Offering Memorandum

Dated Date: July 21, 2014

Ratings
Moody's: P-1
S&P: A-1+

See "Ratings of Series I Notes" herein

This Offering Memorandum replaces the Offering Memorandum dated May 2, 2013 with respect to the Series I Notes (defined below) and supplements our 2014 Annual Disclosure Statement, dated February 25, 2014, as updated by our Quarterly Disclosure Updates, for the three-month period ended December 31, 2013 and the six-month period ended March 31, 2014, respectively. The 2014 Annual Disclosure Statement, the Quarterly Disclosure Updates and this Offering Memorandum have been filed as public records with the Municipal Securities Rulemaking Board and are posted on the Internet at our website at http://www.dart.org.

This Offering Memorandum relates to the following securities:

You should carefully consider the investment considerations contained herein under the caption "INVESTMENT CONSIDERATIONS" and in the accompanying 2014 Annual Disclosure Statement under the caption "INVESTMENT CONSIDERATIONS."

Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I (Self-Liquidity)

The Series I Notes

We previously authorized, as of April 9, 2013, the issuance from time to time of Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I (Self-Liquidity) (the "Series I Notes") as described herein. Pursuant to a Resolution, dated June 24, 2014 (hereinafter described and referred to as the "First Amendment to Tenth Supplemental Debt Resolution" or the "First Amendment"), beginning on the date set forth in the First Amendment, the principal of Series I Notes that may be at any time outstanding will increase from $150 million to $200 million. See "THE COMMERCIAL PAPER NOTES-Changes Made by the First Amendment." The Series I Notes may be issued and will be designated as (i) "Tax-Exempt Series I Notes (Non-AMT)," (ii) "Tax-Exempt Series I Notes (AMT)" or (iii) "Taxable Series I Notes." See, "TAX MATTERS-Types of Series I Notes Permitted." The Series I Notes are issued in minimum denominations of $100,000 and in integral multiples of $1,000 in excess of $100,000.

Security for Series I Notes—Lien Ranking

The Series I Notes are Senior Subordinate Lien Obligations under the provisions of the Master Debt Resolution, as amended. The Series I Notes are periodically sold, retired, and reissued in installments having maturities of no more than 270 days. Prior to each maturity, we expect to sell additional Series I Notes in the public markets to provide the funds needed to pay the principal due on the maturing Series I Notes. We may also retire Series I Notes at maturity using available monies. We intend to pay the interest on the Series I Notes from the Senior Subordinate Lien Debt Service Fund, but we reserve the right to pay the interest from the proceeds of future installment issues of Series I Notes.

The Series I Notes are payable from and are secured by a pledge of and lien on Pledged Revenues (as defined herein) consisting of (i) the Gross Sales Tax Revenues that we receive from the levy and collection of a 1% sales and use tax (the "Sales Tax") and the investment earnings thereon while held by the Trustee in the Gross Sales Tax Revenue Fund, (ii) Pledged Farebox Revenues (as defined herein) and (iii) additional revenues of DART which by a Supplemental Resolution are expressly and specifically pledged to Obligations. The lien securing the Series I Notes is subordinate to Senior Lien Obligations, but is senior to Junior Subordinate Lien Obligations, that we may issue or execute from time to time under the Master Debt Resolution. The lien securing the Series I Notes is on parity with other senior subordinate lien obligations, including additional commercial paper notes, we may issue in the future. **There is no credit agreement or other third party agreement that provides credit support or liquidity for the Series I Notes. The failure to pay the principal and interest on the Series I Notes when due is an Event of Default under the Master Debt Resolution.** See the "2014 Annual Disclosure Statement - "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds," and "Summary of Certain Terms of the Master Debt Resolution- Defaults and Remedies.

This Offering Memorandum may be used to offer and sell the Series I Notes only if it is accompanied by our 2014 Annual Disclosure Statement and our Quarterly Disclosure Updates.

J.P. Morgan **Loop Capital Markets**

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IMPORTANT NOTICES

We are providing information to you about the Series I Notes in four separate documents: (1) the 2014 Annual Disclosure Statement, dated February 25, 2014, (2) the Quarterly Disclosure Update for the three-month period ended December 31, 2013, dated March 25, 2014, (3) the Quarterly Disclosure Update for the six-month period ended March 31, 2014, dated May 30, 2014 and (4) this Offering Memorandum, which describes the specific terms of the Series I Notes. All references herein to the "Disclosure Statement" mean the 2014 Annual Disclosure Statement, as updated by the Quarterly Disclosure Updates and this Offering Memorandum.

Our Disclosure Statement includes a detailed discussion of the Pledged Revenues that we have pledged as security for the Series I Notes, the previously issued Senior Lien Bonds and other Obligations that we may issue or enter into in the future, of our rights to issue additional Bond Obligations and related Credit Agreement Obligations, of the financial tests that are imposed as preconditions to their issuance and of other matters relating to our organization and our public transportation system. We refer you to specific captions within the Disclosure Statement where additional information may be found regarding specific subjects.

Our most recently audited financial statements, for the Fiscal Year ended September 30, 2013, are included with the Independent Auditors' Report that is attached to the 2014 Annual Disclosure Statement as Appendix A thereto. When we issue Series I Notes, you should rely only on the information contained or incorporated by reference in this Offering Memorandum and the 2014 Annual Disclosure Statement. We have not authorized anyone to provide you with other information. If information varies between this Offering Memorandum and the 2014 Annual Disclosure Statement, you should rely on the information in this Offering Memorandum.

We will not offer the Series I Notes in any state where their offer is not permitted. We do not claim that the information contained in the 2014 Annual Disclosure Statement, the Quarterly Disclosure Updates and in this Offering Memorandum is accurate as of any date other than the Dated Date stated on their respective cover pages.

The Dealers may use this Offering Memorandum, the 2014 Annual Disclosure Statement and the Quarterly Disclosure Updates in connection with the sale of Series I Notes from time to time. For that reason, this document may be amended from time to time to update certain information.

The summaries of the Tenth Supplemental Debt Resolution, as amended by the First Amendment, contained herein in Appendix A hereto are not intended to be comprehensive and are qualified in their entirety by reference to the entire document. You may obtain a copy of the Master Debt Resolution, the Tenth Supplemental Debt Resolution and the First Amendment on the Internet at our website, www.dart.org, or by contacting our Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

In this Offering Memorandum, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit. If we use a capitalized term in this Offering Memorandum and do not define the term in this document, its definition is given or summarized in Appendix A to this Offering Memorandum and/or in Appendix B to the 2014 Annual Disclosure Statement.

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

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in this document by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, receipt of federal grants, and various other factors which may be beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

GENERAL INFORMATION ABOUT DART

The following general information about DART is a summary only and is not intended to be comprehensive. This information should be read together with the information in the 2014 Annual Disclosure Statement under the heading "INFORMATION ABOUT DART."

DART is a subregional transportation authority of the State of Texas. We were created and confirmed by passage of a referendum on August 13, 1983, pursuant to Article 1118y of Vernon's Annotated Civil Statutes, as amended and recodified as Chapter 452, Texas Transportation Code. Our current boundaries include the territory lying within the corporate limits of the following Participating Municipalities: the Cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett and University Park and the Towns of Addison and Highland Park. We are governed by a 15-member Subregional Board of Directors.

Our administrative office is located in Dallas, Texas, and our boundaries include approximately 700 square miles and a population of approximately 2.4 million persons, according to the most recent estimate available from the North Central Texas Council of Governments.

The Participating Municipalities have certain limited rights to withdraw from DART, subject to the continuing collection of the Sales Tax within the withdrawing municipality until its share of all obligations of DART are collected and paid to DART. See, the 2014 Annual Disclosure Statement, "INFORMATION ABOUT DART—DART's Boundaries, Additions, Withdrawal Rights."

Mr. Joseph Costello has recently joined the Executive Staff as Vice President, Finance. Mr. Costello oversees DART's budget process, financial planning, debt financing and management, treasury, funds management, revenue administration and collection, grants management, accounting, accounts payable, and business process re-engineering.

Sources of Revenue

For additional information regarding the Sales Tax, farebox revenues and other sources of revenue and funds, see the 2014 Annual Disclosure Statement, "DART'S FINANCIAL PRACTICES AND RESOURCES." In addition, see information herein under the heading "THE COMMERCIAL PAPER NOTES – Pledge and Security for Series I Notes" regarding the pledge of Pledged Farebox Revenues to Obligations, including the Series I Notes.

Outstanding Debt

On the date hereof, we currently have outstanding approximately $3.48 billion in principal amount of Senior Lien Bonds, all of which bear interest at fixed rates to maturity. There are no Senior Subordinate Lien Obligations outstanding or authorized other than the Series I Notes, of which $150 million are currently outstanding.

THE COMMERCIAL PAPER NOTES

The following description of the Series I Notes is a summary only and is not intended to be comprehensive. The description should be read together with the description of the terms and provisions of the Tenth Supplemental Debt Resolution set forth in Appendix A hereto, "SUMMARY OF CERTAIN TERMS OF THE TENTH SUPPLEMENTAL DEBT RESOLUTION, AS AMENDED BY THE FIRST AMENDMENT" and with the description of the terms and provisions of the Master Debt Resolution provided in Appendix B to the 2014 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION."

General Description

The Series I Notes are the Senior Subordinate Lien Obligations authorized by Section 3.3(c) of the Master Debt Resolution. That Section authorizes us to issue the Series I Notes upon meeting certain financial tests. See "Summary of Certain Terms of the Master Debt Resolution" in Appendix B to the 2014 Annual Disclosure Statement.

Pledge and Security for Series I Notes

The Series I Notes are payable from and are secured by a pledge of and lien on Pledged Revenues (as defined herein) consisting of (i) the Gross Sales Tax Revenues that we receive from the levy and collection of a 1% sales and use tax (the "Sales Tax") and investment earnings thereon while held by the Trustee in the Gross Sales Tax Revenue Fund, (ii) Pledged Farebox Revenues (as defined herein) and (iii) any additional revenues of DART which by a Supplemental Resolution are expressly and specifically pledged to Obligations. The lien securing the Series I Notes is subordinate to Senior Lien Obligations, but is senior to Junior Subordinate Lien Obligations, that we may issue or execute from time to time under the Master Debt Resolution. The lien securing the Series I Notes is on a parity with other senior subordinate lien obligations, including additional commercial paper notes, we may issue in the future. **There is no credit agreement or other third party agreement that provides credit support or liquidity for the Series I Notes.** For additional information regarding the Sales Tax and Gross Sales Tax Revenues, see the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

Pursuant to the provisions of the Seventh Supplemental Debt Resolution authorizing the issuance of DART's Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the "Series 2010B Bonds"), DART pledged the Pledged Farebox Revenues as security for all of the Obligations, including the Series I Notes. The Pledged Farebox Revenues include all fares collected by or on behalf of DART for its bus, rail and paratransit services in an amount equal to 97.3% of the debt service accruing on the Series 2010B Bonds after deducting the 35% federal subsidy applicable to such Bonds.

Installment Issues

The Series I Notes are sold, retired, and reissued periodically in installments. See, "TAX MATTERS—Types of Series I Notes Permitted." The Series I Notes mature on a Business Day fixed by one of our Authorized Officers, but not more than 270 days after their issuance and never later than September 1, 2052.

Although we may retire Series I Notes with funds available to us, it is generally expected that prior to each maturity of Series I Notes, we will sell additional Series I Notes in the public markets to provide the funds needed to pay the principal amount due on the maturing Series I Notes. We have adopted a Commercial Paper Self-Liquidity Plan (the "CPSL Plan") as a means to retire any unremarketed Series I Notes. See "Commercial Paper Self-Liquidity Plan." If we are unable to sell additional Series I Notes in an amount that is sufficient to pay the amounts due on the Series I Notes, we intend to use our available funds to purchase and retire any unremarketed Series I Notes.

The Series I Notes will be issued in minimum denominations of $100,000 and in integral multiples of $1,000 in excess of $100,000.

Commercial Paper Self-Liquidity Plan

We have approved and have agreed to maintain a CPSL Plan for as long the Series I Notes program is active and until all Series I Notes have been retired. In the CPSL Plan, we have identified specific funds to be used to purchase unremarketed CP when necessary and to meet our commitment of at least 2.0 times liquidity coverage. The CPSL Plan also documents procedures that we have developed with our Dealers and Issuing and Payment Agent to ensure that liquid funds are available when Series I Notes mature and that unremarketed CP can be purchased timely if necessary. We reserve the right to amend the CPSL Plan and will provide the Dealers and the Issuing and Paying Agent any revisions. The CPSL Plan is posted on our website at www.dart.org.

Payments of Interest on Series I Notes, Interest Rate

Unless we instruct the Issuing and Paying Agent that other available funds will be used for the purpose, the Trustee will deposit Gross Sales Tax Revenues to the Senior Subordinate Lien Debt Service Fund, as such revenues are received from the Comptroller, in amounts equal to the Accrued Aggregate Interest on the Outstanding Series I Notes during each Debt Service Accrual Period and will transfer to the Issuing and Paying Agent on the maturity dates of Outstanding Series I Notes funds sufficient in amount to pay the interest on the Outstanding Series I Notes on their respective maturity dates. See, 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

If amounts on deposit in the Senior Subordinate Lien Debt Service Fund are not sufficient for such purpose, we intend to pay such interest from the proceeds of subsequent installment issues of Series I Notes or from our unencumbered funds.

We will pay interest on each installment issue of the Series I Notes at the market rate. We may also issue taxable Series I Notes without interest at a discount fixed by the Dealers at the time of issuance and approved by one of our Authorized Officers. The annual net effective rate of interest cannot exceed 12% per annum.

Interest on the Series I Notes will be calculated on the basis of the actual number of days elapsed and a 365 day year.

The Issuing and Paying Agent

Amegy Bank National Association, Houston, Texas, is the Issuing and Paying Agent for the Series I Notes. The Issuing and Paying Agent will authenticate Series I Notes in the principal amounts, with the Note Dates, Stated Maturity Dates, and rates of interest or discount, and for the purchase prices specified by an Authorized Officer.

The Series I Notes will be available for countersignature and issuance and will be payable at the offices of the Issuing and Paying Agent. An investor is required to pay the purchase price for the Series I Notes to be purchased in immediately available funds, and the amount payable by us at maturity will be paid in same day funds. Series I Notes must be presented to the Issuing and Paying Agent by 12:00 noon, New York time, to ensure same day payment.

The Series I Notes are not subject to redemption prior to their stated maturity.

Uses of Proceeds of Series I Notes

The Tenth Supplemental Debt Resolution creates various accounts within the Issuing and Paying Agent Fund to be held by the Issuing and Paying Agent. The proceeds of each installment issue of Series I Notes are deposited to special accounts within the Issuing and Paying Agent Fund and used for the purposes set forth in the Tenth Supplemental Debt Resolution. See Appendix A, "SUMMARY OF CERTAIN TERMS OF THE TENTH SUPPLEMENTAL DEBT RESOLUTION, AS AMENDED BY THE FIRST AMENDMENT—Issuance, Sale, Uses of Proceeds, and Payment of Series I Notes (*Article IV*)."

In general, the proceeds of Series I Notes are used to:

- Refinance, renew, replace, or refund Series I Notes that have been previously issued, including the interest thereon if sufficient money is not available for that purpose in the Senior Subordinate Lien Debt Service Fund, see, "Payments of Interest on Series I Notes, Interest Rate," above;

- Pay the costs of Reissuance of the Series I Notes, including all applicable Administrative Expenses; and

- Provide additional funds for our System Expansion and Acquisition.

Money deposited to the Note Proceeds Account and to the other accounts within the Issuing and Paying Agent Fund is the first source of payment for the principal amount of the Series I Notes at their maturity, and the Issuing and Paying Agent will not request the Trustee to make deposits to the Senior Subordinate Lien Debt Service Fund for the purpose of paying the principal amounts due on the Series I Notes, at their maturity so long as money is provided to the Issuing and Paying Agent for that purpose from the proceeds of future installment issues of Series I Notes, and/or from our unencumbered funds.

If, for any cause or reason, (1) money is not available in the Issuing and Paying Agent Fund from the proceeds of future installment issues of Series I Notes or from money deposited to the Senior Subordinate Lien Debt Service Fund in amounts needed to pay in full all amounts due on the Series I Notes as they mature, and (2) we do not otherwise make such payments from unencumbered funds, and/or (3) payment is not otherwise made from the proceeds of timely refinancing of the amounts due, an Event of Default will occur under the Master Debt Resolution. In such an event, the Issuing and Paying Agent will notify the Trustee of such fact, after which the Trustee is required to make deposits, from the next available Gross Sales Tax Revenues that are received from the Comptroller, to the Senior Subordinate Lien Debt Service Fund in accordance with the default provisions of the Master Debt Resolution. See Appendix B to the 2014 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION-Defaults and Remedies-Remedies for Default." Such deposits will be required to the extent funds are available in the full amount of the Debt Service and Administrative Expenses that are due, owing, and unpaid on the matured Series I Notes and will be delivered, when available, to the Issuing and Paying Agent for payment first to the payment of Administrative Expenses related to the Senior Subordinate Lien Obligations, including the Series I Notes, and then to the payment of the matured and unpaid Notes. Until the matured and unpaid Notes are paid in full, all further deposits to the Junior Subordinate Lien Debt Service Fund and all further distributions of Gross Sales Tax Revenues to us will be suspended until the default is cured and the matured and unpaid Series I Notes are paid in full.

Periodic Refunding of Outstanding Series I Notes with Other Obligations

We may periodically pay or refund the Series I Notes with Bond Obligations issued (1) as long-term Obligations or Interim Obligations and/or as Obligations bearing variable rates of interest, and (2) as Senior Lien Obligations, Senior Subordinate Lien Obligations and/or Junior Subordinate Lien Obligations. In issuing these Obligations, we must meet the applicable financial tests and limitations specified in the Master Debt Resolution, in Supplemental Resolutions, and in any Credit Agreements. See the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests."

Changes Made by the First Amendment

Pursuant to a Resolution, adopted June 24, 2014, we approved the First Amendment to the Tenth Supplemental Debt Resolution, the Effective Date thereof being the date of the approving opinion of Attorney General of Texas. The First Amendment increased the principal amount of Series I Notes permitted to be outstanding at any time from $150 million to $200 million. It increased the Self-Liquidity Coverage by increasing the CP Commitment Amount from $150 million to $200 million, plus 90 days of interest calculated at a rate of 12%. Except for the specific amendments set forth therein, the First Amendment confirmed the provisions of the Tenth Supplement relating to the Series I Notes and the payment and security thereof.

By the purchase of any of the Series I Notes after the Effective Date of the First Amendment, the purchasers thereof are deemed to have approved the provisions of the First Amendment which, among other matters, increased the principal amount of Series I Notes permitted to be outstanding from $150 million to $200 million; provided, however, until all of the Series I Notes outstanding on the Effective Date have been paid and are no longer outstanding, the principal amount of Series I Notes may not exceed $150 million.

BOOK-ENTRY SYSTEM

The information in this Section concerning DTC and DTC's Book-Entry system has been obtained from the Depository Trust Company. DART and the Board take no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, acts as securities depository for the Series I Notes. The Series I Notes are issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate has been and will be issued for each series of the Series I Notes, each in the aggregate principal amount of such issue and has been deposited with DTC.

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

Purchases of Series I Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series I Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series I Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series I Notes, except in the event that use of the book-entry system for the Series I Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series I Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DART as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series I Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series I Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DART or the Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series I Notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Issuing and Paying Agent, or DART, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DART or the Issuing and Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC; and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series I Notes at any time by giving reasonable notice to DART or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

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

INVESTMENT CONSIDERATIONS

The following information, which you should carefully consider, identifies certain investment considerations associated with the purchase of Series I Notes. You should also carefully consider the information set forth under "INVESTMENT CONSIDERATIONS" in the 2014 Annual Disclosure Statement.

The lien on Pledged Revenues that secures the Series I Notes is subordinate to the lien securing Senior Lien Obligations. We currently have outstanding approximately $3.47 billion in principal amount of Senior Lien Obligations. See the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS."

The Master Debt Resolution permits us to issue Additional Senior Lien Obligations only if we can satisfy the financial tests and limitations contained in the Master Debt Resolution, in Supplemental Resolutions, and in Credit Agreements. The subordination of the Series I Notes to Senior Lien Obligations increases the likelihood that Holders of Senior Lien Obligations will regularly receive the full amount of scheduled payments of principal and interest due them, and it protects the Holders of Senior Lien Obligations against potential losses. Under the Master Debt Resolution, if our Gross Sales Tax Revenues are not sufficient to pay the principal of and/or interest on both the Senior Lien Obligations and on the Series I Notes, we will use such revenues first to pay the Holders of Senior Lien Obligations. **There is no credit agreement or other third party agreement that provides credit support or liquidity for the Series I Notes.** See in the 2014 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

Deposits of Gross Sales Tax Revenues to the Senior Subordinate Lien Debt Service Fund are made and accumulated as such revenues are received from the Comptroller. The principal of the Series I Notes is payable first from the proceeds of the sale of additional installments of Series I Notes. Such proceeds are deposited to the Issuing and Paying Agent Fund and are used to pay the principal of the Series I Notes. While that procedure is in effect, deposits to the Senior Subordinate Lien Debt Service Fund on account of the principal of the Series I Notes are not required. If (1) we cannot market additional installments of Series I Notes, and (2) we do not otherwise make payment from unencumbered funds, and/or (3) we have not arranged for a timely refinancing of the amounts due, an Event of Default will occur under the Master Debt Resolution. In this circumstance, payment of the Series I Notes will be delayed until the Trustee accumulates in the Senior Subordinate Lien Debt Service Fund, from future distributions of Gross Sales Tax Revenues from the Comptroller, amounts of Gross Sales Tax Revenues that are sufficient to make full payment of the matured and unpaid Series I Notes. Such accumulation must be made in accordance with the lien priorities established in the Master Debt Resolution. See, "THE COMMERCIAL PAPER NOTES—Uses of Proceeds of Series I Notes."

DART expects the Budget Control Act of 2011 to have a minor impact on the cash flow from federal funds. With the sequestration reductions that went into effect as of March 1, 2013, DART lost 8.7 percent of the Build America Bond subsidy in Fiscal Year 2013 relating to certain outstanding Bonds and will lose 7.2% in Fiscal Year 2014, resulting in a reduction of approximately $1.3 million and $2.2 million, respectively. DART's annual formula funds of approximately $48 million in 2014 are exempt from sequestration. Overall DART does not anticipate that sequestration will have a material adverse impact on its cash flow and will not materially impact on its ability to provide service to our customers.

Ratings

The Series I Notes are currently rated by nationally recognized rating agencies, as shown below. A rating reflects the rating agency's assessment of how likely it is that holders of a class of securities will receive the payments to which they are entitled. A rating may not remain in effect for any given period of time, and a rating agency may lower or withdraw a rating entirely. A rating is not a recommendation to purchase, hold, or sell securities because it does not address the market price of the securities or the suitability of the securities for any particular investor.

RATINGS

Moody's Investors Service	P-1 (short-term rating of Series I Notes)
Standard & Poor's Ratings Services	A-1+ (short-term rating of Series I Notes)

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations. We make no representation as to the appropriateness of the ratings. We can provide no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all rating companies, if in the judgment of any or all companies, circumstances so warrant. Any downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of such the Series I Notes.

CONTINUING DISCLOSURE AND ACCESS TO INFORMATION

The Series I Notes are exempt from the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. However, we intend to replace our Annual Disclosure Statement annually, to update it after the first, second and third quarters of our fiscal year with unaudited financial information, and to prepare a Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum in connection with each issue of Bond Obligations. These disclosure documents and each Supplemental Debt Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB"). All of these documents will also be posted on the Internet at our website, www.dart.org. We reserve the right to stop postings on the Internet of annual and quarterly updates at any time. See the "2014 Annual Disclosure Statement-Continuing Disclosure of Information.".

TAX MATTERS

Types of Series I Notes Permitted

The Tenth Supplemental Debt Resolution authorizes us to issue the Series I Notes as (1) Tax-Exempt, Non-AMT (that is, the interest paid on that installment of Series I Notes is exempt from federal income taxes and is not subject to the alternative minimum tax under the Code, except insofar as it is includable in certain corporate taxpayer's "adjusted current earnings" for the purposes computing their alternate minimum tax), (2) Tax-Exempt, AMT (that is, the Series I Notes of that installment issue are "private activity bonds," and the interest is generally exempt from federal income taxes but is subject to the alternative minimum tax under the Code), or (3) Taxable (that is, the interest paid, or if sold at a discount, the discount, is subject to federal income taxes under the Code).

In connection with the Series I Notes, our Co-Bond Counsel will deliver their opinions in the forms attached hereto as Appendices B-1, B-2 and B-3.

APPROVALS AND LEGAL OPINIONS

In connection with the issuance of the Series I Notes we received an opinion of the Attorney General of Texas approving the proceedings authorizing the Series I Notes pursuant to the Master Debt Resolution and the Tenth Supplemental Debt Resolution, as amended by the First Amendment.

All legal matters incident to the legality and enforceability of the Series I Notes are subject to the approval of Bracewell & Giuliani LLP, Dallas, Texas, and West & Associates, L.L.P., Dallas, Texas, our Co-Finance Counsel and Co-Bond Counsel.

Our Co-Bond Counsel have reviewed the information describing the Obligations in the 2014 Annual Disclosure Statement and the information describing the Series I Notes contained in this Offering Memorandum to verify that such information conforms to the provisions of the Master Debt Resolution and the Tenth Supplemental Debt Resolution, as amended by the First Amendment.

/s/ Robert W. Strauss
Chair, Board of Directors

ATTEST:

/s/ Richard Carrizales
Secretary, Board of Directors

/s/ Gary C. Thomas
President/Executive Director, Dallas Area Rapid Transit

APPENDIX A

SUMMARY OF CERTAIN TERMS OF THE
TENTH SUPPLEMENTAL DEBT RESOLUTION
AS AMENDED BY THE FIRST AMENDMENT

A Table of Contents and brief descriptions of certain provisions of the Tenth Supplemental Debt Resolution, as amended by the First Amendment, are included in the following pages of this Appendix A. The descriptions are not intended to be comprehensive or complete but are to be used as a guide to the full provisions of the Tenth Supplemental Debt Resolution, as amended by the First Amendment. The full and complete text of the Tenth Supplemental Debt Resolution, as amended by the First Amendment, may be obtained directly from us without cost at the address given in the text of this document, and it may be viewed on the Internet at our website, www.dart.org. See, "IMPORTANT NOTICES." Specific Article and Section numbers are identified in "italics" throughout this Summary.

APPENDIX A

SUMMARY OF CERTAIN TERMS OF THE
TENTH SUPPLEMENTAL DEBT RESOLUTION
AS AMENDED BY THE FIRST AMENDMENT

DEFINITIONS AND OTHER PRELIMINARY MATTERS

{Article I}

Definitions {*Section 1.02*}

The following are definitions of certain terms used in this Summary. Unless otherwise noted Section references are to the Tenth Supplemental Debt Resolution. Capitalized terms used in this Summary that are not defined herein have the meanings given to such terms in the Master Debt Resolution. See Appendix B to the 2014 Annual Disclosure Statement—"SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—Definitions."

Business Day - means any day other than (i) a Saturday, Sunday or a day on which banking institutions in the State of Texas, the State of New York, or the state which the Designated Payment/Transfer Office of the Issuing and Paying Agent are authorized or obligated by law or executive order to be closed, (ii) a day on which the New York Stock Exchange is closed; and the definition of such term in the Master Debt Resolution shall not apply for purposes of the matters described in the Tenth Supplemental Resolution.

Closing Date - means the date on which all of the following events have occurred, to-wit:

(i) the Tenth Resolution has been adopted by the Board of Directors;

(ii) the Issuing and Paying Agent Agreement has been fully and properly executed and delivered to DART;

(iii) the Dealer Agreements have been fully and properly executed and delivered to DART;

(iv) the Attorney General of Texas has issued an opinion that the Master Debt Resolution and the Tenth Supplemental Debt Resolution were lawfully adopted, executed, and approved pursuant to the provisions of Chapter 1371, Government Code, as amended;

(v) Co-Bond Counsel have rendered and delivered their opinion to DART that, under the Constitution and laws of the State of Texas, the transcript of proceedings evidences lawful authority for the issuance, reissuance, and sale of the Series I Notes by DART; and

(vi) the Tenth Supplemental Debt Resolution shall have become effective in accordance with Section 10.02.

Dealer Agreement – means each Dealer Agreement by and between DART and a Dealer, approved and authorized to be executed pursuant to Section 9.02, as it may be amended, supplemented or otherwise modified from time to time in accordance with its terms, or any similar agreement with a substitute or successor Dealer.

Dealer - means each dealer that is a party to a Dealer Agreement and any successor thereto.

Designated Payment/Transfer Office - means (i) with respect to the initial Issuing and Paying Agent named herein, the office designated by the Issuing and Paying Agent, and (ii) with respect to any successor Issuer and Paying Agent, the office of such successor designated and located as may be agreed upon by DART.

Initial Issuance of Series I Notes - means the initial issuance, sale and delivery of the Series I Notes.

Issuing and Paying Agent - means Amegy Bank National Association, or any Person acting as its agent, or its successor in interest acting under the Issuing and Paying Agent Agreement.

Issuing and Paying Agent Agreement - means the Commercial Paper Issuing and Paying Agent Agreement between DART and the Issuing and Paying Agent, dated as of April 15, 2013, as it may be amended, supplemented or otherwise modified from time to time in accordance with its terms, or any similar agreement with a substitute or successor issuing and paying agent selected by DART.

Issuing and Paying Agent Fund - means the fund by that name established in and administered pursuant to Sections 5.01 and 5.02.

Master Debt Resolution - means the Master Debt Resolution adopted by the Board on January 23, 2001, as amended.

Maximum Interest Rate - means, (i) with respect to the Series I Notes, the lesser of (A) the maximum "net effective interest rate" allowable under Chapter 1204, Government Code, as amended, currently 15%, or (B) such lesser rate as shall from time to time be fixed by the Board, which initially shall be 12%.

Maximum Maturity Date - means September 1, 2052.

Outstanding Resolutions - means the Master Debt Resolution and any Supplemental Resolutions, under and pursuant to which Obligations have been issued and some or all of which remain Outstanding from time to time.

Rebate Fund - means the special fund described in the Master Debt Resolution and established pursuant to Section 5.01.

Series I Note Date - means the date of actual issuance of each Note as determined in accordance with Section 3.02(b).

Series I Note Proceeds Account(s) - means any of the special accounts by that name in the Issuing and Paying Agent Fund created pursuant to Section 5.01.

Series I Noteholder - means in each case, any Person who is in possession of any Outstanding Series I Note.

Series I Notes - mean the commercial paper notes, to be issued as Senior Subordinate Lien Obligations under the Master Debt Resolution and authorized and described in Section 3.01.

Stated Maturity Date - means the date on which all amounts of principal and interest on each respective Note are due and payable, as designated pursuant to Section 3.02(a), which date shall not in any event be later than the applicable Maximum Maturity Date.

Taxable Note - means any Note, the interest on which is not excludable from gross income for federal income tax purposes.

Tax-exempt Note - means any Note, the interest on which is excludable from gross income for federal income tax purposes.

<u>Tax-exempt Note (AMT)</u> - means any Tax-exempt Note, the interest on which is subject to alternative minimum tax under Section 57(a)(5) of the Code.

<u>Tax-exempt Note (Non-AMT)</u> - means any Tax-exempt Note, the interest on which is not subject to alternative minimum tax under Section 57(a)(5) of the Code.

Declarations and Additional Rights and Limitations Under Master Debt Resolution {*Section 1.05*}

The Series I Notes are Bond Obligations that are Senior Subordinate Lien Obligations authorized by Section 3.03(c) of, and are Interim Obligations under, the Master Debt Resolution. The Series I Notes Senior Subordinate Lien Obligations, and, together with related Administrative Expenses, are secured solely by the lien on and pledge of the Pledged Revenues as Senior Subordinate Lien Obligations. DART may, but is not obligated, to pay such Obligations from other legally available funds, including the proceeds of Obligations and amounts held in the General Operating Fund.

PURPOSES, PLEDGE AND SECURITY

{Article II}

Purpose of the Tenth Supplemental Debt Resolution {*Section 2.01*}

The purposes of the Tenth Supplemental Debt Resolution are to prescribe the specific terms of the Series I Notes, to extend expressly the pledge, lien and security of Master Debt Resolution to and for the benefit of the Holders of the Series I Notes, as Senior Subordinate Lien Obligations, and to authorize the sale and resale of the Series I Notes pursuant to the Dealer Agreements.

Pledge, Security for and Sources of Payment of Series I Notes and Loans {*Section 2.02*}

The pledge, the security and the filing provisions of Sections 2.03, 2.04, and 2.05, respectively, of the Master Debt Resolution are restated and granted to the Holders of the Series I Notes and the Lenders. The Noteholders have the right to receive payment of the principal of or the interest on the Series I Notes from money on deposit in the Senior Subordinate Lien Debt Service Fund only to the extent money is not available therefor in the Issuing and Paying Agent Fund, in either case in amounts sufficient to make such payments in accordance with the provisions of Sections 4.02 and 5.02.

AUTHORIZATION; GENERAL TERMS AND PROVISIONS RELATING TO THE NOTES

{Article III}

Authorization {*Section 3.01*}

The Series I Notes, entitled “Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I (Self-Liquidity),” are authorized to be issued in any aggregate principal amount, provided that the principal amount of the Series I Notes that may be Outstanding under the Tenth Supplemental Debt Resolution shall generally never exceed $150,000,000. As of the Effective Date of the First Amendment the authorized principal permitted to be outstanding at any time was increased from $150,000,000 to $200,000,000. The Effective Date of the First Amendment is the date of the approval opinion of the Attorney General of Texas (Section 9 of the First Amendment).

The Notes may be issued for the purposes of: (i) financing Costs of Acquisition and Construction for Eligible Projects, (ii) paying the interest on previously issued Series I Notes during the period of acquisition or construction of Eligible Projects and for one year thereafter, (iii) paying expenses of operation and maintenance of Eligible Projects during the estimated period of such acquisition and construction and for one year thereafter, (iv) during the period prior to the Maximum Maturity Date, refinancing, renewing or refunding obligations issued to finance

Eligible Projects, including, but not limited to Series I Notes that have been previously issued, including the interest thereon, and (v) paying the costs of issuance and reissuance of the Series I Notes, including all applicable Administrative Expenses.

If DART issues Series I Notes that are not being issued to refinance or refund Outstanding Series I Notes, and the Stated Maturity Date of such Series I Notes occurs during the Debt Service Accrual Period during which the Series I Notes are issued, DART is required to deposit to the Senior Subordinate Lien Debt Service Fund on the date of such issuance an amount sufficient to pay interest on such Series I Notes on their Stated Maturity Date.

Terms, Forms, Registration and Book Entry System; Issuing and Paying Agent {*Sections 3.02 through 3.09*}

Subject to Sections 3.01 and 3.03, the Series I Notes may be issued in installments in such principal amounts and maturing on the dates as determined by DART. No Note shall have a Stated Maturity Date (i) that is not a Business Day, or (ii) that is later than the Maximum Maturity Date. Series I Notes shall bear interest (or shall be issued at a discount without interest) at such rate per annum, not to exceed the Maximum Interest Rate, computed on the basis of actual days elapsed and on a 365 day year, as approved by DART. Series I Notes shall be in registered form as provided in the Tenth Supplemental Debt Resolution. The Series I Notes shall be substantially in the forms set forth in Exhibit A to the Tenth Supplemental Debt Resolution. The Issuing and Paying Agent shall keep the Note Register providing for the registration and transfer of the Series I Notes. Series I Notes may be exchanged for other Series I Notes as provided in the Tenth Supplemental Debt Resolution, and may be issued in book entry only form through DTC. DART agrees to maintain an Issuing and Paying Agent at all times while the Series I Notes or any Loans are Outstanding.

