

Initial Senior Lien Obligations - mean the Senior Lien Obligations that are authorized in Section 3.1(a) of the Master Debt Resolution.

Interest Payment Date(s) - means the date or dates on which interest on Obligations is payable (including a prepayment or redemption date), as said date or dates are specified in a Supplemental Resolution or in Credit Agreements, as appropriate.

Interim Obligations - mean Obligations, including commercial paper, notes, and similar Obligations (i) for or with respect to which no Principal Installments are required to be made other than on the Stated Maturity Date thereof, which date shall be no later than five (5) years from the date of their delivery to their initial purchasers, and (ii) which are authorized by a Supplemental Resolution in which they are designated as “Interim Obligations” that DART intends to refund, reissue, or refinance in whole or in part prior to or on such Stated Maturity Date.

Investment Securities - mean any and all of the investments permitted by Applicable Law for the investment of the public funds of DART, provided that such investments are at the time made included in and authorized by the official investment policy of DART as approved by the Board from time to time and are not prohibited by a Supplemental Resolution.

Junior Subordinate Lien Debt Service Fund - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

Junior Subordinate Lien Obligations - means (i) bonds, notes, or other forms of indebtedness and obligations of DART that are by their terms made payable from the Junior Subordinate Lien Debt Service Fund and are secured by a lien on and pledge of Pledged Revenues that is junior and subordinate to the liens on and pledges of Pledged Revenues created in the Master Debt Resolution for the benefit of the Senior Lien Obligations and the Senior Subordinate Lien Obligations, and (ii) each Credit Agreement Obligation that is declared in a Supplemental Resolution to be a “Junior Subordinate Lien Obligation.”

Market Value - means the fair market value of Investment Securities calculated as set forth in the Master Debt Resolution.

Maximum Interest Rate - means, with respect to particular Variable Interest Rate Obligations, a numerical or other statement of the rate of interest, which shall be set forth in a Supplemental Resolution or in a Credit Agreement, authorizing such Obligations as appropriate, in each case as being the maximum rate of interest such Obligations may bear at a single time or over the period during which they are Outstanding or unpaid, but in no event exceeding the maximum amount or rate of interest permitted by Applicable Law.

Minimum Interest Rate - means, with respect to any particular Variable Interest Rate Obligations, a numerical rate of interest which may (but need not) be set forth in the Supplemental Resolution, or Credit Agreement, as appropriate, authorizing such Obligations that shall be the minimum rate of interest such Obligations will at any time bear.

Obligation Register - means, as to each series of Bond Obligations, the register or registers maintained pursuant to Section 4.5 of the Master Debt Resolution.

Obligations - mean the Senior Lien Obligations and the Subordinate Lien Obligations.

Outstanding - when used with reference to Bond Obligations, means, as of any date, Bond Obligations theretofore or thereupon being authenticated and delivered under the Master Debt Resolution or a Supplemental Resolution, except:

- (i) Bond Obligations which have been fully paid at or prior to their maturity or on or prior to a redemption date;

(ii) Bond Obligations (or portions thereof) for the payment of which moneys equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption, shall be held by a paying agent or a trustee in cash in trust and set aside for payment at maturity or redemption on a redemption date and for which notice of redemption has been given or provision has been made therefor;

(iii) Bond Obligations in lieu of or in substitution for which other Obligations have been authenticated and delivered pursuant to the Master Debt Resolution or a Supplemental Resolution; and

(iv) Bond Obligations for which payment has been provided by defeasance in accordance with Section 10.2 of the Master Debt Resolution.

When used with reference to Credit Agreement Obligations, the term “Outstanding” shall mean all principal amounts due and payable by DART under the applicable Credit Agreement until the later of the due or maturity date thereof, and the payment thereof in full, but only to the extent, and solely to the extent, that moneys (A) have been actually advanced or loaned to or for the account of DART (and have not been repaid) for the purpose of providing funds for the payment of the interest on or principal or Redemption Price of any Obligations on their maturity, due, or redemption date, or (B) have been paid (and have not been repaid) to or for the account of the Holder of an Obligation in order to honor such Holder’s right to tender Obligations for purchase prior to maturity in accordance with the terms and provisions of the applicable Supplemental Resolution or Credit Agreement.

Outstanding Obligations - means any Obligations while, when, after, to the extent, and for so long as any of the same are Outstanding.

Outstanding Resolutions - means the Master Debt Resolution, the First Supplemental Debt Resolution and all other Supplemental Resolutions when and as adopted by the Board.

Paying Agent - means any paying agent for a series or issue of Obligations appointed pursuant to a Supplemental Resolution as described in Section 4.6 of the Master Debt Resolution and its successor or successors.

Person - means any individual, corporation, partnership, (including a limited partnership) limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other legal entity.

Pledged Farebox Revenues - means with respect to any Debt Service Accrual Period, all fares collected by or on behalf of DART for its bus, rail and paratransit services in an amount equal to the Pledged Farebox Revenues Ratio multiplied by the Accrued Aggregate Debt Service applicable to the Series 2010B Bonds during such Debt Service Accrual Period after deducting the Federal Interest Subsidy accrued during such Debt Service Accrual Period.

Pledged Farebox Revenues Ratio – means the ratio derived by dividing the aggregate principal amount of the Series 2010B Bonds, less the amount of the Series 2010B Bonds set forth in the Pricing Certificate (for such Bonds) to be deducted from the amount of Bond Obligations DART may issue within the Voted Tax and Debt Limits, by the aggregate principal amount of the Series 2010B Bonds.

Pledged Revenues - means collectively (a) the Gross Sales Tax Revenues at the point where they are required to be first collected in accordance with the Act and other Applicable Law, and for so long as they are owed, but unpaid, to, or on behalf of DART, (b) the Gross Sales Tax Revenues upon and after receipt by DART or by the Trustee under the Master Debt Resolution

and while they are required to be or are on deposit in the Gross Sales Tax Revenue Fund, (c) Investment Securities or other investments or earnings, if any, credited to the Gross Sales Tax Revenue Fund that are not required by the Code to be rebated to the United States of America, (d) Pledged Farebox Revenues, Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (f) any additional revenues or money of DART which may be, by a Supplemental Resolution, expressly and specifically pledged to the payment of any and or all of the Obligations. (Pursuant to the Seventh Supplemental Debt Resolution, DART irrevocably pledged the Pledged Farebox Revenues as additional security for the Obligations, and such Pledged Farebox Revenues were made expressly and specifically subject to the pledge and lien of the Master Debt Resolution as Pledged Revenues.)

Principal Installment - means any amounts, other than interest payments, including any Sinking Fund Installments, which are stated to be due or required to be made on or with respect to an Obligation which, when made, would reduce the amount of such Obligation that remains Outstanding or would retire and pay the same in full.

Rebate Fund - means any fund established by a Supplemental Resolution in connection with the issuance of any Bond Obligation that is a Tax-Exempt Obligation, to ensure compliance with the provisions of Section 148 of the Code.

Required Percentage of Holders of Bond Obligations - means the Holders of: (i) 51% of the principal amount of Outstanding Bond Obligations that are Senior Lien Obligations; (ii) 51% of the principal amount of Outstanding Bond Obligations that are Senior Subordinate Lien Obligations; and (iii) 51% of the principal amount of Outstanding Bond Obligations that are Junior Subordinate Lien Obligations.

Resolution - means Master Debt Resolution as it may from time to time be amended, modified or supplemented by Supplemental Resolutions or by amendment in accordance with Article IX of the Master Debt Resolution.

Sales Tax - means the one-percent (1%) local sales and use tax authorized by the Act and other Applicable Law and heretofore approved at an election and then levied on taxable items and transactions, and confirmed and levied in the Master Debt Resolution, by DART within its boundaries, and hereafter required to be levied within any expanded areas included within DART pursuant to the Act, together with any increases in the rate thereof if provided and authorized by amendment to the Act, but subject to the requirements of the Voted Tax and Debt Limits.

Senior Lien Debt Service Fund - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

Senior Lien Obligations - means (i) the Initial Senior Lien Obligations, (ii) any Additional Senior Lien Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution or a Supplemental Resolution to be a "Senior Lien Obligation."

Senior Subordinate Lien Debt Service Fund - means the special fund so designated and established in Section 5.1 of the Master Debt Resolution.

Senior Subordinate Lien Obligations - means (i) the Senior Subordinate Lien Obligations authorized and named in Section 3.3(a) of the Master Debt Resolution, (ii) any other bonds, notes, or other forms of indebtedness and obligations of DART that are, by their terms, made payable from the Senior Subordinate Lien Debt Service Fund and that are secured by a lien on and pledge of Pledged Revenues that are junior and subordinate to the lien on and pledge of Pledged Revenues created in the Master Debt Resolution for the benefit of Senior Lien Obligations, but that are senior in right to the lien on and pledge of Pledged Revenues and Pledged Funds created in the Master Debt Resolution for the benefit of Junior Subordinate Lien

Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution, or in a Supplemental Resolution to be a "Senior Subordinate Lien Obligation."

Sinking Fund Installment - means, with respect to any Bond Obligations, the portion of the Accrued Aggregate Debt Service required by a Supplemental Resolution to be deposited to the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, or the Senior Subordinate Lien Debt Service Fund in all events on a future date to be held on deposit or applied, in either case, for the mandatory redemption or retirement, in whole or in part, of any of such Bond Obligations having a stated maturity after said future date. Said future date is deemed to be the date when such Sinking Fund Installment is due and payable.

