DALLAS AREA RAPID TRANSIT

Quarterly Disclosure Update
for the nine-month period ended June 30, 2006

This Quarterly Disclosure Update supplements the information contained in our 2006 Annual Disclosure Statement dated March 28, 2006 (the 2006 Annual Disclosure Statement); Quarterly Disclosure Update dated April 25, 2006; and Quarterly Disclosure Update dated June 27, 2006. The 2006 Annual Disclosure Statement and Quarterly Disclosure Updates dated April 25, 2006 and June 27, 2006, have been filed as public records with the Central Repositories named in the 2006 Annual Disclosure Statement and are posted on the Internet at our website, www.dart.org. You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our 2006 Annual Disclosure Statement dated March 28, 2006, and Quarterly Disclosure Updates dated April 25, 2006 and June 27, 2006. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the 2006 Annual Disclosure Statement. See, 2006 Annual Disclosure Statement, Appendix B, "SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION."

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

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A which is for the nine-month period ended June 30, 2006.

YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE 2006 ANNUAL DISCLOSURE STATEMENT.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in the 2006 Annual Disclosure Statement and in Quarterly Disclosure Updates by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, our sales tax revenues, receipt of federal grants, and various other factors that are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

Dated: September 26, 2006

QUARTERLY DISCLOSURE UPDATE

The 2006 Annual Disclosure Statement dated March 28, 2006, and Quarterly Disclosure Updates dated April 25, 2006 and June 27, 2006, are updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2005, are attached as Appendix A to the 2006 Annual Disclosure Statement. An unaudited statement of our principal accounts for the three-month period ended December 31, 2005, is attached to the Quarterly Disclosure Update dated April 25, 2006. An unaudited statement of our principal accounts for the six-month period ended March 31, 2006, is attached to the Quarterly Disclosure Update dated June 27, 2006. An unaudited statement of our principal accounts for the nine-month period ended June 30, 2006 is included as Attachment A to this Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the nine-month period ended June 30, 2006, fairly represents the financial position and operating results of DART and is complete as of, but no later than such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this nine-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment

DART's unaudited financial statements for the nine-month period ended June 30, 2006, and June 30, 2005, show sales tax revenues as $276.0 million and $257.5 million, respectively, which indicates an increase of 7.2 percent. The actual sales tax collections were $277.5 million and $257.1 million for the nine-months ended June 30, 2006, and 2005. Our operating results for the nine-month period ended June 30, 2006 reflect a net operating loss of $281.9 million, compared to $269.1 million for the nine-month period ended June 30, 2005, an increase of 4.8 percent. The overall result for the nine-month period ended June 30, 2006 shows a net decrease in net assets of $35.8 million compared to a net decrease of $20.8 million for the nine-month period ended June 30, 2005.

DART maintains 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, 2006, the balance in the Financial Reserve Account was $29.9 million. We are making an approximate $76,000 monthly withdrawal from the Financial Reserve to offset an adjustment being made to our Sales Tax Receipts by the Comptroller's Office. In addition, we maintain a working cash balance in the Operating Fund equal to at least two months of expenses that are projected to be paid from sales tax collections. As of June 30, 2006, the Operating Fund balance was $371.2 million.

The Obligations and our Financing Plans—Outstanding Bond Obligations

We do not plan to issue any Senior Lien Obligations in 2006.

We plan to issue additional commercial paper Notes periodically during the year to finance our capital acquisitions. We do not anticipate having more than $500 million outstanding at year-end. As of June 30, 2006, DART had $355,645,000 in outstanding commercial paper Notes.

While DART has no current plans to issue additional Bond Obligations during 2006, we reserve the right to do so.