ISSUANCE, SALE, USES OF PROCEEDS, AND PAYMENT OF SERIES I NOTES

{Article IV}

Issuance and Sale of the Series I Notes {*Section 4.01*}

At any time after the Closing Date, the Issuing and Paying Agent shall authenticate and deliver Series I Notes in the applicable form in accordance with instructions of DART.

Proceeds of Sale of Series I Notes {*Section 4.02*}

The proceeds from the sale of the Series I Notes (net of all expenses and costs of sale and issuance) shall be deposited to a Note Proceeds Account and shall be applied in the following priority and for the following purposes:

(a) first, to the payment of the principal of any Outstanding Series I Notes maturing on or before the date of the deposit of such proceeds and, only to the extent the Paying Agent has not received an amount sufficient to pay all interest on Outstanding Series I Notes maturing on or before such date, to the payment of interest on such Outstanding Series I Notes; and

(b) second, any amounts remaining in a Note Proceeds Account shall be transferred as follows: (A) the remaining proceeds of each Tax-exempt Note (AMT) shall be transferred and deposited into appropriate accounts within the System Expansion and Acquisition Fund and used in accordance with the provisions of the Tenth Supplemental Debt Resolution and the Master Debt Resolution as directed by DART for any of the purposes specified in Section 3.01(b) of the Tenth Supplemental Debt Resolution that, in the opinion of Bond Counsel, may be paid with the proceeds of Bond Obligations, the interest on which is exempt from federal income taxation under the Code; (B) the remaining proceeds of each additional Tax-exempt Note (Non-AMT) shall be transferred and deposited into appropriate accounts within the System Expansion and Acquisition Fund and used in accordance with the provisions of the Tenth Supplemental Debt Resolution and the Master Debt Resolution as directed by DART for any of the purposes described in Section 3.01(b) of the Tenth Supplemental Debt Resolution that, in the opinion of Bond Counsel, may be paid with the proceeds of Bond Obligations, the interest on which is exempt from federal income taxation under the Code, without causing the Bond Obligations to be "specified private activity bonds," the interest on which is subject to the "alternative minimum tax" under the provisions of the Section 57(a)(5) of the

Code; and (C) the remaining proceeds of each Taxable Note shall be transferred and deposited into appropriate accounts within the System Expansion and Acquisition Fund and used in accordance with the provisions of the Tenth Supplemental Debt Resolution and the Master Debt Resolution as directed by DART for any of the purposes specified in Section 3.01(b) of the Tenth Supplemental Debt Resolution.

Excess Proceeds in the System Expansion and Acquisition Fund {*Section 4.03*}

Any proceeds of the Series I Notes remaining in the System Expansion and Acquisition Fund and not necessary for the purposes described in Section 4.02(b)(iii), shall be paid to the appropriate account of the Issuing and Paying Agent Fund for the Series I Notes from which the proceeds were derived and used for the payment of such maturities of the Series I Notes coming due at such times as may be selected by DART. In the event no Series I Notes are outstanding, any such proceeds in the System Expansion and Acquisition Fund shall be transferred and deposited into DART's General Operating Fund, unless in the opinion of Bond Counsel such use would adversely affect the tax status of such Series I Notes, in which case, the DART will use such proceeds in another manner permitted by Applicable Law.

CREATION OF SPECIAL FUNDS; APPLICATION OF MONEYS

{Article V}

The following funds and accounts are hereby created (i) the Issuing and Paying Agent Fund consisting of Note Proceeds Accounts (each designated as "AMT," "Non-AMT," or "Taxable," as appropriate), Note Payment Account and such other separate accounts as may be required, and (ii) the Rebate Fund. The Issuing and Paying Agent Fund shall be held by the Issuing and Paying Agent and shall be administered pursuant to Section 5.02 and the Issuing and Paying Agent Agreement.

Issuing and Paying Agent Fund. The Issuing and Paying Agent shall deposit: (i) all proceeds from the sale of Series I Notes to a Note Proceeds Account, which amounts shall be applied as provided in Section 4.02(b); and (ii) amounts received from the Trustee pursuant to Section 5.03(a) of the Master Debt Resolution that relate to the payment of principal of or interest on Series I Notes to the Note Payment Account, which amounts shall be used solely for the purpose of paying the principal of and interest on the Series I Notes on their Stated Maturity Date.

Rebate Fund. All amounts deposited in the Rebate Fund shall be held by DART in trust for payment to the United States of America, and neither DART, any Holder, nor the Lenders shall have any rights in or claim to such money.

Investment Limitations. Amounts on deposit in the Issuing and Paying Agent Fund and the Rebate Fund shall be invested in Investment Securities as directed by DART, subject to the restrictions imposed by this Article and by Article VI. Amounts on deposit in any Note Proceeds Account and the Note Payment Account and the Loan Payment Account shall be held by the Issuing and Paying Agent uninvested in trust for the exclusive benefit of the Persons entitled to be paid from such accounts separate and apart from all other funds of DART or the Issuing and Paying Agent. Any other amounts on deposit in the Issuing and Paying Agent Fund shall be invested in direct obligations of the United States of America maturing no later than the earlier of the date on which funds so invested are needed for the purposes specified herein and 30 days after the date on which such securities are purchased, or in money market mutual funds regulated by the Securities and Exchange Commission, consisting entirely of direct obligations of the United States of America or repurchases thereof, having a dollar weighted average stated maturity of 90 days or fewer, and an investment objective of maintaining a stable net asset value of $1 for each share.

SPECIAL COVENANTS RELATING TO THE NOTES

{Article VI}

Tax-exempt Series I Notes to Remain Exempt from Federal Income Tax {*Section 6.01*}

DART covenants and agrees to do and perform all acts and things within its power and authority necessary to comply with each applicable requirement of the Code in order to maintain the exclusion from gross income of the interest on the Tax-exempt Series I Notes for federal income tax purposes and to refrain from any action which would adversely affect the status of the Tax-exempt Series I Notes, as described in the First Supplemental Debt Resolution.

THE ISSUING AND PAYING AGENT

{Article VII}

The Issuing and Paying Agent is required to perform such duties as are set forth in the Issuing and Paying Agent Agreement. The Issuing and Paying Agent may resign or be replaced in accordance with and subject to the terms of the First Supplemental Debt Resolution, upon qualification and acceptance by a successor issuing and paying agent.

The Issuing and Paying Agent shall not have any power or be required to take any action during the existence of any event of default under the Master Debt Resolution.

The Issuing and Paying Agent is required to calculate and furnish calculations of Accrued Aggregate Debt Service for the Series I Notes upon request of the Trustee as provided in Section 5.03(c) of the Master Debt Resolution and to deposit any amounts received from the Trustee pursuant to such Section as directed in Section 5.02.

APPENDIX B

OPINIONS OF CO-BOND COUNSEL

The signed opinions of our Co-Bond Counsel, Bracewell & Giuliani LLP, Dallas, Texas, and West & Associates, L.L.P., Dallas, Texas, as set forth in this Appendix B, were delivered as of the Effective Date of this First Amendment in substantially the form and substance included in the following pages of this Appendix B.

APPENDIX B-1

__________, 2014

$200,000,000

DALLAS AREA RAPID TRANSIT SENIOR
SUBORDINATE LIEN SALES TAX REVENUE
COMMERCIAL PAPER NOTES
SERIES I (SELF-LIQUIDITY)
(TAX-EXEMPT, NON-AMT)

We have represented Dallas Area Rapid Transit ("DART") as its Co-Bond Counsel in connection with the authorization and issuance of its Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I (Self-Liquidity) (the "Series I Notes") in the maximum principal amount at any time outstanding of $200,000,000 (the "Series I Notes"). The Series I Notes are being issued pursuant to the Master Debt Resolution (the "Master Debt Resolution"), adopted on January 23, 2001, as amended, and the Tenth Supplemental Debt Resolution (the "Tenth Supplement"), adopted on April 9, 2013, as amended by the First Amendment to Tenth Supplemental Debt Resolution (the "First Amendment") adopted on June 24, 2014. The Master Debt Resolution, the Tenth Supplement and the First Amendment are herein referred to collectively as the "Resolutions." The Series I Notes may be issued and will be designated as (i) "Tax-Exempt, Non-AMT," (ii) "Tax-Exempt, AMT" or (iii) "Taxable." This opinion is being rendered with respect to those Series I Notes that have been designated as "Tax-Exempt, Non-AMT." Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Resolutions.

As Co-Bond Counsel, we are rendering this opinion with respect to the legality and validity of the proceedings authorizing the Series I Notes (Non-AMT) under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Series I Notes (Non-AMT) from gross income of the owners thereof for federal income tax purposes.

We have examined the relevant provisions of the Constitution and laws of the State of Texas as we have deemed necessary, including Chapter 452, Texas Transportation Code (the "Act"), pursuant to which DART was created and functions as a subregional transportation authority and public body corporate and politic of the State of Texas. We have not investigated and do not assume any responsibility with respect to the financial condition or capabilities of DART, or the disclosure thereof, in connection with the offering and sale of the Series I Notes.

We have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization of the Series I Notes (Non-AMT), including (i) the Resolutions; (ii) certificates of officers and representatives of DART, the Issuing and Paying Agent, the Dealers, and the Trustee; (iii) other pertinent instruments relating to the authorization and issuance of the Series I Notes (Non-AMT) and the security for the payment thereof; and (v) such other instruments and matters of law as we have deemed relevant, including the opinion of the Attorney General of Texas, relating to the Series I Notes (Non-AMT).

Based on the foregoing, it is our opinion that the transcript of certified proceedings evidences complete legal authority for and authorizes the issuance of the Series I Notes (Non-AMT) in accordance with the Resolutions in the maximum principal amount at any time outstanding of $200,000,000, and that the Series I Notes (Non-AMT) when authenticated and delivered will constitute valid and binding special obligations of DART, secured by and payable from (i) the Pledged Revenues; and (ii) proceeds from the sale of other Series I Notes (Non-AMT) issued by DART for the purpose of paying the principal of maturing Series I Notes (Non-AMT).

The rights of the Holders of the Series I Notes (Non-AMT) are subject to applicable provisions of federal bankruptcy law and any other similar laws affecting the rights of creditors of political subdivisions, and may be limited by general principles of equity which permit the exercise of judicial discretion. Holders of the Series I Notes (Non-AMT) shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation other than the Gross Sales Tax Revenues.

DART has previously issued and has outstanding "Senior Lien Obligations" that have a lien on Pledged Revenues that are superior to the lien on the Pledged Revenues pledged to the Series I Notes (Non-AMT). Additionally, DART has reserved the right to issue additional debt, subject to the restrictions contained in the Resolutions, that is secured by liens on the Pledged Revenues that are superior to, on a parity with or are junior and subordinate to the lien on Pledged Revenues securing the Series I Notes.

It is our further opinion that interest on the Series I Notes (Non-AMT) will be, upon the issuance and delivery thereof in accordance with the Resolutions, excludable from gross income of the owners thereof for federal income tax purposes under existing law and will not be an item of tax preference under the Code for purposes of determining the alternative minimum tax on individuals or corporations. However, in the case of a corporate taxpayer (other than an S corporation, a regulated investment company, a REIT or a REMIC), interest on the Series I Notes (Non-AMT) will be included in such corporation's "adjusted current earnings" for purposes of computing its alternative minimum tax.

In rendering such opinions, we have relied on representations of DART with respect to matters solely within the knowledge of DART which we have not independently verified, and we have assumed continuing compliance with the covenants in the Resolutions and the representations in the Federal Tax Certificate pertaining to those sections of the Code that affect the exclusion of interest on the Series I Notes (Non-AMT) from the gross income of the owners thereof for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or DART fails to comply with the foregoing covenants of the Resolutions, interest on the Series I Notes (Non-AMT) could become includable in the gross income of the owners thereof from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series I Notes (Non-AMT).

Owners of the Series I Notes (Non-AMT) should be aware that the ownership of tax exempt obligations, such as the Series I Notes (Non-AMT), 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 qualifying for the health insurance premium assistance credit and individuals otherwise qualified 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 I Notes (Non-AMT).

This opinion may be relied upon by the owners of the Series I Notes (Non-AMT), but only to the extent that: (i) there is no change in existing regulations, Internal Revenue Service ruling positions or procedures, or law that may adversely affect the validity of the Series I Notes (Non-AMT) or the exclusion of the interest thereon from the gross income of owners for federal tax purposes, (ii) the Resolutions, the Federal Tax Certificate, the Issuing and Paying Agent Agreement, and the Dealer Agreements, in their respective forms on the date hereof remain in full force and effect and the Series I Notes (Non-AMT) issued after the date hereof are issued in accordance with the provisions of the Resolutions, and the Issuing and Paying Agent Agreement, (iii) the representations, warranties, covenants and agreements of the parties contained in the Resolutions, the Federal Tax Certificate, the Issuing and Paying Agent Agreement, the Dealer Agreements, and certain certificates dated the date hereof and delivered by authorized officers of DART remain true and accurate and have been complied with in all material respects, (iv) there has not been delivered to DART an opinion of this firm of more recent date with respect to the matters referred to herein, and (v) this opinion has not been expressly withdrawn as evidenced by a letter to DART.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representation and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series I Notes (Non-AMT). If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat DART as the taxpayer. We observe that DART has covenanted in the Resolutions not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Series I Notes (Non-AMT) as includable in gross income for federal income tax purposes.

Nothing contained in this opinion shall be construed as any undertaking on our part to monitor any changes in applicable law or to monitor or confirm the accuracy of any such representations or warranties or compliance with any such agreements or covenants. In addition, we undertake no duty to expressly advise any Holder of any change or development of which we become aware that may adversely affect the opinions expressed herein.

APPENDIX B-2

__________, 2014

$200,000,000

DALLAS AREA RAPID TRANSIT SENIOR
SUBORDINATE LIEN SALES TAX REVENUE
COMMERCIAL PAPER NOTES
SERIES I (SELF-LIQUIDITY)
(TAX-EXEMPT, AMT)

We have represented Dallas Area Rapid Transit ("DART") as its Co-Bond Counsel in connection with the authorization and issuance of its Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I (Self-Liquidity) (the "Series I Notes") in the maximum principal amount at any time outstanding of $200,000,000 (the "Series I Notes"). The Series I Notes are being issued pursuant to the Master Debt Resolution (the "Master Debt Resolution"), adopted on January 23, 2001, as amended, and the Tenth Supplemental Debt Resolution (the "Tenth Supplement"), adopted on April 9, 2013, as amended by the First Amendment to Tenth Supplemental Debt Resolution (the "First Amendment") adopted on June 24, 2014. The Master Debt Resolution, the Tenth Supplement and the First Amendment are herein referred to collectively as the "Resolutions." The Series I Notes may be issued and will be designated as (i) "Tax-Exempt, Non-AMT," (ii) "Tax-Exempt, AMT" or (iii) "Taxable." This opinion is being rendered with respect to those Series I Notes that have been designated as "Tax-Exempt, AMT." Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Resolutions.

As Co-Bond Counsel, we are rendering this opinion with respect to the legality and validity of the proceedings authorizing the Series I Notes (Tax-Exempt, AMT) under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Series I Notes (Tax-Exempt, AMT) from gross income of the owners thereof for federal income tax purposes.

We have examined the relevant provisions of the Constitution and laws of the State of Texas as we have deemed necessary, including Chapter 452, Texas Transportation Code (the "Act"), pursuant to which DART was created and functions as a subregional transportation authority and public body corporate and politic of the State of Texas. We have not investigated and do not assume any responsibility with respect to the financial condition or capabilities of DART, or the disclosure thereof, in connection with the offering and sale of the Series I Notes (Tax-Exempt, AMT).

We have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization of the Series I Notes (Tax-Exempt, AMT), including (i) the Resolutions; (ii) certificates of officers and representatives of DART, the Issuing and Paying Agent, the Dealers, and the Trustee; (iii) other pertinent instruments relating to the authorization and issuance of the Series I Notes (Tax-Exempt, AMT) and the security for the payment thereof; and (v) such other instruments and matters of law as we have deemed relevant, including the opinion of the Attorney General of Texas, relating to the Series I Notes (Tax-Exempt, AMT).

Based on the foregoing, it is our opinion that the transcript of certified proceedings evidences complete legal authority for and authorizes the issuance of the Series I Notes (Tax-Exempt, AMT) in accordance with the Resolutions in the maximum principal amount at any time outstanding of $200,000,000, and that the Series I Notes (Tax-Exempt, AMT) when authenticated and delivered will constitute valid and binding special obligations of DART, secured by and payable from (i) the Pledged Revenues; and (ii) proceeds from the sale of other Series I Notes issued by DART for the purpose of paying the principal of maturing Series I Notes (Tax-Exempt, AMT).

The rights of the Holders of the Series I Notes (Tax-Exempt, AMT) are subject to applicable provisions of federal bankruptcy law and any other similar laws affecting the rights of creditors of political subdivisions, and may be limited by general principles of equity which permit the exercise of judicial discretion. Holders of the Series I

Notes (Tax-Exempt, AMT) shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation other than the Gross Sales Tax Revenues.

DART has previously issued and has outstanding "Senior Lien Obligations" that have a lien on Pledged Revenues that are superior to the lien on the Pledged Revenues pledged to the Series I Notes (Tax-Exempt, AMT). Additionally, DART has reserved the right to issue additional debt, subject to the restrictions contained in the Resolutions, that is secured by liens on the Pledged Revenues that are superior to, on a parity with or are junior and subordinate to the lien on Pledged Revenues securing the Series I Notes (Tax-Exempt, AMT).

It is our further opinion that interest on the Series I Notes (Tax-Exempt, AMT) will be, upon the issuance and delivery thereof in accordance with the Resolutions, excludable from gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion ("Existing Law"). The exceptions are as follows:

1. That interest on the Series I Notes (Tax-Exempt, AMT) will be includable in the gross income of the owner during any period that such Series I Notes are held by either a "substantial user" of the facilities financed with the proceeds of the Series I Notes or a "related person" of such user, as provided in section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and

2. That the interest on the Series I Notes will be included as an alternative minimum tax preference item under section 57(a)(5) of the Code for purposes of computing the alternative minimum tax on individuals and corporations.

In rendering such opinions, we have relied on representations of DART with respect to matters solely within the knowledge of DART which we have not independently verified, and we have assumed continuing compliance with the covenants in the Resolutions and the representations in the Federal Tax Certificate pertaining to those sections of the Code that affect the exclusion of interest on the Series I Notes (Tax-Exempt, AMT) from the gross income of the owners thereof for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or DART fails to comply with the foregoing covenants of the Resolutions, interest on the Series I Notes (Tax-Exempt, AMT) could become includable in the gross income of the owners thereof from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series I Notes (Tax-Exempt, AMT). In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

This opinion may be relied upon by the owners of the Series I Notes (Tax-Exempt, AMT), but only to the extent that: (i) there is no change in existing regulations, Internal Revenue Service ruling positions or procedures, or law that may adversely affect the validity of the Series I Notes (Tax-Exempt, AMT) or the exclusion of the interest thereon from the gross income of owners for federal tax purposes, (ii) the Resolutions, the Federal Tax Certificate, the Issuing and Paying Agent Agreement, and the Dealer Agreements, in their respective forms on the date hereof remain in full force and effect and the Series I Notes (Tax-Exempt, AMT) issued after the date hereof are issued in accordance with the provisions of the Resolutions, and the Issuing and Paying Agent Agreement, (iii) the representations, warranties, covenants and agreements of the parties contained in the Resolutions, the Federal Tax Certificate, the Issuing and Paying Agent Agreement, the Dealer Agreements, and certain certificates dated the date hereof and delivered by authorized officers of DART remain true and accurate and have been complied with in all material respects, (iv) there has not been delivered to DART an opinion of this firm of more recent date with respect to the matters referred to herein, and (v) this opinion has not been expressly withdrawn as evidenced by a letter to DART.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representation and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Notes. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat DART as the taxpayer. We observe that DART has covenanted in the Resolutions not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Series I Notes (Tax-Exempt, AMT) as includable in gross income for federal income tax purposes.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Series I Notes (Tax-Exempt, AMT), is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

Nothing contained in this opinion shall be construed as any undertaking on our part to monitor any changes in applicable law or to monitor or confirm the accuracy of any such representations or warranties or compliance with any such agreements or covenants. In addition, we undertake no duty to expressly advise any Holder of any change or development of which we become aware that may adversely affect the opinions expressed herein.

APPENDIX B-3

__________, 2014

$200,000,000

DALLAS AREA RAPID TRANSIT SENIOR
SUBORDINATE LIEN SALES TAX REVENUE
COMMERCIAL PAPER NOTES
SERIES I (SELF-LIQUIDITY)
(TAXABLE)

We have represented Dallas Area Rapid Transit ("DART") as its Co Bond Counsel in connection with the authorization and issuance of its Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I (Self-Liquidity) (the "Series I Notes") in the maximum principal amount at any time outstanding of $200,000,000 (the "Series I Notes"). The Series I Notes are being issued pursuant to the Master Debt Resolution (the "Master Debt Resolution"), adopted on January 23, 2001, as amended, and the Tenth Supplemental Debt Resolution (the "Tenth Supplement"), adopted on April 9, 2013, as amended by the First Amendment to Tenth Supplemental Debt Resolution (the "First Amendment") adopted on June 24, 2014. The Master Debt Resolution, the Tenth Supplement and the First Amendment are herein referred to collectively as the "Resolutions." The Series I Notes (Taxable) may be issued and will be designated as (i) "Tax-Exempt, Non-AMT," (ii) "Tax-Exempt, AMT" or (iii) "Taxable." This opinion is being rendered with respect to those Series I Notes that have been designated as "Taxable." Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Resolutions.

As Co-Bond Counsel, we are rendering this opinion with respect to the legality and validity of the proceedings authorizing the Series I Notes (Taxable) 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. We have not investigated and do not assume any responsibility with respect to the financial condition or capabilities of DART, or the disclosure thereof, in connection with the offering and sale of the Series I Notes.

We have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization of the Series I Notes (Taxable), including (i) the Resolutions; (ii) certificates of officers and representatives of DART, the Issuing and Paying Agent, the Dealers, and the Trustee; (iii) other pertinent instruments relating to the authorization and issuance of the Series I Notes (Taxable) and the security for the payment thereof; and (v) such other instruments and matters of law as we have deemed relevant, including the opinion of the Attorney General of Texas, relating to the Series I Notes (Taxable).

Based on the foregoing, it is our opinion that the transcript of certified proceedings evidences complete legal authority for and authorizes the issuance of the Series I Notes (Taxable) in accordance with the Resolutions in the maximum principal amount at any time outstanding of $200,000,000, and that the Series I Notes (Taxable) when authenticated and delivered will constitute valid and binding special obligations of DART, secured by and payable from (i) the Pledged Revenues; and (ii) proceeds from the sale of other Series I Notes (Taxable) issued by DART for the purpose of paying the principal of maturing Series I Notes (Taxable).

The rights of the Holders of the Series I Notes (Taxable) are subject to applicable provisions of federal bankruptcy law and any other similar laws affecting the rights of creditors of political subdivisions, and may be limited by general principles of equity which permit the exercise of judicial discretion. Holders of the Series I Notes (Taxable) shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation other than the Gross Sales Tax Revenues.

DART has previously issued and has outstanding "Senior Lien Obligations" that have a lien on Pledged Revenues that are superior to the lien on the Pledged Revenues pledged to the Series I Notes (Taxable). Additionally, DART has reserved the right to issue additional debt, subject to the restrictions contained in the Resolutions, that is secured by liens on the Pledged Revenues that are superior to, on a parity with or are junior and subordinate to the lien on Pledged Revenues securing the Series I Notes (Taxable).

We observe that interest on the Series I Notes (Taxable) is generally includable in gross income for federal income tax purposes under existing law. We express no opinion as to any federal, state or local consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, such Bonds. Prospective purchasers should consult their tax advisors with respect to such matters.

APPENDIX C

2014 ANNUAL DISCLOSURE STATEMENT

Exhibit 1

DALLAS AREA RAPID TRANSIT
2014 Annual Disclosure Statement

This 2014 Annual Disclosure Statement replaces our 2013 Annual Disclosure Statement, dated February 26, 2013. This 2014 Annual Disclosure Statement has been posted on the Internet at our website, ***www.dart.org****, and has been filed with the Municipal Securities Rulemaking Board and is available at www.emma.msrb.org. We intend to update this 2014 Annual Disclosure Statement after the second and third quarters of our fiscal year and to replace it annually. We reserve the right to suspend or stop postings on the Internet and quarterly updates at any time. However, we will always provide the annual and periodic information called for under our undertaking in compliance with SEC Rule 15c2-12.*

This 2014 Annual Disclosure Statement relates to the following securities that we have issued and intend to issue from time to time: Senior Lien Obligations, Senior Subordinate Lien Obligations, and other Bond Obligations (defined below), but does not replace the Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum prepared for a particular series of debt securities.

You should carefully consider the information under the caption "INVESTMENT CONSIDERATIONS" herein.

DART is a subregional transportation authority created pursuant to Chapter 452 of the Texas Transportation Code (the "Act"). Our boundaries include the corporate limits of 13 North Texas cities and towns, and our headquarters are located in Dallas, Texas. Under the Act, we are authorized to provide public transportation and complementary services within such cities and towns.

Our Board of Directors has adopted a "Master Debt Resolution" that authorizes the issuance and execution of various types of debt instruments (the "Obligations"). Obligations that are issued in the form of bonds, notes, or other securities (the "Bond Obligations") will be issued in multiple series, and each series will be classified as either "Senior Lien Obligations," "Senior Subordinate Lien Obligations," or "Junior Subordinate Lien Obligations." The Senior Lien Obligations are secured by a first lien on Pledged Revenues; the Senior Subordinate Lien Obligations are secured by a second lien on Pledged Revenues; and the Junior Subordinate Lien Obligations are secured by a third lien on Pledged Revenues. These liens are senior to any other claim against the Pledged Revenues. Pursuant to the Master Debt Resolution, we have issued and have outstanding both Senior Lien Obligations and Senior Subordinate Lien Obligations. See, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS."

Under the Master Debt Resolution, Pledged Revenues consist of (i) the gross revenues that we receive from a 1% sales and use tax (the "Sales Tax"), and the investment earnings thereon while held by the Trustee in the Gross Sales Tax Revenue Fund, (ii) Pledged Farebox Revenues (as defined herein), (iii) with respect to Senior Lien Obligations, Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (iv) any additional revenues of DART which by a Supplemental Resolution are expressly and specifically pledged to the payment of Obligations. However, the Federal Interest Subsidy is not used to pay or secure the TIFIA bond debt service. The Sales Tax is imposed on items and services that are sold, rented, or purchased, or acquired for use within our boundaries, and that are subject generally to the Texas sales and use tax. See, "DART'S FINANCIAL PRACTICES AND RESOURCES—Principal Source of Revenue—The Sales Tax." Bond Obligations will be issued for any one or more of the following purposes: refunding outstanding indebtedness, obtaining capital funds for the expansion of our public transportation system, creating reserves, paying interest during limited periods, paying our costs of issuance, or for other purposes if permitted by applicable law.

Unless otherwise indicated, capitalized terms used herein have the meanings assigned to them in the Master Debt Resolution.

This 2014 Annual Disclosure Statement may be used to offer and sell a series of Senior Lien Obligations, Senior Subordinate Lien Obligations, or other Bond Obligations only if it is accompanied by the Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum for that series.

Dated Date: February 25, 2014

Table of Contents

IMPORTANT NOTICES

We have included cross-references to captions in the Table of Contents where you can find further discussions of summarized information.

We do not claim that the information in this 2014 Annual Disclosure Statement is accurate as of any date other than the Dated Date stated on the front cover, except for financial information which is accurate as of its stated date. We will update this 2014 Annual Disclosure Statement as described on the cover page. In addition, the summary of the Master Debt Resolution presented in Appendix B is not intended to be comprehensive. You may obtain copies of the Master Debt Resolution, or any updates to this 2014 Annual Disclosure Statement, from the Municipal Securities Rulemaking Board's ("MSRB's") website at www.emma.msrb.org, from our website on the internet at ***www.dart.org***, or by contacting our Executive Vice President/Chief Financial Officer or Vice President, Finance, at our corporate address or telephone number to request a free copy: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, 214-749-3148.

In this 2014 Annual Disclosure Statement, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in this 2014 Annual Disclosure Statement by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, receipt of federal grants, and various other factors which are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS

We have eight series of Senior Lien Obligations outstanding – our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"), outstanding in the aggregate principal amount of $740,155,000; our Senior Lien Sales Tax Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), outstanding in the aggregate principal amount of $718,540,000; our Senior Lien Sales Tax Revenue Bonds, Series 2009A (the "Series 2009A Bonds") outstanding in the aggregate principal amount of $170,385,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "Series 2009B Bonds"), outstanding in the aggregate principal amount of $829,615,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds"), outstanding in the aggregate principal amount of $95,235,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the "Series 2010B Bonds"), outstanding in the aggregate principal amount of $729,390,000; our Senior Lien Sales Tax Revenue Bonds, Series 2012 (the "Series 2012 Bonds"), outstanding in the aggregate principal amount of $127,775,000; and our Senior Lien Sales Tax Revenue Bond, Taxable Series 2012A issued to evidence a Transportation Infrastructure Finance and Innovation Act Loan (the "TIFIA Bond"), when fully drawn in Fiscal Year 2014 will be outstanding in the aggregate principal amount of up to $119,972,259.

Bond Obligations We Expect to Issue in 2014

We plan to sell $90,000,000 in Senior Subordinate Lien Commercial Paper Notes under our Commercial Paper Self-Liquidity (CPSL) program established in Fiscal Year 2013. Our Revolving Credit Agreement (RCA) with Bank of America was terminated on November 15, 2012, and new Senior Subordinate Lien Commercial Paper Notes are issued under the CPSL program.

Preconditions to Issuance of Bond Obligations—Financial Coverage Tests

– Conditions to Issuance of Senior Lien Obligations

There are eight series of Senior Lien Obligations outstanding comprised of the Series 2007 Bonds, the Series 2008 Bonds, the Series 2009A and 2009B Bonds, the Series 2010A and 2010B Bonds, the Series 2012 Bonds, and the 2012A TIFIA Bond. Under the Master Debt Resolution, we cannot issue additional Senior Lien Obligations unless:

> (1) An independent economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of three consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Additional Senior Lien Obligations, are equal at least to 200% of the Debt Service that will be due on all Senior Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; or
>
> (2) During either our most recent Fiscal Year or during 12 out of the most recent 18 months, our Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service that will be due on any outstanding Obligations and the proposed Additional Senior Lien Obligations during any of the current or any future Fiscal Year; and
>
> (3) Our Executive Vice President/Chief Financial Officer, or Vice President, Finance, certifies that we will receive Gross Sales Tax Revenues, during each of three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Additional Senior Lien Obligations, which will be sufficient to pay all Senior Lien Obligations and all Subordinate Lien Obligations during such three Fiscal Years; and
>
> (4) We satisfy any additional financial tests that may be contained in a Supplemental Resolution or Credit Agreement.

– Conditions to Issuance of Subordinate Lien Obligations

The Master Debt Resolution does not itself impose financial tests as preconditions to the issuance of additional Senior Subordinate Lien Obligations or Junior Subordinate Lien Obligations beyond the requirement that we demonstrate the ability to pay them when due.

We cannot issue additional Senior Lien Obligations or Senior Subordinate Lien Obligations unless:

> (1) We satisfy the financial tests contained in the Master Debt Resolution summarized above; and
>
> (2) An independent economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of the three following and consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Bond Obligations, are equal at least to 150% of the Debt Service that will be due on all Bond Obligations that are issued as Senior Lien Obligations and Senior Subordinate Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; and
>
> (3) During any 4 of the most recent 6 calendar quarters immediately preceding the issuance date of the proposed Bond Obligations, our Gross Sales Tax Revenues must have been equal at least to 200% of the Debt Service on our Bond Obligations that were outstanding during such 4 calendar quarters plus Debt Service on the proposed Bond Obligations, assuming that they were outstanding during such period and after taking into account any reduction in Debt Service that may result from the issuance of the proposed Bond Obligations; and

(4) If the proposed Bond Obligations are Senior Subordinate Lien Obligations, our Chief Financial Officer certifies that estimated Gross Sales Tax Revenues during each of the three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Additional Senior Subordinate Lien Obligations will be sufficient to pay 200% of the Debt Service due on all Senior Lien Obligations, Senior Subordinate Lien Obligations, and Junior Lien Obligations during such three Fiscal Years.

We expect that future Credit Providers and general market requirements will, from time to time, impose different or additional financial tests as preconditions to the issuance of additional Bond Obligations. Any such additional requirements will be contained in a Supplemental Resolution or in a Credit Agreement. See, Appendix B, SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—Permitted DART Indebtedness.

Method of Issuing Bond Obligations

To issue any series of Bond Obligations, the Master Debt Resolution requires our Board to adopt a Supplemental Resolution establishing the specific terms of the series to be issued. When we issue Bond Obligations, you should purchase them on the basis of this 2014 Annual Disclosure Statement only if you have also obtained a "Supplemental Official Statement" or a "Supplemental Annual Disclosure Statement and Offering Memorandum" relating to the series of Bond Obligations you are considering.

Security for the Obligations—Flow of Funds

Our Gross Sales Tax Revenues consist of the money we are entitled to receive under the Act and other state law from the levy and collection of the voter-approved Sales Tax that is levied on taxable items and services that are sold or used within our boundaries. That revenue and the investments thereof, if any, while held by the Trustee in the Gross Sales Tax Revenue Fund are Pledged Revenues that secure all of the Obligations. Additionally, pursuant to the provisions of the Seventh Supplemental Debt Resolution authorizing the issuance of our Series 2010A and 2010B Bonds, we pledged the "Pledged Farebox Revenues" as security for all of the Obligations. The Pledged Farebox Revenues include all fares collected by or on behalf of DART for its bus, rail, and paratransit services in an amount equal to 97.3% of the debt service accruing on the Series 2010 Bonds after deducting the Federal Interest Subsidy applicable to such Bonds. The annual amount of the Pledged Farebox Revenues varies each year based on the actual debt service on the Series 2010B Bonds. The amount constituting Pledged Farebox Revenues ranges from $22.9 million in 2012 to $71.4 million in 2049. In addition, Federal Interest Subsidy Payments that are deposited to the Senior Lien Debt Service Fund are pledged to the payment of Senior Lien Obligations. We reserved the rights (1) to pledge the other farebox revenues as security for the payment of Obligations or any other obligations of DART and (2) to exclude any specified portion of farebox revenues from Pledged Farebox Revenues (including Special Revenues) by Supplemental Resolution, provided that the aggregate amount of Pledged Farebox Revenues then expected to be collected in all future Debt Service Accrual Periods shall not be reduced as a result.

State law requires the sellers and suppliers of taxable items and services to collect the Sales Tax from consumers and to pay collected taxes to the Texas Comptroller of Public Accounts. The Comptroller receives and collects all such taxes that are imposed throughout the state and pays them over to the agencies, such as DART, that levy them, net of a 2% collection fee and reserves for possible refunds.

The Master Debt Resolution establishes (1) the procedure for handling the Gross Sales Tax Revenues from the point of release of the revenues by the Comptroller to the Trustee to the point they are released by the Trustee to us; (2) the priorities of the liens that are created for the benefit of the Senior Lien Obligations, the Senior Subordinate Lien Obligations, and the Junior Subordinate Lien Obligations; and (3) the permissible investments thereof at our direction.

