

Supplemental Official Statement

Ratings of Insured Bonds:

Fitch: AAA
Moody's: Aaa
S&P: AAA

\$98,735,000

**Dallas Area Rapid Transit
Senior Lien Sales Tax Revenue Bonds
Series 2002**

Ratings of Uninsured Bonds:

Fitch: AA
Moody's: Aa3
S&P: AA

NEW ISSUE - BOOK ENTRY ONLY

SEE "BOND INSURANCE" AND
"RATINGS OF BONDS" HEREIN

This Supplemental Official Statement supplements our 2002 Annual Disclosure Statement, dated January 22, 2002, as updated by our Quarterly Disclosure Updates, dated March 19, 2002 and June 18, 2002. Together, these documents comprise the Official Statement for the Senior Lien Sales Tax Revenue Bonds, Series 2002 offered hereby and are referred to herein collectively as the or this "Official Statement." The 2002 Annual Disclosure Statement, the Quarterly Disclosure Updates, and this Supplemental Official Statement have been filed as public records with the Central Repositories named in the 2002 Annual Disclosure Statement and are posted on the Internet at our website, www.dart.org.

You should carefully consider the Investment Considerations beginning on page S-15 of this Supplemental Official Statement and on page 20 of the 2002 Annual Disclosure Statement.

The Bonds - We are issuing and offering for sale, through the underwriters named below, \$98,735,000 in principal amount of our Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2002 (the "Bonds"). We will use the proceeds of the Bonds, together with certain other funds of DART, and the investment earnings thereon, to pay or defease a portion of our Outstanding Dallas Area Rapid Transit Senior Subordinate Lien Commercial Paper Notes, Series 2001 and to pay the costs of issuance of the Bonds.

Security for the Bonds - Lien Ranking - We previously issued Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2001 (the "2001 Bonds"), in the principal amount of \$400,000,000, as the first series of Initial Senior Lien Obligations. The Bonds are the second and final series of Initial Senior Lien Obligations we are authorized to issue under the provisions of our Master Debt Resolution adopted on January 23, 2001. In order to issue any Additional Senior Lien Obligations, we would have to satisfy the financial tests and limitations contained in the Master Debt Resolution and, so long as the First Supplemental Debt Resolution and its related Revolving Credit Agreement remain in effect, we must meet the additional financial tests required by those documents as well. The Bonds are payable from and are secured by a pledge of and lien on the Gross Sales Tax Revenues that we receive from the levy and collection of a 1% sales and use tax (the "Sales Tax") on taxable items sold within our boundaries. The lien on Gross Sales Tax Revenues that secures the Bonds, the 2001 Bonds, and any subsequently issued Senior Lien Obligations, is first and senior to any other claim against the pledged Gross Sales Tax Revenues. See, the 2002 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

(SEE MATURITY SCHEDULE ON INSIDE COVER)



Except for the Bonds maturing in 2004, 2005, 2006 and 2007 (which Bonds are not insured), payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Federal Guaranty Insurance Corporation simultaneously with the delivery of the Bonds. See "BOND INSURANCE."

Delivery, Legality - We expect to deliver the Bonds to the underwriters through The Depository Trust Company, New York, New York, on or about September 10, 2002. However, such delivery is subject to the approval of the Attorney General of the State of Texas and to our receipt of the legal opinions of Vinson & Elkins L.L.P., Dallas, Texas, and West & Gooden, P.C., Dallas, Texas, our Co-Bond Counsel. See, Appendix B, "Form of Opinion of Co-Bond Counsel."

**Siebert Brandford Shank & Co., LLC
First Southwest Company**

**Bear, Stearns & Co. Inc.
SWS Securities**

August 27, 2002

Interest Rates, Maturities and Redemption - The Bonds will be dated the date of delivery (the “*Closing Date*”), and will bear interest from that date, payable on each June 1 and December 1, commencing on December 1, 2002, at the rates set forth below. The Bonds mature on December 1 of each year shown below:

\$46,375,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>
2004 ¹	\$1,600,000	3.000%	1.800%	2013 ²	\$2,480,000	4.000%	100%
2005 ¹	1,700,000	3.000%	2.200%	2014 ²	2,595,000	5.000%	4.130%
2006 ¹	1,750,000	3.000%	2.570%	2015 ²	2,735,000	5.375%	4.220%
2007 ¹	1,500,000	3.000%	2.900%	2016 ²	2,885,000	5.375%	4.340%
2008	1,475,000	3.500%	3.200%	2017 ²	3,045,000	5.375%	4.400%
2009	1,545,000	4.000%	3.430%	2018 ²	3,215,000	5.375%	4.500%
2010	1,500,000	4.000%	3.660%	2019 ²	3,390,000	5.375%	4.600%
2011	2,000,000	5.250%	3.780%	2020	3,570,000	4.800%	4.810%
2012	710,000	5.250%	3.880%	2021 ²	3,745,000	4.900%	100%
2012	1,000,000	4.125%	3.880%	2022 ²	3,935,000	5.000%	4.990%

\$8,490,000 5.000% Term Bonds Due December 1, 2024 to Yield 5.050%

\$14,435,000 5.000% Term Bonds Due December 1, 2027 to Yield 5.080%

\$29,435,000 5.000% Term Bonds Due December 1, 2032 to Yield 5.100%

¹ Uninsured Bonds.

² Priced to optional redemption date of December 1, 2012.

The Bonds maturing on and after December 1, 2013 are subject to optional redemption on December 1, 2012 or any day thereafter. In addition, the Term Bonds are subject to mandatory redemption. See “THE BONDS—Redemption Provisions—*Optional Redemption*” and “THE BONDS—Redemption Provisions—*Mandatory Redemption*.”

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IMPORTANT NOTICES

In this Supplemental Official Statement, “we,” “our,” “us,” and “DART” refer to Dallas Area Rapid Transit. If we use a capitalized term in this Supplemental Official Statement and do not define the term in this document, its definition is given or summarized in Appendix A to this Supplemental Official Statement and/or in Appendix B to the 2002 Annual Disclosure Statement.

We are providing information to you about the Bonds in four separate documents: (1) the accompanying 2002 Annual Disclosure Statement dated January 22, 2002, (2) the accompanying Quarterly Disclosure Update dated March 19, 2002 (the “*First Quarterly Disclosure Update*”), (3) the accompanying Quarterly Disclosure Update dated June 18, 2002 (the “*Second Quarterly Disclosure Update*,” and together with the First Quarterly Disclosure Update, the “*Quarterly Disclosure Updates*”) which, together with the First Quarterly Disclosure Update and the 2002 Annual Disclosure Statement, provide general information about DART (some of which may not apply to the Bonds), and (4) this Supplemental Official Statement, dated August 27, 2002, which describes the specific terms of the Bonds. **All references herein to the “Disclosure Statement” mean the 2002 Annual Disclosure Statement, as supplemented by the Quarterly Disclosure Updates and the information included on Schedule I hereto and under “GENERAL INFORMATION ABOUT DART-Recent Events.”**

Our Disclosure Statement includes a detailed discussion of the Sales Tax and the Gross Sales Tax Revenues that we have pledged as security for the Bonds, the previously issued Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2001 (the “*2001 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. You will find those subjects listed in the Table of Contents.

Our most recently audited financial statements, for the fiscal year ended September 30, 2001, are included in the Independent Auditors’ Report that is attached to the 2002 Annual Disclosure Statement as Appendix A thereto. An unaudited statement of our principal accounts for the period beginning October 1, 2001, and ending on December 31, 2001, is attached to the First Quarterly Disclosure Update as Exhibit A thereto. An unaudited statement of our principal accounts for the period beginning October 1, 2001, and ending on March 31, 2002, is attached to the Second Quarterly Disclosure Update as Exhibit A thereto. An unaudited statement of our principal accounts for the period beginning October 1, 2001, and ending on June 30, 2002, is attached hereto as Schedule I.

In making an investment decision regarding the Bonds, you should rely only on the information contained or incorporated by reference in this Official Statement. We have not authorized anyone to provide you with other information. If information varies between the Supplemental Official Statement and the Disclosure Statement you should rely on the information in this Supplemental Official Statement.

After the Bonds are initially issued on the Closing Date, if the Underwriters use this Official Statement in connection with the sale of Bonds from time to time, you are reminded that we do not claim that the information contained in the Disclosure Statement and in this Supplemental Official Statement is accurate as of any date other than their respective dated dates. The audited financial statements contained in Appendix A to the 2002 Annual Disclosure Statement provide information only as of September 30, 2001, and the unaudited financial information contained in Exhibit A to the First Quarterly Disclosure Update, Exhibit A to the Second Quarterly Disclosure Update and Schedule I provide information only as of December 31, 2001, March 31, 2002, and June 30, 2002, respectively. Such unaudited financial information has not been audited or reviewed by any independent accountants, and we do not warrant or guarantee that subsequent audited information for these accounts for such three, six or nine-month periods will not differ from the unaudited quarterly financial information.

The summary of the Third Supplemental Debt Resolution contained in Appendix A is not intended to be comprehensive and is qualified in its entirety by reference to the entire document. You may obtain a copy of the Master Debt Resolution adopted on January 23, 2001, the First Supplemental Debt Resolution (that authorized our Outstanding Commercial Paper Notes), adopted on January 23, 2001, the Second Supplemental Debt Resolution (that authorized our Outstanding 2001 Bonds) adopted on July 10, 2001 and the Third Supplemental Debt Resolution (that authorizes the issuance of the Bonds) adopted on July 9, 2002 from the Central Repositories named in the Master Debt Resolution, or on the Internet at our website, www.dart.org, or by contacting us at the following address or phone number to request a free copy: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

You may also obtain additional information from our Co-Financial Advisors: RBC Dain Rauscher, Cityplace, Suite 2400, 2711 N. Haskell Avenue, Dallas, Texas, 75204-2936, (214) 989-1667, and Estrada Hinojosa & Company, Inc., 1717 Main St., 47th Floor, Dallas, Texas 75201, (214) 658-1670.

