SUPPLEMENTAL OFFICIAL STATEMENT
November 8, 2012

Ratings:
S&P: AA+
Moody's: Aa2

SEE "RATINGS OF BONDS" HEREIN

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of Co-Bond Counsel, under existing law interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes and the Series 2012 Bonds are not "private activity bonds." See "TAX MATTERS" herein for a discussion of the opinions of Co-Bond Counsel, including a description of alternative minimum tax consequences for corporations.

$127,775,000
Dallas Area Rapid Transit
Senior Lien Sales Tax Revenue Bonds
Series 2012

Dated: Date of Delivery **Due: December 1, as shown on inside cover**

This Supplemental Official Statement supplements our 2012 Annual Disclosure Statement dated March 13, 2012 (attached as Appendix B), as updated by our Quarterly Disclosure Update for the Nine-Month Period Ended June 30, 2012, dated September 11, 2012 (attached as Appendix C). Collectively, these documents constitute the Official Statement for the Senior Lien Sales Tax Revenue Bonds, Series 2012, offered hereby and are referred to herein collectively as the or this "Official Statement." The 2012 Annual Disclosure Statement and the Quarterly Disclosure Update and this Supplemental Official Statement have been filed as public records with the Municipal Securities Rulemaking Board and are posted on the Internet at our website at http://www.dart.org/debtdocuments investorinformation.asp.

> You should carefully consider the Investment Considerations beginning on page S-15 of this Supplemental Official Statement and on page 19 of the 2012 Annual Disclosure Statement.

The Bonds – Dallas Area Rapid Transit (the "*Issuer*") is issuing and offering for sale, at a negotiated sale, $127,775,000 in principal amount of our Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2012 (the "*Series 2012 Bonds*" *or the "Bonds"*). Proceeds of the Series 2012 Bonds, together with other funds of DART, if any, will be used to refund the Issuer's Senior Subordinate Lien Commercial Paper Notes, Series 2001 (the "*Refunded Commercial Paper Notes*") and to pay some or all of the costs of issuance of the Series 2012 Bonds.

Security for the Bonds - Lien Ranking – As authorized under the provisions of our Master Debt Resolution, adopted January 23, 2001 (as amended and supplemented from time to time, the "*Master Debt Resolution*"), we have previously issued various series of our Senior Lien Obligations of which $3,290,060,000 are currently outstanding. The Bonds are being issued, subject to certain conditions described in the Master Debt Resolution, as Additional Senior Lien Obligations under the Master Debt Resolution on a parity with the outstanding Senior Lien Obligations and any other Additional Senior Lien Obligations that are subsequently issued. See "THE BONDS-Compliance with Financial Tests for the Issuance of Additional Senior Lien Obligations." The Bonds are payable from and are secured by a first lien on the (i) Gross Sales Tax Revenues, (ii) Pledged Farebox Revenues, (iii) Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund and (iv) investment earnings credited to the Gross Sales Tax Revenue Fund. See, the 2012 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

Delivery, Legality – The Bonds are offered, when, as and if issued by DART and accepted by the Underwriters, subject, among other things, to the approval of the initial Bond by the Attorney General of the State of Texas and the approval of certain legal matters by Bracewell & Giuliani LLP, Dallas, Texas and West & Associates L.L.P., Dallas, Texas ("*Co-Bond Counsel*"). Certain legal matters will be passed on for the Underwriters by their co-counsel, Mahomes Bolden PC, Dallas, Texas, and McCall, Parkhurst & Horton L.L.P., Dallas, Texas ("*Co-Underwriters' Counsel*"). Delivery of the Bonds is expected through the facilities of The Depository Trust Company ("*DTC*") on or about November 15, 2012.

LOOP CAPITAL MARKETS

M. R. BEAL & COMPANY **RAMIREZ & CO., INC.** **SIEBERT BRANDFORD SHANK & CO., L.L.C.**

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 June 1, 2013 (each an "*Interest Payment Date*"), at the rates set forth below. The Bonds mature on December 1 of each year (the "*Stated Maturity Dates*") in the principal amounts and bear interest at the per annum rates shown below:

$127,775,000
Dallas Area Rapid Transit
Senior Lien Sales Tax Revenue Bonds
Series 2012

$92,040,000 Serial Bonds

CUSIP Prefix: 235241[1]

Maturity	Amount	Rate	Yield	CUSIPs[1]	Maturity	Amount	Rate	Yield	CUSIPs[1]
2013	$2,125,000	1.000%	0.229%	MN3	2026	$3,610,000	5.000%	2.280%[2]	NB8
2014	2,170,000	3.000%	0.360%	MP8	2027	3,795,000	5.000%	2.340%[2]	NC6
2015	2,245,000	4.000%	0.510%	MQ6	2028	3,990,000	5.000%	2.400%[2]	ND4
2016	2,335,000	4.000%	0.640%	MR4	2029	4,195,000	5.000%	2.460%[2]	NE2
2017	2,410,000	2.000%	0.810%	MS2	2030	4,410,000	5.000%	2.510%[2]	NF9
2018	2,495,000	5.000%	0.950%	MT0	2031	4,635,000	5.000%	2.570%[2]	NG7
2019	2,620,000	5.000%	1.160%	MU7	2032	4,825,000	3.000%	3.050%	NH5
2020	2,745,000	4.000%	1.410%	MV5	2033	5,025,000	5.000%	2.710%[2]	NM4
2021	2,840,000	3.000%	1.670%	MW3	2034	5,280,000	5.000%	2.760%[2]	NK8
2022	2,955,000	5.000%	1.870%	MX1	2035	5,550,000	5.000%	2.840%[2]	NN2
2023	3,110,000	5.000%	2.010%[2]	MY9	2036	5,835,000	5.000%	2.910%[2]	NP7
2024	3,270,000	5.000%	2.110%[2]	MZ6	2037	6,135,000	5.000%	2.950%[2]	NL6
2025	3,435,000	5.000%	2.210%[2]	NA0					

$35,735,000 5.000% Term Bonds due December 1, 2042 Priced to Yield 2.990%[2] CUSIP No. 235241NJ1[1]

The Series 2012 Bonds are subject to optional and mandatory redemption as described herein. See "THE BONDS—Redemption Provisions—*Optional Redemption of Series 2012 Bonds*" and "THE BONDS—Redemption Provisions—*Mandatory Redemption of Series 2012 Bonds*."

