

**DALLAS AREA RAPID TRANSIT**



**Quarterly Disclosure Update  
for the three-month period ended December 31, 2005**

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*This Quarterly Disclosure Update supplements the information contained in our 2006 Annual Disclosure Statement dated March 28, 2006 (the 2006 Annual Disclosure Statement). The 2006 Annual Disclosure Statement 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](http://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.*

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**GENERAL**

We are posting and filing this Quarterly Disclosure Update to supplement our 2006 Annual Disclosure Statement dated March 28, 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 three-month period ended December 31, 2005.

**YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE 2005 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.*

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**Dated: April 25, 2006**

## QUARTERLY DISCLOSURE UPDATE

The 2006 Annual Disclosure Statement dated March 28, 2006, is 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 this Quarterly Disclosure Update as Exhibit A. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the three-month period ended December 31, 2005, fairly represents the financial position and operating results of DART and is complete as of, but no later than such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this three-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

### Management's Comment

DART's unaudited financial statements for the three-month periods ended December 31, 2005, and December 31, 2004, show sales tax revenues as \$93.2 million and \$91.2 million, respectively, which indicates an increase of 2.2 percent. The actual sales tax collections were \$94.8 million and \$88.1 million for the three-months ended December 31, 2005, and 2004. Our operating results for the three-month period ended December 31, 2005 reflect a net operating loss of \$92.5 million, compared to \$86.8 million for the three-month period ended December 31, 2004, an increase of 6.6 percent. The overall result for the three-month period ended December 31, 2005 shows a net decrease in net assets of \$0.1 million compared to an increase of \$3.2 million for the three-month period ended December 31, 2004.

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 December 31, 2005, the balance in the Financial Reserve Account was \$29.8 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 December 31, 2005, the Operating Fund balance was \$330.5 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 December 31, 2005, DART had \$335,645,000 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.

## 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 March 28, 2006, the date of the 2006 Annual Disclosure Statement, 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.

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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 April 25, 2006.

/s/ Mark Enoch ATTEST:  
Chairman, Board of Directors

/s/ Angie Chen Button  
Secretary, Board of Directors

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

**Exhibit A**

**Unaudited Statement of Principal Accounts  
for the three-month period ended December 31, 2005**

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF NET ASSETS**

December 31, 2005 and September 30, 2005 (Dollars in Thousands)

	2006	2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$110,613	\$36,787
Investments	256,681	331,990
Current portion of restricted assets	4,598	18,880
Investments held to pay capital lease/leaseback liabilities	48,070	52,346
Sales tax receivable	65,801	59,463
Transit revenue receivable, net	2,669	1,729
Due from federal and other governments	1,211	1,612
Materials and supplies inventory	23,659	22,652
Prepaid transit expense and other	5,009	2,175
<b>TOTAL CURRENT ASSETS</b>	<b>518,311</b>	<b>527,634</b>
<b>NONCURRENT ASSETS</b>		
Restricted assets	9,036	12,892
Investment in joint venture	10,043	10,172
Capital assets		
Land and rights-of-way	387,010	387,010
Depreciable capital assets, net of depreciation	1,649,586	1,674,590
Projects in progress	342,960	328,470
Long-term investments held to pay capital lease/leaseback liabilities	423,816	422,976
Net pension asset	3,384	3,384
Unamortized long-term debt issuance costs	3,844	3,883
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,829,679</b>	<b>2,843,377</b>
<b>TOTAL ASSETS</b>	<b>3,347,990</b>	<b>3,371,011</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	68,635	89,412
Commercial paper notes payable	317,245	297,245
Current portion of capital lease/leaseback liabilities	48,070	52,346
Current portion of amount due to State Comptroller	685	913
Local Assistance Program payable	26,841	26,866
Retainage payable	16,185	20,191
Other liabilities	9,848	7,287
Payable from restricted assets:		
Interest Payable	2,714	9,259
Current portion of senior lien sales tax revenue bonds payable	13,720	10,470
<b>TOTAL CURRENT LIABILITIES</b>	<b>503,943</b>	<b>513,989</b>
<b>NONCURRENT LIABILITIES</b>		
Senior lien sales tax revenue bonds payable	461,854	475,538
Capital lease/leaseback liabilities	423,817	422,976
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>885,671</b>	<b>898,514</b>
<b>TOTAL LIABILITIES</b>	<b>1,389,614</b>	<b>1,412,503</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,595,197	1,615,195
Restricted for:		
Debt service	1,884	9,621
Unrestricted	361,296	333,692
<b>TOTAL NET ASSETS</b>	<b>\$1,958,377</b>	<b>\$1,958,508</b>

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

For the three month ended December 31, 2005 and 2004 (In Thousands)