We have not authorized any person to give any information or to make any representation other than as contained in this Official Statement, and, if given or made, such other information or representation may not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds. No person may sell the Bonds in any jurisdiction in which such offer, solicitation, or sale is unlawful. The information and expressions of opinion herein are subject to change without notice. This Official Statement is submitted in connection with the sale of Bonds and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE

MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF DART AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the securities laws of any state or other jurisdiction.

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, our sales tax revenues, 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

Summary

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 2.15 million persons, as of the January 2000 census.

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 2002 Annual Disclosure Statement, “INFORMATION ABOUT DART—DART’s Boundaries, Additions, Withdrawal Rights.”

Sources of Revenue

We have levied the Sales Tax within our boundaries. For additional information regarding the Sales Tax, farebox revenues, and other sources of revenue and funds, see the 2002 Annual Disclosure Statement, “DART’S FINANCIAL PRACTICES AND RESOURCES.”

Application of Voted Debt Limit

Because the Bonds have maturities that are longer than 5 years, the principal amount thereof will be applied as a reduction of the amount of our Voted Tax and Debt Limits. Accordingly, after issuing the Bonds and applying the premium on any Bonds net of any original issue discount on any Bonds as required by the Attorney General of the State of Texas, we will have the right, without further elections, to issue Bond Obligations having maturities longer than 5 years as Senior Lien Obligations, as Senior Subordinate Lien Obligations, and/or as Junior Subordinate Lien Obligations in an aggregate amount of up to \$2.4 billion. See, 2002 Annual Disclosure Statement, “OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Bond Obligations We Expected to Issue in 2002.”

Previously Issued Debt

Our currently Outstanding Bond Obligations consist of our Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series 2001 (the “*Commercial Paper Notes*”), that as of the date hereof are Outstanding in the principal amount of \$132,445,000 and our Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2001 (the “*2001 Bonds*”), that as of the date hereof are Outstanding in the principal amount of \$400,000,000. Upon completion of the offering and sale of the Bonds and the application of the proceeds thereof, \$33,645,000 of Commercial Paper Notes will be Outstanding. The Revolving Credit Agreement provides that we may not have more than \$450 million in principal amount of Commercial Paper Notes and Loans under the Revolving Credit Agreement Outstanding. See, the 2002 Annual Disclosure Statement, “Outstanding Obligations and our Financing Plans.”

Recent Events

An unaudited statement of our principal accounts for the nine-month period ended June 30, 2002, is attached hereto as Schedule I. The information in this section and Schedule I supplements and updates the information contained in the Second Quarterly Disclosure Update. This information reflects unaudited financial results for the period ending June 30, 2002, and is taken from internal books and records that are created, maintained, and administered by our employees in accordance with generally accepted accounting principles. The sales tax revenues are determined using accrual method accounting, thus actual sales tax receipts could differ from those described in this section.

We believe that the unaudited financial information for the nine-month period ending June 30, 2002, 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, and we do not warrant or guarantee that subsequent audited information for these accounts for this period will not differ from the unaudited financial information presented herein and in Schedule I.

Sales tax receipts for the nine-month period ended June 30, 2002, were \$245.8 million, compared to \$272.9 million during the nine-month period ended June 30, 2001, a decrease of 9.92% percent. Sales tax receipts for the nine-month period ending June 30, 2002, are 19.05% below our 2002 Business Plan. Our operating results for the nine-month period ending June 30, 2002 reflect a net operating loss of \$241.7 million, compared to \$215.7 million for the nine-month period ended June 30, 2001, an increase of 12%.

In order to mitigate the declines in sales tax receipts, we are considering a series of measures to balance our 2003 fiscal year Operating Budget which may include: (i) a fare increase, (ii) reducing the frequency of trains and buses and the number of vehicles operating on nights and weekends, (iii) eliminating vacant positions, (iv) reducing the number of hours in which staff are available at bus transfer centers in certain locations, (v) eliminating or reducing service of low-performing bus routes, and (vi) delaying certain capital projects. We expect to adopt a final budget on September 17, 2002.

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. An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserve, and the funds may be used for any purpose approved by the Board. As of June 30, 2002, the balance in the Financial Reserve Account was \$28.6 million. No withdrawals have been made from the Financial Reserve Account during the 2002 fiscal year and none are expected to be made during the remainder of the 2002 fiscal year. In addition, we maintain a working cash balance equal to at least two months of expenses that are projected to be paid from sales tax collections. As of June 30, 2002, the balance in this fund was \$169.1 million.

THE BONDS

The following description of the Bonds 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 Third Supplemental Debt Resolution set forth in Appendix A hereto, "SUMMARY OF CERTAIN TERMS OF THE THIRD SUPPLEMENTAL DEBT RESOLUTION," and with the description of the terms and provisions of the Master Debt Resolution provided in Appendix B to the 2002 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION."

General Description

The Bonds represent the second and final series of the \$500 million principal amount of Initial Senior Lien Obligations we are authorized to issue by Section 3.1(a) of the Master Debt Resolution. The Master Debt Resolution does not require us to meet any financial tests as

preconditions to the issuance of the Bonds. While the Revolving Credit Agreement does impose certain financial tests as preconditions to the issuance of additional Bond Obligations under certain circumstances, we are not required to satisfy those tests as preconditions to the issuance of the Bonds because all of the net proceeds of the Bonds are being used to pay or defease outstanding Commercial Paper Notes (and Loans, if any, under the related Revolving Credit Agreement). See, 2002 Annual Disclosure Statement, “OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests,” and “THE BONDS—Paying and Defeasing Commercial Paper Notes—Remaining Note Authority” below. Thus, the Bonds will be issued without meeting any financial tests as preconditions to their issuance.

The Bonds will be issued in the form of an Initial Bond in the denomination and principal amount of \$98,735,000. Thereafter, we will execute and deliver to the Paying Agent/Registrar Bonds representing the appropriate interest rates and maturities, which will be available in book entry form only in minimum denominations of \$5,000 or any integral multiple thereof.

Principal Installments, Interest Rates

The Bonds will mature on the dates and will bear interest at the rates as to each maturity stated on the inside cover page of this Supplemental Official Statement. Interest on the Bonds, at said rates, will be calculated on the basis of a 360-day year of twelve thirty-day months, paid semiannually on June 1 and December 1 of each year (or on the next succeeding Business Day if such date is not a Business Day), commencing December 1, 2002.

Security for Bonds

The Bonds are secured by, and are payable solely from, a lien on and a pledge of the Gross Sales Tax Revenues that we receive from the levy and collection of the Sales Tax. This lien is senior to the lien on Gross Sales Tax Revenues that is created in the Master Debt Resolution in favor of all Subordinate Lien Obligations, including the Commercial Paper Notes. For additional information regarding the Sales Tax and Gross Sales Tax Revenues, see the 2002 Annual Disclosure Statement, “OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds.”

Payments of Principal, Interest, and Mandatory Redemption Amounts

- Deposits to and Payments from Senior Lien Debt Service Fund

The Trustee is required (1) to accumulate money in the Senior Lien Debt Service Fund in amounts sufficient to pay the principal of and the interest on the Bonds that are due and payable on each Interest Payment Date and on each Stated Maturity Date and each Mandatory Redemption Date by depositing Gross Sales Tax Revenues to the Gross Sales Tax Revenue Fund as such revenues are received from the Comptroller, and then transferring such revenues to the Senior Lien Debt Service Fund, in amounts equal to the Accrued Aggregate Debt Service on the Outstanding Bonds during each Debt Service Accrual Period, and (2) to transfer funds to the Paying Agent/Registrar sufficient in amount to pay the principal of and the interest on the Outstanding Bonds on their respective Interest Payment Dates, Mandatory Redemption Dates and Stated Maturity Dates. See, 2002 Annual Disclosure Statement, “OUTSTANDING

OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds.”

If amounts on deposit in the Senior Lien Debt Service Fund are not sufficient on any Interest Payment Date, Mandatory Redemption Date or Stated Maturity Date for such purposes, such an occurrence constitutes an Event of Default under the Master Debt Resolution. In such an event, the Trustee is required to deposit all Gross Sales Tax Revenues to the Senior Lien Debt Service Fund when and as received from the Comptroller and to suspend all further transfers of Gross Sales Tax Revenues to any other fund created in the Master Debt Resolution or to us until the Senior Lien Debt Service Fund has on deposit therein all amounts required to pay all amounts due on the Bonds when due and payable. See, Appendix B to the 2002 Annual Disclosure Statement, “SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—DEFAULTS AND REMEDIES—Remedies for Default” and “SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—SPECIAL FUNDS, USES OF MONEYS—Gross Sales Tax Revenue Fund.”

- Record Dates for Interest Payments

Interest on the Bonds will be paid to the Holders whose names appear on the Obligation Register on the 15th day of the month next preceding each Interest Payment Date. If interest is not paid on a scheduled Interest Payment Date and for 30 days thereafter, if and when funds are available for the payment of such interest, the Paying Agent/Registrar will establish a Special Record Date for the payment of such interest (which payment must be made at least 15 days after the Special Record Date) and will give each Holder at least five days prior written notice of such Special Record Date.

Redemption Provisions

- Optional Redemption

Bonds maturing on and after December 1, 2013 are subject to redemption, in whole or in part, at our option on any day on and after December 1, 2012, at the Redemption Price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, without premium.