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of DART, the financial advisor, or the underwriters shall be responsible for the selection or the correctness of the CUSIP numbers set forth herein.

(2) Yield to optional call date, December 1, 2022.

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SUPPLEMENTAL OFFICIAL STATEMENT

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 B to the 2012 Annual Disclosure Statement or the Eighth Supplemental Debt Resolution (defined below).

We are providing information to you about the Bonds in three separate documents: (1) the 2012 Annual Disclosure Statement dated March 13, 2012 (attached hereto as Appendix B), (2) the Quarterly Disclosure Update for the Nine-Month Period Ended June 30, 2012, dated September 11, 2012 (attached hereto as Appendix C), both of which provide general information about DART (some of which may not apply to the Bonds) and (3) this Supplemental Official Statement, which describes the specific terms of the Bonds. **All references herein to the "Disclosure Statement" mean the 2012 Annual Disclosure Statement, as updated by the Quarterly Disclosure Update.**

Our Disclosure Statement includes a detailed discussion of the Sales Tax and the Gross Sales Tax Revenues and the Pledged Farebox Revenue that we have pledged as security for the Bonds, the previously issued Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2002 (the "*2002 Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 (the "*2007 Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2008 (the "*2008 Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2009A (the "*2009A Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "*2009B Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2010A (the *"2010A Bonds"*), and the Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the *"Series 2010B Bonds,"* and together with the 2002 Bonds, the 2007 Bonds, the 2008 Bonds, the 2009A Bonds, the 2009B Bonds and the 2010A Bonds, the "*Prior 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.

In making an investment decision regarding the Bonds, you should rely only on the information contained or incorporated by reference in this Supplemental 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 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 2012 Annual Disclosure Statement provide information only as of September 30, 2011 and 2010 and the fiscal years then ended. The financial data as of and for the periods ended June 30, 2012 has been derived from the unaudited internal records of DART. DART's independent auditors have not compiled, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with, the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

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, and amended on October 25, 2005 (as amended, the "*First Supplemental Debt Resolution*"), the Second Supplemental Debt Resolution (that authorized our 2001 Bonds) adopted on July 10, 2001 (the "*Second Supplemental Debt Resolution*"), the Third Supplemental Debt Resolution (that authorized our Outstanding 2002 Bonds) adopted on July 9, 2002 (the "*Third Supplemental Debt Resolution*"), the Fourth Supplemental Debt Resolution (that authorized our Outstanding 2007 Bonds) adopted on January 23, 2007 (the "*Fourth Supplemental Debt Resolution*"), the Fifth Supplemental Debt Resolution (that authorized our Outstanding 2008 Bonds) adopted on May 27, 2008 (the "*Fifth Supplemental Debt Resolution*"), the Amended and Restated Sixth Supplemental Debt Resolution (that authorized our Outstanding 2009A Bonds and 2009B Bonds) adopted on May 26, 2009 (the "*Sixth Supplemental Debt*

Resolution") and the Seventh Supplemental Debt Resolution, adopted on September 14, 2010 (the "*Seventh Supplemental Debt Resolution*") (that authorized our Outstanding 2010A Bonds and 2010B Bonds) and the Eighth Supplemental Debt Resolution adopted on April 24, 2012 (the *"Eighth Supplemental Debt Resolution"*) (that authorized the issuance of the Bonds), from the Municipal Securities Rulemaking Board, 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: Executive Vice President/Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148. Descriptions and summaries of such documents contained herein are qualified in their entirety by reference to this Supplemental Official Statement in its entirety and to each such document.

We have not authorized any person to give any information or to make any representation other than as contained in this Supplemental Official Statement, and, if given or made, such other information or representation may not be relied upon. This Supplemental 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 Supplemental Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used for any other purpose. In no instance may this Supplemental Official Statement be reproduced or used in part.

Certain information set forth in this Supplemental Official Statement and the Disclosure Statement has been furnished by DART and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Supplemental Official Statement. The Underwriters have reviewed the information in this Supplemental Official Statement and the Disclosure 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.

This Supplemental Official Statement and the Disclosure Statement are intended to reflect facts and circumstances on the date of such statements or on such other date or at such other time as identified herein or therein. No assurance can be given that such information may not be misleading at a later date; consequently, reliance on this Supplemental Official Statement and the Disclosure Statement at times subsequent to the issuance of the Bonds described herein or therein should not be made on the assumption that any such facts or circumstances are unchanged.

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

The following general information about DART is a summary only and is not intended to be comprehensive. This information should be read together with the information in the 2012 Annual Disclosure Statement under the heading "INFORMATION ABOUT DART."

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 County, Texas, and our boundaries include approximately 880 square miles and a population of approximately 2.3 million persons, as of January 1, 2012, according to information obtained from the North Central Texas Council of Governments.

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 2012 Annual Disclosure Statement, "INFORMATION ABOUT DART—DART's Boundaries, Additions, Withdrawal Rights."

Sources of Revenue

Our sources of revenue generally include the proceeds of a 1% sales and use tax levied on taxable items sold within the boundaries of our service area (the "*Sales Tax*"); the revenues from the operation of our public transportation system, including collection of farebox revenues; deposits of the Federal Interest Subsidy payments; and investment earnings. See the 2012 Annual Disclosure Statement, "DART'S FINANCIAL PRACTICES AND RESOURCES" and "THE BONDS – Security for Bonds" herein.

Previously Issued Debt

Our currently Outstanding Bond Obligations consist of: (i) our Commercial Paper Notes that as of the date hereof are Outstanding in the principal amount of $150,000,000 all of which will be refunded with a portion of the proceeds of the Series 2012 Bonds, (ii) our 2002 Bonds that as of the date hereof are Outstanding in the principal amount of $1,000,000, (iii) our 2007 Bonds that as of the date hereof are Outstanding in the principal amount of $745,895,000, (iv) our 2008 Bonds that as of the date hereof are Outstanding in the principal amount of $718,540,000, (v) our 2009A Bonds that as of the date hereof are Outstanding in the principal amount of $170,385,000, (vi) our 2009B Bonds that as of the date hereof are Outstanding in the principal amount of $829,615,000, (vii) our 2010A Bonds that as of the date hereof are Outstanding in the principal amount of $95,235,000, and (viii) our 2010B Bonds that as of the date hereof are Outstanding in the principal amount of $729,390,000. Upon completion of the offering and sale of the Bonds and the application of the proceeds thereof, we will have refunded all of the $150,000,000 in principal amount of the Commercial Paper Notes and such Commercial Paper Notes will no longer be outstanding.