Special Revenue Bonds - mean bonds, notes or other obligations issued for lawful purposes that (i) are made payable from Special Revenues pursuant to the right to issue the same reserved in Section 3.6 of the Master Debt Resolution, and (ii) are not payable from or secured by any part or portion of the Pledged Revenues.

Special Revenues - mean any and all revenues of DART, other than the Sales Tax, including, but not limited to, all of (i) any taxes or special charges, other than the Sales Tax, that DART is authorized by Applicable Law to impose and collect for its public purposes, (ii) fare-box revenues, rents, tolls, rates and charges imposed by DART for the use of any part or all of the System, as it exists from time to time, and (iii) the proceeds from grants for the purposes of the System made to DART by the State or by the United States of America.

Standard Assumptions - means the assumptions that are applicable to Interim Obligations and to Variable Interest Rate Obligations, as set forth and described in subsections (e) and (f), respectively, of Section 1.4 of the Master Debt Resolution.

State - means the State of Texas.

Stated Maturity Date - means the date on which an Obligation matures and the full amount owed thereon is in all events due and payable, as specified in a Supplemental Resolution or in a Credit Agreement, as appropriate.

Subordinate Lien Obligations - mean any and all Senior Subordinate Lien Obligations and any and all Junior Subordinate Lien Obligations.

Supplemental Resolution - means any resolution of the Board adopted concurrently with or subsequent to the adoption of this Resolution that supplements this Resolution for (i) the purpose of authorizing and providing the terms and provisions of Obligations, or (ii) any of the other purposes permitted by Article IX of the Master Debt Resolution.

Swap Agreement - means a Credit Agreement with respect to a series of Bond Obligations pursuant to which DART agrees to pay to a qualified counterparty an amount of money in exchange for the counterparty's promise to pay an amount equal to all or a portion of the actual amount of interest due and payable on such series according to its terms as it becomes due. For the purposes of this definition, a counterparty is not qualified unless it holds a current rating for claims-paying ability by at least two nationally recognized rating agencies at least equal to the rating of each such rating agency assigned to the Initial Senior Lien Obligations without reference to any Credit Agreement.

System - means the public transportation system of DART, including complementary transportation services, and all of the properties and assets of DART that are defined in and permitted by the Act, whether owned or operated by DART directly or provided for or on behalf of DART by others pursuant to contracts executed for such purposes as provided in the Act.

System Expansion and Acquisition Fund - means the fund so designated and established in Section 5.1 of the Master Debt Resolution.

Tax-Exempt Obligation - means any Bond Obligation the interest on which is excludable from the gross income of the Holder for federal income tax purposes under Section 103 of the Code.

Trustee - means Bank One, NA, formerly known as Bank One, Texas, N.A., as the trustee under the Master Debt Resolution, and any successor to or replacement of such trustee appointed in accordance with the Master Debt Resolution.

Variable Interest Rate - means a variable or adjustable interest rate that varies from time to time based on a formula or reference to specified financial indicators, or by negotiation, auction, or revisions through another method from time to time and to be borne by all or a part of any Obligations, all as specified in a Supplemental Resolution or Credit Agreement, as applicable.

Variable Interest Rate Obligations - mean Obligations which bear a Variable Interest Rate.

Voted Tax and Debt Limits - means the limitations on (i) the maximum rate of the Sales Tax that DART may levy and collect, and (ii) the maximum amount of indebtedness that DART may incur that has a maturity longer than five (5) years, in either case without further elections in conformity with the Election Order as summarized in the preambles to the Master Debt Resolution.

Interpretations - Standard Assumptions {Sections 1.4(e) and (f)}

Wherever a calculation of Debt Service with respect to Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming (A) that the Outstanding principal amount of the series of Interim Obligations are bonds secured by a lien on Pledged Revenues on a parity with the Interim Obligations which will amortize over a period of not to exceed 25 years following the date of initial issuance of such Interim Obligations in such manner as will cause the maximum Debt Service for such series in any 12 month period not exceeding 110% of the minimum Debt Service for such series for any other 12 month period, and (B) such series will bear interest at a fixed interest rate reasonably estimated to be the interest rate such series would bear if issued on the date of such estimate.

Wherever a calculation of Debt Service with respect to Variable Interest Rate Obligations that are not Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming that such Obligations will bear interest at the highest of (i) the actual rate on the date of calculation, or, if such Obligations are not yet Outstanding, the initial rate, if established and binding, (ii) if the Obligations have been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or (iii) (A) if the Obligations are Tax Exempt Obligations, the most recently published "Revenue Bond Index," published by the financial news publication presently known as The Bond Buyer, or by a comparable index if no longer published, plus fifty basis points, or (B) if the Obligations are not Tax Exempt Obligations, the interest rate on direct obligations of the United States with comparable maturities, plus fifty basis points or (C) if the Obligations are Credit Agreement Obligations, such rate as is specified in the Supplemental Resolution creating such Credit Agreement Obligations.

PURPOSES, PLEDGE AND SECURITY
{Article II}

Purposes of Resolution, Contract with Holders {Section 2.1}

The Master Debt Resolution establishes a lien and the security for, and prescribes minimum standards for issuing, Obligations; authorizes the issuance of the Initial Senior Lien Obligations, an initial series of Senior

Subordinate Lien Obligations and permits the issuance of Additional Senior Lien Obligations and other Subordinate Lien Obligations; reserves the right to issue Special Revenue Bonds; and prescribes other matters and the general rights of the Holders, DART, Credit Providers, any Bondholder Representative and the Trustee in relation to such Obligations. The provisions of the Master Debt Resolution constitute a contract of DART to and with the Holders and the Trustee.

Confirmation and Levy of Sales Tax {Section 2.2}

The levy and collection of the Sales Tax, at the rate voted at the election at which DART was created, is confirmed, and DART covenants that, as long as any Obligations are Outstanding, or any Administrative Expenses unpaid, it will levy and collect the Sales Tax to the extent it may legally do so at the highest rate permitted by Applicable Law, subject to requirements for an election under the Voted Tax and Debt Limits, and to take all action permitted to cause the Sales Tax to be collected and remitted to DART at the earliest permissible date.

Pledge and Security for Obligations {Section 2.3}

The Pledged Revenues are irrevocably pledged: (i) first, with respect to Outstanding Senior Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; (ii) second, subject to the rights of the Holders of Senior Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Senior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; and (iii) third, subject to the rights of the Holders of Senior Lien Obligations and the Holders of Senior Subordinate Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Junior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts and to the payment of Administrative Expenses. Notwithstanding the pledge of Pledged Revenues to the payment of Bond Obligations, Federal Interest Subsidy payments are not security for nor may such amounts be used to pay principal of or interest on the TIFIA Bond.

All moneys and investments on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund are irrevocably pledged to the payment of Debt Service on and Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively.

The Obligations and Administrative Expenses are special obligations of DART, and, unless otherwise provided in a Supplemental Resolution, are secured solely by a pledge of and a lien on the Pledged Revenues and the money on deposit, respectively, in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, that is exclusive, senior and superior to the rights of all other creditors of DART. Neither the Obligations nor the Administrative Expenses shall constitute a debt or obligation of the State, or of any city, town or county having appointment or other powers with respect to DART or the Board. The Holders of Obligations and payees of Administrative Expenses shall never have the right to demand payment out of any funds raised or to be raised by any system of ad valorem taxation or, unless otherwise provided in a Supplemental Resolution, from any other funds or revenues of DART.

Collection of Pledged Revenues, Assignment to Trustee {Section 2.4}

DART assigns to the Trustee all of the Pledged Revenues, in trust, for the benefit and security of Holders and the Credit Providers. DART appoints the Trustee as its agent and attorney-in-fact for the purpose of performing those duties of its treasurer which consist of collecting and receiving the Gross Sales Tax Revenues from the Comptroller and taking such steps as may be necessary to perfect and maintain the liens granted under the Master Debt Resolution. DART is required to cause the Comptroller to pay all Gross Sales Tax Revenues directly to the Trustee for deposit to the Gross Sales Tax Revenue Fund. If the Comptroller refuses or is not legally obligated to make transfers as directed by DART, the DART is required to cause the Gross Sales Tax Revenues to be transferred to the Trustee as received. All Gross Sales Tax Revenues received by the Trustee are required to be deposited to the Gross Sales Tax Revenue Fund and applied in accordance with the Master Debt Resolution. A specific series of Bond Obligations may be additionally payable from or secured by Credit Agreements and any Supplemental Resolution may provide that the security provided thereby not extend to other series of Obligations.

Security Agreement {Section 2.5}

The Master Debt Resolution constitutes a security agreement with the Trustee as the secured party. The grants, assignments, liens, pledges and security interests of the Trustee created in the Master Debt Resolution shall become effective upon the delivery of Obligations under the Master Debt Resolution, and shall be continuously effective for so long as any Obligations or Administrative Expenses are Outstanding.

PERMITTED DART INDEBTEDNESS
{Article III}

Initial Senior Lien Obligations {Section 3.1}

The Master Debt Resolution authorizes DART to issue up to \$500 Million of Initial Senior Lien Obligations, which amount may be increased, pursuant to the terms of one or more Supplemental Resolutions. DART may issue Additional Senior Lien Obligations upon compliance with the requirements set forth in the Master Debt Resolution. No obligations having a first lien on the Pledged Revenues, other than Senior Lien Obligations, may be issued by DART.