- Mandatory Redemption

The Bonds maturing on December 1, 2024, 2027 and 2032 are subject to mandatory sinking fund redemption on each December 1, in each of the years set forth below, at the Redemption Price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date, without premium. See, Appendix A, “SUMMARY OF CERTAIN TERMS OF THE THIRD SUPPLEMENTAL DEBT RESOLUTION—REDEMPTION OF BONDS BEFORE MATURITY.” Such required sinking fund installments as to each maturity are as follows:

Term Bonds Maturing in the Year 2024

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2023	\$4,140,000
December 1, 2024 (maturity)	4,350,000

Term Bonds Maturing in the Year 2027

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2025	\$4,575,000
December 1, 2026	4,805,000
December 1, 2027 (maturity)	5,055,000

Term Bonds Maturing in the Year 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2028	\$5,315,000
December 1, 2029	5,585,000
December 1, 2030	5,870,000
December 1, 2031	6,175,000
December 1, 2032 (maturity)	6,490,000

- Partial Redemption

We may select, in our sole discretion, the maturity or maturities and amounts of any Bonds being redeemed at our option. The Paying Agent/Registrar will call by lot any Bonds (or portions thereof within a maturity) being redeemed by optional or mandatory redemption.

- Tenders In Lieu of Mandatory Redemption

We may reduce the principal amount of Bonds required to be redeemed on any redemption date under the mandatory sinking fund redemption provisions described above, at our option, by the principal amount of any Bonds having the same maturity which, at least 45 days prior to the mandatory sinking fund redemption date, (i) have been acquired by us at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of such purchase, and delivered to the Paying Agent/Registrar for cancellation, or (ii) have been redeemed under the optional redemption provisions described above and not previously credited to a mandatory sinking fund redemption.

- Redemption Procedures

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

- Notice of Redemption

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

- Restrictions on Transfers of Redeemed Bonds

Neither we nor the Paying Agent/Registrar are required to transfer or exchange any Bonds selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided, however, this limitation is not applicable to an exchange by the Holder of the uncalled principal balance of a Bond.

Paying and Defeating Outstanding Commercial Paper Notes—Remaining Note Authority

Concurrently with the delivery of and payment for the Bonds, we will deposit the net proceeds from the sale of the Bonds, and certain other funds of DART, into an Escrow Fund to be held by the Issuing and Paying Agent for the Commercial Paper Notes, as Escrow Agent, for the purpose of defeasing and retiring \$98,800,000 in principal amount of the Outstanding Commercial Paper Notes (the “*Refunded Obligations*”). See “SOURCES AND USES OF FUNDS.” The money deposited to the Escrow Fund will be used on the Closing Date to pay principal of and interest on the Refunded Obligations.

After the issuance of the Bonds, all additional series of Senior Lien Obligations, Senior Subordinate Lien Obligations, and Junior Subordinate Lien Obligations must meet the financial tests contained in the Master Debt Resolution as preconditions to their issuance, and, so long as the First Supplemental Debt Resolution and its related Revolving Credit Agreement remain in effect, we must meet the additional financial tests required by those documents as well. See, 2002 Annual Disclosure Statement, “OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests.”

Amendments to Master Debt Resolution and Third Supplemental Debt Resolution

We have the right to amend the Master Debt Resolution, the Third Supplemental Debt Resolution and any other Supplemental Resolution (including the First Supplemental Debt Resolution and the Second Supplemental Debt Resolution) without your consent under certain circumstances. See, Appendix A, “SUMMARY OF CERTAIN TERMS OF THE THIRD SUPPLEMENTAL DEBT RESOLUTION—Declarations and Additional Rights and Limitations Under Master Debt Resolution and Other Documents” and Appendix B to the 2002 Annual Disclosure Statement, “SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—Amendments to Resolution.”

SOURCES AND USES OF FUNDS*

The proceeds from the sale of the Bonds will be applied approximately as follows:

SOURCES

Par Amount of the Bonds	\$98,735,000.00
Net Original Issue Premium	1,262,661.05
Less: Underwriters' Discount	(598,807.03)
Transfer from General Operating Fund	<u>45,211.74</u>
 Total Sources	 <u>\$99,444,065.76</u>

USES

Deposits to Escrow Fund	\$98,800,000.00
Cost of Issuance	246,000.00
Bond Insurance	<u>398,065.76</u>
 Total Uses	 <u>\$99,444,065.76</u>

* We will make a transfer from the Senior Subordinate Lien Debt Service Fund to the Escrow Fund equal to the interest due on the Refunded Obligations.

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ANNUAL BOND DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year, beginning with the fiscal year ending September 30, 2002, the amounts required for the payment of principal, mandatory sinking fund redemptions, and interest on the Bonds and the 2001 Bonds. The table excludes Commercial Paper Notes in the amount of \$33,645,000 that will remain Outstanding following the delivery of the Bonds. (See “THE BONDS-Paying and Defeasing Outstanding Commercial Paper Notes-Remaining Note Authority.”)

Fiscal Year Ending September 30,	Debt Service Requirements for the Bonds			2001 Bonds Debt Service Requirements	Total Debt Service Requirements
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2002				\$16,613,835.42	\$16,613,835.42
2003		\$3,460,263.69	\$3,460,263.69	20,780,060.02	24,240,323.71
2004		4,772,777.50	4,772,777.50	21,828,126.89	26,600,904.39
2005	\$1,600,000.00	4,748,777.50	6,348,777.50	24,979,081.26	31,327,858.76
2006	1,700,000.00	4,699,277.50	6,399,277.50	28,257,401.26	34,656,678.76
2007	1,750,000.00	4,647,527.50	6,397,527.50	28,201,581.26	34,599,108.76
2008	1,500,000.00	4,598,777.50	6,098,777.50	26,514,136.26	32,612,913.76
2009	1,475,000.00	4,550,465.00	6,025,465.00	26,519,323.76	32,544,788.76
2010	1,545,000.00	4,493,752.50	6,038,752.50	26,489,890.01	32,528,642.51
2011	1,500,000.00	4,432,852.50	5,932,852.50	26,479,246.26	32,412,098.76
2012	2,000,000.00	4,350,352.50	6,350,352.50	26,460,076.26	32,810,428.76
2013	1,710,000.00	4,258,590.00	5,968,590.00	26,445,569.39	32,414,159.39
2014	2,480,000.00	4,169,727.50	6,649,727.50	26,430,181.89	33,079,909.39
2015	2,595,000.00	4,055,252.50	6,650,252.50	26,410,325.63	33,060,578.13
2016	2,735,000.00	3,916,874.38	6,651,874.38	26,396,291.25	33,048,165.63
2017	2,885,000.00	3,765,836.88	6,650,836.88	26,380,815.63	33,031,652.51
2018	3,045,000.00	3,606,468.13	6,651,468.13	26,361,430.63	33,012,898.76
2019	3,215,000.00	3,438,230.63	6,653,230.63	26,363,915.00	33,017,145.63
2020	3,390,000.00	3,260,721.25	6,650,721.25	26,350,540.00	33,001,261.25
2021	3,570,000.00	3,083,935.00	6,653,935.00	26,323,408.75	32,977,343.75
2022	3,745,000.00	2,906,502.50	6,651,502.50	26,298,103.75	32,949,606.25
2023	3,935,000.00	2,716,375.00	6,651,375.00	26,280,777.50	32,932,152.50
2024	4,140,000.00	2,514,500.00	6,654,500.00	26,269,000.00	32,923,500.00
2025	4,350,000.00	2,302,250.00	6,652,250.00	26,251,875.00	32,904,125.00
2026	4,575,000.00	2,079,125.00	6,654,125.00	26,225,625.00	32,879,750.00
2027	4,805,000.00	1,844,625.00	6,649,625.00	26,203,125.00	32,852,750.00
2028	5,055,000.00	1,598,125.00	6,653,125.00	26,177,000.00	32,830,125.00
2029	5,315,000.00	1,338,875.00	6,653,875.00	26,149,875.00	32,803,750.00
2030	5,585,000.00	1,066,375.00	6,651,375.00	26,124,125.00	32,775,500.00
2031	5,870,000.00	780,000.00	6,650,000.00	26,097,000.00	32,747,000.00
2032	6,175,000.00	478,875.00	6,653,875.00	26,065,750.00	32,719,625.00
2033	6,490,000.00	162,250.00	6,652,250.00		6,652,250.00

THE PAYING AGENT/REGISTRAR

Bank One, National Association, Dallas, Texas, is the Paying Agent/Registrar for the Bonds. We retain the right to replace the Paying Agent/Registrar, but we are obligated to maintain and provide for a Paying Agent/Registrar for the Bonds at all times, and any successor must be a commercial bank or trust company or other entity that is duly and legally authorized to perform

the duties of Paying Agent/Registrar under the Master Debt Resolution and the Third Supplemental Debt Resolution. The Paying Agent/Registrar is responsible for paying the principal of and interest on the Bonds from amounts received from the Trustee, for maintaining the Obligation Register with respect to the Bonds and, subject to the conditions described under “BOOK-ENTRY SYSTEM” below, administering the transfer and exchange of Bonds.

BOOK-ENTRY SYSTEM

AS LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE “HOLDERS,” THE “BONDHOLDERS,” OR THE “OWNERS OF THE BONDS” SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNER OF THE BONDS. WHEN REFERENCE IS MADE TO ANY ACTION WHICH IS REQUIRED OR PERMITTED TO BE TAKEN BY SUCH BENEFICIAL OWNER, SUCH REFERENCE ONLY RELATES TO ACTION BY SUCH BENEFICIAL OWNER OR THOSE PERMITTED TO ACT (BY STATUTE, REGULATION, OR OTHERWISE) ON BEHALF OF SUCH BENEFICIAL OWNER FOR SUCH PURPOSES.

DART and the Underwriters cannot and do not give any assurances that DTC will distribute to its Participants or that Direct Participants or Indirect Participants will distribute to Beneficial Owners of the Bonds (i) payments of the principal of, or interest or premium, if any, on the Bonds, or (ii) confirmation of ownership interests in the Bonds, or (iii) redemption or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Supplemental Official Statement. The current “rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “procedures” of DTC to be followed in dealing with its Participants are on file with DTC.