Pending Debt Issuance

DART is currently negotiating a privately placed bond (the "TIFIA Bond") of approximately $120 million with the U.S. Department of Transportation under the Transportation Infrastructure Finance and Innovation Act ("TIFIA"). The TIFIA Bond will be an Additional Senior Lien Obligation under the Master Debt Resolution and is, therefore, subject to the additional bonds tests. The TIFIA Bond is expected to have a 35-year maturity. DART expects to issue the TIFIA Bond before the end of 2012.

DART anticipates issuing in the future other commercial paper notes as Senior Subordinate Lien Obligations.

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 Master Debt Resolution provided in Appendix B to the 2012 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION."

General Description

The Bonds represent Additional Senior Lien Obligations we are authorized to issue by the laws of the State of Texas, particularly Chapters 1207, Texas Government Code, as amended, and Chapter 452, Texas Transportation Code, as amended, and Section 3.2 of the Master Debt Resolution, as supplemented by the Eighth Supplemental Debt Resolution. The Bonds will be issued in the form of an Initial Bond in the denomination and principal amount of such Bonds. 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.

Designation of 2009B and 2010B Bonds as Build America Bonds; Receipt of Federal Interest Subsidy

The 2009B Bonds and the 2010B Bonds were designated as "Build America Bonds" (collectively, the "*Build America Bonds*") for purposes of the American Recovery and Reinvestment Act of 2009 (the "*Recovery Act*") and we are, therefore, eligible to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, we have been receiving and expect to continue to receive cash subsidy payments (the "*Federal Interest Subsidy*") from the United States Treasury equal to 35% of the interest payable on the Build America Bonds.

We have covenanted and agreed in the Sixth and Seventh Supplemental Debt Resolutions to deposit the Federal Interest Subsidy, promptly upon receipt, to the Senior Lien Debt Service Fund. We have further covenanted and agreed to take all actions required by law and applicable regulations as necessary to provide for the collection of the Federal Interest Subsidy.

No assurance can be given that the Federal Interest Subsidy will be received by us. The amount of any subsidy is subject to legislative changes by Congress. If we fail to comply with the conditions of the United States Treasury for the continued receipt of the Federal Interest Subsidy payments, we may no longer receive the Federal Interest Subsidy Payments and could be subject to a claim for return of previously received payments. Also, Federal Interest Subsidy payments may be subject to offset against certain amounts that may, for unrelated reasons, be owed by us to an agency of the United States of America.

Possible Reduction in Federal Interest Subsidy Payments Due to Sequestration

Reductions in Federal Interest Subsidy payments to issuers of Build America Bonds ("*BABs*") and other direct-pay bonds may be made if $1.2 trillion of across-the-board budget cuts are required to be made to the federal budget for fiscal year 2013 under the Congressionally-mandated sequestration process, according to a report (the "*OMB Report*") the Office of Management and Budget sent to Congress on Friday, September 14, 2012. The OMB Report shows a 7.6% reduction in the amount of Federal Subsidies currently received by many governmental entities across the nation, including DART, for federal fiscal year 2013. DART currently receives approximately $30.5 million in Federal Interest Subsidy payments with respect to the 2009B Bonds and 2010B Bonds. The proposed reduction would be less than $2.4 million. DART believes that a reduction of this size, while undesirable, will not have a significant impact on our ability to meet debt service requirements.

Compliance with Financial Tests for the Issuance of Additional Senior Lien Obligations

The financial tests for the issuance of Additional Senior Lien Obligations described in this section, in the 2012 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests," and in Appendix B to the 2012 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—PERMITTED DART INDEBTEDNESS—Additional Senior Lien Obligations" have been changed as described below under "Amendment to Master Debt Resolution."

In accordance with the requirements of Section 3.2 of the Master Debt Resolution, on the date of delivery of the Bonds, we will provide the Trustee with a certificate executed by our Chief Financial Officer certifying and demonstrating that: (i)(a) estimated Gross Sales Tax Revenues for each of the three consecutive Fiscal Years beginning with the First Fiscal Year in which Debt Service with respect to the Bonds is due, are equal to at least 200% of the Debt Service that will be due on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such three consecutive Fiscal Years after taking into consideration any additional Debt Service to be paid during such period with respect to the Bonds (exclusive of amounts payable on Credit Agreement Obligations) or (b) for either the most recent complete Fiscal Year, or for any consecutive 12 of the most recent 18 months, the Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service on or with respect to all Outstanding Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) scheduled to be paid during the current or any future Fiscal Year, including maximum Debt Service during any future Fiscal Year on the Bonds; and (ii) our estimated Gross Sales Tax Revenues, during each of three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the Bonds, will be sufficient to pay all Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) and all Subordinate Lien Obligations during such three Fiscal Years (exclusive of amounts payable on Credit Agreement Obligations).

The Revolving Credit Agreement currently in effect with respect to the Refunded Commercial Notes will terminate concurrently with the delivery of the Bonds and the refunding of the Refunded Commercial Paper Notes. Therefore, DART is not required to comply with any financial tests that would have been required under such agreement. See, the 2012 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests."

Amendment to Master Debt Resolution

In the Sixth Supplemental Debt Resolution, the Board approved a certain amendment (the "Amendment") to the Master Debt Resolution described in this section. DART obtained the consents necessary for the Amendment to become effective, and the Amendment became effective on February 11, 2011.

The following is a summary of the Amendment:

- The Debt Service required to be calculated for a particular series of Obligations pursuant to the financial tests set forth in subsections (b)(iii) and (b)(iv) of Section 3.2 of the Master Debt Resolution will be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations, if such amounts are, at the time of calculation, required to be deposited to the debt service fund for such Obligations. The effect of this amendment is to permit DART to take into account Federal Interest Subsidy payments in calculating DART's Debt Service for purposes of meeting its financial coverage tests for the issuance of additional

Obligations. For a description of the financial tests set forth in the Master Debt Resolution, see "THE BONDS-Compliance with Financial Tests for the Issuance of Additional Senior Lien Obligations" and the 2012 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Preconditions to Issuance of Bond Obligations—Financial Coverage Tests."

