

Please attach this Supplement to the copies of the Official Statement in your possession and forward copies to the parties to whom you have previously delivered copies of such Official Statement.



**SUPPLEMENT DATED MARCH 20, 2020
TO
OFFICIAL STATEMENT DATED MARCH 5, 2020
Relating to
DALLAS AREA RAPID TRANSIT**

**\$130,470,000
SENIOR LIEN SALES TAX
REVENUE IMPROVEMENT
AND REFUNDING BONDS
SERIES 2020A**

**\$32,060,000
SENIOR LIEN SALES TAX
REVENUE REFUNDING
BONDS SERIES 2020B
(FORWARD DELIVERY)**

**\$115,220,000
SENIOR LIEN SALES TAX
REVENUE REFUNDING BONDS
TAXABLE SERIES 2020C**

The Official Statement, dated March 5, 2020 (“*Official Statement*”), in connection with the above-captioned Bonds, is hereby supplemented (“*Supplement*”), to replace certain information contained in the Official Statement. Capitalized terms used but not otherwise defined in this Supplement have the meanings ascribed to such terms in the Official Statement.

APPENDIX B to the Official Statement contained financial statements, supplemental information, and an independent auditor’s report for years ended September 30, 2018 and 2017.

This Supplement hereby replaces the information in APPENDIX B to the Official Statement with the Financial Statements and Supplemental Information Years Ended September 30, 2019 and 2018 and Independent Auditor’s Report. Such information was previously posted to the Municipal Securities Rulemaking Board’s EMMA website on February 11, 2020, and provided in the Preliminary Official Statement to the Bonds, dated February 20, 2020, as supplemented, on March 3, 2020, and in DART’s Annual Disclosure Statement posted on the EMMA website on March 11, 2020.

The information contained in this Supplement is subject in all respects to the more complete information in the Official Statement, to the extent that such information is not otherwise amended or supplemented hereby. Except as amended or supplemented hereby, the Official Statement shall remain in effect. This Supplement should be affixed to all copies of the Official Statement.

NEW ISSUE – BOOK-ENTRY-ONLY



RATINGS:

S&P AA+
MOODY'S Aa2
KROLL AAA

SEE "OTHER INFORMATION -
Ratings" HEREIN

In the opinions of Co-Bond Counsel, under existing law, interest on the Tax-Exempt Bonds (defined herein) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS – Tax Exemption of the Tax-Exempt Bonds" herein for a discussion of the opinions of Co-Bond Counsel regarding the Bonds. Interest on the Series 2020C Bonds is not excludable from gross income for federal tax purposes under existing law. See "TAX MATTERS – Series 2020C Bonds."

DALLAS AREA RAPID TRANSIT**\$130,470,000**

**SENIOR LIEN SALES TAX
REVENUE IMPROVEMENT
AND REFUNDING BONDS
SERIES 2020A**

\$32,060,000

**SENIOR LIEN SALES TAX
REVENUE REFUNDING BONDS
SERIES 2020B
(FORWARD DELIVERY)**

\$115,220,000

**SENIOR LIEN SALES TAX
REVENUE REFUNDING BONDS
TAXABLE SERIES 2020C**

**Interest accrues from the Date of Delivery or
Forward Delivery Date, as applicable**

CUSIP Prefix: 235241**Due: As shown on the inside cover pages**

Dallas Area Rapid Transit (the "Authority" or "DART") is issuing its Senior Lien Sales Tax Revenue Improvement and Refunding Bonds, Series 2020A (the "Series 2020A Bonds"), Senior Lien Sales Tax Revenue Refunding Bonds, Series 2020B (Forward Delivery) (the "Series 2020B Bonds" and together with the Series 2020A Bonds, the "Tax-Exempt Bonds") and Senior Lien Sales Tax Revenue Refunding Bonds, Taxable Series 2020C (the "Series 2020C Bonds" or "Taxable Bonds" and collectively with the Series 2020A Bonds and Series 2020B Bonds, the "Bonds") for the purposes described herein. See "PLAN OF FINANCE" and "THE BONDS."

Interest on the Bonds will accrue from the Date of Delivery or Forward Delivery Date (both as defined herein), as applicable, and will be payable on each June 1 and December 1, commencing June 1, 2020 for the Series 2020A Bonds and Series 2020C Bonds, and December 1, 2020 for the Series 2020B Bonds, until maturity or earlier redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The forward delivery of the Series 2020B Bonds is subject to certain risks and conditions precedent. Potential purchasers of the Series 2020B Bonds should carefully review the information under the caption "CERTAIN FORWARD DELIVERY CONSIDERATIONS, ACKNOWLEDGMENTS AND RISKS FOR THE SERIES 2020B BONDS" prior to purchasing the Series 2020B Bonds.

The definitive Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners thereof. See "BOOK-ENTRY-ONLY SYSTEM" herein. Zion Bancorporation, National Association, DBA Amegy Bank, Houston, Texas, is designated as the initial trustee (in such capacity, the "Trustee") and the initial paying agent/registrar (in such capacity, the "Paying Agent/Registrar"). See "THE BONDS – Trustee/Paying Agent/Registrar."

The Bonds are being issued pursuant to the Master Debt Resolution, adopted on January 23, 2001, as amended, (the "Master Debt Resolution"), a Supplemental Resolution adopted by the subregional board of directors of the Authority (the "Board") on December 10, 2019 (the "Twentieth Supplemental Debt Resolution"), and one or more pricing certificates (together, the "Pricing Certificates") pursuant to the authority granted by Chapter 452, Texas Transportation Code, as amended (the "Act"), and Chapters 1207 and 1371, Texas Government Code, as amended. The Bonds will be issued as Additional Senior Lien Obligations on parity with certain Outstanding Senior Lien Obligations and any future Additional Senior Lien Obligations (collectively, the "Senior Lien Obligations"), and are payable from and secured by a first and senior lien on and pledge of (i) Gross Sales Tax Revenues, (ii) Pledged Farebox Revenues and (iii) investment earnings credited to the Gross Sales Tax Revenue Fund (collectively, "Pledged Revenues"). See "THE BONDS – Security and Source of Payment." A sales and use tax has been levied by the Authority at the rate of 1% on all taxable transactions within the Authority's boundaries. See "REVENUES, EXPENSES AND INVESTMENTS" and "DEBT AND OTHER OBLIGATIONS – Outstanding Debt." Capitalized terms used but not otherwise defined herein have the meaning assigned to such term in the Master Debt Resolution and the Twentieth Supplemental Debt Resolution.

Proceeds of the Bonds, together with other funds contributed by DART, will be used for the purposes of (i) refunding all or a portion of the Refunded Obligations (defined herein) described in Schedule I, (ii) paying the Costs of Acquisition and Construction of the System and (iii) paying the costs of issuance of the Bonds. For additional information on the use of proceeds for each series of Bonds, please see "PLAN OF FINANCE."

The Series 2020A and Series 2020C Bonds are subject to redemption prior to maturity as set forth herein. See "THE BONDS – Redemption."

SEE INSIDE COVER PAGES FOR MATURITY SCHEDULE AND INITIAL OFFERING YIELDS

The Bonds are offered, when, as and if issued by DART and accepted by the Underwriters (defined herein), subject, among other things, to the approving opinions of the Attorney General of the State of Texas as to legality and to the approving opinions of Bracewell LLP, Dallas, Texas and West & Associates L.L.P., Dallas, Texas ("Co-Bond Counsel"). Certain legal matters will be passed upon for DART by Bracewell LLP, Dallas, Texas and West & Associates L.L.P., Dallas, Texas ("Co-Special Disclosure Counsel"). Certain legal matters will be passed on for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas and Kintop Smith PLLC, Irving, Texas ("Co-Underwriters' Counsel"). Delivery of the Series 2020A Bonds and Series 2020C Bonds is expected through the facilities of The Depository Trust Company ("DTC") in New York, New York on or about March 26, 2020 (the "Date of Delivery") and the Series 2020B Bonds are expected to be available for delivery on or about September 2, 2020 (the "Forward Delivery Date") through the facilities of DTC in New York, New York.

SERIES 2020A BONDS AND SERIES 2020B BONDS**RAMIREZ & Co., Inc.****HILLTOP SECURITIES****LOOP CAPITAL MARKETS****MESIROW FINANCIAL, INC.****MORGAN STANLEY****SERIES 2020C BONDS****J.P. MORGAN****JEFFERIES****SIEBERT WILLIAMS SHANK
& Co., LLC****STERN BROTHERS**

MATURITY SCHEDULES

\$130,470,000 Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Improvement and Refunding Bonds Series 2020A

CUSIP Prefix: 235241⁽³⁾

Stated Maturity (12/1) ⁽¹⁾	Principal Amount	Interest Rate	Yield ⁽²⁾	CUSIP Suffix ⁽³⁾
2021	\$1,620,000	5.000%	0.670%	UB0
2022	1,700,000	5.000	0.670	UC8
2023	1,755,000	1.250	0.680	UD6
2024	3,385,000	5.000	0.680	UE4
2025	3,565,000	5.000	0.720	UF1
2026	3,745,000	5.000	0.840	UG9
2027	3,940,000	5.000	0.940	UH7
2028	4,130,000	5.000	1.030	UJ3
2029	4,345,000	5.000	1.100	UK0
2030	4,570,000	5.000	1.180 ⁽⁴⁾	UL8
2031	4,805,000	5.000	1.250 ⁽⁴⁾	UM6
2032	5,045,000	5.000	1.330 ⁽⁴⁾	UN4
2033	5,305,000	5.000	1.370 ⁽⁴⁾	UP9
2034	5,545,000	4.000	1.580 ⁽⁴⁾	UQ7
2035	5,770,000	4.000	1.620 ⁽⁴⁾	UR5
2036	6,005,000	4.000	1.660 ⁽⁴⁾	US3
2037	6,245,000	4.000	1.710 ⁽⁴⁾	UT1
2038	6,500,000	4.000	1.750 ⁽⁴⁾	UU8
2039	6,765,000	4.000	1.790 ⁽⁴⁾	UV6
2040	3,300,000	4.000	1.820 ⁽⁴⁾	UW4

Term Bonds

\$19,120,000 Term Bond due December 1, 2045, Interest Rate 5.000%, Yield 1.790%, CUSIP Suffix UX2 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾

\$23,310,000 Term Bond due December 1, 2050, Interest Rate 3.000%, Yield 2.410%, CUSIP Suffix UY0 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾

- (1) The Series 2020A Bonds maturing on and after December 1, 2030, are subject to redemption, in whole or in part, at DART's option on any day on and after June 1, 2030, at a redemption price equal to the principal amount of Series 2020A Bonds to be redeemed plus accrued and unpaid interest to the redemption date, without premium (see "THE BONDS – Redemption – *Optional Redemption*").
- (2) The initial yields are established by and are the sole responsibility of the Underwriters and may subsequently be changed.
- (3) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Capital Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Series 2020A Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of DART, the Co-Financial Advisors, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers set forth herein.
- (4) Yield calculated to the first optional call date of June 1, 2030.
- (5) Subject to mandatory sinking fund redemption as described in "THE BONDS – Redemption – *Mandatory Redemption*."

\$32,060,000
Dallas Area Rapid Transit
Senior Lien Sales Tax Revenue Refunding Bonds
Series 2020B (Forward Delivery)

Forward Delivery Date: On or About September 2, 2020

CUSIP Prefix: 235241⁽³⁾

<u>Stated Maturity (12/1) ⁽¹⁾</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield ⁽²⁾</u>	<u>CUSIP Suffix ⁽³⁾</u>
2021	\$ 4,700,000	5.000%	0.820%	UZ7
2022	4,950,000	5.000	0.850	VA1
2023	22,410,000	5.000	0.860	VB9

- (1) The Series 2020B Bonds are not subject to optional redemption prior to maturity.
- (2) The initial yields are established by and are the sole responsibility of the Underwriters and may subsequently be changed.
- (3) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Capital Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Series 2020B Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of DART, the Co-Financial Advisors, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers set forth herein.

\$115,220,000
Dallas Area Rapid Transit
Senior Lien Sales Tax Revenue Refunding Bonds
Taxable Series 2020C

CUSIP Prefix: 235241⁽³⁾

<u>Stated Maturity (12/1)</u> ⁽¹⁾⁽⁴⁾	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u> ⁽²⁾	<u>CUSIP Suffix</u> ⁽³⁾
2020	\$1,530,000	0.895%	0.895%	TJ5
2021	1,545,000	0.945	0.945	TK2
2022	1,560,000	0.995	0.995	TL0
2023	4,625,000	1.078	1.078	TM8
2024	4,675,000	1.190	1.190	TN6
2025	4,730,000	1.270	1.270	TP1
2026	4,795,000	1.471	1.471	TQ9
2027	4,870,000	1.591	1.591	TR7
2028	4,950,000	1.746	1.746	TS5
2029	5,040,000	1.796	1.796	TT3
2030	5,135,000	1.846	1.846	TU0
2031	5,230,000	1.946	1.946	TV8
2032	5,335,000	2.046	2.046	TW6
2033	5,450,000	2.096	2.096	TX4
2034	5,565,000	2.146	2.146	TY2
2035	5,685,000	2.196	2.196	TZ9

Term Bonds

\$44,500,000 Term Bond due December 1, 2042, Interest Rate 2.816%, Yield 2.816%, CUSIP Suffix UA2 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾

- (1) The Series 2020C Bonds maturing on and after December 1, 2030, are subject to redemption, in whole or in part, at DART's option on any day on and after December 1, 2029, at a redemption price equal to the principal amount of Series 2020C Bonds to be redeemed plus accrued and unpaid interest to the redemption date, without premium (see "THE BONDS - Redemption - *Optional Redemption*").
- (2) The initial yields are established by and are the sole responsibility of the Underwriters and may subsequently be changed.
- (3) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Capital Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Series 2020C Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of DART, the Co-Financial Advisors, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers set forth herein.
- (4) The Series 2020C Bonds are subject to optional make-whole redemption on any date prior to maturity, as described in "THE BONDS- Redemption - *Optional Redemption of the Series 2020C Bonds at Make-Whole Redemption Price*."
- (5) Subject to mandatory sinking fund redemption as described in "THE BONDS - Redemption - *Mandatory Redemption*."

The Bonds have not been registered under the United States Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. Any registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds may have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of the Bonds and the terms of this offering, including the merits and risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement includes descriptions and summaries of certain events, matters, laws and documents. Such descriptions and summaries do not purport to be complete, and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such law or document, copies of which may be obtained from the Authority or from the Co-Financial Advisors to the Authority. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in Rule 15c2-12 of the United States Securities and Exchange Commission, as amended.

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesman or other person has been authorized by the Authority to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Co-Financial Advisors have provided the following sentence for inclusion in this Official Statement: The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The cover page contains certain information for general reference only. Investors must read the entire Official Statement to obtain information essential to make an investment decision. See "INVESTMENT CONSIDERATIONS" for a discussion of factors that should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT (INCLUDING, WITHOUT LIMITATION, ALL APPENDICES HERETO) CONSTITUTE "FORWARD-LOOKING STATEMENTS." SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "PROJECT," "EXPECT," "ESTIMATE," "BUDGET," "FORECAST" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED CHANGE. INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS. PLEASE REVIEW THE FACTORS DESCRIBED BELOW UNDER "INVESTMENT CONSIDERATIONS" AND ELSEWHERE HEREIN WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER FROM EXPECTATIONS.

INFORMATION CONCERNING OFFERING RESTRICTIONS RELATING TO THE SERIES 2020C BONDS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES IN THIS SECTION TO THE “ISSUER” MEAN DALLAS AREA RAPID TRANSIT AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE SERIES 2020C BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA (“EEA”) OR THE UNITED KINGDOM

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR UNITED KINGDOM. FOR THESE PURPOSES, A “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) OF THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE BONDS. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OR THE UNITED KINGDOM OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THE EEA OR THE UNITED KINGDOM, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR THE ISSUER FOR ANY SUCH OFFER; OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR ANY UNDERWRITER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE BONDS IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS OR SUBSCRIBE FOR THE BONDS.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO

RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF SWEDEN

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED BY OR REGISTERED WITH THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY (SW: *FINANSINSPEKTIONEN*). EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT IT WILL NOT MARKET OR OFFER THE BONDS IN SWEDEN IN CIRCUMSTANCES THAT ARE DEEMED TO BE AN OFFER TO THE PUBLIC IN SWEDEN WHICH WOULD REQUIRE THAT A PROSPECTUS IS APPROVED BY THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (“FINSA”) AND NO APPLICATION HAS OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

THE BONDS DO NOT CONSTITUTE COLLECTIVE INVESTMENTS WITHIN THE MEANING OF THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“CISA”). ACCORDINGLY, HOLDERS OF THE BONDS DO NOT BENEFIT FROM PROTECTION UNDER THE CISA OR FROM THE SUPERVISION OF THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY. INVESTORS ARE EXPOSED TO THE DEFAULT RISK OF THE ISSUER.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

The Authority.....	The Dallas Area Rapid Transit Authority (“DART” or the “Authority”) is a subregional transportation authority of the State of Texas 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, as amended (the “Act”). The Authority’s current boundaries include the territory lying within the corporate limits of the following 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 (the “Participating Municipalities”). The Authority provides transit services to and collects sales and use taxes on taxable transactions in the Participating Municipalities comprising a 700-square mile area with a population of approximately 2.47 million persons. See “THE AUTHORITY.”
The Bonds	The Senior Lien Sales Tax Revenue Improvement and Refunding Bonds, Series 2020A (the “Series 2020A Bonds”), Senior Lien Sales Tax Revenue Refunding Bonds, Series 2020B (Forward Delivery) (the “Series 2020B Bonds” and together with the Series 2020A Bonds, the “Tax-Exempt Bonds”) and Senior Lien Sales Tax Revenue Refunding Bonds, Taxable Series 2020C (the “Series 2020C Bonds” or “Taxable Bonds” and collectively with the Series 2020A Bonds and Series 2020B Bonds, the “Bonds”) are being issued by the Authority in the aggregate principal amounts shown on the cover page hereof. The issuance of the Series 2020A Bonds, the Series 2020B Bonds, and the Series 2020C Bonds is not contingent on the issuance of each other series of such Bonds. Although the Bonds are collectively being offered pursuant to this Official Statement, potential investors should consider each series of Bonds to be separate and distinct from each other and should independently evaluate the terms and risks of an investment in each series of Bonds.
Use of Proceeds.....	Proceeds of the Series 2020A Bonds will be used for the purposes of (i) refunding all or a portion of DART’s Senior Lien Sales Tax Revenue Bonds described in Schedule I (the “Series 2020A Refunded Bonds”), (ii) paying the Costs of Acquisition and Construction of the System and (iii) together with the proceeds of the Series 2020B Bonds and the Series 2020C Bonds, paying the costs of issuance of the Bonds. Proceeds of the Series 2020B Bonds will be used for the purposes of (i) refunding all or a portion of DART’s Senior Lien Sales Tax Revenue Bonds described in Schedule I (the “Series 2020B Refunded Bonds”) and (ii) together with the proceeds of the Series 2020A Bonds and Series 2020C Bonds, paying the costs of issuance of the Bonds. Proceeds of the Series 2020C Bonds, together with other funds contributed by DART, will be used for the purposes of (i) refunding all or a portion of DART’s Senior Lien Sales Tax Revenue Bonds described in Schedule I (the “Series 2020C Refunded Bonds” and together with the Series 2020A Refunded Bonds and the Series 2020B Refunded Bonds, the “Refunded Obligations”) and (ii) together with the proceeds of the Series 2020A Bonds and the Series 2020B Bonds, paying the costs of issuance of the Bonds. See “PLAN OF FINANCE.”
Authority for Issuance.....	The Bonds are authorized by the Act, Chapters 1207, and 1371, Texas Government Code, as amended, and issued pursuant to the Master Debt Resolution, the Twentieth Supplemental Debt Resolution, and one or more Pricing Certificates authorized by the Twentieth Supplemental Debt Resolution. See “THE BONDS — Authority for Issuance.”
Payment of Interest	Interest on the Bonds accrues from the Date of Delivery or Forward Delivery Date (both defined herein), as applicable, and will be payable on each June 1 and December 1, commencing June 1, 2020 for the Series 2020A Bonds and the Series 2020C Bonds and on December 1, 2020 for the Series 2020B Bonds, until maturity or earlier redemption, as set forth herein. See “THE BONDS – Redemption”.
Security for the Bonds.....	The Bonds are secured by a first and senior lien on and pledge of (i) Gross Sales Tax Revenues, (ii) Pledged Farebox Revenues and (iii) investment earnings credited to the Gross Sales Tax Revenue Fund (collectively, “Pledged Revenues”). See “THE BONDS – Security and Source of Payment.” See “REVENUES, EXPENSES AND INVESTMENTS.”
Additional Senior Lien Obligations.....	Subject to certain requirements, the Authority may issue or incur additional parity Senior Lien Obligations, as well as obligations secured by a junior lien on and pledge of the Pledged Revenues. See “THE BONDS – Outstanding and Additional Parity Obligations.”
Redemption	The Series 2020A Bonds and the Series 2020C Bonds are subject to optional redemption prior to maturity, as described herein. See “THE BONDS – Redemption – Optional Redemption.” The Series 2020C Bonds also are subject to optional make-whole redemption on any date prior to maturity. See “THE BONDS – Redemption - Optional Redemption of the Series 2020C Bonds at the Make-Whole Redemption Price.” The Series 2020B Bonds are not subject to optional redemption prior to maturity. The Term Bonds (defined herein) are subject to mandatory sinking fund redemption on December 1 in the years and amounts set forth herein. See “THE BONDS – Redemption – Mandatory Redemption.”
Tax Matters.....	In the opinions of Co-Bond Counsel, under existing law, interest on the Tax-Exempt Bonds (defined herein) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See “TAX MATTERS – Tax Exemption of the Tax-Exempt Bonds” herein for a

discussion of the opinions of Co-Bond Counsel regarding the Tax-Exempt Bonds. Interest on the Series 2020C Bonds is not excludable from gross income for federal tax purposes under existing law. See “TAX MATTERS – Series 2020C Bonds.”

Ratings The following ratings have been assigned to the Bonds. See “OTHER INFORMATION – Ratings.”

<u>S&P</u>	<u>Moody's</u>	<u>Kroll</u>
AA+	Aa2	AAA

Payment Record..... The Authority has never defaulted in the payment of its debt.

Investment Considerations An investment in the Bonds involves a certain degree of risk. For further information, please see “INVESTMENT CONSIDERATIONS.”

Forward Delivery Considerations... The forward delivery of the Series 2020B Bonds is subject to certain risks and conditions precedent. Potential purchasers of the Series 2020B Bonds should carefully review the information under the caption “CERTAIN FORWARD DELIVERY CONSIDERATIONS, ACKNOWLEDGMENTS AND RISKS FOR THE SERIES 2020B BONDS” prior to purchasing the Series 2020B Bonds.

DALLAS AREA RAPID TRANSIT
CURRENT MEMBERS AND OFFICERS OF THE BOARD OF DIRECTORS

<u>NAME</u>	<u>APPOINTED BY:</u>	<u>YEAR OF APPOINTMENT TO BOARD</u>	<u>OCCUPATION</u>
Paul N. Wageman, <i>Chair</i>	Plano	2012	Attorney
Michele Wong Krause, <i>Vice Chair</i>	Dallas	2014	Attorney
Jonathan R. Kelly, <i>Secretary</i>	Garland	2016	Investment Advisor
Ray Jackson, <i>Assistant Secretary</i>	Dallas	2017	Attorney
Doug Hrbacek	Carrollton and Irving	2019	Business Development
Sue S. Bauman	Dallas	2016	Faculty, Richland College
Patrick Kennedy	Dallas	2016	Urban Planner
Jon-Bertrell Killen	Dallas	2017	Architect
Amanda Moreno	Dallas	2013	Entrepreneur
Eliseo Ruiz III	Dallas and Cockrell Hill	2018	Attorney
Dominique P. Torres	Dallas	2017	Attorney
Mark C. Enoch	Garland, Rowlett, and Glenn Heights	1997	Attorney
Richard H. Stopfer	Irving	2013	Retired Automotive Consultant and Mayor, City of Irving
Lissa Smith	Plano and Farmers Branch	2018	Community Relations Advisor
Gary Slagel	Richardson, University Park, Addison, and Highland Park	2011	Technology Executive

APPOINTED OFFICIALS AND STAFF

<u>Officer</u>	<u>Position</u>
Gary C. Thomas	President & Executive Director
Joseph G. Costello	Chief Financial Officer
Gene Gamez	General Counsel
Dwight Burns	Treasurer
Beverly Adler	Assistant Treasurer
Wallace Waits	Senior Manager, Cash & Debt Administration
Katy Galindo	Assistant Vice President Controller
Tadele Gelassie	Assistant Controller

CONSULTANTS AND ADVISORS

Co-Bond Counsel.....	Bracewell LLP Dallas, Texas
	West & Associates L.L.P. Dallas, Texas
Co-Special Disclosure Counsel.....	Bracewell LLP Dallas, Texas
	West & Associates L.L.P. Dallas, Texas
Co-Financial Advisors	Estrada Hinojosa & Company, Inc. Dallas, Texas

PFM Financial Advisors LLC
Chicago, Illinois

Trustee and Paying Agent/Registrar.....Zion Bancorporation, National Association,
DBA Amegy Bank,
Houston, Texas

For additional information regarding the Authority, please contact:

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OFFICIAL STATEMENT

Relating to

DALLAS AREA RAPID TRANSIT

\$130,470,000
SENIOR LIEN SALES TAX
REVENUE IMPROVEMENT
AND REFUNDING BONDS
SERIES 2020A

\$32,060,000
SENIOR LIEN SALES TAX REVENUE
REFUNDING BONDS SERIES 2020B
(FORWARD DELIVERY)

\$115,220,000
SENIOR LIEN SALES TAX
REVENUE REFUNDING BONDS
TAXABLE SERIES 2020C

INTRODUCTION

This Official Statement, which includes tables, a schedule and appendices hereto, provides certain information regarding the issuance by Dallas Area Rapid Transit (the “*Authority*” or “*DART*”) of its Senior Lien Sales Tax Revenue Improvement and Refunding Bonds, Series 2020A (the “*Series 2020A Bonds*”), Senior Lien Sales Tax Revenue Refunding Bonds, Series 2020B (Forward Delivery) (the “*Series 2020B Bonds*” and together with the Series 2020A Bonds, the “*Tax-Exempt Bonds*”) and Senior Lien Sales Tax Revenue Refunding Bonds, Taxable Series 2020C (the “*Series 2020C Bonds*” or “*Taxable Bonds*” and collectively with the Series 2020A Bonds and Series 2020B Bonds, the “*Bonds*”), in the respective aggregate principal amounts captioned above.

The issuance of the Series 2020A Bonds, the Series 2020B Bonds, and the Series 2020C Bonds is not contingent on the issuance of each other series of such Bonds. Although the Bonds are collectively being offered pursuant to this Official Statement, potential investors should consider each series of Bonds to be separate and distinct from each other and should independently evaluate the terms and risks of an investment in each series of Bonds.

Capitalized terms used in this Official Statement, except as otherwise indicated herein, have the meanings assigned to such terms in the Master Debt Resolution adopted on January 23, 2001, as amended (the “*Master Debt Resolution*”), and by a Supplemental Resolution authorizing the issuance of the Bonds adopted by the subregional board of directors of the Authority (the “*Board*”) on December 10, 2019 (the “*Twentieth Supplemental Debt Resolution*”) and together with the Master Debt Resolution, the “*Resolution*”), excerpts from which are attached as APPENDIX A1, including certain defined terms used in this Official Statement. The Twentieth Supplemental Debt Resolution recognizes and confirms the appointment of Zion Bancorporation, National Association, DBA Amegy Bank, Houston, Texas, as trustee (together with any successor, the “*Trustee*”) for the sole purpose of holding certain funds for the payment of the Bonds authorized by the Resolution, as described herein. See “THE BONDS – Trustee/Paying Agent/Registrar.”

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Authority and its finances. All descriptions of laws and documents contained herein are only summaries and are qualified in their entirety by reference to each such law and document. Copies of such documents may be obtained from DART’s website, www.dart.org, or by contacting DART at the following address or phone number: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

PLAN OF FINANCE

The Bonds

Proceeds of the Series 2020A Bonds will be used for the purposes of (i) refunding all or a portion of DART’s Senior Lien Sales Tax Revenue Bonds described in Schedule I (the “*Series 2020A Refunded Bonds*”), (ii) paying the Costs of Acquisition and Construction of the System and (iii) together with the proceeds of the Series 2020B Bonds and the Series 2020C Bonds, paying the costs of issuance of the Bonds. Proceeds of the Series 2020B Bonds will be used for the purposes of (i) refunding all or a portion of DART’s Senior Lien Sales Tax Revenue Bonds described in Schedule I (the “*Series 2020B Refunded Bonds*”) and (ii) together with the proceeds of the Series 2020A Bonds and the Series 2020C Bonds, paying the costs of issuance of the Bonds. Proceeds of the Series 2020C Bonds, together with other funds contributed by DART, will be used for the purposes of (i) refunding all or a portion of DART’s Senior Lien Sales Tax Revenue Bonds described in Schedule I (the “*Series 2020C Refunded Bonds*” and together with the Series 2020A Refunded Bonds and the Series 2020B Refunded Bonds, the “*Refunded Obligations*”) and (ii) together with the proceeds of the Series 2020A Bonds and the Series 2020B Bonds, paying the costs of issuance of the Bonds. The “*System*” refers to 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.

Refunded Obligations and Escrow Funds

A portion of the proceeds of the Series 2020A Bonds will be deposited on the Date of Delivery with the paying agent for the Series 2020A Refunded Bonds and used to pay the principal and accrued interest to the Date of Delivery on such Series 2020A Refunded Bonds.

The principal of and interest due on the Series 2020B Refunded Bonds and the Series 2020C Refunded Bonds are to be paid on the scheduled principal payment dates, interest payment dates and the respective redemption dates of such Refunded Obligations from funds to be deposited pursuant to separate escrow agreements (the “*Escrow Agreements*”) between DART and Zion Bancorporation, National Association, DBA Amegy Bank, Houston, Texas, as escrow agent (the “*Escrow Agent*”). Concurrently with the initial delivery of the Bonds, including on the Forward Delivery Date with respect to the Series 2020B Bonds, against payment therefor, DART will deposit a portion of the proceeds of the Series 2020B Bonds and Series 2020C Bonds, together with certain other funds of DART into separate escrow funds (the “*Escrow Funds*”) to be held by the Escrow Agent pursuant to the terms and provisions of the respective Escrow Agreements in the amounts necessary to pay interest on the respective interest payment dates and to accomplish the discharge and final payment of the Series 2020B Refunded Bonds and the Series 2020C Refunded Bonds on their respective redemption dates. Amounts on deposit in the respective Escrow Funds will be held in cash or used to purchase direct obligations of the United States of America and other securities authorized by State law and the Master Debt Resolution (the “*Escrowed Securities*”). The amounts deposited to the respective Escrow Funds, together with investment earnings thereon, if any, are irrevocably pledged to the payment of the principal of and interest on the respective Refunded Obligations and are not available to pay debt service on the Bonds or on any other obligations of DART.

Causey Demgen & Moore P.C., a firm of certified public accountants (the “*Verification Agent*”), will verify at the time of delivery of the Bonds, including on the Forward Delivery Date with respect to the Series 2020B Bonds, that the Escrowed Securities will mature and pay interest in such amounts which, together with earnings on such Escrowed Securities and cash in the respective Escrow Funds, will be sufficient to pay, when due, the principal of and interest on the Series 2020B Refunded Bonds and the Series 2020C Refunded Bonds and will issue reports to this effect (the “*Verification Reports*”). The Verification Agent will also certify that the cash deposited with the paying agent for the Series 2020A Refunded Bonds is sufficient to pay the principal of and accrued interest to the Date of Delivery on the Series 2020A Refunded Bonds. The Verification Reports will be relied upon by Co-Bond Counsel in rendering their opinions with respect to the defeasance of the Refunded Obligations. See “OTHER INFORMATION - Verification of Mathematical Accuracy” herein.

By the deposit of the Escrowed Securities or cash with the paying agent for the Series 2020A Refunded Bonds or with the Escrow Agent pursuant to the Escrow Agreements, as applicable, DART will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Co-Bond Counsel that as a result of such defeasance and in reliance upon the Verification Reports, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held by the paying agent for the Series 2020A Refunded Bonds or by the Escrow Agent, as applicable, and such Refunded Obligations will not be deemed as being Outstanding obligations of DART and will not be payable from any other revenues of DART nor for the purpose of applying any limitation on the issuance of debt.

Sources and Uses of Funds

The following schedule reflects the sources and uses of proceeds of the Bonds⁽¹⁾:

	<u>Series 2020A</u>	<u>Series 2020B⁽³⁾</u>	<u>Series 2020C</u>
<u>SOURCES</u>			
Par Amount of the Bonds	\$130,470,000.00	\$32,060,000.00	\$115,220,000.00
Original Issue Premium	29,455,407.60	3,663,764.80	0.00
Issuer Contributions	<u>0.00</u>	<u>0.00</u>	<u>1,611,677.19</u>
Total Sources	\$159,925,407.60	\$35,723,764.80	\$116,831,677.19
<u>USES</u>			
Deposit to System Expansion and Acquisition Fund	\$100,000,000.00	\$ 0.00	\$ 0.00
Payment of Series 2020A Refunded Bonds	58,927,026.20	0.00	0.00
Deposit to Escrow Funds	0.00	35,567,501.00	115,911,258.68
Underwriters' Discount	569,503.97	125,678.39	484,624.12
Cost of Issuance ⁽²⁾	<u>428,877.43</u>	<u>30,585.41</u>	<u>435,794.39</u>
Total Uses	\$159,925,407.60	\$35,723,764.80	\$116,831,677.19

(1) The issuance of the Series 2020A Bonds, the Series 2020B Bonds, and the Series 2020C Bonds is not contingent on the issuance of each other series of such Bonds.

(2) Costs of issuance include Co-Financial Advisors' fees, rating agencies fees, Trustee/Paying Agent/Registrar fees, legal fees of the Authority relating to the Bonds, printing expense, additional proceeds and rounding amounts.

(3) Proceeds of the Series 2020B Bonds to be received and applied on the Forward Delivery Date.

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THE BONDS

Description

Interest on the Series 2020A Bonds and Series 2020C Bonds will accrue from their Date of Delivery, be payable on each June 1 and December 1, commencing June 1, 2020, until maturity or earlier redemption, and be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Series 2020B Bonds will accrue from their Forward Delivery Date, be payable on each June 1 and December 1, commencing December 1, 2020, until maturity, and be calculated on the basis of a 360-day year consisting of twelve 30-day months. Zion Bancorporation, National Association, DBA Amegy Bank, Houston, Texas, is the initial paying agent/registrar for the Bonds (the “*Paying Agent/Registrar*”). See “THE BONDS – Trustee/Paying Agent/Registrar.”

The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one series and maturity. All Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC, for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Authority for Issuance

The Bonds are being issued pursuant to the Resolution and one or more Pricing Certificates pursuant to the authority granted by Chapter 452, Texas Transportation Code, as amended (the “*Act*”), Chapters 1207 and 1371, Texas Government Code, as amended.

Redemption

Optional Redemption

The Series 2020A Bonds maturing on and after December 1, 2030 are subject to redemption, in whole or in part, at DART’s option on any day on and after June 1, 2030, at the redemption price equal to the principal amount of the Series 2020A Bonds to be redeemed plus accrued and unpaid interest to the redemption date, without premium.