Additional Senior Lien Obligations {Section 3.2}

Subject to the Voted Tax and Debt Limits, DART reserves the right to issue Additional Senior Lien Obligations on a parity with Outstanding Senior Lien Obligations, pursuant to one or more Supplemental Resolutions. Prior to the issuance of Additional Senior Lien Obligations, either (A) Gross Sales Tax Revenues must be estimated to be, for each of the three consecutive Fiscal Years beginning with the First Fiscal Year in which Debt Service with respect to the proposed Additional Senior Lien Obligations is due, equal to at least 200% of the Debt Service that will be due on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years after taking into consideration any additional Debt Service to be paid during such period with respect to the Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued and any reduction in Debt Service that may result from the issuance thereof, determined in accordance with the requirements of the Master Debt Resolution; or (B) for either the most recent complete Fiscal Year, or for any consecutive 12 of the most recent 18 months, the Gross Sales Tax Revenues must have been equal to at least 200% of the maximum Debt Service with respect to all Outstanding Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) including maximum Debt Service on the proposed Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued, determined in accordance with the requirements of the Master Debt Resolution, provided however, this requirement does not apply to the issuance of Interim Obligations. In addition, estimated Gross Sales Tax Revenues for each of the 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service on the proposed Additional Senior Lien Obligations is due must equal at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) plus (B) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Outstanding Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years, determined in accordance with the requirements of the Master Debt Resolution. The Debt Service required to be calculated for a particular series of Obligations shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations, if such amounts are, at the time of calculation, required to be deposited to the debt service fund for such Obligations.

The Debt Service required to be calculated for a particular series of Obligations under subsections (iii) and (iv) of Section 3.2(b) of the Master Debt Resolution shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations (the "Federal Interest Subsidiary" payments).

Senior Subordinate Lien Obligations {Section 3.3}

The Master Debt Resolution authorizes DART to issue up to \$650 Million of commercial paper notes as Senior Subordinate Lien Obligations pursuant to the terms of one or more Supplemental Resolutions for the purposes of refunding all outstanding indebtedness of DART, paying Costs of Acquisition and Construction, and other purposes permitted by Applicable Law.

Additional Senior Subordinate Lien Obligations. Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue additional Senior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law secured by and payable from a senior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Additional Senior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of the three consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Senior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Senior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Junior Subordinate Lien Obligations {Section 3.4}

Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue Junior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law, payable from and secured by a junior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Junior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Junior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Junior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Credit Agreement Obligations {Section 3.5}

DART is authorized to enter into Credit Agreements, pursuant to Supplemental Resolutions, that create Credit Agreement Obligations that are secured and payable on a parity with other Outstanding Obligations. Credit Agreements may include rights and remedies which are in addition to the rights and remedies contained in the Master Debt Resolution and which may be enforced apart from the Master Debt Resolution.

Special Revenue Bonds {Section 3.6}

DART reserves the right to issue Special Revenue Obligations and to enter into related credit agreements without complying with the requirements of the Master Debt Resolution regarding the issuance of Obligations.

Other Encumbrances Prohibited {Section 3.8}

Except for the Pledge of the Pledged Revenues as security for the Obligations and Administrative Expenses in the order of priority established in Article II of the Master Debt Resolution, the Pledged Revenues may not be pledged or encumbered to or for the payment of any other obligation or liability of DART.

TERMS, PROVISIONS AND AUTHENTICATION OF BOND OBLIGATIONS

{Article IV}

Bond Obligations may be issued in any form and manner permitted by Applicable Law, subject to the provisions of the Master Debt Resolution and any applicable Supplemental Resolution. Bond Obligations are to be issued pursuant to a Supplemental Resolution setting forth all of the terms, provisions and conditions pertaining to such Bond Obligations.

SPECIAL FUNDS, USES OF MONEYS

{Article V}

Creation of Funds and Accounts {Section 5.1}

The Master Debt Resolution establishes the System Expansion and Acquisition Fund, the Senior Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; the Senior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; and the Junior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account. The Master Debt Resolution reestablishes and reconfirms the Gross Sales Tax Revenue Fund and the General Operating Fund.

The Gross Sales Tax Revenue Fund is a special trust fund held by the Trustee for the benefit of the Holders of the Obligations and the payees of Administrative Expenses. The Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Lien Debt Service Fund are special trust funds held by the Trustee for the benefit of the Holders of the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively, and the payees of Administrative Expenses.

The System Expansion and Acquisition Fund, the General Operating Fund and all other funds or accounts of DART not expressly required by the Master Debt Resolution or by a Supplemental Resolution to be held by the Trustee, may be held in any bank or lawful depository and said funds and accounts and all moneys on deposit therein, including the Available Remaining Revenues, shall be free of any lien, pledge or trust created by the Master Debt Resolution.

System Expansion and Acquisition Fund {Section 5.2}

Money on deposit in the System Expansion and Acquisition Fund is to be used to pay Costs of Acquisition and Construction and will be funded as directed in Supplemental Resolutions. In the event of a default in the payment of Obligations the Board may, but is not required to, use moneys on deposit in the System Expansion and Acquisition Fund to cure such default. Amounts remaining after payment of Costs of Acquisition and Construction for which a series of Obligations was issued may, at the discretion of DART, be used to redeem such Obligations in advance of maturity or used to pay other Costs of Acquisition and Construction.

Gross Sales Tax Revenue Fund {Section 5.3}

The Trustee is required to deposit to the Gross Sales Tax Revenue Fund all Gross Sales Tax Revenues (and no other moneys) as received and, on the day received, to transfer all amounts deposited to the Gross Sales Tax Revenue Fund, first, to the Senior Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Lien Obligations; second, to the Senior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Subordinate Lien Obligations; and, third, to the Junior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Junior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Junior Subordinate Lien Obligations. The amounts required to be deposited to each of the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt

Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, is equal to the Accrued Aggregate Debt Service for the current Debt Service Accrual Period less any amounts required to be credited against the amounts transferred pursuant to Section 5.3(d) of the Master Debt Resolution, and are required to be allocated first to the respective Interest Account and then to the respective Principal Installment Account. If the amounts on deposit in the Gross Sales Tax Revenue Fund are not sufficient to make the full amount of a transfer or payment required to be made, the Trustee is required to transfer the amount to the fund or account where the deficiency occurs with the highest priority and is prohibited from making transfers to any fund or account with a lower priority. Any balance remaining in the Gross Sales Tax Revenue Fund after making the foregoing transfers and payments is to be deposited to the General Operating Fund.

The Trustee is required to notify each Paying Agent of the anticipated date of commencement of each Debt Service Accrual Period not less than 2 Business Days prior to the date the Trustee expects such Debt Service Accrual Period to begin. Each Paying Agent is required to certify to the Trustee the amount of Accrued Aggregate Debt Service for Obligations for the Debt Service Accrual Period specified by the Trustee which has not been paid from other sources.

***Senior Lien Debt Service Fund, Senior Subordinate Lien Debt Service Fund
and Junior Subordinate Lien Debt Service Fund {Sections 5.4, 5.5 and 5.6}***

The Trustee is required to pay from the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, to the respective Paying Agents and Credit Providers for Outstanding Senior Lien Obligations, Outstanding Senior Subordinate Lien Obligations and Outstanding Junior Subordinate Lien Obligations, respectively, the amounts required to pay Debt Service on such Obligations when due, whether at the stated maturity or prior redemption; provided, however, that if less than the total amount required to pay such Obligations is on deposit in the Senior Subordinate Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund or the Junior Subordinate Lien Debt Service Fund, respectively, Trustee is required to allocate to each Paying Agent and each Credit Provider, in order of priority, pro rata in proportion to the respective unpaid amounts.

If an Event of Default has occurred and is continuing, moneys in such funds are required to be applied as provided in Section 7.4 of the Master Debt Resolution.

General Provisions Applicable to Payments on Obligations {Section 5.7}

If a payment date is not a Business Day, then such payment date will be deemed to be the next succeeding Business Day of the Trustee or Paying Agent, as the case may be, and no interest will accrue between the stated day and the applicable succeeding Business Day.

Uses of General Operating Fund and of Available Remaining Revenues {Section 5.8}

Gross Sales Tax Revenues deposited in the General Operating Fund may be transferred to other funds and accounts of DART, free and clear of the lien of the Master Debt Resolution, and may be used for any purpose permitted or required by Applicable Law. In addition to contractual and other obligations incurred in the ordinary course of its business, DART may incur obligations payable from or secured by the Available Remaining Revenues.

Investment of Trust Funds and Accounts {Section 5.9}

Amounts in funds and accounts held by the Trustee may, to the extent permitted by Applicable Law, be invested in Investment Securities upon written instructions of DART. Investment Securities must mature in such amounts and at such times as is necessary to provide for timely payment from such fund or account. Investment Securities may be exchanged among funds and accounts, if required to meet payment obligations, and the Trustee may cause the liquidation prior to their maturities of Investment Securities; the Trustee is not to be liable for any resulting loss or penalty. Generally, Investment Securities and the earnings or losses thereon are part of the fund or account from which they were purchased except that transfers of earnings may be made in order to avoid investment in any manner that would cause any of the Obligations intended to be tax-exempt to be or become “arbitrage bonds”

within the meaning of the Code. Investments are required to be valued at least annually at the lower of original cost or the then market value thereof.

