

**DALLAS AREA RAPID TRANSIT**



**Quarterly Disclosure Update  
for the nine-month period ended June 30, 2009**

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*This Quarterly Disclosure Update supplements the information contained in our 2009 Annual Disclosure Statement dated March 3, 2009 (the 2009 Annual Disclosure Statement) and our Quarterly Disclosure Update for the six-month period ended March 31, 2009 dated May 26, 2009, that have been filed as a public record with the Central Repositories 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: Vice President, Finance, 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 2009 Annual Disclosure Statement dated March 3, 2009 and our Quarterly Disclosure Update dated May 26, 2009. 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 2009 Annual Disclosure Statement. See, 2009 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, 2009.

**YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE 2009 ANNUAL DISCLOSURE STATEMENT.**

**FORWARD-LOOKING STATEMENTS**

*We make "forward-looking statements" in the 2009 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: August 25, 2009**

## QUARTERLY DISCLOSURE UPDATE

The 2009 Annual Disclosure Statement dated March 3, 2009, and Quarterly Disclosure Update dated May 26, 2009, are updated by the following supplemental information:

### Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2008, are attached as Appendix A to the 2009 Annual Disclosure Statement. An unaudited statement of our principal accounts for the nine-month periods ended June 30, 2009 and June 30, 2008 and an unaudited balance sheet for the nine-month period ended June 30, 2009 compared to our audited balance sheet for our 2008 Fiscal Year are included as Attachment A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the nine-month period ended June 30, 2009, 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 Regarding Third Quarter Financial Information

DART's unaudited financial statements for the nine-month periods ended June 30, 2009 and June 30, 2008 show sales tax revenues as \$289.1 million and \$313.1 million, respectively, which indicates a decrease of 7.7%. Our operating results for the nine-month period ended June 30, 2009 reflect an operating loss of \$335.2 million, compared to an operating loss of \$324.1 million for the nine-month period ended June 30, 2008. This was primarily due to increases in labor costs, benefits, and depreciation expenses. The overall result for the nine-month period ended June 30, 2009 shows an increase in net assets of \$39.2 million since September 30, 2008. This change in net assets is due to federal funds received during the third quarter.

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. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve exceed \$50 million, excess funds are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Reserves, and the funds may be used for any purpose approved by the Board. As of June 30, 2009, the balance in the Financial Reserve Account was \$23.6 million and the Capital Reserve Account was unfunded. As of June 30, 2009, the Operating Fund balance was \$332.2 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

### Series 2009 Bonds

In June, we issued and sold \$170,385,000 in Senior Lien Sales Tax Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and \$829,615,000 in Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds—Direct Payment to Issuer) (the "Series 2009B Bonds"). Pursuant to the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), we expect to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series 2009B Bonds.

### Lease/Leaseback Transactions Update

As of the date of the 2009 Annual Disclosure Statement, the credit ratings on six of the seven financial institutions providing or insuring the contractual undertakings with respect to our defeased lease transactions had been downgraded below certain levels specified in the transaction documents. As a result, pursuant to such transactions, DART is required to replace such financial institutions or otherwise provide substitute credit protection that is acceptable to the private investors, all at the cost and expense of DART.

DART has satisfied its obligation to provide additional credit protection for one such transaction. DART is currently in negotiations to terminate three additional transactions with one investor. In the event we are not able to comply with the aforementioned contractual obligations on terms acceptable to DART and the private investors, the trustees under the transaction documents may be able to declare an event of default thereunder and demand that DART pay a predetermined early termination payment in the form of liquidated damages to the private investors. As of July 2009, the aggregate amount payable by DART in such event for the two remaining affected transactions is approximately equal to \$32 million. We are diligently pursuing a resolution to these matters. Our contingent liabilities under such transactions, including any early termination payments, are not secured by a pledge of Pledged Revenues.

### **Litigation**

On May 22, 2008, a petition for judicial review and motion to vacate an order of arbitration award was filed in Texas State District Court (and subsequently removed to Federal District Court) against DART and the United States Department of Labor by approximately 400 former employees of a DART independent contractor of transportation services. This lawsuit sought to overturn the final decision of the United States Department of Labor (DSP Case No. 03-13c-06, Issued April 15, 2008) that denied and dismissed with prejudice the claims of these former employees that DART owed them monetary compensation for alleged violations of federal law. On or about February 23, 2009, the assigned Federal Judge dismissed plaintiffs' lawsuit against DART. It is the opinion of the DART General Counsel that all legal avenues for plaintiffs to reverse the lower court judgment have now been exhausted. With the exception of this litigation, no significant changes have occurred in the status of pending litigation involving DART since the date of the 2009 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 2009 Annual Disclosure Statement. See, 2009 Annual Disclosure Statement, "LITIGATION."

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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 August 25, 2009.

ATTEST:

/s/ Randall Chrisman  
Chairman, Board of Directors

/s/ John Danish  
Secretary, Board of Directors

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

**Exhibit A**

**Unaudited Statement of Principal Accounts  
for the nine-month period ended June 30, 2009**

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

June 30, 2009 and September 30, 2008

	06/30/09 Unaudited	9/30/08 Audited
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 56,671	\$ 120,883
Investments	314,405	403,309
Restricted investments held by trustee for debt service	18,112	37,646
Investments held to pay capital lease/leaseback liabilities	42,977	44,606
Sales tax receivable	67,698	68,853
Transit revenue receivable, net	2,785	1,455
Due from federal and other governments	7,818	6,422
Materials and supplies inventory, net	26,657	26,026
Prepaid transit expense and other	4,877	5,181
TOTAL CURRENT ASSETS	<u>542,000</u>	<u>714,381</u>
<b>NONCURRENT ASSETS</b>		
Note receivable	3,227	3,305
Investments restricted for system expansion and acquisition	1,080,752	321,346
Investment in joint venture	17,084	17,658
Capital assets		
Land and rights-of-way	388,172	387,934
Depreciable capital assets, net of depreciation	1,611,096	1,585,659
Projects in progress	1,720,037	1,210,357
Long-term investments held to pay capital lease/leaseback liabilities	241,341	361,438
Net pension asset	4,701	4,371
Net other post employment benefit asset	605	605
Unamortized bond issue costs and other	21,295	12,863
TOTAL NONCURRENT ASSETS	<u>5,088,310</u>	<u>3,905,536</u>
<b>TOTAL ASSETS</b>	<u>5,630,310</u>	<u>4,619,917</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	145,188	163,901
Commercial paper notes payable	150,000	20,000
Current portion of capital lease/leaseback liabilities	42,977	44,606
Current portion of amount due to State Comptroller	824	824
Local Assistance Program payable	15,829	19,213
Retainage payable	38,402	34,995
Other liabilities	11,412	10,164
Accrued interest payable from restricted assets	7,837	25,033
Current portion of senior lien sales tax revenue bonds payable	17,935	14,295
TOTAL CURRENT LIABILITIES	<u>430,404</u>	<u>333,031</u>
<b>NONCURRENT LIABILITIES</b>		
Paid absence liability	16,325	15,890
Repayment due to State Comptroller	13,725	14,343
Senior lien sales tax revenue bonds payable	2,663,725	1,669,383
Capital lease/leaseback liabilities	241,141	361,438
TOTAL NONCURRENT LIABILITIES	<u>2,934,916</u>	<u>2,061,054</u>
<b>TOTAL LIABILITIES</b>	<u>3,365,320</u>	<u>2,394,085</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,942,296	1,779,450
Restricted for:		
Debt service	10,276	12,612
Unrestricted	312,418	433,770
<b>TOTAL NET ASSETS</b>	<u>\$ 2,264,990</u>	<u>\$ 2,225,832</u>

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

For the nine months ended June 30, 2009 and 2008 (In Thousands)

	2009 Unaudited	2008 Unaudited
<b>OPERATING REVENUES</b>		
Passenger revenues	\$35,336	\$36,270
Advertising, rent, and other	7,858	7,948
<b>TOTAL OPERATING REVENUES</b>	<u>43,194</u>	<u>44,218</u>
<b>OPERATING EXPENSES</b>		
Labor	132,644	125,180
Benefits	49,516	47,197
Services	18,370	20,954
Materials and supplies	37,099	40,372
Purchased transportation	35,197	34,226
Depreciation	90,459	87,063
Utilities	8,738	7,725
Taxes, leases, and other	3,758	3,578
Casualty and liability	2,593	2,057
<b>TOTAL OPERATING EXPENSES</b>	<u>378,374</u>	<u>368,352</u>
<b>OPERATING LOSS</b>	<u>(335,180)</u>	<u>(324,134)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax revenue	289,112	313,063
Investment income	12,269	16,892
Interest income from investments held to pay capital lease/leaseback	13,458	16,422
Interest expense on capital lease/leaseback	(13,458)	(16,422)
Street improvements for member cities	(23)	(664)
Interest and financing expenses	(31,794)	(25,889)
Other non-operating revenues	9,183	13,238
Other non-operating expenses	(1,285)	(3,182)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>277,462</u>	<u>313,458</u>
<b>(LOSS) BEFORE CAPITAL CONTRIBUTIONS, GRANTS AND REIMBURSEMENTS</b>	<u>(57,718)</u>	<u>(10,676)</u>
<b>CAPITAL CONTRIBUTIONS, GRANTS AND REIMBURSEMENTS</b>		
Federal capital contributions	94,436	118,677
Local capital contributions	1,268	
Total capital contributions	<u>95,704</u>	<u>118,677</u>
Federal grants and reimbursements	1,172	41,178
<b>TOTAL CAPITAL CONTRIBUTIONS, GRANTS AND REIMBURSEMENTS</b>	<u>96,876</u>	<u>159,855</u>
<b>CHANGE IN NET ASSETS</b>	39,158	149,179
<b>TOTAL NET ASSETS – BEGINNING OF THE PERIOD</b>	<u>2,225,832</u>	<u>2,093,675</u>
<b>TOTAL NET ASSETS – END OF THE PERIOD</b>	<u>\$2,264,990</u>	<u>\$2,242,854</u>

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

For the nine months ended June 30, 2009 and 2008 (Dollars in Thousands)

	2009 Unaudited	2008 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$41,740	\$44,534
Payments to suppliers of goods and services	(85,997)	(95,022)
Payments to purchased transportation service providers	(35,776)	(32,574)
Payments to employees	(132,323)	(125,234)
Benefit payments	(46,936)	(46,217)
NET CASH USED BY OPERATING ACTIVITIES	<u>(259,292)</u>	<u>(254,513)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax proceeds	289,649	305,593
Federal grants and reimbursements	1,366	41,178
Other non-operating receipts	9,769	10,380
Other non-operating payments	(1,259)	(877)
Local Assistance Program and street improvements	(3,407)	(664)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>296,118</u>	<u>355,610</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	14,106	16,640
Proceeds from sales and maturity of investments	666,198	1,133,567
Purchase of investments	(577,283)	(1,220,384)
Increase in restricted assets	(740,072)	(360,091)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(637,051)</u>	<u>(430,268)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(628,016)	(355,962)
Proceeds from the issuance of commercial paper notes	170,000	180,000
Principal payment on commercial paper notes	(40,000)	(350,000)
Proceeds from the issuance of sales tax revenues bonds	1,014,152	755,343
Principal payment on sales tax revenue bonds	(14,295)	(13,680)
Interest and financing expenses	(50,629)	(38,510)
Payment of debt issuance costs	(9,418)	(5,277)
Federal capital contributions	93,799	118,806
Proceeds from sale of assets	420	1,007
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>536,013</u>	<u>291,727</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(64,212)	(37,444)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>120,883</u>	<u>122,858</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$56,671</u>	<u>\$85,414</u>

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

For the nine months ended June 30, 2009 and 2008 (Dollars in Thousands)

	2009 Unaudited	2008 Unaudited
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(335,180)	\$(324,134)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	90,459	87,063
Changes in assets and liabilities		
(Increase) decrease in transit receivable	(1,330)	316
Increase in materials and supplies inventory	(631)	(1,417)
Increase in prepaid expenses and other current assets	(1,164)	(2,969)
Increase in pension assets	(329)	(231)
Decrease in accounts payable and accrued liabilities	(12,250)	(14,626)
Increase in other current liabilities	1,133	1,485
NET CASH USED BY OPERATING ACTIVITIES	<u>\$259,292</u>	<u>\$(254,513)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	13,458	\$16,422
Interest expense on capital lease/leaseback	(13,458)	(16,422)
Payment of capital lease/leaseback obligation by trustee	(135,384)	(48,278)
Toll credits received from the State of Texas	25	2,305
Increase (decrease) in the fair value of investments	1,985	(739)
NET NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES	<u>\$(133,374)</u>	<u>\$46,712</u>