DART AND THE UNDERWRITERS WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE BONDS; (C) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE MASTER DEBT RESOLUTION, THE THIRD SUPPLEMENTAL DEBT RESOLUTION OR ANY OTHER OUTSTANDING RESOLUTIONS; (D) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

General Provisions

DART and the Underwriters take no responsibility for the accuracy or completeness of such information. The following information concerning The Depository Trust Company, New York, New York (“DTC”) and its book-entry system has been furnished for use in this Supplemental Official Statement by DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be

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

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

While the Bonds are in the book-entry system, redemption notices shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DART or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or DART, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, 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 the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to DART or the Paying Agent/Registrar. Under such circumstances,

in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered as described in the Third Supplemental Debt Resolution. See, Appendix A, “SUMMARY OF CERTAIN TERMS OF THE THIRD SUPPLEMENTAL DEBT RESOLUTION—AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS—Successor Securities Depository.”

DART may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered as described in the Third Supplemental Debt Resolution. See, Appendix A, “SUMMARY OF CERTAIN TERMS OF THE THIRD SUPPLEMENTAL DEBT RESOLUTION—AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS—Successor Securities Depository.”

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that DART believes to be reliable, but DART takes no responsibility for the accuracy thereof.

INVESTMENT CONSIDERATIONS

The following information, which you should carefully consider, identifies certain investment considerations associated with the purchase of Bonds. You should also carefully consider the information set forth under “Investment Considerations” on page 20 of the 2002 Annual Disclosure Statement.

Issuance of Additional Senior Lien Obligations

Subject to our Voted Tax and Debt Limits, the Master Debt Resolution permits us to issue, if we can satisfy the financial tests and limitations contained in the Master Debt Resolution, Additional Senior Lien Obligations. We must also satisfy any limitations contained in Supplemental Resolutions and in Credit Agreements in order to issue any Senior Lien Obligations. The financial tests that apply to future issues of Additional Senior Lien Obligations require us to demonstrate an ability to pay the Bonds and such future Obligations based on economic forecasts of future economic conditions. Those forecasts do not and cannot guarantee that we will receive Gross Sales Tax Revenues at the times and in the amounts required to pay all of our Obligations, including the Bonds, when and as due and payable.

Ratings of the Bonds do not assure their payment

The Bonds are currently rated by nationally recognized rating agencies, as shown on the cover page hereof. 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.

Book-Entry registration of Bonds may limit liquidity and transferability, and may delay distributions

Securities issued in book-entry form may have only limited liquidity in the resale market, since investors may be unwilling to purchase securities for which they cannot obtain physical instruments. Transactions in book-entry securities can be effected only through The Depository Trust Company, its participating organizations, its indirect participants, and some banks. Therefore, your ability to transfer or pledge securities issued in book-entry form may be limited. You may also experience some delay in the receipt of distributions on book-entry securities since the distributions will be forwarded by the Paying Agent/Registrar for the Bonds to The Depository Trust Company for it to credit the accounts of its participants. In turn, these participants will then credit the distributions to your account either directly or indirectly through indirect participants.

The Master Debt Resolution Provides for Cross-Defaults.

The Master Debt Resolution provides that an “Event of Default” occurs thereunder if, under certain circumstances, we default in the due and punctual performance of any covenant, condition, agreement or provision contained in any Obligation (including any Credit Agreement) or any Outstanding Resolution. See, Appendix B to the 2002 Annual Disclosure Statement, “SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—DEFAULTS AND REMEDIES.” The Revolving Credit Agreement (which expires February 5, 2003 if not renewed) specifies, and any subsequent Obligation or Resolution could specify, events of default that could trigger an Event of Default under the Master Debt Resolution. For example, the Revolving Credit Agreement imposes certain financial tests as preconditions to the issuance of additional Bond Obligations under certain circumstances, as described in the 2002 Annual Disclosure Statement under “OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests.” We have also covenanted under the Revolving Credit Agreement to maintain a ratio of available funds to debt service on all Outstanding Senior Lien Obligations and Senior Subordinate Lien Obligations of 1.10 to 1.00 as of the end of each of our fiscal quarters.

CONTINUING DISCLOSURE AND ACCESS TO INFORMATION

We intend to replace the 2002 Annual Disclosure Statement annually, to continue to update it quarterly, 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 Central Repositories identified in the 2002 Annual Disclosure Statement. All of these documents will also be posted on the Internet at our website, *www.dart.org*.

We have undertaken in the Master Debt Resolution to comply with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. See, the 2002 Annual Disclosure Statement, “CONTINUING DISCLOSURE OF INFORMATION.”

Compliance with Prior Undertakings

DART has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

RATINGS OF BONDS

The respective ratings that have been assigned to the Bonds by Fitch, Moody's and Standard & Poor's are stated on the cover page of this Supplemental Official Statement.

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 or marketability of the Bonds.

TAX MATTERS

Tax Exempt Status of Bonds and Related Rules

In the opinion of our Co-Bond Counsel (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds are not "private activity bonds" under the Code, with the result that interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of the Bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service. DART has covenanted in the Master Debt Resolution and in the Third Supplemental Debt Resolution that it will comply with these requirements.

Co-Bond Counsel's opinion will assume continuing compliance with the covenants of the Master Debt Resolution and in the Third Supplemental Debt Resolution and all other Supplemental Resolutions pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In addition, our Co-Bond Counsel will rely on representations by us with respect to matters solely within our knowledge, as the Issuer, which Co-Bond Counsel have not independently verified. If we should fail to comply with the covenants in the Master Debt Resolution and the Supplemental Resolutions or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its “adjusted current earnings” exceeds its other “alternative minimum taxable income.” Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Co-Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel’s knowledge of facts as of the date thereof. Co-Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Co-Bond Counsel’s opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather, such opinions represent Co-Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions.

The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced in accordance with its current published procedures, the Service is likely to treat DART as the taxpayer and the Holders of Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (the “*Original Issue Discount Bonds*”) may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination of federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Tax Accounting Treatment of Original Issue Premium

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

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

LITIGATION

See, “LITIGATION” in our 2002 Annual Disclosure Statement and “Litigation” in our Quarterly Disclosure Updates for a discussion of pending litigation or claims affecting DART.

APPROVALS AND LEGAL OPINIONS

We will not issue any of the Bonds unless and until we have received an opinion of the Attorney General of the State of Texas approving the issuance of the Bonds pursuant to the Master Debt Resolution and the Third Supplemental Debt Resolution.

All legal matters incident to the legality and enforceability of the Bonds, including their authorization, issuance, and sale, are subject to the approval of Vinson & Elkins L.L.P., Dallas, Texas, and West & Gooden, P.C., Dallas, Texas, our Co-Finance Counsel and Co-Bond Counsel.

The initial delivery of the Bonds to DTC for the account of the Underwriters is subject to our receipt from Co-Bond Counsel of their opinion substantially to the effect set forth in the form and substance attached hereto as Appendix B.

Our Co-Bond Counsel have reviewed the information describing the Obligations in the 2002 Annual Disclosure Statement and the information describing the Bonds contained in this Official Statement to verify that such information conforms to the provisions of the Master Debt

Resolution, the First Supplemental Debt Resolution, the Second Supplemental Debt Resolution, the Third Supplemental Debt Resolution and the Revolving Credit Agreement.

Portions of the fees paid by us to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds under the Master Debt Resolution and the Third Supplemental Debt Resolution are contingent on the issuance and sale of the Bonds.

Certain legal matters relating to the Bonds will be passed upon for the Underwriters by their Co-Counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas and the Law Office of Donald W. Hill, P.C., Dallas, Texas.

FINANCIAL ADVISORS

We have retained RBC Dain Rauscher, Dallas, Texas, and Estrada Hinojosa & Company, Inc., Dallas, Texas, as our Co-Financial Advisors to assist us in the issuance of the Bonds. The Co-Financial Advisors have not independently verified any of the data contained in the Official Statement or conducted a detailed investigation of the affairs of DART to determine the accuracy or completeness of those documents. The fees of the Co-Financial Advisors are not contingent upon the issuance and sale of the Bonds. In the normal course of business, one or both of the Co-Financial Advisors may also from time to time, for fees to be paid by DART or by others, sell to DART or arrange for the purchase by DART of investment securities for the investment of debt proceeds or other funds of DART upon our request.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds at a purchase price of \$99,398,854.02 (representing the principal amount of the Bonds plus a net original issue premium of \$1,262,661.05 and less an underwriters' discount of \$598,807.03). The Underwriters are obligated to purchase all of the Bonds if any are purchased.

BOND INSURANCE

Financial Guaranty Insurance Company, a New York stock insurance company ("*Financial Guaranty*") has committed to deliver its insurance policy for the Bonds (other than the Bonds maturing in each of the years 2004, 2005, 2006 and 2007) (the "*Insured Bonds*"), as described below. The following information has been provided by Financial Guaranty for inclusion in this Supplemental Official Statement and references to the "Issuer" mean DART. The following information has not been independently verified by DART or the Underwriters and is not guaranteed as to completeness or accuracy by DART or the Underwriters and is not to be construed as a representation of DART or the Underwriters. Reference is made to Appendix C for a specimen of the Financial Guaranty New Issue Insurance Policy.