The Series 2020B Bonds are not subject to optional redemption prior to maturity.

The Series 2020C Bonds maturing on and after December 1, 2030 are subject to redemption, in whole or in part, at DART’s option on any day on and after December 1, 2029, at the redemption price equal to the principal amount of the Series 2020C Bonds to be redeemed plus accrued and unpaid interest to the redemption date, without premium.

Optional Redemption of the Series 2020C Bonds at Make-Whole Redemption Price

The Series 2020C Bonds are subject to redemption, in whole or in part, at anytime at DART’s option at the “Make-Whole Redemption Price” (as defined below), on any date. DART will retain an independent certified public accountant or an independent municipal advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Paying Agent/Registrar may conclusively rely on such independent certified public accountant’s or independent municipal advisor’s calculations in connection with, and its determination of, the Make-Whole Redemption Price, and neither DART nor the Paying Agent/Registrar will have any liability for such reliance. The determination of the Make-Whole Redemption Price by such independent certified public accountant or independent municipal advisor will be conclusive and binding on DART, the Paying Agent/Registrar and the holders of the Series 2020C Bonds absent manifest error.

The “*Make-Whole Redemption Price*” means the greater of (1) 100% of the principal amount of the Series 2020C Bonds to be redeemed or (2) the sum of the present value of the remaining scheduled payments of principal of and interest to the maturity date of such Series 2020C Bonds to be redeemed, not including any portion of those payments of interest thereon accrued and unpaid as of the date on which the Series 2020C Bonds are to be redeemed, discounted to the date on which the Series 2020C Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (as defined below) plus 5 basis points for the Series 2020C Bonds maturing in 2020 through 2021, plus 10 basis points for the Series 2020C Bonds maturing in 2022 through 2026, plus 15 basis points for the Series 2020C Bonds maturing in 2027 through 2031, plus 20 basis points for the Series 2020C Bonds maturing in 2032 through 2042, plus, in each case, accrued and unpaid interest on the Series 2020C Bonds to be redeemed on the date of redemption.

“*Treasury Rate*” means, with respect to any make-whole redemption date for a particular Series 2020C Bond, the yield to maturity as of such make-whole redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the make-whole redemption date (excluding inflation indexed securities) (or, if such Statistical Release

is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2020C Bond to be redeemed.

Mandatory Redemption

The Series 2020A Bonds maturing on December 1 in the years 2045 and 2050 (the “*Series 2020A Term Bonds*”) and the Series 2020C Bonds maturing on December 1 in the year 2042 (the “*Series 2020C Term Bonds*”) and, together with the Series 2020A Term Bonds, the “*Term Bonds*”) are being issued as term bonds and are subject to mandatory sinking fund redemption prior to their scheduled maturity in the following amounts (subject to reduction as hereinafter provided), on the following mandatory sinking fund redemption dates (“*Mandatory Redemption Dates*”), at a price equal to the principal amount of the respective Series 2020A Bonds or Series 2020C Bonds to be redeemed plus accrued interest to (but not including) the applicable Mandatory Redemption Date:

\$19,120,000 Series 2020A Term Bonds Maturing December 1, 2045

Mandatory Redemption Date (December 1)	Principal Amount to be Redeemed
2041	\$3,450,000
2042	3,630,000
2043	3,815,000
2044	4,010,000
2045 (final maturity)	4,215,000

\$23,310,000 Series 2020A Term Bonds Maturing December 1, 2050

Mandatory Redemption Date (December 1)	Principal Amount to be Redeemed
2046	\$4,385,000
2047	4,520,000
2048	4,660,000
2049	4,800,000
2050 (final maturity)	4,945,000

The principal amount of Series 2020A Term Bonds required to be redeemed on any Mandatory Redemption Date shall be reduced, at the option of DART, by the principal amount of any Series 2020A Term Bonds having the same maturity which, at least 45 days prior to the Mandatory Redemption Date (i) shall have been acquired by DART at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to an optional redemption and not previously credited to a mandatory sinking fund redemption.

\$44,500,000 Series 2020C Term Bonds Maturing December 1, 2042

Mandatory Redemption Date (December 1)	Principal Amount to be Redeemed
2036	\$5,830,000
2037	6,000,000
2038	6,170,000
2039	6,345,000
2040	6,530,000
2041	6,715,000
2042 (final maturity)	6,910,000

The principal amount of Series 2020C Term Bonds required to be redeemed on any Mandatory Redemption Date shall be reduced, at the option of DART, by the principal amount of any Series 2020C Term Bonds having the same maturity which, at least 45 days prior to the Mandatory Redemption Date (i) shall have been acquired by DART at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to an optional redemption and not previously credited to a mandatory sinking fund redemption.

Partial Redemption of Bonds

The selection of the maturity or maturities and amounts of any Bonds to be redeemed will be made as provided in “– *Selection of Series 2020A Bonds for Partial Redemption*” and “– *Selection of Series 2020C Bonds for Partial Redemption*” below.

A portion of a single Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, DTC will treat each \$5,000 portion of the Bond as though it were a single Bond for purposes of selection for redemption. If Bonds are redeemed in part, the principal amount of such Bonds

held by DTC will be reduced and DTC will redeem Bonds held for the accounts of DTC participants in accordance with its rules and operational arrangements and DTC participants and indirect participants will implement a redemption of such Bonds from the beneficial owners thereof.

Selection of Series 2020A Bonds for Partial Redemption

If less than all of the Series 2020A Bonds are to be optionally redeemed, DART may select, in its sole discretion, the maturity or maturities and amounts of any Series 2020A to be redeemed. So long as the Book-Entry system is used for such Bonds, the Paying Agent/Registrar will give notice of any such redemption only to DTC, as registered owner, and the selection and redemption of such Bonds will be completed pursuant to the applicable procedures of DTC. If DART selects part of a maturity for redemption, the selection of Series 2020A Bonds to be redeemed within such maturity will be determined by DTC. Neither DART nor the Paying Agent/Registrar will have any responsibility to DTC participants or other persons for whom DTC participants act as nominees, with respect to the payments on the Series 2020A Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Selection of Series 2020C Bonds for Partial Redemption

If less than all of the Series 2020C Bonds are to be redeemed, the particular Series 2020C Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis. If the Series 2020C Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Series 2020C Bonds, the particular Series 2020C Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures. So long as the Series 2020C Bonds are held in book-entry form, the selection for redemption of Series 2020C Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2020C Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

For purposes of calculation of the “pro rata pass-through distribution of principal,” “pro rata” means, for any amount of principal to be paid, the application of a fraction to each denomination of the Series 2020C Bonds where (a) the numerator of which is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator of which is equal to the total original par amount of Series 2020C Bonds. DART intends that redemption allocations made by DTC with respect to the Series 2020C Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, neither DART nor the Underwriters can provide any assurance that DTC, DTC’s direct and indirect participants or any other intermediary will allocate the redemption of either series of the Series 2020C Bonds on such basis.

Notice of Redemption

The Paying Agent/Registrar is required to give notice of any redemption to the Holder of each Bond (or part thereof) to be redeemed by first class United States mail not less than thirty (30) days before the date fixed for redemption. The notice of redemption must state the redemption date, the redemption price, the place at which the Bonds are to be surrendered, and, if less than all the Bonds are to be redeemed, an identification of the Bonds or portions of the Bonds to be redeemed. Any notice so given is conclusively presumed to have been duly given, whether or not the Holder actually receives notice. Failure to give notice of redemption to any Holder of Bonds, or any defect therein, will not affect the validity of any proceedings for redemption of any Bonds for which notice was properly given.

The Paying Agent/Registrar and DART, so long as the Book-Entry system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Master Debt Resolution or Supplemental Debt Resolution or other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice.

DART reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that DART retains the right to rescind such notice at any time on or prior to the scheduled redemption date if DART delivers a certificate to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of DART to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Payments of Principal and Interest

Interest on the Bonds will be payable to the Holders whose names appear in the Obligation Register at the close of business on the 15th day of the month next preceding each Interest Payment Date (the “*Record Date*”); provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a “*Special Record Date*”) will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been

received from DART. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “*Special Payment Date*,” which will be at least 15 days after the Special Record Date) will be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the Bond Register at the close of business on the last Business Day next preceding the date of mailing of such notice. Interest on the Bonds will be paid by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the Holder entitled to such payment, United States mail, first class postage prepaid, to the address of the Holder as it appears in the Obligation Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person will bear all risk and expenses of such other customary banking arrangements.

The principal of each Bond will be paid to the Holder on the due date thereof (whether at the Stated Maturity Date or the date of prior redemption thereof) upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent, initially in Houston, Texas. If a date for the payment of the principal of or interest on the Bonds is not a Business Day, then the date for such payment will be the next succeeding Business Day, and payment on such date will have the same force and effect as if made on the original date payment was due.

Subject to any applicable escheat, unclaimed property, or similar and Applicable Law, unclaimed payments remaining unclaimed by the Holders entitled thereto for three years after the applicable payment or redemption date will be paid to DART and thereafter neither DART, the Paying Agent/Registrar, nor any other person will be liable or responsible to any Holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds. Notwithstanding any other provision of this Official Statement, during any period in which the Bonds are held in book-entry-only form by DTC, payment of the principal, together with any premium, and interest on the Bonds, will be paid to DTC in immediately available or next day funds on each interest or principal payment date.

Security and Source of Payment

The Bonds are payable from and are secured by a first lien on and pledge of the (i) Gross Sales Tax Revenues, (ii) Pledged Farebox Revenues, and (iii) investment earnings credited to the Gross Sales Tax Revenue Fund (collectively, the “*Pledged Revenues*”). This lien is senior to the lien on Pledged Revenues that is created in the Master Debt Resolution in favor of all Subordinate Lien Obligations. To secure the Authority’s obligations to pay compensation to, and to reimburse the expenses and costs of, and to indemnify the Trustee, the Trustee has a lien on Pledged Revenues prior to the Senior Lien Obligations. During the continuance of an Event of Default, the Trustee will apply all money, investments and the income therefrom that are on deposit in the Senior Lien Debt Service Fund first to the payment of Administrative Expenses owed on or with respect to the Senior Lien Obligations. For additional information regarding the Sales Tax and Gross Sales Tax Revenues, see “THE BONDS — Flow of Funds.” See “— Outstanding and Additional Parity Obligations” below and “Article II. PURPOSES, PLEDGE AND SECURITY” in APPENDIX A1 – Summary of Certain Terms of the Master Debt Resolution.” Under the Resolution, the Authority has agreed to cause the Pledged Revenues to be paid by the Texas Comptroller of Public Accounts (the “*Comptroller*”) directly to the Trustee.

DART’s Gross Sales Tax Revenues consist of the money it is 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 its 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, the Authority has pledged the “Pledged Farebox Revenues” as security for all of the Obligations. The amount of the Pledged Farebox Revenues varies each year based on an established schedule. The Pledged Farebox Revenues schedule ranges from \$22.9 million in 2020 to \$71.4 million beginning in 2038 and thereafter so long as there are outstanding Obligations. See “APPENDIX A2 — Pledged Farebox Revenues Schedule”. In addition, Federal Interest Subsidy payments for the Build America Bonds (defined herein) that are deposited to the Senior Lien Debt Service Fund are pledged to the payment of Senior Lien Obligations. DART reserves the right (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 Pledged Farebox Revenues in the amount set forth above cannot 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 Comptroller. The Comptroller receives and collects all such taxes that are imposed throughout the State of Texas (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 BONDS ARE PAYABLE SOLELY FROM THE PLEDGED REVENUES AND THE PLEDGED FUNDS CREATED UNDER THE MASTER DEBT RESOLUTION AND THE TWENTIETH SUPPLEMENTAL DEBT RESOLUTION, AND NEITHER THE STATE, THE CITY OF DALLAS (THE “*CITY*”), THE PARTICIPATING MUNICIPALITIES (DEFINED BELOW), NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE WILL BE OBLIGATED TO PAY THE SAME OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, A PARTICIPATING MUNICIPALITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NEITHER THE BONDS, DART’S OUTSTANDING BOND OBLIGATIONS, NOR ANY INSTRUMENT RELATED TO SUCH BONDS MAY GIVE A BONDHOLDER A RIGHT TO DEMAND PAYMENT FROM TAX PROCEEDS IN EXCESS OF THOSE COLLECTED FROM THE SALES TAX

IMPOSED BY DART PURSUANT TO THE ACT. THE OWNERS OF THE BONDS DO NOT HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS OUT OF ANY FUNDS RAISED OR TO BE RAISED BY AD VALOREM TAXATION.

Outstanding and Additional Senior Lien Obligations

The Authority has reserved the right to issue or incur Additional Senior Lien Obligations and the right to pledge and grant liens on Pledged Revenues in the future, on a basis subordinate to the pledge and lien securing the Senior Lien Obligations to secure Subordinate Lien Obligations. See “Article III. PERMITTED DART INDEBTEDNESS” in APPENDIX A1 — Summary of Certain Terms of the Master Debt Resolution.

Senior Lien Obligations in the total aggregate principal amount of \$3,042,813,634 were outstanding as of December 31, 2019, all of which are secured by a senior lien on and pledge of Pledged Revenues on a parity with the Bonds. See “DEBT AND OTHER OBLIGATIONS – Outstanding Debt.”

In the Resolution, the Authority reserves the right to issue Additional Senior Lien Obligations (as further defined in, “Article III. PERMITTED DART INDEBTEDNESS - *Additional Senior Lien Obligations*” of APPENDIX A1 — Summary of Certain Terms of the Master Debt Resolution) that may be secured by liens on and pledges of the Pledged Revenues on a parity with the lien thereon in favor of the Bonds, but only if:

(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 the Authority 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 DART’s most recent complete Fiscal Year or during any consecutive 12 out of the most recent 18 months, its Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service that will be due on all outstanding Senior Lien Obligations (exclusive of the amounts payable on Credit Agreement Obligations) and the proposed Additional Senior Lien Obligations during any of the current or any future Fiscal Year; and

(3) DART’s Chief Financial Officer (or Interim individual serving as Chief Financial Officer), certifies that it 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 equal to at least 100% (or such higher percentage as shall be required by a Supplemental Resolution) of the Debt Service on both Senior Lien Obligations and all Subordinate Lien Obligations during such three Fiscal Years; and

(4) DART satisfies any additional financial tests, or requirements, that may be contained in a Supplemental Resolution or Credit Agreement.

Outstanding Subordinate Lien Obligations

Commercial Paper Notes. DART is presently authorized to issue and sell up to \$375,000,000, from time to time, in Senior Subordinate Lien Commercial Paper Notes under its commercial paper programs (the “*CP Program*”). The CP Program is comprised of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I (Self-Liquidity) (the “*Series I Commercial Paper Notes*”), Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIA and IIB (the “*Series IIA and IIB Commercial Paper Notes*”), and Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series III (the “*Series III Commercial Paper Notes*”) and together with the Series I Commercial Paper Notes and Series IIA and IIB Commercial Paper Notes, the “*CP Notes*”). Currently, \$149,100,000 of CP Notes are outstanding.

DART entered into a revolving credit agreement with JPMorgan Chase Bank National Association on November 15, 2018 that allows it to issue up to \$125 million in Series IIA Commercial Paper Notes. The current Series IIA and IIB Commercial Paper Notes expires on November 30, 2021, consistent with the terms of the Act. See “DEBT AND OTHER OBLIGATIONS – Outstanding Debt.”

Sales Tax Rate Covenant

In the Resolution, the Authority has covenanted and agreed that, while any Bonds are outstanding, it will not reduce the rate at which its sales and use tax is levied below its current rate of 1% or take action to apply such tax to less than all taxable transactions. See “Article II. PURPOSES, PLEDGE AND SECURITY— Confirmation and Levy of Sales Tax” APPENDIX A1 — Summary of Certain Terms of the Master Debt Resolution.

Flow of Funds

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 the Authority; (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 the Authority's direction.

State law requires the Comptroller to deliver the net amount of the collected taxes to the Authority or for its 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 DART for other uses.

Money 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.

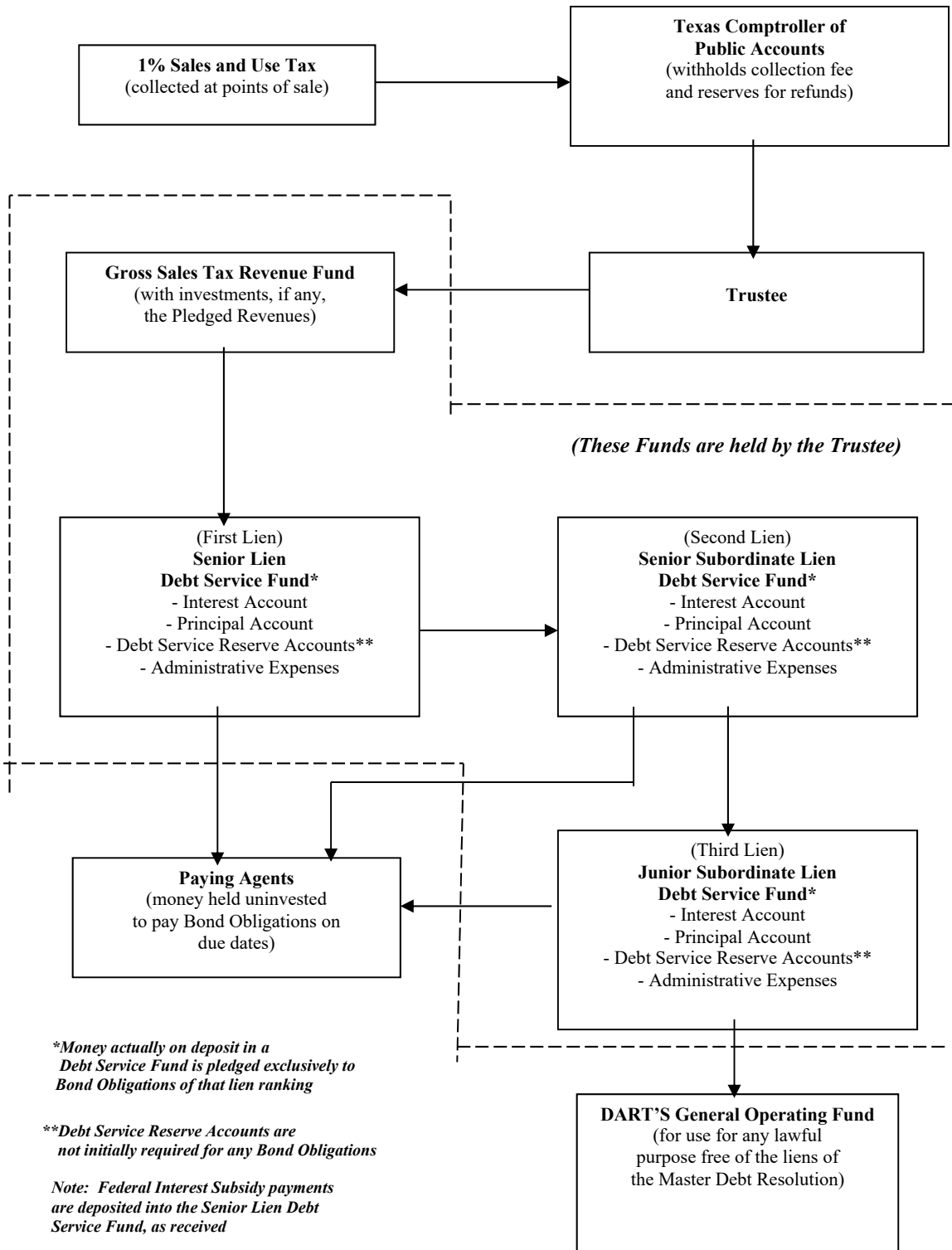
If amounts on deposit in the Senior Lien Debt Service Fund are not sufficient on any Interest Payment Date, or Stated Maturity Date to make such payment then due, such an occurrence constitutes an Event of Default under the Master Debt Resolution. In such an event, the Trustee is required to deposit all Gross Sales Tax Revenues, the other Pledged Revenues and other funds required to be transferred to the Trustee by DART to the Senior Lien Debt Service Fund when and as received from the Comptroller or DART, respectively, until the Senior Lien Debt Service Fund has on deposit therein all current and past due amounts required to pay the Senior Lien Obligations. See "Article V. SPECIAL FUNDS, USES OF MONEYS" and "Article VII. DEFAULTS AND REMEDIES" in APPENDIX A1 – Summary of Certain Terms of the Master Debt Resolution.

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:

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Flow of Funds (cont'd)



Investment of Funds

Amounts in any fund or account may be invested by the Trustee at the direction of the Authority solely in investments authorized for the investment of the Authority's funds. The Resolution imposes no additional credit or term limitations on the investments, except that investments must mature by the date when invested funds are expected to be applied. See "Article V. SPECIAL FUNDS, USES OF MONIES" in APPENDIX A1 – Summary of Certain Terms of the Master Debt Resolution.

Defeasance

DART may discharge its obligations to pay Debt Service on all or any portion of the Bonds and related Administrative Expenses, and thereby obtain a release of the pledge and lien of the Master Debt Resolution and Twentieth Supplemental Debt Resolution as to such Bonds, 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 Bonds to maturity or prior redemption, in all cases in accordance with the terms and provisions set forth in the Master Debt Resolution. See "Article X. DISCHARGE OF RESOLUTION" in APPENDIX A1 – Summary of Certain Terms of the Master Debt Resolution.

Trustee/Paying Agent/Registrar

The initial Trustee and Paying Agent/Registrar is Zion Bancorporation, National Association, DBA Amegy Bank Houston, Texas. In the Resolution, the Authority retains the right to replace the Trustee and Paying Agent/Registrar, and either may resign under conditions set out in the Resolution. The Authority covenants to maintain and provide a Trustee and Paying Agent/Registrar for Senior Lien Obligations, including the Bonds, at all times until such Senior Lien Obligations are duly paid. Any successor Trustee or Paying Agent/Registrar must be a national banking association or a bank, trust company, duly organized under the laws of any State of the United States authorized to exercise corporate trust powers within the State and shall be authorized by laws to perform all duties imposed upon it by the Resolution. At the time of its appointment, any successor Trustee shall have a capital stock and surplus aggregating not less than \$50,000,000. The Resolution provides that no resignation or removal of the Trustee may be effective until a successor has been appointed, qualified and accepted its appointment.

The Trustee has been appointed for the sole purpose of holding, administering, depositing, securing, investing, and using the Pledged Revenues as expressly provided for in the Resolution. The Trustee is not empowered to enforce the Resolution or otherwise act on behalf of the Holders of the Bonds. See in "Article VIII. The Trustee" in APPENDIX A1 – Summary of Certain Terms of the Master Debt Resolution.

Amendments to the Master Debt Resolution or Supplemental Resolution

The Resolution constitutes a contract with the Holders, from time to time, of the Bonds, is binding on the Authority and the Trustee, and shall not be amended or repealed by the Authority so long as any Bonds remain Outstanding, except as follows. The Authority may, without the consent of or notice to any Holders, but with notice to the Trustee, from time to time and at any time, amend the Resolution, in any manner not detrimental to the interests of the Holders of the Bonds authorized thereby, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the Authority may, with the written consent of the Holders who own in the aggregate 51% of the principal amount of such Bonds then Outstanding, amend, add to or rescind any of the provisions of the Resolution; provided that, without the consent of all Holders of Outstanding Bonds authorized thereby, no such amendment, addition, or rescission shall permit a change in the terms of redemption or maturity of the principal of and interest on such Bonds, reduce the principal amount thereon or the redemption price, or the rate of interest thereof. See "Article IX. AMENDMENTS TO RESOLUTION" in APPENDIX A1 – Summary of Certain Terms of the Master Debt Resolution.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority and the Underwriters believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Authority and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Official Statement. The Authority and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participants to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear Bank S.A/N.V. as operator of the Euroclear System ("Euroclear") or Clearstream Banking, S.A. ("Clearstream") (DTC, Euroclear and Clearstream together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Authority believe to be reliable, but none of the Authority or the Underwriters takes any responsibility for the accuracy, completeness or adequacy of the information in this section. Investors wishing to use the facilities of any of the Clearing Systems for the Bonds are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Authority and the Underwriters will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearing Systems

DTC Book-Entry-Only System.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each series and maturity of the Bonds, each in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law (N.Y. Banking Law 2 (Consol. 2018)), 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*"). 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Obligation ("*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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all Bonds of the same series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority

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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Agent, on payment 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 nor its nominee, the Trustee, the Paying Agent/Registrar, or the Authority, 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 the Trustee, the Paying Agent/Registrar or the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Euroclear and Clearstream. Euroclear and Clearstream have advised the Authority as follows:

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

General. The Series 2020C Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Series 2020C Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Authority and the Underwriters will not impose any fees in respect of holding the Series 2020C Bonds; however, holders of book-entry interests in the Series 2020C Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement. Interests in the Series 2020C Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2020C Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Series 2020C Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Series 2020C Bonds against payment (value as on the date of delivery of the Series 2020C Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2020C Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series 2020C Bonds following confirmation of receipt of payment to the Authority on the date of delivery of the Series 2020C Bonds.

Secondary Market Trading. Secondary market trades in the Series 2020C Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Series 2020C Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Series 2020C Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2020C Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Series 2020C Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Series 2020C Bonds, or to receive or make a payment or delivery of Series 2020C Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. The Authority and the Underwriters expects that the Series 2020C Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification number, common code and CUSIP number for the Series 2020C Bonds are set out on the cover page of this Official Statement.

General. None of Euroclear, Clearstream or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Authority, the Underwriters nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

Limitations

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Bonds, references in this Official Statement to registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Because DTC is treated as the owner of the Bonds for substantially all purposes, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Authority or DTC, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

The Authority will have no responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any Beneficial Ownership interest in any Bonds;
- the delivery to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any notice with respect to any Bonds including, without limitation, any notice of redemption with respect to any Bonds;

- the payment to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any amount with respect to the principal of, premium, if any, or interest on, any Bonds; or
- any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book entry only system hereinabove described, the Authority may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute registered owner of the Bonds for all purposes whatsoever, including, without limitation:

- the payment of principal, premium, if any, and interest on the Bonds;
- giving notices of redemption and other matters with respect to the Bonds;
- registering transfers with respect to the Bonds; and
- the selection of Bonds for redemption.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but the Authority and the Underwriters take no responsibility for the accuracy thereof.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Authority, printed Bond certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution.

THE AUTHORITY

General

DART is a subregional transportation authority 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, effective September 1, 1995. The Act authorizes the Authority to provide public transportation and complementary services within the corporate limits of the Participating Municipalities.

DART's Boundaries, Additions, Withdrawal Rights

DART's current boundaries include the following 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 (the "*Participating Municipalities*"). Its boundaries encompass approximately 700 square miles (the "*Service Area*") and contains an estimated 2019 population of 2.47 million persons, according to information obtained from the North Central Texas Council of Governments.

If a municipality that the Authority does not currently serve is located at least in part in a county that the Authority serves, the municipality may become a Participating Municipality by holding an election in accordance with the Act at which its joinder with the Authority 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. DART has not received any notices or otherwise been advised that any of the Participating Municipalities intend to hold a withdrawal election.

If a withdrawal election is held and voters approve withdrawal from DART, all of its 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 DART has collected an amount equal to the withdrawing municipality's pro-rata share of DART's financial obligations that existed at the time of withdrawal. Accordingly, the Act limits the impact a municipality's withdrawal might have on the Authority's ability to repay its indebtedness, including any Bond Obligations.

Under the Act, DART's Board must calculate a withdrawing municipality's financial obligation to the Authority as of the date of withdrawal. This financial obligation shall equal such municipality's portion of the total amount of the following:

- The Authority's outstanding obligations under contract and authorized in its current budget;

- The Authority's 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 the Authority;
- The Authority's 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 The Authority's existing obligations, to avoid a default or impairment of those obligations, including contingent liabilities.

Any of The Authority's financial obligations that specifically relate to such withdrawing municipality will be allocated completely to such municipality.

Board of Directors

DART is governed by 15-member subregional board of directors (the "*Board*"). The governing bodies of the Participating Municipalities appoint members to DART's Board according to the ratio of the population of each Participating Municipality to the total population within DART's 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. A list of the current members of the Board, the position held by each member and the appointing entity for each member are listed on page ix hereof.

Management

The Board appoints DART's President/Executive Director, who also serves as its Chief Executive Officer. The Chief Executive Officer's duties include:

- Administering DART's 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.

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Transit System

DART's 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 (LRT) 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.

The table below highlights total system ridership by mode for the last ten years.

Total System Ridership (millions)							
Fiscal Year	Bus	LRT	Commuter Rail	HOV	Paratransit	TDM	Total*
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
2018	30.2	29.0	2.0	N/A	0.8	0.7	62.7
2019	38.7	28.6	2.0	N/A	0.9	0.6	70.8

*Reporting of high occupancy vehicle ("HOV") ridership was discontinued effective 10/01/2015. Total system ridership will not match previously reported totals without HOV.

Note: Automatic Passenger Counter (APC) data used beginning in 2012, bus and commuter rail beginning in 2019. These counters have proven to be considerably more accurate than the Authority's previously used manual ridership counting methodology. The APCs show that we have been underreporting ridership by approximately 23%. Streetcar ridership is included in the LRT totals.

The total system ridership and fixed-route ridership numbers are set forth in the table 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 2019 was 70.8 million, an increase of 8.1 million (12.9%) from Fiscal Year 2018.

The Authority contracts for all of its paratransit and commuter rail services. While DART remains responsible for these programs, its contracts establish operating performance standards which the contractors are expected to meet. The Authority maintains an aggressive program to monitor and audit contractor compliance.

— Bus Transit (54.7% of total system ridership in Fiscal Year 2019)

DART's 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 (CBD) 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 (40.4% of total system ridership in Fiscal Year 2019)

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, and connected 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, light 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 (2.8% of total system ridership in Fiscal Year 2019)

DART's 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 Trinity Metro. TRE service is provided pursuant to an interlocal agreement between DART

and Trinity Metro. This agreement was originally entered into in 1994 and was restated and adopted by the Board and the Trinity Metro board of directors in 2015.

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 (1.3% of total system ridership in Fiscal Year 2019)***

DART is responsible for providing complementary paratransit service in accordance with the Americans with Disabilities Act of 1990 (“ADA”). In Fiscal Year 2013, DART changed its 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 (0.9% of total system ridership in Fiscal Year 2019)***

DART works with area employers to develop strategies for reducing employee trips, such as carpools, vanpools, and flexible work schedules. The Authority provides up to 179 vans for its vanpool program through a third-party contractor. DART also assists customers in forming carpools. Prospective carpools can call in and provide DART with information for its RideShare database. DART then works to link-up customers with common trip origins and destinations.

Fleet Replacement Policies

Bus Replacement. The Authority’s fleet replacement plan is designed to ensure service reliability and to meet Federal Transportation Administration (“FTA”) standards. The process of replacing the entire bus fleet was completed in Fiscal Year 2017. The Authority will start replacing the On-Call fleet in 2022, and the next bus fleet replacement is scheduled to occur 2026-2029. The Authority may alter the rate of fleet retirement to address unanticipated service changes and service demands. The Authority’s replacement plan is reviewed annually with any updates being incorporated into the capital and operating budgets, accordingly.

Light Rail Vehicle Replacement. The Authority’s Light Rail Vehicle replacement plan is designed to preempt in-service vehicle failures, to improve reliability, enhance the customer experience, and meet FTA standards. In accordance with FTA standards, the Authority assumes a life expectancy of 30 years of each Light Rail Vehicle. Currently, the Light Rail Vehicle fleet consists of 163 Light Rail Vehicles, which were purchased starting in 1996 through 2011. In Fiscal Year 2019, the Authority began the procurement process for implementing a replacement and rehabilitation plan for up to 95 of 163 Light Rail Vehicles, which is expected to be completed in Fiscal Year 2028.

Fiscal Year 2020 Budget

The Act 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 Participating Municipalities for review and comment at least 30 days prior to its final adoption. The annual budget, which corresponds to the first year of DART’s financial plan for the next twenty fiscal years (the “*Twenty-Year Financial Plan*”), enumerates the amounts authorized for operating expenses, capital and non-operating costs, and debt service.

On September 24, 2019, the Board formally adopted the Fiscal Year 2020 Annual Budget and Twenty-Year Financial Plan. The Fiscal Year 2020 Annual Budget totals \$1.361 billion which is comprised of \$562.3 million in operating expenses; \$597.3 million in capital and non-operating expenses; and \$202.5 million in debt service. The highest priorities for Fiscal Year 2020 are to (1) continue to improve service and safety experiences for the public, (2) optimize and preserve the System, (3) optimize DART’s influence in regional planning, (4) expand the System to serve cities inside and outside the current Service Area, (5) pursue excellence through employee engagement and development, and (6) innovate to improve levels of service, business processes and funding.

The Twenty-Year Financial Plan addresses the affordability of DART’s transit system plan (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 DART’s annual business plan (the “*Business Plan*”) is reflected in the first five years of the plan. The final 15 years of the plan validate the affordability of DART’s long-range Transit System Plan and include DART’s commitments for future System expansion and the issuance and repayment of debt. See “— Capital Program.”

Substantial risks that could cause a variance between actual and budgeted expenses include possible increases in pension and other employee benefit funding requirements, possible increases in unhedged energy costs or failures of hedges, increased costs from possible storm damage and other risks that cannot be predicted or avoided. Neither the Authority’s budgets nor the data in the above tables employ generally accepted accounting principles since they are prepared to manage, rather than to fairly present, financial condition and performance. Accordingly, the data in the above tables may differ from financial data appearing elsewhere in this Official Statement.

Capital Program

DART’s annual capital and non-operating expenditures includes LRT expansion; TRE track work; vehicle and facility capital maintenance programs, facilities, infrastructure among other projects. The Fiscal Year 2020 Budget for capital expenditures includes a

Program of Interrelated Projects (the “Program”) to address capacity needs under the Federal Transit Administration (“FTA”) Capital Investment Grant Program. The Program consists of three significant projects:

- the Dallas Central Business District Second Light Rail Alignment project (“D2 Subway Project”) for which the Board has authorized the issuance of Senior Lien Sales Tax Revenue Bonds in the maximum principal amount of \$1,100,000,000. The timing for the issuance of such Senior Lien Obligations has not been determined. Such authority expires at the end of Fiscal Year 2020. DART anticipates reauthorization on September 8, 2020.
 - platform modifications at 28 stations on the Red and Blue lines to accommodate three-car trains (“Red and Blue Line Platform Extensions Project”); and
 - a central streetcar link in downtown Dallas.
- The Twenty-Year 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. DART continues to drawdown on the authorized Senior Lien Sales Tax Revenue Bonds, Taxable Series 2018 (the “*Series 2018 Bonds*”) in the principal amount of \$908,000,000 in connection with the closing in December 2018 of a Railroad Rehabilitation Improvement Financing (the “*RRIF Financing*”) for the Silver Line Project (formerly known as the Cotton Belt Project). Currently, \$253,790,027 is anticipated to be drawn down in Fiscal Year 2020, and that draws are to be made in installments through Fiscal Year 2023. Several regional sources of funds and scope modifications are detailed in the Fiscal Year 2020 Business Plan (including the Fiscal Year 2020 Annual Budget and Twenty-Year Financial Plan) posted on the Authority’s website at www.dart.org.
- For purposes of providing interim financing with respect to the Silver Line Project and other projects, the Board has authorized two series of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, being the Series II Commercial Paper Notes in the maximum principal amount outstanding from time to time of \$125,000,000 and the Series III Commercial Paper Notes in the maximum principal amount outstanding from time to time of \$125,000,000. Currently, \$79,100,000 of Series II commercial paper notes are outstanding, which were issued to support the Silver Line Project.