Principal Installments, Interest Rates

The Bonds will mature on the dates, in the principal amounts and will bear interest at the rates per annum stated on the inside cover page of this Supplemental Official Statement. Interest on the Bonds 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 June 1, 2013. 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.

Security for Bonds

The Bonds are payable from and are secured by a first lien on the (i) Gross Sales Tax Revenues, (ii) Pledged Farebox Revenues, (iii) the Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (iv) investment earnings credited to the Gross Sales Tax Revenue Fund. See, the 2012 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds." This lien is senior to the lien on Pledged Revenues that is created in the Master Debt Resolution in favor of all Subordinate Lien Obligations. To secure our obligations to pay compensation to, to reimburse the expenses and costs of and to indemnify the Trustee, the Trustee has a lien on Pledged Revenues prior to the Senior Lien Obligations. During the continuance of an Event of Default, the Trustee will apply all money, investments and the income therefrom that are on deposit in the Senior Lien Debt Service Fund first to the payment of Administrative Expenses owed on or with respect to the Senior Lien Obligations. For additional information regarding the Sales Tax and Gross Sales Tax Revenues, see the 2012 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

THE BONDS AND OUR OUTSTANDING BOND OBLIGATIONS ARE PAYABLE SOLELY FROM THE PLEDGED REVENUES AND THE PLEDGED FUNDS CREATED UNDER THE MASTER DEBT RESOLUTION AND THE EIGHTH SUPPLEMENTAL DEBT RESOLUTION, AND NEITHER THE STATE, THE CITY OF DALLAS (THE "CITY"), A PARTICIPATING MUNICIPALITY, NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE WILL BE OBLIGATED TO PAY THE SAME OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, A PARTICIPATING MUNICIPALITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS OR OUR OUTSTANDING BOND OBLIGATIONS. NEITHER THE BONDS, OUR OUTSTANDING BOND OBLIGATIONS, NOR ANY INSTRUMENT RELATED TO SUCH BONDS MAY GIVE A BONDHOLDER A RIGHT TO DEMAND PAYMENT FROM TAX PROCEEDS IN EXCESS OF THOSE COLLECTED FROM THE SALES TAX IMPOSED BY DART PURSUANT TO THE ACT. THE OWNERS OF THE BONDS DO NOT HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS OUT OF ANY FUNDS RAISED OR TO BE RAISED BY AD VALOREM TAXATION.

Pledge of Pledged Farebox Revenues to Obligations Pursuant to Seventh Supplemental Debt Resolution

The Master Debt Resolution provides that DART may, pursuant to a supplemental resolution, subject additional revenues to the lien and pledge of the Master Debt Resolution. Pursuant to the provisions of the Seventh Supplemental Debt Resolution, DART pledged the Pledged Farebox Revenues as security for all of the Obligations, including the Prior Bonds, the Bonds and any Additional Senior Lien Obligations. Pledged Farebox Revenues are limited, with respect to each Debt Service Accrual Period, to the fares collected by DART for its bus, rail and paratransit services in an amount equal to the Accrued Aggregate Debt Service applicable to the 2010B Bonds after deducting the Federal Interest Subsidy payments accrued during such Debt Service Accrual Period. The Pledged Farebox Revenues are subject to the lien and pledge of the Master Debt Resolution for the benefit of holders of all outstanding Obligations, and are additional funds constituting Pledged Revenues. DART has covenanted and agreed that on each day on which the Trustee receives Gross Sales Tax Revenues as provided in the Master Debt Resolution, to the extent such Gross Sales Tax Revenues are insufficient to fully fund all of the transfers and deposits required to be made pursuant to Section 5.3(a) of the Master Debt Resolution, to transfer to the Trustee an amount of Pledged Farebox Revenues sufficient to fund such deficiency or, if Pledged Farebox Revenues are not sufficient to fund such deficiency, continue to transfer Pledged Farebox Revenues to the Trustee immediately upon receipt thereof, until any deficiencies are fully funded. The Trustee shall deposit and transfer such Pledged Farebox Revenues to the funds and accounts and in the order of priority set forth in the Master Debt Resolution for deposit and credit of amounts on deposit in the Gross Sales Tax Revenue Fund. See the 2012 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 (defined below) 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, together with any other funds required to be transferred to the Trustee by DART, 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 the 2012 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 to make such payment then due, 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, the other Pledged Revenues and other funds required to be transferred to the Trustee by DART to the Senior Lien Debt Service Fund when and as received from the Comptroller or DART, respectively, until the Senior Lien Debt Service Fund has on deposit therein all current and past due amounts required to pay the Senior Lien Bonds. See "THE BONDS—Events of Default and Remedies," Appendix B to the 2012 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."

- Medium, Method and Place of Payment

Interest on the Bonds will be payable to the Holders whose names appear in the Obligation Register at the close of business on the 15th day of the month next preceding each Interest Payment Date (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 DART. 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 Obligation Register 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.

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 of the Paying Agent, initially in Houston, Texas. 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 DART and thereafter neither DART, 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. Notwithstanding any other provision of this Supplemental Official Statement, during any period in which the Bonds are held in book-entry-only form by The Depository Trust Company ("DTC"), 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.

Redemption Provisions

- Optional Redemption of Series 2012 Bonds

The Series 2012 Bonds maturing on and after December 1, 2023 are subject to redemption, in whole or in part, at our option on any day on and after December 1, 2022, at the redemption price equal to the principal amount of the Series 2012 Bonds to be redeemed plus accrued and unpaid interest to the redemption date, without premium.