RECENT FINANCIAL DEVELOPMENTS

Sales Tax Repayment

The State Comptroller's Office periodically conducts audits of organizations responsible for the payment of state and local sales taxes. As a result of a recently concluded audit, the Comptroller has determined that we received an overpayment of Sales Taxes of approximately $13,000,000 over the course of several years and has offered to allow us to enter into a repayment plan to refund the overpayment. We are in the process of determining whether any appeal rights or other remedies are available to us with regard to the Comptroller's overpayment determination and repayment request, and we will decide on a course of action once our options are known. In the event that we are responsible for repaying some or all of the $13,000,000, we anticipate that any repayment plan will span several years and will not have a material adverse impact on our financial condition.

New Excise Tax on Lease/Leaseback Transactions

We have entered into five economically defeased transactions involving our lease and leaseback of specified, depreciable property to a trustee, acting on behalf of a private investor. Although we retain legal title to the leased property and have the option to purchase the investor's interest on or before the end of the sublease term, three of these five transactions were structured so as to result in a sale of the subject property to the private investor for federal income tax purposes. The rent due for the full term of the leases was prepaid to us. In order to fund the sublease rental payments owed by us over the life of the leases and the purchase option price, we used a portion of the advance rental payments paid to us either: (i) to purchase contractual undertakings from financial institutions pursuant to which the financial institutions assumed or agreed to pay the sublease payments due and owing by us and the purchase option price; or (ii) to make deposits with custodians instructed to purchase direct obligations of the United States Government that mature on dates and in amounts sufficient to pay our sublease rental payments and the purchase option price. For a more detailed description of these transactions, please refer to the section of our Annual Disclosure Statement titled "DART'S FINANCIAL PRACTICES AND RESOURCES--Lease/Leaseback Transactions" and to Note 10 of DART's Audited Annual Financial Statements attached as Exhibit A to our Annual Disclosure Statement.

After we entered into the above-described transactions, the United States Treasury Department added these types of transactions to its "list" of potentially abusive tax avoidance transactions for purposes of Section 6011 of the Internal Revenue Code of 1986 (the "Code"). We have not undertaken any defeased lease transactions since the time they became "listed transactions." On May 17, 2006, the President signed into law the Tax Increase Prevention and Reconciliation Act of 2005. Pursuant to such Act, a new Section 4965 was added to the Code. Section 4965 imposes a federal excise tax (the "New Excise Tax") on any state or local government or other tax-exempt organization that is a party to a "listed transaction." The New Excise Tax is imposed in taxable years that end after August 15, 2006. The New Excise Tax applies to "listed transactions" to which a political subdivision is a party even if the transaction was closed prior to the enactment of the New Excise Tax and prior to the time the transaction became a "listed transaction." Consequently, the New Excise Tax applies to all of the defeased leasing transactions we have undertaken.

In general, the amount of the New Excise Tax is determined by applying a 35% tax rate to the greater of: (i) the political subdivision's net income for the taxable year in question that is attributable to the transaction; and (ii) 75% of the proceeds received by the political subdivision for the taxable year that are attributable to the transaction. As part of the new law, the Treasury Department is instructed to publish guidance regarding the New Excise Tax by August 16, 2006. Due to the complexity of the tax and the fact that the Treasury Department has not yet provided any guidance, we are unable at this time to estimate with any certainty our potential future tax liability; however, our rough preliminary estimates indicate that our future tax liability may range from $30 to $40 million dollars, with payments ranging from approximately $1 million to $4 million per year for the next 19 years. While significant, we do not believe that payment of these amounts will have a material adverse effect on our financial condition including our ability to maintain and operate our public transportation system and our ability to pay our debt service obligations.

The New Excise Tax affects a large number of transit agencies and other political subdivisions throughout the United States. We are currently coordinating with other transit agencies and our trade association, the American Public Transportation Association ("APTA"), in pursuing possible administrative and/or legislative solutions to minimize or eliminate any adverse impact of the New Excise Tax; however, we can make no predictions or assurances about the likelihood of achieving success in such efforts. In the future, we may also consider pursuing legal challenges with regard to the New Excise Tax.