Concurrently with the issuance of the Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy (the "*Policy*") for certain maturities of the Bonds (the "*Insured Bonds*"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Insured Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Insured Bonds (the "*Issuer*"). Financial Guaranty will make such payments to State Street Bank and Trust Company,

N.A. or its successor as its agent (the “*Fiscal Agent*”), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Insured Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Insured Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner’s right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner’s rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term “nonpayment” in respect of an Insured Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of an Insured Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal or accreted value (if applicable) of the Insured Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Insured Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty’s consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty’s consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Insured Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Issuer is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement may contain a section regarding the ratings assigned to the Insured Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Insured Bonds. Reference should be made to the description of the Issuer for a discussion of the ratings, if any, assigned to such entity’s outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the “*Corporation*”), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital

Corporation (“*GE Capital*”). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 2002, the total capital and surplus of Financial Guaranty was approximately \$1.03 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

This Official Statement was approved and adopted by the Board of Directors of DART on July 9, 2002, as the Official Statement relating to the Bonds in accordance with the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

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

ATTEST:

/s/ Mark C. Enoch
Secretary, Board of Directors

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

SCHEDULE I

UNAUDITED STATEMENT OF PRINCIPAL ACCOUNTS FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2002

DALLAS AREA RAPID TRANSIT AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

June 30, 2002 and September 30, 2001 (In Thousands)

<u>ASSETS</u>	06/30/2002 (Unaudited)	9/30/2001
CURRENT ASSETS		
Cash and cash equivalents	\$86,909	\$77,275
Investments	82,017	53,568
Sales tax receivable	59,402	58,426
Transit revenue receivable, net	3,821	3,291
Due from other governments	12,812	85,130
Materials and supplies inventory	25,515	22,919
Prepaid transit expense and other	2,503	2,653
TOTAL CURRENT ASSETS	272,979	303,262
RESTRICTED ASSETS	74,650	116,755
PROPERTY, PLANT, AND EQUIPMENT, NET	2,228,227	2,155,514
LONG-TERM INVESTMENTS HELD TO PAY CAPITAL LEASE LIABILITIES	405,837	416,957
NET PENSION ASSET	3,385	3,866
PREPAID LONG-TERM DEBT ISSUANCE	3,862	3,125
TOTAL ASSETS	<u>\$2,988,940</u>	<u>\$2,999,479</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$56,026	\$92,854
Current portion of Commercial Paper Notes Payable	132,445	110,000
Local Assistance Program payable	46,243	42,838
Retainage payable	17,918	12,454
Other	3,953	3,179
TOTAL CURRENT LIABILITIES	256,585	261,325
SENIOR LIEN SALES TAX REVENUE BONDS PAYABLE	395,613	395,501
CAPITAL LEASE LIABILITIES	405,837	416,957
TOTAL LIABILITIES	<u>1,058,035</u>	<u>1,073,783</u>
EQUITY		
Contributed capital	531,597	531,597
Retained earnings	1,399,308	1,394,099
TOTAL EQUITY	<u>1,930,905</u>	<u>\$1,925,696</u>
TOTAL LIABILITIES AND EQUITY	<u>\$2,988,940</u>	<u>\$2,999,479</u>

DALLAS AREA RAPID TRANSIT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES
(in thousands)

	For the three months ended		For the nine months ended	
	06/30/2002 (Unaudited)	06/30/2001 (Unaudited)	06/30/2002 (Unaudited)	06/30/2001 (Unaudited)
OPERATING REVENUES:				
Passenger	\$7,755	\$7,244	\$23,611	\$22,655
Charter/Flyer	420	411	1,239	1,227
Advertising and other	2,126	2,368	7,505	6,548
TOTAL OPERATING REVENUES	\$10,301	\$10,023	\$32,355	\$30,430
OPERATING EXPENSES:				
Labor	32,467	30,354	94,027	87,209
Benefits	13,020	10,617	38,220	28,176
Services	6,606	6,924	18,446	17,769
Materials and supplies	7,432	6,274	19,793	18,583
Purchased transportation	19,058	16,687	52,703	48,536
Depreciation and amortization	19,852	18,385	58,029	53,596
Utilities	2,134	1,819	5,570	5,156
Taxes, leases, and other	1,500	1,424	4,174	3,995
Casualty and liability	1,120	528	2,843	1,721
Transit system planning, development, and start-up costs	(7,202)	(6,780)	(19,764)	(18,639)
TOTAL OPERATING EXPENSES	95,987	86,232	274,041	246,102
NET OPERATING LOSS	\$(85,686)	\$(76,209)	\$(241,686)	\$(215,672)
NON-OPERATING REVENUES (EXPENSES):				
Sales tax revenue	\$81,748	\$85,752	\$249,932	\$276,796
Investment income	1,108	2,499	4,651	8,897
Interest income from investments held to pay capital lease	5,895	7,433	17,860	21,720
Interest expense on capital leases	(5,895)	(7,433)	(17,860)	(21,720)
Local Assistance Program and street improvements	(129)	(332)	(9,974)	(10,237)
Transit system planning, development, and start-up costs	(7,202)	(6,780)	(19,764)	(18,639)
Interest and financing expenses	(5,718)	(3,328)	(16,636)	(10,862)
Net gain on capital lease transaction	0	0	0	6,199
Other	(463)	(580)	(791)	(2,191)
TOTAL NET NON-OPERATING REVENUES	69,342	77,231	207,418	249,963
INCOME BEFORE CAPITAL CONTRIBUTIONS	(16,344)	1,022	(34,268)	34,291
CAPITAL CONTRIBUTIONS				
Federal Financial Assistance	17,084	0	39,172	0
Other Capital Contributions	0	0	304	0
TOTAL CAPITAL CONTRIBUTIONS	17,084	0	39,476	0
NET INCOME	\$740	\$1,022	\$5,208	\$34,291

**DALLAS AREA RAPID TRANSIT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS**
(in thousands)

	For the nine months ended	
	06/30/2002 (Unaudited)	06/30/2001 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net operating loss	\$(241,686)	\$(215,672)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation and amortization	58,029	53,596
Changes in assets and liabilities:		
(Increase) decrease in transit receivable	(1,230)	1,073
(Increase) in materials and supplies inventory	(2,596)	(4,354)
Decrease in prepaid expenses & other current assets	117	111
Increase (decrease) in accounts payable and accrued liabilities	(34,670)	(28,140)
Increase in other current liabilities	774	99
NET CASH USED BY OPERATING ACTIVITIES	(221,262)	(193,287)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments for payment of capital lease obligations	0	(82,342)
Interest on investments	4,429	8,508
(Purchase) sale of investments, net	(28,449)	(4,567)
(Increase) decrease in restricted assets	46,657	27,053
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	22,636	(51,348)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(125,277)	(198,809)
Proceeds from capital lease transactions	0	88,541
Proceeds from the issuance of commercial paper notes	80,000	632,208
Payment on commercial paper notes	(57,555)	(461,553)
Proceeds from the issuance of North Central Project Notes Payable	0	0
Payment on North Central Project Notes Payable	0	(150,000)
Interest and financing expenses	(18,682)	(10,863)
Capital provided by other governments	112,494	116,264
Net proceeds from the sale of capital assets & others	(791)	(2,191)
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(9,811)	13,597
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Sales tax proceeds	248,956	275,690
Local Assistance Program and street improvements	(6,570)	(7,886)
Planning, development, and rail start-up costs	(19,764)	(18,639)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	222,622	249,165
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	14,185	18,127
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	87,696	84,812
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$101,881	\$102,939
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES:		
Recapture of safe harbor lease depreciation	\$0	\$5
Interest income from investments held to pay capital leases	17,860	21,720
Interest expense on capital leases	(17,860)	(21,720)

APPENDIX A

SUMMARY OF CERTAIN TERMS OF THE THIRD SUPPLEMENTAL DEBT RESOLUTION

DEFINITIONS AND OTHER PRELIMINARY MATTERS

{Article I}

Definitions {Section 1.2}

The following are definitions of certain terms used in this Summary. Capitalized terms used in this Summary that are not defined in this Section have the meanings given to such terms in the Master Debt Resolution. See Appendix B to Master Disclosure Statement—“SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—Definitions.”

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

Bond - means any of the Bonds.

Bond Purchase Agreement - means the Bond Purchase Agreement to be entered into between DART and the Underwriters, as contemplated and authorized in Section 3.2(c) of the Resolution and substantially in the form of Exhibit A attached to the Resolution.

Bonds - means the second series of the Initial Senior Lien Obligations authorized by Section 3.1(a) of the Master Debt Resolution, entitled “Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2002,” and further described in Section 3.1 of the Resolution.

Chief Financial Officer - means the Chief Financial Officer of DART.

Closing Date - means the date on which the Bonds are actually delivered to and paid for by the Underwriters.

Commercial Paper Revolving Credit Agreement - means the agreement among DART and Westdeutsche Landesbank Girozentrale, acting through its New York Branch, Bayerische Landesbank Girozentrale, acting through its New York Branch, State Street Bank and Trust Company and Landesbank Baden-Württemberg, acting through its New York Branch, as Lenders, and Westdeutsche Landesbank Girozentrale, acting through its New York Branch, as Administrative Agent for the Lenders and dated as of February 1, 2001, that provides a line of credit to DART supporting the Notes.

Coverage Tests - mean the financial tests that DART is required to meet as preconditions to the issuance of Senior Lien Obligations as set forth in Sections 3.2(b)(iii) and 3.2(b)(iv) of the Master Debt Resolution and in Section 5.13(c) of the Commercial Paper Revolving Credit Agreement.

Designated Payment/Transfer Office - means (i) with respect to the initial Paying Agent/Registrar named in the Resolution, its office in Columbus, Ohio, or such other location as may be designated by the Paying Agent/Registrar by written notice to DART, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by DART and such successor.

DTC - means The Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant - means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among such parties.

Escrow Agent - means Bank One, National Association, and its successors and assigns.

Escrow Agreement - means that certain Escrow Agreement to be executed between DART and the Escrow Agent as contemplated authorized in Section 9.2 of the Resolution and substantially in the form of Exhibit B to the Resolution.

Escrow Fund - means the special fund established by that name in the Escrow Agreement.

First Supplemental Debt Resolution - means Resolution No. 010015, adopted by the Board on January 23, 2001, that specifically describes and authorizes the Notes.

Fitch - means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then such term shall be deemed to refer to any other nationally recognized securities rating agency selected by the Board.

Initial Bond - means the Bond described in Section 7.1(c) of the Resolution with the insertions required by Section 6.2(d) of the Resolution.

Insurer - means the issuer of the Policy, as provided in the Pricing Certificate, having the rights and responsibilities set forth in Section 8.5 of the Resolution, and any successor thereto.

Interest Payment Date - means the date or dates upon which interest on the Bonds is scheduled to be paid, such dates being June 1 and December 1 of each year commencing December 1, 2002.