- Mandatory Redemption of Series 2012 Bonds

The Series 2012 Bonds maturing on December 1, 2042 (the "*Series 2012 Term Bonds*") are subject to mandatory sinking fund redemption on December 1 in each of the years set forth below (the "*Series 2012 Mandatory Redemption Dates*"), at the redemption price equal to the principal amount of the Series 2012 Term Bonds to be redeemed, plus accrued and unpaid interest to the redemption date, without premium. Such required sinking fund installments as to each maturity are as follows:

SERIES 2012 TERM BONDS MATURING IN THE YEAR 2042

Mandatory Redemption Date	Principal Amount
2038	$6,450,000
2039	6,780,000
2040	7,130,000
2041	7,495,000
2042 (maturity)	7,880,000

We may reduce the principal amount of Series 2012 Term 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 Series 2012 Term 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 Series 2012 Term 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 for Series 2012 Bonds and not previously credited to a mandatory sinking fund redemption. The Paying Agent/Registrar will call by lot any Series 2012 Term Bonds (or portions thereof within a maturity) being redeemed by mandatory redemption.

- Partial Redemption of Bonds

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 redemption.

- Redemption Procedures for Bonds

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 must 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.

Registration, Transfer, Exchange and Replacement of Bonds

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 DART 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.

Events of Default and Remedies

Each of the following occurrences or events constitutes an "Event of Default" under the Master Debt Resolution:

(i) failure to timely pay any Debt Service on Bond Obligations;

(ii) failure to timely pay any Credit Agreement Obligations;

(iii) default in the performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in any of the Outstanding Resolutions, the failure of which materially and adversely affects the rights of the Holders, and the continuation thereof for a period of 30 days after written notice of such default;

(iv) issuing of an order by the Bankruptcy Court or a United States District Court or other court having jurisdiction, granting DART, in an involuntary proceeding, any relief under any applicable law relating to bankruptcy or providing for the appointment of a receiver or other similar official for DART or any substantial part of its property, affairs or assets, and the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or

(v) DART institutes or consents to the institution of insolvency or bankruptcy proceedings against it under any federal or state insolvency laws, or files or consents to the filing of any petition, application or complaint seeking the appointment of a receiver or other similar official for DART or of any substantial part of its property, affairs or assets.

Upon the happening and continuance of any of the Events of Default the Trustee is required to transfer future Gross Sales Tax Revenues and any other Pledged Revenues in the same order as if no Event of Default had occurred with the exception that Administrative Expenses owed with respect to the Senior Lien Obligations will be paid prior to the payment of interest and principal installments from the Senior Lien Debt Service Fund. Subject to certain restrictions on Holder's actions set forth in the Master Debt Resolution, a Credit Provider, a Bondholder Representative and/or a trustee representing not less than 25% in principal amount of Outstanding Bond Obligations, may proceed against DART to protect and enforce the rights of the Holders. No Holder has the right to seek appointment of a receiver or administrator of the affairs and assets of DART. There is no right to accelerate the maturity of any Obligation under the Master Debt Resolution.

Thirty days after a default is cured, DART will be restored to its former position under the Master Debt Resolution and any proceedings are required to be abandoned or dismissed.

During the continuance of an Event of Default, the Trustee will apply all amounts on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund at the time of the default or deposited to such funds after the default, respectively, as follows: (i) to the payment of Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations, or the Junior Subordinate Lien Obligations, respectively, and as applicable; and (ii) to the payment of Debt Service due on the Obligations that are payable from the money on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, or the Junior Subordinate Lien Debt Service Fund, respectively, and as applicable, in the following order:

(i) Unless the principal of all applicable Outstanding Obligations is due, first, to the payment of interest then due in the order of maturity of such interest installments, and, if the amount available is not sufficient to pay all interest amounts then due, then to the payment of interest ratably, according to the amounts due on such installment, without any discrimination or preference; and second, to the payment of principal or redemption price then due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay all of the applicable Obligations due on any date, then to the payment of principal or redemption price ratably, according to the amounts of principal due, without any discrimination or preference.

(ii) If the principal of all of the applicable Outstanding Obligations that are payable from a specific debt service fund is due, to the payment of the principal and interest then due and unpaid upon such Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

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SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2012 Bonds will be applied as follows:

SOURCES	
Par Amount of the Bonds	$127,775,000.00
Net Original Issue Premium	23,321,999.10
Issuer Contribution	10,571.57
Total Sources	$151,107,570.67

USES	
Refund Commercial Paper Notes	$150,010,571.57
Underwriters' Discount	566,161.92
Cost of Issuance*	530,837.18
Total Uses	$151,107,570.67

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* Includes rounding amount.

ANNUAL BOND DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required for the payment of principal, mandatory sinking fund redemptions, and interest on the outstanding Senior Lien Bonds and annual debt service requirements on the Bonds.

		The Bonds			
FYE 9/30	Existing Senior Lien Net Debt Service[1][2]	Principal	Interest	Total	Total Net Debt Service Requirements[1][2][3]
2013	$149,672,226	$ -	$3,245,706	$3,245,706	$152,917,931
2014	165,620,526	2,125,000	5,950,875	8,075,875	173,696,401
2015	184,495,376	2,170,000	5,907,700	8,077,700	192,573,076
2016	184,497,476	2,245,000	5,830,250	8,075,250	192,572,726
2017	184,497,376	2,335,000	5,738,650	8,073,650	192,571,026
2018	184,535,226	2,410,000	5,667,850	8,077,850	192,613,076
2019	184,493,151	2,495,000	5,581,375	8,076,375	192,569,526
2020	184,495,576	2,620,000	5,453,500	8,073,500	192,569,076
2021	184,496,076	2,745,000	5,333,100	8,078,100	192,574,176
2022	184,497,576	2,840,000	5,235,600	8,075,600	192,573,176
2023	184,494,826	2,955,000	5,119,125	8,074,125	192,568,951
2024	184,499,974	3,110,000	4,967,500	8,077,500	192,577,474
2025	182,458,464	3,270,000	4,808,000	8,078,000	190,536,464
2026	182,458,503	3,435,000	4,640,375	8,075,375	190,533,878
2027	182,456,439	3,610,000	4,464,250	8,074,250	190,530,689
2028	182,459,134	3,795,000	4,279,125	8,074,125	190,533,259
2029	182,458,127	3,990,000	4,084,500	8,074,500	190,532,627
2030	182,455,807	4,195,000	3,879,875	8,074,875	190,530,682
2031	182,458,690	4,410,000	3,664,750	8,074,750	190,533,440
2032	182,460,710	4,635,000	3,438,625	8,073,625	190,534,335
2033	182,454,105	4,825,000	3,250,375	8,075,375	190,529,480
2034	182,459,382	5,025,000	3,052,375	8,077,375	190,536,757
2035	182,458,882	5,280,000	2,794,750	8,074,750	190,533,632
2036	182,454,555	5,550,000	2,524,000	8,074,000	190,528,555
2037	182,460,542	5,835,000	2,239,375	8,074,375	190,534,917
2038	174,008,629	6,135,000	1,940,125	8,075,125	182,083,754
2039	174,001,238	6,450,000	1,625,500	8,075,500	182,076,738
2040	173,998,699	6,780,000	1,294,750	8,074,750	182,073,449
2041	173,987,893	7,130,000	947,000	8,077,000	182,064,893
2042	173,975,474	7,495,000	581,375	8,076,375	182,051,849
2043	173,972,775	7,880,000	197,000	8,077,000	182,049,775
2044	173,959,212	-	-	-	173,959,212
2045	173,948,443	-	-	-	173,948,443
2046	117,556,256	-	-	-	117,556,256
2047	117,546,482	-	-	-	117,546,482
2048	117,538,056	-	-	-	117,538,056
2049	117,527,836	-	-	-	117,527,836
	$6,394,269,712	$127,775,000	$117,737,356	$245,512,356	$6,639,782,068