Future Expansions

The Board periodically updates DART’s 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. In addition, the FTA 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 D2 Subway Project. The Red and Blue Line Platform Extensions Project has completed the project development, and engineering was initiated in 2017 to support a completion date in 2021. The D2 Subway Project was refined from a mostly at-grade option to a subway running route in September 2017. This decision extended project development beyond the two-year timeframe, and as a result DART is continuing project development with local funds. DART is currently developing a supplemental draft environmental impact statement and preliminary engineering to support a final environmental impact statement/ record of decision in Fall 2020. DART will request entry into engineering under the FTA Capital Investment Grant Program after the final environmental impact statement/ record of decision.

In addition, as part of the adoption of the Fiscal Year 2020 Twenty-Year Financial Plan, the Board restated the revenue service date of 2022 for the Silver Line Project. The preliminary engineering/environmental impact statement effort was completed in November 2018 with a final environmental impact statement/ record of decision from both FTA and FAA.

DART is working on an update to the Transit System Plan to the year 2045. The Transit System Plan is being developed in phases:

- During 2014-2015, DART focused on the bus network through a comprehensive operations analysis effort to identify efficiencies and improvements to benefit its customers and build ridership. The comprehensive operations analysis findings led to several bus service improvements in 2017 and 2018.
- In 2016-2017, DART began to evaluate longer-term transit service improvements, projects and programs, and identify regional expansion opportunities. Several projects identified in the 2030 Transit System Plan remain deferred and are being reassessed for potential inclusion in the 2045 Transit System Plan.
- During 2018, DART reviewed and updated its Service Standards and continued to be a leader in innovative technology and partnerships that are changing how it approaches providing service to customers. These updated service standards and innovative service delivery options will be used to guide DART’s transit service strategy for the future.
- DART’s new Transit System Plan is anticipated to outline:
 - DART’s committed capital expansion program and future opportunities to enhance and/or expand transit network and sustain it into the future.
 - DART’s transit service strategy for the future to ensure it keeps up with growth, enhances access and mobility, integrates technology, and remains flexible and adaptable to emerging technologies.
 - Potential streetcar opportunities within DART’s Service Area, as well as key regional opportunities beyond its 13-city Service Area.

The new 2045 Transit System Plan will be completed in calendar year 2020 and will also be financially constrained.

Environmental and Sustainability Management

Since forming as a public transit agency in 1983, DART has a long history of sustainable planning, project development, as well as operations and maintenance practices. This commitment was memorialized in December 2011 when DART became a signatory to the American Public Transportation Association (APTA) Sustainability Program. With this commitment, DART completed several initiatives in 2012 to develop and advance sustainability. These actions led to the development of the first DART Sustainability Framework Plan (December 2012) and the DART Baseline Sustainability Report, submitted to APTA in December 2012 (amended May 2013). In July of 2013, DART received the Bronze recognition level from APTA.

As DART has carried out its mission to develop and construct its growing multi-modal system in one of the fastest growing metropolitan areas in the country, DART's sustainable practices have evolved with industry technologies and practices. DART has frequently been an industry leader in the field of implementing sustainable practices, particularly in the area of fuel technologies, facility waste reduction, innovative service planning, business technologies, and initiatives to optimize and preserve the existing System.

The APTA Sustainability Program has evolved since 2013, including opportunities for agencies to reference social considerations and economic impacts of their agency footprints for the communities they serve and a focus on energy and environment, highlighting the value of moving to cleaner fuel sources to help reduce emissions and thus impact a region's climate efforts.

DART updated its Sustainability Plan in 2018 to help guide and track DART's sustainability activities. In addition to this plan, DART has several policies and internal department procedures that support sustainability and environmental management practices, that include integrating sustainable design into early planning processes, maintaining/replacing fleet, final design and construction projects. Some of DART's recent accomplishments include:

- In December 2019, DART was awarded Gold among 21 public sector fleets for efforts to reduce emissions and improve fuel efficiency of their fleets. The award is presented by DFW Clean Cities a program of the North Central Texas Council of Governments and the Regional Transportation Council. In order to be recognized, public entities must firstly have adopted the "Clean Fleet Policy". As of March 2019, sixty-nine (69) entities in the DFW area have adopted the Clean Fleet Policy.
- In September 2018 DART was awarded Bronze by DFW Clean Cities a program of the North Central Texas Council of Governments and the Regional Transportation Council. The award recognizes public sector participants for their efforts to reduce emissions and improve fuel efficiency of their fleets.
- In November 2011, Monroe Shops, a former streetcar maintenance barn, now the home of the Dallas Area Rapid Transit Police, was the first publicly owned building listed on the National Register of Historic Places to achieve the LEED® Platinum Certification based on DART's efforts to restore and renovate the building.
- DART is currently updating its Transit System Plan to year 2045 and is including sustainability principles into such Transit System Plan.
- DART is adopting policies to promote green purchasing and efficient lifecycle costing. DART's Procurement Department has a Green and Sustainable Practices Policy to purchase recycled content and environmentally preferred products. This policy supports the recycling hierarchy of reduce-reuse-recycle through minimizing the creation of waste, reusing materials, recycling materials that cannot be source-reduced, and purchasing recycled content and environmentally preferred products. Components of this policy include:
 - Requiring waste prevention, recycling, market development and use of recycled/recyclable materials through lease agreements, contractual relationships and purchasing practices with vendors, contractors, businesses, and other public and governmental agencies.
 - Generating less waste material by reviewing how supplies, materials, and equipment are manufactured, purchased, packaged, delivered, used, and disposed.
- DART is integrating sustainable infrastructure and design into future projects. DART's Silver Line will be using recycled tires for vibration mats along the corridor and will be using the latest in diesel-electric technology, for which emissions tests are well below prescribed requirements for EPA Tier 4 certification.
- DART's Clean Fleet Policy is a system-wide, policy that contemplates sustainability efforts focusing on greenhouse gas emissions and pollution, fleet efficiency, energy efficiency, carbon neutrality for electricity, renewable energy, green procurement for products and services and climate resilience. DART's bus fleet is mostly compressed natural gas and operates on 100% renewable energy. DART has 7 electric buses and is evaluating expansion of electric or other technology for future fleet replacements. DART's electricity is currently from 30% renewable energy sources, with a goal to increase renewable energy shares in the near future.

DART works to reduce the region's environmental footprint by increasing transit ridership and efficiency, providing approximately 71 million total agency ridership for Fiscal Year 2019, using fewer natural resources to move each passenger.

The disclosures in this section are not subject to DART's continuing disclosure undertakings, and any documents referenced or linked herein are not incorporated by reference into this Official Statement.

REVENUES, EXPENSES AND INVESTMENTS

The Authority's principal sources of revenue are (1) a 1% sales and use tax imposed on all taxable personal property and service transactions within the Authority's boundaries, (2) federal and state grants for operations and capital projects and (3) transit fares and other operating revenue. The amount of revenue received by the Authority from these and other sources in the last ten Fiscal Years are shown below.

Table 1 – Net Sales Tax Revenues

Net Sales Tax Revenues* (in millions)	
Fiscal Year ended 9/30	Receipts
2010	\$375.5
2011	\$402.4
2012	\$432.5
2013	\$455.7
2014	\$485.7
2015	\$518.6
2016	\$545.1
2017	\$566.6
2018	\$595.6
2019	\$624.4

* The Net Sales Tax Revenues shown above represent actual receipts received by DART in given Fiscal Years and may differ from the Net Sales Tax Revenues shown in DART's financial statements. The amounts shown above are net of the \$2.4 million repayment to the Comptroller due to past overpayments to DART. In 2006, there was a \$13.2 million overpayment. In 2008 there was a \$3.6 million overpayment. Also, in 2019 there was a \$4.1 million overpayment. Such amounts are being repaid by DART through March 2027. See "INVESTMENT CONSIDERATIONS - The State Comptroller May Offset Current Distributions for Overpayments or Remit Sales and Use Tax Revenue Less Frequently."

Sales Tax Authority

Imposition of Tax. State law authorizes the Authority to impose a sales and use tax on the use, storage or consumption within the Authority's boundaries of any item subject to the State sales and use tax purchased, leased or rented from a retailer, at a rate established by the Board in accordance with the Act. The Board has established the rate at 1%, as authorized by public vote when the Authority was confirmed in 1983. The sales tax and use tax is referred to herein as the "*Sales Tax*."

Section 451.061(d) specifies that the right of the State to regulate sales and use taxes is not limited by Section 451.061, but also includes specific provisions that recognize the rights of holders of Authority obligations, including protections against (i) alterations to the power given to the Authority under Section 451.061 to impose sales and use taxes, fares, tolls, charges, rents, and other compensation in amounts sufficient to satisfy its debt service and other obligations and (ii) any impairment of the rights and remedies of holders of such obligations until such obligations have been fully discharged.

Taxable Transactions. Taxable items include any tangible personal property and certain taxable services, unless exempted from the sales and use tax. "Taxable services" include certain amusement services; personal services; motor vehicle parking and storage services; the repair, maintenance and restoration of most tangible personal property; credit reporting services; debt collection services; insurance services; information services; real property services; data processing services; real property repair and remodeling services; security services; telephone answering services; internet access services; and certain transmission or delivery of taxable electricity usage. Many items are exempted from the sales and use tax by State law, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g., by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales and use taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums, although alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as the sales and use tax. In addition, purchases made by various exempt organizations are not subject to the sales and use tax. Such organizations include the federal and State governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. In addition, sales of telecommunication services (including cable and satellite TV services) are

exempt from the Authority's sales and use tax unless the Board determines to suspend the exemption and the suspension is approved at an election within the Authority. To date, the Board has not taken any actions to suspend the exemption for telecommunication services. For a discussion of sales and use taxes as it relates to Internet sales, see "INVESTMENT CONSIDERATIONS - The Authority May Experience Variations in its Gross Sales Revenues."

In general, a sale or use of a taxable item happens when such sale or use occurs within the jurisdiction in which the sale or use is consummated. For purposes of the Authority's sales and use tax, the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed in an area of the State where a mass transit sales and use tax is imposed. Thus, the use is considered to be consummated in the Authority's jurisdiction if the item is shipped from outside the State or outside any other State mass transit agency with sales and use tax authority, for first use, storage or consumption within the Authority's jurisdiction.

Collection Procedures. With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by, generally speaking, the business that collects the tax resulting from a taxable transaction. The Comptroller collects sales and use taxes based upon the amount of taxes reported by the seller or purchaser. Taxpayers who collect \$500 or more in State sales and use tax in a month must remit the taxes on or before the 20th day of the month following the month in which the taxes were collected. Taxpayers who collect less than \$500 in State sales and use tax per month (or less than \$1,500 per calendar quarter) may file quarterly or annually depending on the amount collected. Under State law, a collecting taxpayer may deduct ½% of the amount of taxes due as reimbursement for the cost of collecting the taxes. In addition, taxpayers who file monthly or quarterly may prepay the taxes due and deduct 1¼% of the amount of the prepayment in addition to the ½% for the cost of collecting the sales and use tax.

The Comptroller is required by law to distribute funds to the Authority as often as feasible, but not less frequently than quarterly. Historically, and at the present time, the Comptroller distributes the funds monthly. Distributions to the Authority are made by electronic funds transfers.

Collection and Allocation of Delinquent Taxes. Although sales and use taxes are imposed on purchasers, retail sellers are responsible for collecting the taxes and are the only source from which the taxes can practically be collected. Accordingly, collections are dependent on the solvency and continued operation of retail sellers. The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales and use tax permits, payment bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales and use tax permit. As a general rule, every person who applies for a sales and use tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay such taxes. A person who has filed security is entitled to have the Comptroller return the security if, in the Comptroller's judgment, the person has for two consecutive years continuously complied with the conditions of the security. The Comptroller's audit procedures include auditing the largest 2% of the sales and use taxpayers (who report about 65% of all sales and use tax in the State annually) every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods: (1) collection by an automated collection center or local field office; (2) estimating the taxpayer's liability based on the highest amount due in the previous 12 months and billing them for it; (3) filing liens and requiring a new or increased payment bond; (4) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties; (5) removing a taxpayer's sales and use tax permit; and (6) certifying the account to the Attorney General's Office to file suit for collection. The Authority may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

In addition to the sales and use taxes levied by the Authority, the State imposes a 6¼% sales and use tax for its own purposes and the City imposes a 1% sales and use tax, in each case applied to essentially the same taxable transactions as those to which the Authority's sales and use tax is applied. If the Comptroller is unable to collect the full amount of sales and use tax liability, collections are applied to the State's share of the sales and use tax, first, and the applicable municipality's share, second, before distributing any part of the collections to the Authority.

Recent Legislation and Administrative Changes

During the most recently concluded session of the Texas Legislative in June, 2019, two bills were passed regarding the collection of sales taxes in response to the United States Supreme Court decision in *South Dakota v. Wayfair, Inc.*, 138 S. Ct. 2080 (June 21, 2018). Among other matters, the Court ruled that out-of-state based sellers of goods are required to collect and pay sales taxes to states and local jurisdictions where the receivers of such goods are located. H.B.1525, effective October 1, 2019, amends Chapters 151, 321 and 323, Texas Tax Code, by amending the definitions of "seller" and "retailer" to include a "Marketplace" provider and to require such Marketplace provider to collect and remit to the Comptroller sales and use taxes on items sold in Texas on electronic mediums, including internet websites and software applications. H.B. 2153, effective October 1, 2019, amends the Texas Tax Code by establishing a single local use tax rate that remote sellers may elect to use. H.B. 2153 authorizes the Comptroller to adopt rules that establishes a single local tax rate for use by out-of-state sellers. For the period beginning October 1, 2019, and ending December 31, 2019, such rate was set by H.B. 2153 at 1.75 percent.

Pursuant to such recent legislation, the Comptroller has published proposed revisions of Texas Administrative Code Rule 3.334 (a complete copy of which may be found at <https://www.sos.state.tx.us/texreg/archive/January32020/Proposed%20Rules/34.PUBLIC%20FINANCE.html>). Among other matters, the revisions would change the current local sales tax sourcing rule from the place of origin to the place of designation for all internet orders. The proposed revision is subject to public comment until April 3, 2020 unless extended. At the close of the public comment period, the Comptroller is authorized to finalize such revisions as published or make further proposed revisions. DART cannot determine at this time what effect, if any, the new legislation and proposed rule revisions might have in the future with respect to its Sales Tax revenues.

Operating Revenue

Section 452.061, Texas Transportation Code, as amended, authorizes the Authority to impose reasonable and nondiscriminatory fares, tolls, charges, rents, and other compensation in amounts sufficient to produce revenue, together with sales and use tax revenue received by the Authority, in an amount adequate to: (1) pay all expenses necessary to operate and maintain its transit system; (2) pay when due debt service, sinking fund and reserve fund payments agreed to be made with respect to all Authority obligations payable in whole or in part from such revenue; and (3) fulfill the terms of any other agreement with the holders of any such obligations. The total of compensation and sales and use taxes imposed may not exceed the amounts necessary to produce revenue sufficient to meet the obligations of the Authority under the Act. See “THE AUTHORITY – Fiscal Year 2020 Budget.”

The Authority derives operating revenue from transportation fares, which include bus, rail and paratransit farebox receipts and other miscellaneous revenues, primarily from advertising and leases. The Authority last increased bus and rail fares by an average of 10% effective March 1, 2018. DART also receives other miscellaneous revenues, primarily from advertising and leases.

The following table lists DART’s operating revenues and expenses for the past 10 Fiscal Years.

Table 2 – Operating Revenues & Expenses

Operating Revenues & Expenses (in millions)		
Fiscal Year ended 9/30	Operating Revenues⁽¹⁾	Operating Expenses⁽²⁾
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
2018	\$76.1	\$779.2
2019	\$77.5	\$819.1

- (1) As provided in DART’s annual financial statements Operating Revenues includes “Passenger Revenues” which are included in the calculation of “Pledged Farebox Revenues” in the Master Debt Resolution.
- (2) Includes depreciation expense.

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Federal Grant Funds

DART receives federal grant funds primarily from the FTA and utilizes these proceeds to fund a portion of DART's eligible capitalized maintenance expenses and capital programs. Such receipts are not part of DART's Pledged Revenues under the Master Debt Resolution and as a result are not security for the payment of the Bonds. Congress allocates transit funds on both a formula basis and a discretionary basis. The Authority is eligible to receive both types of funds. See "INVESTMENT CONSIDERATIONS – Risks Associated with Federal Funding."

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 for the past 10 fiscal years.

Table 3 – Federal/State Receipts

Federal/State Receipts (in millions)		
Fiscal Year	Federal Receipts⁽¹⁾	State Receipts
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	\$47.4	\$1.2
2017	\$78.5	\$0.9
2018	\$93.6	\$0.1
2019	\$135.4	\$1.6

(1) Build America Bonds are included in the Authority's federal receipts and are subject to federal subsidy changes. See "INVESTMENT CONSIDERATIONS – Sequestration of the Obligations designated as Build America Bonds."

Investments

The Authority invests surplus revenue in accordance with its investment policy (the "Investment Policy"). Certain features of the Authority's Investment Policy are summarized in Note 3 (beginning on page 22) to the Authority's Financial Statements and Supplemental Information for the Years Ended September 30, 2019 and 2018 and Independent Auditor's Report (the "2019 Financial Statements"), under the section captioned "CASH, CASH EQUIVALENTS, AND INVESTMENTS," which is attached hereto as APPENDIX B. The Authority's current Investment Policy was approved and adopted by the Board on October 8, 2019. The allocation of cash and investments in the Authority's operating fund as of December 31, 2019, is summarized below.

Cash and Investments

Investments	Par Value (000s)	Percentage of Portfolio
Local Government Investment Pools	\$330,520	66.3%
U.S. Agency Bonds	165,380	33.2%
Cash	2,327	0.5%
Total	\$498,227	100.0%

Financial Hedges for Fuel

DART has fuel delivery contracts with suppliers for commuter rail vehicles and some DART buses and a gasoline contract for service vehicles. Counterparties to the fuel hedging contracts must either have a minimum long-term rating of "A3" or "A-" assigned by at least two of the three nationally recognized rating agencies or comply with collateral posting requirements. Certain features of the Authority's Fuel Hedge Policy and outstanding diesel fuel swaps are summarized in Note 22 (beginning on page 45) to the 2019 Financial Statement, under the sections captioned "DERIVATIVE INSTRUMENTS" are attached hereto as APPENDIX B.

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DEBT AND OTHER OBLIGATIONS

The Authority's outstanding Obligations, as of December 31, 2019, are summarized below:

Outstanding Debt

Series	Principal Amount Outstanding (000's) ⁽⁴⁾	Final Maturity (Dec. 1)
Senior Lien Obligations:		
Sales and Use Tax Bonds,		
Series 2007	\$118,395	2032
Series 2009B ⁽¹⁾	466,970	2044
Series 2010A ⁽²⁾	39,975	2023
Series 2010B ⁽¹⁾	729,390	2048
Series 2012 ⁽²⁾	111,375	2042
Series 2012A ⁽²⁾	96,512	2047
Series 2014A	339,215	2036
Series 2014B	46,555	2043
Series 2015	88,955	2027
Series 2016A	482,530	2048
Series 2016B	210,140	2038
Series 2018 ⁽³⁾	11,706	2057
Series 2019	301,095	2034
Subtotal	\$3,042,814	
Senior Subordinate Lien Obligations:		
Commercial Paper Notes,		
Series I	\$70,000	Various
Series IIA	79,000	Various
Note Purchase Program,		
Series IIB	100	Various
Subtotal	\$149,100	

(1) Build America Bonds subject to federal subsidy changes. See "INVESTMENT CONSIDERATIONS - Sequestration of the Obligations designated as Build America Bonds

(2) Designated as Refunded Obligation candidates. See Schedule I.

(3) Railroad Rehabilitation and Improvement Financing (RRIF) Bonds.

(4) Amounts rounded to the nearest whole dollar. Totals may not sum due to rounding.

Annual Debt Service Requirements for Senior Lien Obligations

The following table sets forth the Authority's pro forma annual debt service requirements on Senior Lien Obligations (other than the Refunded Obligations) to be outstanding after issuance of the Bonds, as well as the portion of debt service requirements expected to be paid to the Authority by the federal government, computed based upon the noted assumptions. The table excludes debt service on the Refunded Obligations.

Pro Forma Annual Debt Service Requirements

FYE 9/30	Existing Senior Lien Net Debt Service ⁽²⁾⁽³⁾⁽⁴⁾	Series 2020A Bonds			Series 2020B Forward Delivery Bonds			Series 2020C Taxable Bonds			Total Net Debt Service Requirements ⁽¹⁾⁽²⁾⁽³⁾
		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2020	\$ 189,028,641	\$ -	\$ 1,009,340	\$ 1,009,340	\$ -	\$ -	\$ -	\$ -	\$ 442,665	\$ 442,665	\$ 190,480,646
2021	191,094,895	-	5,590,188	5,590,188	-	1,197,797	1,197,797	1,530,000	2,444,833	3,974,833	201,857,713
2022	192,061,259	1,620,000	5,549,688	7,169,688	4,700,000	1,485,500	6,185,500	1,545,000	2,430,686	3,975,686	209,392,133
2023	201,295,373	1,700,000	5,466,688	7,166,688	4,950,000	1,244,250	6,194,250	1,560,000	2,415,625	3,975,625	218,631,935
2024	178,012,037	1,755,000	5,413,219	7,168,219	22,410,000	560,250	22,970,250	4,625,000	2,382,935	7,007,935	215,158,442
2025	199,338,664	3,385,000	5,317,625	8,702,625	-	-	-	4,675,000	2,330,190	7,005,190	215,046,479
2026	199,376,929	3,565,000	5,143,875	8,708,875	-	-	-	4,730,000	2,272,339	7,002,339	215,088,143
2027	198,570,131	3,745,000	4,961,125	8,706,125	-	-	-	4,795,000	2,207,036	7,002,036	214,278,292
2028	198,615,429	3,940,000	4,769,000	8,709,000	-	-	-	4,870,000	2,133,028	7,003,028	214,327,456
2029	198,671,739	4,130,000	4,567,250	8,697,250	-	-	-	4,950,000	2,051,073	7,001,073	214,370,062
2030	197,372,371	4,345,000	4,355,375	8,700,375	-	-	-	5,040,000	1,962,601	7,002,601	213,075,346
2031	197,378,564	4,570,000	4,132,500	8,702,500	-	-	-	5,135,000	1,869,945	7,004,945	213,086,010
2032	202,340,897	4,805,000	3,898,125	8,703,125	-	-	-	5,230,000	1,771,662	7,001,662	218,045,684
2033	202,109,271	5,045,000	3,651,875	8,696,875	-	-	-	5,335,000	1,666,197	7,001,197	217,807,343
2034	201,631,619	5,305,000	3,393,125	8,698,125	-	-	-	5,450,000	1,554,504	7,004,504	217,334,247
2035	201,478,119	5,545,000	3,149,600	8,694,600	-	-	-	5,565,000	1,437,675	7,002,675	217,175,394
2036	208,197,712	5,770,000	2,923,300	8,693,300	-	-	-	5,685,000	1,315,541	7,000,541	223,891,554
2037	215,806,733	6,005,000	2,687,800	8,692,800	-	-	-	5,830,000	1,171,034	7,001,034	231,500,567
2038	225,664,777	6,245,000	2,442,800	8,687,800	-	-	-	6,000,000	1,004,467	7,004,467	241,357,045
2039	225,190,848	6,500,000	2,187,900	8,687,900	-	-	-	6,170,000	833,114	7,003,114	240,881,862
2040	227,251,221	6,765,000	1,922,600	8,687,600	-	-	-	6,345,000	656,902	7,001,902	242,940,724
2041	231,145,397	3,300,000	1,721,300	5,021,300	-	-	-	6,530,000	475,622	7,005,622	243,172,319
2042	231,149,730	3,450,000	1,569,050	5,019,050	-	-	-	6,715,000	289,133	7,004,133	243,172,912
2043	231,136,127	3,630,000	1,392,050	5,022,050	-	-	-	6,910,000	97,293	7,007,293	243,165,470
2044	231,129,394	3,815,000	1,205,925	5,020,925	-	-	-	-	-	-	236,150,319
2045	231,445,770	4,010,000	1,010,300	5,020,300	-	-	-	-	-	-	236,466,070
2046	175,062,042	4,215,000	804,675	5,019,675	-	-	-	-	-	-	180,081,717
2047	175,033,486	4,385,000	633,525	5,018,525	-	-	-	-	-	-	180,052,011
2048	175,026,221	4,520,000	499,950	5,019,950	-	-	-	-	-	-	180,046,171
2049	169,941,857	4,660,000	362,250	5,022,250	-	-	-	-	-	-	174,964,107
2050	55,431,099	4,800,000	220,350	5,020,350	-	-	-	-	-	-	60,451,449
2051	55,412,037	4,945,000	74,175	5,019,175	-	-	-	-	-	-	60,431,212
2052	55,404,814	-	-	-	-	-	-	-	-	-	55,404,814
2053	55,359,784	-	-	-	-	-	-	-	-	-	55,359,784
2054	55,351,374	-	-	-	-	-	-	-	-	-	55,351,374
2055	55,329,936	-	-	-	-	-	-	-	-	-	55,329,936
2056	55,312,240	-	-	-	-	-	-	-	-	-	55,312,240
2057	55,280,743	-	-	-	-	-	-	-	-	-	55,280,743
2058	55,261,712	-	-	-	-	-	-	-	-	-	55,261,712
	<u>\$ 6,599,700,993</u>	<u>\$ 130,470,000</u>	<u>\$ 92,026,546</u>	<u>\$ 222,496,546</u>	<u>\$ 32,060,000</u>	<u>\$ 4,487,797</u>	<u>\$ 36,547,797</u>	<u>\$ 115,220,000</u>	<u>\$ 37,216,099</u>	<u>\$ 152,436,099</u>	<u>\$ 7,011,181,435</u>

- (1) Amounts rounded to the nearest whole dollar. Totals may not sum due to rounding.
- (2) Net of expected federal subsidies on the Series 2009B Bonds and Series 2010B Bonds (both as defined herein).
- (3) Excludes the Refunded Obligations.
- (4) Assumes \$908 million from Series 2018 Bonds (evidenced by the RRIF Financing) are fully drawn pursuant to the anticipated financing schedule.

Debt Service Coverage

Sales Tax revenues accrued for Fiscal Year 2019 amounted to \$621.1 million. Coverage of the maximum annual Debt Service on the Senior Lien Obligations by Fiscal Year 2019 Sales Tax revenues, after giving effect to the issuance of the Bonds, is approximately 2.6x. The Authority's Fiscal Year 2020 Business Plan estimates Gross Sales Tax Revenues for Fiscal Year 2020 to be approximately \$628.1 million.

DART is permitted to take into account Federal Interest Subsidy payments in calculating DART's Debt Service for purposes of meeting its financial coverage tests for the issuance of additional Obligations. See INVESTMENT CONSIDERATION – Sequestration of the Obligations designated as Build America Bonds.

Lease/Leaseback Transactions

As authorized by the Act, DART previously entered into economically defeased lease transactions which, in general, involved its lease and leaseback of specified, depreciable property to various trustee entities, acting on behalf of private investors. As of the date hereof, only one of such transactions is still outstanding and involves the lease and leaseback of light rail cars used as a part of DART's transit system. Although the Authority retains 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 DART, and the private investors have no further obligation to pay DART any rent under the lease. The private investor subleased the property back to the Authority 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, DART has the right to purchase the private investor's interest in the lease.

As of September 30, 2019, the liability for the remaining lease/leaseback obligation was approximately \$116,187,000. The Authority is in full compliance with the obligation's operative documents, as amended. See Note 11 to the 2019 Financial Statements attached hereto as APPENDIX B.

Pension, Retirement, Deferred Compensation Plans, and Other Post-Employment Benefits

DART operates three employee pension benefit plans. Information about such plans is contained in Note 18 to the 2019 Financial Statements attached hereto as APPENDIX B. In addition to employee pension benefit plans, DART provides post-retirement health care and life insurance benefits in accordance with DART's policy to certain employees. Information about other post-employment benefits is contained in Note 19 to the 2019 Financial Statements attached hereto as APPENDIX B. DART has implemented GASB Statement No. 75 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions."

Claims and Litigation Affecting the Authority

The Authority is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its governmental and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits by plaintiffs alleging that the Authority caused personal injuries or wrongful deaths or relate to real or property disputes; class actions and other lawsuits and claims alleging unlawful employment practices or civil rights violations; various claims from contractors for additional amounts under construction contracts; and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the Authority. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The Authority regularly reviews the potential cost exposure of such cases and does not anticipate these exposures will interfere with the normal course of business. The Authority makes no prediction with respect to the liability of the Authority for such claims or the final outcome of such suits.

INVESTMENT CONSIDERATIONS

THE PURCHASE OF THE BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING ALL APPENDICES HERETO. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW, WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS AND WHICH COULD ALSO AFFECT THE MARKET PRICE OF BONDS TO AN EXTENT THAT CANNOT BE DETERMINED.

Risks Associated with Forward Delivery Bonds

See "CERTAIN FORWARD DELIVERY CONSIDERATIONS, ACKNOWLEDGMENTS AND RISKS FOR THE SERIES 2020B BONDS" below for risks associated with Series 2020B Bonds.

Source of Payment is Limited

The Bonds are special obligations of DART and are secured by a first lien on and pledge of the Pledged Revenues.

The Bonds are not debts or obligations of the State of Texas; nor are they the debt or obligation of any Participating Municipality. The Holders of Bonds will never have the right to demand payment out of any of DART's funds other than the Pledged Revenues, unless DART expressly and specifically pledges Special Revenues to such payment. DART does have the right, however, but is not obligated, to enter into Credit Agreements with respect to any issue of Bonds having any lien ranking as to Pledged Revenues. If the Authority does so, the Holders of the issue of Bonds 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.

Issuance of Additional Senior Lien Obligations

The Master Debt Resolution permits DART to issue Additional Senior Lien Obligations without notice to Holders and without their consent, if the Authority can satisfy the financial tests and limitations contained in the Master Debt Resolution. DART must also satisfy any limitations contained in Supplemental Resolutions and in Credit Agreements in order to issue any Senior Lien Obligations. The financial tests that apply to future issues of Additional Senior Lien Obligations require the Authority to demonstrate an ability to pay the Bonds and such future Obligations based on economic forecasts of future economic conditions. Those forecasts do not and cannot guarantee that DART will receive Gross Sales Tax Revenues, and other Pledged Revenue, at the times and in the amounts required to pay all of its Obligations, including the Bonds, when and as due and payable.

The Authority's Ability to Make Payments on Bonds is Dependent Upon the Amount of Gross Sales Tax Revenues and Pledged Farebox Revenues Actually Generated

Except for Bonds that may be supported by a Credit Agreement, as discussed above, the only sources of security for the Bonds 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. DART's receipt of Gross Sales Tax Revenues and Pledged Farebox Revenues may be impacted by a number of factors, including but not limited to changes in the economic activity and conditions of a municipality or geographic area, changes in the preferred method of transportation of DART customers, and the introduction and development of new modes of transportation. The amount of Gross Sales Tax Revenues or Pledged Farebox Revenues generated in any future year is not certain.

The Collection of the Sales Tax is Beyond the Authority's 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. DART does 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 State Comptroller May Offset Current Distributions for Overpayments or Remit Sales and Use Tax Revenue Less Frequently

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 DART received an overpayment, its Gross Sales Tax Revenues for future periods are subject to reduction or the Authority 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. DART has previously entered into three repayment agreements with the Comptroller regarding overpayments, approximately \$20.9 million (identified in 2006, 2008, and 2019) that will result in a reduction of its Gross Sales Tax Revenues in equal quarterly amounts of \$206,000, which will increase to \$602,408 beginning 2020 until 2022 and then return to equal amounts of \$206,000 through December 2026 with a final payment of \$128,519.14 on March 2027.

The Authority May Receive Payment of Gross Sales Tax Revenues Less Frequently

State law requires the Comptroller to remit Gross Sales Tax Revenues to DART only on a quarterly basis. As a matter of convenience and accommodation to local taxing entities, the Comptroller remits Gross Sales Tax Revenues to the Authority and other taxing entities on a monthly basis. While the Authority has 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 the Authority on a monthly basis. Thus, temporary cash flow irregularities could occur.

The Authority May Experience Variations in its 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) further migration of commerce to Internet sales that are not taxed or taxes from which cannot be effectively collected, (4) changes in the economic activity and conditions of a municipality or geographic area, and (5) the withdrawal from DART of one or more of the Participating Municipalities. See "THE AUTHORITY – DART's Boundaries, Additions, Withdrawal Rights" and "REVENUES, EXPENSES AND INVESTMENTS – Recent Legislation and Administrative Changes."

The increasing use of the Internet to conduct electronic commerce may affect the collection of the sales and use tax. To the extent that transactions subject to the Sales Tax imposed by the Authority avoid normal collection and remittance procedures because they

occur over the Internet, the Authority's receipt of Sales Tax may be adversely affected. At this time, the Authority is unable to predict how Internet sales may affect the amount of Sales Tax collected in the future. If, due to increases in Internet or other tax-exempt sales, the Authority's Sales Tax revenue decreases or increases more slowly than operating expenses and debt service requirements, the Authority's ability to pay the Bonds and maintain operations could be adversely affected to an extent that cannot be predicted.

Cybersecurity Risk

The Authority, relies on a large and complex environment to conduct its operation and faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware and other attacks, on its computing and other digital networks and systems (the "Systems Technology"). As a recipient and provider of sensitive information, the Authority may be the target of cybersecurity incidents that could result in adverse consequences to the Authority and its Systems Technology, requiring a response action to mitigate the consequences. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Authority's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Authority invests in multiple forms of cybersecurity and operational safeguards. While the Authority's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the Authority that such measures will ensure against cybersecurity threats and attacks, and a breach could damage the Authority's Systems Technology and, in certain instances, possibly cause material disruption to the Authority's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial.

Sequestration of the Obligations designated as Build America Bonds

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending included a reduction to refundable credits under section 6431 of the Internal Revenue Code (the "*Code*") applicable to certain qualified bonds, including "Build America Bonds" issued pursuant to section 54AA of the Code for which an issuer elected to receive a direct credit subsidy payment pursuant to section 6431 of the Code.

The Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "*Series 2009B Bonds*") and the Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B Bonds (Build America Bonds –Direct Payment to Issuer) (the "*Series 2010B Bonds*") are designated as "Build America Bonds", for such qualified bonds eligible for the direct credit subsidy payment, the Office of Management and Budget ("OMB") set a sequester percentage (i.e. reduction) of 8.7% for fiscal year 2013, 7.2% for fiscal year 2014, 7.3% for fiscal year 2015, 6.8% for fiscal year 2016, 6.9% for fiscal year 2017, 6.6% for fiscal year 2018, and 6.2% for fiscal year 2019. For fiscal year 2020, the OMB set the sequester percentage at 5.9%, which applies to any payment processed on or after October 1, 2019 and on or before September 30, 2020, unless and until a law is enacted that cancels or otherwise impacts the sequester. Sequestration is expected to continue past September 30, 2020, and the sequestration percentage may increase or decrease in any fiscal year.