The law requires the Comptroller to deliver the net amount of the collected taxes to us or for our benefit not less frequently than quarterly. Under current practice, the Comptroller delivers net tax collections monthly directly to the Trustee for the benefit of the Holders of 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 in amounts equal to the Accrued Aggregate Debt Service on the Obligations of each lien ranking, beginning first with the Senior Lien Debt Service Fund, then the Senior Subordinate Lien Debt Service Fund, and finally the Junior Subordinate Lien Debt Service Fund, before any monies are released to us for other uses.

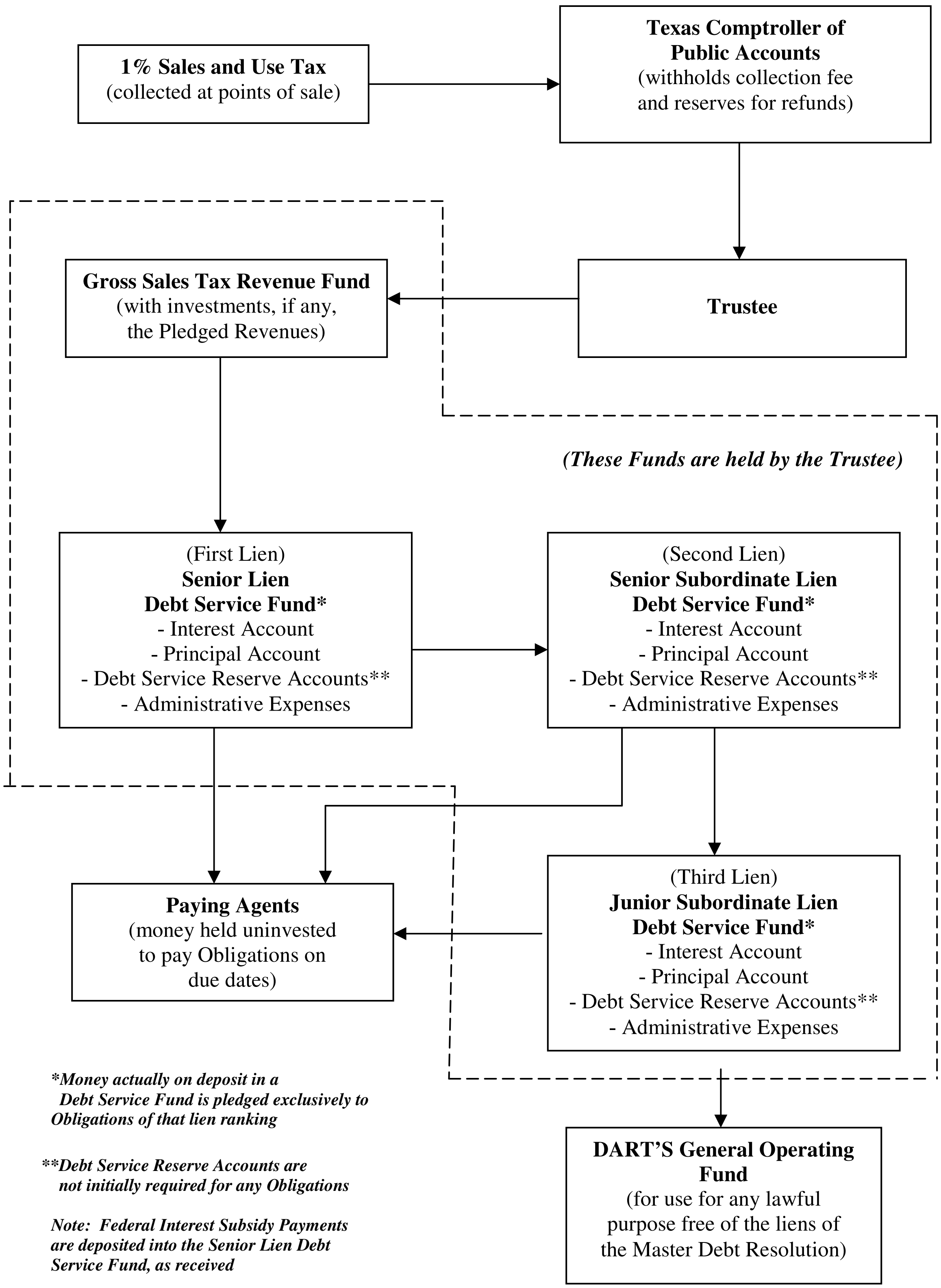
Money actually on deposit in a Debt Service Fund is pledged exclusively and irrevocably to the Obligations of the applicable lien ranking.

If the monies received from the Comptroller are not sufficient to fill all three of the Debt Service Funds to the level of current requirements, they are filled in the order of lien ranking and any deficiencies are restored with the next available Gross Sales Tax Revenues. If amounts on deposit in any Debt Service Fund are not sufficient on any Interest Payment Date, Mandatory Redemption Date or Stated Maturity Date, the Trustee is also required to deposit all the Pledged Farebox Revenues to the Debt Service Funds in the same order of priority as Gross Sales Tax Revenues.

If there is an excess of money over the amounts needed to make the required deposits to all three Debt Service Funds, and after restoring deficiencies, if any, the Trustee is required to deliver the excess revenue to DART, free and clear of the liens of the Master Debt Resolution.

When payments are due on Bond Obligations, the Trustee sends the required amounts from the applicable Debt Service Fund to the Paying Agent(s) for the maturing Obligations, as shown in the following chart of the flow of funds:

Flow of Funds (cont'd)



Money actually on deposit in a Debt Service Fund is pledged exclusively to Obligations of that lien ranking

*****Debt Service Reserve Accounts are not initially required for any Obligations***

Note: Federal Interest Subsidy Payments are deposited into the Senior Lien Debt Service Fund, as received

Note: Pledged Farebox Revenues are held in the General Operating Fund and are only required to be transferred to the Senior Lien Debt Service Fund if the amounts therein are insufficient to pay debt service on the Bond Obligations.

INFORMATION ABOUT DART

DART is a subregional transportation authority and governmental agency of the State of Texas, created and confirmed by a referendum passed on August 13, 1983, pursuant to Article 1118y of Vernon's Annotated Texas Civil Statutes, as amended and recodified into the Act. The Act authorizes us to provide public transportation and complementary services within the corporate limits of those cities and towns in which the voters have confirmed the creation of or joinder with DART and approved the imposition of the Sales Tax under the Act.

DART's Boundaries, Additions, Withdrawal Rights

Our current boundaries include the following Participating Municipalities: the Cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett, and University Park and the Towns of Addison and Highland Park, Texas. Our boundaries encompass approximately 700 square miles and contain an estimated population of 2.3 million persons as of January 2013, according to information obtained from the North Central Texas Council of Governments.

If a municipality that we do not currently serve is located at least in part in a county that we serve, the municipality may become a Participating Municipality by holding an election in accordance with the Act at which its joinder with DART and the imposition of the Sales Tax is approved by its voters.

Under the Act, a Participating Municipality has the right to call an election at which its voters may vote to withdraw as a Participating Municipality every sixth calendar year. This process can be initiated by either official action of the Participating Municipality's governing body or by citizen petition. The next year in which withdrawal elections may be held is 2014.

If a withdrawal election is held and voters approve withdrawal from DART, all of our public transportation services to and within the withdrawing municipality must cease on the day following the canvass of the election returns. The Comptroller must continue to collect the Sales Tax within that municipality, however, until we have collected an amount equal to the withdrawing municipality's pro-rata share of our financial obligations that existed at the time of withdrawal. Accordingly, the Act limits the impact a municipality's withdrawal might have on our ability to repay our indebtedness, including any Obligations.

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

- Our outstanding obligations under contract and authorized in our current budget;
- Our outstanding contractual obligations for capital and other expenditures payable from sources other than proceeds of notes, bonds, or other obligations;
- Payments due or to become due in all subsequent years on notes, bonds, or other securities or obligations for debt issued by us;
- Our required reserves for all years to comply with financial covenants made with lenders, note or bond holders, or other creditors or contractors; and
- The amount necessary for the full and timely payment of our existing obligations, to avoid a default or impairment of those obligations, including contingent liabilities.

Any of our financial obligations that specifically relate to such withdrawing municipality will be allocated completely to it.

DART's General Powers and Purposes

We exercise public and essential governmental functions under the Act, and the Act grants us certain powers to carry out these functions. The Act authorizes us to acquire, construct, develop, plan, own, operate, and maintain all real and personal property needed by us for public transportation or complementary transportation purposes. Complementary transportation services include the following services:

- Special transportation services for elderly or disabled persons;
- Medical transportation services;
- Assistance in street modifications to accommodate our public transportation system;
- The purchase, construction, or renovation of general aviation facilities that are not served by certificated air carriers in order to relieve air traffic congestion at existing facilities; and
- Any other service that complements our public transportation system, such as parking garages.

The Act grants to us the right to acquire property by eminent domain for our public transportation system, so long as the governing body (in a city or town) or the commissioners court of the county (in unincorporated areas) having jurisdiction over the property approves the acquisition. The Act also authorizes us to lease to or contract with a private operator to operate a public transportation system or any part thereof, and to contract with any non-participating city, county, or other political subdivision to provide public transportation services to any area outside our boundaries.

The Board of Directors

We are governed by a 15-member Subregional Board of Directors. The governing bodies of the Participating Municipalities appoint members to our Board according to the ratio of the population of each Participating Municipality to the total population within our boundaries. A Participating Municipality having a population which entitles it to make a fraction of an appointment may combine that fraction with one or more other Participating Municipalities to make one appointment, but no Participating Municipality may appoint more than 65% of the members of the Board. The Board is restructured whenever there is a change in the member municipalities or every fifth year after the date census data or population estimates become available.

Each Board member serves at the pleasure of the governing municipal unit that appoints the member. Board members serve staggered two-year terms. Eight of the member terms begin on July 1 of odd-numbered years and seven of the member terms begin July 1 of even-numbered years. Each member is entitled to receive $50 for each Board meeting attended and is reimbursed for necessary and reasonable expenses incurred in the discharge of the member's duties.

The following table sets forth information regarding our current Board of Directors. The Board appoints from its members a chair, vice chair, secretary, and assistant secretary as shown in the table.

CURRENT MEMBERS AND OFFICERS OF THE BOARD OF DIRECTORS			
NAME	**REPRESENTS**	**YEAR OF APPOINTMENT TO BOARD**	**OCCUPATION**
Robert W. Strauss, ***Chair***	Dallas	2006	Attorney
Faye Wilkins, ***Vice Chair***	Farmers Branch and Plano	1999	Telecommunications & Systems Integration Consultant
Richard Carrizales, ***Secretary***	Dallas	2010	Attorney
Gary Slagel, ***Assistant Secretary***	Addison, Highland Park, Richardson, and University Park	2011	Technology Executive
Jim Adams	Dallas	2012	Financial Executive
Michael Cheney	Garland	2011	Retired Financial Executive/ Consultant
Randall D. Chrisman	Carrollton and Irving	2002	Commercial Real Estate Broker
Jerry Christian	Dallas	2007	Minister
Amanda Moreno Cross	Dallas	2013	Entrepreneur
Mark C. Enoch	Garland, Rowlett, and Glenn Heights	1997	Attorney
Pamela Dunlop Gates	Dallas	2006	Attorney
Richard H. Stopfer	Irving	2013	Retired Automotive Consultant
William Tsao	Dallas	2007	Licensed Professional Engineer
William M. Velasco, II	Dallas and Cockrell Hill	2001	Tax and Insurance Business Owner
Paul N. Wageman	Plano	2012	Attorney

Significant Board Policies and Planning Documents

Our Board has adopted a mission statement, goals, financial and business planning policies, and general policies that provide management a framework within which it must operate. The Board has also adopted Bylaws and Rules of Procedure to ensure that it acts consistently.

Each year, for planning purposes, DART issues an annual business plan (the "Business Plan") which includes components of the following:

— The Strategic Plan – The Strategic Plan is reviewed annually, and was most recently updated in 2010 for Fiscal Years 2010 through 2015. It identifies the key initiatives that must be completed to achieve the Board's goals. The Strategic Plan and Business Plan are the basis for the Annual Budget and the Twenty-Year Financial Plan, and for measuring management and employee performance and are modified based on an analysis of business results; employee, customer, and climate surveys; external events (such as issues being considered by the Texas State Legislature); and benchmark comparisons with other transit agencies and private sector companies.

— Service Plan/Transit System Plan – The Service Plan, required under our enabling legislation, specifies the commitments for service provided to the service area cities including the specific locations of major transit facilities and fixed guideways. The Transit System Plan is the long-range planning tool that is updated to incorporate changes in the service area. It provides the vision and direction for DART's future capital projects and operating programs needed to improve regional mobility. The Transit System Plan is closely coordinated with development of the North Central Texas Council of Government's Regional Mobility Plan and is revised every five to six years. The last revision was completed in Fiscal Year 2007 and focuses on transit needs and opportunities within the context of a 2030 horizon. The DART Board has initiated a revision to the existing 2030 Transit System Plan and is in the early stages of identifying the goals and objectives for this effort. The 2040 Plan is expected to be completed in Fiscal Year 2016 and will also be financially constrained.

— Annual 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 comment at least 30 days prior to final annual budget adoption. The Participating Municipalities are not required to approve the annual budget, however, in order for it to become effective.

— Twenty-Year Financial Plan – The Twenty-Year Financial Plan addresses the affordability of the Transit System Plan and the timing of service and capital expansion projects. The Twenty-Year Financial Plan details projected sources and uses of cash for twenty years. The first year of the plan corresponds with the coming year’s budget, and the first five years of the plan reflects the coming year’s Business Plan. The final 15 years of the plan validate the affordability of our long-range Transit System Plan, and include our commitments for future system expansion and the issuance and repayment of debt.

— Financial Standards – The Board’s Financial Standards establish limits for capital expansion, the issuance of debt, and the maintenance of cash reserves. These standards are the basis for our Financial Plan projections. The Board has also approved Business Planning Parameters that establish operating service levels, management performance objectives, and policy limitations for projecting major sources and uses of cash.

— Key Performance Indicators – The Business Plan provides a detailed outline of our performance projections and commitments for each mode of service and DART as a whole. The Plan includes "scorecards" addressing key operating, financial, and quality measures (called “Key Performance Indicators”) and identifying initiatives necessary to improve performance. The Business Plan defines how management will achieve the key initiatives presented in the Strategic Plan.

— Five-Year Action Plan – The Five-Year Action Plan provides detailed discussions of our plans to increase bus and rail ridership through service improvements for a five-year period.

DART’s Management

The Board appoints our President/Executive Director, who also serves as our Chief Executive Officer. The Chief Executive Officer’s duties include:

- Administering our daily operations, including the hiring, compensation, and removal of employees;
- Awarding contracts for services, supplies, capital acquisitions, real estate, and construction without Board approval if the amount of any such contract does not exceed $100,000; and
- Awarding contracts of up to $250,000 without Board approval for standard off-the-shelf commercial products.

Additional staff positions that report directly to the Board include the General Counsel, a Director of Internal Audit, and a Director of the Office of Board Support.

A summary of our executive management team is shown in the following table:

DART'S EXECUTIVE MANAGEMENT		
NAME	POSITION	JOINED DART
Gary C. Thomas	President/Executive Director	1998
Jesse Oliver	Deputy Executive Director	2012
Carol Wise	Executive Vice President, Chief Operations Officer	2012
David Leininger	Executive Vice President, Chief Financial Officer	2008
Timothy H. McKay	Executive Vice President, Growth/Regional Development	2001
John Adler	Vice President, Procurement	2006
Albert Bazis	Director of Internal Audit	2001
Mauro Calcaño	Vice President, Chief People Officer	2012
Scott Carlson	General Counsel	2012
Doug Douglas	Vice President, Mobility Management Services	1990
Nevin Grinnell	Vice President, Chief Marketing Officer	2011
Michael C. Hubbell	Vice President, Maintenance	1995
Nancy Johnson	Director of the Office of Board Support	1999
Michael Miles	Vice President, Government Relations	1982
Michael Muhammad	Vice President, Diversity/Innovative Services	2004
Norma De La Garza-Navarro	Vice President, Commuter Rail	1990
Timothy Newby	Vice President, Transportation	1997
Todd Plesko	Vice President, Planning & Development	2009
Stephen Salin	Vice President, Rail Planning	2000
James Spiller	Vice President, DART Chief of Police	2001
Vacant	Vice President, Chief Information Officer	n/a
Vacant	Vice President, Finance	n/a

Employees and Employee Relations

DART currently has 3,694 budgeted salaried and hourly employees. Hourly employees are represented by one organization. The Amalgamated Transit Union, Local 1338, represents the majority of our bus operators, mechanics, and call center personnel.

As a Texas governmental agency, we do not collectively bargain or sign labor contracts with these employee representatives. We do, however, meet and confer with these representatives on hourly employee issues, compensation, and benefits.

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

We operate three employee benefit plans. Information about the plans is contained in Note 16 to the Audited Financial Statements attached hereto as Appendix A. In addition to pension benefits, we provide post-retirement health care and life insurance benefits in accordance with DART policy to certain employees. Information about such benefits is contained in Note 17 to the Audited Financial Statements attached hereto as Appendix A. In Fiscal Year 2008, we implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions."

Significant Contract Services

We use contracted services extensively, including the following:

- MV Transportation, Inc., for Mobility Management Services (ADA Paratransit operations and On-Call Services);
- Herzog Transit Services, Inc. for our Commuter Rail services;
- Track 3 (a Joint Venture of LAN, Inc., Aquirre Corporation, APM and Associates, Inc., and Chiang, Patel & Yerby, Inc.) for General Engineering Consultant services and oversight for the Orange and Blue Line Design-Build contracts;
- Kiewit, Stacey and Witbeck, Reyes, and Parsons(a Joint Venture) under a Design Build contract for the Orange Line, Irving I and II;
- Austin Bridge and Road, under a Design Build contract for the Blue Line Extension, Rowlett 1;
- Kiewit, Stacey and Witbeck, Reyes, and Parsons (a Joint Venture), under a Design Build contract for the DFW Corridor Orange Line, Irving-3;
- Blue Alliance Partners, a Joint Venture (HNTB Corporation/Dikita Enterprises, Inc.) for SOC-Design;
- South Oak Cliff Transit Partners, a Joint Venture (Stacey & Witbeck, Jerry Hanes Electric Company, Mas-Tek Engineering & Associates, Kiewit Infrastructure, South Legacy Resource Group) for SOC-3 CMGC;
- URS Corporation, under an Architect/Engineering contract for General Planning Consultant services; and
- Stacy and Witbeck, Inc. / Carcon Industries (a Joint Venture) under a Design Build contract for the Union Station to Oak Cliff Streetcar Line.

We also utilize contracts for a major portion of the planning, design, and construction of major capital programs.

Insurance

We maintain a comprehensive insurance program, including the following:

- We self-insure for auto liability, general liability, and workers' compensation claims arising out of transit operations. Segregated cash reserves are maintained for these programs.
- We carry all-risk property insurance for full repair or replacement in the event of loss with a $500 million limit for any one loss or any one location.
- We carry $125 million liability coverage for the Trinity Railway Express commuter rail service with a $3 million self-insured retention. This policy covers all entities associated with providing commuter rail service.
- We purchase $10 million of liability coverage for leased premises to comply with the terms of our lease agreements with third parties. We also purchase insurance to cover non-owned automobile liability, directors and officers liability, and employee dishonesty.
- For the second phase of the light rail build-out, we provide a $50 million project-specific professional liability insurance policy that covers all consultants providing professional services, including environmental consulting services and construction management. In addition, civil contractors are covered for pollution liability arising out of construction activities.
- An Owner Controlled Insurance Program (OCIP) provides all eligible enrolled contractors involved with constructing Phase II of the light rail build-out with statutory workers' compensation coverage, $100 million of general and excess liability insurance, railroad protective liability and builders' risk insurance. The OCIP went into effect on July 25, 2006, and will provide coverage through July 25, 2015. An additional ten years of products and completed operations coverage will commence upon acceptance of the work and commencement of revenue

service. Products and completed operations coverage for any work covered by the OCIP will not extend beyond July 25, 2025.

An Owner Controlled Insurance Program (OCIP) was also implemented on the SOC-3 section of the buildout. It provides all eligible enrolled contractors involved with constructing with statutory workers' compensation coverage, $50 million of general and excess liability insurance, railroad protective liability and builders' risk insurance. The SOC-3 OCIP went into effect on July 1, 2013 and will provide coverage through July 1, 2017. We provide a $10 million project-specific professional liability insurance policy that covers all consultants providing professional services.

As a public entity, we are protected in many instances by governmental immunity. In cases where our governmental immunity does not apply, our liability is often limited by the Texas Tort Claims Act to $100,000 per person or $300,000 per occurrence for bodily injury and $100,000 per occurrence for property damage. Workers' compensation payments are statutory and regulated by the Department of Labor and the Texas Department of Workers' Compensation.

DART'S FINANCIAL PRACTICES AND RESOURCES

Audits of Financial Information

DART's Fiscal Year is from October 1 through September 30. We maintain our records of accounts in accordance with generally accepted accounting principles. Our financial accounts and records are audited at the close of each Fiscal Year by an independent, outside auditing and accounting firm approved by the Board. The audits are usually presented to us not later than 120 days after the close of each Fiscal Year. The Independent Auditors' Report, with our audited annual financial statements for the Fiscal Years ended September 30, 2013 and 2012, is presented as a part of this 2014 Annual Disclosure Statement as Appendix A. Each subsequent annual revision of this 2014 Annual Disclosure Statement will include our most recent audited annual financial statements and our analysis of the financial results for the year.

Principal Source of Revenue—The Sales Tax

Our principal revenue source is the Sales Tax that is levied on taxable items that are sold, rented, or purchased, or acquired for use, within the boundaries of our Participating Municipalities. The Act and the Limited Sales, Use, and Excise Tax Act, Chapter 151, Texas Tax Code, as amended, contain a full description of the items and services subject to and exempted from the sales and use tax.

The Texas Legislature has modified the sales and use tax base from time to time to add or subtract certain items to or from our taxable base, and even to exempt from taxes certain items purchased during a defined time window. In 1999, the Legislature created an annual three-day "sales tax holiday" just prior to the opening of each new school year which exempts from State and local sales taxes the purchase of certain clothing, school supplies and footwear. The sales tax holiday exempts these purchases from the Sales Tax as well. While the law establishing the sales tax holiday currently permits us to repeal the temporary exemption from our Sales Tax, we do not intend to repeal this exemption unless it will adversely impact our ability to repay any outstanding Obligations.

The following table shows our Gross Sales Tax Revenues for each of the most recent 10 Fiscal Years. The Gross Sales Tax Revenues show actual receipts in a given Fiscal Year, and may differ from the sales tax revenues shown on our financial statements. When DART is notified of an overpayment of sales tax, an accounting adjustment is made to reflect the reduction in sales tax revenues in that same fiscal year. In two cases where sizeable overpayments were determined to have been made, DART entered into a repayment plan. The table below shows sales tax receipts less any repayment installments. Since the financial statements reflect a reduction in sales tax revenues for the Fiscal Year in which an overpayment is determined to have been made, rather than in the Fiscal Years over which an overpayment is repaid, the sales tax revenues shown on the financial statements may differ from the Gross Sales Tax Revenues shown below.

Gross Sales Tax Revenues* (in millions)	
Fiscal Year ended 9/30	**Receipts**
2004	$332.4
2005	$341.8
2006	$370.5*
2007	$389.1
2008	$416.1*
2009	$377.6
2010	$375.5
2011	$402.4
2012	$432.5
2013	$455.7

*The amounts shown for 2006 and 2008 include $13.2 million and $3.6 million, respectively, that the State Comptroller has determined to be overpayments. Such amounts are being repaid by DART in quarterly payments through March 2027. See "DART's Operations and Performance Results – Sales Tax Revenues and the Net Operating Subsidy."

Secondary Revenues—Farebox Collections

We collect fares from our bus, rail, and paratransit users. The Act permits us to set fares based upon a zone system or by another classification that we determine to be reasonable and nondiscriminatory.

We receive other miscellaneous revenues, primarily from advertising and leases. We refer to these and the farebox revenues as "Operating Revenues." The following table lists our operating revenues and expenses for the past 10 fiscal years.

Operating Revenues & Expenses (in millions)		
Fiscal Year ended 9/30	**Operating Revenues**	**Operating Expenses**
2004	$44.9	$388.9
2005	$46.2	$427.5
2006	$49.9	$447.1
2007	$50.5	$460.9
2008	$59.8	$512.2
2009	$57.4	$523.6
2010	$63.2	$572.5
2011	$69.4	$629.0
2012	$80.1	$645.8
2013	$83.7	$701.7

Federal Grant Funds

We receive federal grant funds primarily from the Federal Transit Administration ("FTA"). We utilize these proceeds to fund a portion of our eligible capitalized maintenance expenses and capital programs. Congress allocates transit funds on both a formula basis and a discretionary basis. We are eligible to receive both types of funds.

In July 2006, FTA awarded a landmark $700 million Full Funding Grant Agreement (FFGA) to DART for the Northwest Southeast Light Rail Transit (NWSE LRT) extension project. Congress appropriates the funds for such Agreements annually. To date, Congress has appropriated $691.3 million of the FFGA. We anticipate Congress will make the final appropriation in 2014 of $8.7 million to fund the FFGA.

Federal grants are on a reimbursement basis, so receipts will not match annual appropriation. The following table reflects actual federal and state cash receipts of DART by Fiscal Year for the past ten years.

Federal/State Receipts (in millions)		
Fiscal Year	**Federal Receipts**	**State Receipts**
2004	$135.4	$ 5.8
2005	$ 91.7	$ 0.3
2006	$ 69.5	$ 0.0
2007	$137.9	$ 0.0
2008	$173.4	$ 0.0
2009	$300.5	$ 0.1
2010	$197.9	$13.6
2011	$165.5	$ 0.3
2012	$174.8	$15.0
2013	$139.7	$ 0.1

Lease/Leaseback Transactions

As authorized by the Act, we entered into ten separate economically defeased lease transactions which, in general, involved our lease and leaseback of specified, depreciable property to various trustee entities, acting on behalf of private investors. As of the date hereof, three of such transactions are still outstanding with one transaction maturing in December 2013. The three outstanding transactions involve the lease and leaseback of light rail cars and buses used as a part of our transit system. See Note 10 to the Audited Financial Statements attached hereto as Appendix A.

Although we retain legal title to the leased property, these transactions were structured so as to result in a sale of the leased property to the private investors for federal income tax purposes. The rent due for the full term of the leases was prepaid to us, and the trustees have no further obligation to pay us any rent under the leases. The respective trustee subleased the property back to us for a sublease term that is shorter than the term of the respective lease. At a specified date on or before the end of the sublease term, we have the right to purchase the respective trustee's interest in the respective lease.

We paid a portion of the advance rental payments received by us from the trustees to purchase contractual undertakings from certain financial institutions, rated "AA" or better at that time by recognized rating agencies, pursuant to which such financial institutions assumed and agreed to pay to the respective trustee the sublease rental payments due and owing by us through our purchase option date, together with the purchase option price owed by us if we determine to exercise our purchase option rights. In other leases, we deposited a portion of such advance rental payments with a custodian, whom we instructed to purchase direct obligations of the United States Government and other securities that will mature on the dates and in the amounts required to pay sublease rental payments and the respective purchase option price.

The excess amounts of the advance rental payments received by us over the costs of the contractual undertakings and the amounts of the custodial deposits, after paying for certain other costs incurred in connection with the transactions, was retained and utilized by us. After closing the transactions, we continue to have the right to uninterrupted use and possession of the leased property so long as we are not otherwise in default under the contractual terms of the lease documents. Notwithstanding such contractual undertakings and custodial deposits, we remain obligated to pay all amounts owed by us under the subleases, including sublease rent and the respective purchase option price should we exercise it, in the event of the insolvency of or other failure to pay by the respective financial institution or a failure of the respective custodial deposits.

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of September 30, 2013, four lease/leaseback transactions were active and all are in full compliance with the respective operative documents, as amended.

DART OPERATIONS AND PERFORMANCE RESULTS

The Independent Auditors' Report on DART's financial statements for the fiscal year ended September 30, 2013, is attached as Appendix A. The information contained under this heading presents the comments, observations, and interpretations of financial and other facts and practices by our management and its opinions as to those facts, practices, and circumstances affecting DART. We do not warrant or guarantee that the conclusions we have drawn therefrom are accurate or complete or provide any assurances as to future financial and/or operating results of DART. The financial information discussed in this section is derived from the financial statements attached as Appendix A and other identified sources.

Sales Tax Revenues and the Net Operating Subsidy

Sales tax revenues contributed 61% and 56%of total revenues (which includes capital contributions and grants) in fiscal year 2013 and fiscal year 2012, respectively (excluding debt issuances). Sales tax revenues in fiscal year 2013 were $456.5 million, a $23.2 million (5.4%) increase over fiscal year 2012. Sales tax revenues for the year ended September 30, 2013 were $4.8 million (1.06 %) above the projected Gross Sales Tax Receipts of $451.7 million. (Net receipts were $455.7 million versus a Sales Tax Budget of $451.7 million). Our sales taxes highly correlate with personal income and retail sales in the region. Our principal revenue source is the sales tax. Sales tax revenues received by us from the State Comptroller reflect sales transactions that occur approximately two months prior to receipt by us. The sales tax revenues discussed in this section are derived from our annual financials which reflect accounting adjustments made as a result of overpayments of sales taxes to DART. As a result of these accounting adjustments, sales tax revenues shown on our financial statements may differ from the Gross Sales Tax Revenues (which represent actual receipts in a Fiscal Year) shown in the table on page 15. As a result of overpayments to DART of $13.2 million in Fiscal Year 2006 and $3.6 million in Fiscal Year 2008, DART entered into a repayment plan with the State Comptroller which commenced in December 2006, and currently extends to March 2027. Pursuant to the repayment plan, the State Comptroller deducts quarterly repayments from sales tax revenues that would otherwise be owed to DART.

The Fiscal Year 2014 Budget projects Net Sales Tax Revenues of $478.5 million compared to $451.7 million for 2013. This represents a 5.9% increase from the 2013 budget which represents a 5% increase over the 2013 Actual Sales Tax Receipts. For the first two months of Fiscal Year 2014, sales tax receipts are 10.3% over the first two months of Fiscal Year 2013 and 3.49% above our fiscal year 2014 sales tax budget.

We maintain various cash reserves including a Financial Reserve Account that is funded with sales tax collections, if any, that exceed budget during a given year. In addition, a Capital Project Reserve Account was established. If the Financial Reserve Account exceeds $50 million, excess funds are placed in the Capital Project Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Project Reserves and the funds may be used for any purpose approved by the Board. As of September 30, 2013, the balance in the Financial Reserve Account was $41.9 million and the balance in the Capital Reserve Account was $0. For Fiscal Year 2013, our sales tax receipts exceeded our sales tax budget by $3.98 million. Our Financial Standards require us to move any overages to the Financial Reserve Account. These funds were moved in December 2013 and the balance in the Financial Reserve Account as of December 2013 was $45.97 million. DART has entered into an Equity Security Agreement on one of our lease/leaseback obligations that requires us to set aside certain investments as security. As of September 30, 2013, DART has $10.2 million set aside in the Financial Reserve for this purpose. In addition, we are required by our Financial Standards to maintain a working cash balance in the general operating fund equal to at least one month of expenses that are projected to be paid from sales tax collections. As of September 30, 2013, the balance in the general operating fund was $687.5 million which equals approximately 13 months of expenses.

Operating results for Fiscal Year 2013 reflect that total expenses exceeded total operating revenues resulting in a loss before capital contribution, grants, and reimbursements of $288.4 million compared to $227.3 million for 2012. This loss in 2013 is greater than that of 2012 due to an increase in operating expenses and a decrease in revenues. Net operating subsidy measures the amount of sales tax dollars required to subsidize the operating costs of our public transit system. We calculate "net operating subsidy" in the following manner: operating expenses minus extraordinary items and depreciation minus operating revenues. Our goal is for the sales tax revenues to increase by a higher percentage than net operating subsidy. In Fiscal Year 2013, net operating subsidy increased as compared to 2012 due to increases in operating expenses.

Sales Tax Revenues for Operating Expenses

Sales tax revenues for operating expenses measures the percentage of sales tax revenues required to subsidize net operating costs. Conversely, this ratio also measures the amount of funding available for future capital expenditures and debt service. The sales taxes for operations calculation is as follows: net operating subsidy (see above) less interest income divided by sales taxes. This ratio moves lower if sales taxes grow by a higher percentage than net subsidy less interest income. The ratio decreased from 80.1% in Fiscal Year 2012 to 79.1% in Fiscal Year 2013 due primarily to increased sales tax revenues.

Subsidy Per Passenger

Subsidy per passenger measures the efficiency of our services. Specifically, it measures the amount of tax subsidy required each time a passenger uses our services. It is calculated as follows: operating expenses minus depreciation minus extraordinary items minus operating revenues divided by passenger boardings. Our goal is to minimize subsidy per passenger each year. For this to happen, ridership must grow at a higher percentage than net subsidy. Total system subsidy per passenger in Fiscal Year 2013 was $3.36, a $0.01 increase from Fiscal Year 2012. Fixed-route subsidy per passenger in Fiscal Year 2013 was $4.67, a $0.19 (4.2%) increase from Fiscal Year 2012. Subsidy per passenger for Fiscal Year 2013 ranged from a high of $35.38 for paratransit service to a low of $0.27 for HOV service.

INFORMATION ABOUT DART'S TRANSPORTATION SYSTEM

The Current System

Our current mass transit services include:

- Regular route bus service;
- Special events service;
- DART Mobility Management services including Paratransit, DART On-Call, and Flexible services;
- Light rail transit service;
- Commuter rail service;
- High Occupancy Vehicle Lanes to be transferred to TxDOT (see page 17); and
- RideShare matching services for carpools and vanpools.

During Fiscal Year 2013, we moved 107.5 million passengers. Average weekday ridership increased 3% to 350,500 in Fiscal Year 2013 as compared to Fiscal Year 2012. The following table highlights total system ridership by mode for the last ten years.

Ridership by Mode (in millions)

Fiscal Year	Bus	LRT*	Commuter Rail	HOV	Paratransit	Vanpool	Total
2004	38.4	16.5	2.2	35.0	0.6	0.4	93.0
2005	40.1	17.5	2.1	37.4	0.6	0.4	98.1
2006	44.4	18.6	2.4	36.1	0.7	0.4	102.6
2007	44.5	17.9	2.5	37.6	0.7	0.5	103.7
2008	45.0	19.4	2.7	48.1	0.7	0.7	116.9
2009	43.1	18.9	2.8	51.0	0.8	0.9	117.5
2010	38.0	17.8	2.5	50.1	0.8	0.9	110.1
2011	37.2	22.3	2.4	48.0	0.8	1.0	111.8
2012	38.7	27.7	2.3	34.4	0.8	1.0	104.9
2013	38.0	29.5	2.1	36.3	0.7	0.9	107.5

*Automatic Passenger Counter (APC) data used beginning in 2012. These counters have proven to be considerably more accurate than our current manual ridership counting methodology. The APCs show that we have been underreporting ridership by approximately 15.5%.

The system ridership and fixed-route ridership numbers are highlighted in the analysis given above. Fixed-route service includes bus, light rail, and commuter rail operations. Total system ridership includes fixed-route, paratransit, HOV transitways, 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 2013 was 107.5 million, an increase of 2.6 million (2.5%) from Fiscal Year 2012.

We contract for all of our paratransit and commuter rail services. While we remain responsible for these programs, our contracts establish operating performance standards which the contractors are expected to meet. We maintain an aggressive program to monitor and audit contractor compliance.