(1) Net of expected federal subsidies payments on the Series 2009B and 2010B Bonds.
(2) After the issuance of the Bonds, DART will have no outstanding commercial paper notes (CP).
(3) Does not include debt service for the $120 million TIFIA Bond expected to close late CY 2012 and be drawn down over a period of about 18-24 months.

THE PAYING AGENT/REGISTRAR

Amegy Bank National Association, Houston, 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 Eighth 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., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO THE "HOLDERS," THE "BONDHOLDERS," OR THE "OWNERS OF THE BONDS" MEANS CEDE & CO. AND DOES 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, the Paying Agent/Registrar, the Financial Advisor and the Underwriters cannot and do not give any assurances that DTC will distribute to its Participants or that Direct Participants or Indirect Participants (as each of such capitalized terms are defined below) will distribute to Beneficial Owners of the Bonds (i) payments of the principal of or interest or premium, if any, on the Bonds, (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, THE PAYING AGENT/REGISTRAR, THE FINANCIAL ADVISOR 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 EIGHTH SUPPLEMENTAL DEBT RESOLUTION OR ANY OTHER SUPPLEMENTAL RESOLUTION UNDER AND PURSUANT TO WHICH ANY OUTSTANDING OBLIGATIONS HAVE BEEN ISSUED OR EXECUTED, OR PRIOR RESOLUTIONS AMENDED; (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.

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 neither DART nor the Board take any responsibility for the accuracy thereof.

General Provisions

The following information concerning DTC and its book-entry system has been furnished for use in this Supplemental Official Statement by DTC. DART, the Paying Agent/Registrar, the Financial Advisor and the Underwriters take no responsibility for the accuracy or completeness of such information.

The Depository Trust Company ("*DTC*"), New York, NY, acts 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 certificate 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 securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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*"). Standard & Poor's has rated DTC "AA+." 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** and **www.dtc.org**.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "*Beneficial Owner*") is in turn 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 the 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 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. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue 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 MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DART 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).

Payments of principal and interest 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 Paying Agent/Registrar on a 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, the Paying Agent/Registrar, DART or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DART, the Board or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to DART, the Board or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered as described in the Eighth Supplemental Debt Resolution.

DART and the Board may decide to discontinue use of the system of Book-Entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Eighth Supplemental Debt Resolution.

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" beginning on page 20 of the 2012 Annual Disclosure Statement.

Issuance of Additional Senior Lien Obligations

The Master Debt Resolution permits us to issue Additional Senior Lien Obligations without notice to you and without your consent, if we can satisfy the financial tests and limitations contained in the Master Debt Resolution. 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 and other Pledged Revenue, 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 the likelihood 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, liquidity or the suitability of the securities for any particular investor.

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 2012 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—DEFAULTS AND REMEDIES." Nonpayment Events of Default

If we default in the performance of any nonpayment related covenants, conditions, agreements, and provisions contained in the Obligations or in any of the Outstanding Resolutions, notice of default may be initiated by the Holders of not less than 10% in aggregate principal amount of Outstanding Bond Obligations, a Credit Provider, or a Bondholder Representative. It may be difficult for the Holders of the Bonds to initiate a nonpayment event of default, unless such Holders are successful in obtaining the cooperation of (i) a significant number of other Holders of the Bonds or (ii) the Holders of other Outstanding Bond Obligations. Although the Master Debt Resolution permits a Supplemental Resolution authorizing a series of Bond Obligations to designate a Bondholder Representative to represent the Holders of a series of Bond Obligations at a time when there is no Credit Agreement in effect, such designation has not been made in the Eighth Supplemental Debt Resolution.

Limitation and Enforceability of Remedies

The remedies available to the Holders of the Bonds upon an Event of Default under the Master Debt Resolution are limited to the seeking of specific performance or a writ of mandamus or other suit, action, or proceeding compelling and requiring us and our officers to observe and perform any covenant, condition, or obligation prescribed in the Master Debt Resolution. NO ACCELERATION REMEDY IS AVAILABLE TO HOLDERS OF THE BONDS. A Credit Provider, a Bondholder Representative, or a trustee selected by and representing not less than 25% in principal amount of the Outstanding Bond Obligations may initiate an action against us, but only if the Holders of at least 25% in principal amount of the Outstanding Senior Lien Obligations have joined in or consented to such action or each Holder of a Senior Lien Obligation has been provided prior notice of such action. It may be difficult for the Holders of the Bonds to cause a trustee, a Credit Provider, or a Bondholder Representative to take action in the Event of Default without the cooperation of a significant number of Holders of the Outstanding Senior Lien Obligations.

After an Event of Default, the Trustee will transfer funds in the same order as if no Event of Default had occurred with the exception that Administrative Expenses will be paid prior to the payment of interest and principal installments from the Senior Lien Debt Service Fund and the funds securing any Subordinate Lien Obligations.