Risks Associated with Federal Funding

The receipt of capital grants from the FTA is not assured and is subject to approval by the FTA, Secretary of Transportation and Office Management and Budget as well as appropriation by the U.S. Congress, to the allocation and delivery procedures of the U.S. Department of Transportation ("*USDOT*") and the FTA, and to compliance by the Authority with conditions to the grants. By August 15 of each year, the Congressional Budget Office (the "*CBO*") issues a report that provides estimates of the caps on discretionary budget authority in effect for each Fiscal Year through 2021. The CBO has assessed that discretionary appropriations for Fiscal Year 2019 do not exceed the caps and therefore a sequestration (or cancellation of budgetary resources) will not be required as a result of appropriation actions in Fiscal Year 2019. See "DART'S FINANCIAL PRACTICES AND RESOURCES — Federal Grant Funds."

If federal funding for transit programs is delayed, reduced, or cancelled, whether as a result of sequestration or for other reasons, DART's receipt of FTA grant funding, as well as DART's substantial recurring revenue from the FTA, could be delayed, reduced or cancelled.

The Master Debt Resolution Provides for Cross-Defaults

The Master Debt Resolution provides that an "Event of Default" occurs thereunder if, under certain circumstances, DART defaults in the due and punctual performance of any covenant, condition, agreement or provision contained in any Obligation (including any Credit Agreement) or any Outstanding Resolution. See "Article VII. DEFAULTS AND REMEDIES" in APPENDIX A1 – Summary of Certain Terms of the Master Debt Resolution.

Nonpayment Events of Default

If DART defaults in the performance of any nonpayment related covenants, conditions, agreements, and provisions contained in the Obligations or in any of the Outstanding Supplemental Resolutions, notice of default may be initiated by the Holders of not less than

10% in aggregate principal amount of Outstanding Bonds, a Credit Provider, or a Bondholder Representative. It may be difficult for the Holders of the Bonds to initiate a nonpayment Event of Default, unless such Holders are successful in obtaining the cooperation of a significant number of Holders of Outstanding Bonds. Although the Master Debt Resolution permits a Supplemental Resolution authorizing a series of Bonds to designate a Bondholder Representative to represent the Holders of a series of Bonds at a time when there is no Credit Agreement in effect, such designation has not been made in the Twentieth Supplemental Debt Resolution.

Limitation and Enforceability of Remedies

The remedies available to the Holders of the Bonds upon an Event of Default under the Master Debt Resolution are limited to the seeking of specific performance or a writ of mandamus or other suit, action, or proceeding compelling and requiring the Authority and its officers to observe and perform any covenant, condition, or obligation prescribed in the Master Debt Resolution. NO ACCELERATION REMEDY IS AVAILABLE TO HOLDERS OF THE BONDS. A Credit Provider, a Bondholder Representative, or a trustee selected by and representing not less than 25% in principal amount of the Outstanding Bonds may initiate an action against DART, but only if the Holders of at least 25% in principal amount of the Outstanding Senior Lien Obligations have joined in or consented to such action or each Holder of a Senior Lien Obligation has been provided prior notice of such action. It may be difficult for the Holders of the Bonds to cause a trustee, a Credit Provider, or a Bondholder Representative to take action in the Event of Default without the cooperation of a significant number of Holders of the Outstanding Senior Lien Obligations.

After an Event of Default, the Trustee will transfer funds in the same order as if no Event of Default had occurred with the exception that Administrative Expenses will be paid prior to the payment of interest and principal installments from the Senior Lien Debt Service Fund and the funds securing any Subordinate Lien Obligations.

The remedies available under the Master Debt Resolution are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion and (ii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Further, under current State law, DART is prohibited from waiving sovereign immunity from suit or liability with respect to their obligations relating to the Bonds and, therefore, Holders of the Bonds are prevented from bringing a suit against DART to adjudicate a claim to enforce its obligations under the Master Debt Resolution or for damages for breach of its obligations under the Master Debt Resolution. However, State courts have held that mandamus proceedings against a governmental unit, such as DART, are not prohibited by sovereign immunity.

Infectious Disease Outbreak

An international, national or localized outbreak (an "*Outbreak*") of a highly contagious or epidemic disease, such as COVID-19, a respiratory disease caused by a particular strain of coronavirus, the Zika virus, Ebola virus, or other highly contagious or epidemic disease, may have a material impact on an investment in the Bonds. DART's financial and operating condition may be materially adversely impacted by an Outbreak, particularly if such Outbreak occurred in or around DART's service area. As discussed above under "The Authority's Ability to Make Payments on Bonds is Dependent Upon the Amount of Gross Sales Tax Revenues and Pledged Farebox Revenues Actually Generated", DART's receipt of Gross Sales Tax Revenues and Pledged Farebox Revenues may be materially adversely affected by changes in the economic activity and conditions of a municipality or geographic area, which includes a material decrease in Gross Sales Tax Revenues and Pledged Farebox Revenues caused by an Outbreak. Additionally, an Outbreak may cause a material disruption in DART's capital projects due to the effects such event would cause on the labor market, related supply chains, and projected ridership associated with such capital projects. Financial markets in the United States and globally may experience significant volatility or declines in connection with an Outbreak, which may have a material impact on the market price of the Bonds. DART cannot predict the impact an Outbreak may have on DART's financial and operating condition or an investment in the Bonds.

CERTAIN FORWARD DELIVERY CONSIDERATIONS, ACKNOWLEDGMENTS AND RISKS

FOR THE SERIES 2020B BONDS

General

The Authority anticipates that the Series 2020B Bonds will be delivered on or about September 2, 2020 (the "*Forward Delivery Date*") in order to address refunding limitations set forth in the Code. The following is a summary description of certain provisions of the Forward Delivery Bond Purchase Contract between the Authority and the Underwriters of the Series 2020B Bonds (the "*Forward Delivery Agreement*"). Because of the forward delivery in connection with the sale and settlement of the Series 2020B Bonds, there are certain additional termination rights and settlement conditions that are not generally present in bond transactions that do not involve a forward delivery, and certain of those additional rights and conditions are summarized below. All of the conditions and termination rights with

respect to the sale and settlement of the Series 2020B Bonds are set forth in the Forward Delivery Agreement and all of the discussion under this caption is qualified by reference to such contract.

BY PLACING AN ORDER WITH THE UNDERWRITERS OF THE SERIES 2020B BONDS FOR THE PURCHASE OF THE SERIES 2020B BONDS, THE PURCHASER ACKNOWLEDGES AND AGREES THAT THE SERIES 2020B BONDS ARE BEING SOLD ON A “FORWARD” BASIS AND THAT THE PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE SERIES 2020B BONDS ON THE FORWARD DELIVERY DATE SUBJECT TO THE CONDITIONS IN THE FORWARD DELIVERY AGREEMENT, AND THAT EACH PURCHASER WILL SIGN, AND DELIVER TO THE REPRESENTATIVE (DEFINED BELOW), A FORWARD DELIVERY CONTRACT (A “*FORWARD DELIVERY CONTRACT*”) (IN THE FORM OF APPENDIX E HERETO) AS A CONDITION TO ANY SERIES 2020B BONDS BEING ALLOCATED TO SUCH PURCHASER. ADDITIONALLY, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT ANY SALE OF THE SERIES 2020B BONDS BY THE PURCHASER DURING THE FORWARD DELIVERY PERIOD (AS DEFINED BELOW) MUST BE ACCOMPANIED BY A PURCHASER LETTER (IN THE FORM OF APPENDIX E) EXECUTED BY THE NEW PURCHASER, TOGETHER WITH DELIVERY OF THE OFFICIAL STATEMENT TO THE NEW PURCHASER.

Forward Delivery Date

The Underwriters’ obligations under the Forward Delivery Agreement to purchase, accept delivery of and pay for the Series 2020B Bonds on the Forward Delivery Date are conditioned upon the performance by the Authority of its obligations thereunder, the delivery of certain certificates and legal opinions, and the satisfaction of other conditions as of the Forward Delivery Date. The Underwriters may terminate the Forward Delivery Agreement without liability at any time after March 26, 2020 (the “*Preliminary Closing Date*”) and on or prior to the Forward Delivery Date if any of the following shall occur during such period (the “*Forward Delivery Period*”):

- (a) any event occurring, or information becoming known which, in the judgment of the representative of the Underwriters of the Series 2020B Bonds (the “*Representative*”), has the effect that this Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, the Authority refuses to permit this Official Statement to be supplemented to supply such statement or information, or the effect of this Official Statement as so supplemented is to, in the judgment of the Representative, materially adversely impact the market price or marketability of the Series 2020B Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering price, of the Series 2020B Bonds;
- (b) as a result of any Change of Law (defined below) or for any other reason, Co-Bond Counsel does not expect to be able to issue an opinion related to the Series 2020B Bonds on the Forward Delivery Date either (i) substantially in the form and to the effect set forth in APPENDIX C to this Official Statement or (ii) notwithstanding a Change of Law that prevents Co-Bond Counsel from issuing the opinion related to the Series 2020B Bonds substantially in the form and to the effect set forth in APPENDIX C to this Official Statement, that interest on the Series 2020B Bonds is not subject to any then currently imposed federal income tax and is not included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes;
- (c) as a result of a Change of Law that involves the enactment of federal legislation that applies only to “state or local bonds” (such as the Series 2020B Bonds) that are issued and delivered on or after the Preliminary Closing Date, the holder of a Series 2020B Bond is not able to utilize the full benefit of the exclusion from gross income for federal income tax purposes of interest payable on the Series 2020B Bonds;
- (d) for any reason, including a Change of Law, the issuance, offering, or sale of the Series 2020B Bonds as contemplated by the Forward Delivery Contract or by this Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended;
- (e) an Event of Default has occurred and is continuing, technical or otherwise, under the Resolution; or
- (f) as of the Forward Delivery Date, the Series 2020B Bonds are not rated (or any rating thereon is withdrawn or suspended) by S&P, Moody’s, or Kroll (each as defined herein). See “OTHER INFORMATION-Ratings” herein.

If the holder of a Series 2020B Bond is not able to utilize the full benefit of the exclusion from gross income for federal income tax purposes of interest payable on the Series 2020B Bonds as a result of a change that applies to all “state or local bonds,” regardless of when issued, the Underwriters of the Series 2020B Bonds will have a right to terminate their obligation to purchase the Series 2020B Bonds under the Forward Delivery Agreement and the purchasers will not be required to accept delivery of the Series 2020B Bonds.

“*Change of Law*” is defined as any of the following: (i) any change of or addition to applicable federal or state law, whether statutory or as interpreted by a court in a final unappealable decision, including adoption of new rules or any changes in existing rules, or new rules, regulations or other pronouncements or interpretations by federal or state agencies or self-regulatory bodies, (ii) any legislation

enacted by the Congress of the United States or recommended for passage by the President of the United States (whether or not such enacted or recommended legislation has a proposed effective date which is on or before the Forward Delivery Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency or self-regulatory bodies (whether or not such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Forward Delivery Date) or (iv) any judgment, ruling or order issued by any court or administrative body, all of which in any such case (as provided in (i) - (iv) above), would, (A) as to the Underwriters of the Series 2020B Bonds, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) their purchase of the Series 2020B Bonds as provided in the Forward Delivery Agreement or the sale of the Series 2020B Bonds or beneficial ownership interests therein to the public or, (B) as to the Authority, make illegal the issuance, sale or delivery of the Series 2020B Bonds (or have the retroactive effect of making illegal such issuance, sale or delivery, if enacted, adopted, passed or finalized); (C) eliminate the exclusion from gross income of interest on the Series 2020B Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed, or finalized); or (D) require the Series 2020B Bonds to be registered under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, or require the Resolution to be qualified under the Trust Indenture Act of 1939, as amended (or have the retroactive effect of requiring such registration or qualification if enacted, passed, finalized or adopted).

If at any time after the Preliminary Closing Date, and on or prior to the Forward Delivery Date, Co-Bond Counsel determines that it is unable for any reason, including a Change of Law, to deliver the Co-Bond Counsel opinion related to the Series 2020B Bonds, Co-Bond Counsel will provide written notice thereof (the “*Co-Bond Counsel Notice*”) to the Authority and the Representative. Unless the Authority notifies the Representative within five (5) business days of receipt of the Co-Bond Counsel Notice that it has retained a new firm or firms (that have a practice in delivering bond opinions) to deliver the Co-Bond Counsel opinion related to the Series 2020B Bonds, the Underwriters of the Series 2020B Bonds will have the right to terminate their obligations under the Forward Delivery Agreement.

During the period of time between the date of this Official Statement and the Forward Delivery Date, certain information contained in this Official Statement may change in a material respect. The Authority has agreed to amend or supplement this Official Statement with an updated Official Statement not more than 25 days or less than 10 days prior to the Forward Delivery Date. Although the Authority is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Delivery Agreement on the Forward Delivery Date, no assurances can be made that, as of the Forward Delivery Date: (i) there will have been no Change of Law; (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Preliminary Closing Date, or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the Series 2020B Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered or one or more of the Forward Delivery Date conditions in the Forward Delivery Agreement may not be met, with the possible result that delivery of the Series 2020B Bonds will not occur.

NONE OF THE UNDERWRITERS OF THE SERIES 2020B BONDS (NOR PURCHASERS OF THE SERIES 2020B BONDS FROM SUCH UNDERWRITERS) MAY REFUSE TO PURCHASE THE SERIES 2020B BONDS BY REASON OF “GENERAL MARKET OR CREDIT CHANGES,” INCLUDING, BUT NOT LIMITED TO, (A) CHANGES IN THE RATINGS ASSIGNED TO THE SERIES 2020B BONDS ON THE PRELIMINARY CLOSING DATE OR (B) CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE AUTHORITY PRIOR TO THE FORWARD DELIVERY DATE.

Additional Risks Related to the Forward Delivery Period

The Underwriters’ obligations under the Forward Delivery Agreement to purchase, accept delivery of and pay for the Series 2020B Bonds on the Forward Delivery Date are conditioned upon the performance by the Authority of its obligations thereunder, the delivery of certain certificates and legal opinions, and the satisfaction of other conditions as of the Forward Delivery Date. The Underwriters may terminate the Forward Delivery Agreement without liability at any time after the Preliminary Closing Date and on or prior to the Forward Delivery Date if any of the events described above under “- Forward Delivery Date” shall occur during the Forward Delivery Period.

DURING THE FORWARD DELIVERY PERIOD, CERTAIN INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT MAY CHANGE IN A MATERIAL RESPECT. ANY CHANGES IN SUCH INFORMATION WILL NOT PERMIT THE UNDERWRITERS TO TERMINATE THE FORWARD DELIVERY CONTRACT OR RELEASE THE PURCHASERS FROM THEIR COMMITMENTS TO PURCHASE THE SERIES 2020B BONDS EXCEPT AS EXPRESSLY DESCRIBED IN THE FORWARD DELIVERY PURCHASE AGREEMENT. IN ADDITION TO THE RISKS SET FORTH ABOVE, PURCHASERS OF THE SERIES 2020B BONDS ARE SUBJECT TO CERTAIN ADDITIONAL RISKS, SOME OF WHICH ARE DESCRIBED BELOW, AND WHICH WILL NOT CONSTITUTE GROUNDS FOR PURCHASERS TO REFUSE TO ACCEPT DELIVERY OF AND PAY FOR THE SERIES 2020B BONDS.

Ratings Risk. Issuance of the Series 2020B Bonds and the obligations of the Underwriters of the Series 2020B Bonds under the Forward Delivery Agreement are not conditioned upon the assignment of any particular ratings for the Series 2020B Bonds or the maintenance of the ratings assigned to the Series 2020B Bonds as of the Preliminary Closing Date. A change in ratings does not entitle the Underwriters of the Series 2020B Bonds to terminate the Forward Delivery Agreement or release such Underwriters from their obligations to purchase the Series 2020B Bonds.

Secondary Market Risk. The Underwriters of the Series 2020B Bonds are not obligated to make a secondary market in the Series 2020B Bonds and no assurances can be given that a secondary market will exist for the Series 2020B Bonds during the Forward Delivery Period. Purchasers of the Series 2020B Bonds should assume that the Series 2020B Bonds will be illiquid throughout the Forward Delivery Period.

Market Value Risk. The market value of the Series 2020B Bonds as of the Forward Delivery Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the Series 2020B Bonds, the financial condition and business operations of the Authority and federal, state and local income tax and other laws. The market value of the Series 2020B Bonds as of the Forward Delivery Date could therefore be higher or lower than the price to be paid by the initial purchasers of the Series 2020B Bonds and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the Series 2020B Bonds if the Forward Delivery Date conditions in the Forward Delivery Agreement are satisfied. Neither the Authority nor the Underwriters of the Series 2020B Bonds make any representation as to the expected market price of the Series 2020B Bonds as of the Forward Delivery Date. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the Series 2020B Bonds as of the Forward Delivery Date or thereafter or not have a materially adverse impact on any secondary market for the Series 2020B Bonds.

Tax Law Risk. Subject to the additional conditions of delivery of the Series 2020B Bonds described under “– Forward Delivery Date” above, the Forward Delivery Agreement obligates the Authority to deliver and the Underwriters of the Series 2020B Bonds to purchase and accept delivery of the Series 2020B Bonds if the Authority delivers an opinion of Co-Bond Counsel with respect to the Series 2020B Bonds substantially in the form and to the effect as set forth in “APPENDIX C - FORMS OF LEGAL OPINIONS OF CO-BOND COUNSEL.” During the Forward Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, delivered, or promulgated, or existing law, including regulations adopted pursuant thereto, may be interpreted in a manner that might prevent Co-Bond Counsel from rendering its opinion or otherwise affect the substance of such opinion. On the other hand, if any such action only diminishes the value, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on “state or local bonds” regardless of when issued, the Underwriters of the Series 2020B Bonds would not have the right to terminate their obligations under the Forward Delivery Agreement. In the latter case, such Underwriters (and, in turn, any purchaser of the Series 2020B Bonds from such Underwriters) would be required to accept delivery of the Series 2020B Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood that legislation affecting the treatment of interest on the Series 2020B Bonds may be enacted and the consequences of such enactment for the purchasers.

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 Bonds should consult its own tax advisor as to the federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption of the Tax-Exempt Bonds

In the opinion of Co-Bond Counsel, under existing law, interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not a specific preference item for purposes of 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 Tax-Exempt Bonds, 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 DART file an information report with the Internal Revenue Service (the “Service”). DART has covenanted in the Master Debt Resolution and the Twentieth Supplemental Debt Resolution that it will comply with these requirements.

Co-Bond Counsel’s opinion will assume continuing compliance with the covenants of the Master Debt Resolution and the Twentieth Supplemental Debt Resolution pertaining to those sections of the Code that affect the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by DART, DART’s Co-Financial Advisors and the Underwriters with respect to matters solely within the knowledge of DART, DART’s Co-Financial Advisors and the Underwriters, respectively, which Co-Bond Counsel has not independently verified. If DART fails to comply with the covenants in the Master Debt Resolution and the Twentieth Supplemental Debt Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Tax-Exempt Bonds could become includable in gross income from the date of delivery of the Tax-Exempt Bonds, 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, local or federal tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Tax-Exempt Bonds.

Co-Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel’s knowledge of facts as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement their 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 their review of existing law and in reliance upon the representations and covenants referenced above that they 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 Tax-Exempt Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat DART as the taxpayer and the Holders may not have a right to participate in such audit. Public awareness of any future audit of the Tax-Exempt Bonds could adversely affect the value and liquidity of the Tax-Exempt Bonds regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

Prospective purchasers of the Tax-Exempt Bonds 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 Tax-Exempt Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Tax-Exempt Bonds 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 Tax-Exempt Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all of the Tax-Exempt Bonds exceeds the stated redemption price payable at maturity of such Tax-Exempt Bonds. Such Tax-Exempt Bonds (or the "*Premium Bonds*") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, local, and foreign income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

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 Tax-Exempt Bonds, 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 Tax-Exempt Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

Series 2020C Bonds

THE FOLLOWING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2020C BONDS, INCLUDING THE EFFECT AND APPLICABILITY OF (I) U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS, (II) GIFT AND ESTATE TAX LAWS, AND (III) ANY INCOME TAX TREATY.

General

The following discussion summarizes certain material U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the Series 2020C Bonds by an initial holder (as described below). This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authority and administrative

interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Neither DART nor Co-Bond Counsel offers any assurance that the Service will not challenge one or more of the tax consequences described in this discussion, and neither DART nor Co-Bond Counsel has obtained, nor do DART or Co-Bond Counsel intend to obtain, a ruling from the Service or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Series 2020C Bonds.

This discussion is limited to holders who purchase the Series 2020C Bonds in this initial offering for a price equal to the issue price of the Series 2020C Bonds (*i.e.*, the first price at which a substantial amount of the Series 2020C Bonds is sold for cash other than to bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, the “Issue Price”) and who hold the Series 2020C Bonds as capital assets (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or income tax treaties or any U.S. federal estate or gift tax considerations. In addition, this discussion does not address all tax considerations that may be important to a particular holder in light of the holder’s circumstances or to certain categories of investors that may be subject to special rules, such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2020C Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences for individuals or (ii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2020C Bonds under state, local or non-U.S. tax laws.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Series 2020C Bonds, the tax treatment of such partnership or a partner of such partnership generally will depend upon the status of the partner and the activities of the partnership. ***Partnerships acquiring Series 2020C Bonds and partners of partnerships acquiring the Series 2020C Bonds should consult their own tax advisors about the U.S. federal income tax consequences of acquiring, holding and disposing of the Series 2020C Bonds.***

INVESTORS CONSIDERING THE PURCHASE OF THE SERIES 2020C BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2020C BONDS UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Certain Tax Consequences to U.S. Bondholders

As used herein “U.S. Bondholder” means a beneficial owner of a Series 2020C Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust).

Interest on the Series 2020C Bonds

A U.S. Bondholder generally will be required to include as ordinary interest income any stated interest payments in income in accordance with its method of accounting for U.S. federal income tax purposes.

Original Issue Discount

If the Issue Price of the Series 2020C Bonds of any stated maturity is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Series 2020C Bonds of such maturity will be treated as being issued with “original issue discount.” The amount of the original issue discount will equal the excess of the principal amount payable on such Series 2020C Bonds at maturity over the Issue Price, and the amount of the original issue discount on such Series 2020C Bonds will be amortized over the life of the Series 2020C Bonds using the “constant yield method” provided in the U.S. Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Series 2020C Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such Series 2020C Bonds that exceeds actual cash interest payments to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on such Series 2020C Bonds each taxable year will be reported annually to the Service and to the beneficial owners. The portion of the original issue discount included in each beneficial owner’s gross income while the beneficial owner holds such Series 2020C Bonds will increase the adjusted tax basis of such Series 2020C Bonds in the hands of such beneficial owner.

Premium

If the Issue Price of the Series 2020C Bonds of any stated maturity is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased such Series 2020C Bond with “amortizable bond premium” equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of such Series 2020C Bond and may offset interest otherwise required to be included in respect of such Series 2020C Bond during any taxable year by the amortized amount of such excess for the taxable year. Series 2020C Bond premium on such Series 2020C Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of such Series 2020C Bond. However, if such Series 2020C Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the U.S. Treasury Regulations which could result in a deferral of the amortization of some Series 2020C Bond premium until later in the term of such Series 2020C Bond. Any election to amortize Series 2020C Bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

Make-Whole Redemption

In certain circumstances (see “THE BONDS—Redemption”) DART may be obligated to pay amounts on the Series 2020C Bonds that are in excess of stated interest or principal on the Series 2020C Bonds. DART does not intend to treat the possibility of paying such additional amounts as resulting in the Series 2020C Bonds being treated as contingent payment debt instruments under the applicable Treasury Regulations. Assuming such position is respected, a U.S. Bondholder would be required to include in income the amount of any such additional payment at the time such payments are received or accrued in accordance with the holder’s method of accounting for U.S. federal income tax purposes. DART’s treatment will be binding on all Bondholders, except a Bondholder that discloses its differing treatment in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which the Series 2020C Bond was acquired. DART’s position is not binding on the Service, and if the Service were to successfully challenge this position, a Bondholder might be required to accrue interest income at a higher rate than the stated interest rate on the Series 2020C Bonds, and to treat as ordinary interest income any gain realized on the taxable disposition of Series 2020C Bonds. The remainder of this discussion assumes that the Series 2020C Bonds will not be treated as contingent payment debt instruments. ***Investors should consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the Series 2020C Bonds.***

Disposition of the Series 2020C Bonds

A U.S. Bondholder will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a Series 2020C Bond. This gain or loss will equal the difference between the U.S. Bondholder’s adjusted tax basis in the Series 2020C Bond and the amount realized (excluding any proceeds attributable to accrued but unpaid stated interest which will be recognized as ordinary interest income to the extent any such Bondholder has not previously included such amounts in income) by the Bondholder. A U.S. Bondholder’s adjusted tax basis in the Series 2020C Bonds will generally equal the amount the U.S. Bondholder paid for the Series 2020C Bonds increased by any original issue discount previously included in the Bondholder’s income and decreased by the amount of the Series 2020C Bond premium that has been previously amortized. The gain or loss generally will be long-term capital gain or loss if the Bondholder held the Series 2020C Bonds for more than one year at the time of the sale, redemption, exchange, retirement or other taxable disposition. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

Information Reporting and Backup Withholding

Information reporting will apply to payments of principal and interest made by DART on, or the proceeds of the sale or other disposition of, the Series 2020C Bonds with respect to U.S. Bondholders (unless such holder is an exempt recipient such as a corporation), and backup withholding may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Bondholder’s U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder’s actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Additional Tax on Investment Income

An additional 3.8% net investment income tax, or the “NIIT,” is imposed on the “net investment income” of certain U.S. Bondholders who are individuals and on the undistributed “net investment income” of certain estates and trusts, to the extent the sum of net investment income and other modified adjusted gross income exceeds specified dollar amounts. Among other items, “net investment income” would generally include interest income and net gain from the disposition of property, such as the Series 2020C Bonds, less certain deductions. ***U.S. Bondholders should consult their tax advisors with respect to the tax consequences of the NIIT.***

Certain Tax Consequences to Non-U.S. Bondholders

As used herein, a “non-U.S. Bondholder” means a beneficial owner of Series 2020C Bonds that is an individual, corporation, estate or trust that is not a U.S. Bondholder.

Interest on the Series 2020C Bonds-Portfolio Interest

Subject to the discussions below under the headings “—Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance,” payments to a non-U.S. Bondholder of interest on the Series 2020C Bonds generally will be exempt from withholding of U.S. federal tax under the “portfolio interest” exemption if the non-U.S. Bondholder properly certifies as to the non-U.S. Bondholder’s foreign status as described below, and that:

- the non-U.S. Bondholder does not own, actually or constructively, 10% or more of DART’s voting stock;
- the non-U.S. Bondholder is not a “controlled foreign corporation” for U.S. federal income tax purposes that is related to DART (actually or constructively); and
- the non-U.S. Bondholder is not a bank whose receipt of interest on the Series 2020C Bonds is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such Bondholder’s trade or business.

The foregoing exemption from withholding tax will not apply unless (i) the non-U.S. Bondholder provides his, her or its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form), and certifies under penalties of perjury, that such holder is not a U.S. person, (ii) a financial institution holding the Series 2020C Bonds on a non-U.S. Bondholder’s behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) from such holder and provides the Trustee with a copy, or (iii) the non-U.S. Bondholder holds their Series 2020C Bonds directly through a “qualified intermediary,” and the qualified intermediary has sufficient information in its files indicating that such holder is not a U.S. Bondholder.

If a non-U.S. Bondholder cannot satisfy the requirements described above, payments of principal and interest made to such holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. Bondholder provides the Trustee with a properly executed (a) IRS Form W-8BEN or IRS Form W-8BEN-E or successor form claiming an exemption from or a reduction of withholding under an applicable tax treaty or (b) IRS Form W-8ECI (or successor form) stating that interest paid on the Series 2020C Bonds is not subject to withholding tax because it is effectively connected with such non-U.S. Bondholder’s conduct of a trade or business in the United States.

If a non-U.S. Bondholder is engaged in an active trade or business in the United States and interest on the Series 2020C Bonds is effectively connected with the active conduct of that trade or business (and, in the case of an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. Bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if such non-U.S. Bondholder were a U.S. person as defined under the Code. In addition, if a non-U.S. Bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder’s earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Series 2020C Bonds, that is effectively connected with the active conduct by such non-U.S. Bondholder of a trade or business in the United States.

Disposition of the Series 2020C Bonds

Subject to the discussions below under the headings “—Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance,” a non-U.S. Bondholder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a Series 2020C Bond unless:

- the gain is effectively connected with the conduct by the non-U.S. Bondholder of a U.S. trade or business (and, if required by an applicable income tax treaty, is treated as attributable to a permanent establishment maintained by the Bondholder in the United States);
- the non-U.S. Bondholder is a nonresident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met;
- the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If a non-U.S. Bondholder is described in the first bullet point above, the non-U.S. Bondholder generally will be subject to U.S. federal income tax in the same manner as a U.S. Bondholder. If a non-U.S. Bondholder is described in the second bullet point above, the Bondholder generally will be subject to U.S. federal income tax at a flat rate of 30% or lower applicable treaty rate on the gain derived from the sale or other disposition, which may be offset by U.S. source capital losses.

Information Reporting and Backup Withholding

Payments to non-U.S. Bondholders of interest on their Series 2020C Bonds and any amounts withheld from such payments generally will be reported to the Service and such holder. Backup withholding will not apply to payments of principal and interest on the Series 2020C Bonds if the non-U.S. Bondholder certifies as to his, her or its non-U.S. Bondholder status on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) under penalties of perjury or such non-U.S. Bondholder otherwise qualifies for an exemption (provided that neither DART nor its agent, if any, know or have reason to know that such Bondholder is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of Series 2020C Bonds to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless a non-U.S. Bondholder provides the certification described above or such Bondholder otherwise qualifies for an exemption. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the non-U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the non-U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Foreign Account Tax Compliance

Pursuant to the Foreign Account Tax Compliance Act ("FATCA"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition (including payments of principal) of, Series 2020C Bonds held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the Service to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Series 2020C Bonds are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition of, Series 2020C Bonds held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (a) certifies that such entity does not have any "substantial United States owners" or (b) provides certain information regarding the entity's "substantial United States owners," which will be provided to the Service, as required. Prospective Bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the Series 2020C Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe the agreement for so long as the Bonds are outstanding. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). Access to such information will be made available to the public without charge by the MSRB on its Electronic Municipal Market Access ("EMMA") website at www.emma.msrb.org.

Annual Reports

The Authority will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Authority of the general type included in this Official Statement under Tables numbered 1 through 3 and in APPENDIX B.

The Authority may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC"). The updated information will include audited financial statements, if the Authority commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide unaudited financial information and operating data which is customarily prepared by the Authority by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation.

The Authority's current Fiscal Year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the Authority changes its Fiscal Year. If the Authority changes its Fiscal Year, it will notify the MSRB of the change and such updated information will be due six (6) months from the date of the revised Fiscal Year end.

Certain Event Notices

The Authority will notify the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds, to the extent applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) the release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority; (13) the consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority 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; (14) appointment of a successor or additional trustee or name change of a trustee, if material; (15) incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

For the purposes of (A) the event numbered (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority, and (B) the events numbered 15 and 16 above and the definition of financial obligation in this Section the Authority intends the words used to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

In addition, the Authority will provide timely notice to the MSRB of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under “— Annual Reports.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of material events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement. Holders or beneficial owners of Bonds may seek as their sole remedy a writ of mandamus to compel the Authority to comply with its agreement. No default by the Authority with respect to its continuing disclosure agreement shall constitute a breach of or default under the Resolution for purposes of any other provision of the Resolution. Nothing in this paragraph is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under federal and state securities laws. The Authority’s undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

The Authority may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status or type of operations of the Authority, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Authority so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “— Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

Over and during the last five years, a notice of defeasance and redemption was not timely filed with respect to certain of DART’s 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.

OTHER INFORMATION

Ratings

S&P Global Ratings (“S&P”), Moody’s Investors Service, Inc., (“Moody’s”) and Kroll Bond Rating Agency, Inc. (“Kroll”) and have assigned the following respective municipal bond ratings to the Bonds based on the Authority’s underlying credit.

S&P	Moody’s	Kroll
AA+	Aa2	AAA

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 and the Authority makes no representation as to the appropriateness of the ratings. The Authority is not obligated to maintain the current ratings on the Bonds and there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds. Neither the Authority nor the Co-Financial Advisors nor the Underwriters will undertake responsibility to oppose any revision or withdrawal of such ratings. A securities rating is not a recommendation to buy, sell, or hold securities.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The Authority will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds and sale thereof to the underwriters of the Bonds (the “Underwriters”, including the unqualified approving legal opinions of the Attorney General of Texas approving the initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the Authority, and based upon examination of such transcript of proceedings, the approving legal opinion of Co-Bond Counsel, Bracewell LLP and West & Associates L.L.P., Dallas, Texas, Co-Bond Counsel, including Co-Bond Counsel’s opinions to the effect that the interest on the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code and the alternative minimum tax imposed on individuals, subject to the matters described under “TAX MATTERS.” The Forms of Legal Opinions of Co-Bond Counsel are attached hereto as APPENDIX C. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the issuance of the Bonds. Certain matters will be passed upon for the Authority by its Co-Special Disclosure Counsel, Bracewell LLP, Dallas, Texas and West & Associates L.L.P., Dallas, Texas. Certain matters will be passed upon for the Underwriters by their Co-Counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas and Kintop Smith PLLC, Irving, Texas.

Co-Bond Counsel and Co-Special Disclosure Counsel are engaged by and represent the Authority. Bracewell LLP and West & Associates L.L.P. represent the Underwriters from time to time in matters unrelated to the issuance of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from Authority records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and Resolution contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Co-Financial Advisors

Estrada Hinojosa & Company, Inc., and PFM Financial Advisors LLC are employed as Co-Financial Advisors to the Authority in connection with the issuance of the Bonds. The Co-Financial Advisors fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. Estrada Hinojosa & Company, Inc., and PFM Financial Advisors LLC in their capacity as Co-Financial Advisors, do not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Co-Financial Advisors to the Authority have provided the following sentence for inclusion in this Official Statement. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

Verification of Mathematical Accuracy

The accuracy of the mathematical computations of the adequacy of the cash deposited with the paying agent for the Series 2020A Refunded Bonds and the adequacy of the maturing principal of and interest earned on the cash or Escrowed Securities for the Series 2020B Refunded Bonds and the Series 2020C Refunded Bonds, together with other available funds, if any, held in cash by the paying agent for the Series 2020A Refunded Bonds or in the respective Escrow Fund for the Series 2020B Refunded Bonds and the Series 2020C Refunded Bonds, as applicable, to provide for the payment of the Refunded Obligations, will be verified by Causey Demgen & Moore P.C., a firm of independent certified public accountants, pursuant to the Verification Reports.

These computations will be based upon information and assumptions supplied by the Co-Financial Advisors on behalf of the Authority. Causey Demgen & Moore P.C., has restricted its procedures to recalculating the computations provided by the Underwriters and has not evaluated or examined the assumptions or information used in the computations.

Underwriting

The Underwriters for the Series 2020A Bonds have agreed, subject to certain customary conditions to delivery, to purchase the Series 2020A Bonds from DART on the Date of Delivery, at a price of \$159,355,903.63, reflecting the par amount of \$130,470,000.00, plus original issue premium of \$29,455,407.60 and less an underwriter's discount of \$569,503.97. The Underwriters for the Series 2020A Bonds will be obligated to purchase all of the Series 2020A Bonds if any Series 2020A Bonds are purchased. The right of the Underwriters to receive compensation in connection with the Series 2020A Bonds is contingent upon the actual sale and delivery of the Series 2020A Bonds.