— Bus Transit (35.3% of total system ridership in Fiscal Year 2013)

Our bus system provides local, express, crosstown, on-call, flex, feeder bus routes and site specific shuttles. Local routes are focused on the Dallas Central Business District and serve the largest and most dense 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 (27.4% of total system ridership in Fiscal Year 2013)

Light Rail Transit is an electrically powered rail system that generally operates at street level A 20-mile "Starter System," opened in phases from June 1996 through May 1997, connects South and West Oak Cliff, downtown Dallas, and the North Central Expressway corridor as far north as Park Lane in Dallas. In 2002, DART's light rail was extended to North Dallas, Garland, Richardson, and Plano. In 2009, the first phase of the Green Line opened southeast of downtown Dallas with the remainder opening in 2010. In 2012, the first 5-mile segment of the Orange Line to Irving opened for service in July. In December 2012, Irving -2 and the Rowlett extension of the Blue Line opened for service. As of the end of 2013, we operate an 85-mile light rail system. .

— Commuter Rail (2.0% of total system ridership in Fiscal Year 2013)

Our commuter rail system, commonly referred to as the Trinity Railway Express (the "TRE"), provides diesel powered passenger railroad services on the TRE Corridor between Dallas and Fort Worth, in mixed traffic with freight railroad operations. The 34-mile corridor is jointly owned by DART and the Fort Worth Transportation Authority (the "T"). TRE service is provided pursuant to an interlocal agreement between DART and the T. This agreement was originally entered into in 1994 and was restated and adopted by both Boards in 2003.

Pursuant to Trackage Rights Agreements, the Burlington Northern Santa Fe, the Dallas Garland and Northeastern, and the Union Pacific railroads pay a fee for the right to operate freight services on the TRE corridor. TRE, through its contractor, Herzog Transit Services, Inc., dispatches and maintains the corridor as well as operates the service and maintains the rolling stock used in the service.

— Paratransit (0.7% of total system ridership in Fiscal Year 2013)

We are responsible for providing complementary paratransit service in accordance with the Americans with Disabilities Act of 1990 (the "ADA"). In Fiscal Year 2013, we transitioned to a new service delivery model and a new contractor, MV Transportation, Inc. (MV), for providing Paratransit service. MV provides, operates, and maintains a fleet of 8 MV-1s and 92 Starcraft vehicles, along with 11 DART-provided On-Call vans. During the first pilot year of the contract (FY13), the vehicle mix was adjusted to better suit the needs of DART Paratransit riders. This translated to MV altering the plans to operate 92 Starcraft vehicles through dedicated service in the second year of the contact. MV also oversees and manages a fleet of approximately 200 taxi vehicles provided by Yellow Cab.

— High Occupancy Vehicle ("HOV") Lanes (33.8% of total system ridership in Fiscal Year 2013)

Interim HOV lanes are constructed within the right-of-way of existing freeways to provide access for multi-passenger vehicles and to relieve congestion levels. Buses, vanpools, motorcycles, and carpools with two or more occupants may use the HOV lanes. DART was responsible for operations, enforcement, and maintenance of the lanes until September 30, 2013. Beginning October 1, 2013 until the end of Fiscal Year 2014, DART's only financial responsibility will be the operation of the barrier transfer machine on the I-30 HOV lane. Starting on October 1, 2014, TxDOT will be assuming all operating responsibilities for the HOV lanes.

— Transportation Demand Management (Vanpool is 0.8% of total system ridership in Fiscal Year 2013)

We work with area employers to develop strategies for reducing employee trips, such as carpools, vanpools, and flexible work schedules. We provide 206 vans for our vanpool program through a third party contractor. We also assist customers in forming carpools. Prospective carpoolers can call in and provide us with information for our RideShare database. We then work to link-up customers with common trip origins and destinations.

— Special Events Service

In FY 2013, we operated special event services (bus, light rail, and TRE) to the Texas State Fair, New Year's Eve celebration in downtown Dallas, concerts, basketball, and hockey games. We also continued the special event use of the I-30W managed HOV lanes in support of large professional baseball and football games, and concerts in Arlington, Texas at AT&T Stadium. Due to the change in FTA charter regulations, we are restricted in the use of buses for charter activity. Consequently, most special event services are provided on the light rail, commuter rail, and HOV systems. Bus involvement is restricted to supplementing the capacity of the rail system during periods of very high usage.

Financial Plan

On September 24, 2013, the Board of Directors formally adopted the FY 2014 Annual Budget and Twenty-Year Financial Plan. The FY 2014 Twenty-Year Financial Plan remains largely unchanged from the FY 2013 Plan and reflects that we are staying on course with the changes planned over the last three years based on the economic consequences of the recession. Highlights of the FY 2014 Budget and Financial Plan are:

- The FY14 Annual Budget totals $1.042 billion; $459.3 million in operating, $406.0 million in capital, and $176.7 million in net debt service. This represents a reduction from the last few years as Light Rail construction projects are completed;

- Through the provisions of an interlocal agreement currently being negotiated, DART will transition the operations, maintenance, and enforcement of High Occupancy Vehicle (HOV) lanes in and around the DART Service Area to the Texas Department of Transportation (TxDOT) over the next two years;

- DART, working in conjunction with the Ft. Worth T and DCTA, is currently implementing a new mobile ticketing product called GoPass℠ that will permit our customers to utilize their smart phones to conveniently purchase tickets and download them to their phones, obtain trip plans and the status of buses and trains, and receive information about area events. Employees of corporations participating in annual pass programs and students participating in university semester-based pass plans will be able to have their pass with their photo downloaded to their phone. In the spring of 2014, customers will be able to combine their purchase of a transit pass with a purchase of a pass to a participating museum, arena, or convention center facility. Beta testing conducted in the summer of 2013 with nearly 700 participants confirmed that riders liked the product;

- With a new contractor and a new operating model in place at the beginning of FY 2013, DART is completely reshaping its Paratransit service model to provide higher quality services at a significantly lower cost;

- In 2010, the DART Board adopted a strategic goal of strengthening DART's role as a regional transportation leader by pursuing mechanisms that would allow DART the flexibility required to provide services outside the current service area. In 2011, the DART Board amended their policy to allow the provision of contracted service to cities outside the DART Service Area. This policy was amended again in 2013, requiring cities to hold an election within four years;

- DART is currently providing bus service outside the service area to Mesquite by contract. In August 2013, a two-year pilot project began in the City of Arlington under which express bus service is offered between the University of Texas Arlington campus and the TRE CentrePort/DFW Airport Station. This service is provided through the combined efforts of DART and The T, with DART providing the buses and the drivers for the route. The new Board Policy will allow this type of service to be provided to other cities as well;

- A new fleet of CNG-powered heavy-duty transit buses began arriving in FY 2013. We are also replacing nearly 20% of the bus fleet with smaller (<30') vehicles which are less expensive to purchase and operate; and

- The anticipated revenue service date for the Blue Line South extension (South Oak Cliff-3) has been accelerated to late 2016.

The FY 2014 Business Plan (including the FY 2014 Annual Budget and Twenty-Year Financial Plan) is posted on our website at www.dart.org.

Future Expansions

The Board periodically updates our Transit System Plan. The most recent update, the 2030 Transit System Plan, was adopted in October 2006. Two light rail transit projects are funded and under construction: A 5-mile extension of the Orange Line (I-3) to the Dallas-Fort Worth International Airport; and a 2.6-mile Blue line extension to the UNT Dallas Campus (South Oak Cliff-3). Planning is underway to determine the second light rail alignment through downtown Dallas (D2). The implementation timeframe for D2 and other 2030 rail projects will be reassessed in the next system plan update based on updated financial conditions and system needs. Funding for these improvements is not within the current DART financial plan, and they will be reassessed in the next system plan update.

The DART Board has initiated a revision to the existing 2030 Transit System Plan and is in the early stages of identifying the goals and objectives for this effort. Projects in the 2030 Transit System Plan that were deferred/underfunded over the past several years will be reviewed and evaluated for potential inclusion in the 2040 Plan along with any new projects that may be identified. It is anticipated that the new plan will also focus on sustainability including low-cost initiatives to grow ridership, maintaining the system in a state of good repair, and regional connectivity. The 2040 Plan is expected to be completed in Fiscal Year 2016 and will also be financially constrained.

LITIGATION

In Ordinary Course of Business

Typically, a number of claims, administrative appeals, and/or lawsuits arise from individuals and businesses in the ordinary course of our business that seek compensation for additional construction costs, labor, and employment claims, personal injuries, death, and/or property damage resulting from routine operation and development of our public transportation system. We do not believe that the outcome of these claims, administrative appeals, and/or lawsuits will have a material adverse effect on our financial condition. We have accrued an estimate of losses on such matters and have included this accrual in accounts payable and accrued liabilities in our consolidated balance sheets.

INVESTMENT CONSIDERATIONS

Source of Payment is Limited

The Obligations will be special obligations of DART and will be secured by a lien on the Pledged Revenues.

The Obligations are not debts or obligations of the State of Texas; nor are they the debt or obligation of any Participating Municipality. The holders of Obligations will never have the right to demand payment out of any of our funds other than the Pledged Revenues, unless we, in the case of Subordinate Lien Obligations, expressly and specifically pledge Special Revenues to such payment. We do have the right, however, but are not obligated, to enter into Credit Agreements with respect to any issue of Bond Obligations having any lien ranking as to Pledged Revenues. If we do so, the Holders of the issue of Bond Obligations to which a Credit Agreement relates will have such additional security as the Credit Agreement may provide, such as municipal bond insurance policies, bank-issued letters of credit, or other forms of credit enhancement.

Our Ability to Make Payments on Obligations is Dependent Upon the Amount of Gross Sales Tax Revenues Actually Generated

Except for Bond Obligations that may be supported by a Credit Agreement, as discussed above, the only sources of security for the Obligations will be the Gross Sales Tax Revenues collected by the Comptroller and remitted to the Trustee and the investments thereof, Federal Interest Subsidy, and the Pledged Farebox Revenues**.** Sales Tax receipts are impacted by changes in the economic activity and conditions of a municipality or geographic area, and the amount of Gross Sales Tax Revenues generated in any future year is not certain.

The Collection of the Sales Tax is Beyond Our Control

Generally, the seller of taxable items and services collects the Sales Tax from the consumer at the point of a taxable transaction and remits these taxes to the Comptroller. We do not control the Comptroller's collection efforts, and the Comptroller's collection efforts against a private seller of goods and services are subject to applicable State law and to federal bankruptcy code provisions with respect to the protection of debtors.

The Comptroller May Reduce Future Payments of our Gross Sales Tax Revenues or Require Us to Make Repayments to Provide for the Repayment of Overpayments of Gross Sales Tax Revenues that Occurred in Prior Periods

The Comptroller periodically identifies underpayments and overpayments of Gross Sales Tax Revenues and responds to claims by taxpayers. In the event that the Comptroller determines that we received an overpayment, our Gross Sales Tax Revenues for future periods are subject to reduction or we may be required to make a repayment in order to reimburse the overpayment. Under State law, DART has no legal standing or ability to intervene or appeal the Comptroller's determination. We have previously entered into two repayment agreements with the Comptroller regarding overpayments, including an agreement whereby overpayments of approximately $16.8 million will result in a reduction of our Gross Sales Tax Revenues in equal amounts quarterly through March 2027.

We May Receive Payment of Gross Sales Tax Revenues Less Frequently

State law requires the Comptroller to remit Gross Sales Tax Revenues to us only on a quarterly basis. As a matter of convenience and accommodation to local taxing entities, the Comptroller remits Gross Sales Tax Revenues to us and other taxing entities on a monthly basis. While we have no reason to believe that the Comptroller's current practice will be discontinued, there is no assurance that the Comptroller will continue to remit Gross Sales Tax Revenues to us on a monthly basis. Thus, temporary cash flow irregularities could occur.

We May Experience Variations in our Gross Sales Tax Revenues

Variations in the amount of receipts can be adversely affected by a number of variables, including (1) changes in State laws and administrative practices governing the remittance and allocation of Sales Tax receipts, (2) changes in the tax base against which the Sales Tax is assessed, (3) changes in the economic activity and conditions of a municipality or geographic area, and (4) the withdrawal from DART of one or more of the Participating Municipalities. See, "DART'S FINANCIAL PRACTICES AND RESOURCES."

Ratings of the Obligations Do Not Assure Their Payment

The Bond Obligations may be rated by one or more nationally recognized rating agencies. Each Supplemental Disclosure Statement and Offering Memorandum and each Supplemental Official Statement will describe any rating(s) that may be applicable to a series of Bond Obligations. A rating reflects the rating agency's assessment of how likely it is that holders of a class of securities will receive the payments to which they are entitled. A rating may not remain in effect for any given period of time, and a rating agency may lower or withdraw a rating entirely. A rating is not a recommendation to purchase, hold, or sell securities because it does not address the market price of the securities or the suitability of the securities for any particular investor.

CONTINUING DISCLOSURE OF INFORMATION

We have agreed voluntarily to replace this 2014 Annual Disclosure Statement on an annual basis and to update it after the second and third quarters of our fiscal year. These disclosure documents will be filed with the Municipal Securities Rulemaking Board ("MSRB") identified below, and will be posted on the Internet at our website, ***www.dart.org.*** We reserve the right to suspend or stop postings on the Internet and the annual and quarterly updates at any time.

However, we intend to comply fully with the terms of our agreement in the Master Debt Resolution undertaken pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") for the benefit of the Holders and beneficial owners of Bond Obligations that are subject to the Rule. Under this agreement, so long as any covered Bond Obligations remain outstanding we will provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB.

Annual Reports Required by the Rule

We will provide certain updated financial information and operating data with respect to us and the System to the MSRB annually. This information includes all quantitative financial information and operating data with respect to us and our transportation system of the general type included in this 2014 Annual Disclosure Statement and in each Supplemental Disclosure Statement, if any, that is approved by a Supplemental Resolution with respect to Bond Obligations subject to the Rule.

We will update and provide this information within six months after the end of each fiscal year. We will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Access ("EMMA") system at www.emma.msrb.org.

The updated information will include audited financial statements if they are completed by the required time. If audited financial statements are not available by the required time, we will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as we may be required to employ from time to time pursuant to state law or regulation.

Our fiscal year ends on September 30. Accordingly, we must provide updated information by the last day of March in each year, unless we change our fiscal year. If we change our fiscal year, we will notify the MSRB of the change.

Over the last five years, we have complied in all material respects with all Continuing Disclosure Agreements made by us in accordance with the Rule except that DART timely electronically filed with EMMA its 2012 Annual Disclosure Statement for the year ended September 30, 2011. However, DART's Audited Financial Statements for the year ended September 30, 2011 that are part of the Annual Disclosure Statement as Appendix A were inadvertently omitted from the electronically filed 2012 Annual Disclosure Statement as a result of an error that occurred during the electronic submission process. As a result, the Audited Financial Statements were not filed with the Annual Disclosure Statement. DART Financial staff corrected the submission by filing the Audited Financial Statements for the period ended September 30, 2011 on October 10, 2012. DART has modified its procedures for future submissions to EMMA. Under its new procedures, DART will electronically transmit to EMMA the Annual Disclosure Statement and the Audited Financial Statements as separate documents.

Material Event Notices Required by the Rule

We will also provide timely notices of any material events to the MSRB, in not more than ten Business Days after the occurrence, thereof, of any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment related default, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TED) or other material notices or determinations with respect to the tax status of Obligations, or other material events affecting the tax status of Obligations;
- (vii) Modifications to rights of Holders of Bond Obligations;
- (viii) Bond Obligation call, if material and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of Bond Obligations; or
- (xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership, or similar event of DART, which shall occur as described below;

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

(xiv) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for DART in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of DART, or if such jurisdiction has been assumed by leaving the existing governing body, and officials or officers in possession bus subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court of governmental authority having supervision or jurisdiction over substantially all of the assets or business of DART.

In addition, we will provide timely notice of any failure by us to provide information, data, or financial statements in accordance with our agreement under the Rule.

Availability of Information From MSRB

The information will be available to Holders of Bond Obligations free of charge through the MSRB's EMMA system at www.emma.msrb.org.

BOND RATINGS

The current underlying ratings for all the outstanding Senior Lien Obligations are "Aa2" by Moody's Investors Service, Inc. and "AA+" by Standard & Poor's Ratings Services, a Standard and Poor's Financial Service LLC business. The Series 2007 Bonds and the Series 2008 Bonds are rated "AA by Fitch Ratings.

OBLIGATIONS AS LEGAL INVESTMENTS

Under the Act, the Bond Obligations are authorized investments for banks, savings banks, trust companies, savings and loan associations, and insurance companies, and are eligible to secure the deposit of public funds of the State, a political subdivision of the State and any other political corporation of the State. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, a rating of "A" or better as to investment quality of the Bond Obligations by a national rating agency may be required before such obligations are eligible for investments for sinking funds and other public funds. We have not reviewed the laws in other states to determine whether our obligations are legal investments for various institutions in those states.

TRUSTEE AND PAYING AGENTS

The Trustee under the Master Debt Resolution is Amegy Bank N.A. and its successors. A Paying Agent for each series of Bond Obligations issued under the Master Debt Resolution will be specified in the Supplemental Resolution creating such series.

LEGAL COUNSEL

The law firms of Bracewell & Giuliani LLP, 1445 Ross Avenue, Suite 3800, Dallas, Texas 75202, and West & Associates L.L.P., 320 S. R.L. Thornton Freeway, Suite 300, Dallas, Texas 75203, serve as our Co-Finance Counsel and as our Co-Bond Counsel with respect to the Obligations and other financial matters.

This 2014 Annual Disclosure Statement, in substantially the form and content presented above, was approved by the Board of Directors of DART on February 25, 2014.

/s/ Robert W. Strauss
Chair, Board of Directors

ATTEST:

/s/ Richard Carrizales
Secretary, Board of Directors

/s/ Gary C. Thomas
President/Executive Director,
Dallas Area Rapid Transit

APPENDIX A

Independent Auditors' Report with Audited Financial Statements for the Fiscal Years ended September 30, 2013 and 2012

Dallas Area Rapid Transit
Dallas, Texas

Financial Statements
Years Ended September 30, 2013 and 2012 and
Independent Auditors' Report

DALLAS AREA RAPID TRANSIT
DALLAS, TEXAS
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2013 AND 2012

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Crowe Horwath LLP
Independent Member Crowe Horwath International

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 business-type activities of Dallas Area Rapid Transit ("DART"), as of and for the year ended September 30, 2013, 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 opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 the business-type activities of DART, as of September 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2011, the GASB issued GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”. Statement 63 is effective for DART’s fiscal year ending September 30, 2013. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statements -- and Management’s Discussion and Analysis -- for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and the Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated January 31, 2014 on our consideration of DART’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DART’s internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
January 31, 2014

hDALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (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, 2013 and 2012. 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, 2013 and 2012, total assets of DART exceeded total liabilities and deferred inflows of resources by $2,207,304 and $2,344,124 respectively. The amount of unrestricted net position as of September 30, 2013 was $797,350 compared to $771,204 in 2012.

The net position of DART decreased by $136,820 during the current fiscal year compared to a decrease of $29,487 last year. The decrease during 2013 is predominately due to increases in interest and depreciation expenses and decreases in federal grants. The decrease during 2012 is due to increases in interest and depreciation expenses. The decrease during 2013 is more than that of 2012 because of increases in expenses and decreases in grants.

DART's total debt increased by $127,180 (3%) during the current fiscal year compared to a decrease of $122,714 (3%) in 2012. The increase in 2013 is due to additional borrowings in the form of revenue bonds, commercial paper notes and Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds. The decrease in 2012 is due to principal payments made on revenue bonds, commercial paper notes and capital lease/leaseback liabilities.

Sales and use tax revenue was $456,524 in 2013 compared to $433,302 in 2012 and it increased by 5.4% ($23,222) in 2013 compared to an increase of 7.5% ($30,074) in 2012.

Capital contributions from federal, state and local governments were $134,148 in 2013 and $141,669 in 2012. 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 $17,418 in 2013 compared to $56,161 in 2012.

For fiscal year 2013, total expenses exceeded total revenues resulting in a loss before capital contributions and grants of $288,386 compared to $227,317 for 2012. The loss in 2013 is higher than that of 2012 primarily because of the increase in depreciation and interest expenses.

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 presents information on all of DART's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources equals net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of DART. The Statements of Net Position is shown on page 14 of this report.

The Statements of Revenues, Expenses, and Changes in Net Position present information on revenues, expenses, capital contributions, and how DART's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements for some items that result in cash flows only in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of DART's current year operation on its financial position. The Statements of Revenues, Expenses, and Changes in Net Position are shown on page 15 of this report.

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.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

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 18-39 of this report.

The activities of DART are accounted for as a proprietary fund and are presented in the financial statements of DART as business type activities. The activities of DART are supported by a 1% sales and use tax within the member jurisdictions, fare collections, federal, state, and local financial assistance, and other receipts such as advertising and rental income.

The financial statements of DART include the accounts and operations of blended component units, Regional Rail Right-of-Way Corporation and Dallas Area Rapid Transit Bus Service, LGC.

FINANCIAL ANALYSIS

Statements of Net Position – Total assets of DART exceeded total liabilities and deferred inflows of resources by $2,207,304 and $2,344,124 as of September 30, 2013 and 2012, respectively. The largest portion of this excess (62% in 2013 and 66% in 2012) was net investment in capital assets (capital assets less related outstanding debt). DART uses these capital assets to provide public transportation services to customers and member jurisdictions; consequently, these assets are not available for future spending. Although DART's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be obtained from other sources such as sales and use tax and farebox revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Summary of Assets, Liabilities, Deferred Inflows of Resources, and Net Position

	2013	2012	2011
Current assets	$1,001,764	$1,001,962	$1,053,663
Other non-current assets	369,463	419,596	686,533
Capital assets (net of accumulated depreciation)	4,929,584	4,916,558	4,775,830
Total assets	6,300,811	6,338,116	6,516,026
Current liabilities	358,554	389,506	470,638
Non-current liabilities	3,734,953	3,599,621	3,666,297
Total liabilities	4,093,507	3,989,127	4,136,935
Deferred inflows of resources			
Accumulated increase in fair value of fuel hedging derivative	-	4,865	5,480
Net position			
Net investment in capital assets	1,372,321	1,551,617	1,515,210
Restricted for:			
Debt service	27,415	10,760	7,338
Security for lease/leaseback liabilities	10,218	10,543	10,766
Unrestricted	797,350	771,204	840,297
Total net position	$2,207,304	$2,344,124	$2,373,611

Other non-current assets decreased by $50,133 in 2013 compared to a decrease of $266,937 in 2012. The decreases in both 2013 and 2012 are mainly due to decreases in restricted investments held for system expansion and acquisition as a result of spending on capital projects and payments made on capital lease/leaseback liabilities.

As of September 30, 2013, $10,218 of DART's net position is restricted to satisfy the requirements of an amended lease/leaseback agreement compared to $10,543 as of September 30, 2012. The unrestricted portion of net position, $797,350 in 2013 and 771,204 in 2012 represent resources available to meet DART's ongoing obligations. The DART Board committed $44,746 and $35,013 of the unrestricted net position for self-insurance and financial reserves in 2013 and 2012, respectively. The increase in unrestricted net position of $26,146 (3%) in 2013 is due to an increase in sales tax revenue. The decrease in unrestricted net position of $69,093 (8%) in 2012 is due to capital project cost.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

Statements of Revenues, Expenses, and Changes in Net Position – During fiscal year 2013, DART's activities resulted in a decrease in net position of $136,820 compared to a decrease of $29,487 in 2012. The decrease during 2013 is predominately due to increases in interest and depreciation expenses and decreases in federal grants. The decrease during 2012 is due to increases in interest and depreciation expenses. The key elements of the changes in net position for the fiscal years ended September 30 with comparative information for 2011 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Position

	2013	2012	2011
Operating revenues			
Passenger revenues	$ 67,569	$ 59,809	$ 57,329
Advertising, rent and other	16,146	20,306	12,049
Total operating revenues	83,715	80,115	69,378
Operating expenses			
Labor	211,801	202,009	198,290
Benefits	87,302	86,734	86,548
Services	34,775	30,153	33,832
Materials and supplies	53,224	49,120	51,096
Purchased transportation	43,716	55,640	53,466
Depreciation	238,710	192,875	179,119
Utilities	20,946	18,499	17,047
Taxes, leases, and other	5,604	5,732	5,737
Casualty and liability	5,329	5,048	3,878
Total operating expenses	701,407	645,810	629,013
Operating loss	(617,692)	(565,695)	(559,635)
Non-operating revenues (expenses)			
Sales and use tax revenue	456,524	433,302	403,228
Investment income	20,301	27,315	28,434
Build America Bonds tax credit	28,406	30,462	30,250
Other non-operating revenues	12,226	11,392	13,562
Interest expense	(177,688)	(155,033)	(145,514)
Street improvements for member cities	(6,615)	(5,615)	(1,244)
Other non-operating expenses	(3,848)	(3,445)	(10,844)
Total net non-operating revenues	329,306	338,378	317,872
Loss before capital contributions and grants	(288,386)	(227,317)	(241,763)
Capital contributions	134,148	141,669	122,314
Other federal grants	17,418	56,161	47,566
Total capital contributions and grants	151,566	197,830	169,880
Increase (decrease) in net position	(136,820)	(29,487)	(71,883)
Net position, beginning of the year	2,344,124	2,373,611	2,445,494
Net position, end of the year	$2,207,304	$2,344,124	$2,373,611

Significant changes in revenues and expenses are shown and explained on the following pages.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

REVENUES

The following table summarizes revenues for fiscal year 2013 and 2012 with comparative information for 2011:

REVENUES

Revenues	**2013**	**2012**	**2011**
Passenger revenues	$ 67,569	$ 59,809	$ 57,329
Advertising, rent and other	16,146	20,306	12,049
Sales and use tax revenue	456,524	433,302	403,228
Other federal grants	17,418	56,161	47,566
Investment income	20,301	27,315	28,434
Capital contributions	134,148	141,669	122,314
Build America Bonds tax credit	28,406	30,462	30,250
Other revenues	12,226	11,392	13,562
Total	**$752,738**	**$780,416**	**$714,732**

Passenger revenues – include farebox receipts, monthly and annual pass revenues, paratransit revenue, and special event fares. Passenger revenues increased by 13% ($7,760) in 2013 compared to a 4% ($2,480) increase in 2012. The increase in 2013 is due to an increase in light rail ridership and a fare increase that became effective December 2012. The increase in 2012 is due to increases in bus and light rail ridership.

Advertising, rent and other – Advertising income includes revenues from advertisements at transit stations, on DART buses, and electronic signs on light rail cars. Rental income includes revenue from the rental of land along the rail corridor and other properties. Advertising, rent and other income decreased by 20.5% ($4,160) in 2013 compared to an increase of 69% ($8,257) in 2012. The decrease during 2013 is due to lower amount of reimbursement of HOV operating costs for service provided outside of the DART service area compared to the previous year. The increase during 2012 is due to reimbursement of HOV operating costs for service provided outside of the DART service area.

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 5.4% ($23,222) in 2013 compared to an increase of 7.5% ($30,074) in 2012. The increases in both 2013 and 2012 are due to a relative improvement in the local economy resulting in better than previous year's retail sales. Sales and use tax revenue constituted approximately 61% of DART's total revenues in 2013 compared to 56% in 2012.

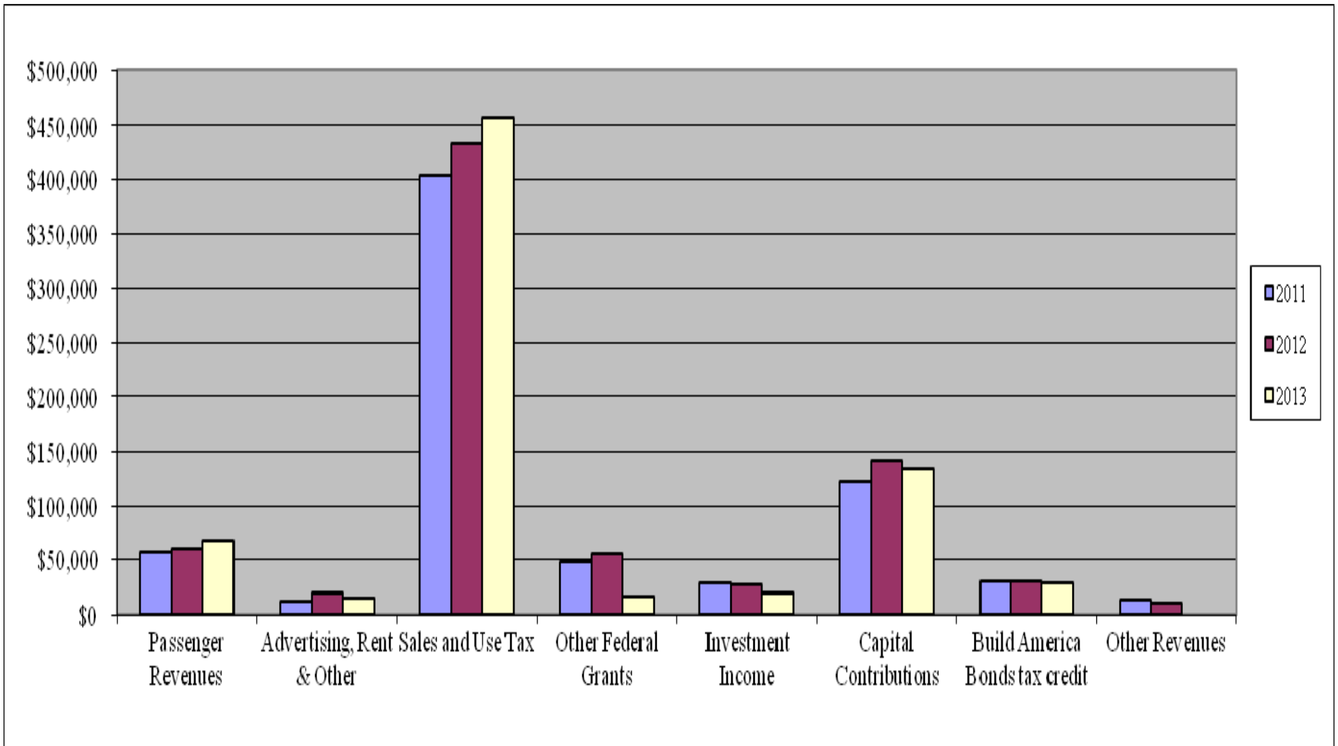
Other federal grants – Other federal grant revenues decreased by 69% ($38,743) in 2013 compared to an increase of 18% ($8,595) in 2012. The decrease in 2013 is due to a delay by the metropolitan planning organization in calculating sub-allocation of formula funds. The following factors contributed to the increase in 2012: more funds made available by Federal Transit Administration (FTA); more work done on the integrated corridor management (ICM) project that resulted in increased reimbursements during 2012 compared to 2011; and some of the preventive maintenance grant money was used for capital projects during 2011 and reported as capital contributions. DART received $1,545 in 2013 and $1,731 in 2012 from the Federal Transit Administration (FTA) for vanpool and ozone programs and $706 in 2013 compared to $539 in 2012 in the form of homeland security grants from the United States Department of Homeland Security.

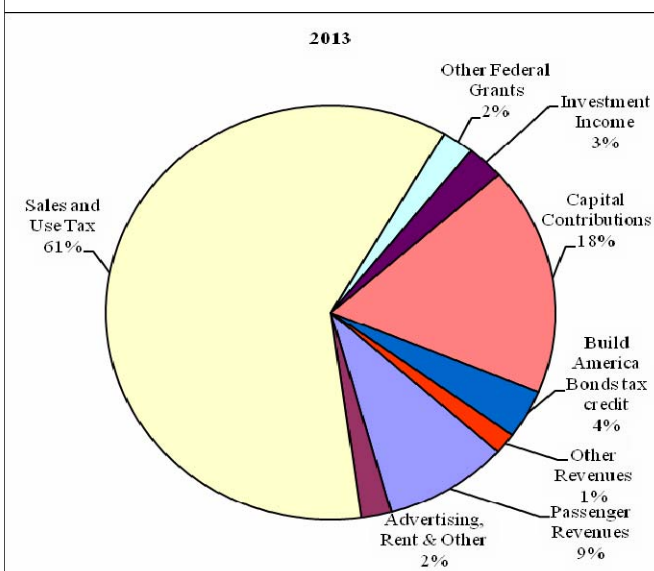
Capital contributions – Capital contributions include federal, state and local grants and contributions. Capital contributions decreased by 5% ($7,521) in 2013 compared to an increase of 16% ($19,355) in 2012. The decrease in 2013 is mainly due to lower state capital contributions as a result of completion of projects funded with such grants. The increase in 2012 is mainly due to a new grant received from the State of Texas in the form of Texas Mobility Fund (TMF).

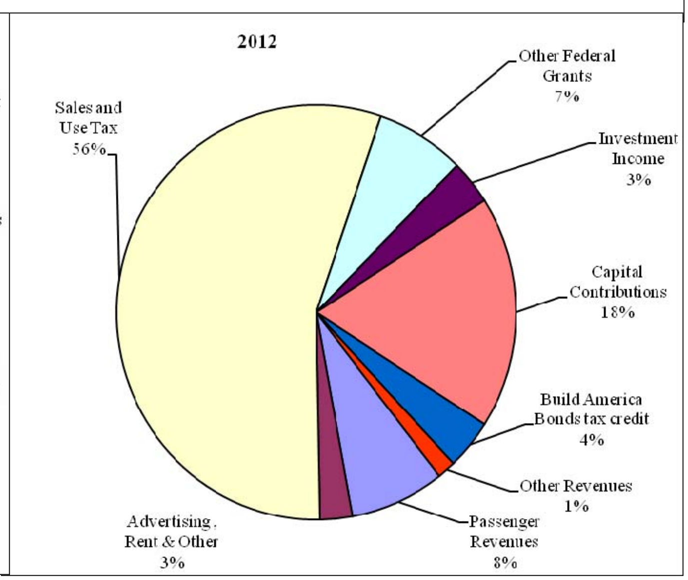
Investment income – Investment income decreased by 26% ($7,014) in 2013 compared to 4% ($1,119) decrease in 2012. The decrease in 2013 is due to changes in the market value of investments, a decrease in investments held to pay lease/leaseback obligations and a slightly lower interest rate during 2013.The decrease in 2012 was due a decrease in investments held to pay lease/leaseback obligations.

Build America Bonds tax credit – The Build America Bonds (BABs) tax credit decreased by 7% ($2,056) in 2013 compared to a 1% ($212) increase in 2012. The decrease in 2013 is due to budget cuts by the Federal government, or "sequestration". The increase in 2012 is due to the full year effect of an additional bond issued under the BABs program in October 2010.

Other revenues – Other revenues increased by 7.3% ($834) in 2013 compared to a 16% ($2,170) decrease in 2012. Other revenues include: revenues from billings to the Fort Worth Transportation Authority (The T) for their share of the Trinity Railway Express (TRE) commuter rail service; toll credits received from the State of Texas as a local match for FTA capital grants; and alternative fuel tax credits. The following factors contributed to increases in 2013: a gain on disposal of assets from sales of old buses and paratransit vans; an increase in alternative fuel tax credits received due to compressed natural gas (CNG) use on the new bus fleet; and increase in mineral lease revenues due to increased fuel drilling activities on properties leased from DART. The decrease in 2012 is due to less alternative fuel tax credit received during 2012 compared to 2011. The following charts summarize revenues for fiscal years 2011 through 2013.







FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

EXPENSES

The following table summarizes expenses for fiscal year 2013 and 2012 with comparative information for 2011:

EXPENSES BY OBJECT CLASS

Expenses	2013	2012	2011
Labor	211,801	$202,009	$198,290
Benefits	87,302	86,734	86,548
Services	34,775	30,153	33,832
Materials and supplies	53,224	49,120	51,096
Purchased transportation	43,716	55,640	53,466
Depreciation and amortization	238,710	192,875	179,119
Utilities	20,946	18,499	17,047
Taxes, leases and other	5,604	5,732	5,737
Casualty and liability	5,329	5,048	3,878
Street improvements for member cities	6,615	5,615	1,244
Interest and financing expenses	177,688	155,033	145,514
Other non-operating expense	3,848	3,445	10,844
Total	**$ 889,558**	**$ 809,903**	**$ 786,615**

Labor – Labor costs increased by 5% ($9,792) in 2013 compared to an increase of 2% ($3,719) in 2012. The increase in 2013 is due to positions filled in Maintenance, DART Police, Technology, and Revenue Operations. Termination payment to some HOV employees also contributed to the increase. The increase in 2012 is due to positions filled in operations such as Transportation, Maintenance and DART Police. The increase in operations labor cost in 2012 is partially offset by a decrease in administrations labor cost as a result of a reduction in force that took place at the end of 2011.

Benefits – Benefits increased by 0.7% ($568) in 2013 compared to a 0.2% ($186) increase in 2012. The smaller increases in both 2013 and 2012 are due to decreases in workers compensation claim costs as a result of improved claim experience. This decrease is partially offset by increases in pension plans' costs, health care costs and retiree benefits expenses.

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 15% ($4,622) in 2013 compared to an a decrease of 11% ($3,679) in 2012. The increase in 2013 is due to increased work on the commuter rail right-of-way maintenance, spending on the 511 traffic information system that became operational during 2013, advertising costs associated with the Irving 2 and Rowlett light rail openings in December 2012, and an increase in software licenses needed for the new radio communications program. The decrease in 2012 is related to the following items: commuter rail vehicle maintenance, right-of-way maintenance, facilities maintenance, and advertising expenses. Commuter rail vehicle maintenance expense was down in 2012 because overhaul of certain commuter rail cars was close to completion in 2012 compared to the level of work done during 2011. Right-of-way maintenance expenses decreased during 2012 because less work was performed on the commuter rail right-of-way during 2012 compared to 2011. Facilities maintenance expense decreased during 2012 because of the decrease in the amount spent on tunnel repair and replacement of trash cans at bus stops compared to 2011. Advertising decreased during 2012 because it did not include costs associated with opening promotions as it did in 2011.

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 8% (4,104) in 2013 compared to a decrease of 4% ($1,976) in 2012. The increase in 2013 is mainly due to obsolete/surplus parts expense as a result of replacing the older bus fleet with new compressed natural gas (CNG) buses. Some of the spare parts maintained for the old buses could not be used on the new buses. The decrease in 2012 is due to decrease in spending on light rail parts as a result of delays in overhaul programs and decreased allowance for obsolete parts.

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 decreased by 21% ($11,924) in 2013 compared to a 4% ($2,174) increase in 2012. The decrease in 2013 is due to changes in the paratransit service delivery program and service provider which resulted in cost savings during 2013. The increase in 2012 is due to increases in the hourly rate, fuel costs, and fixed monthly costs for paratransit service.

Depreciation – Depreciation expenses increased by 24% ($45,835) in 2013 compared to an 8% ($13,756) increase in 2012. The increases in both 2013 and 2012 are due to new assets placed in service during both fiscal years. Depreciation expense for 2013 includes impairment losses of $8,318 due to unexpected wear and obsolescence of the Dallas Central Business (CBD) light rail line segment rail and $834 for a light rail vehicle that was derailed and damaged during 2013.

Utilities – Utilities represent the cost of electricity, telecommunications, water, sewer, and natural gas. Utilities increased by 13% ($2,447) in 2013 compared to an increase of 9% ($1,452) in 2012. The increases in both 2013 and 2012 are due to an increase in electricity usage as a result of opening new light rail segments and operating facilities.

Taxes, leases, and other **–** Taxes, leases, and other includes fuel and lube taxes, equipment rentals, leases of operating and passenger facilities, training, travel, business meetings, membership dues, subscriptions, employee programs and allowance for uncollectible receivables. Taxes, leases, and other expenses decreased by 2% ($128) in 2013 compared to a decrease of 0.1% ($5) in 2012. The decreases in both 2013 and 2012 are due to leases terminated during both years.

Casualty and liability – Casualty and liability expenses increased by 6% ($281) in 2013 compared to an increase of 30% ($1,170) in 2012. Increases in both years are due to higher claim losses.

Street improvements – Local assistance is provided to eligible member jurisdictions in the form of technical and financial assistance to reduce traffic congestion and complement bus and public transit operations. The street improvement program costs increased by 18% ($1,000) in 2013 compared to an increase of 351% ($4,371) in 2012. The increases in both 2013 and 2012 are due to increased work on intelligent transportation systems and street improvement projects that are expected to improve the flow of vehicle traffic.

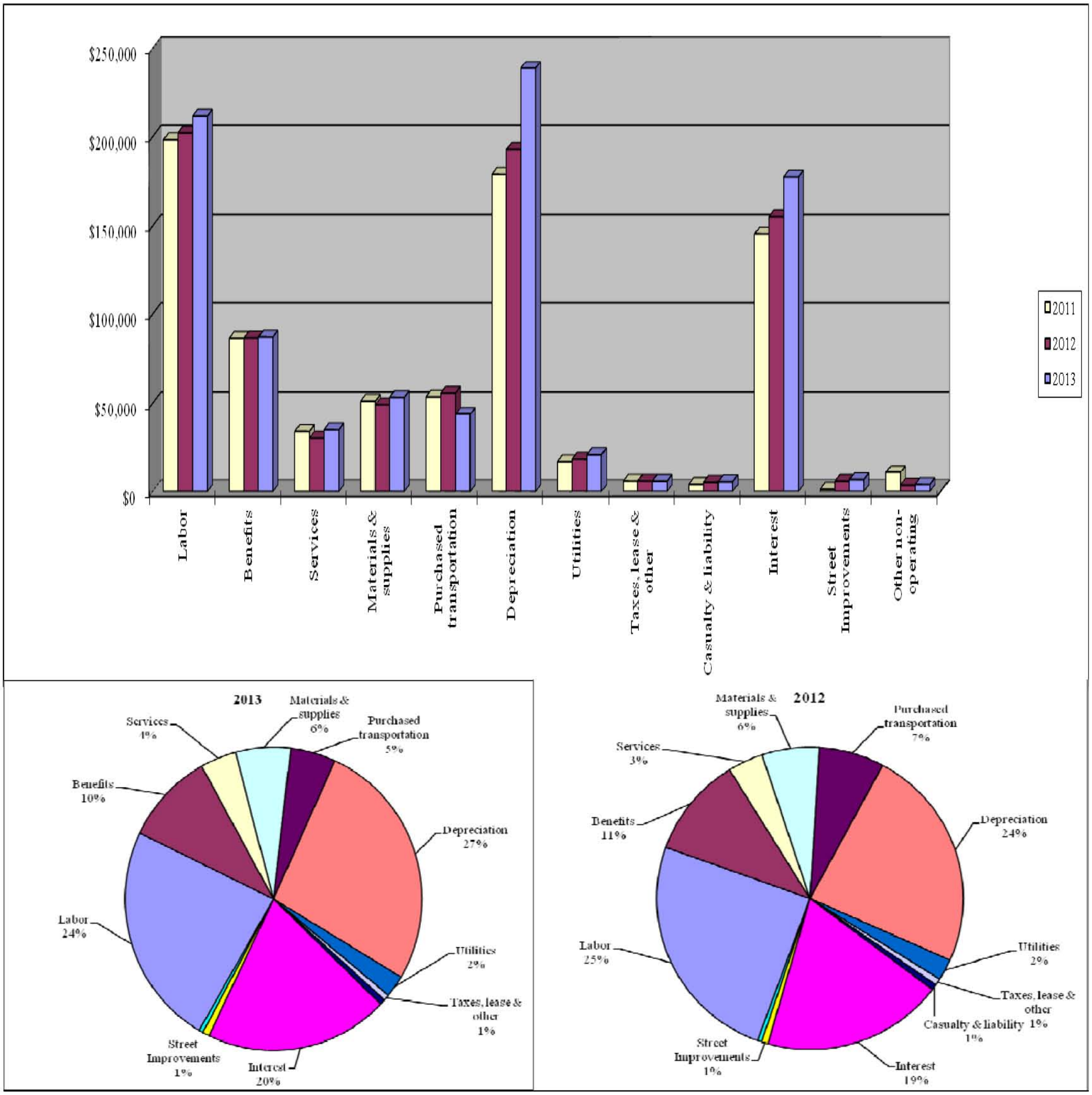
Interest **–** Interest expense increased by 15% ($22,655) in 2013 compared to an increase of 7% ($9,519) in 2012. In both 2013 and 2012, interest expense increased due to additional borrowings in the form of revenue bonds and less interest capitalized as a result of the completion of the Green Line, Rowlett extension, Irving I, and Irving II projects during 2012 and 2013

Other non-operating expenses – Other non-operating expenses increased by 12% ($403) in 2013 compared to a decrease of 68% ($7,399) in 2012 The increase in 2013 is due to general planning and consulting service costs. The decrease in 2012 is due to less cost incurred for general planning and consulting services costs for the regional commuter rail project than in 2011.

The charts on the following page summarize expenses for fiscal years 2011 through 2013.

DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

The following charts summarize expenses for fiscal years 2011 through 2013:

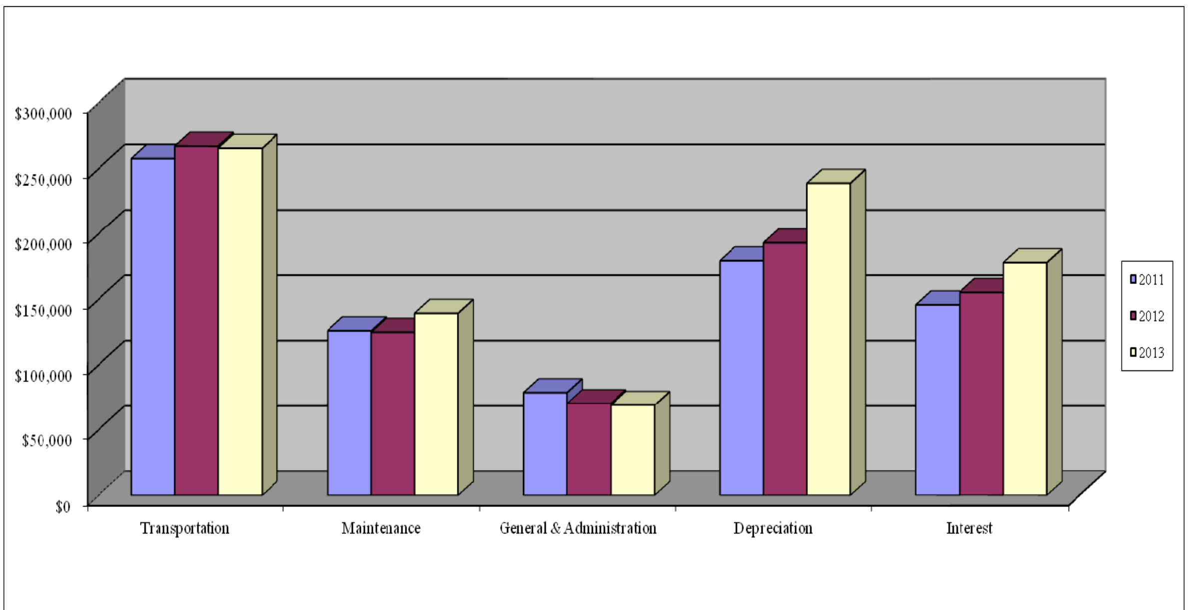


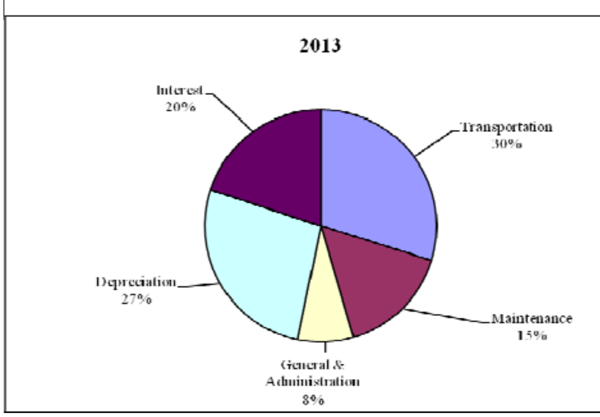
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

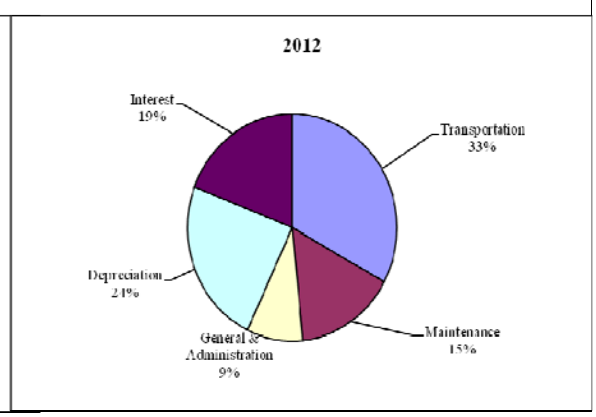
Expenses by function – *Transportation* – includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, high occupancy vehicle (HOV) lanes, DART on-call and shuttle services. These expenses include such items as wages and benefits for operators, transit center service employees, transportation supervisors and managers, DART police, cost of fuel, tires and tubes, propulsion power, purchased transportation, customer service, revenue collection, and other related costs. *Maintenance* – includes labor costs and benefits for vehicle and facility maintenance, materials and supplies, utilities, and all other costs incurred for maintenance purposes. *General and administration* – includes administrative personnel costs, benefits, accident, general liability and contract claims; street improvements; and other related costs. *Depreciation* – includes depreciation expense on all depreciable capital assets. *Interest* – includes interest expense incurred on debt net of capitalized interest.

EXPENSES BY FUNCTION

	2013	2012	2011
Transportation	$ 265,378	$ 267,001	$ 257,546
Maintenance	139,146	124,708	125,778
General and administration	68,636	70,286	78,658
Depreciation and amortization	238,710	192,875	179,119
Interest	177,688	155,033	145,514
Total	**$ 889,558**	**$ 809,903**	**$ 786,615**







FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (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, 2013, is $4,929,584 compared to $4,916,558 in 2012. The net increase in capital assets during 2013 is $13,026 (0.3%) compared to an increase of $140,728 (3%) in 2012.

The following table summarizes capital assets net of depreciation as of September 30 with comparative information for 2011.

Capital Assets (Net of Depreciation)

	2013	2012	2011
Land and rights-of-way	$ 578,169	$ 554,714	$ 548,904
Transitways	2,875,423	2,497,655	2,185,849
Buildings and improvements	453,259	436,298	455,135
Revenue and non-revenue vehicles and equipment	750,485	715,931	719,397
Furniture, fixtures, and leasehold improvements	14,734	10,608	6,673
Projects in progress	257,514	701,352	859,872
Total	$4,929,584	$4,916,558	$4,775,830

The increases during 2013 and 2012 are due to the cost of planning, designing and building the Light Rail Transit (LRT) Phase II expansion. The Phase II expansion consists of approximately 46 miles of light rail transit lines. These new lines extend northwest from Downtown Dallas to the cities of Carrollton, Farmers Branch, and Irving and southeast from Downtown Dallas to Buckner Blvd. in South Dallas and northeast from the Downtown Garland Station to the Rowlett Park-and-Ride. The first section of the southeast extension, Bryan Street to Fair Park, opened for service on September 14, 2009. Other northwest and southeast extensions opened for service during 2011 and the first section of Irving line segment opened for service in July 2012. The second section of the Irving line segment and the northeast (Rowlett) opened for service in December 2012.

Additional information on DART's capital assets is shown in note 6 on pages 26-27.

Outstanding debt – Outstanding debt includes sales tax revenue commercial paper notes, senior lien revenue bonds, and capital lease/leaseback liabilities. As of September 30, 2013, DART had total outstanding debt of $3,776,799 compared to $3,649,619 as of September 30, 2012. Outstanding debt increased by 3% ($127,180) in 2013 compared to a 3% ($122,714) decrease in 2012.

The following table summarizes DART's total outstanding debt.

Outstanding Debt

	2013	2012	2011
Sales tax revenue commercial paper notes	$ 100,000	$ 70,000	$ 150,000
Senior lien revenue bonds payable	3,411,095	3,290,060	3,298,430
TIFIA bonds payable	45,000		
Capital lease/leaseback liabilities	220,704	289,559	323,903
Total debt	$3,776,799	$3,649,619	$3,772,333

The sales tax revenue commercial paper notes outstanding balance was $100,000 as of September 30, 2013 compared to $70,000 as of September 30, 2012. The commercial paper notes were issued as a senior subordinate lien to sales and use tax revenues and are payable from the 1% sales and use tax receipts.

Senior lien revenue bonds outstanding are $3,411,095 as of September 30, 2013 and $3,290,060 as of September 30, 2012. These are senior lien bonds secured by and payable from the 1% sales and use tax receipts and farebox revenues (pledged revenues). The increase of $121,035 in 2013 is due to an additional borrowing during fiscal year 2013 net of principal payments. The decrease of $8,370 in 2012 is due to principal payments made on December 1, 2011. All DART bonds are issued to finance capital projects. The senior lien revenue bonds are shown net of original issuance premium, discount and refunding gain (loss) of $78,491 and $61,195 as of September 30, 2013 and 2012, respectively, on the Statements of Net Position.

During 2013, DART maintained a AA+ credit rating from Standard & Poors, and a Aa2 from Moody's for its bonds.

TIFIA bonds payable are $45,000 as of September 30, 2013. 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 will issue a Senior Lien Obligation bond to borrow up to $119,972 from the DOT. The proceeds from the bond will be used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which will extend DART's light rail service from Irving to the Dallas Fort Worth International Airport. The TIFIA financing agreement is reimbursement-based and DART will request (draw down) the money after paying for the capital project costs. DART has drawn down $45,000 during fiscal year 2013 and plans to draw down up to $74,972 during fiscal year 2014. The TIFIA bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations.

Capital lease/leaseback liabilities are $220,704 and $289,559 as of September 30, 2013 and 2012, respectively. The decrease in capital lease/leaseback liabilities in both 2013 and 2012 are due to lease payments.

Additional information on DART's outstanding debt is shown in footnotes 10-15.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 61% of total revenues in 2013 compared to 56% in 2012. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2013, DART's sales and use tax revenues showed a 5.4% increase compared to the previous year. Actual sales and use tax revenues in 2013 are $456.5 million compared to $433.3 million in 2012. The sales and use tax budget for 2014 is $478.5 million compared to $456.5 million actual for 2013. The budget for 2014 represents a 4.8% increase from the 2013 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, 2013 and 2012 (Dollars in Thousands)

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 75,826	$ 106,532
Investments	656,424	598,860
Derivative instrument – fuel hedge	-	4,865
Sales and use tax receivable	77,752	73,927
Transit revenue receivable, net	2,759	3,012
Due from federal and other governments	24,575	30,147
Materials and supplies inventory, net	24,252	28,914
Prepaid transit expense and other	4,877	3,090
Restricted investments held by trustee for debt service	87,353	68,624
Restricted investments held for advance funding agreements	11,737	8,811
Restricted investments held to pay capital lease/leaseback liabilities	36,209	75,180
TOTAL CURRENT ASSETS	1,001,764	1,001,962
NONCURRENT ASSETS		
Restricted investments for system expansion and acquisition	121,743	141,685
Restricted investments held as security for capital lease/leaseback liabilities	10,218	10,543
Investment in joint venture	22,058	23,435
Capital assets		
Land and rights-of-way	578,169	554,714
Depreciable capital assets, net of depreciation	4,093,901	3,660,492
Projects in progress	257,514	701,352
Restricted investments held to pay capital lease/leaseback liabilities	184,495	214,379
Net pension asset	9,457	7,775
Unamortized bond issue costs and other	21,492	21,779
TOTAL NONCURRENT ASSETS	5,299,047	5,336,154
TOTAL ASSETS	6,300,811	6,338,116
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	76,563	100,436
Commercial paper notes payable	100,000	70,000
Current portion of capital lease/leaseback liabilities	36,209	75,180
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	1,997	5,370
Retainage payable	23,514	42,953
Unearned revenue and other liabilities	34,029	30,139
Accrued interest payable from restricted assets	59,938	57,864
Current portion of senior lien revenue bonds payable	25,480	6,740
TOTAL CURRENT LIABILITIES	358,554	389,506
NONCURRENT LIABILITIES		
Accrued liabilities	31,129	29,680
Repayment due to State Comptroller	10,223	11,047
Senior lien revenue bonds payable	3,464,106	3,344,515
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	45,000	-
Capital lease/leaseback liabilities	184,495	214,379
TOTAL NONCURRENT LIABILITIES	3,734,953	3,599,621
TOTAL LIABILITIES	4,093,507	3,989,127
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of fuel hedging derivative	-	4,865
NET POSITION		
Net investment in capital assets	1,372,321	1,551,617
Restricted for debt service	27,415	10,760
Restricted as security for capital lease/leaseback liabilities	10,218	10,543
Unrestricted	797,350	771,204
TOTAL NET POSITION	$2,207,304	$2,344,124

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, 2013 and 2012 (Dollars in Thousands)

	2013	2012
OPERATING REVENUES		
Passenger revenues	$ 67,569	$ 59,809
Advertising, rent, and other	16,146	20,306
TOTAL OPERATING REVENUES	83,715	80,115
OPERATING EXPENSES		
Labor	211,801	202,009
Benefits	87,302	86,734
Services	34,775	30,153
Materials and supplies	53,224	49,120
Purchased transportation	43,716	55,640
Depreciation and amortization	238,710	192,875
Utilities	20,946	18,499
Taxes, leases, and other	5,604	5,732
Casualty and liability	5,329	5,048
TOTAL OPERATING EXPENSES	701,407	645,810
NET OPERATING LOSS	(617,692)	(565,695)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	456,524	433,302
Investment income	2,272	5,896
Interest income from investments held to pay capital lease/leaseback	18,029	21,419
Interest expense on capital lease/leaseback	(18,029)	(21,419)
Street improvements	(6,615)	(5,615)
Interest and financing expenses	(159,659)	(133,614)
Build America Bonds tax credit	28,406	30,462
Other non-operating revenues	12,226	11,392
Other non-operating expenses	(3,848)	(3,445)
NET NON-OPERATING REVENUES	329,306	338,378
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(288,386)	(227,317)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	123,877	119,443
State capital contributions	2,676	19,865
Local capital contributions	7,595	2,361
Total capital contributions	134,148	141,669
Other federal grants	17,418	56,161
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	151,566	197,830
CHANGE IN NET POSITION	(136,820)	(29,487)
TOTAL NET POSITION – BEGINNING OF YEAR	2,344,124	2,373,611
TOTAL NET POSITION – END OF YEAR	$2,207,304	$2,344,124

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, 2013 and 2012 (Dollars in Thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 88,088	$ 70,956
Cash flows from other sources	13,552	8,039
Payments to suppliers of goods and services	(107,495)	(101,429)
Payments to purchased transportation service providers	(55,444)	(65,087)
Payments to employees	(209,293)	(198,009)
Benefit payments on behalf of employees	(89,356)	(87,192)
NET CASH USED BY OPERATING ACTIVITIES	(359,948)	(372,722)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	451,874	426,666
Other federal grants	18,804	55,513
Other non-capital financing receipts	150	957
Build America Bonds tax credit	29,137	30,462
Other non-capital financing payments	(152)	(175)
Local Assistance Program and street improvements	(10,846)	(12,352)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	488,967	501,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,529	4,783
Proceeds from sales and maturity of investments	779,030	1,229,454
Purchase of investments	(836,775)	(1,149,408)
Decrease (increase) in restricted assets	(1,389)	212,676
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(56,605)	297,505
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(283,536)	(345,142)
Proceeds from the issuance of commercial paper notes	440,000	905,000
Payment on commercial paper notes	(410,000)	(985,000)
Proceeds from the issuance of revenue bonds	151,097	-
Proceeds from TIFIA Bonds	45,000	-
Payment of debt issuance costs	(2,454)	(109)
Principal payment on revenue bonds	(6,740)	(8,370)
Interest and financing expenses	(162,486)	(137,777)
Federal capital contributions	121,426	118,870
State capital contributions	204	14,999
Local capital contributions	3,675	1,406
Proceeds from the sale of capital assets	694	324
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(103,120)	(435,799)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,706)	(9,945)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	106,532	116,477
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 75,826	$ 106,532

(Continued)

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

	2013	2012
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(617,692)	$(565,695)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	238,710	192,875
Miscellaneous non-operating income	11,352	10,023
Miscellaneous non-operating expenses	(3,665)	(3,182)
Changes in assets and liabilities		
Decrease (increase) in transit receivable	6,259	(8,855)
(Increase) decrease in materials and supplies inventory	4,662	(1,533)
Increase in prepaid expenses and other current assets	(503)	(570)
Increase in pension assets	(1,682)	(1,290)
Increase in accounts payable and accrued liabilities	3,377	5,588
Decrease in other current liabilities	(766)	(83)
NET CASH USED BY OPERATING ACTIVITIES	$(359,948)	$(372,722)

NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$18,029	$21,419
Interest expense on capital lease/leaseback	(18,029)	(21,419)
Decrease in capital lease/leaseback obligations	(68,856)	(34,343)
Decrease in investments held to pay capital lease/leaseback	68,856	34,343
Increase (decrease) in fair value of investments	(1,291)	1,140
Amortization of premium, discount and debt issuance costs	(4,645)	(3,633)
Mass transit easements granted to DART	7,287	-

(Concluded)

The accompanying notes are an integral part of these financial statements.

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, 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 10), 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 2015.

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. Based on legislative changes made in 2009, DART is authorized to secure debt with revenues from multiple sources. As a result, the $2.9 billion limitation regarding the principal amount of Bond Obligations DART is permitted to issue is no longer applicable, when secured by multiple revenue sources. 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. 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 notes 12 and 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 notes 12 and 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. Under this agreement, DART will issue a Senior Lien Obligation bond to borrow up to $119,972 from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which will extend DART's light rail service from Irving to the Dallas Fort Worth International Airport. As of September 30, 213, DART received $45,000 in TIFIA bonds proceeds. These bonds are Senior Lien Revenue Bonds that are secured by, and payable from, a senior lien on Pledged Revenues.

DART received approximately $456,524 in 2013 from a 1% sales and use tax imposed on certain items within its member jurisdictions compared to $433,302 in 2012. These revenues constituted approximately 61% of DART's total revenues during fiscal year 2013 compared to 56% during 2012. Approximately 51%, 15%, and 11% of these sales and use tax revenues were collected from sales in the cities of Dallas, Plano, and Irving during fiscal years 2013 compared to 50%, 16%, and 11% for fiscal year 2012.

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, transactions are accounted for using the accrual basis of accounting.

Reporting Entity – DART has two blended component units, Regional Rail Right-Of-Way Corporation (RRRC) and Dallas Area Rapid Transit Bus Service, LGC (LGC). RRRC is a legally separate corporation, which was formed to facilitate the acquisition of certain properties and right-of-way for DART. The RRC Board consists of three board members that are appointed by the DART Board. LGC is a Corporation created under the LGC Act on behalf of DART to provide public transportation service (solely by bus) outside the DART service area. Currently the LGC provides bus service to the cities of Arlington and Mesquite. The LGC Board consists of five Board members who are appointed by the DART Board of Directors. Since DART appoints the governing board of the RRC and LGC; has operational responsibility for them; and since the RRRC and LGC activities directly benefit DART; the financial information of the RRRC and LGC, are included in the accompanying financial statements of DART as blended component units in accordance with GASB Statement No. 61. Internally prepared financial statements for either RRRC or LGC may be obtained by contacting the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

New Accounting Pronouncements – In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard addresses SCAs in which there is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The statement also includes required disclosures about the SCAs. This Statement became effective for DART during 2013 and had no material impact on DART during 2013.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*—an amendment of GASB Statements No. 14 and No. 34, to improve financial reporting for a governmental reporting entity. The standard modifies certain requirements for inclusion of component units, amends criteria for blending, and clarifies the reporting of equity interests in legally separate entities. This Statement became effective for DART during 2013 and had no material impact on DART during 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. This Statement became effective for DART during 2013 and had no material impact on DART during 2013 except for a slight change to the basis of accounting paragraph on page 18.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB defines deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. This standard became effective for DART in fiscal year 2013. It resulted in renaming the Statements of Net Assets to Statements of Net Position and introduced a new line item; Deferred Inflows of Resources that is required to be shown on the Statements of Net Position.

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 $75,826 and $106,532 as of September 30, 2013 and 2012, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), at September 30, 2013 and 2012 are stated at fair value. 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 at September 30, 2013 and 2012, 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 6. 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 2013, total interest and financing expense of $174,453 was incurred, and $14,794 of this total was capitalized. In 2012, total interest and financing expense of $171,966 was incurred, and $38,352 of this total was capitalized. Donated assets are capitalized at estimated fair 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 $134,148 in federal, state and local capital contributions during 2013 compared to $141,669 during 2012. Of the total capital contributions amount received during 2013, $70,110 was based on capital expenditures made during the previous years. This amount is included in Federal Capital Contributions on the Statements of Revenues, Expenses and Changes in Net Position for the fiscal year ended September 30, 2013. In addition to capital contributions, DART also received $17,418 in 2013 compared to $56,161 in 2012 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.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

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 or length 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, Build America Bond tax credit, and investment income are classified as non-operating revenues.

Operating expenses are incurred for activities directly related to providing public transportation services to DART customers. Such activities include transportation, maintenance, transit police, and general and administrative functions. Non-operating expenses include interest and financing costs, general planning and consulting work not related to current service, and the local assistance provided to eligible member jurisdictions.

Revenue Recognition – Operating revenues are recognized when transit service is provided. Monthly tickets and annual passes are sold for revenue service, including bus and rail operations. An estimate of unused tickets and passes is recorded as unearned transit revenue and is included in the unearned revenue and other liabilities line item in the accompanying Statements of Net Position.

Sales and use tax Revenues – Sales and use tax revenues are recognized when the underlying transactions occur. Sales and use tax revenues are subject to audits by the State Comptroller, which sometimes results in refunds to the State.

Self-Insurance Liabilities – DART administers and maintains self-insured reserves for employee medical, operational workers compensation, auto, and general liability (including bus/rail accidents), directors and officers liability, and light rail construction workers compensation and general liability claims. These programs are administered by DART, or in some instances, a third party. DART accrues the estimated cost of self-insurance liabilities based on actuarial review and the estimate is included in the accounts payable and accrued liabilities line item in the accompanying Statements of Net Position.

The estimate includes incurred but not reported (IBNR) claims. Changes in the liabilities in 2013 and 2012 for DART's self-insured programs are as follows:

Description	2013	2012	2011
Beginning balance	$17,014	$17,816	$16,907
Current year claims and changes in estimates	2,438	3,868	6,412
Payments	(4,428)	(4,670)	(5,503)
Ending balance	$15,024	$17,014	$17,816
Amounts due in one year	$4,867	$5,633	$5,868

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. Costs of issuance and gains/losses on refunding are also amortized using the effective interest method over the life of the bonds.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

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 consists 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, HOV lane, 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. The following is a summary of the major amounts for services rendered in 2013 and 2012 and the current contract terms, including option periods:

		Annual Payments		Contract Terms	
Contractor's Name	Service Type	2013	2012	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail	$18,494	$18,104	10/1/2010	9/30/2015
Veolia Transportation Services, Inc.	Paratransit , DART On-call, and Flex Services	-	32,013	1/1/2007	9/30/2012
MV Contract Transportation, Inc	Paratransit , and DART On-call Services	19,778	-	10/1/2012	9/30/214
Others	Various	5,444	5,523	Various	Various
Total		$43,716	$55,640		

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:

	9/30/2013	9/30/2012
Cash and cash equivalents	$75,826	$106,532
Investments	656,424	598,860
Restricted investments held by trustee for debt service	87,353	68,624
Restricted investments held for advance funding agreements	11,737	8,811
Restricted investments for system expansion and acquisition	121,743	141,685
Restricted investments held as security for capital lease/leaseback liabilities	10,218	10,543
Total cash and investments	$963,301	$935,055

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

	9/30/2013	9/30/2012
Cash on hand	$988	$880
Cash equivalents	74,838	105,652
Investments	887,475	828,523
Total cash and investments	$963,301	$935,055

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, 2013, the carrying amount of DART's deposits was $988 compared to $880 at September 30, 2012. Bank balances at September 30, 2013 and 2012 were entirely covered either by Federal Depository Insurance or by collateral held by DART's agent in DART's name.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

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 Agreements and Reverse Repurchase Agreements	90 days	50%	5%
Money Market Mutual Funds	10 years	None	None
Commercial Paper	270 days	None	5%
Banker's Acceptance	270 days	None	5%
Certificate of Deposit	10 years	None	None

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that DART manages exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of it matures evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of DART investments to market interest rate fluctuations as of September 30 is provided in the tables below, which show the distribution of DART investments by maturity.

		Remaining Maturity (in months) as of September 30, 2013		
Investment Type	Total Amount	12 months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$193,354	$15,004	$ 124,161	$54,189
Federal National Mortgage Association	190,344	12,139	16,996	161,209
Federal Home Loan Bank	113,237	50,468	19,995	42,774
Federal Home Loan Mortgage Corporation	74,715	14,615	28,574	31,526
Federal Agricultural Mortgage Corporation	19,997	10,003	9,994	-
Commercial Paper	256,762	256,762	-	-
Money Market Funds	78,095	78,095	-	-
US Treasury Note	35,809	35,809	-	-
Total	$962,313	$ 472,895	196,720	$ 289,698

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

Investment Type	Total Amount	Remaining Maturity (in months) as of September 30, 2012: 12 months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$239,302	$35,008	$ 118,361	$85,933
Federal National Mortgage Association	167,575	15,074	35,031	117,470
Federal Home Loan Bank	133,132	91,284	30,519	11,329
Federal Home Loan Mortgage Corporation	20,083	6,250	8,828	5,005
Commercial Paper	170,807	170,807	-	-
Money Market Funds	153,671	153,671	-	-
US Treasury Bill	16,348	16,348	-	-
US Treasury Note	33,256	33,256	-	-
Total	$ 934,174	$ 521,698	$ 192,739	$ 219,737

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	Total Amount	Rating as of September 30, 2013: AA+/ Aaa	A1/P1	AAAm
Federal Farm Credit Banks	$193,354	$193,354	-	-
Federal National Mortgage Association	190,344	190,344	-	-
Federal Home Loan Bank	113,237	113,237	-	-
Federal Home Loan Mortgage Corporation	74,715	74,715	-	-
Federal Agricultural Mortgage Corporation	19,997	19,997	-	-
Commercial Paper	256,762	-	$256,762	-
Money Market Funds	78,095	-	-	$78,095
US Treasury Note	35,809	35,809	-	-
Total	$962,313	$627,456	$256,762	$78,095

Investment Type	Total Amount	Rating as of September 30, 2012: AA+/ Aaa	A1/P1	AAAm
Federal Farm Credit Banks	$239,302	$239,302	-	-
Federal National Mortgage Association	167,575	167,575	-	-
Federal Home Loan Bank	133,132	133,132	-	-
Federal Home Loan Mortgage Corporation	20,083	20,083	-	-
Commercial Paper	170,807	-	$170,807	-
Money Market Funds	153,671	-	-	$153,671
US Treasury Bill	16,348	16,348	-	-
US Treasury Note	33,256	33,256	-	-
Total	$934,174	$609,696	$170,807	$153,671

On August 5, 2011, Standard and Poors, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term United States sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists. Included in DART's investment portfolio as of September 30, 2013 is $627,456 compared to $609,696 as of September 30, 2012 that was downgraded from AAA to AA+ by Standard and Poors.