Mandatory Redemption Dates - means the dates on which DART is obligated to redeem Bonds in advance of their respective Stated Maturity Dates in accordance with Section 4.3 of the Resolution, which dates are set forth in the Pricing Certificate.

Master Debt Resolution - means Resolution No. 010014, bearing that title, and adopted by the Board on January 23, 2001.

Master Paying Agent Agreement - means the Master Paying Agent Agreement between DART and the Paying Agent/Registrar that specifies the duties and responsibilities of the Paying Agent/Registrar with respect to the Bonds and other Obligations issued by DART pursuant to the authority reserved in the Master Debt Resolution, authorized in Section 5.1(b) of the Resolution and substantially in the form of Exhibit C to the Resolution.

Moody's - means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then such term shall be deemed to refer to any other nationally recognized securities rating agency selected by the Board.

Notes - means the commercial paper notes of DART entitled "Dallas Area Rapid Transit Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series 2001," previously authorized by the Board pursuant to Section 3.3(a) of the Master Debt Resolution and by the First Supplemental Debt Resolution.

Outstanding Resolutions - means the Master Debt Resolution, the First Supplemental Debt Resolution, the Resolution, and any other Supplemental Resolutions under and pursuant to which any Outstanding Obligations have been issued or executed, or prior resolutions amended.

Paying Agent/Registrar - means Bank One, National Association, Dallas, Texas, appointed pursuant to Section 5.1 of the Resolution, or any successor thereto as provided in the Resolution.

Policy - means the policy of municipal bond insurance relating to the Bonds, if any, issued on the Closing Date by the Insurer.

Preliminary Official Statement - means, collectively, the Preliminary Supplemental Official Statement, dated August 16, 2002, and DART's 2002 Annual Disclosure Statement, dated January 22, 2002, as amended and updated

by DART's Quarterly Disclosure Updates dated March 19, 2002 and June 18, 2002, all as approved in Section 10.1 of the Resolution.

President - means the President/Executive Director of DART.

Pricing Certificate - means the certificate of the President or Chief Financial Officer authorized in Section 3.2 of the Resolution.

Record Date - means the 15th day of the month next preceding an Interest Payment Date.

Refunded Obligation Candidates - means the Notes of DART described in Schedule I attached to the Resolution which are authorized to be designated as Refunded Obligations in the Pricing Certificate.

Refunded Obligations - means those Notes of DART to be designated in the Pricing Certificate from the universe of Refunded Obligation Candidates described in Schedule I attached to the Resolution.

Redemption Prices - means, the respective prices at which Bonds are to be redeemed pursuant to the optional and mandatory redemption provisions of the Resolution, the specific redemption prices being set forth in the Pricing Certificate.

Representation Letter - means the "Blanket Issuer Letter of Representations" between DART and DTC, as ratified in Section 3.9(c) of the Resolution.

Resolution - means the Third Supplemental Debt Resolution, Resolution No. 020114, adopted by the Board on July 9, 2002, that specifically describes and authorizes the Bonds.

S&P - means Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then such term shall be deemed to refer to any other nationally recognized securities rating agency selected by the Board.

Second Supplemental Debt Resolution - means the Second Supplemental Debt Resolution, Resolution No. 010096, adopted by the Board on July 10, 2001, that specifically describes and authorizes DART's Senior Lien Sales Tax Revenue Bonds, Series 2001.

Stated Maturity Dates - means the respective dates on which the Bonds are stated to mature in accordance with Section 3.2(b) of the Resolution.

Underwriters - means the person, firm or entity or the group thereof, initially purchasing the Bonds from DART pursuant to the Bond Purchase Agreement.

Declarations and Additional Rights and Limitations Under Master Debt Resolution and Other Documents {Section 1.5}

The Bonds are Bond Obligations that are the second series of the Initial Senior Lien Obligations that are authorized by Section 3.1(a) of the Master Debt Resolution. Because the Bonds are being issued as Initial Senior Lien Obligations and solely to refund the Refunded Obligations, no Coverage Tests are applicable to the Bonds. The Bonds are not Interim Obligations. Each of the Authorized Officers is designated and appointed as an “officer” of DART for the purposes of administering the Resolution, the Bond Purchase Agreement, the Escrow Agreement and the Master Paying Agent Agreement in accordance with Chapters 1207 and 1371, Government Code, as amended. The Policy is a Credit Agreement and the related Credit Agreement Obligations are Senior Lien Obligations, and the Insurer is a Credit Provider; however, the Policy does not create a Credit Agreement Obligation that is separate and apart from or is in addition to the Bonds. The Stated Maturity Dates and the Mandatory Redemption Dates are Principal Payment Dates for the purposes of the Master Debt Resolution. The Insurer, if any, as a Credit Provider, is authorized to give and withdraw notices of default under the provisions of Section 7.1(iii) of the Master Debt Resolution. The Bonds, being payable from the Pledged Revenues and having maturities longer than five (5) years, are subject to the Voted Tax and Debt Limits. Accordingly, after the issuance of the Bonds, DART will have the right to issue, within the Voted Tax and Debt Limits, Bond Obligations that are payable solely from the Pledged Revenues and having maturities longer than five (5) years in the aggregate principal amount of \$2.4 billion (or such greater amount, to be set forth in the Pricing Certificate, as equals the sum of \$2.4 billion plus the difference between \$100 million and the aggregate principal amount of the Bonds, including net original issue premium, if any). The Bonds, together with related Administrative Expenses (which shall include (a) the fees and reasonable expenses owed to the Paying Agent/Registrar, and (b) the amounts, if any, required by Applicable Law to be paid to the United States Internal Revenue Service as rebate of investment earnings on any fund or account subject to rebate under the Code) are secured solely by the lien on and pledge of Pledged Revenues as Senior Lien Obligations. DART may, but is not required to, pay such obligations from any other legally available funds held by DART, including the proceeds of Obligations and amounts held in the General Operating Fund.

The Resolution imposes additional rights and limitations for all purposes of the Outstanding Resolutions and grants to the Insurer, if any, and all Credit Providers certain rights with respect to the amendment of Outstanding Resolutions. In addition to its right to amend the Outstanding Resolutions without the consent of or notice to the Holders of Bond Obligations, under Section 9.2 of the Master Debt Resolution, DART will have the right to amend the Outstanding Resolutions without the consent of or notice to the Holders of the Bonds, under Sections 9.3 or 9.4 of the Master Debt Resolution, if the Bonds are insured and such amendment is approved by the Insurer, and by all Credit Providers, if any, and each Bondholder Representative, if any, whose consent is required by another Supplemental Resolution. If the Bonds are not insured, DART must obtain the consent of the Holders if otherwise required by Article IX of the Master Debt Resolution. In the event that less than all of the maturities of the

Bonds are insured, the Insurer shall be deemed to be the Holder of those Bonds for which the Policy of the Insurer is effective for the purpose of determining whether the requisite percentage of Holders have given their consent, if required, pursuant to Sections 9.3 and 9.4 of the Master Debt Resolution.

PURPOSES, PLEDGE AND SECURITY FOR BONDS

{Article II}

Purposes of Resolution *{Section 2.1}*

The purposes of the Resolution are to authorize, subject to the parameters set forth therein, the President or Chief Financial Officer to approve the specific terms and provisions of the Bonds as evidenced by the execution and delivery of the Pricing Certificate, to extend expressly the pledge, lien, security, and provisions of the Master Debt Resolution to and for the benefit of the Holders of the Bonds, to provide certain covenants to and for the benefit of the Insurer, and to sell the Bonds to the Underwriters pursuant to the Bond Purchase Agreement.

Pledge, Security for, Sources of Payment of Bonds *{Section 2.2}*

The levy of the Sales Tax, and the pledge, the security, and the filing provisions of the Master Debt Resolution are restated and granted to the Holders of the Bonds. The Bonds, as the second series of the “Initial Senior Lien Obligations” under the Master Debt Resolution, are secured by an irrevocable, first and senior lien on and pledge of the Pledged Revenues and by money on deposit in the Senior Lien Debt Service Fund that is and will always continue to be (i) on a parity with any previously issued Initial Senior Lien Obligations and the Additional Senior Lien Obligations that are Outstanding from time to time, as declared and provided in Section 2.3 of the Master Debt Resolution, and (ii) senior to the liens, rights, and pledges heretofore or hereafter granted in favor of the Holders of Subordinate Lien Obligations.

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

{Article III}

Authorization *{Section 3.1}*

The Bonds designated “Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2002,” in the maximum aggregate principal amount of \$98,735,000, are authorized to be issued and delivered for the purposes of refunding the Refunded Obligations.

The Authorized Officers are authorized and directed to transfer to the Escrow Fund on the Closing Date at the direction of an Authorized Officer (a) all amounts held in the Senior Subordinate Lien Debt Service Fund allocable to the Refunded Obligations, and (b) such other moneys in DART’s unencumbered funds and accounts, if any, which together with the deposit of Bond proceeds to the Escrow Fund pursuant to Section 8.1 of the Resolution, are sufficient to defease the Refunded Obligations.

Bond Date, Denominations, Numbers, Maturities, Interest and Characteristics of the Initial Bond *{Section 3.2}*

The Bonds are authorized to be issued, sold, and delivered, without interest coupons, in the maximum aggregate principal amount of \$98,735,000, in denominations of \$5,000 or any integral multiple thereof, and numbered separately from one (1) upward, except the Initial Bond, which will be numbered T-1. The Bonds will be dated the Closing Date, except that the Initial Bond will be dated August 1, 2002. The Bonds will mature on December 1 in the years and in the principal amounts set forth in the Pricing Certificate. The Bonds will mature and become payable not later than December 1, 2032.