	2005	2004
<b>OPERATING REVENUES</b>		
Passenger revenues	\$10,108	\$9,008
Advertising, rent, and other	2,107	2,044
<b>TOTAL OPERATING REVENUES</b>	<b>12,215</b>	<b>11,052</b>
<b>OPERATING EXPENSES</b>		
Labor	36,509	34,274
Benefits	16,923	17,111
Services	4,857	4,131
Materials and supplies	11,502	8,706
Purchased transportation	9,559	8,937
Depreciation	25,925	25,758
Utilities	2,528	1,950
Taxes, leases, and other	803	1,008
Casualty and liability	978	710
Transit system planning, development, and start-up costs	(4,838)	(4,692)
<b>TOTAL OPERATING EXPENSES</b>	<b>104,746</b>	<b>97,893</b>
<b>OPERATING LOSS</b>	<b>(92,531)</b>	<b>(86,841)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax revenue	93,212	91,230
Investment income	3,106	838
Interest income from investments held to pay capital lease/leaseback	6,522	6,611
Interest expense on capital lease/leaseback	(6,522)	(6,611)
Local Assistance Program and street improvements	(498)	(229)
Transit system planning, development, and start-up costs	(4,838)	(4,692)
Interest and financing expenses	(6,669)	(6,211)
Other non-operating revenues	1,712	2,388
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>86,025</b>	<b>83,324</b>
<b>(LOSS) BEFORE CAPITAL CONTRIBUTIONS, GRANTS AND REIMBURSEMENTS</b>	<b>(6,506)</b>	<b>(3,517)</b>
<b>CAPITAL CONTRIBUTIONS, GRANTS AND REIMBURSEMENTS</b>		
Federal capital contributions	6,212	6,348
Federal grants and reimbursements	163	261
State grants and reimbursements		83
<b>TOTAL CAPITAL CONTRIBUTIONS, GRANTS AND REIMBURSEMENTS</b>	<b>6,375</b>	<b>6,692</b>
<b>CHANGE IN NET ASSETS</b>	<b>(131)</b>	<b>3,175</b>
<b>TOTAL NET ASSETS – BEGINNING OF THE QUARTER</b>	<b>1,958,508</b>	<b>1,949,795</b>
<b>TOTAL NET ASSETS – END OF THE QUARTER</b>	<b>\$1,958,377</b>	<b>\$1,952,970</b>

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF CASH FLOWS**

For the three months ended December 31, 2005 and 2004 (Dollars in Thousands)

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$11,276	\$10,307
Payments to suppliers of goods and services	(44,683)	(36,801)
Payments to purchased transportation service providers	(9,453)	(8,984)
Payments to employees	(36,048)	(33,903)
Benefit payments on behalf of employees	(15,456)	(15,409)
Payments allocated to planning, development, and start-up costs	4,838	4,692
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(89,526)</b>	<b>(80,098)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax proceeds	86,875	82,903
Other non-capital non-operating revenues (expenses)	2,112	2,876
Federal grants and reimbursements	163	261
State grants and reimbursements		48
Local Assistance Program and street improvements	(523)	(1,324)
Planning, development, and rail start-up costs	(4,838)	(4,692)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>83,789</b>	<b>80,072</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	2,992	833
Proceeds from sales and maturity of investments	109,520	46,365
Purchase of investments	(34,363)	(54,534)
Decrease in restricted assets	18,138	6,363
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>96,287</b>	<b>(973)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(19,288)	(24,215)
Proceeds from the issuance of commercial paper notes	20,000	20,000
Principal payment on sales tax revenue bonds	(10,470)	(6,815)
Interest and financing expenses	(13,178)	(12,168)
Federal capital contributions	6,212	14,575
Net proceeds from sale of capital assets		816
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(16,724)</b>	<b>(7,807)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>73,826</b>	<b>(8,806)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE QUARTER</b>	<b>36,787</b>	<b>30,934</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE QUARTER</b>	<b>\$110,613</b>	<b>\$22,128</b>

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF CASH FLOWS**

For the three months ended December 31, 2005 and 2004 (Dollars in Thousands)

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(92,531)	\$(86,841)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	25,925	25,758
Changes in assets and liabilities		
Increase in transit receivable	(939)	(745)
Increase in materials and supplies inventory	(1,006)	(547)
Increase in prepaid expenses and other current assets	(2,529)	(1,397)
Increase in pension assets		(16)
Decrease in accounts payable and accrued liabilities	(20,778)	(18,731)
Increase in other current liabilities	2,332	2,421
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(89,526)</u>	<u>\$(80,098)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$6,522	\$6,611
Interest expense on capital lease/leaseback	(6,522)	(6,611)
Payment of capital lease/leaseback obligation by trustee	(9,957)	(8,581)
NET NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES	<u>\$(9,957)</u>	<u>\$(8,581)</u>