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. The Investment Policy of DART contains limitations on the amount that can be invested in any one issuer as shown in the table on page 22. Investments in any one issuer that represent 5% or more of total investment portfolio of DART as of September 30 are as shown on the next page:

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

September 30, 2013

Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Farm Credit Banks	$193,354	20%
Federal National Mortgage Association	190,344	20%
Federal Home Loan Bank	113,237	12%
Federal Home Loan Mortgage Corporation	74,715	8%

September 30, 2012

Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Farm Credit Banks	$239,302	26%
Federal National Mortgage Association	167,575	18%
Federal Home Loan Bank	133,132	14%
Money Market Fund:		
Fidelity	62,293	7%

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 with the exception of money market mutual funds, which by design provide ownership of shares within the fund, are registered in DART's name as of September 30, 2013 and 2012 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 is in foreign currency-denominated investments.

Restricted investments held to pay capital lease/leaseback liabilities – As of September 30, 2013, DART had four outstanding lease/leaseback obligations. One of these four lease/leaseback obligations is anticipated to be closed out during the first quarter of fiscal year 2014. When DART entered into these 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 and the amounts required to pay sublease rental payments and the respective purchase option price. These investments are held by the trustee in the name of DART and are invested in U.S. Treasury strips, U.S. government sponsored enterprise obligations, and guaranteed investment contracts. They include a combination of investments with short-term and long-term maturities which minimizes the exposure to interest rate risk. Because these investments are insured by a third party and are held in U.S. Treasuries and government investment contracts they are not recorded at fair value but are recorded at amortized cost in the Statements of Net Position.

Assigned assets – The DART Board has assigned certain cash and investment balances to be maintained for self-insurance and financial reserve. These amounts are shown as unrestricted investments in the accompanying financial statements. The assets for self-insurance include amounts assigned by the Board to fund future claims and workers' compensation liabilities. The Board established the financial reserve to accumulate sales and use taxes in years when sales and use tax revenues exceed the budgeted amount. Sales and use tax revenues, net of annual repayments to the State Comptroller, were $3,977 more than budget for fiscal year 2013 compared to $9,950 for fiscal year 2012. In addition, the Board of Directors authorized the establishment of a Capital Project Reserve Account. Should the Financial Reserve exceed $50 million, excess funds are placed in the Capital Project Reserve Account.

An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Project Reserves, and the funds may be used for any purpose approved by the Board. During 2011, the DART Board approved a request to set aside a portion of the financial reserve investments for potential collateral as required by an amendment to one of the lease/leaseback agreements. The amount set aside for this purpose is $10,218 as of September 30, 2013 compared to $10,543 as of September 30, 2012. These amounts are shown as restricted investments held as security for capital lease/lease back liabilities in the Statements of Net Position and are excluded from the financial reserve amount of September 30, 2013 and 2012 shown on the next page:

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

As of September 30 assets assigned by the DART Board for specific purposes, including investments and accrued interest, consisted of the following:

Assigned for	2013	2012
Self-Insurance	$13,022	$13,747
Financial Reserve	31,723	21,266
Total	$44,745	$35,013

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.

The System Expansion and Acquisition Fund (SEA Fund) includes monies on deposit to be used solely for paying the costs of acquisition and construction of capital assets. The Board may, but is not required to, use money on deposit in the SEA Fund to pay for obligations in the event of a default.

Restricted assets shown in the Statements of Net Position also include bond proceeds which will be used to fund capital expenditures.

DART entered into three advance funding agreements with the Texas Department of Transportation and received money for construction of three parking lots. DART also entered into an inter-local agreement with the City of Dallas to plan and design a modern street car 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, 2013 and 2012.

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, 2013, DART has set aside $10,218 compared to $10,543 as of September 30, 2012 for this purpose. These amounts are shown as investments restricted as security for lease/lease back liabilities in the Statements of Net Position.

5. INVESTMENT IN JOINT VENTURE

DART and the Fort Worth Transportation Authority ("The T") jointly provide commuter rail service between downtown Dallas and downtown Fort Worth. The authorities have adopted the name *Trinity Railway Express* ("TRE") to provide this service. The operation and maintenance of commuter rail service is contracted to Herzog Transit Services, Inc. The cost of operating TRE, net of operating revenues, is shared between DART and the T based on revenue seat miles operated in Dallas County and Tarrant County, respectively. The transit authorities separately contributed the capital for the passenger stations and track storage areas in their respective counties, including fixtures and fare collection equipment at those stations. DART has separately contributed the capital for thirteen rail diesel cars (RDCs) purchased for the initial TRE commuter rail service. DART and the T have jointly contributed the capital for seven rehabilitated locomotives, two new locomotives, ten rehabilitated bi-level coaches, five new bi-level coaches, two rehabilitated bi-level cab cars, and five new bi-level cab cars. The book value of DART's share of these capital assets jointly owned with the T is recorded as Investment in Joint Venture in the Statements of Net Position in accordance with GASB Statement No. 61. There are no separate financial statements for the TRE. Each authority includes its share of revenues, operating costs and capital assets in its own financial statements.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

6. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2013 and 2012 are shown as follows:

	Beginning Oct. 1, 2012	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2013
Non-Depreciable Assets					
Land and right-of-way	$554,714	-	(206)	$ 23,661	$578,169
Capital projects in progress	701,352	$251,057	-	(694,895)	257,514
Total non-depreciable assets	1,256,066	251,057	(206)	(671,234)	835,683
Depreciable Assets					
Transitways	3,188,305	-	-	507,963	3,696,268
Buildings and improvements	702,179	-	-	43,135	745,314
Revenue and non-revenue vehicles and equipment	1,275,561	-	(64,789)	108,489	1,319,261
Furniture, fixtures, and Leasehold improvements	49,537	-	-	11,647	61,184
Total depreciable assets	5,215,582	-	(64,789)	671,234	5,822,027
Less accumulated depreciation					
Transitways	690,650	130,195	-	-	820,845
Buildings and improvements	265,881	26,174	-	-	292,055
Revenue and non-revenue vehicles and equipment	559,630	73,582	(64,436)	-	568,776
Furniture, fixtures, and Leasehold improvements	38,929	7,521	-	-	46,450
Total accumulated depreciation	1,555,090	237,472	(64,436)	-	1,728,126
Depreciable assets, net	3,660,492	(237,472)	(353)	671,234	4,093,901
Total capital assets	$4,916,558	$13,585	$(559)	-	$4,929,584

	Beginning Oct. 1, 2011	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2012
Non-Depreciable Assets					
Land and right-of-way	$548,904	-	-	$ 5,810	$554,714
Capital projects in progress	859,872	$332,418	-	(490,938)	701,352
Total non-depreciable assets	1,408,776	332,418	-	(485,128)	1,256,066
Depreciable Assets					
Transit ways	2,779,751	-	-	408,554	3,188,305
Buildings and improvements	696,102	-	(77)	6,154	702,179
Revenue and non-revenue vehicles and equipment	1,218,639	-	(4,968)	61,890	1,275,561
Furniture, fixtures, and Leasehold improvements	43,242	-	(2,235)	8,530	49,537
Total depreciable assets	4,737,734		(7,280)	485,128	5,215,582
Less accumulated depreciation					
Transit ways	593,902	96,748	-	-	690,650
Buildings and improvements	240,967	24,960	(46)	-	265,881
Revenue and non-revenue vehicles and equipment	499,242	65,352	(4,964)	-	559,630
Furniture, fixtures, and leasehold improvements	36,569	4,595	(2,235)	-	38,929
Total accumulated depreciation	1,370,680	191,655	(7,245)	-	1,555,090
Depreciable assets, net	3,367,054	(191,655)	(35)	485,128	3,660,492
Total capital assets	$4,775,830	$140,763	$(35)	-	$4,916,558

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

Additions to depreciation for 2013 includes impairment losses of $8,318 due to unexpected wear and obsolescence of the Dallas Central Business (CBD) light rail line segment rail and $834 for a light rail vehicle that was derailed and damaged during 2013.

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 remanufactured diesel cars	25

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND REPAYMENT DUE TO STATE COMPTROLLER

Accounts payable and accrued liabilities at September 30 were as follows:

Description	2013	2012
Accounts payable and accrued liabilities		
Payroll	$13,327	$11,632
Accrued paid time off, vacation and sick leave	22,495	20,979
Self insurance liabilities	15,024	17,014
Other operating liabilities	35,867	32,927
Total operating expense related	86,713	82,552
Non-operating expense and capital related	20,979	47,564
Total accounts payable and accrued liabilities	107,692	130,116
Non-current	31,129	29,680
Current	$76,563	$100,436

The Texas State Comptroller collects the 1% sales and use tax from tax payers 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	2013	2012
Beginning balance	$11,871	$12,695
Payments	(824)	(824)
Ending balance	11,047	11,871
Non-current	10,223	11,047
Current	$824	$824

8. 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	2013	2012
Beginning balance	$20,979	$19,235
Additions	2,402	2,764
Payments	(886)	(1,020)
Ending balance	$22,495	$20,979
Amounts due in one year	$919	$936

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

9. LOCAL ASSISTANCE PROGRAM

In 1989, DART created a Local Assistance Program (LAP) to provide technical and financial assistance to cities for the implementation of projects to reduce traffic congestion and complement bus and public transit operations. Eligible member jurisdictions are responsible for developing and submitting projects to DART for approval in order to receive distribution of these funds. According to the terms of inter-local agreements, DART allocated a percentage of its annual sales and use tax collections for the LAP program. Eligible member jurisdictions received 15% of the estimated sales and use taxes collected within that jurisdiction, except Irving, which received 7.5%. Dallas, University Park, and Highland Park were not eligible. The LAP program ended in 2004. Accrued but unpaid funds were carried over to succeeding years and were recorded as a liability on the accompanying Statements of Net Position.

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

Description	2013	2012
Beginning balance	$5,370	$13,370
Payments	(3,373)	(8,000)
Ending balance	$1,997	$5,370

10. FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

DART has entered into lease transactions in which certain capital assets are leased to investors (headlease) and simultaneously leased back (sublease). Under these transactions, DART maintains the right to continued use and control of the assets through the end of the lease term and is required to insure and maintain the assets. The headleases and subleases have been recorded as capital lease/leaseback for accounting purposes. The following table summarizes DART capital lease/leaseback transactions as of the respective transaction date.

Lease Date	Property	Fair Market Value At Closing Date	Prepayment Received On Head Lease	Amount Invested to Satisfy Sublease Obligation	Cash Benefit	Repurchase Option Date	Sublease Termination Date
7/25/97	22 Light rail cars	$57,992	$51,886	$47,096	$4,790	01/01/13	12/15/13
9/28/00	28 Light rail cars	91,000	91,000	84,000	7,000	01/02/23	12/15/23
10/26/00	25 Light rail cars	81,000	81,000	74,700	6,300	01/02/25	12/15/25
7/10/02	Buses – Lot 2	36,828	36,828	35,559	1,269	01/01/13	12/15/13
7/10/02	Buses – Lot 3	15,367	15,367	14,838	529	01/01/14	12/15/14

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. During fiscal year 2013, DART has exercised the repurchase option on the 22 Light Rail Cars lease and the Buses – Lot 2 lease and anticipates it will exercise the repurchase option on all 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 and buses under the lease/lease back agreements as of September 30, 2013 and 2012.

Lease Date	Property	Book value as of 9/30/2013	Book value as of 9/30/2012
7/25/97	22 Light rail cars	$16,859	$19,948
9/28/00	28 Light rail cars	34,218	37,269
10/26/00	25 Light rail cars	34,502	37,385
7/10/02	Buses – Lot 2	-	311
7/10/02	Buses – Lot 3	977	3,212

The net present value of the future sublease payments has been recorded as both a short-term and long-term liability in the accompanying Statements of Net Position. Prepayments received from the head lease were invested to satisfy the sublease obligations. Since the investments have been structured to meet all future obligations under the subleases at all times when due, the investment balances have been recorded to equal the sublease liabilities on the accompanying Statements of Net Position. The benefits from these transactions, net of transaction costs, were recorded as non-operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position in the fiscal year each transaction occurred. The capital lease/leaseback liabilities are reported as follows on the Statements of Net Position:

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	2013	2012
Amounts due within one year	$36,209	$75,180
Amounts due in more than one year	184,495	214,379
Total	$220,704	$289,559

Each of the lease/leaseback transactions has specific performance requirements for DART when the financial rating of the Payment Undertaker insurer falls below a specified level. During fiscal year 2010, credit ratings of two of three financial institutions insuring DART's lease/leaseback transactions were downgraded below certain levels specified in the lease/leaseback agreements. As a result, DART has entered into an amended agreement to reset the acceptable credit rating to be maintained at or above BBB for one of these two transactions. For the other lease/leaseback obligation, DART also entered into an additional Equity Security Agreement that requires it to set aside certain investments as security. As of September 30, 2013, DART has set aside $10,218 compared to $10,543 as of September 30, 2012 for this purpose. These amounts are shown as investments restricted as security for lease/lease back liabilities in the Statements of Net Position.

Changes in the capital lease/lease back obligations for the years ended September 30 are shown below:

Description	2013	2012
Beginning balance	$289,559	$323,903
Accrued interest	18,029	21,419
Retirements	(86,884)	(55,763)
Ending Balance	$220,704	$289,559

The following schedule shows future minimum sublease payments as of September 30, 2013 for the outstanding lease capital lease/leaseback transactions.

Year Ending September 30	Minimum Sublease Payments
2014	$36,209
2015	14,096
2016	12,210
2017	12,210
2018	12,210
2019 – 2023	174,948
2024 – 2026	128,886
Total minimum sublease payments due under capital lease/leaseback	390,769
Less: amount representing interest	(170,065)
Present value of minimum sublease payments	$220,704

11. 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. In 2011, DART executed a revolving line of credit agreement with Bank of America with an effective date of January 20, 2011. As part of this agreement, the maximum commercial paper amount that can be issued is limited to a principal amount of $150 million. The Revolving Credit Agreement contains certain covenants as follows: projected gross sales and use tax revenues must exceed debt service requirements by 150% for each of the three following and consecutive fiscal years, beginning with the first fiscal year in which debt service on the proposed bond obligations will be due and 200% of four consecutive quarters of the last six quarters. DART complied with these covenants for the years ended September 30, 2013 and 2012. The Revolving Credit Agreement is secured by and payable from a pledge (senior subordinate lien) of DART's sales and use tax revenue. On November 15, 2012, DART issued $127,775 the Series 2012 Revenue Bonds and used the proceeds from these Bonds to refund the Commercial Paper Notes outstanding at the time and to pay for the issuance costs of the Series 2012 Bonds. The Revolving Credit Agreement with Bank of America was also terminated on November 15, 2012.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

Commercial Paper Self-liquidity Program- after the Revolving Credit Agreement was terminated, the DART Board approved a new Commercial Paper Self-liquidity Program that allows DART to issue up to $150 million in commercial paper notes backed by self-liquidity. Under this program, DART provides self-liquidity in an aggregate principal amount of $150 million and 90 days interest calculated at an interest rate 12% of the outstanding commercial paper debt. DART also maintains at least 2.0 times the debt service coverage amount for the self-liquidity commercial paper notes and ensures that no more than $35 million of the commercial paper notes mature within five days. During fiscal year 2013, DART has complied with these requirements of the self-liquidity program. As of September 30, 2013, DART has $100 million in outstanding commercial paper notes issued under the self-liquidity program.

Commercial paper notes are issued in blocks for terms from 1 to 270 days and recorded as current liabilities on the Statements of Net Position. The average interest rate on outstanding commercial paper was 0.13% at September 30, 2013 compared to 0.24% at September 30, 2012.

Changes in the Commercial Paper Notes for the years ended September 30 are shown below:

Description	2013	2012
Beginning balance	$70,000	$150,000
Additions	440,000	905,000
Retirement	(410,000)	(985,000)
Ending Balance	$100,000	$70,000

The maximum principal of outstanding Commercial Paper Notes did not exceed the $150 million limit during either year.

12. SENIOR LIEN REVENUE BONDS

In August 2000, the voters in DART's service area approved the issuance of up to $2.9 billion in sales tax revenue bonds to accelerate the completion of extensions to the existing light rail system and other improvements to the public transportation system. 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:

				Interest rates (Yields) range		Maturity date range		Optional Redemption	
Bond Series	Board Approval Date	Original Issue Amount	Date issued	From	To	From	To	Bonds maturing after	Earliest call date
2002	Jul. 2002	98,735	9/10/02	3.0%	5.4%	12/1/05	12/1/32	12/1/13	12/1/12
2007*	Jan. 2007	770,270	3/08/07	4.0%	5.3%	12/1/07	12/1/36	12/1/17	12/1/16
2008	Apr. 2008	731,415	6/23/08	4.5%	5.3%	12/1/09	12/1/48	12/1/18**	12/1/17
2009A	May 2009	170,385	6/25/09	2.8%	4.3%	12/1/14	12/1/22	12/1/19	6/1/19
2009B	May 2009	829,615	6/25/09	6.0%	6.3%	12/1/23	12/1/44	12/1/34	5/31/19
2010A	Sep. 2010	95,235	10/7/10	2.0%	5.0%	12/1/13	12/1/23	12/1/21	12/1/20
2010B	Sep. 2010	729,390	10/7/10	4.9%	5.0%	12/1/37	12/1/48	Not applicable	
2012	April 2012	127,775	11/15/12	1.0%	5.0%	12/1/13	12/1/42	12/1/22	12/1/22

* The series 2007 bond issuance included $328,235 to partially refund Series 2001 and 2002 bonds.
** The Series 2008 bonds maturing after December 1, 2018 are subject to optional redemption with the exception of those maturing on December 1, 2029 and 2030.

In June 2009, DART issued and sold $170,385 in tax exempt Senior Lien Sales Tax Revenue Bonds (Series 2009A Bonds), and $829,615 in taxable Senior Lien Sales Tax Revenue Bonds (Series 2009B Bonds) to finance capital expenditures for DART's system expansion and acquisition. The Series 2009B bonds are taxable bonds issued under the Build America Bond program of the American Recovery and Reinvestment Act of 2009 (ARRA). In accordance with ARRA, DART receives a tax credit from the United States Treasury in amounts equal to 35% of the interest payable amount on the Series 2009B Bonds. However, during 2013, this tax credit was reduced due to budget cuts or "sequestration" by the federal government.

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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 2010B Bonds. However, during 2013, this tax credit was reduced due to budget cuts or "sequestration" by the federal government.

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.

During 2013, DART recorded tax credits of $28,406 compared to $30,462 for 2012 as Build America Bonds tax credit 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, 2013 and 2012 are as shown below:

Bond Series	Balance, 9/30/2011	Retirement	Balance, 9/30/2012	Addition	Retirement	Balance, 9/30/2013	Amounts due in one year
2002	$ 1,000	$ -	$ 1,000	$ -	$(1,000)	$ -	$ -
2007	750,970	(5,075)	745,895	-	(5,740)	740,155	5,350
2008	721,835	(3,295)	718,540	-	-	718,540	3,640
2009A	170,385	-	170,385	-	-	170,385	-
2009B	829,615	-	829,615	-	-	829,615	-
2010A	95,235	-	95,235	-	-	95,235	14,365
2010B	729,390	-	729,390	-	-	729,390	-
2012	-	-	-	$127,775	-	127,775	2,125
Total	$3,298,430	$(8,370)	$3,290,060	$127,775	$(6,740)	$3,411,095	$25,480

The revenue bonds shown above are at face value. They are shown in the Statements of Net Position net of the original issuance premium, discount and refunding gain of $78,491 and $61,195 as of September 30, 2013 and 2012, respectively. Below is a summary of debt service requirements of the Senior Lien Revenue Bonds outstanding as of September 30, 2013:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2014	$25,480	$178,679	$204,159	$(28,269)	$175,890
2015	45,910	177,125	223,035	(28,269)	194,766
2016	48,115	174,920	223,035	(28,269)	194,766
2017	50,490	172,543	223,033	(28,269)	194,764
2018	53,010	170,065	223,075	(28,269)	194,806
2019 – 2023	307,760	807,406	1,115,166	(152,311)	962,855
2024 – 2028	381,030	719,115	1,100,145	(145,433)	954,712
2029 – 2033	476,555	605,772	1,082,327	(129,667)	952,660
2034 – 2038	593,665	460,630	1,054,295	(110,077)	944,218
2039 – 2043	693,310	288,779	982,089	(71,772)	910,317
2044 – 2048	620,550	103,418	723,968	(23,420)	700,548
2049	115,220	2,942	118,162	(634)	117,528
TOTAL	$3,411,095	$3,861,394	$7,272,489	$(774,659)	$6,497,830

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13. 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 will issue a Senior Lien Obligation bond to borrow up to $119,972 from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which will extend DART's light rail service from Irving to the Dallas Fort Worth International Airport. According to the TIFIA financing agreement, the U.S. Department of Transportation (DOT) reimburses DART for eligible capital project costs. DART has received $45,000 during fiscal year 2013 and plans to request a drawdown of up to $74,972 during fiscal year 2014. 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 following table summarizes estimated debt service requirements of the TIFIA financing agreement executed on December 13, 2012 based on expected draw down of up to $74,972 during fiscal year 2014. The amounts and timing of the debt service for the TIFIA bond are subject to change depending on the amount and timing of the draw down. A summary of estimated debt service requirements of TIFIA bonds outstanding as of September 30, 2013 is shown below.

Year Ended September 30	Principal	Interest	Total TIFIA Bond Debt Service
2014	$ -	$2,119	$2,119
2015	-	3,491	3,491
2016	-	3,495	3,495
2017	2,321	3,448	5,769
2018	2,389	3,383	5,772
2019 – 2023	13,028	15,814	28,842
2024 – 2028	15,037	13,774	28,811
2029 – 2033	17,356	11,410	28,766
2034 – 2038	20,032	8,691	28,723
2039 – 2043	23,122	5,549	28,671
2044 – 2048	26,687	1,924	28,611
TOTAL	$119,972	$73,098	$193,070

The annual debt service requirements for the TIFIA bond range from $2,119 in fiscal year 2014 to $5,773 in fiscal year 2020

14. PLEDGED REVENUES

DART has pledged sales and use tax and farebox revenues as security for bonds and commercial paper debts. The amount of the pledge is equal to the remaining debt service requirements for these obligations. These obligations were issued to pay for DART's system expansion and acquisition costs. The pledge continues for the remaining life of these obligations, which is currently through fiscal year 2049. Total principal and interest remaining on the bonds as of September 30, 2013 is $7.5 billion. The annual debt service requirements for these bonds, before Build America Bonds tax credits, range from $228,847 in fiscal year 2018 to $119,292 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest) is $182,138. Bonds have a senior lien on pledged revenues.

Total principal and interest remaining on commercial paper as of September 30, 2013 is $100,021 compared to $70,011 as of September 30, 2012. Interest payments on commercial paper notes during the current fiscal year totaled $354. Commercial Paper notes have a subordinate senior lien on pledged revenues.

15. DEBT REFUNDINGS

In prior years, DART issued $770,270 in Senior Lien Sales Tax Revenue Bonds (Series 2007 bonds) to refund the Series 2001 and 2002 Bonds and the Series 2001 Commercial Paper Notes. As a result, the Series 2001 Commercial Paper Notes, and a portion of the Series 2001 and 2002 bonds are considered defeased and the liability for those notes, bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. Also during 2011, DART issued the Series 2010A bonds to refund a portion of Series 2001, 2002 and 2008 bonds. As a result, the Series 2001, 2002 and 2008 bonds in the total amount of $102,775 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 of September 30, 2013, none of the refunded DART bonds remains outstanding compared to $88,130 as of September 30, 2012. These refunded bonds are solely payable from and secured by the assets in the irrevocable trust accounts. All of DART's refunded bonds that were outstanding as of September 30, 2012 have been fully paid on December 3, 2012. As a result of the 2011 refunding, DART recognized a book loss of $7,883, a reduction in debt service of $3,945 and an economic gain of $8,786.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

16. 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 – 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. DART's covered payroll for the DB Plan as of October 1, 2012 (actuarial valuation date), was approximately $19.5 million compared to $19.3 million as of October 1, 2011.

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. 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.

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. A net pension asset of $9,457 and $7,775 is shown in the accompanying Statements of Net Position of DART at September 30, 2013 and 2012, respectively.

In accordance with GASB Statement No. 27, *Accounting for Pension by State and Local Government Employers,* an actuary determines the contribution amount that DART pays to the plan each year. The amount determined is referred to as the "Annual Required Contribution" (ARC). All significant actuarial assumptions used to compute the ARC are the same as those used to compute the actuarial accrued liability. The net pension asset/obligation is the cumulative difference between annual pension cost (including any interest accumulated on the pension asset/obligation, the ARC, and any adjustments to the ARC), and the employer's actual contribution to the plan.

Actuarial Assumptions - The net pension assets for fiscal years 2013 and 2012 were computed as part of an actuarial valuation performed and dated as of the first day of the fiscal periods, October 1, 2012 and 2011. The following table shows significant actuarial assumptions:

Valuation Date	October 1, 2012 and 2011
Investment Return	7% compounded annually, net of expenses
Salary Increases	3.25% per annum
Mortality	RP 2000 combined mortality tables for males and females with rates increased by 8.59% and with generational projection from 2000 by Scale AA
Disability Mortality	RP 2000 mortality tables for males and females
Early Retirement Age	55
Normal Retirement Age	60
Cost-of-Living Adjustments	2.5% per annum
Actuarial Cost Method	Projected Unit Credit Cost Method

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

For plan years 2013, 2012, and 2011, the net pension asset was as follows:

	2013	2012	2011
Annual required contribution	$7,310	$6,686	$5,317
Interest on net pension asset	(544)	(454)	(447)
Adjustment to annual required contribution	626	523	496
Annual pension cost	7,392	6,755	5,366
Employer contributions	9,074	8,045	6,266
Increase in net pension asset	1,682	1,290	900
Net pension asset, beginning of year	7,775	6,485	5,585
Net pension asset, end of year	$9,457	$7,775	$6,485
Percentage of annual pension cost contributed	123%	120%	117%

The actuarial value of plan net position is determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using a level dollar amount on a closed basis with no amortization period exceeding 30 years.

Funding Progress - The schedule of funding progress for the DART Employees Defined Benefit Retirement Plan is included in the Required Supplementary Information. The data for the two most recent valuations are as follows:

	Actuarial Valuation Date	
	10/1/12	10/1/11
Actuarial value of assets	$137,946	$141,480
Actuarial accrued liability (AAL) projected unit credit	199,447	195,504
Unfunded AAL (UAAL)	61,501	54,024
Funded ratio	69.2%	72.4%
Covered payroll	19,467	19,306
UAAL as a % of covered payroll	315.9%	279.8%

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 $13,872 and $13,280 for the years ended September 30, 2013 and 2012, 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 $4,679 and $4,431 for the years ended September 30, 2013 and 2012, respectively.

Annual financial statements for each of the three retirement plans discussed above may be obtained by contacting the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

17. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Description - DART administers a single-employer defined benefit 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.

Funding Policy - DART's contribution to the retiree healthcare and life insurance is an annual required contribution (ARC) determined actuarially based on the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortization of any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The ARC is 3.0% of annual covered payroll for both fiscal years 2013 and 2012. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost. For the years ended September 30, 2013 and 2012, DART's annual required contributions to other post employment benefits (OPEB) trust were $4,996 and $5,024. These contribution amounts are the same as annual OPEB costs for both years. The OPEB trust was set up during the fiscal year 2008 for the first time and is not included in those financial statements. DART has 252 retirees and surviving spouses that participate in the medical plan and 320 that participate in the life insurance plan as of October 1, 2012 compared to 258 participants in the medical plan and 310 in the life insurance plan as of October 1, 2011.

Actuarial Assumptions - Actuarial evaluations were performed for the OPEB Plan as of September 30. The following two tables show the summaries of significant actuarial assumptions:

Summaries of significant actuarial assumptions for OPEB Plan:

Valuation Date	September 30, 2013
Investment Return	7.00%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend rate (Health care inflation rate	Year 2013 trend is 8% for Aetna dropping to 5% in 2016. Year 2013 trend is 10.5% for Secure Horizons Medicare Advantage Plan, trending down to 8.5% in 1% increments where they stay level for five years before dropping to 5% in 2022.
Mortality	RP 2000 combined mortality tables for males and females with rates increased by 8.59% and with generational projection from 2000 by Scale AA.
Aging Factor	3% per annum for Pre-65 and 2% for Post-65
Eligibility for Coverage	For Defined Benefit Pension Plan participants: age 55 and 10 years of service and for Defined Contribution Pension Plan participants: age 60 and 10 years of service
Spouse coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage
Age of Dependent Spouse	Females are assumed to be 4 years younger than males
Actuarial Cost Method	Projected Unit Credit
Salary Increases	3.25% per annum
Amortization	30 Years Level Dollar Amortization Method, Open period

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

Valuation Date	September 30, 2012
Investment Return	7.00%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend rate (Health care inflation rate)	Year 2012 trend is 9% for Aetna dropping to 5% in 2016. Year 2012 trend is 11.5% for Secure Horizons Medicare Advantage Plan, trending down to 8.5% in 1% increments where they stay level for five years before dropping to 5% in 2022
Mortality	RP 2000 combined mortality tables for males and females with rates increased by 8.59% and with generational projection from 2000 by Scale AA.
Aging Factor	3% per annum for Pre-65 and 2% for Post-65
Eligibility for Coverage	For Defined Benefit Pension Plan participants: age 55 and 10 years of service and for Defined Contribution Pension Plan participants: age 60 and 10 years of service
Spouse coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage
Age of Dependent Spouse	Females are assumed to be 4 years younger than males
Actuarial Cost Method	Projected Unit Credit
Salary Increases	3.25% per annum
Amortization	30 Years Level Dollar Amortization Method, Open period

Annual OPEB Cost and Net OPEB Asset - For plan years 2013 and 2012, annual OPEB cost and the net OPEB asset were as follows:

	2013	2012
Annual required contribution	$4,996	$5,024
Annual OPEB cost	4,996	5,024
Total employer contributions*	4,996	9,975
Increase in net OPEB obligation (decrease in net OPEB asset)	0	4,951
Net OPEB asset (obligation), beginning of year	0	(4,951)
Net OPEB asset (obligation), end of year	0	0
Percentage of annual OPEB cost contributed*	100%	199%

*Total employer contributions for 2012 include 2011 employer contribution that was made on October 13, 2011.

Funding Progress - The schedule of funding progress for the DART Other Postemployment Benefits (OPEB) is included in the Required Supplementary Information. The data for the two most recent valuations are as follows:

	Fiscal Year Ended	
	9/30/13	9/30/12
Actuarial value of assets	$24,162	$17,892
Actuarial accrued liability (AAL)	$52,676	$49,384
Unfunded AAL (UAAL)	$28,514	$31,493
Funded ratio	45.9%	36.2%
Covered payroll	$174,557	$169,196
UAAL as a % of covered payroll	16.3%	18.6%

18. 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.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (Dollars in Thousands)

19. COMMITMENTS AND CONTINGENCIES

The Board has approved a Transit System Plan, which includes the design and construction of a 46-mile light rail transit (LRT) extension from Downtown Dallas to Buckner Blvd. (the Southeast Corridor) and from Downtown Dallas to Farmers Branch, Carrollton, and Irving (the Northwest Corridor) and from downtown Garland to Rowlett (Rowlett extension). The timing and completion of the Transit System Plan is based on economic assumptions made in DART's 20-year financial plan and is subject to change based on changing economic conditions. The Transit System Plan is forecasted at $3.8 billion as of September 30, 2013. The first section of the southeast extension, Bryan Street to Fair Park, opened for service on September 14, 2009. Other northwest and southeast extensions opened for service during 2011 and the first section of Irving line segment opened for service in July 2012. The second section of the Irving line segment and the northeast (Rowlett) extension opened for revenue service in December 2012. The third section of the Irving line (Irving-3) is scheduled to open for service in December 2014. DART has entered into contract commitments for the LRT build out and other capital developments in the amount of $3.4 billion and spent approximately $3.2 billion of the committed amount as of September 30, 2013 on these projects.

DART participates in several federal and state grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, no significant contingent liabilities exist relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

DART has entered into certain operating lease agreements. Operating lease expenses are approximately $782 and $1,096 in 2013 and 2012, respectively.

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

Fiscal Year	2014	2015	2016	2017	2018
Minimum Lease Payments	$421	$372	$133	$133	$133

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.

20. DERIVATIVE INSTRUMENTS

Diesel Fuel Hedge

As part of its normal business of providing public transportation services, DART operates a large fleet of buses, commuter rail cars, and paratransit and innovative service vans, that are currently operated with diesel fuel. DART has diesel fuel delivery contracts with suppliers; 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 diesel fuel hedge contracts. Summary information of relevant diesel fuel hedge contracts is shown below:

Fiscal Year Covered	Type	Notional Amount (U.S. Gallons)	Effective Date	Termination Date	Fair Value, 9/30/12	Fair Value, 9/30/13	Change in Fair Value
2013	Commodity forward contract	7,218,765	10/1/12	9/30/13	4,865	$0	4,865
	Total				$4,865	$0	$4,865

The fair values of $0 and $4,865 as of 9/30/2013 and 9/30/2012 are shown in the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position. The diesel fuel hedge contract expired on September 30, 2013 and no fuel hedge contract is in place after this date.

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (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 fuel for DART buses, commuter rail cars, and paratransit vans. 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 ultra low sulphur diesel (ULSD) for each month.

Risks

Credit risk – The derivative instrument for fiscal years 2012 and 2013 are held by the same counterparty. On September 30, 2012, DART's position in the derivative instruments is a potential inflow of resources. DART can potentially be exposed to credit risk if the counterparty to the transaction becomes insolvent. The following table shows credit ratings for the counterparty.

Fiscal Year Covered	Credit Rating
2012	A+/Aa3
2013	A+/Aa3

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 it buys for use in its operations. No termination event has occurred during fiscal years 2013 and 2012.

Contingencies

The diesel fuel hedge contracts include provisions that require DART to post collateral in the event its credit rating falls below A- or A3 as issued by Standard & Poors or Moody's and if the exposure exceeds threshold amounts specified in the derivative instruments (contracts). DART's credit rating as of September 30, 2013 is AA+ as issued by Standards & Poors or Aa2 as issued by Moody's.

Compressed Natural Gas (CNG) Delivery Contract

Starting from October 1, 2012, DART is replacing its existing diesel and liquefied natural gas operated fleet of buses with new buses that are operated with compressed natural gas (CNG). DART also buys CNG for contractor-owned and-operated paratransit vehicles.

During fiscal year 2010, DART entered into a fixed price and indexed price CNG delivery contract for the CNG needed to operate these vehicles. The contract specifies monthly volumes of CNG to be used by DART from October 1, 2012 to September 30, 2020 with 85% of the monthly volumes at a fixed price and 15% at an indexed price. If DART were to use lower volumes of CNG than specified in the contract, the excess CNG would be sold back at market price. The market price could be lower or higher than the fixed price or indexed price specified in the contract. The difference between the contract and market prices could result in an exposure to DART. Based on planned bus and paratransit service levels, the quantity of CNG specified in the contract is consistent with volumes DART plans to use during the contract period. Since DART expects to take full delivery of contracted volumes, the CNG contract is considered a normal purchase and normal sales contract and is not considered a derivative instrument per GASB Statement, No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

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.

Risks

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 it buys for use in its operations. No termination event has occurred during fiscal years 2013.