As authorized by Chapters 1207 and 1371, Government Code, as amended, the President and the Chief Financial Officer, are each designated as authorized officers authorized to act individually on behalf of DART in the selling and delivering of the Bonds and carrying out the other procedures specified in the Resolution, including the determination of the price at which each of the Bonds will be sold, the Underwriters' fee (or discount), the form in which the Bonds will be issued, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of the Refunded Obligations, the selection of the Refunded Obligations, the aggregate principal amount of the Bonds, the rate of interest to be borne by each maturity, the date, prices and terms upon and at which the Bonds will be subject to redemption at the option of DART subject to mandatory sinking fund redemption, and all other matters relating to the issuance, sale, and delivery of the Bonds, including the refunding of the Refunded Obligations, all of which will be specified in the Pricing Certificate.

The President and the Chief Financial Officer, acting for and on behalf of DART, are each authorized to enter into and carry out the Bond Purchase Agreement, with the terms specified in the Pricing Certificate, and other matters as determined by the President or the Chief Financial Officer and set forth therein; provided that (i) the price to be paid for the Bonds may not be less than 97% of the initial aggregate principal amount thereof, (ii) the maximum Underwriters' fee (or discount) will be .75% of the principal amount of the Bonds; and (iii) no Bond will bear interest at a rate greater than 7.5% per annum. It is further provided, however, that, notwithstanding the foregoing provisions, the Bonds will not be delivered unless, prior to delivery, the Bonds have been rated by either Fitch, Moody's, or S&P in one of the four highest rating categories for long-term obligations, as required by Applicable Law. The principal amount of the Bonds will be determined and the selection of the Refunded Obligations from the universe of Refunded Obligation Candidates will be made as prescribed in Section 3.2(c) of the Resolution. The President and the Chief Financial Officer are required to refund the maximum principal amount of Refunded Obligation Candidates that can be refunded with the net proceeds of the Bonds and other moneys deposited to the Escrow Fund and investment earnings thereon. The Refunded Obligations will be identified in the Pricing Certificate executed on the date of the Bond Purchase Agreement by the President or the Chief Financial Officer.

The President and the Chief Financial Officer are authorized to provide for a Policy with respect to the Bonds, provided that the President or Chief Financial Officer must first determine that the cost of the insurance premium will not exceed the net present value savings resulting from insuring the Bonds. The President or the Chief Financial Officer will specify the name of the Insurer, if any, in the Pricing Certificate and will specify therein which maturity or

maturities, if any, will be insured. Any Authorized Officer is authorized to execute any instruments requested by an Insurer in connection with the provision of insurance and to pay any insurance premiums as set forth in Section 3.1(b) of the Resolution.

The Bonds (i) may be redeemed prior to the respective Stated Maturity Dates as provided for in the Pricing Certificate, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other Bonds, (iv) will have the characteristics, and (v) will be signed and sealed, and the principal of and interest on the Bonds will be payable, all as provided, and in the manner required or indicated in the Resolution and as determined by the President or the Chief Financial Officer in the Pricing Certificate, with such changes and additions otherwise consistent with the Resolution as are required to meet the terms of Pricing Certificate and the Bond Purchase Agreement.

Medium, Method and Place of Payment *{Section 3.3}*

Interest on the Bonds will be payable to the Holders whose names appear in the Obligation Register at the close of business on the Record Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a “*Special Record Date*”) will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the Board. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “*Special Payment Date*,” which will be at least 15 days after the Special Record Date) will be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last Business Day next preceding the date of mailing of such notice. Interest on the Bonds will be paid by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the Holder entitled to such payment, United States mail, first class postage prepaid, to the address of the Holder as it appears in the Obligation Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person will bear all risk and expenses of such other customary banking arrangements.

Interest on the Bonds will be paid by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the Holder entitled to such payment, United States mail, first class postage prepaid, to the address of the Holder as it appears in the Obligation Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such other customary banking arrangements.

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

Subject to any applicable escheat, unclaimed property, or similar and Applicable Law, unclaimed payments remaining unclaimed by the Holders entitled thereto for three years after the applicable payment or redemption date will be paid to the Board and thereafter neither the Board, the Paying Agent/Registrar, nor any other person will be liable or responsible to any Holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds.

Interest will accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the Closing Date or the most recent Interest Payment Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the Pricing Certificate as provided in Section 3.2(b) of the Resolution. Such interest will be payable semiannually on each Interest Payment Date. Interest on the Bonds will be calculated on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each, with the first Interest Payment Date to be December 1, 2002. Notwithstanding any other provision of this Resolution, during any period in which the Bonds are held in book-entry-only form by DTC in accordance with Section 3.9 of the Resolution, payment of the principal, together with any premium, and interest on the Bonds, will be paid to DTC in immediately available or next day funds on each Interest Payment Date in the manner specified in the Representation Letter.

Registration, Transfer, Exchange and Replacement of Bonds *{Sections 3.5 through 3.11}*

Subject to Sections 3.5 through 3.11 of the Resolution, the Bonds may be registered, transferred, exchanged or replaced by the Paying Agent/Registrar who at all times is obligated to maintain an Obligation Register. Neither the Board nor the Paying Agent/Registrar is required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 calendar days after the transfer or exchange date; provided, however, such limitation is not applicable to an exchange by the Holder of the uncalled principal balance of a Bond.

Book-Entry Only System *{Section 3.9}*

The definitive Bonds will be initially issued in the form of a separate single fully registered Bond for each maturity. Upon initial issuance, the ownership of each such Bond will be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.10 of the Resolution, all of the Outstanding Bonds will be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, DART and the Paying Agent/Registrar have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds, except as provided in the Resolution. Without limiting the immediately preceding sentence, DART and the Paying Agent/Registrar will have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Holder, as shown on the Obligation Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Holder, as shown in the Register of any amount with respect to

principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of the Resolution to the contrary, DART and the Paying Agent/Registrar will be entitled to treat and consider the person in whose name each Bond is registered in the Obligation Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar will pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Holders, as shown in the Obligation Register, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge DART's obligations with respect to payment of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Holder, as shown in the Obligation Register, will receive a certificate evidencing the obligation of DART to make payments of amounts due pursuant to the Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Resolution with respect to interest checks or drafts being mailed to the Holder at the close of business on the Record Date, the word "Cede & Co." in the Resolution refers to such new nominee of DTC.

The Representation Letter previously executed and delivered by DART applicable to DART's obligations delivered in book-entry form to DTC as securities depository for said obligations is ratified and approved for the Bonds.

Successor Securities Depository *{Section 3.10}*

In the event that DART or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described in the Resolution and in the Representation Letter, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, or in the event DTC discontinues the services described in the Resolution, DART or the Paying Agent/Registrar will (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds will no longer be restricted to being registered in the Obligation Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Holders transferring or exchanging Bonds will designate, in accordance with the provisions of the Resolution.

Payments to Cede & Co. *{Section 3.11}*

Notwithstanding any other provision of the Resolution to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such

Bonds, will be made and given, respectively, in the manner provided in the Representation Letter.

REDEMPTION OF BONDS BEFORE MATURITY

{Article IV}

Optional Redemption *{Section 4.2}*

The Resolution requires that the President or the Chief Financial Officer specify in the Pricing Certificate and in the Bonds such rights of optional redemption, if any, and the Redemption Prices therefor. If less than all of the Bonds are to be redeemed, DART has the right to determine the maturity or maturities and the amounts thereof to be redeemed and direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption as determined by the Board in its sole discretion.

Mandatory Redemption of Certain Bonds *{Section 4.3}*

The President or Chief Financial Officer will specify in the Pricing Certificate and in the Bonds the obligations, if any, to redeem the Bonds mandatorily, and the Redemption Prices therefor. The principal amount of Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions will be reduced, at the option of DART, by the principal amount of any Bonds having the same maturity which, at least 45 days prior to the mandatory sinking fund redemption date, (i) will have been acquired by DART at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) will have been redeemed pursuant to the optional redemption provisions of the Resolution and not previously credited to a mandatory sinking fund redemption..

Redemption Procedures *{Section 4.4}*

A portion of a single Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, the Paying Agent/Registrar will treat each \$5,000 portion of the Bond as though it were a single Bond for purposes of selection for redemption. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.5 of the Resolution, will authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge. The Paying Agent/Registrar will promptly notify DART in writing of the principal amount to be redeemed of any Bond as to which only a portion thereof is to be redeemed.

Notice of Redemption to Holders *{Section 4.5}*

DART, at least 45 days before a redemption date, unless a shorter period is satisfactory to the Paying Agent/Registrar, will notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed. The Paying Agent/Registrar will give notice

of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Holder of each Bond (or part thereof) to be redeemed, at the address shown on the Obligation Register. The notice will state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed. Any notice so given will be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Failure to give notice of redemption to any Holder of Bonds, or any defect therein, will not affect the validity of any proceedings for the redemption of any Bonds for which notice was properly given.

Payment Upon Redemption *{Section 4.6}*

Before or on each redemption date, the Board will deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying Agent/Registrar will make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust such amounts as are received by the Paying Agent/Registrar from DART and will use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Bonds being redeemed, or the tender or negotiated price in the case of Bonds tendered or purchased under Section 4.3(b)(i) of the Resolution. Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office on or after the date fixed for redemption, the Paying Agent/Registrar will pay the principal of, redemption premium, if any, and accrued interest on such Bond to the date of redemption from the money set aside for such purpose.

Effect of Redemption *{Section 4.7}*

Notice of redemption having been given as provided in Section 4.5 of the Resolution, the Bonds or portions thereof called for redemption will become due and payable on the date fixed for redemption and, unless DART fails in its obligation to make provision for the payment of the principal thereof, redemption premium, if any, or accrued interest thereon on the date fixed for redemption, such Bonds or portions thereof will cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date. If DART fails to make provision for payment of all sums due on a redemption date, then any Bond or portion thereof called for redemption will continue to bear interest at the rate stated on the Bond until due provision is made for the payment of same by DART.