Litigation

No significant changes have occurred in the status of pending litigation involving DART since the date of the 2006 Annual Disclosure Statement. We continue to accrue and estimate losses on claims that are asserted in pending litigation and have included this accrual in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the 2006 Annual Disclosure Statement. See, 2006 Annual Disclosure Statement, "LITIGATION."

RULE 15c2-12 DISCLOSURES

Since June 27, 2006, the date of our most recent Quarterly Disclosure Update, no material events have occurred that we are required to disclose under the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934.

This Quarterly Disclosure Update, in the form and content presented above and in its Exhibit, was approved by the Board of Directors of DART on September 26, 2006.

	/s/ Mark Enoch
ATTEST:	Chairman, Board of Directors
/s/ Angie Chen Button	/s/ Gary C. Thomas
Secretary, Board of Directors	DART, President/Executive Director

Exhibit A

Unaudited Statement of Principal Accounts
for the nine-month period ended June 30, 2006

DALLAS AREA RAPID TRANSIT
STATEMENTS OF NET ASSETS

June 30, 2006 and 2005 (Dollars in Thousands)

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 87,895	$ 36,787
Investments	321,416	331,990
Current portion of restricted assets	10,026	18,880
Investments held to pay capital lease/leaseback liabilities	36,525	52,346
Sales tax receivable	63,200	59,463
Transit revenue receivable, net	1,734	1,729
Due from federal and other governments	4,311	1,612
Materials and supplies inventory	23,741	22,652
Prepaid transit expense and other	5,552	2,175
TOTAL CURRENT ASSETS	554,400	527,634
NONCURRENT ASSETS		
Restricted assets	6,828	12,892
Investment in joint venture	9,784	10,172
Capital assets		
Land and rights-of-way	387,010	387,010
Depreciable capital assets, net of depreciation	1,597,917	1,674,590
Projects in progress	437,235	328,470
Long-term investments held to pay capital lease/leaseback liabilities	404,726	422,976
Net pension asset	3,633	3,384
Unamortized long-term debt issuance costs	3,768	3,883
TOTAL NONCURRENT ASSETS	2,850,901	2,843,377
TOTAL ASSETS	$3,405,301	$3,371,011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 84,200	$ 89,412
Commercial paper notes payable	355,645	297,245
Current portion of capital lease/leaseback liabilities	36,525	52,346
Current portion of amount due to State Comptroller	228	913
Local Assistance Program payable	24,006	26,866
Retainage payable	15,654	20,191
Other liabilities	10,713	7,287
Payable from restricted assets:		
Interest Payable	3,542	9,259
Current portion of senior lien sales tax revenue bonds payable	10,820	10,470
TOTAL CURRENT LIABILITIES	541,333	513,989
NONCURRENT LIABILITIES		
Senior lien sales tax revenue bonds payable	464,854	475,538
Capital lease/leaseback liabilities	404,726	422,976
TOTAL NONCURRENT LIABILITIES	869,580	898,514
TOTAL LIABILITIES	1,410,913	1,412,503
NET ASSETS		
Invested in capital assets, net of related debt	1,585,941	1,615,195
Restricted for:		
Debt service	6,484	9,621
Unrestricted	401,963	333,692
TOTAL NET ASSETS	$1,994,388	$1,958,508

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

For the nine months ended June 30, 2006 and 2005 (In Thousands)