The Underwriters for the Series 2020B Bonds have agreed, subject to certain conditions to delivery, to purchase the Series 2020B Bonds from DART on the Forward Delivery Date, at a price of \$35,598,086.41, reflecting the par amount of \$32,060,000.00, plus original issue premium of \$3,663,764.80 and less an underwriter's discount of \$125,678.39. The Underwriters for the Series 2020B Bonds will be obligated to purchase all of the Series 2020B Bonds if any Series 2020B Bonds are purchased. The right of the Underwriters to receive compensation in connection with the Series 2020B Bonds is contingent upon the actual sale and delivery of the Series 2020B Bonds. The obligation of the Underwriters for the Series 2020B Bonds to purchase the Series 2020B Bonds from DART on the Forward Delivery Date, and the obligation of the purchasers to purchase the Series 2020B Bonds from the Underwriters of the Series 2020B Bonds are both subject to certain conditions. See "CERTAIN FORWARD DELIVERY CONSIDERATIONS, ACKNOWLEDGMENTS AND RISKS FOR THE SERIES 2020B BONDS."

The Underwriters for the Series 2020C Bonds have agreed, subject to certain customary conditions to delivery, to purchase the Series 2020C Bonds from DART on the Date of Delivery, at a price of \$114,735,375.88, reflecting the par amount of \$115,220,000.00, less an underwriter's discount of \$484,624.12. The Underwriters for the Series 2020C Bonds will be obligated to purchase all of the Series 2020C Bonds if any Series 2020C Bonds are purchased. The right of the Underwriters to receive compensation in connection with the Series 2020C Bonds is contingent upon the actual sale and delivery of the Series 2020C Bonds.

The Bonds to be offered to the public may be offered and sold to certain dealers (including the respective Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters. The Authority has also agreed to reimburse the Underwriters for certain expenses in connection with the offering.

Morgan Stanley & Co. LLC, an underwriter of the Series 2020A Bonds and Series 2020B Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2020A Bonds and Series 2020B Bonds.

J.P. Morgan Securities LLC ("JPMS") has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2020C Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2020C Bonds that such firm sells.

Jefferies LLC has entered into an agreement (the "Jefferies Distribution Agreement") with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the Jefferies Distribution Agreement, Jefferies LLC may sell a portion of the Series 2020C Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

The Underwriters have furnished for inclusion in this Official Statement the following paragraphs. The Authority makes no representation as to the accuracy or completeness of the information contained in the following paragraphs.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and nonfinancial services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform a variety of these services for the Authority, and to persons and entities with relationships with the Authority, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and/or instruments of the Authority. The Underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Independent Auditors

The 2019 Financial Statements are included in this Official Statement in APPENDIX B, and such financial statements have been audited by Crowe LLP, independent auditors, as stated in their report appearing therein, which is based on their audit and the reports of other auditors. Crowe LLP has not been engaged to perform and has not performed, since the date of its report included in APPENDIX B, any procedures on the financial statements addressed in that report. Crowe LLP also has not performed any procedures relating to this Official Statement.

GENERAL INFORMATION

This Official Statement does not create a contract between or among the Authority, the Underwriters and the purchasers of the Bonds. The form and content of this Official Statement, including all Appendices have been approved by an Authorized Officer on behalf of the Authority and has been authorized by the Authority for use in the reoffering of the Bonds by the Underwriters.

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Bonds	Maturity Date	Interest Rate	Par Amount	Call Date	CUSIP Number ⁽²⁾
Senior Lien Sales Tax Revenue Refunding Bonds Series 2010A ⁽¹⁾					
	12/01/2021	5.000%	\$ 5,540,000.00	12/01/2020	235241MF0
	12/01/2022	5.000	5,825,000.00	12/01/2020	235241MG8
	12/01/2023	5.000	23,335,000.00	12/01/2020	235241ML7
Total			\$ 34,700,000.00		

(1) Refunded by the Series 2020B Bonds.

(2) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Capital Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Series 2010A Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of DART, the Co-Financial Advisors, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers set forth herein.

Senior Lien Sales Tax Revenue Bonds,
Series 2012⁽¹⁾

	12/01/2023	5.000%	\$ 3,110,000.00	12/01/2022	235241MY9
	12/01/2024	5.000	3,270,000.00	12/01/2022	235241MZ6
	12/01/2025	5.000	3,435,000.00	12/01/2022	235241NA0
	12/01/2026	5.000	3,610,000.00	12/01/2022	235241NB8
	12/01/2027	5.000	3,795,000.00	12/01/2022	235241NC6
	12/01/2028	5.000	3,990,000.00	12/01/2022	235241ND4
	12/01/2029	5.000	4,195,000.00	12/01/2022	235241NE2
	12/01/2030	5.000	4,410,000.00	12/01/2022	235241NF9
	12/01/2031	5.000	4,635,000.00	12/01/2022	235241NG7
	12/01/2032	3.000	4,825,000.00	12/01/2022	235241NH5
	12/01/2033	5.000	5,025,000.00	12/01/2022	235241NM4
	12/01/2034	5.000	5,280,000.00	12/01/2022	235241NK8
	12/01/2035	5.000	5,550,000.00	12/01/2022	235241NN2
	12/01/2036	5.000	5,835,000.00	12/01/2022	235241NP7
	12/01/2037	5.000	6,135,000.00	12/01/2022	235241NL6
Subtotal			\$ 67,100,000.00		

Senior Lien Sales Tax Revenue Bonds,
Series 2012 (Term Bond 2042)⁽¹⁾

	12/01/2038	5.000%	\$ 6,450,000.00	12/01/2022	235241NJ1
	12/01/2039	5.000	6,780,000.00	12/01/2022	235241NJ1
	12/01/2040	5.000	7,130,000.00	12/01/2022	235241NJ1
	12/01/2041	5.000	7,495,000.00	12/01/2022	235241NJ1
	12/01/2042	5.000	7,880,000.00	12/01/2022	235241NJ1
Subtotal			\$ 35,735,000.00		
Total			\$102,835,000.00		

(1) Refunded by the Series 2020C Bonds.

(2) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Capital Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Series 2012 Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of DART, the Co-Financial Advisors, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers set forth herein.

Bonds	Maturity Date	Interest Rate	Par Amount	Call Date	CUSIP Number⁽²⁾
Senior Lien Sales Tax Revenue Bonds, Taxable Series 2012A ⁽¹⁾					
	12/01/2021	2.910%	\$ 2,344,815.78	03/26/2020	
	12/01/2022	2.910	2,413,049.92	03/26/2020	
	12/01/2023	2.910	2,483,269.67	03/26/2020	
	12/01/2024	2.910	2,555,532.82	03/26/2020	
	12/01/2025	2.910	2,629,898.82	03/26/2020	
	12/01/2026	2.910	2,706,428.88	03/26/2020	
	12/01/2027	2.910	2,785,185.96	03/26/2020	
	12/01/2028	2.910	2,866,234.87	03/26/2020	
	12/01/2029	2.910	2,949,642.30	03/26/2020	
	12/01/2030	2.910	3,035,476.89	03/26/2020	
	12/01/2031	2.910	3,123,809.27	03/26/2020	
	12/01/2032	2.910	3,214,712.12	03/26/2020	
	12/01/2033	2.910	3,308,260.24	03/26/2020	
	12/01/2034	2.910	3,404,530.62	03/26/2020	
	12/01/2035	2.910	3,503,602.46	03/26/2020	
	12/01/2036	2.910	3,605,557.29	03/26/2020	
	12/01/2037	2.910	3,710,479.01	03/26/2020	
	12/01/2038	2.910	3,818,453.95	03/26/2020	
	12/01/2039	2.910	3,929,570.96	03/26/2020	
Total			\$ 58,388,511.83		

(1) Refunded by the Series 2020A Bonds.

(2) CUSIP numbers were not assigned.

APPENDIX A1

SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION, AS AMENDED BY SUPPLEMENTAL DEBT RESOLUTIONS

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 A1. 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 DART without cost at the address given in the text of this document, and it may be viewed on the Internet at DART's website, *www.dart.org*. 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,
AS AMENDED BY SUPPLEMENTAL DEBT RESOLUTIONS**

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 specified Debt Service Accrual Period, and with respect to a specified series of Obligations, that portion of Accrued Aggregate Debt Service that is attributable to interest on such Obligations for such Debt Service Accrual Period. Such term shall include amounts payable to the counterparty under a Swap Agreement to the extent such amounts exceed the applicable amount of interest on the other Obligations to which the Swap Agreement relates, but does not include termination fees or other similar charges with respect to Credit Agreement Obligations.

Accrued Aggregate Principal – means, for any Specified Debt Service Accrual Period and with respect to a specified series of Obligations, that portion of Accrued Aggregate Debt Service for such Debt Service Accrual Period that is attributable to Principal Installments of such Obligations.

Act - means Chapter 452, Texas Transportation Code, as amended.

Additional Senior Lien Obligations - means one or more series of bonds, notes, commercial paper, obligations, or other evidences of indebtedness permitted by Applicable Law and issued by DART on a parity as to the Pledged Revenues with the Initial Senior Lien Obligations for lawful purposes as permitted by 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 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 452.358 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 452.574 of the Act.

Bond Counsel – means one or more firms of nationally recognized attorneys selected by the Board that are experienced in financing public infrastructure through the issuance of tax-exempt

obligations under Section 103 of the Code and that may be specifically identified in a Supplemental Resolution.

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.

Certificate – means a document signed by an Authorized Officer, either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Master Debt Resolution or a Supplemental Resolution.

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. The Costs of Acquisition and Construction shall include, but shall not be limited to:

(i) all costs of land, rights-of-way and other interests in land, equipment, building and other structures, environmental remediation costs and facilities, engineering fees and costs, all fees and amounts owing for contractors, laborers, materials, equipment, utility services and supplies, legal fees and financing costs and fees;

(ii) costs of preliminary investigation and development, the performance or acquisition of feasibility and planning studies and the securing of regulatory approvals;

(iii) working capital and reserves during any period of acquisition or construction;

(iv) interest accruing in whole or in part on Obligations prior to and during construction or prior to and during land and equipment acquisition programs and for such additional period as the Board may determine to be necessary for the placing of the System or any facility or equipment in operation;

(v) the fees, costs or expenses incurred or agreed to be paid by DART in connection with any Credit Agreement; and

(vi) all other costs and expenses incurred by DART and properly and legally allocable to the acquisition, construction, extension, improvement and repair of all or any part of the System, expressly including, but not limited to, the costs or insurance that is properly allocable to the construction of expansions to the System, legal and professional fees, and financing costs and fees.

Credit Agreement – means any agreement of DART permitted by Applicable Law that is entered into with a Credit Provider for the purpose of enhancing or supporting the creditworthiness of all or a part of a series of Bond Obligations, and/or to assure DART's financial ability to honor rights of tender of any such Bond Obligations and to hold, sell, market or remarket any of such Bond Obligations tendered according to the specific terms and features of a series of such Bond Obligations as contained and defined in a Supplemental Resolution, and/or to make deposits to any fund in lieu of cash deposits thereto, such as, for example only, municipal bond insurance policies, stand-by bond purchase agreements, Swap Agreements, revolving credit agreements, hedge agreements, and letters or lines of credit issued or provided by, and notes, surety bonds, reimbursement, purchase and other similar agreements with, banks, insurance companies or other commercial and financial institutions or by and with governmental agencies, entities or departments.

Credit Agreement Obligations - means any liability of DART to pay any amount of 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, a Subordinate Lien Obligation or a Junior 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 or insurance insuring the payment of, any amounts due or owing on a series of Bond Obligations, or other financial undertakings in a Credit Agreement, including a counterparty to DART under a Swap Agreement.

DART – means Dallas Area Rapid Transit, a sub-regional transportation authority, public body corporate and politic created under the Act.

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 the sum of:

(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 by an Authorized Officer that will accrue during such Debt Service Accrual Period or other period, but excluding therefrom any interest that an Authorized Officer certifies to the Paying Agent 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 counterparty to a Swap Agreement that is not in default. For the purpose of determining the amount of the next maturing Principal Installment that will accrue during a Debt Service Accrual Period or other period, DART and the Paying Agent shall assume that the Principal Installment accrues daily in equal amounts from the next preceding Principal Installment due date. If there is no preceding Principal Installment due date with respect to particular Obligations, the Principal Installments with respect to that series shall not begin to accrue until the later of (A) the date which is one year preceding the first Principal Installment due date of that series, or (B) the date of issuance of that series.

Debt Service requirements shall be calculated on the assumption that no Obligations that are Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of the Principal Installments or Sinking Fund Installments thereon when due, except as provided in the Master Debt Resolution for

Interim Obligations. Such Debt Service requirements shall not include termination fees or other similar charges with respect to Credit Agreement Obligations.

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(c) 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 a 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 and its successor or successors for a series or issue of Obligations appointed pursuant to a Supplemental Resolution as described in Section 4.6 of the Master Debt Resolution.

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 not less than the amounts set forth on Schedule I to the Twentieth Supplement Debt Resolution, and to the extent any Obligations continue to be outstanding beyond the last year set forth in Schedule I, the amount of Pledged Farebox Revenues in each year thereafter shall never be less than the amount set forth in Schedule I for the final year. (See “APPENDIX A2” – Pledged Farebox Revenues).

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, (e) 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.

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.

Principal Payment Date(s) – means the date or dates upon which Principal Installments are due as specified in a Supplemental Resolution or in a Credit Agreement, as appropriate, to and including the Stated Maturity Date of such Obligations.

Project – means any addition, improvement, expansion or extension to the System to be financed with all or a portion of the proceeds of Obligations, as determined by the Board.

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, including, in particular, Section 148(f) of the Code. For purposes of the foregoing and of the Outstanding Resolutions, DART shall be permitted to rely on a firm of certified public accountants, Bond Counsel or other persons who specialize in the exemption from federal income taxation of interest payable on Tax-Exempt Obligations, and DART may include in a Supplemental Resolutions covenants relating to Tax Exemption Obligations, to a Rebate Fund, and to the use and application of money on deposit in the funds created or confirmed in the Master Debt Resolution or in the funds or accounts created in a Supplemental Resolution.

Redemption Price – means, with respect to any Bond Obligation, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the terms of such Obligation or its authorizing Supplemental Resolution.

Registrar – means any registrar that is appointed pursuant to Section 4.5 of the Master Debt Resolution for Bond Obligations, which may include the Paying Agent for such Bond Obligations and its successor or assigns.

Required Percentage of Holders of Bond Obligations – means the Holders of:

- (i) 51% of the principal amount of all Outstanding Bond Obligations that are Senior Lien Obligations;
- (ii) 51% of the principal amount of all Outstanding Bond Obligations that are Senior Subordinate Lien Obligations; and
- (iii) 51% of the principal amount of all Outstanding Bond Obligations that are Junior Subordinate Lien Obligations.

Resolution - means the 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.

Rule – means SEC Rule 15c2-12, as amended from time to time.

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.

SEC – means the Securities and Exchange Commission of the United States.

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 Junior 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 (other than Pledged Farebox 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 that supplements the Master Debt 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 Zion Bancorporation, National Association, DBA Amegy Bank, as successor 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 Section 9 of 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 (i) 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, and (ii) will not order any reduction in the rate of tax below its current rate of 1%.

If DART shall be hereafter authorized by Applicable Law at its option to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption of the Master Debt Resolution, DART, to the extent it legally may do so, hereby covenants and agrees to take such action as may be required by Applicable Law to subject such taxable items or transactions to the Sales Tax. Further, DART shall not restrict or permit the restriction (unless required by Applicable Law) of the application of the Sales Tax to fewer items or transactions than the Sales Tax is applicable to on the date of the Master Debt Resolution. It is provided, however, that DART shall not be required to exercise any “opt-out” or similar rights and thereby to impose the Sales Tax during temporary periods established by law pursuant to which state and local sales and use taxes are generally exempted on selected items in order to provide financial accommodations to the public in preparation for the annual commencement of public-school years and similar purposes unless the failure to collect the Sales Tax during such period would cause an Event of Default to occur under paragraphs (i) or (ii) of Section 7.1 of the Master Debt Resolution.

DART agrees to take and pursue all action permissible under Applicable Law to cause the Sales Tax to be collected and remitted as set forth in the Master Debt Resolution at the earliest and most frequent times permitted by Applicable Law.

Pledge and Security for Obligations {Section 2.3}

The Pledged Revenues are irrevocably pledged:

first, (A) to the payment of the principal and any Redemption Price of, and the interest and any premiums on, all Senior Lien Obligations which are or may be Outstanding from time to time, (B) to the establishment and maintenance of any reserve funds or accounts which are ordered to be created with respect to Senior Lien Obligations by a Supplemental Resolution, and (C) to the payment of all Administrative Expenses with respect to Senior Lien Obligations, in each case without distinction as to priority and rights as among each other;

second, subject at all times to the senior rights of the Holders of Senior Lien Obligations and to the payment of Administrative Expenses with respect to Senior Lien Obligations, (A) to the payment of the principal and any Redemption Price of, and the interest and any premiums on, all Senior Subordinate Lien Obligations which are or may be Outstanding from time to time, (B) to the establishment and maintenance of any reserve funds or accounts which are ordered to be created with respect to Senior Subordinate Lien Obligations by a Supplemental Resolution, and (C) to the payment of all Administrative Expenses with respect to Senior Subordinate Lien Obligations, in each case without distinction as to priority and rights as among each other; and

third, subject at all times to the senior rights of the Holders of Senior Lien Obligations and to the payment of Administrative Expenses with respect to Senior Lien Obligations and the senior rights of the Holders of Senior Subordinate Lien Obligations and to the payment of Administrative Expenses with respect to Senior Subordinate Lien Obligations, (A) to the payment of the principal and any Redemption Price of, and the interest and any premiums on, all Junior Subordinate Lien Obligations which are or may be Outstanding from time to time, (B) to the establishment and maintenance of any reserve funds or accounts which are ordered to be created with respect to Junior Subordinate Lien Obligations by a Supplemental Resolution, and (C) to the payment of all Administrative Expenses with respect to Junior Subordinate Lien Obligations, in each case without distinction as to priority and rights as among each other.

DART irrevocably and specifically pledges (i) the Senior Lien Debt Service Fund and all moneys and investments actually on deposit in the Senior Lien Debt Service Fund to the payment of the Senior Lien Obligations and Administrative Expenses with respect to Senior Lien Obligations, (ii) the Senior Subordinate Lien Debt Service Fund and all moneys and investments actually on deposit in the Senior Subordinate Lien Debt Service Fund to the payment of Senior Subordinate Lien Obligations and to Administrative Expenses with respect to Senior Subordinate Lien Obligations, and (iii) the Junior Subordinate Lien Debt Service Fund and all moneys and investments actually on deposit in the Junior Subordinate Lien Debt Service Fund to the payment of Junior Subordinate Lien Obligations and to Administrative Expenses with respect to Junior Subordinate Lien Obligations.

All Obligations and all Administrative Expenses shall constitute special obligations of DART, and, unless otherwise provided in a Supplemental Resolution, the same are secured solely by, a pledge of and a lien on (i) the Pledged Revenues, in the order and priority set forth above and (ii) by the pledge of and lien on the money on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, for the benefit of the Senior Lien Obligations, the Senior Subordinate Lien Obligations, and the Junior Subordinate Lien Obligations as described above, that is exclusive and that is senior and superior to the rights of all other creditors 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, 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}

Additional Senior Lien Obligations {Section 3.2}

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}

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 and agreements authorizing or 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}

Zion Bancorporation, National Association, DBA Amegy Bank Houston, Texas, 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 A2

Pledged Farebox Revenues Schedule

2011	\$14,941,000
2012	\$22,986,000
2013	\$22,986,000
2014	\$22,986,000
2015	\$22,986,000
2016	\$22,986,000
2017	\$22,986,000
2018	\$22,986,000
2019	\$22,986,000
2020	\$22,986,000
2021	\$22,986,000
2022	\$22,986,000
2023	\$22,986,000
2024	\$22,986,000
2025	\$22,986,000
2026	\$22,986,000
2027	\$22,986,000
2028	\$22,986,000
2029	\$22,986,000
2030	\$22,986,000
2031	\$22,986,000
2032	\$22,986,000
2033	\$22,966,000
2034	\$22,986,000
2035	\$22,986,000
2036	\$22,986,000
2037	\$22,986,000
2038	\$71,439,000
2039	\$71,433,000
2040	\$71,429,000
2041	\$71,420,000
2042	\$71,409,000
2043	\$71,404,000
2044	\$71,394,000
2045	\$71,383,000
2046	\$71,375,000
2047	\$71,368,000
2048	\$71,359,000
2049	\$71,350,000
2050	\$71,350,000
2051	\$71,350,000
2052	\$71,350,000
2053	\$71,350,000
2054	\$71,350,000
2055	\$71,350,000
2056	\$71,350,000
2057	\$71,350,000
2058	\$71,350,000

Note: The Pledged Farebox Revenues Schedule will be applicable so long as there are outstanding Obligations.

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APPENDIX B

**DALLAS AREA RAPID TRANSIT AUTHORITY
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
YEARS ENDED SEPTEMBER 30, 2019 AND 2018 AND
INDEPENDENT AUDITOR'S REPORT**

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Dallas Area Rapid Transit Dallas, Texas

Financial Statements and Supplemental Information
Years Ended September 30, 2019 and 2018 and
Independent Auditor's Report

**DALLAS AREA RAPID TRANSIT
DALLAS, TEXAS
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018**

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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, 2019 and 2018, 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 DART'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 DART'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, 2019 and 2018, 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 Contributions – Defined Benefit Pension Plan, Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Schedule of Employer Contributions – OPEB 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 February 6, 2020 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and looping, and the "LLP" being written in a more straightforward, blocky style.

Crowe LLP

Dallas, Texas
February 6, 2020

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (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, 2019 and 2018. 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, 2019 and 2018, total assets and deferred outflows of resources of DART exceeded total liabilities by \$1,202,501 and \$1,304,378, respectively. The amount of unrestricted net position as of September 30, 2019, was \$343,465 compared to \$474,215 as of September 30, 2018.

The net position of DART decreased by \$101,877 during fiscal year 2019 compared to a decrease of \$140,660 last year. The decreases in both 2019 and 2018 are due to expenses being higher than revenues. Fiscal year 2019 decrease in net position is lower than that of 2018 due to an increase in total revenues that exceeded the increase in total expenses.

DART's total debt decreased by \$71,715 (2%) during fiscal year 2019 compared to a decrease of \$68,785 (2%) in fiscal year 2018. The decline in 2019 was due to principal payments on bonds. The decline in 2018 was due to principal payments on bonds and commercial paper notes. Debt information is summarized on page 12 of this management discussion and analysis.

Sales and use tax revenue was \$621,129 in 2019 compared to \$596,400 in 2018. Sales and use tax revenue increased by 4% (\$24,729) in 2019 compared to a 5% (\$28,982) increase in 2018.

Capital contributions from federal, state and local governments were \$82,025 in 2019 and \$24,251 in 2018. 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 \$54,932 in 2019 compared to \$69,445 in 2018.

For fiscal year 2019, total expenses exceeded total revenues resulting in a loss before capital contributions of \$183,902 compared to a loss of \$153,874 for 2018. The loss in 2019 is higher than that of 2018 due to an increase in total operating and non-operating 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 and 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 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.

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 18-47 of this report.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)**

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, passenger revenues, 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 Mobility Service, LGC.

FINANCIAL ANALYSIS

Statements of Net Position – DART's total assets and deferred outflows of resources exceeded total liabilities by \$1,202,501 and \$1,304,378 as of September 30, 2019 and 2018, respectively. The largest portion of this excess (65% in 2019 and 59% in 2018) 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

	2019	2018	2017
Current assets	\$734,622	\$840,148	\$886,981
Other non-current assets	191,971	125,472	136,856
Capital assets (net of accumulated depreciation)	4,189,759	4,237,296	4,391,215
Total assets	5,116,352	5,202,916	5,415,052
Deferred outflows of resources	80,679	89,210	86,293
Total assets and deferred outflows of resources	5,197,031	5,292,126	5,501,345
Current liabilities	496,041	426,580	439,762
Non-current liabilities	3,482,861	3,556,505	3,614,367
Total liabilities	3,978,902	3,983,085	4,054,129
Deferred inflows of resources	15,628	4,663	2,178
Total liabilities and deferred inflows of resources	3,994,530	3,987,748	4,056,307
Net position			
Net investment in capital assets	784,924	764,341	837,067
Restricted for:			
Debt service	68,370	59,026	56,405
Security for lease/leaseback liabilities	5,742	6,796	7,751
Unrestricted	343,465	474,215	543,815
Total net position	\$1,202,501	\$1,304,378	\$1,445,038

Current assets decreased by \$105,526 in 2019 compared to a decrease of \$46,833 in 2018. The decreases in both 2019 and 2018 were due to use of cash for debt service payments and spending on capital projects.

Other non-current assets increased by \$66,499 in 2019 compared to a decrease of \$11,384 in 2018. The increase in 2019 is due to restricted investments (proceeds from the sale of commercial paper notes payable) held to pay for capital projects. The decrease in 2018 is due to losses on investments in HOV lanes and investment in joint venture.

As of September 30, 2019, \$5,742 of DART's net position is restricted to satisfy the requirements of an amended lease/leaseback agreement compared to \$6,796 as of September 30, 2018. The unrestricted portion of net position, \$343,465 in 2019 and \$474,215 in 2018 represent resources available to meet DART's ongoing obligations. The DART Board committed \$87,919 in 2019 and \$85,700 in 2018 of the unrestricted net position for Insurance, Financial Reserve, and Mobility Assistance and Innovation funds (see footnote 3 on page 25). The decrease in unrestricted net position of \$130,750 (28%) in 2019 and \$69,600 (13%) in 2018 were due to net losses and spending on capital projects.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)**

Statements of Revenues, Expenses, and Changes in Net Position – During fiscal year 2019, DART's activities resulted in a decrease in net position of \$101,877 compared to a decrease in net position of \$140,660 in 2018. The decrease during both 2019 and 2018 are due to expenses being higher than revenues. The key elements of the changes in net position for the fiscal years ended September 30, 2019 and 2018 with comparative information for 2017 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Position			
	2019	2018	2017
Operating revenues			
Passenger revenues	\$63,941	\$62,845	\$65,412
Advertising, rent and other	13,532	13,241	14,175
Total operating revenues	77,473	76,086	79,587
Operating expenses			
Labor	259,186	249,894	239,382
Benefits	118,592	98,581	103,288
Services	53,282	48,331	40,883
Materials and supplies	51,017	47,531	43,203
Purchased transportation	58,537	55,978	52,531
Depreciation	248,064	250,210	239,381
Utilities	16,619	19,673	18,830
Taxes, leases, and other	6,679	4,029	4,778
Casualty and liability	7,156	4,925	3,238
Total operating expenses	819,132	779,152	745,514
Net Operating loss	(741,659)	(703,066)	(665,927)
Non-operating revenues (expenses)			
Sales and use tax revenue	621,129	596,400	567,418
Investment income	23,482	14,810	13,815
Build America Bonds tax credit	25,021	28,443	28,381
Other federal grants	54,932	69,445	68,564
Other non-operating revenues	15,463	19,375	17,552
Interest expense	(157,452)	(162,568)	(163,620)
Gain (loss) on HOV lane investments	-	(11,100)	600
Street improvements	(11,301)	(3,644)	(20)
Other non-operating expenses	(13,517)	(1,969)	(3,151)
Total net non-operating revenues	557,757	549,192	529,539
Loss before capital contributions and grants	(183,902)	(153,874)	(136,388)
Capital contributions	82,025	24,251	10,843
Decrease in net position	(101,877)	(129,623)	(125,545)
Net position, beginning of the year	1,304,378	1,434,001	1,570,583
Net position, end of the year	\$1,202,501	\$1,304,378	\$1,445,038

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, 2019 and 2018 (Dollars in Thousands)**

REVENUES

The following table summarizes revenues for fiscal years 2019 and 2018 with comparative information for 2017:

REVENUES AND CAPITAL CONTRIBUTIONS

Revenues	2019	2018	2017
Passenger revenues	\$63,941	\$62,845	\$65,412
Advertising, rent and other	13,532	13,241	14,175
Sales and use tax revenue	621,129	596,400	567,418
Other federal grants	54,932	69,445	68,564
Investment income	23,482	14,810	13,815
Capital contributions	82,025	24,251	10,843
Build America Bonds tax credit	25,021	28,443	28,381
Other revenues	15,463	19,375	18,152
Total	<u>\$899,525</u>	<u>\$828,810</u>	<u>\$786,760</u>

Passenger revenue – Passenger revenue includes farebox receipts, monthly and annual pass revenue, paratransit revenue, and special event fares. Passenger revenues increased by \$1,096 (2%) in 2019 compared to a decrease of \$2,567 (4%) in 2018. The increase in 2019 is due to fare increase that became effective in during fiscal year 2019. The decrease in 2018 was due to a decreases in ridership.

Advertising, rent, and other – Advertising income includes revenues from advertisements at transit stations, on DART buses and 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 2% (\$291) in 2019 compared to a decrease of 7% (\$934) in 2018. The increase during 2019 is due to an increase in advertising revenue and marketing promotions. In 2018 the decrease in revenue is due to a decrease in usage of DART rail right-of-way.

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% (\$24,729) in 2019 compared to an increase of 5% (\$28,982) in 2018. The increases in both 2019 and 2018 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 69% of DART's total revenues and capital contributions in 2019 and compared to 72% in 2018.

Other federal grants – Other federal grant revenues decreased by 21% (\$14,513) in 2019 compared to an increase of 1% (\$881) in 2018. The decrease in 2019 is due to a delay in approval of grant agreements. The increase in 2018 is due to receipt of federal funding related to the preventive maintenance program.

Capital contributions – Capital contributions include federal, state and local grants and contributions. Capital contributions increased by 238% (\$57,774) in 2019 compared to an increase of 124% (\$13,408) in 2018. The increase in 2019 and 2018 are due to receipt of previously delayed federal funding and federally funded projects that are moving forward.

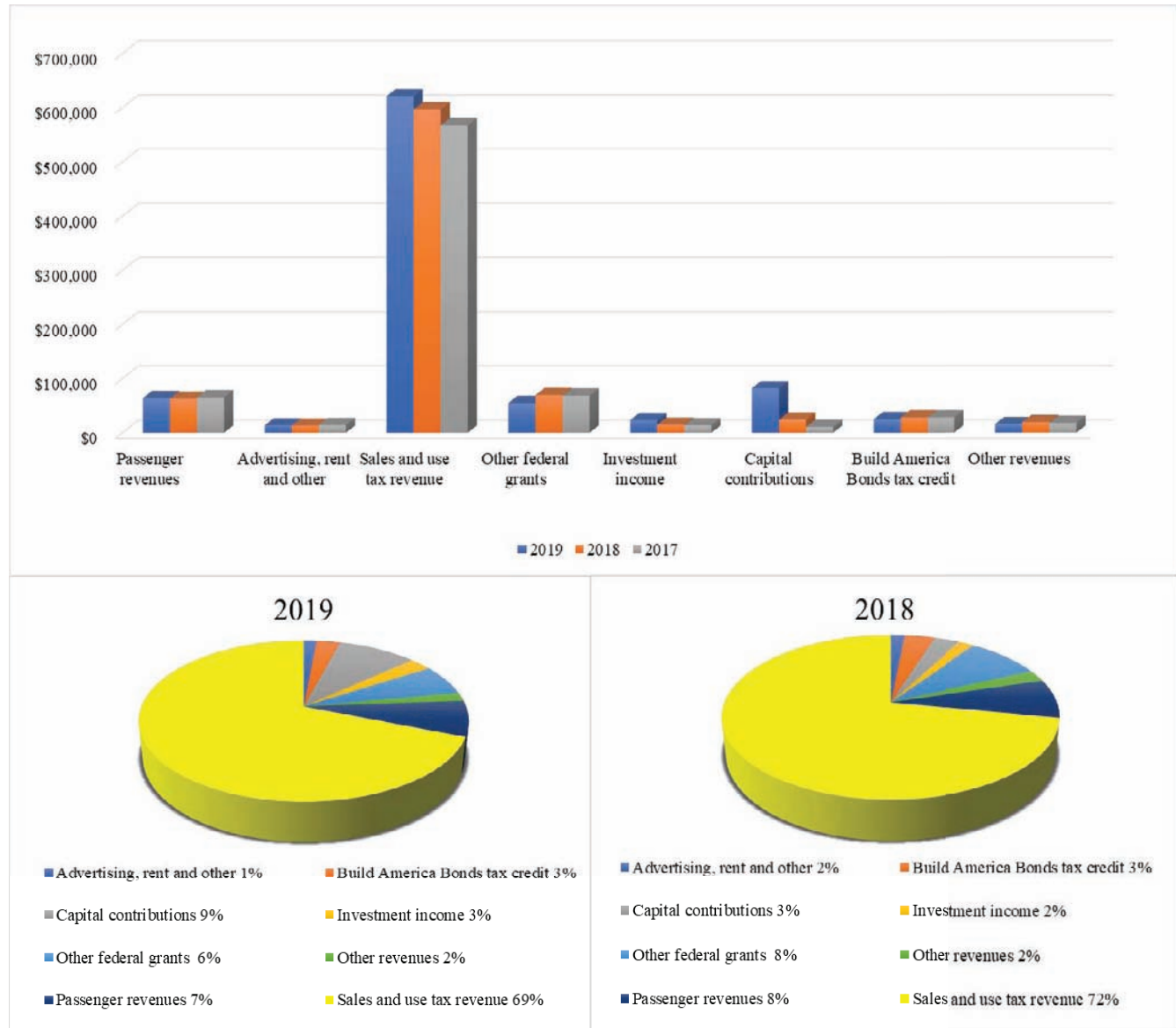
Investment income – Investment income increased by 59% (\$8,672) in 2019 compared to an increase of 7% (\$995) in 2018. The increase in 2019 is due to an increase in interest rate that resulted in better yield on investments held by DART during the year. The increase in 2018 is due to an increase in the fair value of investments held at year end.

Build America Bonds tax credit – The Build America Bonds (BABs) tax credit decreased by 12% (\$3,422) in 2019 compared to an increase of \$62 in 2018. The decrease in 2019 is due to partial refunding of the Series 2009B BABs. The increase in 2018 was due to changes in the reimbursement rate on BABs as a result of federal budget cuts.

Other revenues – Other revenues decreased by 20% (\$3,912) in 2019 compared to an increase of 7% (\$1,223) in 2018. Other revenues include: revenues from billings to the Trinity Metro 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 alternative fuel tax credit. Other revenues decreased during 2019 due to discontinuation of the alternative fuel tax credit offered by the federal government. The increase in 2018 is due to an alternative fuel tax credit received from the federal government for use of compressed natural gas.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)**

The following charts summarize revenues for fiscal years 2017 through 2019:



**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)**

EXPENSES

The following table summarizes expenses for fiscal year 2019 and 2018 with comparative information for 2017:

EXPENSES BY OBJECT CLASS			
Expenses	2019	2018	2017
Labor	259,186	\$249,894	\$239,382
Benefits	118,592	98,581	103,288
Services	53,282	48,331	40,883
Materials and supplies	51,017	47,531	43,203
Purchased transportation	58,537	55,978	52,531
Depreciation and amortization	248,064	250,210	239,381
Utilities	16,619	19,673	18,830
Taxes, leases and other	6,679	4,029	4,778
Casualty and liability	7,156	4,925	3,238
Street improvements	11,301	3,644	20
Interest and financing expenses	157,452	162,568	163,620
Other non-operating expense	13,517	1,969	3,151
Loss on HOV lane investments	-	11,100	-
Total	<u>\$1,001,402</u>	<u>\$958,433</u>	<u>\$912,305</u>

Labor – Labor costs increased by 4% (\$9,292) in 2019 compared to an increase of 4% (\$10,512) in 2018. The increases in both 2019 and 2018 were due to annual merit and wage increases, and more positions filled.