21. SUBSEQUENT EVENTS

On October 1, 2013, DART transferred high occupancy vehicle (HOV) lane operations to Texas Department of Transportation. Operating expenses related to the HOV operations during fiscal years 2013 were $14,061 compared to $12,813 during 2012. Termination benefit payments made to employees affected by this transfer have been accrued and included in the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position as of September 30, 2013 in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. There were no direct operating revenues generated by the HOV operations. As of September 30, 2013, HOV related capital assets with a carrying value of $74,481 compared to $62,595 as of September 30, 2012 are included in the Statements of Net Position**.** The terms of the transfer are still being negotiated with Texas Department of Transportation. The financial impact of the transfer will be reflected in the financial statements of fiscal year 2014.

22. NEW ACCOUNTING PRONOUNCEMENTS

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012 which is fiscal year 2014 for DART.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012 which is fiscal year 2014 for DART.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25.* This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures,* related to pensions that are administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 which is fiscal year 2014 for the DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan).

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension Plans—an amendment of GASB Statement No. 27.* This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* related to pensions that are administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012 which is fiscal year 2014 for DART.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement specifies accounting, financial reporting and disclosure requirements related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013 which is fiscal year 2015 for DART.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement (1) requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee; (2) requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities, and (3) specifies the information required to be disclosed by governments that extend nonexchange financial guarantees, and (4) requires new information to be disclosed by governments that receive non-exchange financial guarantees. As of September 30, 2013, DART did not extend a non-exchange financial guarantee to another organization or individual. The requirements of GASB Statement No. 70 becomes effective for financial statements for periods beginning after June 15, 2013 which is fiscal year 2014 for DART.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The requirements of this statement should be applied simultaneously with the provisions of Statement 68.

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 AND OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

September 30, 2013 (Dollars in Thousands)

The schedule of funding progress for the DART defined benefit Pension Plan calculated by the actuaries as follows:

	Actuarial Valuation Date		
	10/1/12	10/1/11	10/1/10
Actuarial Value of Assets	$137,946	$141,480	$145,605
Actuarial Accrued Liability (AAL)	199,447	195,504	176,587
Projected Unit Credit			
Unfunded AAL (UAAL)	61,501	54,024	30,982
Funded Ratio	69.2%	72.4%	82.5%
Covered Payroll	19,467	19,306	23,727
UAAL as a % of Covered Payroll	315.9%	279.8%	130.6%

Annual financial statements for the DART defined benefit Pension Plan 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.

The schedule of funding progress for the DART Other Postemployment Benefits (OPEB) calculated by the actuaries is as follows:

	Fiscal Year Ending		
	9/30/13	9/30/12	9/30/11
Actuarial Value of Assets	$24,162	$17,892	$7,170
Actuarial Accrued Liability (AAL)	$52,676	$49,384	$43,323
Unfunded AAL (UAAL)	$28,514	$31,493	$36,153
Funded Ratio	45.9%	36.2%	16.6%
Covered Payroll	$174,557	$169,196	$175,685
UAAL as a % of Covered Payroll	16.3%	18.6%	20.6%

* * * * * * * *

APPENDIX B

A Table of Contents and brief descriptions of certain provisions of the Master Debt Resolution, as amended, are included on the following pages of this Appendix B. The descriptions are not intended to be comprehensive or complete but are to be used as a guide to the full provisions of the Master Debt Resolution. The full and complete text of the Master Debt Resolution may be obtained directly from us without cost at the address given in the text of this document, and it may be viewed on the Internet at our website, ***www.dart.org***. See, "IMPORTANT NOTICES." Specific Article and Section numbers are identified in "*italics*" throughout this Summary.

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SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION

DEFINITIONS

{*Article I*}

The following are definitions of certain terms used in this Summary.

Accrued Aggregate Debt Service - means, for any specified Debt Service Accrual Period, and with respect to a specified series of Obligations, an amount equal to the sum of the Debt Service accruing during that Debt Service Accrual Period with respect to all of such Obligations that are Outstanding at the beginning of such Debt Service Accrual Period.

Accrued Aggregate Interest - means, for any Debt Service Accrual Period, that portion of the Accrued Aggregate Debt Service that is attributable to interest on Obligations for the Debt Service Accrual Period.

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

Additional Senior Lien Obligations - means bonds, notes, commercial paper, or other evidences of indebtedness issued by DART on a parity as to the Pledged Revenues with the Initial Senior Lien Obligations pursuant to Section 3.2 of the Master Debt Resolution.

Administrative Expenses - means amounts owed to the Trustee under Section 8.4 of the Master Debt Resolution and, to the extent specified in a Supplemental Resolution, the fees, expenses, and indemnification liabilities payable to the Paying Agent, the Credit Providers, any Bondholder Representative, and others. Said term does not include Credit Agreement Obligations.

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

Authorized Officer - means the President and Executive Director, the Chief Financial Officer, the Vice President, Finance, the Treasurer, the Assistant Treasurer, and such other officers or employees of DART as may be authorized to perform duties under the Master Debt Resolution.

Available Remaining Revenues - means the amount of the Gross Sales Tax Revenues, plus the Special Revenues that are available to DART for spending for lawful purposes and the uses of which are not restricted by Applicable Law, grant condition, or contract (i) after complying with the requirements of Article V of the Master Debt Resolution, and (ii) after applying all of the revenues received from the operation of the System to the purpose of operating and maintaining the System, as required by Section 452.357 of the Act.

Board - means the governing subregional board of directors of DART as authorized and required by, and selected in the manner provided in, Section 452.571 of the Act.

Bondholder Representative - means each Person appointed pursuant to Section 11.8 of the Master Debt Resolution.

Bond Obligation - means any Obligation that is issued in the form of bonds, notes, or other securities or other forms of indebtedness other than a Credit Agreement Obligation.

Business Day - means, unless another definition is provided in a Supplemental Resolution with respect to a series of Obligations, any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the city where the designated payment/transfer office of the Paying Agent and/or Registrar is located, or where the principal office of the Trustee is located, are generally authorized or obligated by law or executive order to close.

Code - means the Internal Revenue Code of 1986, as amended, the regulations and published rulings promulgated or published pursuant thereto, and the provisions of any applicable section of a successor federal income tax law.

Comptroller - means the Constitutional Officer of the State of Texas known as the "Comptroller of Public Accounts" and any successor official or officer that may be charged by law with the duty of collecting the Sales Tax for the account of, and remitting Gross Sales Tax Revenues to, DART.

Costs of Acquisition and Construction - means all costs and expenses of planning, designing, acquiring, constructing, installing, extending, equipping, improving, repairing, replacing and financing any part or all of the System, placing the System in operation, and obtaining governmental approvals, certificates, permits and licenses with respect thereto, including acquisition of land and interests in land, working capital and reserves during construction periods, capitalized interest, and financing costs.

Credit Agreement - means any agreement between DART and a Credit Provider permitted by Applicable Law that is entered into for the purpose of providing credit enhancement or liquidity support for all or a part of a series of Bond Obligations.

Credit Agreement Obligations - means any liability of DART to pay principal, interest, or other payment on any debt or liability created under a Credit Agreement in favor of a Credit Provider that is declared by the terms of the Master Debt Resolution or a Supplemental Resolution to be a Senior Lien Obligation or a Subordinate Lien Obligation.

Credit Provider - means each party named in the Master Debt Resolution or a Supplemental Resolution that provides credit or liquidity support for a series of Bond Obligations, or other financial undertakings in a Credit Agreement.

Debt Service - means, for any specified Debt Service Accrual Period or other period with respect to a specified series of Obligations, an amount equal to:

(i) the sum of (A) all interest that is due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) interest accruing on such Obligations, including as to Interim Obligations, and as to Variable Interest Rate Obligations, if any, the amount estimated to accrue during such Debt Service Accrual Period or other period, but excluding interest that will be paid from the proceeds of Obligations or from Credit Agreements; and

(ii) the sum of (A) all Principal Installments that are due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) that portion of next maturing Principal Installment on such Obligations which will accrue during such Debt Service Accrual Period or other period, other than a Principal Installment with respect to Interim Obligations and Credit Agreement Obligations that are to be paid either with the proceeds of Bond Obligations or with funds provided by a Credit Provider, and other than amounts scheduled to be paid by a counter party to a Swap

Agreement that is not in default, all as determined as provided in the Master Debt Resolution.

Debt Service Accrual Period - means the period commencing on, as applicable, the date of issuance or execution of any Obligation under the Master Debt Resolution, or the most recent date on which the Trustee has transferred Gross Sales Tax Revenues from the Gross Sales Tax Revenue Fund in accordance with Section 5.3(a) the Master Debt Resolution, whichever is later, and ending on, but excluding, the next date on which the Trustee is expected to transfer Gross Sales Tax Revenues to the Gross Sales Tax Revenue Fund, as such period is specified by the Trustee in its request to each Paying Agent as required by Section 5.3(i) of the Master Debt Resolution.

Event of Default - means the occurrence of any of the events or circumstances described as such in Section 7.1 of the Master Debt Resolution.

Federal Interest Subsidy **–** means the interest subsidy payment received by DART from the United States Treasury relating to the interest payable on the Series 2009B Bonds and the 2010B Bonds under Section 54AA of the Code.

First Supplemental Debt Resolution - means the Supplemental Resolution approved by the Board authorizing the issuance and setting forth the terms of the Senior Subordinate Lien Obligations authorized by Section 3.3(a) of the Master Debt Resolution.

Fiscal Year - means the twelve consecutive month period established from time to time by the Board as DART's fiscal year. Until changed by resolution of the Board, the fiscal year shall be the period commencing October 1 and ending on the following September 30.

Force Majeure - means any act of God or the public enemy; strike, lockout, work slowdown or stoppage or other labor dispute; insurrection, riot or other civil disturbance; order of the government of the United States or of any state thereof or order of any other civil or military authority; failure of a public utility; or other condition or event beyond the reasonable control of DART, other than a financial condition, business condition or condition or event constituting frustration of purpose.

General Operating Fund - means the fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

Gross Sales Tax Revenue Fund - means the special trust fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

Gross Sales Tax Revenues - means all of the revenues due or owing to, or collected or received by or on behalf of, DART, or by the Trustee pursuant to the Master Debt Resolution, from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retentions are authorized or required by law. Such term expressly does not include any Special Revenues.

Holder - means, with respect to Bond Obligations, the registered owner of a Bond Obligation according to the Obligation Register relating to such Bond Obligation, and, with respect to each Credit Agreement Obligation, the related Credit Provider.

Initial Senior Lien Obligations - mean the Senior Lien Obligations that are authorized in Section 3.1(a) of the Master Debt Resolution.

Interest Payment Date(s) - means the date or dates on which interest on Obligations is payable (including a prepayment or redemption date), as said date or dates are specified in a Supplemental Resolution or in Credit Agreements, as appropriate.

Interim Obligations - mean Obligations, including commercial paper, notes, and similar Obligations (i) for or with respect to which no Principal Installments are required to be made other than on the Stated Maturity Date thereof, which date shall be no later than five (5) years from the date of their delivery to their initial purchasers, and (ii) which are authorized by a Supplemental Resolution in which they are designated as "Interim Obligations" that DART intends to refund, reissue, or refinance in whole or in part prior to or on such Stated Maturity Date.

Investment Securities - mean any and all of the investments permitted by Applicable Law for the investment of the public funds of DART, provided that such investments are at the time made included in and authorized by the official investment policy of DART as approved by the Board from time to time and are not prohibited by a Supplemental Resolution.

Junior Subordinate Lien Debt Service Fund - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

Junior Subordinate Lien Obligations - means (i) bonds, notes, or other forms of indebtedness and obligations of DART that are by their terms made payable from the Junior Subordinate Lien Debt Service Fund and are secured by a lien on and pledge of Pledged Revenues that is junior and subordinate to the liens on and pledges of Pledged Revenues created in the Master Debt Resolution for the benefit of the Senior Lien Obligations and the Senior Subordinate Lien Obligations, and (ii) each Credit Agreement Obligation that is declared in a Supplemental Resolution to be a "Junior Subordinate Lien Obligation."

Market Value - means the fair market value of Investment Securities calculated as set forth in the Master Debt Resolution.

Maximum Interest Rate - means, with respect to particular Variable Interest Rate Obligations, a numerical or other statement of the rate of interest, which shall be set forth in a Supplemental Resolution or in a Credit Agreement, authorizing such Obligations as appropriate, in each case as being the maximum rate of interest such Obligations may bear at a single time or over the period during which they are Outstanding or unpaid, but in no event exceeding the maximum amount or rate of interest permitted by Applicable Law.

Minimum Interest Rate - means, with respect to any particular Variable Interest Rate Obligations, a numerical rate of interest which may (but need not) be set forth in the Supplemental Resolution, or Credit Agreement, as appropriate, authorizing such Obligations that shall be the minimum rate of interest such Obligations will at any time bear.

Obligation Register - means, as to each series of Bond Obligations, the register or registers maintained pursuant to Section 4.5 of the Master Debt Resolution.

Obligations - mean the Senior Lien Obligations and the Subordinate Lien Obligations.

Outstanding - when used with reference to Bond Obligations, means, as of any date, Bond Obligations theretofore or thereupon being authenticated and delivered under the Master Debt Resolution or a Supplemental Resolution, except:

(i) Bond Obligations which have been fully paid at or prior to their maturity or on or prior to a redemption date;

(ii) Bond Obligations (or portions thereof) for the payment of which moneys equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption, shall be held by a paying agent or a trustee in cash in trust and set aside for payment at maturity or redemption on a redemption date and for which notice of redemption has been given or provision has been made therefor;

(iii) Bond Obligations in lieu of or in substitution for which other Obligations have been authenticated and delivered pursuant to the Master Debt Resolution or a Supplemental Resolution; and

(iv) Bond Obligations for which payment has been provided by defeasance in accordance with Section 10.2 of the Master Debt Resolution.

When used with reference to Credit Agreement Obligations, the term "Outstanding" shall mean all principal amounts due and payable by DART under the applicable Credit Agreement until the later of the due or maturity date thereof, and the payment thereof in full, but only to the extent, and solely to the extent, that moneys (A) have been actually advanced or loaned to or for the account of DART (and have not been repaid) for the purpose of providing funds for the payment of the interest on or principal or Redemption Price of any Obligations on their maturity, due, or redemption date, or (B) have been paid (and have not been repaid) to or for the account of the Holder of an Obligation in order to honor such Holder's right to tender Obligations for purchase prior to maturity in accordance with the terms and provisions of the applicable Supplemental Resolution or Credit Agreement.

Outstanding Obligations - means any Obligations while, when, after, to the extent, and for so long as any of the same are Outstanding.

Outstanding Resolutions - means the Master Debt Resolution, the First Supplemental Debt Resolution and all other Supplemental Resolutions when and as adopted by the Board.

Paying Agent - means any paying agent for a series or issue of Obligations appointed pursuant to a Supplemental Resolution as described in Section 4.6 of the Master Debt Resolution and its successor or successors.

Person - means any individual, corporation, partnership, (including a limited partnership) limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other legal entity.

Pledged Farebox Revenues - means with respect to any Debt Service Accrual Period, all fares collected by or on behalf of DART for its bus, rail and paratransit services in an amount equal to the Pledged Farebox Revenues Ratio multiplied by the Accrued Aggregate Debt Service applicable to the Series 2010B Bonds during such Debt Service Accrual Period after deducting the Federal Interest Subsidy accrued during such Debt Service Accrual Period.

Pledged Farebox Revenues Ratio – means the ratio derived by dividing the aggregate principal amount of the Series 2010B Bonds, less the amount of the Series 2010B Bonds set forth in the Pricing Certificate (for such Bonds) to be deducted from the amount of Bond Obligations DART may issue within the Voted Tax and Debt Limits, by the aggregate principal amount of the Series 2010B Bonds.

Pledged Revenues - means collectively (a) the Gross Sales Tax Revenues at the point where they are required to be first collected in accordance with the Act and other Applicable Law, and for so long as they are owed, but unpaid, to, or on behalf of DART, (b) the Gross Sales Tax Revenues upon and after receipt by DART or by the Trustee under the Master Debt Resolution and while they are required to be or are on deposit in the Gross Sales Tax Revenue Fund, (c) Investment Securities or other investments or earnings, if any, credited to the Gross Sales Tax Revenue Fund that are not required by the Code to be rebated to the United States of America, (d) Pledged Farebox Revenues, € Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (f) any additional revenues or money of DART which may be, by a Supplemental Resolution, expressly and specifically pledged to the payment of any and or all of the Obligations. (Pursuant to the Seventh Supplemental Debt Resolution, DART irrevocably pledged the Pledged Farebox Revenues as additional security for the Obligations, and such Pledged Farebox Revenues were made expressly and specifically subject to the pledge and lien of the Master Debt Resolution as Pledged Revenues.)

Principal Installment - means any amounts, other than interest payments, including any Sinking Fund Installments, which are stated to be due or required to be made on or with respect to an Obligation which, when made, would reduce the amount of such Obligation that remains Outstanding or would retire and pay the same in full.

Rebate Fund - means any fund established by a Supplemental Resolution in connection with the issuance of any Bond Obligation that is a Tax-Exempt Obligation, to ensure compliance with the provisions of Section 148 of the Code.

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

Resolution - means Master Debt Resolution as it may from time to time be amended, modified or supplemented by Supplemental Resolutions or by amendment in accordance with Article IX of the Master Debt Resolution.

Sales Tax - means the one-percent (1%) local sales and use tax authorized by the Act and other Applicable Law and heretofore approved at an election and then levied on taxable items and transactions, and confirmed and levied in the Master Debt Resolution, by DART within its boundaries, and hereafter required to be levied within any expanded areas included within DART pursuant to the Act, together with any increases in the rate thereof if provided and authorized by amendment to the Act, but subject to the requirements of the Voted Tax and Debt Limits.

Senior Lien Debt Service Fund - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

Senior Lien Obligations - means (i) the Initial Senior Lien Obligations, (ii) any Additional Senior Lien Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution or a Supplemental Resolution to be a "Senior Lien Obligation."

Senior Subordinate Lien Debt Service Fund - means the special fund so designated and established in Section 5.1 of the Master Debt Resolution.

Senior Subordinate Lien Obligations - means (i) the Senior Subordinate Lien Obligations authorized and named in Section 3.3(a) of the Master Debt Resolution, (ii) any other bonds, notes, or other forms of indebtedness and obligations of DART that are, by their terms, made payable from the Senior Subordinate Lien Debt Service Fund and that are secured by a lien on and pledge of Pledged Revenues that are junior and subordinate to the lien on and pledge of Pledged Revenues created in the Master Debt Resolution for the benefit of Senior Lien Obligations, but that are senior in right to the lien on and pledge of Pledged Revenues and Pledged Funds created in the Master Debt Resolution for the benefit of Junior Subordinate Lien

Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution, or in a Supplemental Resolution to be a "Senior Subordinate Lien Obligation."

Sinking Fund Installment - means, with respect to any Bond Obligations, the portion of the Accrued Aggregate Debt Service required by a Supplemental Resolution to be deposited to the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, or the Senior Subordinate Lien Debt Service Fund in all events on a future date to be held on deposit or applied, in either case, for the mandatory redemption or retirement, in whole or in part, of any of such Bond Obligations having a stated maturity after said future date. Said future date is deemed to be the date when such Sinking Fund Installment is due and payable.

Special Revenue Bonds - mean bonds, notes or other obligations issued for lawful purposes that (i) are made payable from Special Revenues pursuant to the right to issue the same reserved in Section 3.6 of the Master Debt Resolution, and (ii) are not payable from or secured by any part or portion of the Pledged Revenues.

Special Revenues - mean any and all revenues of DART, other than the Sales Tax, including, but not limited to, all of (i) any taxes or special charges, other than the Sales Tax, that DART is authorized by Applicable Law to impose and collect for its public purposes, (ii) fare-box revenues, rents, tolls, rates and charges imposed by DART for the use of any part or all of the System, as it exists from time to time, and (iii) the proceeds from grants for the purposes of the System made to DART by the State or by the United States of America.

Standard Assumptions - means the assumptions that are applicable to Interim Obligations and to Variable Interest Rate Obligations, as set forth and described in subsections (e) and (f), respectively, of Section 1.4 of the Master Debt Resolution.

State - means the State of Texas.

Stated Maturity Date - means the date on which an Obligation matures and the full amount owed thereon is in all events due and payable, as specified in a Supplemental Resolution or in a Credit Agreement, as appropriate.

Subordinate Lien Obligations - mean any and all Senior Subordinate Lien Obligations and any and all Junior Subordinate Lien Obligations.

Supplemental Resolution - means any resolution of the Board adopted concurrently with or subsequent to the adoption of this Resolution that supplements this Resolution for (i) the purpose of authorizing and providing the terms and provisions of Obligations, or (ii) any of the other purposes permitted by Article IX of the Master Debt Resolution.

Swap Agreement - means a Credit Agreement with respect to a series of Bond Obligations pursuant to which DART agrees to pay to a qualified counterparty an amount of money in exchange for the counterparty's promise to pay an amount equal to all or a portion of the actual amount of interest due and payable on such series according to its terms as it becomes due. For the purposes of this definition, a counterparty is not qualified unless it holds a current rating for claims-paying ability by at least two nationally recognized rating agencies at least equal to the rating of each such rating agency assigned to the Initial Senior Lien Obligations without reference to any Credit Agreement.

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

<u>System Expansion and Acquisition Fund</u> - means the fund so designated and established in Section 5.1 of the Master Debt Resolution.

<u>Tax-Exempt Obligation</u> - 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.

<u>Trustee</u> - means 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.

<u>Variable Interest Rate</u> - 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.

<u>Variable Interest Rate Obligations</u> - mean Obligations which bear a Variable Interest Rate.

<u>Voted Tax and Debt Limits</u> - means the limitations on (i) the maximum rate of the Sales Tax that DART may levy and collect, and (ii) the maximum amount of indebtedness that DART may incur that has a maturity longer than five (5) years, in either case without further elections in conformity with the Election Order as summarized in the preambles to the Master Debt Resolution.

Interpretations - Standard Assumptions *{Sections 1.4(e) and (f)}*

Wherever a calculation of Debt Service with respect to Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming (A) that the Outstanding principal amount of the series of Interim Obligations are bonds secured by a lien on Pledged Revenues on a parity with the Interim Obligations which will amortize over a period of not to exceed 25 years following the date of initial issuance of such Interim Obligations in such manner as will cause the maximum Debt Service for such series in any 12 month period not exceeding 110% of the minimum Debt Service for such series for any other 12 month period, and (B) such series will bear interest at a fixed interest rate reasonably estimated to be the interest rate such series would bear if issued on the date of such estimate.

Wherever a calculation of Debt Service with respect to Variable Interest Rate Obligations that are not Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming that such Obligations will bear interest at the highest of (i) the actual rate on the date of calculation, or, if such Obligations are not yet Outstanding, the initial rate, if established and binding, (ii) if the Obligations have been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or (iii) (A) if the Obligations are Tax Exempt Obligations, the most recently published "Revenue Bond Index," published by the financial news publication presently known as <u>The Bond Buyer</u>, or by a comparable index if no longer published, plus fifty basis points, or (B) if the Obligations are not Tax Exempt Obligations, the interest rate on direct obligations of the United States with comparable maturities, plus fifty basis points or (C) if the Obligations are Credit Agreement Obligations, such rate as is specified in the Supplemental Resolution creating such Credit Agreement Obligations.

PURPOSES, PLEDGE AND SECURITY
{*Article II*}

Purposes of Resolution, Contract with Holders *{Section 2.1}*

The Master Debt Resolution establishes a lien and the security for, and prescribes minimum standards for issuing, Obligations; authorizes the issuance of the Initial Senior Lien Obligations, an initial series of Senior

Subordinate Lien Obligations and permits the issuance of Additional Senior Lien Obligations and other Subordinate Lien Obligations; reserves the right to issue Special Revenue Bonds; and prescribes other matters and the general rights of the Holders, DART, Credit Providers, any Bondholder Representative and the Trustee in relation to such Obligations. The provisions of the Master Debt Resolution constitute a contract of DART to and with the Holders and the Trustee.

Confirmation and Levy of Sales Tax *{Section 2.2}*

The levy and collection of the Sales Tax, at the rate voted at the election at which DART was created, is confirmed, and DART covenants that, as long as any Obligations are Outstanding, or any Administrative Expenses unpaid, it will levy and collect the Sales Tax to the extent it may legally do so at the highest rate permitted by Applicable Law, subject to requirements for an election under the Voted Tax and Debt Limits, and to take all action permitted to cause the Sales Tax to be collected and remitted to DART at the earliest permissible date.

Pledge and Security for Obligations *{Section 2.3}*

The Pledged Revenues are irrevocably pledged: (i) first, with respect to Outstanding Senior Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; (ii) second, subject to the rights of the Holders of Senior Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Senior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; and (iii) third, subject to the rights of the Holders of Senior Lien Obligations and the Holders of Senior Subordinate Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Junior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts and to the payment of Administrative Expenses. Notwithstanding the pledge of Pledged Revenues to the payment of Bond Obligations, Federal Interest Subsidy payments are not security for nor may such amounts be used to pay principal of or interest on the TIFIA Bond.

All moneys and investments on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund are irrevocably pledged to the payment of Debt Service on and Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively.

The Obligations and Administrative Expenses are special obligations of DART, and, unless otherwise provided in a Supplemental Resolution, are secured solely by a pledge of and a lien on the Pledged Revenues and the money on deposit, respectively, in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, that is exclusive, senior and superior to the rights of all other creditors of DART. Neither the Obligations nor the Administrative Expenses shall constitute a debt or obligation of the State, or of any city, town or county having appointment or other powers with respect to DART or the Board. The Holders of Obligations and payees of Administrative Expenses shall never have the right to demand payment out of any funds raised or to be raised by any system of ad valorem taxation or, unless otherwise provided in a Supplemental Resolution, from any other funds or revenues of DART.

Collection of Pledged Revenues, Assignment to Trustee *{Section 2.4}*

DART assigns to the Trustee all of the Pledged Revenues, in trust, for the benefit and security of Holders and the Credit Providers. DART appoints the Trustee as its agent and attorney-in-fact for the purpose of performing those duties of its treasurer which consist of collecting and receiving the Gross Sales Tax Revenues from the Comptroller and taking such steps as may be necessary to perfect and maintain the liens granted under the Master Debt Resolution. DART is required to cause the Comptroller to pay all Gross Sales Tax Revenues directly to the Trustee for deposit to the Gross Sales Tax Revenue Fund. If the Comptroller refuses or is not legally obligated to make transfers as directed by DART, the DART is required to cause the Gross Sales Tax Revenues to be transferred to the Trustee as received. All Gross Sales Tax Revenues received by the Trustee are required to be deposited to the Gross Sales Tax Revenue Fund and applied in accordance with the Master Debt Resolution. A specific series of Bond Obligations may be additionally payable from or secured by Credit Agreements and any Supplemental Resolution may provide that the security provided thereby not extend to other series of Obligations.

Security Agreement *{Section 2.5}*

The Master Debt Resolution constitutes a security agreement with the Trustee as the secured party. The grants, assignments, liens, pledges and security interests of the Trustee created in the Master Debt Resolution shall become effective upon the delivery of Obligations under the Master Debt Resolution, and shall be continuously effective for so long as any Obligations or Administrative Expenses are Outstanding.

PERMITTED DART INDEBTEDNESS
{*Article III*}

Initial Senior Lien Obligations *{Section 3.1}*

The Master Debt Resolution authorizes DART to issue up to $500 Million of Initial Senior Lien Obligations, which amount may be increased, pursuant to the terms of one or more Supplemental Resolutions. DART may issue Additional Senior Lien Obligations upon compliance with the requirements set forth in the Master Debt Resolution. No obligations having a first lien on the Pledged Revenues, other than Senior Lien Obligations, may be issued by DART.

Additional Senior Lien Obligations *{Section 3.2}*

Subject to the Voted Tax and Debt Limits, DART reserves the right to issue Additional Senior Lien Obligations on a parity with Outstanding Senior Lien Obligations, pursuant to one or more Supplemental Resolutions. Prior to the issuance of Additional Senior Lien Obligations, either (A) Gross Sales Tax Revenues must be estimated to be, for each of the three consecutive Fiscal Years beginning with the First Fiscal Year in which Debt Service with respect to the proposed Additional Senior Lien Obligations is due, equal to at least 200% of the Debt Service that will be due on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years after taking into consideration any additional Debt Service to be paid during such period with respect to the Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued and any reduction in Debt Service that may result from the issuance thereof, determined in accordance with the requirements of the Master Debt Resolution; or (B) for either the most recent complete Fiscal Year, or for any consecutive 12 of the most recent 18 months, the Gross Sales Tax Revenues must have been equal to at least 200% of the maximum Debt Service with respect to all Outstanding Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) including maximum Debt Service on the proposed Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued, determined in accordance with the requirements of the Master Debt Resolution, provided however, this requirement does not apply to the issuance of Interim Obligations. In addition, estimated Gross Sales Tax Revenues for each of the 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service on the proposed Additional Senior Lien Obligations is due must equal at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) plus (B) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Outstanding Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years, determined in accordance with the requirements of the Master Debt Resolution. The Debt Service required to be calculated for a particular series of Obligations shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations, if such amounts are, at the time of calculation, required to be deposited to the debt service fund for such Obligations.

The Debt Service required to be calculated for a particular series of Obligations under subsections (iii) and (iv) of Section 3.2(b) of the Master Debt Resolution shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations (the “Federal Interest Subsidiary” payments).

Senior Subordinate Lien Obligations *{Section 3.3}*

The Master Debt Resolution authorizes DART to issue up to $650 Million of commercial paper notes as Senior Subordinate Lien Obligations pursuant to the terms of one or more Supplemental Resolutions for the purposes of refunding all outstanding indebtedness of DART, paying Costs of Acquisition and Construction, and other purposes permitted by Applicable Law.

Additional Senior Subordinate Lien Obligations. Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue additional Senior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law secured by and payable from a senior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Additional Senior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of the three consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Senior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Senior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Junior Subordinate Lien Obligations *{Section 3.4}*

Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue Junior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law, payable from and secured by a junior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Junior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Junior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Junior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Credit Agreement Obligations *{Section 3.5}*

DART is authorized to enter into Credit Agreements, pursuant to Supplemental Resolutions, that create Credit Agreement Obligations that are secured and payable on a parity with other Outstanding Obligations. Credit Agreements may include rights and remedies which are in addition to the rights and remedies contained in the Master Debt Resolution and which may be enforced apart from the Master Debt Resolution.

Special Revenue Bonds *{Section 3.6}*

DART reserves the right to issue Special Revenue Obligations and to enter into related credit agreements without complying with the requirements of the Master Debt Resolution regarding the issuance of Obligations.

Other Encumbrances Prohibited *{Section 3.8}*

Except for the Pledge of the Pledged Revenues as security for the Obligations and Administrative Expenses in the order of priority established in Article II of the Master Debt Resolution, the Pledged Revenues may not be pledged or encumbered to or for the payment of any other obligation or liability of DART.

TERMS, PROVISIONS AND AUTHENTICATION OF BOND OBLIGATIONS
{*Article IV*}

Bond Obligations may be issued in any form and manner permitted by Applicable Law, subject to the provisions of the Master Debt Resolution and any applicable Supplemental Resolution. Bond Obligations are to be issued pursuant to a Supplemental Resolution setting forth all of the terms, provisions and conditions pertaining to such Bond Obligations.

SPECIAL FUNDS, USES OF MONEYS
{*Article V*}

Creation of Funds and Accounts *{Section 5.1}*

The Master Debt Resolution establishes the System Expansion and Acquisition Fund, the Senior Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; the Senior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; and the Junior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account. The Master Debt Resolution reestablishes and reconfirms the Gross Sales Tax Revenue Fund and the General Operating Fund.

The Gross Sales Tax Revenue Fund is a special trust fund held by the Trustee for the benefit of the Holders of the Obligations and the payees of Administrative Expenses. The Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Lien Debt Service Fund are special trust funds held by the Trustee for the benefit of the Holders of the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively, and the payees of Administrative Expenses.

The System Expansion and Acquisition Fund, the General Operating Fund and all other funds or accounts of DART not expressly required by the Master Debt Resolution or by a Supplemental Resolution to be held by the Trustee, may be held in any bank or lawful depository and said funds and accounts and all moneys on deposit therein, including the Available Remaining Revenues, shall be free of any lien, pledge or trust created by the Master Debt Resolution.

System Expansion and Acquisition Fund *{Section 5.2}*

Money on deposit in the System Expansion and Acquisition Fund is to be used to pay Costs of Acquisition and Construction and will be funded as directed in Supplemental Resolutions. In the event of a default in the payment of Obligations the Board may, but is not required to, use moneys on deposit in the System Expansion and Acquisition Fund to cure such default. Amounts remaining after payment of Costs of Acquisition and Construction for which a series of Obligations was issued may, at the discretion of DART, be used to redeem such Obligations in advance of maturity or used to pay other Costs of Acquisition and Construction.

Gross Sales Tax Revenue Fund *{Section 5.3}*

The Trustee is required to deposit to the Gross Sales Tax Revenue Fund all Gross Sales Tax Revenues (and no other moneys) as received and, on the day received, to transfer all amounts deposited to the Gross Sales Tax Revenue Fund, first, to the Senior Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Lien Obligations; second, to the Senior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Subordinate Lien Obligations; and, third, to the Junior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Junior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Junior Subordinate Lien Obligations. The amounts required to be deposited to each of the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt

Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, is equal to the Accrued Aggregate Debt Service for the current Debt Service Accrual Period less any amounts required to be credited against the amounts transferred pursuant to Section 5.3(d) of the Master Debt Resolution, and are required to be allocated first to the respective Interest Account and then to the respective Principal Installment Account. If the amounts on deposit in the Gross Sales Tax Revenue Fund are not sufficient to make the full amount of a transfer or payment required to be made, the Trustee is required to transfer the amount to the fund or account where the deficiency occurs with the highest priority and is prohibited from making transfers to any fund or account with a lower priority. Any balance remaining in the Gross Sales Tax Revenue Fund after making the foregoing transfers and payments is to be deposited to the General Operating Fund.

The Trustee is required to notify each Paying Agent of the anticipated date of commencement of each Debt Service Accrual Period not less than 2 Business Days prior to the date the Trustee expects such Debt Service Accrual Period to begin. Each Paying Agent is required to certify to the Trustee the amount of Accrued Aggregate Debt Service for Obligations for the Debt Service Accrual Period specified by the Trustee which has not been paid from other sources.

Senior Lien Debt Service Fund, Senior Subordinate Lien Debt Service Fund and Junior Subordinate Lien Debt Service Fund *{Sections 5.4, 5.5 and 5.6}*

The Trustee is required to pay from the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, to the respective Paying Agents and Credit Providers for Outstanding Senior Lien Obligations, Outstanding Senior Subordinate Lien Obligations and Outstanding Junior Subordinate Lien Obligations, respectively, the amounts required to pay Debt Service on such Obligations when due, whether at the stated maturity or prior redemption; provided, however, that if less than the total amount required to pay such Obligations is on deposit in the Senior Subordinate Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund or the Junior Subordinate Lien Debt Service Fund, respectively, Trustee is required to allocate to each Paying Agent and each Credit Provider, in order of priority, pro rata in proportion to the respective unpaid amounts.

If an Event of Default has occurred and is continuing, moneys in such funds are required to be applied as provided in Section 7.4 of the Master Debt Resolution.

General Provisions Applicable to Payments on Obligations *{Section 5.7}*

If a payment date is not a Business Day, then such payment date will be deemed to be the next succeeding Business Day of the Trustee or Paying Agent, as the case may be, and no interest will accrue between the stated day and the applicable succeeding Business Day.

Uses of General Operating Fund and of Available Remaining Revenues *{Section 5.8}*

Gross Sales Tax Revenues deposited in the General Operating Fund may be transferred to other funds and accounts of DART, free and clear of the lien of the Master Debt Resolution, and may be used for any purpose permitted or required by Applicable Law. In addition to contractual and other obligations incurred in the ordinary course of its business, DART may incur obligations payable from or secured by the Available Remaining Revenues.