	2006	2005
OPERATING REVENUES		
Passenger revenues	$30,266	$27,196
Advertising, rent, and other	6,601	6,755
TOTAL OPERATING REVENUES	36,867	33,951
OPERATING EXPENSES		
Labor	113,488	109,893
Benefits	47,219	45,735
Services	16,229	14,025
Materials and supplies	33,575	27,592
Purchased transportation	30,140	28,063
Depreciation	78,081	79,058
Utilities	7,676	6,845
Taxes, leases, and other	3,063	3,654
Casualty and liability	2,556	2,620
Transit system planning, development, and start-up costs	(13,257)	(14,469)
TOTAL OPERATING EXPENSES	318,770	303,016
OPERATING LOSS	(281,903)	(269,065)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	275,966	257,547
Investment income	11,185	5,057
Interest income from investments held to pay capital lease/leaseback	18,275	19,221
Interest expense on capital lease/leaseback	(18,275)	(19,221)
Local Assistance Program and street improvements	(1,350)	(872)
Transit system planning, development, and start-up costs	(13,257)	(14,469)
Interest and financing expenses	(17,869)	(19,251)
Other non-operating revenues	6,299	5,746
TOTAL NON-OPERATING REVENUES (EXPENSES)	260,974	233,758
(LOSS) BEFORE CAPITAL CONTRIBUTIONS, GRANTS AND REIMBURSEMENTS	(20,929)	(35,307)
CAPITAL CONTRIBUTIONS, GRANTS AND REIMBURSEMENTS		
Federal capital contributions	15,917	26,651
Federal grants and reimbursements	38,892	28,815
State grants and reimbursements		179
Local capital contribution	2,000	
TOTAL CAPITAL CONTRIBUTIONS, GRANTS AND REIMBURSEMENTS	56,809	55,645
CHANGE IN NET ASSETS	35,880	20,338
TOTAL NET ASSETS – BEGINNING OF THE YEAR	1,958,508	1,949,795
TOTAL NET ASSETS – END OF THE QUARTER	$1,994,388	$1,970,133

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the nine months ended June 30, 2006 and 2005 (Dollars in Thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$36,863	$34,681
Payments to suppliers of goods and services	(74,016)	(63,522)
Payments to purchased transportation service providers	(32,004)	(28,542)
Payments to employees	(112,650)	(109,462)
Benefit payments on behalf of employees	(47,080)	(45,462)
Payments allocated to planning, development, and start-up costs	13,257	14,469
NET CASH USED BY OPERATING ACTIVITIES	(215,630)	(197,838)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax proceeds	272,230	253,749
Other non-capital non-operating revenues (expenses)	8,865	6,204
Federal grants and reimbursements	38,892	28,815
State grants and reimbursements		254
Local Assistance Program and street improvements	(4,210)	(5,931)
Planning, development, and rail start-up costs	(13,257)	(14,469)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	302,520	268,622
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	11,161	6,598
Proceeds from sales and maturity of investments	263,158	136,699
Purchase of investments	(253,544)	(175,375)
(Increase) decrease in restricted assets	14,918	(2,585)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	35,693	(34,663)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(112,157)	(94,258)
Proceeds from the issuance of commercial paper notes	70,000	60,000
Payment on commercial paper notes	(11,600)	
Principal payment on sales tax revenue bonds	(10,470)	(6,815)
Interest and financing expenses	(23,450)	(24,963)
Federal capital contributions	15,736	34,663
Net proceeds from sale of capital assets	466	816
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(71,475)	(30,557)
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,108	5,564
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	36,787	30,934
CASH AND CASH EQUIVALENTS, END OF THE QUARTER	$87,895	$36,498

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the nine months ended June 30, 2006 and 2005 (Dollars in Thousands)

	2006	2005
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(281,903)	$(269,065)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	78,081	79,058
Changes in assets and liabilities		
(Increase) decrease in transit receivable	(4)	729
Increase in materials and supplies inventory	(1,088)	(2,010)
Increase in prepaid expenses and other current assets	(5,079)	(1,284)
Increase in pension assets	(249)	(90)
Decrease in accounts payable and accrued liabilities	(8,137)	(6,321)
Increase in other current liabilities	2,749	1,145
NET CASH USED BY OPERATING ACTIVITIES	$(215,630)	$(197,838)
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$18,275	$19,221
Interest expense on capital lease/leaseback	(18,275)	(19,221)
Payment of capital lease/leaseback obligation by trustee	(52,346)	(33,069)
NET NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES	$(52,346)	$(33,069)