Benefits – Benefits increased by 20% (\$20,011) in 2019 compared to a decrease of 5% (\$4,707) in 2018. The increase in 2019 was due to an increase in the defined benefit pension expense and healthcare claims. The increase in the DART Defined Benefit Pension Plan expense was as a result of a change in the mortality table used for actuarial valuations. Under the new mortality table, the assumption is that employees are living longer. This resulted in increased pension costs. Healthcare costs increased because of increased usage by employees and their dependents. The decrease in 2018 is due to a decrease in employee medical 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 increased by 10% (\$4,951) in 2019 compared to an increase of 18% (\$7,448) in 2018. The increase in 2019 was due continued focus safety and security, increased spending on software licenses/maintenance, cloud and managed computing services as well as TRE right-of-way maintenance. The increase in 2018 is due to increased focus on security, an increase in the number of technology projects, and maintenance of light rail vehicles.

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 increased by 7% (\$3,486) in 2019 compared to an increase of 10% (\$4,328) in 2018. The increase in 2019 was attributable to an amount of CNG fuel used and parts needed to maintain aging buses and light rail vehicles. The increase in 2018 was due to an increase in upgrading DART technology software and hardware as well as the need for more parts in order to maintain DART buses and light rail vehicles.

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 5% (\$2,559) in 2019 compared to an increase of 7% (\$3,447) in 2018. The increases in both 2019 and 2018 were due to an increase Go-Link and paratransit services.

Depreciation – Depreciation expenses decreased by 1% (\$2,146) in 2019 compared to an increase of 5% (\$10,829) in 2018. The decrease in 2019 was due to some assets that became fully depreciated in 2018. DART took most of its small (ARBOC) buses out of service earlier than anticipated. This action resulted in higher depreciation expense.

Utilities – Utilities represent the cost of electricity, telecommunications, water, sewer, and natural gas. Utilities decreased by 16% (\$3,054) in 2019 compared to an increase of 4% (\$843) in 2018. The decrease in 2019 is due to savings from a new electricity contract. The new electricity contract became effective on October 1, 2018 and it was negotiated at a lower rate. The increase in 2018 is due to more electricity consumption because of expanded light rail and streetcar services.

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 increased by 66% (\$2,650) in 2019 compared to a decrease of 16% (\$749) in 2018. Some of the increases in 2019 are due to training related to the new buses, and implementation of a new accounting rule related to retiree benefits or OPEB plans. The new rule requires State and Local governments to recognize net OPEB liability and expense on their financial statements.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)**

Casualty and liability – Casualty and liability expenses increased by 45% (\$2,231) in 2019 and 52% (\$1,687) in 2018. The increases in both 2019 and 2018 were due to changes in estimated claim losses. U

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. Street improvement program costs increased by 210% (\$7,657) in 2019 compared to an increase of \$3,624 in 2018. The increase in both 2019 and 2018 were due to street improvement project costs and transit related improvements program (TRIP) project costs for DART municipalities that do not have existing or planned and funded rail stations.

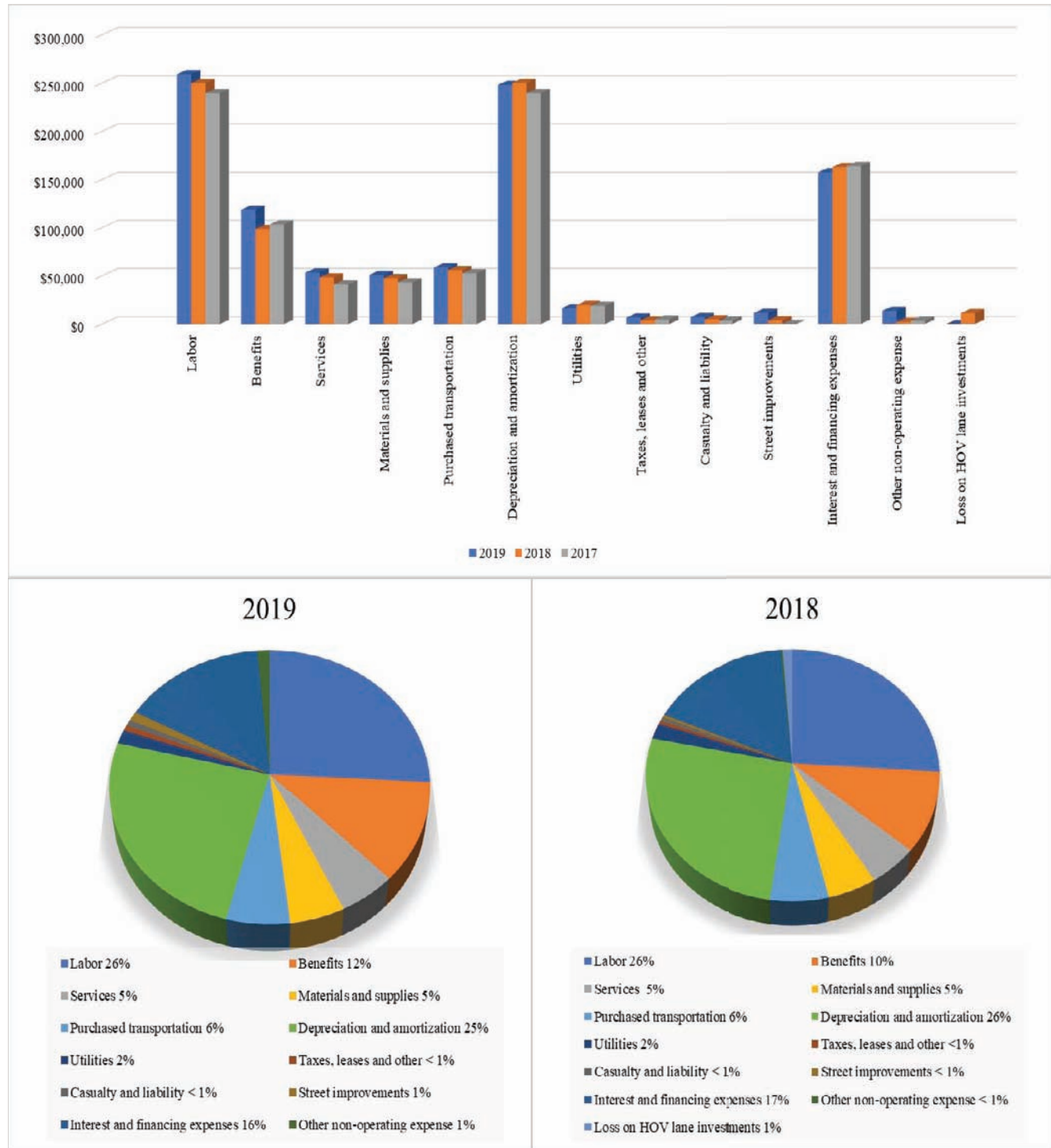
Interest and financing expenses – Interest expense decreased by 3% (\$5,116) in 2019 compared to a decrease of 1% (\$1,052) in 2018. The decreases in both 2019 and 2018 were due to lower outstanding debt because of principal payments. A refunding of some of the existing bonds to lower interest rate bonds during 2019 also resulted in saving in interest expense.

Other non-operating expenses – Other non-operating expenses increased by 586% (\$11,548) in 2019 compared to a decrease of 38% (\$1,182) in 2018. The increase in 2019 was mainly due to a payment made to the North Central Texas Council of Governments for the transit improvement program. Transit planning costs also contributed to the 2019 increase. The decreases in 2018 was due to the transfer of remaining costs associated with Streetcar assets to the city of Dallas. Also, 2018 amounts decreased due to completion of some of the system planning work in 2017.

Gain (loss) on HOV lane investments – DART and TxDOT entered into agreements related to two managed HOV lane projects. DART provided a portion of the funding for the two projects in anticipation that DART would participate in HOV toll revenue streams. As of September 30, 2017, the value of DART's investment in managed HOV lane projects was \$11.1 million. However, based on an updated financial analysis performed during FY 2018, it was determined that reimbursement of excess toll road revenue to DART is not likely. As a result, DART's investment in managed HOV lane projects of \$11,100 was written-off during fiscal year 2018.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)**

The following charts summarize expenses for fiscal years 2017 through 2019:



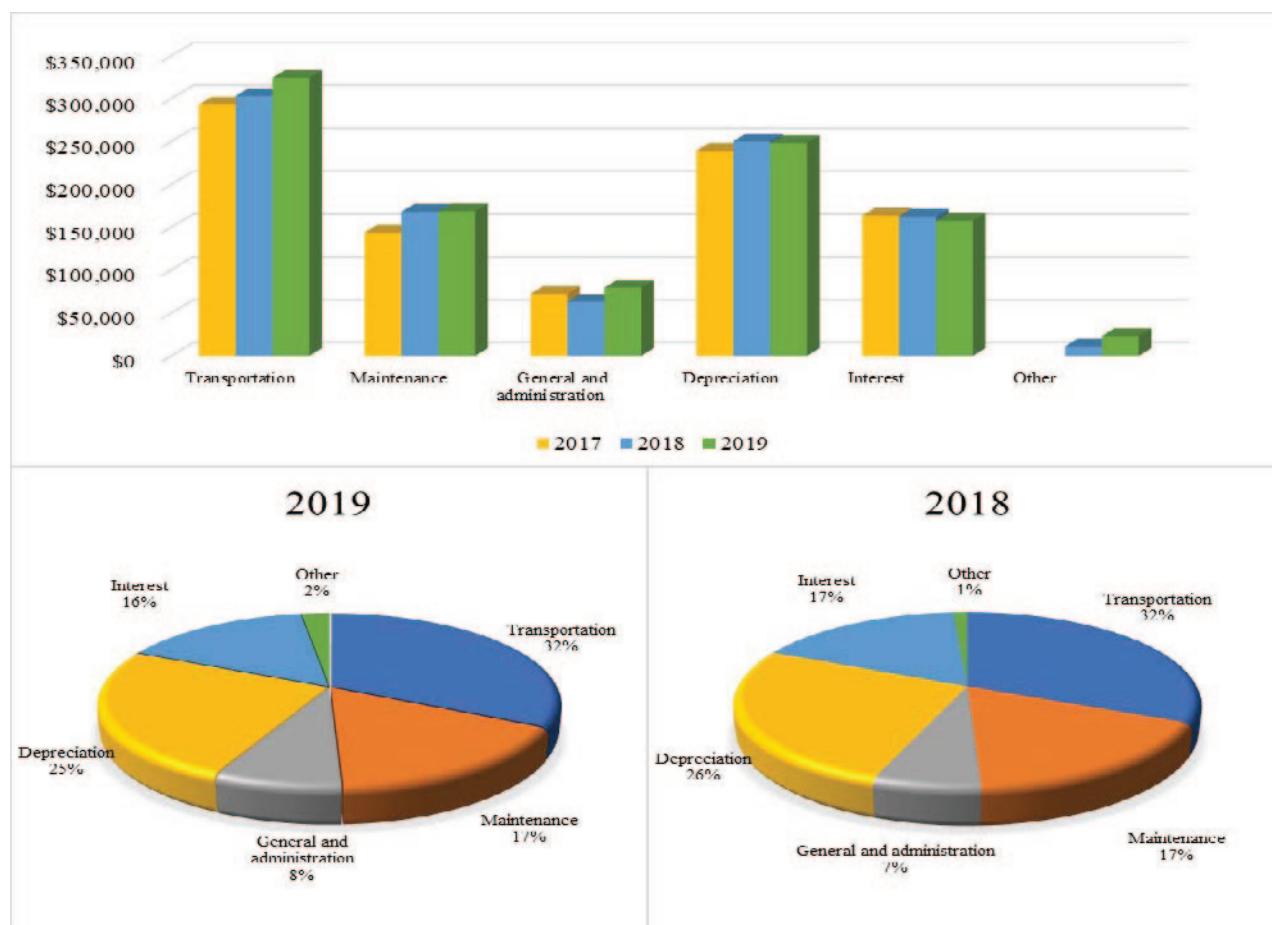
**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (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, personnel 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. *Other* – other expenses include non-operating items such as payments for transit related improvement programs (TRIP) and loss on transfer of HOV operations.

EXPENSES BY FUNCTION

	2019	2018	2017
Transportation	\$324,552	\$303,082	\$293,060
Maintenance	168,579	168,222	143,845
General and administration	79,624	63,251	72,399
Depreciation and amortization	248,064	250,210	239,381
Interest	157,452	162,568	163,620
Other	23,131	11,100	-
Total	\$1,001,402	\$958,433	\$912,305



**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (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, 2019, is \$4,189,759 compared to \$4,237,296 in 2018. The net decrease in capital assets during 2019 is \$47,537 (1%) compared to a decrease of \$153,919 (4%) in 2018.

The following table summarizes capital assets net of depreciation as of September 30, 2019 and 2018 with comparative information for 2017.

	Capital Assets (Net of Depreciation)		
	2019	2018	2017
Land and rights-of-way	\$618,596	\$619,043	\$619,026
Projects in progress	227,111	93,435	66,867
Transitways	2,456,894	2,589,537	2,695,295
Buildings and improvements	313,084	334,346	358,555
Revenue and non-revenue vehicles and equipment	551,784	590,001	645,335
Furniture, fixtures, and leasehold improvements	22,290	10,934	6,137
Total	<u>\$4,189,759</u>	<u>\$4,237,296</u>	<u>\$4,391,215</u>

The net decreases in both 2019 and 2018 are due to depreciation. 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, 2019, DART had total outstanding debt of \$3,378,074 compared to \$3,449,789 as of September 30, 2018. Outstanding debt decreased by 2% (\$71,715) in 2019 compared to a decrease of 2% (\$68,785) in 2018.

The following table summarizes DART's total outstanding debt.

	2019	2018	2017
Sales tax revenue commercial paper notes	\$159,100	\$125,000	\$140,000
Senior lien revenue bonds payable	2,992,355	3,110,045	3,163,890
TIFIA bonds payable	98,726	100,878	102,968
RRIF bonds Payable	11,706	-	-
Capital lease/leaseback liabilities	116,187	113,866	111,716
Total debt	<u>\$3,378,074</u>	<u>\$3,449,789</u>	<u>\$3,518,574</u>

The sales tax revenue commercial paper notes outstanding balance was \$159,100 as of September 30, 2019, compared to \$125,000 as of September 30, 2018. 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 increase during 2019 was due to additional borrowing to pay for capital projects while the decrease during 2018 was due to payments made on commercial paper notes.

Senior lien revenue bonds outstanding are \$2,992,355 as of September 30, 2019, and \$3,110,045 as of September 30, 2018. 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 \$117,690 in 2019 is due to principal payments and bond refunding during 2019. The decrease of \$53,845 in 2018 is due to principal payments during the year. 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 \$226,612 and \$182,966 as of September 30, 2019 and 2018, respectively.

During 2019, DART maintained a AA+ credit rating from Standard & Poor's, AA+ from Kroll Bond Rating Agency, and Aa2 from Moody's Investors Service on outstanding long-term debt. In addition, Fitch Ratings maintains a AA- on DART's Series 2007 bonds.

TIFIA bonds payable are \$98,726 as of September 30, 2019, compared to \$100,878 as of September 30, 2018. 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.

**DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)**

RRIF bonds payable are \$11,706 as of September 30, 2019. On December 20, 2018 DART entered into the Railroad Rehabilitation and Improvement Financing (RRIF) loan agreement with the U.S Department of Transportation. Under this loan agreement, DART will issue a Senior Lien Obligation bond to borrow up to \$908 million from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the 26-mile Silver Line commuter rail line extending from Terminal B of Dallas/Fort Worth International Airport to a terminus on Shiloh Road in the City of Plano, with 9 stations and 8 vehicles. The current estimate of eligible project costs for the project is approximately \$1.24 billion. The RRIF financing agreement is reimbursement-based and DART will request (draw down) the money after paying for the capital project costs. Additional information on the RRIF loan is shown in note 15.

Capital lease/leaseback liabilities are \$116,187 and \$113,866 as of September 30, 2019 and 2018, respectively. The increases in both 2019 and 2018 are due to accrued interest.

Additional information on DART's outstanding debt is shown in notes 11-17.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 69% of total revenues in 2019 and compared to 72% in 2018. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2019, DART's sales and use tax revenues showed a 4.1% increase compared to the previous year. Actual sales and use tax revenues in 2019 are \$621,129 compared to \$596,400 in 2018. The sales and use tax budget for 2020 is \$628,111 compared to \$621,129 actual for 2019. The budget for 2020 represents a 1.1% increase from the 2019 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, 2019 AND 2018 (Dollars in Thousands)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$98,979	\$98,361
Investments	258,921	390,208
Sales and use tax receivable	105,250	97,949
Transit revenue receivable, net	7,472	7,001
Due from federal and other governments	25,460	21,840
Materials and supplies inventory, net	37,724	35,915
Prepaid transit expense and other	5,399	4,107
Restricted investments held by trustee for debt service	119,603	113,533
Restricted investments held for advance funding agreements	69,440	64,860
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	734,622	840,148
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	5,742	6,796
Restricted investments for system expansion and acquisition	66,924	-
Investment in joint venture	8,924	10,497
Capital assets		
Land and rights-of-way	618,596	619,043
Projects in progress	227,111	93,435
Depreciable capital assets, net of depreciation	3,344,052	3,524,818
Restricted investments held to pay capital lease/leaseback liabilities	109,813	107,492
Unamortized bond insurance premium and other	568	687
TOTAL NONCURRENT ASSETS	4,381,730	4,362,768
TOTAL ASSETS	5,116,352	5,202,916
DEFERRED OUTFLOWS OF RESOURCES	80,679	89,210
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,197,031	5,292,126
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	89,687	61,742
Commercial paper notes payable	159,100	125,000
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	3,193	1,531
Retainage payable	11,520	7,002
Unearned revenue and other liabilities	114,136	111,309
Accrued interest payable from restricted assets	51,233	54,507
Current portion of bonds payable	59,974	58,291
TOTAL CURRENT LIABILITIES	496,041	426,580
NONCURRENT LIABILITIES		
Accrued liabilities	41,066	39,748
Net pension liability	47,330	44,898
Net other post-employment benefits (OPEB) liability	9,948	22,667
Repayment due to State Comptroller	5,279	6,103
Senior lien revenue bonds payable	3,172,913	3,236,871
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	96,512	98,726
Capital lease/leaseback liabilities	109,813	107,492
TOTAL NONCURRENT LIABILITIES	3,482,861	3,556,505
TOTAL LIABILITIES	3,978,902	3,983,085
DEFERRED INFLOWS OF RESOURCES	15,628	4,663
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,994,530	3,987,748
NET POSITION		
Net investment in capital assets	784,924	764,341
Restricted for debt service	68,370	59,026
Restricted as security for capital lease/leaseback liabilities	5,742	6,796
Unrestricted	343,465	474,215
TOTAL NET POSITION	\$1,202,501	\$1,304,378

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, 2019 AND 2018 (Dollars in Thousands)

	2019	2018
OPERATING REVENUES		
Passenger revenues	\$63,941	\$62,845
Advertising, rent, and other	13,532	13,241
TOTAL OPERATING REVENUES	<u>77,473</u>	<u>76,086</u>
OPERATING EXPENSES		
Labor	259,186	249,894
Benefits	118,592	98,581
Services	53,282	48,331
Materials and supplies	51,017	47,531
Purchased transportation	58,537	55,978
Depreciation and amortization	248,064	250,210
Utilities	16,619	19,673
Taxes, leases, and other	6,679	4,029
Casualty and liability	7,156	4,925
TOTAL OPERATING EXPENSES	<u>819,132</u>	<u>779,152</u>
NET OPERATING LOSS	<u>(741,659)</u>	<u>(703,066)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	621,129	596,400
Investment income	14,787	6,286
Interest income from investments held to pay capital lease/leaseback	8,695	8,524
Interest expense on capital lease/leaseback	(8,695)	(8,524)
Gain(loss) on HOV lane investments	-	(11,100)
Street improvements	(11,301)	(3,644)
Interest and financing expenses	(148,757)	(154,044)
Build America Bonds tax credit	25,021	28,443
Other federal grants	54,932	69,445
Other non-operating revenues	15,463	19,375
Other non-operating expenses	(13,517)	(1,969)
NET NON-OPERATING REVENUES	<u>557,757</u>	<u>549,192</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(183,902)</u>	<u>(153,874)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	80,426	24,122
State capital contributions	1,599	129
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>82,025</u>	<u>24,251</u>
CHANGE IN NET POSITION	(101,877)	(129,623)
TOTAL NET POSITION – BEGINNING OF YEAR	<u>1,304,378</u>	<u>1,434,001</u>
TOTAL NET POSITION – END OF YEAR	<u><u>\$1,202,501</u></u>	<u><u>\$1,304,378</u></u>

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, 2019 AND 2018 (Dollars in Thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$77,540	\$74,817
Cash flows from other sources	9,997	18,023
Payments to suppliers of goods and services	(139,665)	(128,234)
Payments to purchased transportation service providers	(57,685)	(54,425)
Payments to employees	(259,186)	(247,711)
Benefit payments on behalf of employees	(115,541)	(102,641)
NET CASH USED BY OPERATING ACTIVITIES	(484,540)	(440,171)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	613,005	592,970
Other federal grants	53,490	69,902
Build America Bonds tax credit	27,490	28,452
Local Assistance Program and street improvements	(9,638)	(2,798)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	684,347	688,526
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	8,705	6,624
Proceeds from sales and maturity of investments	392,489	471,064
Purchase of investments	(254,882)	(363,167)
Increase in restricted assets	(76,519)	2,162
NET CASH PROVIDED BY INVESTING ACTIVITIES	69,793	116,683
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(176,590)	(95,602)
Proceeds from the issuance of commercial paper notes	754,100	715,000
Payment on commercial paper notes	(720,000)	(730,000)
Proceeds from the Railroad Rehabilitation and Improvement Financing Bonds	11,706	-
Principal payment on revenue bonds	(58,291)	(55,936)
Interest and financing expenses	(160,818)	(165,585)
Payment of debt issuance costs	(2,954)	-
Federal capital contributions	79,889	24,354
State capital contributions	3,359	950
Proceeds from the sale of capital assets	617	204
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(268,982)	(306,615)
NET DECREASE IN CASH AND CASH EQUIVALENTS	618	58,423
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	98,361	39,938
CASH AND CASH EQUIVALENTS, END OF YEAR	\$98,979	\$98,361

(Continued)

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, 2019 AND 2018 (Dollars in Thousands)

	2019	2018
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(741,659)	\$(703,066)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	248,064	250,210
Miscellaneous non-operating income	14,847	19,171
Miscellaneous non-operating expenses	(13,517)	(1,969)
Changes in assets and liabilities:		
(Increase) decrease in transit receivable	(455)	1,540
Decrease in due from federal & other governments	(3,814)	(1,824)
Decrease (increase) in materials and supplies inventory	(1,809)	(1,060)
Decrease (increase) in prepaid expenses and other current assets	(1,413)	(222)
Increase (decrease) in net pension liability	2,432	(7,229)
Increase (decrease) in accounts payable and accrued liabilities	10,739	3,139
Increase (decrease) in unearned revenue and other liabilities	2,045	1,139
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(484,540)</u>	<u>\$(440,171)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$8,695	\$8,524
Interest expense on capital lease/leaseback	(8,695)	(8,524)
Increase in capital lease/leaseback obligations	2,321	2,150
Increase in investments held to pay capital lease/leaseback	(2,321)	(2,150)
Increase (decrease) in fair value of investments	4,286	(2,361)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(15,968)	(10,721)
Purchases of capital assets in accounts payable at year-end	32,650	14,134
Gain (loss) on HOV lane investments	-	(11,100)
Decrease in deferred outflows of resources – derivative instrument	1,457	856
Change in due from federal governments – capital contributions	537	233
Change in advance payments received from the State – capital contributions	1,760	820
Proceeds from the issuance of sales tax revenue bonds	365,655	-
Payment for advance refunding of sales tax revenue bonds	(365,655)	-

(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, 2019 and 2018 (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 2021.

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 pay off 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. On April 8, 2019, DART issued and sold \$301,905 in Series 2019 Lien Sales Tax Revenue Bonds to refund part of the Series 2009b bonds.

On December 20, 2018 DART entered into the Railroad Rehabilitation and Improvement Financing (RRIF) loan agreement with the U.S. Department of Transportation. Under this loan agreement, DART will borrow up to \$908 million from the U.S. Department of Transportation. The proceeds from the bond will be used to pay for the 26-mile Silver Line commuter rail line extending from Terminal B of Dallas/Fort Worth International Airport to a terminus in Shiloh Road in the City of Plano, with 9 stations and 8 vehicles. The current estimate of eligible project costs for the project is approximately \$1.1 billion.

DART received approximately \$621,129 in 2019 from a 1% sales and use tax imposed on certain items within its member jurisdictions compared to \$596,400 in 2018. These revenues constitute approximately 69% of DART's total revenues during fiscal year 2019 compared to 72% during 2018. Approximately 49%, 14%, and 12% of these sales and use tax revenues were collected from sales in the cities of Dallas, Plano, and Irving respectively during fiscal year 2019 compared to 50%, 14%, and 11% in the cities of Dallas, Plano, and Irving during 2018.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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 Mobility Service, LGC (LGC).

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 Mobility 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 DARTs 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.

**DALLAS AREA RAPID TRANSIT
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FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

New Accounting Pronouncements – 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. This statement became effective for DART during fiscal year 2019 and its implementation did not have an impact on DART financial statements.

In April 2018, GASB issued Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*. This statement requires additional information related to debt to be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement became effective for DART during fiscal year 2019.

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 \$98,979 and \$98,361 as of September 30, 2019, and 2018, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), on September 30, 2019, and 2018 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, 2019, and 2018, 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 2019, total interest and financing expense of \$151,892 was incurred, and \$3,135 of this total was capitalized. In 2018, total interest and financing expense of \$155,198 was incurred, and \$1,154 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 \$82,025 in federal, state and local capital contributions during 2019 compared to \$24,251 during 2018. None of the total capital contributions received during 2019 were based on capital expenditures made during the previous years. In addition to capital contributions, DART also received \$54,932 in 2019 compared to \$69,445 in 2018 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.

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, BABs 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.

**DALLAS AREA RAPID TRANSIT
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FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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 2019, 2018, 2017 for DART's self-insured programs are as follows:

Description	2019	2018	2017
Beginning balance	\$18,799	\$17,970	\$17,445
Current year claims and changes in estimates	6,717	4,949	5,707
Payments	(4,978)	(4,120)	(5,182)
Ending balance	<u>\$20,538</u>	<u>\$18,799</u>	<u>\$17,970</u>
Amounts due in one year	<u>\$5,177</u>	<u>\$4,864</u>	<u>\$5,158</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."

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 2019 and 2018 and the current contract terms, including option periods is shown as follows:

Contractor's Name	Service Type	Annual Payments		Contract Terms	
		2019	2018	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail Service	\$20,940	\$22,114	10/1/2015	9/30/2025
MV Transportation, Inc.	Paratransit, and On-call services	31,807	27,877	10/1/2012	9/30/2022
Others	Various	5,790	5,987	Various	Various
Total		<u>\$58,537</u>	<u>\$55,978</u>		

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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:

	9/30/2019	9/30/2018
Cash and cash equivalents	\$98,979	\$98,361
Investments	258,921	390,208
Restricted investments held by trustee for debt service	119,603	113,533
Restricted investments held for advance funding agreements	69,440	64,860
Restricted investments held for system expansion and acquisition	66,924	-
Restricted investments held as security for capital lease/leaseback liabilities	5,742	6,796
Total cash and investments	<u>\$619,609</u>	<u>\$673,758</u>

Cash and investments as of September 30 consist of the following:

	9/30/2019	9/30/2018
Cash	\$2,368	\$1,525
Cash equivalents	96,611	96,836
Investments	520,630	575,397
Total cash and investments	<u>\$619,609</u>	<u>\$673,758</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, 2019, the carrying amount of DART's deposits was \$2,368 compared to \$1,525 at September 30, 2018. Bank balances at September 30, 2019 and 2018 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.

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

**DALLAS AREA RAPID TRANSIT
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FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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, 2019		
		12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Agricultural Mortgage Corporation	\$20,092	\$10,064	\$ -	\$ 10,028
Federal Farm Credit Banks	34,496	31,494	3,002	-
Federal Home Loan Bank	97,554	47,249	40,047	10,258
Federal Home Loan Mortgage Corporation	43,630	9,990	4,115	29,525
Federal National Mortgage Association	42,332	42,332	-	-
Money Market Funds	379,137	379,137	-	-
Total	\$617,241	\$520,266	\$47,164	\$49,811

Investment Type	Total Amount	Remaining Maturity (in months) as of September 30, 2018		
		12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Agricultural Mortgage Corporation	\$2,298	\$2,298	\$ -	\$ -
Federal Home Loan Bank	139,478	17,931	50,107	71,440
Federal Farm Credit Banks	67,729	33,733	31,071	2,925
Federal Home Loan Mortgage Corporation	51,492	31,852	9,847	9,793
Federal National Mortgage Association	93,602	35,153	49,749	8,700
Commercial Paper	52,464	52,464	-	-
Money Market Funds	265,170	265,170	-	-
Total	\$672,233	\$438,601	\$140,774	\$92,858

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.

Investment Type	Rating as of September 30, 2019			
	Total Amount	AA+ / Aaa	AAAm	Not Rated
Federal Agricultural Mortgage Corporation	\$20,092	\$ -	\$ -	\$20,092
Federal Farm Credit Banks	34,496	34,496	-	-
Federal Home Loan Bank	97,554	97,554	-	-
Federal Home Loan Mortgage Corporation	43,630	43,630	-	-
Federal National Mortgage Association	42,332	42,332	-	-
Money Market Funds	379,137	-	379,137	-
Total	\$617,241	\$218,012	\$379,137	\$20,092

**DALLAS AREA RAPID TRANSIT
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Rating as of September 30, 2018				
Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAAm
Federal Agricultural Mortgage Corporation	\$2,298	\$ 2,298	\$ -	\$ -
Federal Farm Credit Banks	67,729	67,729	-	-
Federal Home Loan Bank	139,478	139,478	-	-
Federal Home Loan Mortgage Corporation	51,492	51,492	-	-
Federal National Mortgage Association	93,602	93,602	-	-
Commercial Paper	52,464	-	52,464	-
Money Market Funds	265,170	-	-	265,170
Total	<u>\$672,233</u>	<u>\$354,599</u>	<u>\$52,464</u>	<u>\$265,170</u>

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. DART's investment portfolio includes \$218,012 as of September 30, 2018 compared to \$354,999 as of September 30, 2018 with credit ratings of 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, 2019		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Logic	\$252,783	41%
Federal Home Loan Bank	97,554	16%
TexPool	93,473	15%
Federal Home Loan Mortgage Corporation	43,630	7%
Federal National Mortgage Association	42,332	7%
Federal Farm Credit Banks	34,496	6%

September 30, 2018		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Logic	\$161,013	24%
Federal Home Loan Bank	139,478	21%
TexPool	102,051	15%
Federal National Mortgage Association	93,602	14%
Federal Farm Credit Banks	67,729	10%
Federal Home Loan Mortgage Corporation	51,492	8%

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, 2019 and 2018 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.

**DALLAS AREA RAPID TRANSIT
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DART has the following fair value measurements as of September 30, 2019 and 2018.

Fair Value Measurements as of September 30, 2019				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Agricultural Mortgage Corporation	\$20,092	\$ -	\$20,092	\$ -
Federal Home Loan Bank	97,554	-	97,554	-
Federal Farm Credit Banks	34,496	-	34,496	-
Federal Home Loan Mortgage Corporation	43,630	-	43,630	-
Federal National Mortgage Association	42,332	-	42,332	-
Total	\$238,104	\$ -	\$238,104	\$ -

Fair Value Measurements as of September 30, 2018				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Agricultural Mortgage Corporation	\$2,298	\$ -	\$2,298	\$ -
Federal Home Loan Bank	139,478	-	139,478	-
Federal Farm Credit Banks	67,729	-	67,729	-
Federal Home Loan Mortgage Corporation	51,492	-	51,492	-
Federal National Mortgage Association	93,602	-	93,602	-
Commercial Paper	52,464	-	52,464	-
Total	\$407,063	\$ -	\$407,063	\$ -

Restricted investments held to pay capital lease/leaseback liabilities – As of September 30, 2019, 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 a 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 \$7,806 lower than budget for fiscal year 2019 compared to \$1,703 more than budget for fiscal year 2018. In addition, the Board of Directors authorized the establishment of Mobility Assistance and Innovation Fund. Should the Financial Reserve exceed \$50 million, excess funds are placed in the Mobility Assistance and Innovation Fund.

An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserve and Mobility Assistance and Innovation Fund. 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 \$5,742 as of September 30, 2019, compared to \$6,796 as of September 30, 2018. 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, 2019 and 2018 shown as follows:

Assigned for	2019	2018
Self-Insurance	\$12,281	\$12,064
Financial Reserve*	44,517	42,758
Silver Line Project Fund**	20,100	20,100
Mobility Assistance and Innovation Fund***	11,021	10,778
Total	\$ 87,919	\$ 85,700

*The financial reserve amounts shown here are net of \$5,742 as of September 30, 2019, and \$6,796 as of September 30, 2018. These amounts are set aside as collateral security for a certain lease/leaseback obligation.

**DALLAS AREA RAPID TRANSIT
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** On October 25, 2016, the DART Board approved the Fiscal Year 2017 Twenty-Year Financial Plan which included an authorization to move \$20.1 million from Mobility Assistance and Innovation Fund (formerly Capital Reserve) to the Silver Line Project Fund to pay for the Silver Line commuter rail capital project costs.

*** On May 14, 2019 the DART Board renamed the Capital Reserve Fund as the Mobility Assistance and Innovation Fund by Resolution No. 190053.

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 debt 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, 2019 and 2018.

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, 2019, DART has set aside \$5,742 compared to \$6,796 as of September 30, 2018, 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 Trinity Metro 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 Trinity Metro 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 and Trinity Metro 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 Trinity Metro 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.

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. At September 30, 2017, the fair value of DART investment in managed HOV lane projects (using future projected cash flows as Level 3 inputs within the fair value hierarchy established by GAAP), was \$11.1 million. An updated financial analysis performed during FY 2018 determined that reimbursement of excess toll road revenue to DART was not likely. As a result, DART's investment in managed HOV lane projects of \$11,100 was written-off during fiscal year 2018.

**DALLAS AREA RAPID TRANSIT
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7. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2019 and 2018 are shown as follows:

	Beginning Oct. 1, 2018	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2019
Non-Depreciable Assets					
Land and right-of-way	\$619,043	\$ -	(\$447)	\$ -	\$618,596
Capital projects in progress	93,435	200,117	-	(66,441)	227,111
Total non-depreciable assets	712,478	200,117	(447)	(66,441)	845,707
Depreciable Assets					
Transitways	4,050,153	-	-	4,296	4,054,449
Buildings and improvements	750,296	-	-	3,352	753,648
Revenue and non-revenue vehicles and equipment	1,302,474	-	(13,675)	38,814	1,327,613
Furniture, fixtures, and Leasehold improvements	77,131	-	-	19,979	97,110
Total depreciable assets	6,180,054	-	(13,675)	66,441	6,232,820
Less accumulated depreciation					
Transitways	1,460,616	136,939	-	-	1,597,555
Buildings and improvements	415,950	24,614	-	-	440,564
Revenue and non-revenue vehicles and equipment	712,473	76,951	(13,595)	-	775,829
Furniture, fixtures, and Leasehold improvements	66,197	8,623	-	-	74,820
Total accumulated depreciation	2,655,236	247,127	(13,595)	-	2,888,768
Depreciable assets, net	3,524,818	(247,127)	(80)	66,441	3,344,052
Total capital assets	\$4,237,296	\$(47,010)	\$(527)	\$ -	\$4,189,759
	Beginning Oct. 1, 2017	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2018
Non-Depreciable Assets					
Land and right-of-way	\$619,026	\$ -	\$ -	\$ 17	\$619,043
Capital projects in progress	66,867	95,189	-	(68,621)	93,435
Total non-depreciable assets	685,893	95,189	-	(68,604)	712,478
Depreciable Assets					
Transitways	4,019,867	-	-	30,286	4,050,153
Buildings and improvements	749,860	-	-	436	750,296
Revenue and non-revenue vehicles and equipment	1,301,880	-	(28,148)	28,742	1,302,474
Furniture, fixtures, and Leasehold improvements	69,636	-	(1,645)	9,140	77,131
Total depreciable assets	6,141,243	-	(29,793)	68,604	6,180,054
Less accumulated depreciation					
Transitways	1,324,572	136,044	-	-	1,460,616
Buildings and improvements	391,305	24,645	-	-	415,950
Revenue and non-revenue vehicles and equipment	656,545	84,069	(28,141)	-	712,473
Furniture, fixtures, and Leasehold improvements	63,499	4,343	(1,645)	-	66,197
Total accumulated depreciation	2,435,921	249,101	(29,786)	-	2,655,236
Depreciable assets, net	3,705,322	(249,101)	(7)	68,604	3,524,818
Total capital assets	\$4,391,215	\$(153,912)	\$(7)	\$ -	\$4,237,296

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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	2019	2018
Accounts payable and accrued liabilities		
Payroll	\$11,050	\$9,404
Accrued paid time off, vacation and sick leave	27,304	27,234
Self-insurance liabilities	20,538	18,799
Other operating liabilities	39,192	31,908
Total operating expense related	98,084	87,345
Non-operating expense and capital related	32,669	14,145
Total accounts payable and accrued liabilities	130,753	101,490
Non-current	41,066	39,748
Current	<u>\$89,687</u>	<u>\$61,742</u>

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	2019	2018
Beginning balance	\$6,927	\$7,751
Payments	(824)	(824)
Ending balance	6,103	6,927
Non-current	5,279	6,103
Current	<u>\$824</u>	<u>\$824</u>

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	2019	2018
Beginning balance	\$27,234	\$25,889
Additions	1,757	2,831
Payments	(1,687)	(1,486)
Ending balance	<u>\$27,304</u>	<u>\$27,234</u>
Amounts due in one year	<u>\$1,599</u>	<u>\$1,421</u>

10. LOCAL ASSISTANCE PROGRAMS

- i. 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.

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Changes in Local Assistance Program Payable for the years ended September 30 are as follows:

Description	2019	2018
Beginning balance	583	\$685
Payments	-	(102)
Ending balance	<u>\$583</u>	<u>\$583</u>

- ii. Transit Related Improvement Program – In January 2017, DART created a Transit Related Improvement Program (TRIP). This program will provide alternative mobility benefits to eligible non-rail cities by funding transit related improvement projects. Eligible municipalities are Cockrell Hill, Glenn Heights, Highland Park, and University Park. The maximum amount of annual DART funding for any municipal project is 21% of the annual projected DART sales tax revenue from such city. To be eligible for reimbursement, a project must be authorized under and consistent with the provisions of Chapter 452 of the Texas Transportation Code. Particular consideration and weight will be given to projects that enhance transportation modes provided by DART, public transit safety, ridership or efficiency anywhere in the DART service area, and innovative and additional approaches to public transportation. The TRIP program will end on September 30, 2025. Under the TRIP program, DART paid \$5,484 to eligible non-rail cities during fiscal year 2019 compared to \$2,696 during 2018.

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 shows DART capital lease/leaseback transactions that is outstanding as of September 30, 2019

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

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, 2019 and 2018.

Lease Date	Property	Book value as of 9/30/2019	Book value as of 9/30/2018
9/28/2000	28 Light rail cars	\$15,908	\$18,958

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 headlease were invested to satisfy the sublease obligations. Since the investments have been structured to meet all future obligations under the subleases 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:

	2019	2018
Amounts due within one year	\$6,374	\$6,374
Amounts due in more than one year	109,813	107,492
Total	<u>\$116,187</u>	<u>\$113,866</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

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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, 2019, DART has set aside \$5,742 compared to \$6,796 as of September 30, 2018 for this purpose. These amounts are shown as restricted investment held as security for lease/lease back liabilities in the Statements of Net Position.

As of September 30, 2019, DART has only one outstanding lease/lease back obligation. Changes in the capital lease/lease back obligations for the years ended September 30 are shown below:

Description	2019	2018
Beginning balance	\$113,866	\$111,716
Accrued interest	8,695	8,524
Retirements	(6,374)	(6,374)
Ending Balance	<u>\$116,187</u>	<u>\$113,866</u>

The following schedule shows future minimum sublease payments as of September 30, 2019 for the outstanding lease capital lease/leaseback transactions.

Year Ending September 30	Minimum Sublease Payments
2020	\$6,374
2021	6,374
2022	18
2023	126,629
2024	8,663
Total minimum sublease payments due under capital lease/leaseback	<u>148,058</u>
Less: amount representing interest	<u>(31,871)</u>
Present value of minimum sublease payments	<u>\$116,187</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.

Self-liquidity backed Commercial Paper Program – in June 2014, the DART Board approved a new Commercial Paper Self-liquidity Program that allowed 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. In September 2018, the DART Board authorized the reduction of the self-liquidity backed commercial paper program from \$200 million to \$125 million for the purpose of reducing the coverage requirement. During fiscal year 2019 and 2018, DART has complied with these requirements of the self-liquidity program.

As of September 30, 2019, DART had \$80 million in outstanding commercial paper notes payable and \$45 million unused line of credit under the self-liquidity backed commercial paper program compared to \$125 million outstanding as of September 30, 2018.

Bank backed Commercial Paper Program – in November 2018, the DART Board authorized the establishment of bank-backed commercial paper program in the amount of \$125 million for the purpose of interim financing of capital projects. DART entered into a revolving credit agreement with JPMorgan Chase Bank N.A that allows it to issue up to \$125 million in bank backed commercial paper notes. Under this program, the Bank provides a liquidity facility which constitutes 270 days of interest at 10% on the maximum available principal of \$125 million calculated on the basis of actual number of days and a 365-day year. As of September 30, 2019, DART has an unused line of credit of \$46 million and \$79 million in outstanding commercial paper notes issued under this bank-backed program.

Commercial Paper Extendible Program – the DART Board approved a Commercial Paper Extendible Program that allows DART to issue up to \$125 million in commercial paper notes not to exceed 270 days outstanding and backed by the faith and credit of DART. As of September 30, 2019, DART has an unused line of credit of \$125 million and zero outstanding commercial paper notes issued under the extendible program.

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Commercial paper notes are from direct placements and 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 1.38% at September 30, 2019, and 1.61% at September 30, 2018. Changes in the Commercial Paper Notes for the years ended September 30, 2019 and 2018 are shown below.

Description	2019	2018
Beginning balance	\$125,000	\$140,000
Additions	754,100	715,000
Retirement	(720,000)	(730,000)
Ending Balance	<u>\$159,100</u>	<u>\$125,000</u>

DART has pledged sales and use tax and farebox revenues (pledged revenue) as security for commercial paper notes. The amount of the pledge is equal to the remaining debt service requirements for these obligations. Commercial paper notes have subordinate lien to pledged revenue. Senior Lien Revenue bonds, TIFIA bonds, and RRIF bonds have senior lien to pledged revenues. No assets have been pledged as collateral to secure commercial paper notes except for money accumulated in the Subordinate Lien Debt Service Fund which was \$246 as of September 30, 2019. The Master Debt Resolution, which can found in its entirety at www.dart.org or by contacting our Chief Financial Officer at our corporate address, establishes the provisions, terms, and conditions of, and the security for, DART's bonds, notes, and credit agreements. The Master Debt Resolution contains a provision that in an event of default, the trustee shall transfer all future gross sales tax revenues and apply to them to debt service payments based on the times, order and priority set forth in The Master Debt Resolution. In the event of default, The Master Debt Resolution also contains a provision that no right of acceleration shall be granted unless that right is extended to holders and payees of all outstanding bond and credit agreement obligations.

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	03/08/07	4.00%	5.30%	12/1/07	12/1/36	12/1/17	12/1/16
2008 (b)	Apr. 2008	731,415	06/23/08	4.50%	5.30%	12/1/09	12/1/48	12/1/18	12/1/17
2009A	May 2009	170,385	06/25/09	2.80%	4.30%	12/1/14	12/1/22	12/1/19	6/1/19
2009B	May 2009	829,615	06/25/09	6.00%	6.30%	12/1/23	12/1/44	12/1/34	5/31/19
2010A	Sep. 2010	95,235	10/07/10	2.00%	5.00%	12/1/13	12/1/23	12/1/21	12/1/20
2010B	Sep. 2010	729,390	10/07/10	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
2019 (g)	Feb. 2019	301,095	04/08/19	5.00%	5.00%	12/1/24	12/1/35	12/1/30	12/1/29

- 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.
- 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.
- g) The series 2019 were issued to refund a portion of series 2009B bonds totaling \$362,645.

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).

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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 2009B and 2010B Bonds. However, during fiscal years 2019 and 2018, this tax credit was reduced by 6.2% and 6.6% due to budget cuts or "sequestration" by the federal government. During 2019, DART recorded tax credits of \$25,021 compared to \$28,443 for 2018 as Build America Bonds tax credit (for Series 2009B and 2010B bonds combined) in the Statements of Revenues, Expenses and Changes in Net Position.

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, 2019 and 2018 are as shown on the next page.

Changes in revenue bonds (shown at par) for the years ended September 30, 2019 and 2018

Bond Series	Balance, 9/30/2017	Retirement	Balance, 9/30/2018	Additions	Retirement	Balance, 9/30/2019	Amounts due in one year
2007	\$118,395	\$ -	\$118,395	\$ -	\$ -	\$118,395	\$ -
2008	18,340	(8,940)	9,400	-	(9,400)	-	-
2009A	36,630	(17,865)	18,765	-	(18,765)	-	-
2009B	829,615	-	829,615	-	(362,645)	466,970	-
2010A	59,125	(1,895)	57,230	-	(1,535)	55,695	15,720
2010B	729,390	-	729,390	-	-	729,390	-
2012	118,900	(2,410)	116,490	-	(2,495)	113,995	2,620
2014A	379,480	(12,110)	367,370	-	(12,935)	354,435	15,220
2014B	46,555	-	46,555	-	-	46,555	-
2015	116,030	(10,625)	105,405	-	(11,010)	94,395	5,440
2016A	482,530	-	482,530	-	-	482,530	-
2016B	228,900	-	228,900	-	-	228,900	18,760
2019	-	-	-	301,095	-	301,095	-
Total	\$3,163,890	\$(53,845)	\$3,110,045	\$301,095	\$(418,785)	\$2,992,355	\$57,760

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 \$226,611 and \$182,935 as of September 30, 2019 and 2018, respectively. Below is a summary of debt service requirements of the Senior Lien Revenue Bonds outstanding as of September 30, 2019:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2020	\$57,760	\$148,822	\$206,582	\$(21,201)	\$185,381
2021	60,410	146,174	206,584	(21,201)	185,383
2022	63,105	143,478	206,583	(21,201)	185,382
2023	65,945	140,633	206,578	(21,201)	185,377
2024	46,265	138,070	184,335	(22,531)	161,804
2025 – 2029	353,690	647,273	1,000,963	(112,654)	888,309
2030 – 2034	448,780	550,244	999,024	(112,654)	886,370
2035 – 2039	616,990	414,787	1,031,777	(104,123)	927,654
2040 – 2044	703,465	243,440	946,905	(61,784)	885,121
2045 – 2049	575,945	68,940	644,885	(15,844)	629,041
TOTAL	\$2,992,355	\$2,641,861	\$5,634,216	\$(514,394)	\$5,119,822

DART has pledged sales and use tax and farebox revenues (pledged revenue) as security for Senior Lien Revenue bonds. The amount of the pledge is equal to the remaining debt service requirements for these obligations. Senior Lien Revenue bonds have senior lien to pledged revenue on parity with TIFIA bonds, and RRIF bonds. No assets have been pledged as collateral to secure the Senior Lien Revenue bonds except for money accumulated in the Senior Lien Debt Service Fund which was \$119,357 as of September 30, 2019. The Master Debt Resolution, which can found in its entirety at www.dart.org or by contacting our Chief Financial Officer at our corporate address, establishes the provisions, terms, and conditions of, and the security for DART's bonds, notes, and credit agreements. The Master Debt Resolution contains a provision that in an event of default, the trustee shall transfer all future gross sales tax revenues and apply to them to debt service

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payments based on the times, order and priority set forth in The Master Debt Resolution. In the event of default, The Master Debt Resolution also contains a provision that no right of acceleration shall be granted unless that right is extended to holders and payees of all outstanding bond and credit agreement obligations.

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. 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 below summarizes debt service requirements of the TIFIA bonds as of September 30, 2019:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total TIFIA Bond Debt Service</u>
2020	\$2,214	\$2,845	\$5,059
2021	2,279	2,772	5,051
2022	2,345	2,702	5,047
2023	2,413	2,633	5,046
2024	2,483	2,565	5,048
2025 – 2029	13,543	11,660	25,203
2030 – 2034	15,632	9,539	25,171
2035 – 2039	18,042	7,088	25,130
2040 – 2044	20,825	4,259	25,084
2045 – 2048	18,950	1,101	20,051
TOTAL	<u>\$98,726</u>	<u>\$47,164</u>	<u>\$145,890</u>

The annual debt service requirements for the TIFIA bond range from \$5,009 in fiscal year 2046 to \$5,059 in fiscal year 2020.

15. RAILROAD REHABILITATION AND IMPROVEMENT FINANCING (RRIF) BONDS

On December 20, 2018 DART entered into the Railroad Rehabilitation and Improvement Financing (RRIF) loan agreement with the U.S Department of Transportation. Under this loan agreement, DART will issue a Senior Lien Obligation bond to borrow up to \$908 million from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the 26-mile Silver Line commuter rail line extending from Terminal B of Dallas/Fort Worth International Airport to a terminus in Shiloh Road in the City of Plano, with 9 stations and 8 vehicles. The current estimate of eligible project costs for the RRIF loan is approximately \$1.24 billion. The RRIF financing agreement is reimbursement-based and DART will request reimbursement (draw down) after paying for the capital project costs. The expected draw down are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>
2019	\$11,706
2020	196,933
2021	292,346
2022	250,847
2023	156,168
Total	<u>\$908,000</u>

The RRIF bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations. The interest rate on the RRIF bond is 2.98% and is fixed for the term of the loan.

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The following table summarizes estimated debt service requirements of the RRIF financing agreement executed on December 20, 2018 based on expected draw down of \$908,000 shown above. The amounts and timing of the debt service for the RRIF Bond are subject to change depending on the amount and timing of the draw down.

Year Ended September 30	Principal	Interest	Total RRIF Bond Debt Service
2020	\$ -	\$1,572	\$1,572
2021	-	10,222	10,222
2022	-	18,504	18,504
2023	-	24,881	24,881
2024	-	27,102	27,102
2025 – 2029	-	135,249	135,249
2030 – 2034	15,000	134,622	149,622
2035 – 2039	88,430	128,725	217,155
2040 – 2044	170,327	107,522	277,849
2045 – 2049	197,263	80,134	277,397
2050 – 2054	228,460	48,499	276,959
2055 - 2058	208,520	12,664	221,184
TOTAL	\$908,000	\$729,696	\$1,637,696

The annual debt service requirements for the RRIF bond range from \$1,572 in fiscal year 2020 to \$55,625 in fiscal year 2040.

16. PLEDGED REVENUES

DART has pledged sales and use tax and farebox revenues as security for revenue bonds, TIFIA bonds, RRIF 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.

Total principal and interest remaining on the revenue bonds as of September 30, 2019 is \$5.63 billion before BABs tax credits of \$514 million and \$5.12 billion net of BABs tax credits (see the second table on page 32). The annual debt service requirements for these bonds, net of BABs tax credits, range from \$215,140 in fiscal year 2036 to \$114,512 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest net of BABs tax credits) is \$186,515. Bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest remaining on TIFIA bonds as of September 30, 2019 is \$145,890 million. The annual debt service requirements for the TIFIA bonds range from \$5,009 in fiscal year 2046 to \$5,059 in fiscal year 2020. For fiscal year 2019, debt service on the TIFIA bonds (including principal and interest) was \$5,055. TIFIA bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest outstanding on the RRIF bonds as of September 30, 2019 is \$11,823 million. The estimated annual debt service requirements for the RRIF bonds range from \$1,572 in fiscal year 2020 to \$55,625 in fiscal year 2040. For fiscal year 2019, debt service on the RRIF bonds was \$85 (interest only). RRIF bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest remaining on commercial paper as of September 30, 2019 is \$159,189 compared to \$125,127 as of September 30, 2018. Interest payments on commercial paper notes during the current fiscal year totaled \$1,776. Commercial Paper notes have a subordinate senior lien on pledged revenues.

17. 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.

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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.

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.

In February 2019, DART issued the Series 2019 bonds to refund a portion of Series 2009B bonds. As a result, a total amount of \$362,645 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 2019 refunding, DART recognized a book loss of \$2,086, a reduction in debt service of \$56,452 and an economic gain of \$44,291.

As of September 30, 2019, none of these refunded DART bonds remains outstanding compared to \$727,305 outstanding as of September 30, 2018. The unamortized portion of the book loss of \$60,911 and \$67,069, respectively, have been included in the Statements of Net Position under the deferred outflows of resources section as of September 30, 2019 and 2018.

18. 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

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, 2018 and 2017 are as follows:

	2019	2018
Employer contributions	\$10,000	\$10,000
Employee contributions	2	2
	<u>\$10,002</u>	<u>\$10,002</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.

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Employees covered by the benefit terms. The following participants were covered by the benefit terms as of October 1, 2018 and 2017:

	10/1/2018	10/1/2017
Inactive employees or beneficiaries currently receiving benefits	796	768
Inactive employee entitled to but not yet receiving benefits	141	150
Active employees	212	245
	<u>1,149</u>	<u>1,163</u>

Actuarial Assumptions – The total pension liability in the September 30, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions, applied to the periods included in the measurement:

Valuation Dates	September 30, 2018 and 2017
Inflation	2.5% per annum
Salary Increases	3.00% per annum
Investment Return	6.75 compounded annually, net of expenses
Measurement Date	For the September 30, 2018 valuation, census data was collected as of October 1, 2017. Liabilities measured as of the census date were projected to September 30, 2018, assuming no demographic gains or losses.
	For the September 30, 2017 valuation, census data was collected as of October 1, 2016. Liabilities measured as of the census date were projected to September 30, 2017, assuming no demographic gains or losses.
Mortality Rate Active Lives	PubG-2010 (Below-median, amount-weighted) employee rates with mortality improvement projections to the valuation date using Scale MP-2018.
Mortality Rate Retiree and Vested Terminated Lives	PubG-2010 (Below-median, amount-weighted) healthy retiree rates with mortality improvement projections to the valuation date using Scale MP-2018.
Mortality Rate Contingent Survivor Lives	PubG-2010 (Below-median, amount-weighted) contingent survivor rates with mortality improvement projections to the valuation date using Scale MP-2018.
Disability Mortality	PubG-2010 (amount-weighted) disabled retiree rates with mortality improvement projections to the valuation date using Scale MP-2018.
Early Retirement Age	55 and 10 years of credited service
Normal Retirement Age	60
Actuarial Cost Method	Entry Age Normal (level percent of pay)

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2018 and 2017 are summarized in the following table (note that the rates shown below include the inflation components):

September 30, 2018 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities	39%	3.60%
Global Bonds	40%	1.90%
International Equities	10%	5.30%
Real Estate	10%	6.10%
Cash	1%	0.30%
September 30, 2017 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities	39%	4.30%
U.S. Market Fixed Income	40%	0.70%
International Equities	10%	5.60%
Real Estate	10%	6.70%
Cash	1%	-0.50%

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.

Discount rate. The discount rate used to measure the total pension liability was 6.75% at September 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

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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. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 4.18% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Bond Buyer); and the resulting single discount rate is 6.75%. The following table summarizes changes in Net Pension Liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balance at 9/30/2017	\$220,461	\$168,334	\$52,127
Service cost	1,107	-	1,107
Interest	14,501	-	14,501
Differences between expected and actual experience	2,655	-	2,655
Benefit payments	(13,471)	(13,471)	-
Contributions-employer	-	10,000	(10,000)
Contributions-employee	-	2	(2)
Net investment income, net of expenses	-	15,590	(15,590)
Administrative expenses	-	(100)	100
Net Changes	4,792	12,021	(7,229)
Balance at 9/30/2018	\$225,253	\$180,355	\$44,898
Service cost	988	-	988
Interest	14,795	-	14,795
Differences between expected and actual experience	1,920	-	2,655
Changes in assumptions	5,326	-	5,326
Benefit payments	(14,107)	(14,107)	-
Contributions-employer	-	10,000	(10,000)
Contributions-employee	-	2	(2)
Net investment income, net of expenses	-	10,679	(10,679)
Administrative expenses	-	(84)	84
Net Changes	8,922	6,490	2,432
Balance at 9/30/2019	\$234,175	\$186,845	\$47,330

Changes of assumptions:

For measurement date of 09/30/2018, the assumed rates of mortality have been amended to adopt the Pub-2010 Public Retirement Plan mortality Tables for General Employees (Below-Median, Amount-Weighted) which were released with an exposure draft based on a comprehensive review of recent mortality experience of public retirement plans in the United State as performed by The Society of Actuaries' Retirement Plans Experience Committee.

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, 2019 and 2018, 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, 9/30/2019	\$70,952	\$47,330	\$27,056
DART's net pension liability, 9/30/2018	\$67,609	\$44,898	\$25,289

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, 2019, DART recognized pension expense of \$12,310 compared to \$4,048 for fiscal year 2018.

At September 30, 2019, DART reported deferred inflows/outflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,586
Employer contribution made after measurement date	10,000	-
Total	<u>\$10,000</u>	<u>\$1,586</u>

The \$10,000 reported as deferred outflows of resources resulting from DART pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. 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:

2020	\$407
2021	(1,665)
2022	(599)
2023	271
Thereafter	-

At September 30, 2018, 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	\$1,328	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,037
Employer contribution made after measurement date	10,000	-
Total	<u>\$11,328</u>	<u>\$3,037</u>

The \$10,000 reported as deferred outflows of resources resulting from DART pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension were recognized in the pension expense as follows:

Year ended September 30:

2019	\$961
2020	136
2021	(1,936)
2022	(870)
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 \$18,582 and \$17,083 for the years ended September 30, 2019 and 2018, respectively.

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 \$6,063 and \$5,842 for the years ended September 30, 2019 and 2018, respectively.

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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.

19. 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.

Covered Participants – As of the September 30, 2018 and 2017 actuarial valuation, the following active and inactive participants were covered by the benefit terms under the plan:

	Number of Covered Participants	
	9/30/2018	9/30/2017
Active employees	3,670	3,586
Retirees, beneficiaries, and disabled members	336	336
Total	4,006	3,922

Contributions – DART contributions are made based on amounts required to be funded as determined by annual actuarial valuations and are designed to fund the OPEB Trust on a level cost basis, cover normal cost each year and cover amortization of any unfunded actuarial liabilities. DART's contribution rate was 3.5 percent of covered employee payroll for the year ended September 30, 2019. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost. DART contributed \$7,489 to the plan during 2019. This amount includes \$3,627 for 2019 which was contributed on September 4, 2019 and \$3,862 for 2018 which was contributed on October 1, 2018.

Net OPEB Liability – DART's net OPEB liability was measured as of September 30, 2018 and 2017 and the total OPEB liability used to calculate the net OPEB liability was also determined by an actuarial valuation as of that date.

Actuarial Assumptions – Projection 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 valuations were performed for the OPEB Plan as of September 30, 2018 and 2017. The following tables show a summary of significant actuarial assumptions:

Valuation Date	September 30, 2018
Discount Rate	7.00%
Inflation	3% included in health care cost trend
Salary Increases	3.25% per annum
Investment Rate of Return	7.00%
Health Care Cost Trend Rate	Starts with 6.50% and ultimate trend rate is 5.00%. Years to ultimate six (6).
Mortality Rate	RP-2014 Mortality Fully Generational using Projection Scale MP-2017
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage.
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, 25% 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
Measurement Date	September 30, 2018

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Valuation Date	September 30, 2017
Discount Rate	7.00%
Inflation	3% included in health care cost trend
Salary Increases	3.25% per annum
Investment Rate of Return	7.00%
Health Care Cost 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.
Mortality Rate	RP-2014 Mortality Fully Generational using Projection Scale MP-2015
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage.
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
Measurement Date	September 30, 2017

An actuarial experience study for the OPEB plan was also performed during fiscal year 2019.

The long-term expected rate of return on OPEB 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 OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for September 30, 2018 and 2017 valuations:

	Target Allocation	Estimate of expected long-term rates of return
Domestic Equity	39%	7.50%
International Equity	21%	7.40%
Fixed Income	40%	5.90%

Discount rate. The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that DART contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in discount rate. The following presents the net OPEB liability of DART as well as what DART's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
DART's Net OPEB liability, 9/30/2019	\$20,008	\$9,948	\$1,894
DART's Net OPEB liability, 9/30/2018	\$35,644	\$22,667	\$12,415

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates for September 30, 2018 Valuation. The following presents the net OPEB liability of DART, as well as what the DART's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.50% decreasing to 4.00%)	Health Care Cost Trend Rates (6.50% decreasing to 5%)	1% Increase (7.50% decreasing to 6%)
DART's Net OPEB liability, 9/30/2019	\$1,404	\$9,948	\$20,749

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Sensitivity of the net OPEB liability to changes in healthcare cost trend rates for September 30, 2017 Valuation. The following presents the net OPEB liability of DART, as well as what the DART's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.75 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.75 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.75% decreasing to 4%)	Health Care Cost Trend Rates (6.75% decreasing to 5%)	1% Increase (7.75% decreasing to 6%)
Pre-65	(32.1% decreasing to 4%)	(33.1% decreasing to 5%)	(34.1% decreasing to 6%)
Medicare			
DART's Net OPEB liability, 9/30/2018	\$11,593	\$22,667	\$36,861

Changes in Net OPEB Liability: The changes in the total OPEB liability for the plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at 9/30/2017	\$58,230	\$41,372	\$16,858
Service cost	2,762	-	2,762
Interest	4,218	-	4,218
Differences between expected and actual experience	4,514	-	4,514
Changes of assumptions or other inputs	2,437	-	2,437
Contributions-employer	-	4,239	(4,239)
Net investment income, net of expenses	-	3,883	(3,883)
Benefit payments	(1,470)	(1,470)	-
Administrative expenses	-	-	-
Net Changes	12,461	6,652	5,809
Balance at 9/30/2018	70,691	48,024	22,667
Adjustment to reflect actual assets	-	1,888	(1,888)
Adjusted Balance at 9/30/2018	70,691	49,912	20,779
Service cost	3,200	-	3,200
Interest	5,129	-	5,129
Differences between expected and actual experience	(4,931)	-	(4,931)
Changes of assumptions or other inputs	(10,289)	-	(10,289)
Contributions-employer	-	-	-
Contributions-participant	-	460	(460)
Net investment income, net of expenses	-	3,650	(3,650)
Benefit payments	(2,920)	(2,920)	-
Administrative expenses	-	(170)	170
Net Changes	(9,811)	1,020	(10,831)
Balance at 9/30/2019	\$60,880	\$50,932	\$9,948

Changes of Assumptions and Other Changes – DART's contribution to covered spouse Medicare Supplement premiums was updated from 80% to 50% to align with the substantive plan provisions. All other assumptions are those performed as of September 30, 2018. Note that the overall impact shown above includes changes of assumptions to update the mortality improvement and the percentage of retirees who are married and elect coverage for their spouse.

OPEB Expense - For the year ended September 30, 2019, DART recognized OPEB expense of \$4,167 compared to \$5,821 for the ended September 30, 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2019, DART reported deferred inflows/outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,988	\$4,384
Changes of assumptions	2,153	9,146
Net difference between Projected and Actual Earnings on OPEB Plan	-	198
Employer contribution made after measurement date	3,627	-
Total	\$9,768	\$13,728

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The \$3,627 reported as deferred outflows of resources related to OPEB resulting from DART contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending on September 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

<u>Year ended September 30:</u>	<u>Deferred Outflows of Resources</u>
2020	\$(931)
2021	(931)
2022	(931)
2023	(930)
2024	(880)
Thereafter	(2,983)

At September 30, 2018, DART reported deferred inflows/outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,514	\$ -
Changes of assumptions	2,437	-
Total	<u>\$6,951</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

<u>Year ended September 30:</u>	<u>Deferred Outflows of Resources</u>
2019	\$810
2020	810
2021	810
2021	810
2023	811
Thereafter	\$2,900

OPEB Plan Investments

In accordance with the OPEB Plan's investment policy, the trustee invests in, among others, obligations of the United States or its agencies and instrumentalities, domestic equity, international equity and fixed income investment.

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.

Information about the sensitivity of the fair values of OPEB Plan investments to market interest rate fluctuations as of September 30 is provided in the following tables, which show the distribution of the Plan's investments by maturity.

<u>Investment Type</u>	<u>Total Amount</u>	<u>Remaining Maturity (in years) as of September 30, 2018</u>			
		<u>Less 1 Year</u>	<u>1 to 5 Years</u>	<u>5 to 10 Years</u>	<u>Greater than 10 Years</u>
Government Obligations	\$388	\$388	\$ -	\$ -	\$ -
Mutual Funds - Equity	32,529	32,529	-	-	-
Mutual Funds – Fixed Income	18,015	2,334	7,326	5,927	2,428
Total	<u>\$50,932</u>	<u>\$35,251</u>	<u>\$7,326</u>	<u>\$5,927</u>	<u>\$2,428</u>

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Investment Type	Total Amount	Remaining Maturity (in years) as of September 30, 2017			
		Less 1 Year	1 to 5 Years	5 to 10 Years	Greater than 10 Years
Government Obligations	\$3,983	\$3,983	\$ -	\$ -	\$ -
Mutual Funds - Equity	28,006	28,006	-	-	-
Mutual Funds – Fixed Income	16,035	752	4,078	7,782	3,423
Total	<u>\$48,024</u>	<u>\$32,741</u>	<u>\$4,078</u>	<u>\$7,782</u>	<u>\$3,423</u>

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.

September 30, 2018								
Investment Type	Total Amount	AAA/Am	AAA/ Aaa	AA/ Aa	A	BBB/ Baa	< BBB/ Baa	Cash or Not Rated
Government Obligations	\$388	\$388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mutual Funds - Equity	32,529	-	-	-	-	-	-	32,529
Mutual Funds – Fixed Income	18,015	-	6,135	1,115	4,758	3,998	1,424	585
Total	<u>\$50,932</u>	<u>\$388</u>	<u>\$6,135</u>	<u>\$1,115</u>	<u>\$4,758</u>	<u>\$3,998</u>	<u>\$1,424</u>	<u>\$33,114</u>

September 30, 2017								
Investment Type	Total Amount	AAA/Am	AAA/ Aaa	AA/ Aa	A	BBB/ Baa	< BBB/ Baa	Cash or Not Rated
Government Obligations	\$3,983	\$3,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mutual Funds - Equity	28,006	-	-	-	-	-	-	28,006
Mutual Funds – Fixed Income	16,035	-	5,187	1,034	3,715	3,466	2,199	434
Total	<u>\$48,024</u>	<u>\$3,983</u>	<u>\$5,187</u>	<u>\$1,034</u>	<u>\$3,715</u>	<u>\$3,466</u>	<u>\$2,199</u>	<u>\$28,440</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan’s investment in a single issuer. Investments in any one issuer that represent 5% or more of total investment portfolio of OPEB Plan as of September 30 are as shown below:

September 30, 2018		
Issuer	Reported Amount	Percentage of Total Portfolio
Vanguard	\$32,803	65%
Baird Asset Management	5,954	12%
J O Hambro Capital Management Group	2,782	6%
DoubleLine Capital	2,700	5%

September 30, 2017		
Issuer	Reported Amount	Percentage of Total Portfolio
Vanguard	\$28,186	61%
Baird Asset Management	5,283	11%
First American Funds	3,983	8%
J O Hambro Capital Management Group	2,821	6%
DoubleLine Capital	2,406	5%

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, the OPEB Plan will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All of the OPEB Plan’s investments were invested in mutual funds, which by design provide ownership of shares within the fund, are not exposed to custodial credit risk.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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. The OPEB Plan's foreign currency net position (foreign currency denominated investments) were \$9,233 (18%) as of September 30, 2018 compared to \$10,237 (21.31%) as of September 30, 2017. The Plan's exposure to foreign currency risk is shown below. The amounts are shown in U.S. Dollars.

Investment Type	Currency	2018 Fair Value (USD)	2017 Fair Value (USD)
International Equity	Australian Dollar	\$387	\$419
	Brazil Real	201	82
	British Pound	971	1,317
	Canadian Dollar	320	330
	Chilean Peso	7	-
	Chinese Yuan Renminbi	665	313
	Colombian Peso	3	-
	Danish Krone	241	191
	Egyptian Pound	3	-
	European Monetary Unit	1,925	2,110
	Hong Kong Dollar	148	144
	Hungarian Forint	23	-
	Indian Rupee	146	149
	Indonesian Rupiah	26	30
	Israeli New Shekel	145	55
	Japanese Yen	2,251	2,209
	Kuwait Dinar	7	-
	Malaysian Ringgit	20	-
	Mexican Peso	59	508
	New Zealand Dollar	10	-
	Norwegian Kroner	44	54
	Philippine peso	10	-
	Poland zloty	7	-
	Qatari Rial	7	-
	Russian Ruble	122	21
	Saudi Riyal	17	-
	Singapore Dollar	83	58
	South African Rand	71	73
	South Korean Won	335	192
	Swedish Krona	140	144
	Switzerland Franc	526	467
	Taiwan New Dollar	248	1,117
	Thai Baht	51	30
	Turkish Lira	7	-
	United Arab Emirates dirham	7	-
Total		<u>\$9,233</u>	<u>\$10,013</u>

DART categorizes its fair value measurements of the OPEB Plan 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 has the following fair value measurements as of September 30, 2018 and 2017.