Investment of Trust Funds and Accounts *{Section 5.9}*

Amounts in funds and accounts held by the Trustee may, to the extent permitted by Applicable Law, be invested in Investment Securities upon written instructions of DART. Investment Securities must mature in such amounts and at such times as is necessary to provide for timely payment from such fund or account. Investment Securities may be exchanged among funds and accounts, if required to meet payment obligations, and the Trustee may cause the liquidation prior to their maturities of Investment Securities; the Trustee is not to be liable for any resulting loss or penalty. Generally, Investment Securities and the earnings or losses thereon are part of the fund or account from which they were purchased except that transfers of earnings may be made in order to avoid investment in any manner that would cause any of the Obligations intended to be tax-exempt to be or become "arbitrage bonds" within the meaning of the Code. Investments are required to be valued at least annually at the lower of original cost or the then market value thereof.

Effect of Deposits With Paying Agents *{Section 5.10}*

Upon the deposit with the applicable Paying Agent of moneys sufficient to pay the amounts due on Obligations, DART is released from further obligation with respect to the payment of such amounts or interest thereon and such Obligations will no longer be Outstanding. Moneys deposited with Paying Agents are held uninvested in trust for the benefit of the Holders or payees of such Obligations. Unclaimed moneys are required to be distributed in accordance with any applicable escheat laws.

Arbitrage *{Section 5.11}*

DART covenants that it will take no action or fail to take any action which would cause any Tax-Exempt Obligations to be "arbitrage bonds" within the meaning of the Code.

Deposits of Special Revenues *{Section 5.12}*

Special Revenues may be deposited to such funds and accounts of DART as may be required by Applicable Law, grant condition or contract, or as directed in the documents relating to the issuance of Special Revenue Bonds or to Subordinate Lien Obligations if Special Revenues are pledged to the payment thereof.

GENERAL COVENANTS AND REPRESENTATIONS
{*Article VI*}

Representations as to Pledged Revenues *{Section 6.1}*

DART represents and warrants that it is authorized to issue the Obligations, to adopt the Master Debt Resolution and to pledge the Pledged Revenues as provided in the Master Debt Resolution, and that the Pledged Revenues are and will remain free and clear of any pledge, lien, charge or encumbrance except as expressly permitted by Article II of the Master Debt Resolution. The Obligations and provisions of the Master Debt Resolution are valid and legally enforceable obligations of DART in accordance with their terms, subject only to any applicable bankruptcy or insolvency laws or to any Applicable Law affecting creditors' rights generally. DART and the Trustee will defend, preserve and protect the pledge of the Pledged Revenues and all of the rights of the Holders against all claims and will take appropriate steps for the collection of delinquencies in the collection of the Sales Tax.

Accounts, Periodic Reports and Certificates *{Section 6.2}*

DART covenants to keep proper books of record and account relating to the System and the funds and accounts established by the Master Debt Resolution which will be subject to inspection by Holders of not less than 5% in principal amount of Bond Obligations, each Bondholder Representative and each Credit Provider. DART will provide annually, within 180 days after the close of each fiscal year, to any requesting Holder of at least 25% of a single series of Outstanding Obligations, a copy of an annual report containing certain financial information for the fiscal year just ended and the preceding fiscal year.

DART will notify the Trustee and each Credit Provider immediately if it becomes aware of the occurrence of any Event of Default or of any fact, condition or event that, with the giving of notice or passage of time or both, could become an Event of Default, or of the failure of DART to observe any of its undertakings under the Master Debt Resolution or under any Supplemental Resolution or Credit Agreement.

Withdrawals of Units of Election *{Section 6.4}*

If any "unit of election," as defined in the Act, having once become a part of DART, withdraws from DART, the Board will take all lawful steps necessary to assure that all amounts due and owing on all Obligations allocated to such unit of election will continue to be collected from within the withdrawing unit of election until such amounts are paid in full. Gross Sales Tax Revenues collected from within a withdrawn unit of election is required to be set aside by the Trustee in a special trust account and to be expended in such a manner as will permit the continued, timely payment when due of all amounts payable on Outstanding Obligations.

DEFAULTS AND REMEDIES
{*Article VII*}

Events of Default *{Section 7.1}*

Each of the following occurrences or events constitutes an "Event of Default" under the Master Debt Resolution:

(i) failure to timely pay any Debt Service on Bond Obligations;

(ii) failure to timely pay any Credit Agreement Obligations;

(iii) default by DART in the performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in any of the Outstanding Resolutions, the failure of which materially and adversely affects the rights of the Holders, and the continuation thereof for a period of 30 days after written notice of such default;

(iv) issuing of an order by the Bankruptcy Court or a United States District Court or other court having jurisdiction, granting DART, in an involuntary proceeding, any relief under any applicable law relating to bankruptcy or providing for the appointment of a receiver or other similar official for DART or any substantial part of its property, affairs or assets, and the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or

(v) DART institutes or consents to the institution of insolvency or bankruptcy proceedings against it under any federal or state insolvency laws, or files or consents to the filing of any petition, application or complaint seeking the appointment of a receiver or other similar official for DART or of any substantial part of its property, affairs or assets.

Remedies for Default *{Section 7.2}*

Upon the happening and continuance of any of the Events of Default the Trustee is required to transfer future Gross Sales Tax Revenues in the order and priority set forth in Section 5.3(a) of the Master Debt Resolution as described above under *"SPECIAL FUNDS, USES OF MONEY—Gross Sales Tax Revenue Fund."* Subject to certain restrictions on Holder's actions set forth in Section 7.3 of the Master Debt Resolution, a Credit Provider, a Bondholder Representative and/or a trustee representing not less than 25% in principal amount of Outstanding Bond Obligations, may proceed against DART to protect and enforce the rights of the Holders. No Holder has the right to seek appointment of a receiver or administrator of the affairs and assets of DART. There is no right to accelerate the maturity of any Obligation under the Master Debt Resolution.

Thirty days after a default is cured DART will be restored to its former position under the Master Debt Resolution and any proceedings are required to be abandoned or dismissed.

Application of Revenues and Other Moneys After Default *{Section 7.4}*

During the continuance of an Event of Default, the Trustee shall apply all amounts on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, and the Junior Subordinate Lien Debt Service Fund at the time of the default or deposited to such funds after the default, respectively, as follows: (i) to the payment of Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations, or the Junior Subordinate Lien Obligations, respectively, as applicable; and (ii) to the payment of Debt Service due on the Obligations, based on the foregoing priority and in the following order:

- Unless the principal of all applicable Outstanding Obligations is due, first, to the payment to the payment of interest then due in the order of maturity of such interest installments, and, if the amount available is not sufficient to pay all interest amounts then due, then to the payment of interest ratably, according to the amounts due on such installment, without any discrimination or preference; and second, to the payment of principal or redemption price then due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay all of the applicable Obligations due on any date, then to the payment of principal or redemption price ratably, according to the amounts of principal due, without any discrimination or preference.

- If the principal of all of the applicable Outstanding Obligations is due, to the payment of the principal and interest then due and unpaid upon such Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

Notice of Event of Default *{Section 7.6}*

The Trustee shall promptly give each Holder, by first class mail, notice of each Event of Default of which it has knowledge, unless such Event of Default has been remedied or cured before the giving of such notice, except in the case of an Event of Default specified in paragraph (i) or (ii) of “Events of Default” above, the Trustee may withhold such notice if it determines that the withholding of such notice is in the best interests of the Holders.

THE TRUSTEE

{*Article VIII*}

Amegy Bank N.A. is appointed as the Trustee under the Master Debt Resolution. The duties, rights and responsibilities of the Trustee, appointment of successor and co-trustees, and matters pertaining to the administration of the trust created in the Master Debt Resolution, are set forth in Article VIII.

AMENDMENTS TO RESOLUTION

{*Article IX*}

Supplemental Resolution Without Holders’ Consent *{Section 9.2}*

Subject to any limitations contained in a Supplemental Resolution or a Credit Agreement, DART may adopt Supplemental Resolutions without the consent of Holders of Obligations for the following purposes: (i) to cure any formal defect, omission or ambiguity in the Master Debt Resolution; (ii) to grant to the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security; (iii) to add covenants and agreements of DART; (iv) to add limitations and restrictions to be observed by DART; (v) to confirm any pledge or lien of the Pledged Revenues or to subject to the lien or pledge of the Master Debt Resolution additional revenues, properties or collateral; (vi) to authorize the issuance and prescribe the terms of the Initial Senior Lien Obligations, Additional Senior Lien Obligations, Subordinate Lien Obligations, and Special Revenue Bonds, and to create such additional funds and accounts as may be necessary in connection with the issuance of such Obligations; (vii) to make modifications in the Master Debt Resolution or in a Supplemental Resolution that are necessary to comply with the requirements of federal tax or securities law or other Applicable Law and that do not materially adversely affect the rights and security of the Holders to be paid in full when due; or (viii) to make any other change to the Master Debt Resolution or any Supplemental Resolution that does not materially adversely affect the right of the Holders to be paid the full amounts due and payable on the Obligations when due.

Powers of Amendment *{Section 9.3}*

The Master Debt Resolution or any Supplemental Resolution and the rights and obligations of DART and of the Holders may be amended pursuant to a Supplemental Resolution with the written consent (i) of the Holders of a Required Percentage of Bond Obligations, or (ii) if less than all of the series of Obligations then Outstanding are affected by such amendment, of the Holders of a Required Percentage of the Bond Obligations so affected; provided, however, no amendment shall permit a change in the terms of payment of principal or redemption price of or interest of any Outstanding Bond Obligation without the consent of the Holder of such Obligation; and provided further that no such amendment may be made without the consent of such Credit Providers having the right of such consent.

Consent of Holders, Credit Providers or Bondholder Representatives *{Section 9.4}*

A Supplemental Resolution making amendments permitted by the Master Debt Resolution may take effect upon receipt of the required consents of the applicable Holders in accordance with the terms and provisions of the Master Debt Resolution. Any consent will be binding upon the Holder giving such consent and upon any subsequent Holder thereof unless such consent is revoked. DART will give notice of the effective date of any such Supplemental Resolution to the affected Holders. Unless such right is limited by a Supplemental Resolution, DART reserves the right to amend the Master Debt Resolution without the consent of or notice to the Holders of Bond Obligations if such amendment is approved by each Credit Provider and Bondholder Representative which is granted the right to give such consent by a Supplemental Resolution.

DISCHARGE OF RESOLUTION
{*Article X*}

Discharge by Payment *{Section 10.1}*

The pledge and lien of the Outstanding Resolutions will be released when all Bond Obligations, Credit Agreement Obligations, and Administrative Expenses have been paid or provided for.

Discharge by Defeasance *{Section 10.2}*

DART may discharge its obligations to pay Debt Service on all or any portion of the Obligations and related Administrative Expenses, and thereby obtain a release of the pledge and lien of the Master Debt Resolution and any applicable Supplemental Resolution as to such Obligations, by depositing irrevocably with a trustee or escrow agent moneys which, together with earnings thereon from investment in "Government Securities," as verified by a nationally recognized firm of independent certified public accountants or accounting firm, will be sufficient to pay such amounts on such Obligations to maturity or prior redemption, in all cases in accordance with the terms and provisions set forth in the Master Debt Resolution.

MISCELLANEOUS PROVISIONS
{*Article XI*}

Secondary Market Disclosure, Annual Reports *{Section 11.1}*

DART will provide such financial information and operating data necessary to comply with SEC Rule 15c2-12 relating to secondary market reporting requirements.

Meeting of Holders of Bond Obligations *{Section 11.4}*

Meetings of Holders of Bond Obligations may be called in the manner provided in the Master Debt Resolution to give any notice to DART or to the Trustee, to waive or consent to the waiving of any Event of Default, to remove or appoint a successor Trustee, to consent to the execution of a Supplemental Resolution or to take any other action authorized to be taken by or on behalf of the Holders of Bond Obligations.

Appointment of Bondholder Representative *{Section 11.8}*

Each Supplemental Resolution my designate a Bondholder Representative or establish for the means by which Holders of a series of Bond Obligations may appoint a Bondholder Representative.

APPENDIX D

QUARTERLY DISCLOSURE UPDATE FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2013

DALLAS AREA RAPID TRANSIT

Quarterly Disclosure Update
for the three-month period ended December 31, 2013

This Quarterly Disclosure Update supplements the information contained in our 2014 Annual Disclosure Statement dated February 25, 2014. The 2014 Annual Disclosure Statement has been filed as a public record with the Municipal Securities Rulemaking Board's website at www.emma.msrb.org, and is posted on the Internet at our website, www.dart.org. You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Executive Vice President/Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our 2014 Annual Disclosure Statement dated February 25, 2014. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the 2014 Annual Disclosure Statement. See, 2014 Annual Disclosure Statement, Appendix B, "SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION."

In this Quarterly Disclosure Update, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the three-month period ended December 31, 2013.

YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE 2014 ANNUAL DISCLOSURE STATEMENT.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in the 2014 Annual Disclosure Statement and in Quarterly Disclosure Updates by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, our sales tax revenues, receipt of federal grants, and various other factors that are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

Dated: March 25, 2014

QUARTERLY DISCLOSURE UPDATE

The 2014 Annual Disclosure Statement dated February 25, 2014, is updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2013, are attached as Appendix A to the 2014 Annual Disclosure Statement. An unaudited statement of our principal accounts for the three-month period ended December 31, 2013 is included as Exhibit A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the three-month period ended December 31, 2013, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this three-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding First Quarter Financial Information

DART's unaudited financial statements for the three-month period ended December 31, 2013, and December 31, 2012, show sales tax revenues as $125.0 million and $116.9 million, respectively, which indicates an increase of 6.9% due to a relative improvement in the local economy resulting in better retail sales in the DART Service Area. Our operating results for the three-month period ended December 31, 2013 reflect an operating loss of $152.7 million, compared to an operating loss of $147.7 million for the three-month period ended December 31, 2012. This was primarily due to increased costs in labor and depreciation.

In Fiscal Year 2014, DART implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement requires the recognition of debt issauance costs as expense in the period incurred, except for any portion related to prepaid insurance costs. As of September 30, 2013, DART had reported prepaid debt issuance costs of $23,403 on the Statement of Net Position. From this total only $1,247 is related to prepaid bond insurance premium. As of a result of implementing Statement No. 65, DART is reducing its beginning net position by $22,156. The overall result for the three-month period ended December 31, 2013 shows a decrease in net position of $28.5 million since September 30, 2013.

DART maintains various cash reserves including a Financial Reserve Account that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve exceed $50 million, excess funds are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Reserves, and the funds may be used for any purpose approved by the Board. For Fiscal Year FY 2013, our sales tax receipts exceeded our sales tax budget by $3.97 million. Our Financial Standards require us to move any overages to the Financial Reserve Account. These funds were moved in December 2013, and the balance in the Financial Reserve Account as of December 31, 2013 was $45.9 million and the balance in the Capital Reserve Account was $0. As of December 31, 2013, the Operating Fund balance was $766.5 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

Lease/Leaseback Transactions Update

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of December 31, 2013, three lease/leaseback transactions remained active and all are in full compliance with the respective operative documents, as amended.

Litigation

No significant changes have occurred in the status of pending litigation involving DART since the date of the 2014 Annual Disclosure Statement. Accruals and estimated losses on claims that are asserted in pending litigation, if any, are included in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the 2014 Annual Disclosure Statement. See, 2014 Annual Disclosure Statement, "LITIGATION."

This Quarterly Disclosure Update, in substantially the form and content presented above and in its Exhibit, was approved by the Board of Directors of DART on March 25, 2014.

/s/ Robert W. Strauss
Chairman, Board of Directors

ATTEST:

/s/ Richard Carrizales
Secretary, Board of Directors

/s/ Gary C. Thomas
DART, President/Executive Director

Exhibit A

Unaudited Statement of Principal Accounts
for the three-month period ended December 31, 2013

DALLAS AREA RAPID TRANSIT
STATEMENT OF NET POSITION

December 31, 2013 and September 30, 2013 (Dollars in Thousands)

	12/31/2013 Unaudited	9/30/2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 60,510	$ 75,826
Investments	754,568	656,424
Derivative instrument – fuel hedge		
Sales and use tax receivable	86,762	77,752
Transit revenue receivable, net	1,796	2,759
Due from federal and other governments	8,679	24,575
Materials and supplies inventory, net	23,997	24,252
Prepaid transit expense and other	5,005	4,877
Restricted investments held by trustee for debt service	26,059	87,353
Restricted investments held for advance funding agreements	9,063	11,737
Restricted investments held to pay capital lease/leaseback liabilities	29,730	36,209
TOTAL CURRENT ASSETS	1,006,169	1,001,764
NONCURRENT ASSETS		
Investments restricted for system expansion and acquisition	87,596	121,743
Restricted investments held as security for capital lease/leaseback liabilities	10,123	10,218
Investment in joint venture	21,714	22,058
Capital assets		
Land and rights-of-way	577,515	578,169
Depreciable capital assets, net of depreciation	4,047,993	4,093,901
Projects in progress	274,413	257,514
Restricted investments held to pay capital lease/leaseback liabilities	186,955	184,495
Net pension asset	9,457	9,457
Unamortized bond issue costs and other	1,727	21,492
TOTAL NONCURRENT ASSETS	5,217,493	5,299,047
TOTAL ASSETS	6,223,662	6,300,811
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refunding	15,239	17,505
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	44,991	76,563
Commercial paper notes payable	110,000	100,000
Current portion of capital lease/leaseback liabilities	29,730	36,209
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	1,997	1,997
Retainage payable	24,230	23,514
Unearned revenue and other liabilities	37,198	34,029
Accrued interest payable from restricted assets	15,043	59,938
Current portion of senior lien revenue bonds payable	45,910	25,480
TOTAL CURRENT LIABILITIES	309,923	358,554
NONCURRENT LIABILITIES		
Accrued liabilities	31,271	31,129
Repayment due to State Comptroller	10,017	10,223
Senior lien revenue bonds payable	3,431,970	3,481,611
Transportation Infrastructure Finance and Innovation Act (TIFIA) bond payable	90,000	45,000
Capital lease/leaseback liabilities	186,955	184,495
TOTAL NONCURRENT LIABILITIES	3,750,213	3,752,458
TOTAL LIABILITIES	4,060,136	4,111,012
Net investment in capital assets	1,297,962	1,372,321
Restricted for debt service	11,016	27,415
Restricted as security for capital lease/leaseback liabilities	10,123	10,218
Unrestricted	859,665	797,350
TOTAL NET POSITION	$ 2,178,766	$ 2,207,304

DALLAS AREA RAPID TRANSIT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the three months ended December 31, 2013 and 2012 (Dollars in Thousands)

	2013 Unaudited	2012 Unaudited
OPERATING REVENUES		
Passenger revenues	$ 17,957	$ 16,799
Advertising, rent, and other	3,225	3,003
TOTAL OPERATING REVENUES	21,182	19,802
OPERATING EXPENSES		
Labor	55,269	52,984
Benefits	24,804	22,056
Services	5,774	6,682
Materials and supplies	12,000	12,633
Purchased transportation	11,139	12,582
Depreciation and amortization	58,896	53,499
Utilities	3,863	4,913
Taxes, leases, and other	925	1,055
Casualty and liability	1,213	1,072
TOTAL OPERATING EXPENSES	173,883	167,476
NET OPERATING LOSS	(152,701)	(147,674)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	125,015	116,944
Investment income	926	658
Interest income from investments held to pay capital lease/leaseback	4,347	5,483
Interest expense on capital lease/leaseback	(4,347)	(5,483)
Street improvements	(128)	(1,335)
Interest and financing expenses	(41,392)	(35,214)
Build America Bonds tax credit	7,067	7,616
Other non-operating revenues	2,832	2,673
Other non-operating expenses	(163)	(386)
NET NON-OPERATING REVENUES	94,157	90,956
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(58,544)	(56,718)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	969	9,305
State capital contributions	253	145
Local capital contributions		6
Total capital contributions	1,222	9,456
Other federal grants	50,940	12,171
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	52,162	21,627
CHANGE IN NET POSITION	(6,382)	(35,091)
TOTAL NET ASSETS, BEGINNING OF YEAR	2,207,304	2,344,124
Cumulative effect of a change in accounting principle	(22,156)	
TOTAL NET POSITION, END OF THE QUARTER	$ 2,178,766	$ 2,309,033

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the three months ended December 31, 2013 and 2012 (Dollars in Thousands)

	2013 Unaudited	2012 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 33,113	$ 35,248
Cash flows from other sources	3,633	3,592
Payments to suppliers of goods and services	(39,058)	(28,857)
Payments to purchased transportation service providers	(14,328)	(13,695)
Payments to employees	(58,171)	(52,984)
Benefit payments on behalf of employees	(21,280)	(22,056)
NET CASH USED BY OPERATING ACTIVITIES	(96,091)	(78,752)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax proceeds	115,799	109,284
Other federal grants	50,908	10,824
Build America Bonds tax credit	14,135	15,231
Other non-capital financing receipts		62
Other non-capital financing payments		(51)
Local Assistance Program and street improvements	(128)	(1,612)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	180,714	133,738
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	867	799
Proceeds from sales and maturity of investments	218,702	204,370
Purchase of investments	(317,204)	(224,397)
(Increase) decrease in restricted assets	98,210	(7,514)
NET CASH (USED) GENERATED BY INVESTING ACTIVITIES	575	(26,742)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(46,366)	(76,954)
Proceeds from the issuance of commercial paper notes	130,000	200,000
Payment on commercial paper notes	(120,000)	(270,000)
Proceeds from the issuance revenue bonds		151,097
Proceeds from TIFIA bonds	45,000	
Principal payment on revenue bonds	(25,480)	(6,740)
Interest and financing expenses	(87,730)	(79,008)
Payments of bond issuance costs		(1,312)
Federal capital contributions	2,300	6,484
State capital contributions	1,591	
Local capital contribution	2	16
Net proceeds from the sale of capital assets	169	88
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(100,514)	(76,329)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,316)	(48,085)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	75,826	106,532
CASH AND CASH EQUIVALENTS, END OF THE QUARTER	$ 60,510	$ 58,447

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the three months ended December 31, 2013 and 2012 (Dollars in Thousands)

	2013 Unaudited	2012 Unaudited
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$ (152,701)	$ (147,674)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	58,896	53,499
Miscellaneous non-operating income	2,663	2,497
Miscellaneous non-operating expenses	(163)	(308)
Changes in assets and liabilities		
Decrease in transit receivable	4,594	6,834
Decrease in materials and supplies inventory	255	595
Increase in prepaid expenses and other current assets	(2,225)	(1,785)
Increase (decrease) in accounts payable and accrued liabilities	(13,207)	1,156
Increase in other current liabilities	5,797	6,434
NET CASH USED BY OPERATING ACTIVITIES	$ (96,091)	$ (78,752)
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	4,347	5,483
Interest expense on capital lease/leaseback	(4,347)	(5,483)
Increase in capital lease/leaseback obligations	4,019	97
Decrease in investments held to pay capital lease/leaseback	(4,019)	(97)
Decrease in fair value of investments	(325)	(297)
Amortization of premium, discount and debt issuance costs	(873)	(1,084)

APPENDIX E

QUARTERLY DISCLOSURE UPDATE FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2014

DALLAS AREA RAPID TRANSIT

Quarterly Disclosure Update
for the six-month period ended March 31, 2014

This Quarterly Disclosure Update supplements the information contained in our 2014 Annual Disclosure Statement dated February 25, 2014 (the 2014 Annual Disclosure Statement) and our Quarterly Disclosure Update for the three-month period ending December 31, 2013, dated March 25, 2014, that has been filed as a public record with the Municipal Securities Rulemaking Board's website at www.emma.msrb.org, and is posted on the Internet at our website, www.dart.org. You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Executive Vice President/Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our 2014 Annual Disclosure Statement dated February 25, 2014 and our Quarterly Disclosure Update for the three-month period ending December 31, 2012, dated March 25, 2014. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the 2014 Annual Disclosure Statement. See, 2014 Annual Disclosure Statement, Appendix B, "SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION."

In this Quarterly Disclosure Update, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the six-month period ended March 31, 2014.

YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE 2014 ANNUAL DISCLOSURE STATEMENT.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in the 2014 Annual Disclosure Statement and in Quarterly Disclosure Updates by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, our sales tax revenues, receipt of federal grants, and various other factors that are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

Dated: May 30, 2014

QUARTERLY DISCLOSURE UPDATE

The 2014 Annual Disclosure Statement dated February 25, 2014 and Quarterly Disclosure Update dated March 25, 2014 is updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2013, are attached as Appendix A to the 2014 Annual Disclosure Statement. An unaudited statement of our principal accounts for the six-month period ended March 31, 2014 and March 31, 2013 is included as Exhibit A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are maintained and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the six-month period ended March 31, 2014, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this six-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding Second Quarter Financial Information

DART's unaudited financial statements for the six-month period ended March 31, 2014, and March 31, 2013, show sales tax revenues as $240.7 million and $226.3 million, respectively, which indicates an increase of 6.3%. As of March 31, 2014, total assets were $6.26 billion compared to $6.30 billion as of March 31, 2013. Capital assets include land, projects in progress, and depreciable assets net of depreciation, and were $4.92 billion (79%) of total assets, compared to $4.93 billion (78%) of total assets as of March 31, 2013. Investments represented $732.9 million (11.7%) of total assets. Net position (total assets plus deferred outflows of resources less total liabilities) was $2.13 billion as of March 31, 2014, compared to $2.21 billion as of March 31, 2013. Total revenues for the six months ended March 31, 2014 were $379.2 million, which was an increase of 12% or $40.6 million as compared to March 31, 2013. Total outstanding debt, excluding capital lease/leaseback obligations, as of March 31, 2014 was $3.7 billion.

DART maintains various cash reserves including a Financial Reserve Account that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve exceed $50 million, excess funds are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Reserves, and the funds may be used for any purpose approved by the Board. For Fiscal Year 2013, our sales tax receipts exceeded our sales tax budget by $3.98 million. Our Financial Standards require us to move any overages to the Financial Reserve Account. These funds were moved in December 2013. The balance in the Financial Reserve Account as of March 31, 2014 was $45.9 million, and the balance in the Capital Reserve Account was $0. As of March 31, 2014, the Operating Fund balance was $767.1 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

In April 2013, the DART Board of Directors approved a Tenth Supplemental Debt Resolution authorizing $150,000,000 in Senior Subordinate Lien Sales Tax Revenue, Commercial Paper Notes, Series I. The Resolution established a Self-Liquidity program for the issuance of DART Commercial Paper. Under the program, DART pledged to maintain two times the authorized amount of Self-Liquidity Commercial Paper ($300 million) plus interest for 90 days at 12% interest. As of March 31, 2014, DART had $120 million outstanding under the program. In June 2014, the DART Board of Directors is being asked to approve the First Amendment to Tenth Supplemental Debt Resolution allowing for the increase in the principal from $150 million to $200 million.

In April 2014, the DART Board of Directors approved a Cash Defeasance of $8,079,750 in principal and interest for Series 2008 Bonds maturing December 1, 2014. Payment of this principal and interest payments prior to the end of Fiscal Year 2014 will improve DART's Internal and External Coverage ratios for Fiscal Year 2015.

DARTstaff has consulted with Bond Counsel, and it has been determined that the Quarterly Disclosure Updates will no longer require Board of Directors approval. The documents will be provided to the DART Board of Directors and will continue to be publicly posted as described above.

Litigation

No significant changes have occurred in the status of pending litigation involving DART since the date of the 2014 Annual Disclosure Statement. Accruals and estimated losses on claims that are asserted in pending litigation, if any, are included in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the 2014 Annual Disclosure Statement. See, 2014 Annual Disclosure Statement, "LITIGATION."

Exhibit A

Unaudited Statement of Principal Accounts
for the six-month period ended March 31, 2014

DALLAS AREA RAPID TRANSIT
STATEMENT OF NET POSITION

March 31, 2014 and September 30, 2013 (Dollars in Thousands)

	3/31/2014	9/30/2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 82,088	$ 75,826
Investments	732,911	656,424
Sales and use tax receivable	80,736	77,752
Transit revenue receivable, net	1,876	2,759
Due from federal and other governments	16,456	24,575
Materials and supplies inventory, net	27,110	24,252
Prepaid transit expense and other	4,586	4,877
Restricted investments held by trustee for debt service	81,284	87,353
Restricted investments held for advance funding agreements	13,768	11,737
Restricted investments held to pay capital lease/leaseback liabilities	17,089	36,209
TOTAL CURRENT ASSETS	1,057,904	1,001,764
NONCURRENT ASSETS		
Investments restricted for system expansion and acquisition	62,230	121,743
Restricted investments held as security for capital lease/leaseback liabilities	10,017	10,218
Investment in joint venture	21,370	22,058
Capital assets		
Land and rights-of-way	577,298	578,169
Depreciable capital assets, net of depreciation	4,016,582	4,093,901
Projects in progress	328,528	257,514
Restricted investments held to pay capital lease/leaseback liabilities	178,473	184,495
Net pension asset	10,402	9,457
Unamortized bond issue costs and other	1,697	21,492
TOTAL NONCURRENT ASSETS	5,206,597	5,299,047
TOTAL ASSETS	6,264,501	6,300,811
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refunding	14,814	17,505
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	97,498	76,563
Commercial paper notes payable	120,000	100,000
Current portion of capital lease/leaseback liabilities	17,089	36,209
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	1,997	1,997
Retainage payable	25,718	23,514
Unearned revenue and other liabilities	40,634	34,029
Accrued interest payable from restricted assets	60,228	59,938
Current portion of senior lien revenue bonds payable	45,910	25,480
TOTAL CURRENT LIABILITIES	409,898	358,554
NONCURRENT LIABILITIES		
Accrued liabilities	32,230	31,129
Repayment due to State Comptroller	9,811	10,223
Senior lien revenue bonds payable	3,430,080	3,481,611
Transportation Infrastructure Finance and Innovation Act (TIFIA) bond payable	90,000	45,000
Capital lease/leaseback liabilities	178,473	184,495
TOTAL NONCURRENT LIABILITIES	3,740,594	3,752,458
TOTAL LIABILITIES	4,150,492	4,111,012
Net investment in capital assets	1,242,632	1,372,321
Restricted for debt service	21,056	27,415
Restricted as security for capital lease/leaseback liabilities	10,017	10,218
Unrestricted	855,118	797,350
TOTAL NET POSITION	$2,128,823	$2,207,304

DALLAS AREA RAPID TRANSIT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the six months ended March 31, 2014 and 2013 (Dollars in Thousands)

	2014 Unaudited	2013 Unaudited
OPERATING REVENUES		
Passenger revenues	$ 35,213	$ 33,465
Advertising, rent, and other	6,161	6,284
TOTAL OPERATING REVENUES	41,374	39,749
OPERATING EXPENSES		
Labor	104,808	104,241
Benefits	47,840	43,497
Services	14,083	14,790
Materials and supplies	23,533	23,759
Purchased transportation	24,038	23,060
Depreciation and amortization	116,405	110,615
Utilities	8,175	9,859
Taxes, leases, and other	2,149	2,272
Casualty and liability	2,331	1,931
TOTAL OPERATING EXPENSES	343,362	334,024
NET OPERATING LOSS	(301,988)	(294,275)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	240,671	226,303
Investment income	1,907	1,612
Interest income from investments held to pay capital lease/leaseback	8,074	9,738
Interest expense on capital lease/leaseback	(8,074)	(9,738)
Street improvements	(832)	(3,425)
Interest and financing expenses	(82,832)	(77,134)
Build America Bonds tax credit	14,135	14,348
Other non-operating revenues	5,559	5,579
Other non-operating expenses	(503)	(1,147)
NET NON-OPERATING REVENUES	178,205	166,136
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(123,783)	(128,139)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	13,822	26,652
State capital contributions	326	210
Local capital contributions	7	195
Total capital contributions	14,155	27,057
Other federal grants	53,303	14,189
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	67,458	41,246
CHANGE IN NET POSITION	(56,325)	(86,893)
TOTAL NET ASSETS, BEGINNING OF YEAR	2,207,304	2,344,124
Cumulative effect of a change in accounting principle (1)	(22,156)	
TOTAL NET POSITION, END OF THE SIX MONTHS PERIOD	$2,128,823	$2,257,231

(1) In fiscal year 2014, DART implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement requires the recognition of debt issuance costs as expense in the period incurred, except for any portion related to prepaid insurance costs. As of September 30, 2013, DART had reported prepaid debt issuance costs of $23,403 on the Statements of Net Position. From this total, only $1,247 is related to prepaid bond insurance premium. As a result of implementing Statement No. 65, DART is reducing its beginning net position by $22,156.

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the six months ended March 31, 2014 and 2013 (Dollars in Thousands)

	2014 Unaudited	2013 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 43,861	$ 45,808
Cash flows from other sources	6,082	7,482
Payments to suppliers of goods and services	(54,310)	(43,046)
Payments to purchased transportation service providers	(26,549)	(29,184)
Payments to employees	(108,131)	(106,528)
Benefit payments on behalf of employees	(40,649)	(43,191)
NET CASH USED BY OPERATING ACTIVITIES	(179,696)	(168,659)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax proceeds	237,275	224,717
Other federal grants	53,210	14,402
Build America Bonds tax credit	14,135	15,231
Other non-capital financing receipts		122
Other non-capital financing payments		(104)
Local Assistance Program and street improvements	(832)	(3,800)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	303,788	250,568
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,179	1,920
Proceeds from sales and maturity of investments	622,004	386,340
Purchase of investments	(699,221)	(342,434)
(Increase) decrease in restricted assets	63,753	(25,146)
NET CASH (USED) GENERATED BY INVESTING ACTIVITIES	(11,285)	20,680
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(77,373)	(169,178)
Proceeds from the issuance of commercial paper notes	230,000	200,000
Payment on commercial paper notes	(210,000)	(270,000)
Proceeds from the issuance revenue bonds		151,097
Proceeds from TIFIA bonds	45,000	5,000
Principal payment on revenue bonds	(25,480)	(6,740)
Interest and financing expenses	(85,341)	(77,576)
Payments of bond issuance costs		(1,238)
Federal capital contributions	14,782	27,102
State capital contributions	1,591	
Local capital contribution	9	211
Net proceeds from the sale of capital assets	267	213
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(106,545)	(141,109)
NET DECREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	6,262	(38,520)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	75,826	106,532
CASH AND CASH EQUIVALENTS, END OF THE SIX MONTHS PERIOD	$ 82,088	$ 68,012

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the six months ended March 31, 2014 and 2013 (Dollars in Thousands)

	2014 Unaudited	2013 Unaudited
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(301,986)	$(294,275)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	116,405	110,615
Miscellaneous non-operating income	5,393	5,213
Miscellaneous non-operating expenses	(503)	(1,012)
Changes in assets and liabilities		
Decrease in transit receivable	4,185	8,328
Increase in materials and supplies inventory	(2,858)	(330)
Increase in prepaid expenses and other current assets	(1,751)	(1,964)
Increase in net pension asset	(944)	
Decrease in accounts payable and accrued liabilities	(2,165)	(321)
Increase in other current liabilities	4,528	5,087
NET CASH USED BY OPERATING ACTIVITIES	$(179,696)	$(168,659)

	2014	2013
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$8,074	$9,738
Interest expense on capital lease/leaseback	(8,074)	(9,738)
Decrease in capital lease/leaseback obligations	25,142	58,518
Decrease in investments held to pay capital lease/leaseback	(25,142)	(58,518)
Decrease in fair value of investments	(887)	(292)
Amortization of premium, discount and debt issuance costs	(5,483)	(2,535)