Effect of Deposits With Paying Agents {Section 5.10}

Upon the deposit with the applicable Paying Agent of moneys sufficient to pay the amounts due on Obligations, DART is released from further obligation with respect to the payment of such amounts or interest thereon and such Obligations will no longer be Outstanding. Moneys deposited with Paying Agents are held uninvested in trust for the benefit of the Holders or payees of such Obligations. Unclaimed moneys are required to be distributed in accordance with any applicable escheat laws.

Arbitrage {Section 5.11}

DART covenants that it will take no action or fail to take any action which would cause any Tax-Exempt Obligations to be “arbitrage bonds” within the meaning of the Code.

Deposits of Special Revenues {Section 5.12}

Special Revenues may be deposited to such funds and accounts of DART as may be required by Applicable Law, grant condition or contract, or as directed in the documents relating to the issuance of Special Revenue Bonds or to Subordinate Lien Obligations if Special Revenues are pledged to the payment thereof.

GENERAL COVENANTS AND REPRESENTATIONS
{Article VI}

Representations as to Pledged Revenues {Section 6.1}

DART represents and warrants that it is authorized to issue the Obligations, to adopt the Master Debt Resolution and to pledge the Pledged Revenues as provided in the Master Debt Resolution, and that the Pledged Revenues are and will remain free and clear of any pledge, lien, charge or encumbrance except as expressly permitted by Article II of the Master Debt Resolution. The Obligations and provisions of the Master Debt Resolution are valid and legally enforceable obligations of DART in accordance with their terms, subject only to any applicable bankruptcy or insolvency laws or to any Applicable Law affecting creditors’ rights generally. DART and the Trustee will defend, preserve and protect the pledge of the Pledged Revenues and all of the rights of the Holders against all claims and will take appropriate steps for the collection of delinquencies in the collection of the Sales Tax.

Accounts, Periodic Reports and Certificates {Section 6.2}

DART covenants to keep proper books of record and account relating to the System and the funds and accounts established by the Master Debt Resolution which will be subject to inspection by Holders of not less than 5% in principal amount of Bond Obligations, each Bondholder Representative and each Credit Provider. DART will provide annually, within 180 days after the close of each fiscal year, to any requesting Holder of at least 25% of a single series of Outstanding Obligations, a copy of an annual report containing certain financial information for the fiscal year just ended and the preceding fiscal year.

DART will notify the Trustee and each Credit Provider immediately if it becomes aware of the occurrence of any Event of Default or of any fact, condition or event that, with the giving of notice or passage of time or both, could become an Event of Default, or of the failure of DART to observe any of its undertakings under the Master Debt Resolution or under any Supplemental Resolution or Credit Agreement.

Withdrawals of Units of Election {Section 6.4}

If any “unit of election,” as defined in the Act, having once become a part of DART, withdraws from DART, the Board will take all lawful steps necessary to assure that all amounts due and owing on all Obligations

allocated to such unit of election will continue to be collected from within the withdrawing unit of election until such amounts are paid in full. Gross Sales Tax Revenues collected from within a withdrawn unit of election is required to be set aside by the Trustee in a special trust account and to be expended in such a manner as will permit the continued, timely payment when due of all amounts payable on Outstanding Obligations.

DEFAULTS AND REMEDIES
{Article VII}

Events of Default {Section 7.1}

Each of the following occurrences or events constitutes an “Event of Default” under the Master Debt Resolution:

- (i) failure to timely pay any Debt Service on Bond Obligations;
- (ii) failure to timely pay any Credit Agreement Obligations;
- (iii) default by DART in the performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in any of the Outstanding Resolutions, the failure of which materially and adversely affects the rights of the Holders, and the continuation thereof for a period of 30 days after written notice of such default;
- (iv) issuing of an order by the Bankruptcy Court or a United States District Court or other court having jurisdiction, granting DART, in an involuntary proceeding, any relief under any applicable law relating to bankruptcy or providing for the appointment of a receiver or other similar official for DART or any substantial part of its property, affairs or assets, and the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or
- (v) DART institutes or consents to the institution of insolvency or bankruptcy proceedings against it under any federal or state insolvency laws, or files or consents to the filing of any petition, application or complaint seeking the appointment of a receiver or other similar official for DART or of any substantial part of its property, affairs or assets.

Remedies for Default {Section 7.2}

Upon the happening and continuance of any of the Events of Default the Trustee is required to transfer future Gross Sales Tax Revenues in the order and priority set forth in Section 5.3(a) of the Master Debt Resolution as described above under “*SPECIAL FUNDS, USES OF MONEY—Gross Sales Tax Revenue Fund.*” Subject to certain restrictions on Holder’s actions set forth in Section 7.3 of the Master Debt Resolution, a Credit Provider, a Bondholder Representative and/or a trustee representing not less than 25% in principal amount of Outstanding Bond Obligations, may proceed against DART to protect and enforce the rights of the Holders. No Holder has the right to seek appointment of a receiver or administrator of the affairs and assets of DART. There is no right to accelerate the maturity of any Obligation under the Master Debt Resolution.

Thirty days after a default is cured DART will be restored to its former position under the Master Debt Resolution and any proceedings are required to be abandoned or dismissed.

Application of Revenues and Other Moneys After Default {Section 7.4}

During the continuance of an Event of Default, the Trustee shall apply all amounts on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, and the Junior Subordinate Lien Debt Service Fund at the time of the default or deposited to such funds after the default, respectively, as follows: (i) to the

payment of Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations, or the Junior Subordinate Lien Obligations, respectively, as applicable; and (ii) to the payment of Debt Service due on the Obligations, based on the foregoing priority and in the following order:

- Unless the principal of all applicable Outstanding Obligations is due, first, to the payment to the payment of interest then due in the order of maturity of such interest installments, and, if the amount available is not sufficient to pay all interest amounts then due, then to the payment of interest ratably, according to the amounts due on such installment, without any discrimination or preference; and second, to the payment of principal or redemption price then due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay all of the applicable Obligations due on any date, then to the payment of principal or redemption price ratably, according to the amounts of principal due, without any discrimination or preference.
- If the principal of all of the applicable Outstanding Obligations is due, to the payment of the principal and interest then due and unpaid upon such Obligations 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 such Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

Notice of Event of Default {Section 7.6}

The Trustee shall promptly give each Holder, by first class mail, notice of each Event of Default of which it has knowledge, unless such Event of Default has been remedied or cured before the giving of such notice, except in the case of an Event of Default specified in paragraph (i) or (ii) of “Events of Default” above, the Trustee may withhold such notice if it determines that the withholding of such notice is in the best interests of the Holders.

THE TRUSTEE
{Article VIII}

Amegy Bank N.A. is appointed as the Trustee under the Master Debt Resolution. The duties, rights and responsibilities of the Trustee, appointment of successor and co-trustees, and matters pertaining to the administration of the trust created in the Master Debt Resolution, are set forth in Article VIII.

AMENDMENTS TO RESOLUTION
{Article IX}

Supplemental Resolution Without Holders’ Consent {Section 9.2}

Subject to any limitations contained in a Supplemental Resolution or a Credit Agreement, DART may adopt Supplemental Resolutions without the consent of Holders of Obligations for the following purposes: (i) to cure any formal defect, omission or ambiguity in the Master Debt Resolution; (ii) to grant to the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security; (iii) to add covenants and agreements of DART; (iv) to add limitations and restrictions to be observed by DART; (v) to confirm any pledge or lien of the Pledged Revenues or to subject to the lien or pledge of the Master Debt Resolution additional revenues, properties or collateral; (vi) to authorize the issuance and prescribe the terms of the Initial Senior Lien Obligations, Additional Senior Lien Obligations, Subordinate Lien Obligations, and Special Revenue Bonds, and to create such additional funds and accounts as may be necessary in connection with the issuance of such Obligations; (vii) to make modifications in the Master Debt Resolution or in a Supplemental Resolution that are necessary to comply with the requirements of federal tax or securities law or other Applicable Law and that do not materially adversely affect the rights and security of the Holders to be paid in full when due; or (viii) to make any other change to the Master Debt Resolution or any Supplemental Resolution that does not materially adversely affect the right of the Holders to be paid the full amounts due and payable on the Obligations when due.

Powers of Amendment {Section 9.3}

The Master Debt Resolution or any Supplemental Resolution and the rights and obligations of DART and of the Holders may be amended pursuant to a Supplemental Resolution with the written consent (i) of the Holders of a Required Percentage of Bond Obligations, or (ii) if less than all of the series of Obligations then Outstanding are affected by such amendment, of the Holders of a Required Percentage of the Bond Obligations so affected; provided, however, no amendment shall permit a change in the terms of payment of principal or redemption price of or interest of any Outstanding Bond Obligation without the consent of the Holder of such Obligation; and provided further that no such amendment may be made without the consent of such Credit Providers having the right of such consent.

Consent of Holders, Credit Providers or Bondholder Representatives {Section 9.4}

A Supplemental Resolution making amendments permitted by the Master Debt Resolution may take effect upon receipt of the required consents of the applicable Holders in accordance with the terms and provisions of the Master Debt Resolution. Any consent will be binding upon the Holder giving such consent and upon any subsequent Holder thereof unless such consent is revoked. DART will give notice of the effective date of any such Supplemental Resolution to the affected Holders. Unless such right is limited by a Supplemental Resolution, DART reserves the right to amend the Master Debt Resolution without the consent of or notice to the Holders of Bond Obligations if such amendment is approved by each Credit Provider and Bondholder Representative which is granted the right to give such consent by a Supplemental Resolution.