PAYING AGENT/REGISTRAR

{Article V}

DART appoints Bank One, National Association, as the initial Paying Agent/Registrar for the Bonds, under and subject to the terms and provisions of the Master Debt Resolution, the Resolution and the Master Paying Agent Agreement. The Master Paying Agent Agreement authorized by the Resolution specifies the duties and responsibilities of DART and the Paying Agent/Registrar with respect to the Bonds and other Obligations.

DART is required to maintain a qualified Paying Agent/Registrar at all times while any Bonds are Outstanding. To qualify, the Paying Agent/Registrar must be a commercial bank, a

trust company organized under applicable laws, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds. If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the Board will promptly appoint a replacement. DART retains the right to terminate the Paying Agent/Registrar, provided, that such termination will not be effective until a successor Paying Agent/Registrar has been appointed and has accepted the duties of Paying Agent/Registrar for the Bonds.

Promptly upon each change in the entity serving as Paying Agent/Registrar, DART will cause notice of the change to be sent to each Holder and the Insurer by first class United States mail, postage prepaid, at the address in the Obligation Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar acknowledges receipt of copies of the Master Debt Resolution and the Resolution, and is deemed to have agreed to the provisions thereof, and to perform the duties and functions of Paying Agent/Registrar prescribed therein and in the Resolution.

If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, is required to deliver the Obligation Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

GENERAL PROVISIONS

{Article VIII}

Deposit and Uses of Bond Proceeds *{Section 8.1}*

The proceeds received from the sale of the Bonds will be used to pay costs of issuance, with the balance of the proceeds to be deposited to the Escrow Fund to effect the purposes stated therein.

Payment of the Bonds *{Section 8.2}*

The Paying Agent/Registrar will calculate and furnish calculations of Accrued Aggregate Debt Service for the Bonds upon request of the Trustee as provided in Section 5.3(c) of the Master Debt Resolution. While any of the Bonds are outstanding and unpaid, the Trustee will deposit Pledged Revenues to the Senior Lien Debt Service Fund at the times and in the amounts required by the Master Debt Resolution and will make available to the Paying Agent/Registrar, out of the Senior Lien Debt Service Fund, the amounts and at the times required by the Resolution required to pay all amounts due and payable on the Bonds when and as due and payable.

Representations and Covenants *{Section 8.3}*

DART will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Outstanding Resolutions and the Resolution; and

DART will promptly pay or cause to be paid from Pledged Revenues and the Senior Lien Debt Service Fund the principal of, interest on, and premium, if any, with respect to, each Bond on the dates and at the places and manner prescribed in each Bond.

Covenants Regarding Tax-Exemption *{Section 8.4}*

DART covenants to take any action or refrain from any action which would adversely affect the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the “gross income” of the Holder (other than the income of a “substantial user” or a “related person” within the meaning of section 147(a) of the Code) for purposes of federal income taxation.

Bond Insurance *{Section 8.5}*

In the event that the President or Chief Financial Officer determines to purchase a Policy from the Insurer pursuant to Section 3.2(d) of the Resolution, DART covenants and agrees that upon the occurrence of an Event of Default which would require the Insurer to make payments under the Policy, the Insurer and its designated agent will be provided with access to the Obligation Register relating to the Bonds. In addition, the Insurer will be deemed the sole Holder of the Bonds that it has insured with respect to any action taken pursuant to Article VII of the Master Debt Resolution. In determining whether a payment default relating to the Bonds has occurred pursuant to Section 7.1(i) of the Master Debt Resolution, no effect will be given to payments made under the Policy. Furthermore, notice of any payment default with respect to the Bonds will be given immediately by DART to the Insurer.

Notwithstanding any other provision of the Resolution, no resignation or removal of the Paying Agent/Registrar will become effective until a successor has been appointed and has accepted the duties of the Paying Agent/Registrar. The Insurer will be furnished with written notice of the resignation or removal of the Paying Agent/Registrar and the appointment of any successor thereto.

DART will periodically provide the Insurer: (i) annually, when available, the annual budget of DART and its annual audited financial statements, and (ii) an official statement or offering document, if any, prepared in connection with the issuance of any Obligations.

PAYMENT OF REFUNDED OBLIGATIONS; APPROVAL OF ESCROW AGREEMENT; PURCHASE OF ESCROWED SECURITIES

{Article IX}

DART approves the Escrow Agreement and authorizes any Authorized Officer to make necessary arrangements for the purchase of the “Federal Securities,” as referenced and defined in the Escrow Agreement, as may be necessary for the Escrow Fund. Money in the Escrow Fund is to be invested as provided in the Escrow Agreement.

**APPROVAL OF PRELIMINARY OFFICIAL STATEMENT;
REPEAL, SEVERABILITY, AND EFFECTIVE DATE**

{Article X}

The Preliminary Official Statement is approved by DART, with such changes therein as may be approved by the President or Chief Financial Officer of DART. The Preliminary Official Statement is deemed final as of its dated date (except for the omission of pricing and related information with respect to the Bonds) within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The President and Chief Financial Officer are each authorized and directed to complete the Preliminary Official Statement with such modifications, completeness, changes and supplements, as reflect the rates of interest, redemption provisions and pricing information with respect to the Bonds. The Preliminary Official Statement as so completed is the “Official Statement” with respect to the Bonds.

After any of the Bonds are issued, the Resolution constitutes a contract between DART, the Holders of the Bonds, and the Insurer, and the Resolution and the Master Debt Resolution will be and remain irrevocable until the Bonds and the interest thereon are fully paid, canceled, refunded or discharged or provision for the payment thereof is made. If any Section, paragraph, clause or provision of the Resolution is for any reason held to be invalid or unenforceable, the invalidity or lack of enforceability of such Section, paragraph, clause or provision will not affect any of the remaining provisions of the Resolution.

The Authorized Officers and each of them are authorized, empowered and directed to execute such other documents in addition to those enumerated in the Resolution and to take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of the Resolution.

The Resolution is in full force and effect as of the date it is duly passed by the Board.

APPENDIX B

FORM OF OPINION OF CO-BOND COUNSEL

[Closing Date]

DALLAS AREA RAPID TRANSIT SENIOR LIEN SALES TAX REVENUE BONDS SERIES 2002

We have represented Dallas Area Rapid Transit (“DART”) as its Co-Bond Counsel in connection with the authorization and issuance of its Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2002 (the “Bonds”) in the amount of \$98,735,000. The Bonds are being issued pursuant to the Master Debt Resolution (the “Master Debt Resolution”), adopted January 23, 2001, and the Third Supplemental Debt Resolution (the “Third Supplemental Debt Resolution”), adopted July 9, 2002. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Master Debt Resolution and the Third Supplemental Debt Resolution.

As Co-Bond Counsel, we are rendering this opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income of the Holders 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 Bonds.

We have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization of the Bonds, including (i) the Master Debt Resolution, the First Supplemental Debt Resolution which authorized the issuance of the obligations being refunded, the Second Supplemental Debt Resolution and the Third Supplemental Debt Resolution; (ii) a certain escrow agreement (the “Escrow Agreement”) between the Issuer and Bank One, National Association, Dallas, Texas, as escrow agent (the “Escrow Agent”); (iii) customary certificates of officers and representatives of DART, the Escrow Agent, the Paying Agent/Registrar, the Underwriters, and the Trustee; (iv) other pertinent instruments relating to the authorization and issuance of the Bonds and the security for the payment thereof and the firm banking and financial arrangements for the discharge and final payment of the obligations being refunded; and (v) such other instruments and matters of law as we have deemed relevant, including a letter of the Attorney General of Texas, relating to and approving the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the obligations being refunded.

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 Bonds and that the

Bonds constitute valid and binding special obligations of DART, secured by and payable from a first and senior lien on and pledge of the Pledged Revenues. It is further our opinion that firm banking and financial arrangements have been made for the discharge and final payment of the obligations being refunded pursuant to the Escrow Agreement on the date of delivery of the Bonds and, therefore, such obligations are deemed to be fully paid and no longer Outstanding except for the purpose of being paid from the funds provided therefor in the Escrow Agreement.

The rights of the Holders of the Bonds and of the obligations being refunded 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 Bonds shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation other than the Gross Sales Tax Revenues.

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

It is our further opinion that interest on the Bonds, upon the issuance and delivery thereof in accordance with the Master Debt Resolution and the Third Supplemental Debt Resolution, is excludable from gross income of the Holders for federal income tax purposes under existing law. The difference between the amount payable at maturity of the Bonds maturing in each of the years 2020, 2024, 2027 and 2032 (the “Original Issue Discount Bonds”) and the “issue price,” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), of such Bonds is excludable from gross income for federal income tax purposes as original issue discount under existing law. It is further our opinion that interest on the Bonds is not 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, a REMIC or a FASIT), interest on the Bonds will be included in such corporation’s “adjusted current earnings” for purposes of computing its alternative minimum tax liability.

Purchasers of Original Issue Discount Bonds in the initial public offering are directed to the discussion entitled “Federal Income Tax Accounting Treatment of Original Issue Discount” set forth under “Tax Matters” in the Supplemental Official Statement prepared for use in connection with the sale of the Bonds for purposes of determining the portion of the original issue discount described above which is allocable to the period such Bonds are held by such Holders. The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial public offering at the initial offering price may be determined according to rules which differ from those described above and in the Supplemental Official Statement.

In rendering such opinions, we have relied on representations of DART, the Co-Financial Advisers and the Underwriters, respectively, with respect to matters solely within the knowledge of DART, the Co-Financial Advisers and the Underwriters which we have not independently verified, and we have assumed continuing compliance with the covenants in the Master Debt

Resolution and the Third Supplemental Debt Resolution and the representations in the Federal Tax Certificate pertaining to those sections of the Code that affect the exclusion of interest on the Bonds from the gross income of the Holders for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or DART fails to comply with the foregoing covenants of the Master Debt Resolution and the Third Supplemental Debt Resolution, interest on the Bonds could become includable in the gross income of the Holders 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 Bonds.

Holders of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations 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 Bonds.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat DART as the taxpayer. We observe that DART has covenanted in the Third Supplemental Debt Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY