

DALLAS AREA RAPID TRANSIT

**Quarterly Disclosure Update
for the six-month period ended March 31, 2012**

This Quarterly Disclosure Update supplements the information contained in our 2012 Annual Disclosure Statement dated March 6, 2012 (the 2012 Annual Disclosure Statement) and our Quarterly Disclosure Update for the three-month period ending December 31, 2011 dated April 24, 2012 that has been filed as a public record with the Municipal Securities Rulemaking Board's website at www.emma.msrb.org, and is posted on the Internet at our website, www.dart.org. You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Executive Vice President/Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our 2012 Annual Disclosure Statement dated March 6, 2012 and our Quarterly Disclosure Update for the three-month period ending December 31, 2011 dated April 24, 2012. 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 2012 Annual Disclosure Statement. See, 2012 Annual Disclosure Statement, Appendix B, "SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION."

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

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the six-month period ended March 31 2012 .

YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE 2012 ANNUAL DISCLOSURE STATEMENT.**FORWARD-LOOKING STATEMENTS**

We make "forward-looking statements" in the 2012 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: June 26, 2012

QUARTERLY DISCLOSURE UPDATE

The 2012 Annual Disclosure Statement dated March 6, 2012 and Quarterly Disclosure Update dated April 24, 2012, are updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2011, are attached as Appendix A to the 2012 Annual Disclosure Statement. An unaudited statement of our principal accounts for the six-month period ended March 31, 2012 and March 31, 2011 is 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 six-month period ended March 31, 2012, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this six-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding Second Quarter Financial Information

DART's unaudited financial statements for the six-month period ended March 31, 2012, and March 31, 2012, show sales tax revenues as \$212.8 million and \$196.7 million, respectively, which indicates an increase of 8.2%. Our operating results for the six-month period ended March 31, 2012 reflect an operating loss of \$277.8 million, compared to an operating loss of \$268.0 million for the six-month period ended March 31, 2011. This was primarily due to increased costs in depreciation and amortization mainly due to the opening and operation of the Green Line extension to DART's light rail system. The overall result for the six-month period ended March 31, 2012 shows a decrease in net assets of \$100.0 million since September 30, 2011.

DART maintains various cash reserves including a Financial Reserve Account that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve exceed \$50 million, excess funds are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Reserves, and the funds may be used for any purpose approved by the Board. For Fiscal Year (FY) 2011, our sales tax receipts exceeded our sales tax budget by \$8.5 million. Our Financial Standards required us to move any overages to the Financial Reserve Account. These funds were moved in December 2011 and the balance in the Financial Reserve Account as of March 31, 2012 was \$31.7 million and the balance in the Capital Reserve Account was \$0. As of March 31, 2012, the Operating Fund balance was \$692.8 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

Financial Outlook

The Dallas/Fort Worth economy grew at a modest pace. Our FY 2012 Twenty-Year Financial Plan that reflects a return to calmer waters after the stormy economic seas that we have weathered in the past several years. During FY 2011, revenues remained at or above the revised forecasts, and our current Budget and Financial Plan represent a program of "staying on track." DART's FY 2012 Twenty-Year Financial Plan shows limited changes from the 2011 Plan. All light rail build-out projects remain on the same schedules, and all projected future service levels remain intact. This is comforting after several years of financial uncertainty.

Litigation

No significant changes have occurred in the status of pending litigation involving DART since the date of the 2012 Annual Disclosure Statement. Accruals and estimated losses on claims that are asserted in pending litigation, if any, are included in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the 2012 Annual Disclosure Statement. See, 2012 Annual Disclosure Statement, "LITIGATION."

This Quarterly Disclosure Update, in substantially the form and content presented above and in its Exhibit, was approved by the Board of Directors of DART on June 24, 2012.

ATTEST:

/s/John Danish
Chairman, Board of Directors

/s/ Scott Carlson
Secretary, Board of Directors

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

Exhibit A

**Unaudited Statement of Principal Accounts
for the six-month period ended March 31, 2012**

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

March 31, 2012 and September 30, 2011 (Dollars in Thousands)

	3/31/2012 Unaudited	9/30/2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 70,367	\$ 116,477
Investments	657,682	677,801
Derivative instrument asset	3,490	5,480
Sales and use tax receivable	70,600	68,114
Transit revenue receivable, net	1,836	2,563
Due from federal and other governments	17,618	20,306
Materials and supplies inventory, net	28,307	27,381
Prepaid transit expense and other	7,768	2,483
Restricted investments held by trustee for debt service	64,541	65,375
Restricted investments held for advance funding agreements	11,292	11,921
Restricted investments held to pay capital lease/leaseback liabilities	76,762	55,762
TOTAL CURRENT ASSETS	1,010,263	1,053,663
NONCURRENT ASSETS		
Investments restricted for system expansion and acquisition	228,494	354,274
Restricted Investments held as security for capital lease/leaseback liabilities	10,668	10,766
Investment in joint venture	23,533	24,190
Capital assets		
Land and rights-of-way	548,905	548,904
Depreciable capital assets, net of depreciation	3,279,995	3,367,054
Projects in progress	972,193	859,872
Restricted investments held to pay capital lease/leaseback liabilities	211,040	268,141
Net pension asset	6,108	6,485
Unamortized bond issue costs and other	22,075	22,677
TOTAL NONCURRENT ASSETS	5,303,011	5,462,363
TOTAL ASSETS	6,313,274	6,516,026
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	58,879	93,415
Commercial paper notes payable	150,000	150,000
Current portion of capital lease/leaseback liabilities	76,762	55,762
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	5,170	13,370
Retainage payable	39,799	55,666
Unearned revenue and other liabilities	39,471	35,194
Accrued interest payable from restricted assets	57,871	58,037
Current portion of senior lien sales tax revenue bonds payable	6,740	8,370
Deferred inflows of resources	3,490	5,480
TOTAL CURRENT LIABILITIES	439,006	476,118
NONCURRENT LIABILITIES		
Accrued liabilities	31,188	30,217
Repayment due to State Comptroller	11,458	11,871
Senior lien sales tax revenue bonds payable	3,346,922	3,356,068
Capital lease/leaseback liabilities	211,040	268,141
TOTAL NONCURRENT LIABILITIES	3,600,608	3,666,297
TOTAL LIABILITIES	4,039,614	4,142,415
NET ASSETS		
Invested in capital assets, net of related debt	1,477,905	1,515,210
Restricted for debt service	6,670	7,338
Restricted as security for capital lease/leaseback liabilities	10,668	10,766
Unrestricted	778,417	840,297
TOTAL NET ASSETS	\$2,273,660	\$2,373,611

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

For the six months ended March 31, 2012 and 2011 (Dollars in Thousands)

	2012 Unaudited	2011 Unaudited
OPERATING REVENUES		
Passenger revenues	\$ 30,227	\$ 28,005
Advertising, rent, and other	6,177	5,662
TOTAL OPERATING REVENUES	<u>36,404</u>	<u>33,667</u>
OPERATING EXPENSES		
Labor	98,200	99,354
Benefits	44,666	44,025
Services	12,565	14,925
Materials and supplies	23,738	23,572
Purchased transportation	27,533	26,111
Depreciation and amortization	94,514	81,575
Utilities	8,701	7,748
Taxes, leases, and other	2,455	2,508
Casualty and liability	1,801	1,852
TOTAL OPERATING EXPENSES	<u>314,173</u>	<u>301,670</u>
NET OPERATING LOSS	<u>(277,769)</u>	<u>(268,003)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	212,819	196,684
Investment income	3,357	1,755
Interest income from investments held to pay capital lease/leaseback	11,155	11,473
Interest expense on capital lease/leaseback	(11,155)	(11,473)
Street improvements	(2,136)	(95)
Interest and financing expenses	(67,586)	(57,689)
Build America Bonds tax credit	15,231	15,019
Other non-operating revenues	4,896	7,568
Other non-operating expenses	(1,060)	(3,260)
NET NON-OPERATING REVENUES	<u>165,521</u>	<u>159,982</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(112,248)</u>	<u>(108,021)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	8,444	26,095
State capital contributions	19	503
Local capital contributions	2,098	927
Total capital contributions	<u>10,561</u>	<u>27,525</u>
Other federal grants	1,736	1,186
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>12,297</u>	<u>28,711</u>
CHANGE IN NET ASSETS	(99,951)	(79,310)
TOTAL NET ASSETS – BEGINNING OF YEAR	<u>2,373,611</u>	<u>2,445,494</u>
TOTAL NET ASSETS – END OF THE SIX MONTHS PERIOD	<u>\$2,273,660</u>	<u>\$2,366,184</u>

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

For the six months ended March 31, 2012 and 2011 (Dollars in Thousands)

	2012 Unaudited	2011 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 40,935	\$ 34,823
Cash flows from other sources	5,641	5,228
Payments to suppliers of goods and services	(55,915)	(55,775)
Payments to purchased transportation service providers	(26,282)	(25,613)
Payments to employees	(98,600)	(99,849)
Benefit payments on behalf of employees	(42,192)	(38,769)
NET CASH USED BY OPERATING ACTIVITIES	<u>(176,413)</u>	<u>(179,955)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax proceeds	209,921	195,389
Other federal grants	2,423	1,196
Build America Bonds tax credit	15,231	10,777
Other non-capital financing receipts	883	6,178
Other non-capital financing payments	(96)	(209)
Local Assistance Program and street improvements	(10,179)	(95)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>218,183</u>	<u>213,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,425	4,700
Proceeds from sales and maturity of investments	562,491	516,650
Purchase of investments	(541,535)	(528,145)
(Increase) decrease in restricted assets	127,341	(434,237)
NET CASH (USED) GENERATED BY INVESTING ACTIVITIES	<u>150,722</u>	<u>(441,032)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(152,514)	(297,711)
Proceeds from the issuance of commercial paper notes	555,000	450,000
Payment on commercial paper notes	(555,000)	(450,000)
Proceeds from the issuance revenue bonds		839,531
Payments for advance refunding revenue bonds		(110,410)
Principal payment on revenue bonds	(8,370)	(18,790)
Interest and financing expenses	(88,474)	(47,243)
Payments of bond issuance costs		(4,949)
Federal capital contributions	8,482	27,711
Local capital contribution	2,159	
Proceeds from the sale of capital assets	115	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(238,602)</u>	<u>388,139</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,110)	(19,612)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>116,477</u>	<u>141,419</u>
CASH AND CASH EQUIVALENTS, END OF THE SIX MONTHS PERIOD	<u>\$ 70,367</u>	<u>\$ 121,807</u>

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

For the six months ended March 31, 2012 and 2011 (Dollars in Thousands)

	2012 Unaudited	2011 Unaudited
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(277,768)	\$(268,003)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	94,514	81,575
Other non-operating revenues	5,641	5,228
Other non-operating expenses	(926)	(2,933)
Changes in assets and liabilities		
Decrease in receivables	5,545	(1,968)
Increase (decrease) in materials and supplies inventory	(926)	(230)
(Increase) decrease in prepaid expenses and other current assets	(5,179)	(1,955)
(Increase) decrease in net pension assets	378	(450)
Increase(decrease) in accounts payable and accrued liabilities	3,149	2,013
Increase in other current liabilities	3,877	6,768
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(176,314)</u>	<u>\$(179,955)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$11,155	\$11,473
Interest expense on capital lease/leaseback	(11,155)	(11,473)
Increase in capital lease/leaseback obligations	36,101	9,333
Decrease in investments held to pay capital lease/leaseback	(36,101)	(9,333)
Toll credits received from the State of Texas	35	184
Toll credits recorded as non-operating expense	(35)	(184)
Increase (decrease) in fair value of investments	784	(2,306)
Amortization of premium, discount and debt issuance costs	(1,816)	(974)