DISCHARGE OF RESOLUTION

{Article X}

Discharge by Payment {Section 10.1}

The pledge and lien of the Outstanding Resolutions will be released when all Bond Obligations, Credit Agreement Obligations, and Administrative Expenses have been paid or provided for.

Discharge by Defeasance {Section 10.2}

DART may discharge its obligations to pay Debt Service on all or any portion of the Obligations and related Administrative Expenses, and thereby obtain a release of the pledge and lien of the Master Debt Resolution and any applicable Supplemental Resolution as to such Obligations, by depositing irrevocably with a trustee or escrow agent moneys which, together with earnings thereon from investment in "Government Securities," as verified by a nationally recognized firm of independent certified public accountants or accounting firm, will be sufficient to pay such amounts on such Obligations to maturity or prior redemption, in all cases in accordance with the terms and provisions set forth in the Master Debt Resolution.

MISCELLANEOUS PROVISIONS

{Article XI}

Secondary Market Disclosure, Annual Reports {Section 11.1}

DART will provide such financial information and operating data necessary to comply with SEC Rule 15c2-12 relating to secondary market reporting requirements.

Meeting of Holders of Bond Obligations {Section 11.4}

Meetings of Holders of Bond Obligations may be called in the manner provided in the Master Debt Resolution to give any notice to DART or to the Trustee, to waive or consent to the waiving of any Event of Default, to remove or appoint a successor Trustee, to consent to the execution of a Supplemental Resolution or to take any other action authorized to be taken by or on behalf of the Holders of Bond Obligations.

Appointment of Bondholder Representative {Section 11.8}

Each Supplemental Resolution may designate a Bondholder Representative or establish for the means by which Holders of a series of Bond Obligations may appoint a Bondholder Representative.

APPENDIX D

**QUARTERLY DISCLOSURE UPDATE FOR THE
THREE-MONTH PERIOD ENDED DECEMBER 31, 2017**

DALLAS AREA RAPID TRANSIT



**Quarterly Disclosure Update
For the three-month period ended December 31, 2017**

This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2017, and dated March 13, 2018. The Annual Disclosure Statement will be filed as a public record with the Municipal Securities Rulemaking Board's website at www.emma.msrb.org, and is posted on the Internet at our website, www.dart.org. You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Senior Vice President, Finance/Interim Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our Annual Disclosure Statement for the period ending September 30, 2017, and dated March 13, 2018. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the Annual Disclosure Statement for the period ending September 30, 2017 and dated March 13, 2018. See, Annual Disclosure Statement, Appendix B, "SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION."

In this Quarterly Disclosure Update, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the three-month period ended December 31, 2017.

YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE ANNUAL DISCLOSURE STATEMENT.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in the Annual Disclosure Statement and in Quarterly Disclosure Updates by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, our sales tax revenues, receipt of federal grants, and various other factors that are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

Dated: March 27, 2018

QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2017 and dated March 13, 2018, is updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2017, are attached as Appendix A to the Annual Disclosure Statement. An unaudited statement of our principal accounts for the three-month period ended December 31, 2017 is included as Exhibit A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the three-month period ended December 31, 2017, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this three-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding First Quarter Financial Information

DART's unaudited financial statements for the three-month period ended December 31, 2017, and December 31, 2016, show sales tax revenues as \$153.8 million and \$146.4 million, respectively, which indicates an increase of 5.0% due to the continuing expansion in the local economy resulting in better retail sales in the DART Service Area. Our operating results for the three-month period ended December 31, 2017 reflect an operating loss of \$169.2 million, compared to an operating loss of \$158.9 million for the three-month period ended December 31, 2016. This was primarily due to decreased costs in labor, services, benefits and depreciation.

DART maintains various cash reserves including a Financial Reserve Account that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve exceed \$50 million, excess sales tax receipts are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial or Capital Reserves, and the funds may be used for any purpose approved by the Board. In Fiscal Year 2017, our sales tax receipts exceeded our sales tax budget by \$3.0 million. In December 2017, excess sales tax receipts for FY 2017 were transferred to the Capital Reserve because the Financial Reserve was already at the policy-capped balance of \$50 million. According to DART policy, future excess sales tax receipts are being deposited into the Capital Reserve. The December 31, 2017 balances in the Financial Reserve and Capital Reserve were \$50.1 million and \$26.8 million, respectively. The Operating Fund balance was \$448.6 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

Lease/Leaseback Transactions Update

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of December 31, 2017, one lease/leaseback transaction remained active and is in full compliance with the respective operative documents, as amended.

Litigation

No significant changes have occurred in the status of pending litigation involving DART since the date of the Annual Disclosure Statement. Accruals and estimated losses on claims that are asserted in pending litigation, if any, are included in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the Annual Disclosure Statement. See, Annual Disclosure Statement, "LITIGATION."

This Quarterly Disclosure Update, in substantially the form and content presented above and in its Exhibit, was reviewed with the Board of Directors of DART on March 27, 2018.

ATTEST:

/s/ Sue S. Bauman

Chair, Board of Directors

/s/ Michele Wong Krause

Secretary, Board of Directors

/s/ Gary C. Thomas

DART, President/Executive Director

Exhibit A

**Unaudited Statement of Principal Accounts
for the three-month period ended December 31, 2017**

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF NET POSITION**

DECEMBER 31, 2017 AND SEPTEMBER 30, 2017 (Dollars in Thousands)

	12/31/2017 Unaudited	9/30/2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$33,925	\$39,938
Investments	494,538	498,204
Sales and use tax receivable	106,851	95,344
Transit revenue receivable, net	3,804	8,528
Due from federal and other governments	21,288	19,959
Materials and supplies inventory, net	35,247	34,856
Prepaid transit expense and other	6,101	4,176
Restricted investments held by trustee for debt service	29,090	111,734
Restricted investments held for advance funding agreements	64,504	67,868
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	<u>801,722</u>	<u>886,981</u>
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	7,530	7,751
Investment in joint venture	11,753	12,030
Investment in managed HOV lane agreements	11,100	11,100
Capital assets		
Land and rights-of-way	619,026	619,026
Projects in progress	79,586	66,867
Depreciable capital assets, net of depreciation	3,647,000	3,705,322
Restricted investments held to pay capital lease/leaseback liabilities	107,473	105,342
Unamortized bond insurance premium and other	623	633
TOTAL NONCURRENT ASSETS	<u>4,484,091</u>	<u>4,528,071</u>
TOTAL ASSETS	<u>5,285,813</u>	<u>5,415,052</u>
DEFERRED OUTFLOWS OF RESOURCES	84,231	86,293
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5,370,044</u>	<u>5,506,615</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	43,367	60,806
Commercial paper notes payable	140,000	140,000
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	685	685
Retainage payable	6,200	6,968
Unearned revenue and other liabilities	113,464	112,840
Accrued interest payable from restricted assets	13,825	55,329
Current portion of senior lien revenue bonds payable	58,291	55,936
TOTAL CURRENT LIABILITIES	<u>383,030</u>	<u>439,762</u>
NONCURRENT LIABILITIES		
Accrued liabilities	37,800	37,113
Net pension liability	55,854	52,127
Repayment due to State Comptroller	6,721	6,927
Senior lien revenue bonds payable	3,251,398	3,311,980
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	98,426	100,878
Capital lease/leaseback liabilities	107,473	105,342
TOTAL NONCURRENT LIABILITIES	<u>3,557,672</u>	<u>3,614,367</u>
TOTAL LIABILITIES	<u>3,940,702</u>	<u>4,054,129</u>
DEFERRED INFLOWS OF RESOURCES	2,178	2,178
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>3,942,880</u>	<u>4,056,307</u>
NET POSITION		
Net investment in capital assets	858,040	837,067
Restricted for debt service	15,265	56,405
Restricted as security for capital lease/leaseback liabilities	7,530	7,751
Unrestricted	546,329	543,815
TOTAL NET POSITION	<u>\$1,427,164</u>	<u>\$1,445,038</u>

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 and 2016 (Dollars in Thousands)

	2017 Unaudited	2016 Unaudited
OPERATING REVENUES		
Passenger revenues	\$16,307	\$18,029
Advertising, rent, and other	3,421	3,376
TOTAL OPERATING REVENUES	<u>19,728</u>	<u>21,405</u>
OPERATING EXPENSES		
Labor	56,364	53,772
Benefits	30,658	29,819
Services	9,014	7,619
Materials and supplies	11,551	10,777
Purchased transportation	13,475	12,626
Depreciation and amortization	60,545	58,848
Utilities	4,824	4,619
Taxes, leases, and other	1,307	902
Casualty and liability	1,164	1,301
TOTAL OPERATING EXPENSES	<u>188,902</u>	<u>180,283</u>
NET OPERATING LOSS	<u>(169,174)</u>	<u>(158,878)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	153,774	146,424
Investment income (loss)	56	(524)
Interest income from investments held to pay capital lease/leaseback	2,131	2,020
Interest expense on capital lease/leaseback	(2,131)	(2,020)
Interest and financing expenses	(38,374)	(39,283)
Build America Bonds tax credit	7,108	7,098
Other federal grants	20,754	34,514
Other non-operating revenues	4,232	4,596
Other non-operating expenses	(162)	(177)
NET NON-OPERATING REVENUES	<u>147,388</u>	<u>152,648</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(21,786)</u>	<u>(6,230)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	3,859	144
State capital contributions	53	505
Local capital contributions		
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>3,912</u>	<u>649</u>
CHANGE IN NET POSITION	(17,874)	(5,581)
TOTAL NET POSITION – BEGINNING OF YEAR	<u>1,445,038</u>	<u>1,570,583</u>
TOTAL NET POSITION – END OF THE REPORTING PERIOD	<u><u>\$1,427,164</u></u>	<u><u>\$1,565,002</u></u>

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS**

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 and 2016 (Dollars in Thousands)

	2017 Unaudited	2016 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$25,415	\$23,942
Payments to suppliers of goods and services	(30,217)	(28,914)
Payments to purchased transportation service providers	(15,860)	(12,611)
Payments to employees	(59,247)	(55,581)
Benefit payments on behalf of employees	(27,115)	(26,169)
NET CASH USED BY OPERATING ACTIVITIES	<u>(107,024)</u>	<u>(99,333)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	142,061	137,622
Other federal grants	14,226	14,180
Build America Bonds tax credit	15,949	22,702
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>172,236</u>	<u>174,504</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,460	952
Proceeds from sales and maturity of investments	100,653	180,709
Purchase of investments	(99,396)	(169,904)
Decrease (increase) in restricted assets	86,007	81,177
NET CASH USED BY INVESTING ACTIVITIES	<u>89,724</u>	<u>92,934</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	3,925	(27,526)
Proceeds from the issuance of commercial paper notes	150,000	195,000
Payment on commercial paper notes	(150,000)	(225,000)
Principal payment on revenue bonds	(55,936)	(53,962)
Interest and financing expenses	(82,565)	(80,130)
Federal capital contributions	3,902	3,232
State capital contributions	785	145
Local capital contributions	52	505
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(160,949)</u>	<u>(187,736)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,013)	(19,631)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR	<u>39,938</u>	<u>53,651</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$33,925</u>	<u>\$34,020</u>

(Continued)

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS**

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 and 2016 (Dollars in Thousands)

	2017 Unaudited	2016 Unaudited
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(169,197)	\$(158,869)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	60,545	58,848
Miscellaneous non-operating income	4,180	4,596
Miscellaneous non-operating expenses	(162)	(177)
Changes in assets and liabilities		
(Increase) Decrease in transit receivable	4,736	(1,078)
(Increase) Decrease in due from federal & other governments	(3,208)	
Increase in materials and supplies inventory	(392)	(2,604)
Decrease in prepaid expenses and other current assets	(1,691)	(829)
Increase in net pension liability	3,727	3,727
Increase in accounts payable and accrued liabilities	(9,550)	(7,967)
Increase (Decrease) in unearned revenue and other liabilities	3,988	5,020
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(107,024)</u>	<u>\$(99,333)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$2,130	\$2,020
Interest expense on capital lease/leaseback	(2,130)	(2,020)
Increase (Decrease) in capital lease/leaseback obligations	2,130	2,020
(Increase) Decrease in investments held to pay capital lease/leaseback	(2,130)	((2,020)
Increase (Decrease) in fair value of investments	(2,771)	(2,526)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(2,288)	(2,378)
Purchases of capital assets in accounts payable at period-end	6,511	14,410

(Concluded)

APPENDIX E

**QUARTERLY DISCLOSURE UPDATE FOR THE
SIX-MONTH PERIOD ENDED MARCH 31, 2018**

DALLAS AREA RAPID TRANSIT



**Quarterly Disclosure Update
For the six-month period ended March 31, 2018**

This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2017, and dated March 13, 2018. The Annual Disclosure Statement will be filed as a public record with the Municipal Securities Rulemaking Board's website at www.emma.msrb.org, and is posted on the Internet at our website, www.dart.org. You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Senior Vice President, Finance/Interim Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3126.

GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our Annual Disclosure Statement for the period ending September 30, 2017, and dated March 13, 2018. We continue to reserve the right to suspend or stop the postings on the internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the Annual Disclosure Statement for the period ending September 30, 2017 and dated March 13, 2018. See, Annual Disclosure Statement, Appendix B, "SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION."

In this Quarterly Disclosure Update, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the six-month period ended March 31, 2018.

YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE ANNUAL DISCLOSURE STATEMENT.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in the Annual Disclosure Statement and in Quarterly Disclosure Updates by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, our sales tax revenues, receipt of federal grants, and various other factors that are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

Dated: May 22, 2018

QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2017 and dated March 13, 2018, is updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2017, are attached as Appendix A to the Annual Disclosure Statement. An unaudited statement of our principal accounts for the six-month period ended March 31, 2018 is included as Exhibit A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the six-month period ended March 31, 2018, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this six-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding First Quarter Financial Information

DART's unaudited financial statements for the six-month period ended March 31, 2018, and March 31, 2017, show sales tax revenues as \$297.3 million and \$285.6 million, respectively, which indicates an increase of 4.1% due to the continuing expansion in the local economy resulting in better retail sales in the DART Service Area. Our operating results for the six-month period ended March 31, 2018 reflect a decrease net position of \$63.9 million, compared to \$55.5 million for the six-month period ended March 31, 2017. This is primarily due to an increase in expenses.

DART maintains various cash reserves including a Financial Reserve Account that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve exceed \$50 million, excess sales tax receipts are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial or Capital Reserves, and the funds may be used for any purpose approved by the Board. In Fiscal Year 2017, our sales tax receipts exceeded our sales tax budget by \$3.0 million. In December 2017, excess sales tax receipts for FY 2016 were transferred to the Capital Reserve because the Financial Reserve was already at the policy-capped balance of \$50 million. According to DART policy, future excess sales tax receipts are being deposited into the Capital Reserve. The March 31, 2018 balances in the Financial Reserve and Capital Reserve were \$50.0 million and \$27.2 million, respectively. The Operating Fund balance was \$418.9 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

Lease/Leaseback Transactions Update

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of March 31, 2018, one lease/leaseback transaction remained active and is in full compliance with the respective operative documents, as amended.

Litigation

No significant changes have occurred in the status of pending litigation involving DART since the date of the Annual Disclosure Statement. Accruals and estimated losses on claims that are asserted in pending litigation, if any, are included in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the Annual Disclosure Statement. See, Annual Disclosure Statement, "LITIGATION."

This Quarterly Disclosure Update, in substantially the form and content presented above and in its Exhibit, was reviewed with the Board of Directors of DART on May 22, 2018.

ATTEST:

/s/ Sue S. Bauman

Chair, Board of Directors

/s/ Michele W. Krause

Secretary, Board of Directors

/s/ Gary C. Thomas

DART, President/Executive Director

Exhibit A

**Unaudited Statement of Principal Accounts
for the six-month period ended March 31, 2018**

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF NET POSITION**

MARCH 31, 2018 AND SEPTEMBER 30, 2017 (Dollars in Thousands)

	3/31/2018 Unaudited	9/30/2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$23,449	\$39,938
Investments	474,883	498,204
Sales and use tax receivable	98,412	95,344
Transit revenue receivable, net	3,625	8,528
Due from federal and other governments	30,789	19,959
Materials and supplies inventory, net	35,828	34,856
Prepaid transit expense and other	10,194	4,176
Restricted investments held by trustee for debt service	84,225	111,734
Restricted investments held for advance funding agreements	64,711	67,868
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	<u>832,490</u>	<u>886,981</u>
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	7,294	7,751
Investment in joint venture	11,476	12,030
Investment in managed HOV lane agreements	11,100	11,100
Capital assets		
Land and rights-of-way	619,026	619,026
Projects in progress	95,065	66,867
Depreciable capital assets, net of depreciation	3,593,840	3,705,322
Restricted investments held to pay capital lease/leaseback liabilities	103,230	105,342
Unamortized bond insurance premium and other	613	633
TOTAL NONCURRENT ASSETS	<u>4,441,644</u>	<u>4,528,071</u>
TOTAL ASSETS	<u>5,274,134</u>	<u>5,415,052</u>
DEFERRED OUTFLOWS OF RESOURCES	81,781	86,293
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5,355,915</u>	<u>5,506,615</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	52,936	60,806
Commercial paper notes payable	140,000	140,000
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	721	685
Retainage payable	6,046	6,968
Unearned revenue and other liabilities	112,066	112,840
Accrued interest payable from restricted assets	54,550	55,329
Current portion of senior lien revenue bonds payable	58,291	55,936
TOTAL CURRENT LIABILITIES	<u>431,808</u>	<u>439,762</u>
NONCURRENT LIABILITIES		
Accrued liabilities	37,181	37,113
Net pension liability	48,513	52,127
Repayment due to State Comptroller	6,514	6,927
Senior lien revenue bonds payable	3,246,356	3,311,980
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	98,726	100,878
Capital lease/leaseback liabilities	103,230	105,342
TOTAL NONCURRENT LIABILITIES	<u>3,540,520</u>	<u>3,614,367</u>
TOTAL LIABILITIES	<u>3,972,328</u>	<u>4,054,129</u>
DEFERRED INFLOWS OF RESOURCES	2,428	2,178
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>3,974,756</u>	<u>4,056,307</u>
NET POSITION		
Net investment in capital assets	821,888	837,067
Restricted for debt service	29,675	56,405
Restricted as security for capital lease/leaseback liabilities	7,294	7,751
Unrestricted	522,302	543,815
TOTAL NET POSITION	<u>\$1,381,159</u>	<u>\$1,445,038</u>

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

FOR THE SIX MONTHS ENDED MARCH 31, 2018 and 2017 (Dollars in Thousands)

	2018 Unaudited	2017 Unaudited
OPERATING REVENUES		
Passenger revenues	\$31,687	\$33,176
Advertising, rent, and other	6,530	6,960
TOTAL OPERATING REVENUES	<u>38,217</u>	<u>40,136</u>
OPERATING EXPENSES		
Labor	123,539	118,830
Benefits	51,314	51,651
Services	19,461	16,903
Materials and supplies	23,928	21,042
Purchased transportation	27,225	25,865
Depreciation and amortization	121,366	118,413
Utilities	9,553	9,194
Taxes, leases, and other	2,328	2,771
Casualty and liability	2,359	1,810
TOTAL OPERATING EXPENSES	<u>381,073</u>	<u>366,479</u>
NET OPERATING LOSS	<u>(342,856)</u>	<u>(326,343)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	297,277	285,649
Investment income	1,493	1,477
Interest income from investments held to pay capital lease/leaseback	4,262	4,266
Interest expense on capital lease/leaseback	(4,262)	(4,266)
Interest and financing expenses	(77,593)	(77,687)
Build America Bonds tax credit	14,212	14,180
Other federal grants	29,480	34,715
Other non-operating revenues	12,402	7,976
Other non-operating expenses	(3,174)	(506)
NET NON-OPERATING REVENUES	<u>274,097</u>	<u>265,804</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(68,759)</u>	<u>(60,539)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	4,751	4,426
State capital contributions	129	606
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>4,880</u>	<u>5,032</u>
CHANGE IN NET POSITION	(63,879)	(55,507)
TOTAL NET POSITION – BEGINNING OF YEAR	<u>1,445,038</u>	<u>1,570,583</u>
TOTAL NET POSITION – END OF THE REPORTING PERIOD	<u>\$1,381,159</u>	<u>\$1,515,076</u>

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS**

FOR THE SIX MONTHS ENDED MARCH 31, 2018 and 2017 (Dollars in Thousands)

	2018 Unaudited	2017 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$42,561	\$40,826
Cash flows from other sources	5,367	7,238
Payments to suppliers of goods and services	(64,632)	(55,224)
Payments to purchased transportation service providers	(26,830)	(25,244)
Payments to employees	(126,421)	(121,004)
Benefit payments on behalf of employees	(54,474)	(59,893)
NET CASH USED BY OPERATING ACTIVITIES	<u>(224,429)</u>	<u>(213,301)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	293,797	284,048
Other federal grants	27,549	29,744
Build America Bonds tax credit	14,226	14,180
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>335,572</u>	<u>327,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,414	2,092
Proceeds from sales and maturity of investments	136,813	280,711
Purchase of investments	(115,896)	(239,906)
Decrease (increase) in restricted assets	30,665	29,099
NET CASH USED BY INVESTING ACTIVITIES	<u>55,996</u>	<u>71,996</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(47,900)	(61,463)
Proceeds from the issuance of commercial paper notes	335,000	405,000
Payment on commercial paper notes	(335,000)	(435,000)
Principal payment on revenue bonds	(55,936)	(53,962)
Interest and financing expenses	(83,740)	(80,871)
Federal capital contributions	3,478	3,233
State capital contributions	418	4,426
Local capital contributions	52	606
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(183,628)</u>	<u>(218,031)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,489)	(31,364)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR	<u>39,938</u>	<u>53,651</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u><u>\$23,449</u></u>	<u><u>\$22,287</u></u>

(Continued)

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS**

FOR THE SIX MONTHS ENDED MARCH 31, 2018 and 2017 (Dollars in Thousands)

	2018 Unaudited	2017 Unaudited
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(342,856)	\$(326,244)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	121,366	118,413
Miscellaneous non-operating income	12,351	7,976
Miscellaneous non-operating expenses	(3,174)	(506)
Changes in assets and liabilities		
(Increase) Decrease in transit receivable	4,972	(1,226)
(Increase) Decrease in due from federal & other governments	(7,612)	
Increase in materials and supplies inventory	(973)	(2,622)
Decrease in prepaid expenses and other current assets	(6,060)	(1,803)
Increase (decrease) in net pension liability	(3,614)	(11,570)
Increase (decrease) in differed inflows of resources	251	2,629
Increase (decrease) in differed outflows of resources	388	1,256
Increase in accounts payable and accrued liabilities	(1,906)	(5,334)
Increase (Decrease) in unearned revenue and other liabilities	2,438	3,278
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(224,429)</u>	<u>\$(213,301)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$4,262	\$4,266
Interest expense on capital lease/leaseback	(4,262)	(4,266)
Increase (Decrease) in capital lease/leaseback obligations	2,112	2,108
(Increase) Decrease in investments held to pay capital lease/leaseback	(2,112)	(2,018)
Increase (Decrease) in fair value of investments	(3,145)	(1,675)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(9,481)	(5,656)
Purchases of capital assets in accounts payable at period-end	7,816	5,015

(Concluded)

APPENDIX F

**QUARTERLY DISCLOSURE UPDATE FOR THE
NINE-MONTH PERIOD ENDED JUNE 30, 2018**

DALLAS AREA RAPID TRANSIT



**Quarterly Disclosure Update
for the nine-month period ended June 30, 2018**

This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2017, and dated March 13, 2018; our Quarterly Disclosure Update for the three-month period ending December 31, 2017, dated March 27, 2018; and our Quarterly Disclosure Update for the six-month period ending March 31, 2017, and dated May 22, 2018. The Annual Disclosure Statement was filed as a public record with the Municipal Securities Rulemaking Board's website at www.emma.msrb.org, and is posted on the Internet at our website, www.dart.org. You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Senior Vice President/Finance, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3126.

GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our Annual Disclosure Statement for the period ending September 30, 2017, our Quarterly Disclosure Update for the three-month period ending December 31, 2017, and our Quarterly Disclosure Update for the six-month period ending March 31, 2018. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the Annual Disclosure Statement. See, Annual Disclosure Statement, Appendix B, "SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION."

In this Quarterly Disclosure Update, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the nine-month period ended June 30, 2018.

YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE ANNUAL DISCLOSURE STATEMENT.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in the Annual Disclosure Statement and in Quarterly Disclosure Updates by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, our sales tax revenues, receipt of federal grants, and various other factors that are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, the actual outcomes may be different from what we include in forward-looking statements.

Dated: September 18, 2018

QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2017 dated March 13, 2018, Quarterly Disclosure Update for the period ending December 31, 2017 dated March 27, 2018, and Quarterly Disclosure Update for the period ending March 31, 2018 dated May 22, 2018, are updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2017, are attached as Appendix A to the Annual Disclosure Statement. An unaudited statement of our principal accounts for the nine-month period ended June 30, 2018 is included as Exhibit A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the nine-month period ended June 30, 2018, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this nine-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding Third Quarter Financial Information

DART's unaudited financial statements for the nine-month period ended June 30, 2018, and June 30, 2017, show sales tax revenues as \$451.6 million and \$429.6 million, respectively, which indicates an increase of 5.1% due to the continuing expansion in the local economy resulting in better retail sales in the DART Service Area. Our operating results for the nine-month period ended June 30, 2018 reflect a decrease in net position of \$71.0 million, compared to \$88.8 million for the nine-month period ended June 30, 2017. This was primarily due to increases expenses.

DART maintains various cash reserves including a Financial Reserve Account that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve Account exceed \$50 million, excess sales tax receipts are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserve Account or Capital Reserve Account, and the funds may be used for any purpose approved by the Board. In Fiscal Year 2017, our sales tax receipts exceeded our sales tax budget by \$3.0 million. In December 2017, excess sales tax receipts for Fiscal Year 2017 were transferred to the Capital Reserve because the Financial Reserve Account was already at the policy-capped balance of \$50 million. According to DART policy, future excess sales tax receipts are to be deposited into the Capital Reserve Account. The June 30, 2018 balances in the Financial Reserve Account and Capital Reserve Account were \$50.0 million and \$27.3 million, respectively. The General Operating Fund balance was \$454.2 million as of June 30, 2018. In accordance with Board-approved financial policy, we maintain a working cash balance in the General Operating Fund equal to at least one month of projected payments.

Lease/Leaseback Transactions Update

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of June 30, 2018, one lease/leaseback transaction remained active and is in full compliance with the respective operative documents, as amended.

Future Debt

On August 28, 2018, we approved the Fifteenth Amended and Restated Supplemental Debt Resolution, which authorized the issuance of up to \$908 million in principal amount of Senior Lien Sales Tax Revenue Bonds to finance the "Cotton Belt Corridor Regional Rail Project," a 26-mile passenger rail line from DFW Airport to Plano and the Sixteenth Amended and Restated Supplemental Debt Resolution which authorized the issuance of up to \$1.09 billion in principal amount of Senior Lien Sales Tax Revenue Bonds to finance the "Second Central Business District Light Rail Alignment Project," a major subway and surface alignment in downtown Dallas. Such Senior Lien Obligations are secured by a senior lien on our Sales Tax Revenues and Pledged Farebox Revenues and have a priority over the lien pledged to the Senior I Notes. It is anticipated that Senior Lien Obligations relating to the Fifteenth Amended and Restated Supplement Debt Resolution will be issued over the next six months.

In addition, we anticipate authorizing the establishment of new Senior Subordinate Lien Obligations during the next several months in one or more series of commercial paper notes largely for Cotton Belt project development in an amount to be determined by the Board.

Litigation

No significant changes have occurred in the status of pending litigation involving DART since the date of the Annual Disclosure Statement. Accruals and estimated losses on claims that are asserted in pending litigation, if any, are included in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the Annual Disclosure Statement. See, Annual Disclosure Statement, "LITIGATION."

This Quarterly Disclosure Update, in substantially the form and content presented above and in its Exhibit, was reviewed with the Board of Directors of DART on September 18, 2018.

ATTEST:

/s/ Sue S. Bauman
Chair, Board of Directors

/s/ Michele Wong Krause
Secretary, Board of Directors

/s/ Gary C. Thomas
DART, President/Executive Director

Exhibit A

**Unaudited Statement of Principal Accounts
for the nine-month period ended June 30, 2018**

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF NET POSITION**

JUNE 30, 2018 AND SEPTEMBER 30, 2017 (Dollars in Thousands)

	6/30/2018 Unaudited	9/30/2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$84,390	\$39,938
Investments	434,497	498,204
Sales and use tax receivable	105,566	95,344
Transit revenue receivable, net	6,753	8,528
Due from federal and other governments	13,897	19,959
Materials and supplies inventory, net	36,465	34,856
Prepaid transit expense and other	7,451	4,176
Restricted investments held by trustee for debt service	58,530	111,734
Restricted investments held for advance funding agreements	64,905	67,868
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	818,828	886,981
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	7,049	7,751
Investment in joint venture	11,199	12,030
Investment in managed HOV lane agreements	11,100	11,100
Capital assets		
Land and rights-of-way	619,026	619,026
Projects in progress	114,980	66,867
Depreciable capital assets, net of depreciation	3,528,284	3,705,322
Restricted investments held to pay capital lease/leaseback liabilities	105,361	105,342
Unamortized bond insurance premium and other	603	633
TOTAL NONCURRENT ASSETS	4,397,602	4,528,071
TOTAL ASSETS	5,216,430	5,415,052
DEFERRED OUTFLOWS OF RESOURCES	79,526	86,293
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,295,956	5,501,345
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	47,418	60,806
Commercial paper notes payable	140,000	140,000
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	627	685
Retainage payable	6,665	6,968
Unearned revenue and other liabilities	109,812	112,840
Accrued interest payable from restricted assets	13,761	55,329
Current portion of senior lien revenue bonds payable	58,291	55,936
TOTAL CURRENT LIABILITIES	383,772	439,762
NONCURRENT LIABILITIES		
Accrued liabilities	36,891	37,113
Net pension liability	46,705	52,127
Repayment due to State Comptroller	6,309	6,927
Senior lien revenue bonds payable	3,241,613	3,311,980
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	98,726	100,878
Capital lease/leaseback liabilities	105,361	105,342
TOTAL NONCURRENT LIABILITIES	3,535,605	3,614,367
TOTAL LIABILITIES	3,919,377	4,054,129
DEFERRED INFLOWS OF RESOURCES	2,554	2,178
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,921,931	4,056,307
NET POSITION		
Net investment in capital assets	782,484	837,067
Restricted for debt service	44,768	56,405
Restricted as security for capital lease/leaseback liabilities	7,049	7,751
Unrestricted	539,724	543,815
TOTAL NET POSITION	\$1,374,025	\$1,445,038

DALLAS AREA RAPID TRANSIT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE NINE MONTHS ENDED JUNE 30, 2018 and 2017 (Dollars in Thousands)

	2018 Unaudited	2017 Unaudited
OPERATING REVENUES		
Passenger revenues	\$47,322	\$48,658
Advertising, rent, and other	10,273	10,662
TOTAL OPERATING REVENUES	57,595	59,320
OPERATING EXPENSES		
Labor	180,882	173,604
Benefits	68,905	77,728
Services	30,512	27,980
Materials and supplies	34,667	30,910
Purchased transportation	41,227	39,052
Depreciation and amortization	187,409	178,114
Utilities	14,248	13,648
Taxes, leases, and other	3,507	2,973
Casualty and liability	3,608	4,127
TOTAL OPERATING EXPENSES	564,965	548,136
NET OPERATING LOSS	(507,370)	(488,816)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	451,640	429,642
Investment income	3,703	4,123
Interest income from investments held to pay capital lease/leaseback	6,393	6,316
Interest expense on capital lease/leaseback	(6,393)	(6,316)
Interest and financing expenses	(115,494)	(116,376)
Build America Bonds tax credit	21,336	21,263
Other federal grants	50,942	43,115
Other non-operating revenues	16,191	13,629
Other non-operating expenses	(3,878)	(1,845)
NET NON-OPERATING REVENUES	424,440	393,551
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(82,930)	(95,265)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	11,268	5,608
State capital contributions	649	846
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	11,917	6,454
CHANGE IN NET POSITION	(71,013)	(88,811)
TOTAL NET POSITION – BEGINNING OF YEAR	1,445,038	1,570,583
TOTAL NET POSITION – END OF THE REPORTING PERIOD	\$1,374,025	\$1,481,772

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS**

FOR THE NINE MONTHS ENDED JUNE 30, 2018 and 2017 (Dollars in Thousands)

	2018 Unaudited	2017 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$58,038	\$61,574
Cash flows from other sources	16,873	14,179
Payments to suppliers of goods and services	(96,358)	(84,057)
Payments to purchased transportation service providers	(40,353)	(38,337)
Payments to employees	(183,764)	(175,429)
Benefit payments on behalf of employees	(73,553)	(82,269)
NET CASH USED BY OPERATING ACTIVITIES	<u>(319,117)</u>	<u>(304,339)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	440,799	422,760
Other federal grants	51,594	41,947
Build America Bonds tax credit	28,451	28,360
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>520,844</u>	<u>493,067</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	6,065	4,207
Proceeds from sales and maturity of investments	226,414	332,221
Purchase of investments	(165,207)	(261,513)
Decrease (increase) in restricted assets	56,868	55,462
NET CASH USED BY INVESTING ACTIVITIES	<u>124,140</u>	<u>130,377</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(71,667)	(71,992)
Proceeds from the issuance of commercial paper notes	530,000	590,000
Payment on commercial paper notes	(530,000)	(620,000)
Principal payment on revenue bonds	(55,936)	(53,962)
Interest and financing expenses	(165,110)	(163,822)
Federal capital contributions	10,166	3,233
State capital contributions	937	5,608
Local capital contributions	195	846
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(281,415)</u>	<u>(310,089)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,452	9,016
CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR	<u>39,938</u>	<u>53,651</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u><u>\$84,390</u></u>	<u><u>\$62,667</u></u>

(Continued)

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS**

FOR THE NINR MONTHS ENDED JUNE 30, 2018 and 2017 (Dollars in Thousands)

	2018 Unaudited	2017 Unaudited
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(507,370)	\$(488,691)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	187,409	178,114
Miscellaneous non-operating income	15,996	13,629
Miscellaneous non-operating expenses	(3,878)	(1,845)
Changes in assets and liabilities		
Decrease in transit receivable	1,845	4,336
Increase in due from federal & other governments	(525)	-
Increase in materials and supplies inventory	(1,610)	(2,274)
Decrease in prepaid expenses and other current assets	(3,108)	(221)
Decrease in net pension liability	(5,422)	(7,604)
Increase in differed inflows of resources	377	2,629
Decrease in differed outflows of resources	581	1,256
Increase in accounts payable and accrued liabilities	(3,539)	(4,534)
Increase in unearned revenue and other liabilities	127	866
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(319,117)</u>	<u>\$(304,339)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$6,393	\$6,316
Interest expense on capital lease/leaseback	(6,393)	(6,316)
Increase in capital lease/leaseback obligations	19	58
Increase in investments held to pay capital lease/leaseback	(19)	(58)
Decrease in fair value of investments	(1,608)	(739)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(14,223)	(8,463)
Purchases of capital assets in accounts payable at period-end	3,641	2,710

(Concluded)

APPENDIX G

CERTAIN INFORMATION REGARDING JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association, a national banking association (“JPMorgan Chase Bank, N.A.”), is one of the principal bank subsidiaries of JPMorgan Chase & Co. JPMorgan Chase Bank, N.A. offers a wide range of banking services to its customers both in the United States and internationally, including investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. JPMorgan Chase Bank, N.A. is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency, a bureau of the U.S. Department of the Treasury. As of December 31, 2017, JPMorgan Chase Bank, N.A. had total assets of \$2.1 trillion and total stockholder’s equity of \$211.7 billion.

JPMorgan Chase Bank, N.A. files quarterly Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices (“Call Reports”) with the Federal Financial Institutions Examinations Council (the “FFIEC”). The non-confidential portions of the Call Reports can be viewed on the FFIEC’s website at <https://cdr.ffiec.gov/public>. The Call Reports are prepared in accordance with regulatory instructions issued by the FFIEC and do not in all cases conform to U.S. generally accepted accounting principles (“GAAP”).

Additional information concerning JPMorgan Chase Bank, N.A., including the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed by JPMorgan Chase & Co. with the Securities and Exchange Commission (the “SEC”), as they become available, can be viewed on the SEC’s website at www.sec.gov. Those reports and additional information concerning JPMorgan Chase Bank, N.A. can also be viewed on JPMorgan Chase & Co.’s investor relations website at <http://investor.shareholder.com/jpmorganchase>.

The information contained in this Appendix relates to and has been obtained from JPMorgan Chase Bank, N.A. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of JPMorgan Chase Bank, N.A. since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.