Fair Value Measurements as of September 30, 2018				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Government Obligations	\$388	\$ -	\$388	\$ -
Mutual Funds - Equity	32,529	-	32,529	-
Mutual Funds - Fixed Income	18,015	-	18,015	-
Total	<u>\$50,932</u>	<u>\$ -</u>	<u>\$50,932</u>	<u>\$ -</u>

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Fair Value Measurements as of September 30, 2017				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Government Obligations	\$3,983	\$ -	\$3,983	\$ -
Mutual Funds - Equity	28,006	-	28,006	-
Mutual Funds – Fixed Income	16,035	-	16,035	-
Total	<u>\$48,024</u>	<u>\$ -</u>	<u>\$48,024</u>	<u>\$ -</u>

20. 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.

21. COMMITMENTS AND CONTINGENCIES

The Board has approved a Transit System Plan, which included the design and construction the Silver Line for commuter rail service and Dallas Central Business District (D2) Alignment for light rail service. The Silver Line 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 Twenty-Year Financial Plan and is subject to change based on changing economic conditions. The FY 2020 Twenty-Year Financial Plan includes \$6.97 billion for capital and non-operating projects. DART has entered into contract commitments for these and other capital developments in the amount of \$1.1 billion and has spent approximately \$226 million of the committed amount as of September 30, 2019.

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 were approximately \$846 and \$868 in 2019 and 2018, respectively.

Future minimum lease payments for all non-cancelable operating leases are as follows:

Fiscal Year	2020	2021	2022	2023	2024
Minimum Lease Payments	\$917	\$489	\$487	\$440	\$346

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.

22. DERIVATIVE INSTRUMENTS

DART has fuel delivery contracts with suppliers for commuter rail vehicles (diesel fuel) and DART buses (CNG) and service vehicles (gasoline). 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.

Diesel and Gasoline Fuel Hedge

The fair values of the derivative instrument associated with diesel and gasoline hedge contract were \$314 as of September 30, 2019 and \$1,626 as of September 30, 2018.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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 and gasoline 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.

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 2019, DART's position in the derivative instrument was a receivable of \$314. DART could have been exposed to credit risk if the counterparty to the transaction becomes insolvent but that did not happen. Standard and Poor's credit rating for the counterparty was A3 during 2019.

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 2019 and the last contract for diesel fuel hedge will expire on 9/30/2020 and for gasoline expired 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 & Poor's or Moody's and if the exposure exceeds threshold amounts specified in the derivative instruments (contracts). During 2019, DART maintained an AA+ credit rating from Standard & Poor's, AA+ from Kroll Bond Rating Agency, and Aa2 from Moody's Investors Service on outstanding long-term debt. In addition, Fitch Ratings maintains an AA- on DART's Series 2007 bonds.

Compressed Natural Gas (CNG)

During fiscal year 2010, DART entered into a fixed price and indexed price CNG delivery contract for the CNG needed to operate DART buses and paratransit 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 volume than 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, 2019 and 2018.

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 2019 and 2018.

Natural Gas Hedge

The fixed price natural gas delivery contract will expire on September 30, 2020. DART is currently working on a new natural gas delivery contract. In the meantime, DART entered into natural gas hedge contract for a three-year period, October 1, 2020 to September 30, 2023. The objective of the natural gas hedge contract is to limit DART's exposure to market price fluctuations related to expected purchase of natural gas for DART buses, and paratransit service vehicles. The terms of the agreement include DART paying monthly fixed prices and receiving floating prices based on the West Texas, Waha index.

Credit risk – As of the end of fiscal year 2019, DART's position in the derivative instrument (natural gas hedge) was a liability of \$1,457. DART could have been exposed to credit risk if the counterparty to the transaction becomes insolvent but that did not happen. Standard and Poor's credit rating for the counterparty was A3 during 2019.

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 natural gas purchased for its operations. No termination event has occurred during fiscal year 2019 and the last contract for natural gas hedge will expire on 9/30/2023.

Contingencies – The natural gas 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 & Poor's or Moody's and if the exposure exceeds threshold amounts specified in the derivative instruments (contracts). During 2019, DART maintained an AA+ credit rating from Standard & Poor's, AA+ from Kroll Bond Rating Agency, and Aa2 from Moody's Investors Service on outstanding long-term debt. In addition, Fitch Ratings maintains an AA- on DART's Series 2007 bonds.

**DALLAS AREA RAPID TRANSIT
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

23. NEW ACCOUNTING PRONOUNCEMENTS

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.

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.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No.14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; sets standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In February 2020, GASB issued Statement No. 92 *Omnibus 2020*. This Statement addresses a variety of topics including the effective date of Statement No. 87 and Implementation Guide (IG) No. 2019-3 for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73 and 74 to reporting assets accumulated for postemployment benefits (PEBs); the applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement related to intra-entity transfers of assets and those related to the applicability of Statements No. 73 and 74 are effective for fiscal years beginning after June 15, 2020. The requirements of this Statement related to the application of Statement No. 84 to PEBs, those related to nonrecurring fair value measurements of assets or liabilities, and those related to the measurement of liabilities (and assets, if any) associated with AROs are effective for reporting periods beginning after June 15, 2020. The requirements related to the effective date of Statement No. 87 and IG No. 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

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, 2019 and 2018 (Dollars in Thousands)**

The schedule of changes in the DART's Net Pension Liability and Related Ratios (Dollar amounts in thousands)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$988	\$1,107	\$1,281	\$954	\$502
Interest	14,795	14,501	14,969	14,644	14,674
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	1,920	2,655	(2,815)	(5,082)	-
Changes in assumptions	5,326	-	63	-	-
Benefit payments	(14,107)	(13,471)	(11,203)	(11,369)	(11,364)
Net change in total pension liability	8,922	4,792	2,295	(853)	3,812
Total pension liability – beginning	225,253	220,461	218,166	219,019	215,207
Total pension liability – ending (a)	234,175	225,253	220,461	218,166	219,019
Plan Fiduciary Net Position					
Contributions – employer	10,000	10,000	9,217	8,706	9,122
Contributions – employee	2	2	2	2	2
Net investment income, net of expenses	10,679	15,590	16,067	520	12,532
Benefit payments	(14,107)	(13,471)	(11,203)	(11,369)	(11,364)
Administrative expenses	(84)	(100)	(218)	(219)	(250)
Net change in plan fiduciary net position	6,490	12,021	13,865	(2,360)	10,042
Plan fiduciary net position – beginning	180,355	168,334	154,469	156,829	146,787
Plan fiduciary net position - ending (b)	186,845	180,355	168,334	154,469	156,829
DART's net pension liability (a) – (b)	\$47,330	\$44,898	\$52,127	\$63,697	\$62,190
Plan fiduciary net position as a percentage of total pension liability	79.79%	80.07%	76.36%	70.80%	71.61%
Covered payroll	\$14,333	\$15,642	\$18,914	\$19,129	\$19,438
DART's net pension liability as a percentage of covered payroll	330.22%	287.04%	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: Starting from fiscal year 2017, the discount rate decreased from 7.00% to 6.75%. There were no significant changes in assumptions for other fiscal years.

Changes of assumptions:

For measurement date 09/30/2018, the assumed rates of mortality have been amended to adopt the Pub-2010 Public Retirement Plan Mortality Tables for General Employees (Below-Median, Amount-Weighted) which were released with an exposure draft based on a comprehensive review of recent mortality experience of public retirement plans in the United State as performed by The Society of Actuaries' Retirement Plans Experience Committee.

**DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2019 (Dollars in Thousands)**

The schedule of DART Contribution to DB Pension Plan (Dollar amounts in thousands)

	9/30/19	9/30/18	9/30/17	9/30/16	9/30/15	9/30/14	9/30/13	9/30/12	9/30/11	9/13/10
Contractually required contribution	\$7,235	\$7,755	\$9,217	\$9,221	\$8,706	\$9,122	\$9,074	\$8,045	\$6,266	\$6,212
Contribution in relation to the contractually required contribution	10,000	10,000	10,000	9,221	8,706	9,122	9,074	8,045	6,266	6,212
Contribution deficiency (excess)	\$(2,765)	\$(2,245)	\$(783)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$14,333	\$15,642	\$18,914	\$19,129	\$19,438	\$19,467	\$19,306	\$23,727	\$23,904	\$24,721
Contribution as a percentage of covered payroll	69.77%	63.93%	52.87%	45.51%	44.79%	46.93%	46.61%	41.67%	26.41%	25.99%

Notes to Schedule

Valuation date: Most recent valuation date is October 1, 2018.

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, 2018 was made during the fiscal year ended September 30, 2019, and as of October 1, 2017 was made during the fiscal year ended September 30, 2018.

Significant actuarial assumption and methods 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	Entry Age Normal starting from 9/30/2017 measurement date. Before that it was Projected Unit Credit.
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	6.75% per year compounded annually, net of all expenses starting from September 30, 2016 measurement dates. Before that it was 7.00%.
Retirement age	7.5% at age 55 reaching 100% at age 70.
Salary Increases	3% starting from September 30, 2016 measurement date. Before that it was 3.25%.
Mortality	<i>Healthy Lives:</i> RP-2000 Combined Health Table (sex distinct) with rates increased by 8.59% and with mortality improvement projections to the valuation date (previously fully generational) using Scale AA. <i>Disabled Lives:</i> RP-2000 Disabled Mortality Table (sex distinct). The assumed rates of mortality are reasonable as they sufficiently accommodate expected future mortality improvements. The rates were approved in conjunction with an actuarial experience study performed in 2016.
Marital Status	85% of male participants and 65% of female participants are assumed to be married. Additionally, male spouses are assumed to be three years older than female spouses.
Termination Rate	1.50% per year prior to age 54, and 1.00% per year on and after attainment of age 54.

**DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE LAST TEN FISCAL YEARS**

SEPTEMBER 30, 2019 (Dollars in Thousands)

The schedule of changes in the DART's Net OPEB Liability and Related Ratios (Dollar amounts in thousands)

	2019	2018
<u>Total OPEB Liability</u>		
Service cost	\$3,200	\$2,762
Interest	5,129	4,218
Changes of benefit terms	-	-
Difference between expected and actual experience with regard to economic or demographic assumptions	(4,931)	4,514
Changes in assumptions about future economic or demographic or other inputs	(10,289)	2,437
Benefit payments	(2,920)	(1,470)
Net change in total pension liability	(9,811)	12,461
Total OPEB liability – beginning	70,691	58,230
Total OPEB liability – ending (a)	60,880	70,691
<u>Plan Fiduciary Net Position</u>		
Contributions – participant	460	-
Contributions – employer	-	5,821
Net investment income, net of expenses	3,650	3,883
Benefit payments	(2,920)	(1,470)
Administrative expenses	(170)	-
Adjustment to reflect actual assets		306
Net change in plan fiduciary net position	1,020	8,540
Plan fiduciary net position – beginning	49,912	41,372
Plan fiduciary net position - ending (b)	50,932	49,912
DART's net OPEB liability* (a) – (b)	\$9,948	\$20,779
Plan fiduciary net position as a percentage of total OPEB liability	83.66%	70.61%
Covered payroll	\$214,754	\$205,345
DART's net OPEB liability as a percentage of covered payroll	4.63%	11.12%

Changes of Assumptions and Other Changes – DART's contribution to covered spouse Medicare Supplement premiums was updated from 80% to 50% to align with the substantive plan provisions. All other assumptions are those performed as of September 30, 2018. Note that the overall impact shown above includes changes of assumptions to update the mortality improvement and the percentage of retirees who are married and elect coverage for their spouse.

*For the fiscal year ended September 30, 2018 a net OPEB liability of \$22,667 was reported since an estimated value of assets was used for actuarial valuation. Based on actual value of the OPEB Plan assets, the updated net OPEB liability is \$20,779.

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.

**DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2019 (Dollars in Thousands)**

The schedule of DART Contribution to OPEB Plan (Dollar amounts in thousands)

	9/30/19	9/30/18*	9/30/17	9/30/16	9/30/15	9/30/14	9/30/13	9/30/12	9/30/11*	9/13/10
Actuarially determined contribution	\$3,627	\$3,862	\$5,821	\$4,625	\$4,313	\$5,141	\$4,996	\$5,024	\$4,591	\$3,654
Contribution in relation to the actuarially determined contribution	7,489	\$ -	5,821	4,625	4,313	5,141	4,996	9,615	\$ -	3,654
Contribution deficiency (excess)	(\$3,862)	\$3,862	\$ -	\$ -	\$ -	\$ -	\$ -	(\$4,591)	\$4,591	\$ -
Covered payroll	\$221,734	\$214,754	\$205,345	\$196,688	\$185,181	\$174,557	\$174,557	\$169,196	\$175,685	\$171,371
Contribution as a percentage of covered payroll	3.38%	0.00%	2.83%	2.35%	2.33%	2.95%	2.86%	5.68%	0%	2.13%

* Contribution for fiscal year ended September 30, 2011 was made on October 13, 2011. Contribution for fiscal year ended September 30, 2018 was made on October 1, 2018.

Notes to Schedule

Valuation date: Most recent valuation date is September 30, 2018.

Actuarially determined contribution rates shown above are calculated as of September 30 for the plan/fiscal year in which contributions are reported.

For fiscal year 2019, Covered Payroll is projected from the valuation date to the end of the fiscal year, using applicable salary increase assumptions.

Methods and assumptions used to determine contribution rates include the following:

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
Discount Rate	7.00%
Inflation	3.00% included in health care cost trend
Salary Increases	3.25% per annum
Investment Rate of Return	7.00%
Health Care Cost Trend Rate	Starts with 6.75% in year 2019 and grading down the ultimate of 5% in year 2025.
Mortality Rate	RP-2014 Mortality Fully Generational using Projection Scale MP-2017
Health Care participation	50% participation assumed, with 100% electing spouse coverage.
Life Insurance participation	100% participation assumed
Marital Status	25% assumed married, with male spouses 4 years older than female spouses.
Impact of Cadillac tax	3%
Actuarial Cost Method	Entry Age Actuarial Cost Method

* * * * *

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APPENDIX C

FORMS OF LEGAL OPINIONS OF CO-BOND COUNSEL

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FORM OF OPINION OF CO-BOND COUNSEL

_____, 2020

\$ _____

DALLAS AREA RAPID TRANSIT

SENIOR LIEN SALES TAX REVENUE IMPROVEMENT AND REFUNDING BONDS

SERIES 2020A

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 Lien Sales Tax Revenue Improvement and Refunding Bonds, Series 2020A (the “Series 2020A Bonds”) in the principal amount of \$ _____. The Series 2020A Bonds are being issued pursuant to the Master Debt Resolution adopted January 23, 2001, as such Master Debt Resolution has been amended and supplemented from time to time (as amended and supplemented, the “Master Debt Resolution”) and the Twentieth Supplemental Debt Resolution (the “Twentieth Supplemental Debt Resolution”), adopted December 10, 2019. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Master Debt Resolution and the Twentieth Supplemental Debt Resolution.

We have represented DART as its Co-Bond Counsel, for the sole purpose of rendering an opinion with respect to the legality and validity of the Series 2020A Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Series 2020A Bonds from gross income 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, and Chapters 1207 and 1371, Texas Government Code, as amended. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed 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 2020A Bonds.

In our capacity as Co-Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Series 2020A Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of DART: (i) the Master Debt Resolution and the Twentieth Supplemental Debt Resolution; (ii) customary certificates of officers, agents and representatives of DART, and other public officials, and other certified showings relating to the authorization and issuance of the Series 2020A Bonds; and (iii) an escrow agreement (the “Escrow Agreement”), between DART and Zions Bancorporation, National Association, as escrow agent (the “Escrow Agent”); (iv) a report (the “Report”) of Causey Demgen & Moore P.C., a firm of certified public

accountants (the "Verification Agent") verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the bonds being refunded (the "Refunded Bonds"). 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. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Series 2020A Bonds;

(B) The Series 2020A Bonds constitute valid and binding special obligations of DART, secured by and payable from a first and senior lien on and pledge of the Pledged Revenues; and

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and therefore, the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor in such Escrow Agreement.

The rights of the owners of the Series 2020A Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion. Owners of the Series 2020A Bonds 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 reserved the right to issue additional debt, subject to the restrictions contained in the Master Debt Resolution, that is secured by liens on the Pledged Revenues that are on a parity with or that are junior and subordinate to the lien on Pledged Revenues securing the Series 2020A Bonds.

IT IS OUR FURTHER OPINION THAT, under existing law:

Interest on the Series 2020A Bonds is excludable from gross income of the owners for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Series 2020A Bonds is not a preference item for purposes of the alternative minimum tax.

In rendering such opinions, we have relied on representations of DART, the Co-Financial Advisors and the Underwriters, respectively, with respect to matters solely within the knowledge of DART, the Co-Financial Advisors and the Underwriters which we have not independently verified, and we have assumed continuing compliance with the covenants in the Master Debt Resolution and the Twentieth Supplemental Debt Resolution and the representations in the Federal Tax Certificate pertaining to those sections of the Code that affect the exclusion of interest on the Series 2020A Bonds from the gross income of the owners 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 Master Debt Resolution and the Twentieth

Supplemental Debt Resolution, interest on the Series 2020A Bonds could become includable in the gross income of the owners 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 receipt or accrual of interest on, or acquisition, ownership or disposition of, the Series 2020A Bonds.

Owners of the Series 2020A Bonds should be aware that the ownership of tax-exempt obligations, such as the Series 2020A Bonds, 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 2020A Bonds).

The opinions set forth above 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. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. 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 representations 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 2020A Bonds. 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 Twentieth Supplemental Debt Resolution 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 2020A Bonds as includable in gross income for federal income tax purposes.

Respectfully,

FORM OF OPINION OF CO-BOND COUNSEL

_____, 2020

\$ _____

DALLAS AREA RAPID TRANSIT

SENIOR LIEN SALES TAX REVENUE REFUNDING BONDS

SERIES 2020B

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 Lien Sales Tax Revenue Refunding Bonds, Series 2020B (the “Series 2020B Bonds”) in the principal amount of \$ _____. The Series 2020B Bonds are being issued pursuant to the Master Debt Resolution adopted January 23, 2001, as such Master Debt Resolution has been amended and supplemented from time to time (as amended and supplemented, the “Master Debt Resolution”) and the Twentieth Supplemental Debt Resolution (the “Twentieth Supplemental Debt Resolution”), adopted December 10, 2019. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Master Debt Resolution and the Twentieth Supplemental Debt Resolution.

We have represented DART as its Co-Bond Counsel, for the sole purpose of rendering an opinion with respect to the legality and validity of the Series 2020B Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Series 2020B Bonds from gross income 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, and Chapters 1207 and 1371, Texas Government Code, as amended. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed 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 2020B Bonds.

In our capacity as Co-Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Series 2020B Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of DART: (i) the Master Debt Resolution and the Twentieth Supplemental Debt Resolution; (ii) customary certificates of officers, agents and representatives of DART, and other public officials, and other certified showings relating to the authorization and issuance of the Series 2020B Bonds; and (iii) an escrow agreement (the “Escrow Agreement”), between DART and Zions Bancorporation, National Association, as escrow agent (the “Escrow Agent”); (iv) a report (the “Report”) of Causey Demgen & Moore P.C., a firm of certified public

accountants (the "Verification Agent") verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the bonds being refunded (the "Refunded Bonds"). 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. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Series 2020B Bonds;

(B) The Series 2020B Bonds constitute valid and binding special obligations of DART, secured by and payable from a first and senior lien on and pledge of the Pledged Revenues; and

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and therefore, the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor in such Escrow Agreement.

The rights of the owners of the Series 2020B Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion. Owners of the Series 2020B Bonds 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 reserved the right to issue additional debt, subject to the restrictions contained in the Master Debt Resolution, that is secured by liens on the Pledged Revenues that are on a parity with or that are junior and subordinate to the lien on Pledged Revenues securing the Series 2020B Bonds.

IT IS OUR FURTHER OPINION THAT, under existing law:

Interest on the Series 2020B Bonds is excludable from gross income of the owners for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Series 2020B Bonds is not a preference item for purposes of the alternative minimum tax.

In rendering such opinions, we have relied on representations of DART, the Co-Financial Advisors and the Underwriters, respectively, with respect to matters solely within the knowledge of DART, the Co-Financial Advisors and the Underwriters which we have not independently verified, and we have assumed continuing compliance with the covenants in the Master Debt Resolution and the Twentieth Supplemental Debt Resolution and the representations in the Federal Tax Certificate pertaining to those sections of the Code that affect the exclusion of interest on the Series 2020B Bonds from the gross income of the owners 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 Master Debt Resolution and the Twentieth

Supplemental Debt Resolution, interest on the Series 2020B Bonds could become includable in the gross income of the owners 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 receipt or accrual of interest on, or acquisition, ownership or disposition of, the Series 2020B Bonds.

Owners of the Series 2020B Bonds should be aware that the ownership of tax-exempt obligations, such as the Series 2020B Bonds, 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 2020B Bonds).

The opinions set forth above 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. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. 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 representations 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 2020B Bonds. 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 Twentieth Supplemental Debt Resolution 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 2020B Bonds as includable in gross income for federal income tax purposes.

Respectfully,

FORM OF OPINION OF CO-BOND COUNSEL

_____, 2020

\$ _____

DALLAS AREA RAPID TRANSIT

SENIOR LIEN SALES TAX REVENUE REFUNDING BONDS

TAXABLE SERIES 2020C

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 Lien Sales Tax Revenue Refunding Bonds, Series 2020C (the “Series 2020C Bonds”) in the principal amount of \$ _____. The Series 2020C Bonds are being issued pursuant to the Master Debt Resolution adopted January 23, 2001, as such Master Debt Resolution has been amended and supplemented from time to time (as amended and supplemented, the “Master Debt Resolution”) and the Twentieth Supplemental Debt Resolution (the “Twentieth Supplemental Debt Resolution”), adopted December 10, 2019. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Master Debt Resolution and the Twentieth Supplemental Debt Resolution.

We have represented DART as its Co-Bond Counsel, for the sole purpose of rendering an opinion with respect to the legality and validity of the Series 2020C Bonds under the Constitution and laws of the State of Texas.

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, and Chapters 1207 and 1371, Texas Government Code, as amended. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed 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 2020C Bonds.

In our capacity as Co-Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Series 2020C Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of DART: (i) the Master Debt Resolution and the Twentieth Supplemental Debt Resolution; (ii) customary certificates of officers, agents and representatives of DART, and other public officials, and other certified showings relating to the authorization and issuance of the Series 2020C Bonds; and (iii) an escrow agreement (the “Escrow Agreement”), between DART and Zions Bancorporation, National Association, as escrow agent (the “Escrow Agent”); (iv) a report (the “Report”) of Causey Demgen & Moore P.C., a firm of certified public accountants (the “Verification Agent”) regarding the mathematical accuracy of certain computations and

verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the bonds being refunded (the "Refunded Bonds"). 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. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Series 2020C Bonds;

(B) The Series 2020C Bonds constitute valid and binding special obligations of DART, secured by and payable from a first and senior lien on and pledge of the Pledged Revenues; and

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and therefore, the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor in such Escrow Agreement.

The rights of the owners of the Series 2020C Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion. Owners of the Series 2020C Bonds 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.

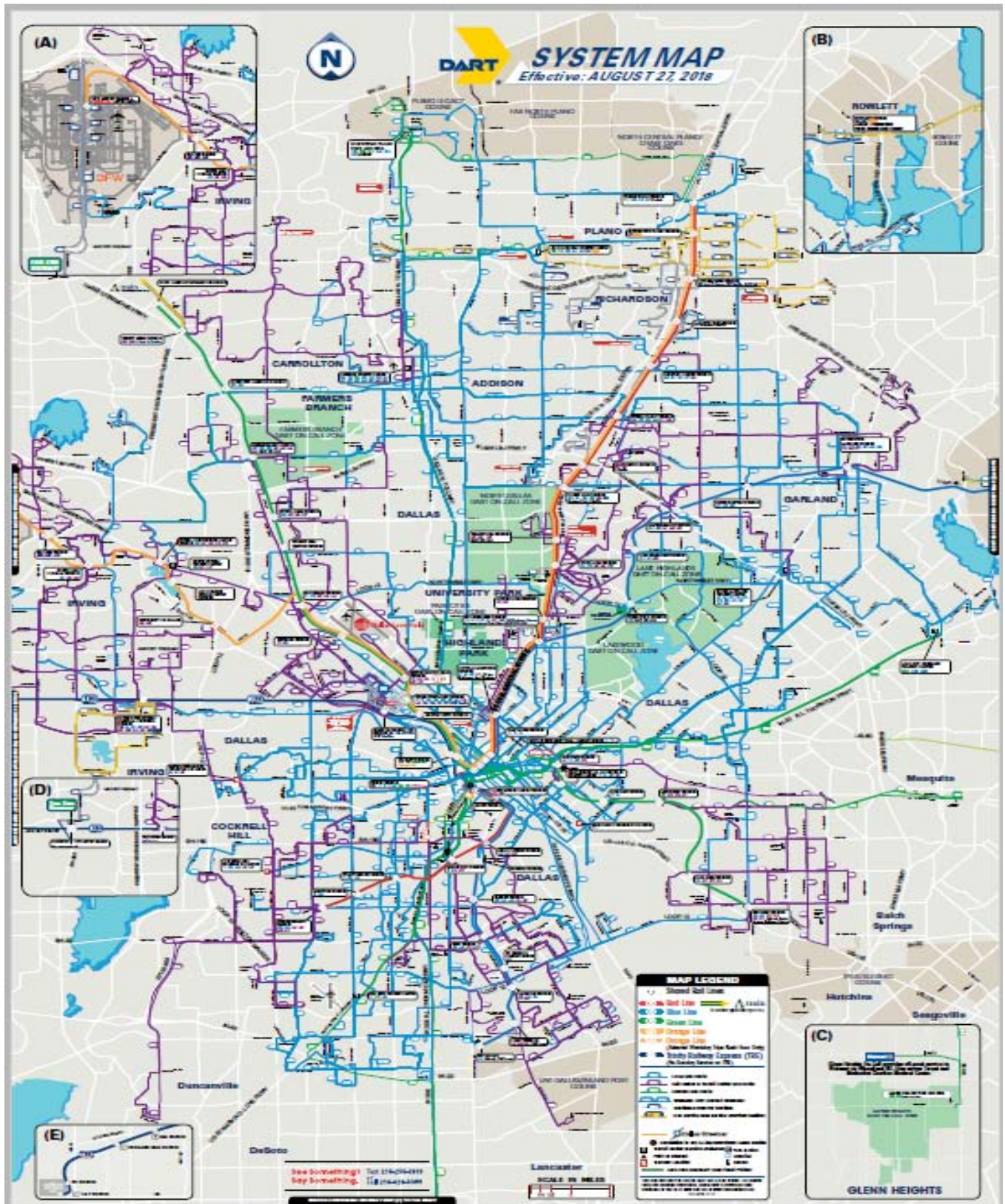
DART has reserved the right to issue additional debt, subject to the restrictions contained in the Master Debt Resolution, that is secured by liens on the Pledged Revenues that are on a parity with or that are junior and subordinate to the lien on Pledged Revenues securing the Series 2020C Bonds.

We express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Series 2020C Bonds.

Respectfully,

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APPENDIX D SERVICE AREA MAP



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APPENDIX E

FORM OF FORWARD DELIVERY CONTRACT

March 5, 2020

Ramirez & Co., Inc.
As Representative of the Underwriters

\$ _____
**DALLAS AREA RAPID TRANSIT
SENIOR LIEN SALES TAX
REVENUE REFUNDING BONDS
SERIES 2020B
(FORWARD DELIVERY)**

Ladies and Gentlemen:

The undersigned (the “Purchaser”) hereby agrees to purchase from Ramirez & Co., Inc. (the “Representative”), as representative of itself and the Underwriters set forth in the Forward Purchase Agreement (defined below) (with the Representative, the “Underwriters”) when, as, and if issued and delivered to the Underwriters by Dallas Area Rapid Transit (the “Issuer”), and the Representative agrees to sell to the Purchaser:

<u>Par Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>	<u>Yield</u>	<u>Price</u>
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of the above-referenced Series 2020B Bonds (the “Purchased Obligations”) offered by the Issuer under the Preliminary Official Statement dated February 20, 2020, as supplemented (“Preliminary Official Statement”), and the Official Statement relating to the Purchased Obligations dated March 5, 2020 (with the Preliminary Official Statement, the “Official Statement”), at the purchase price and with the interest rates, principal amounts, and maturity dates shown above, and on the further terms and conditions set forth in this forward delivery contract (the “Forward Delivery Contract”). The Purchased Obligations are being purchased by the Underwriters pursuant to a forward delivery bond purchase agreement dated March 5, 2020 between the Issuer and the Representative, acting on its behalf and on behalf of the Underwriters (the “Forward Purchase Agreement”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Forward Purchase Agreement or the Official Statement.

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement (including without limitation the section entitled “CERTAIN FORWARD DELIVERY CONSIDERATIONS, ACKNOWLEDGMENTS AND RISKS FOR THE SERIES 2020B BONDS” therein), has considered the risks associated with purchasing the Purchased Obligations and is duly authorized to purchase the Purchased Obligations. The Purchaser further acknowledges and agrees that the Purchased Obligations are being sold on a “forward” basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased Obligations from the Underwriters on or about September 2, 2020 (the “Forward Delivery Date”) as they may be issued and delivered in accordance with the Forward Purchase Agreement.

Payment for the Purchased Obligations shall be made to the Representative or upon its order on the Forward Delivery Date upon delivery to the Purchaser of the Purchased Obligations through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Underwriters be

responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the Issuer does not for any reason issue and deliver the Purchased Obligations.

Upon Settlement, the obligation of the Purchaser to take delivery of the Purchased Obligations hereunder shall be unconditional, except as otherwise stated herein. The Purchaser may terminate its obligation to purchase the Purchased Obligations in the event that between March 5, 2020 (the date of this Forward Delivery Contract) and September 2, 2020 (the “Forward Delivery Date”), one of the following events shall have occurred and the Purchaser has notified the Underwriters in writing as provided herein:

(1) as a result of a Change of Law (defined below) or for any other reason, Co-Bond Counsel does not expect to be able to issue an opinion of Co-Bond Counsel related to the Series 2020B Bonds as of the Forward Delivery Date either (i) substantially in the form and to the effect set forth in Appendix C of the Official Statement or (ii) notwithstanding a Change of Law that prevents Co-Bond Counsel from issuing an opinion of Co-Bond Counsel substantially in the form related to the Series 2020B Bonds and to the effect set forth in Appendix C of the Official Statement hereto, that interest on the Series 2020B Bonds is excludable from gross income for federal income tax purposes and is not included as a specific preference item for purposes of federal alternative minimum tax;

(2) as a result of the occurrence of any of the events described in clauses (i) through (iv) of the definition of Change of Law below that applies to “state or local bonds” that are issued and delivered on or after the date of this Forward Delivery Contract (such as the Series 2020B Bonds), the holder of a Series 2020B Bond is not able to utilize the full benefit of the exclusion from gross income for federal income tax purposes of interest payable on the Series 2020B Bonds;

(3) for any reason, including a Change of Law, the issuance, offering, or sale of the Series 2020B Bonds as contemplated by the Forward Purchase Agreement or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended (the “33 Act”), the Securities Exchange Act of 1934, as amended (the “34 Act”), or the Trust Indenture Act of 1939, as amended (the “39 Act”);

(4) an event of default has occurred and is continuing, technical or otherwise, under the Resolution; or

(5) as of the Forward Delivery Date, the Series 2020B Bonds are not rated (or any rating thereon is withdrawn or suspended) by any of S&P, Moody’s or Kroll. See “OTHER INFORMATION-Ratings” in the Official Statement.

“*Change of Law*” is any of the following, which occur at any time after the date of this Forward Delivery Contract and on or prior to the Forward Delivery Date: (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by a court in a final unappealable decision, including any adoption of new rules or changes in existing rules, regulations or other pronouncements or interpretations by federal or state agencies or self-regulatory bodies, (ii) any legislation enacted by the Congress of the United States or recommended for passage by the President of the United States (whether or not such enacted or recommended legislation has a proposed effective date which is on or before the Forward Delivery Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency or self-regulatory bodies (whether or not such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Forward Delivery Date) or (iv) any judgment, ruling or order issued by any court or administrative body, all of which in any such case (as provided in (i) through (iv) above) would: (A) as to the Underwriters, legally prohibit (or have the retroactive effect of legally prohibiting, if enacted, adopted, passed or finalized) their purchase of the Series 2020B Bonds, as provided in the Forward Purchase Agreement or their sale of the Series 2020B Bonds or

beneficial ownership interests therein to the public, or (B) as to the Issuer, make illegal the issuance, sale or delivery of the Series 2020B Bonds (or have the retroactive effect of making illegal the issuance, sale or delivery of the Series 2020B Bonds, if enacted, adopted, passed or finalized), or (C) eliminate the exclusion from gross income of interest on the Series 2020B Bonds (or have the retroactive effect of eliminating the exclusion from gross income of interest on the Series 2020B Bonds, if enacted, adopted, passed, or finalized), or (D) require the Series 2020B Bonds to be registered under the 33 Act or under the 34 Act, or require the Resolution to be qualified under the 39 Act (or have the retroactive effect of requiring such registration or qualification if enacted, passed, finalized or adopted).

If the Change of Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of, interest payable on “state or local bonds,” the Issuer may, nonetheless, be able to satisfy the requirements for the delivery of the Series 2020B Bonds. In such event, the Underwriters would be obligated to purchase the Series 2020B Bonds from the Issuer and the Purchaser would be required to accept delivery of the Purchased Obligations from the Underwriters.

The Purchaser acknowledges and agrees that the Purchased Obligations are being sold on a “forward delivery” or “delayed delivery” basis for delivery on the Forward Delivery Date and that the Purchaser is obligated to take up and pay for the Purchased Obligations on the Forward Delivery Date unless the Underwriters terminate the Forward Purchase Agreement or the Purchaser terminates its obligation to purchase the Purchased Obligations as described herein. To effect a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of termination of this Forward Delivery Contract to the Representative before the Forward Delivery Date. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur after the Forward Delivery Date. The Purchaser is not a third-party beneficiary under the Forward Purchase Agreement and has no rights to enforce, or cause the Underwriters to enforce, any of the terms thereof. The Purchaser acknowledges that it will not be able to withdraw its order except as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Obligations on the Forward Delivery Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings assigned to the Purchased Obligations or changes in the credit associated with the Purchased Obligations generally, and (b) changes in the financial condition and operations of the Issuer. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Obligations in accordance with the terms hereof, even if the Purchaser decides to sell such Purchased Obligations following the date hereof, unless the Purchaser sells Purchased Obligations to another institution with the prior written consent of the Representative and such institution provides a written acknowledgment of confirmation of purchase order and a forward delivery contract in the same respective forms as that executed by the Purchaser.

The Purchaser represents and warrants that, as of the date of this Forward Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Obligations hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject.

This Forward Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the prior written consent of the other.

The Purchaser acknowledges that the Representative is entering into this Forward Delivery Contract with the Issuer to purchase the Purchased Obligations in reliance in part on the performance by the Purchaser of its obligations hereunder.

This Forward Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument under the laws of the State of New York.

It is understood that the acceptance by the Representative of any forward delivery contract (including this one) is in the Representative's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a "first-come, first-served" basis. If this Forward Delivery Contract is acceptable to the Representative, it is requested that the Representative sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Representative and the Purchaser when such counterpart is so mailed or delivered by the Representative. This Forward Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Forward Delivery Contract shall be construed and administered under the laws of the State of New York.

Purchaser

Address

Telephone

By: _____

Name: _____

Title: _____

Accepted: Ramirez & Co., Inc., on behalf of the Underwriters

Name: _____

Title: _____



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