The remedies available under the Master Debt Resolution are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion and (ii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Further, under current State law, we are prohibited from waiving sovereign immunity from suit or liability with respect to our obligations relating to the Bonds and therefore, Holders of the Bonds are prevented from bringing a suit against us to adjudicate a claim to enforce our obligations under the Master Debt Resolution or for damages for breach of our obligations under the Master Debt Resolution. However, State courts have held that mandamus proceedings against a governmental unit, such as DART, are not prohibited by sovereign immunity.

CONTINUING DISCLOSURE AND ACCESS TO INFORMATION

We have agreed voluntarily to replace the Disclosure Statement annually, to update it after the second and third quarters of our fiscal year with unaudited financial information, 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 Municipal Securities Rulemaking Board (the "*MSRB*"). All of these documents will also be posted on the Internet at our website, www.dart.org. We reserve the right to stop postings on the Internet of annual and quarterly updates at any time.

In the Master Debt Resolution and the Eighth Supplemental Resolution, DART has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. Pursuant to the requirements of Rule 15c2-12 (the "*Rule*") promulgated by the United States Securities and Exchange Commission (the "*SEC*"), DART is obligated to provide certain updated financial information and operating data annually, and notice of specified events (listed below) to the MSRB. This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("*EMMA*") system at *www.emma.mrsb.org*. The updated information to be provided by DART includes information contained in the charts set forth under "DART'S FINANCIAL PRACTICES AND RESOURCES" in the 2012 Annual Disclosure Statement. The updated information also includes audited financial statements, if DART commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, DART will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the 2012 Annual Disclosure Statement or such other accounting principles DART may be required to employ.

DART's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless DART changes its fiscal year. If DART changes its fiscal year, it will notify the MSRB of the change.

DART is required to notify the MSRB, in a timely manner and in not more than ten (10) business days after the occurrence of any one of the following events, of any of the following events with respect to the Bonds: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TED) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to the rights of Owners, if material; (viii) bond calls, if material and tender offers; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of DART, which shall occur as described below; (xiii) the consummation of a merger, consolidation, or acquisition involving DART or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for DART in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of DART, or if such jurisdiction has been assumed by leaving the existing governing body, and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of DART.

DART will notify the MSRB, in a timely manner, of any failure by DART to provide financial statements and other financial information or operating data in accordance with its agreement by the required time.

Compliance with Prior Undertakings

For the last five years, DART has complied in all material respects with the continuing disclosure agreements made in accordance with the Rule, except that the filing of annual financial information and operating data for the fiscal year ended September 30, 2007, was filed on April 30, 2008 (30 days after the time set forth in the Undertaking). In addition, on March 21, 2012 DART timely electronically filed with EMMA its 2012 Annual Disclosure Statement for the year ended September 30, 2011. However, DART's Audited Financial Statements for the year ended September 30, 2011 that are part of the Annual Disclosure Statement as Appendix A were inadvertently omitted from the electronically filed 2012 Annual Disclosure Statement as a result of an error that occurred during the electronic submission process. As a result, the Audited Financial Statements were not filed with the Annual Disclosure Statement. DART Financial staff corrected the submission by filing the Audited Financial Statements for the period ended September 30, 2011 on October 10, 2012. In addition, DART has modified its procedures for future submissions to EMMA. Under its new procedures, DART will electronically transmit to EMMA the Annual Disclosure Statement and the Audited Financial Statements to EMMA as separate documents.

RATINGS OF BONDS

The respective ratings that have been assigned to the Bonds by S&P and Moody's are stated on the cover page of this Supplemental Official Statement. We furnished S&P and Moody's with certain information not included in this Preliminary Supplemental Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies.

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

The following discussion describes certain U.S. federal income tax considerations of United States persons that are beneficial owners ("*Owners*") of the Bonds.

Tax-Exemption of Series 2012 Bonds

In the opinion of our Co-Bond Counsel, under existing law (i) interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Series 2012 Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Series 2012 Bonds is not subject to the alternative minimum tax on individuals and corporations except as described below in the discussion regarding the 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 Series 2012 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 Series 2012 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 Eighth Supplemental Debt Resolution that it will comply with these requirements.

Co-Bond Counsel's opinions will assume continuing compliance with the covenants of the Master Debt Resolution and in the Eighth 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 Series 2012 Bonds for federal income tax purposes and, in addition, will rely on representations by us, by our Financial Advisor and the Underwriters with respect to matters solely within our knowledge, the knowledge of our Financial Advisor and the Underwriters, respectively, which Co-Bond Counsel has not independently verified. If DART 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 Series 2012 Bonds could become includable in gross income from the date of delivery of the Series 2012 Bonds, regardless of the date on which the event causing such includability 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 corporation (other than any S corporation, regulated investment company, REIT, or REMIC), 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 Series 2012 Bonds, is included in a corporation's "adjusted current earnings," ownership of the Series 2012 Bonds could subject a corporation to alternative minimum tax consequences.

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 Series 2012 Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Master Debt Resolution and the Eighth Supplemental Debt Resolution upon the advice or with the approving opinion of Co-Bond Counsel. Co-Bond Counsel will express no opinion with respect to Co-Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the exclusion of interest of the Series 2012 Bonds from gross income for federal income tax purposes.

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 as to whether or not the Service will commence an audit of the Series 2012 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 Owners of Series 2012 Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Series 2012 Bonds could adversely affect the value and liquidity of the Series 2012 Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations Relating to the Series 2012 Bonds

- Collateral Tax Consequences

Prospective purchasers of the Series 2012 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 Series 2012 Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Series 2012 Bonds, received or accrued during the year.

- Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Series 2012 Bonds (the "*Original Issue Discount Series 2012 Bonds*") may be less than the stated redemption price payable at maturity of such Series 2012 Bonds. In such event, the difference between (i) the amount payable at the maturity of each Original Issue Discount Series 2012 Bond, and (ii) the initial offering price to the public of such Original Issue Discount Series 2012 Bond constitutes original issue discount with respect to such Original Issue Discount Series 2012 Bonds in the hands of any Owner who has purchased such Original Issue Discount Series 2012 Bond in the initial public offering of the Series 2012 Bonds. Generally, such initial Owner 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 Series 2012 Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Series 2012 Bonds continues to be owned by such Owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Series 2012 Bonds under the captions "Tax Exemption of Series 2012 Bonds" and "Collateral Tax Consequences" above generally applies, and should be considered in connection with the discussion this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Series 2012 Bond prior to stated maturity, however, the amount realized by such Owner in excess of the basis of such Original Issue Discount Series 2012 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 Series 2012 Bond was held by such initial Owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Series 2012 Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Series 2012 Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transaction for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither DART nor Co-Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Series 2012 Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Series 2012 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 Series 2012 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 Series 2012 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Series 2012 Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Series 2012 Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All Owners of Original Issue Discount Series 2012 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 Series 2012 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 Series 2012 Bonds.

- Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Series 2012 Bonds may exceed the stated redemption price payable at maturity of such Series 2012 Bonds. Such Series 2012 Bonds (the "*Premium Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Series 2012 Bond) is determined using the yield to maturity on the Premium Series 2012 Bond based on the initial offering price of such Series 2012 Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Series 2012 Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All Owners of Premium Series 2012 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 Series 2012 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 Series 2012 Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

LITIGATION

See, "LITIGATION" in our 2012 Annual Disclosure Statement, and "QUARTERLY DISCLOSURE UPDATE-Litigation" in each of the Quarterly Disclosure Updates for a discussion of pending litigation or claims affecting DART.

No significant changes have occurred in the status of pending litigation involving DART since the date of the Quarterly Disclosure Update for the Nine-Month Period Ended June 30, 2012. 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 as Exhibit A to each of the Quarterly Disclosure Updates.

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 Eighth Supplemental Debt Resolution. Pursuant to Chapter 1205, Texas Government Code, as amended, DART filed a petition with the District Court of Dallas County, Texas 160th Judicial District, asking that the Court validate the issuance of the Bonds and that the limitation on the principal amount bonds set forth in DART's 2000 election are inapplicable to bonds (including the Bonds and any bonds issued in the future) secured by and payable from a pledge of the combined Sales Tax and the Pledged Farebox Revenues. On August 13, 2012, the Court entered an Order stating that the Bonds are not subject to such limitation and validating the issuance of the Bonds.

All legal matters incident to the legality and enforceability of the Bonds, including their authorization, issuance and sale, are subject to the approval of Bracewell & Giuliani LLP, Dallas, Texas, and West & Associates L.L.P., Dallas, Texas, our Co-Bond Counsel.

The initial delivery of the Bonds is subject to our receipt from Co-Bond Counsel of their opinions substantially to the effect set forth in the form and substance attached hereto as Appendix A.

Our Co-Bond Counsel have reviewed the information describing the Obligations in the 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, the Fourth Supplemental Debt Resolution, the Fifth Supplemental Debt Resolution, the Sixth Supplemental Debt Resolution, the Seventh Supplemental Debt Resolution, the Eighth 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 Eighth Supplemental Debt Resolution are contingent on the issuance and sale of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. We assume no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

FINANCIAL ADVISOR

We have retained Estrada Hinojosa & Company, Inc., Dallas, Texas as our Financial Advisor to assist us in the issuance of the Bonds. The Financial Advisor has 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 Financial Advisor are not contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor 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 Series 2012 Bonds at a purchase price of $150,530,837.18 (representing the principal amount of the Bonds plus an original issue premium of $23,321,999.10 and less an underwriters' discount of $566,161.92. The Underwriters are obligated to purchase all of the Series 2012 Bonds if any Bonds of such series are purchased.

Loop Capital Markets LLC, one of the Underwriters of the Bonds, has entered into an agreement (the "Loop Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Loop Distribution Agreement, Loop Capital Markets will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

M.R. Beal & Company, one of the Underwriters of the Bonds, has entered into an agreement (the "Beal Distribution Agreement") with TD Ameritrade, Inc., for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Beal Distribution Agreement (as applicable to the Bonds), M.R. Beal & Company will share a portion of its underlying compensation with respect to the transaction with TD Ameritrade, Inc.

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

/s/ John C. Danish
Chairman, Board of Directors

ATTEST:

/s/ Faye Moses Wilkins
Secretary, Board of Directors

/s/ Gary C. Thomas
President/Executive Director

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APPENDIX A

FORM OF OPINIONS OF CO-BOND COUNSEL

[Closing Date]

DALLAS AREA RAPID TRANSIT
SENIOR LIEN SALES TAX REVENUE BONDS
SERIES 2012

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 2012 (the "Series 2012 Bonds") in the principal amount of $127,775,000. The Series 2012 Bonds are being issued pursuant to the Master Debt Resolution adopted January 23, 2001, as such Master Debt Resolution has been amended from time to time (as amended, the "Master Debt Resolution") and the Eighth Supplemental Debt Resolution (the "Eighth Supplemental Debt Resolution"), adopted April 24, 2012. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Master Debt Resolution and the Eighth Supplemental Debt Resolution.

We have represented DART as its Co-Bond Counsel, for the sole purpose of rendering an opinion with respect to the legality and validity of the Series 2012 Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Series 2012 Bonds from gross income 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, and Chapter 1207, Texas Government Code, as amended. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed 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 Series 2012 Bonds.

In our capacity as Co-Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Series 2012 Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of DART: (i) the Master Debt Resolution, the First Supplemental Debt Resolution, the Second Supplemental Debt Resolution, the Third Supplemental Debt Resolution, the Fourth Supplemental Debt Resolution, the Fifth Supplemental Debt Resolution, the Sixth Supplemental Debt Resolution, the Seventh Supplemental Debt Resolution and the Eighth Supplemental Debt Resolution; and (ii) customary certificates of officers, agents and representatives of DART, and other public officials, and other certified showings relating to the authorization and issuance of the Series 2012 Bonds. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Series 2012 Bonds; and

(B) The Series 2012 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.

The rights of the owners of the Series 2012 Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion. Owners of the Series 2012 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 Series 2012 Bonds.

IT IS OUR FURTHER OPINION THAT:

1. Interest on the Series 2012 Bonds is excludable from gross income of the owners for federal income tax purposes under existing law; and

2. The Series 2012 Bonds are not "private activity bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Series 2012 Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Series 2012 Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In rendering such opinions, we have relied on representations of DART, the Financial Advisor and the Underwriters, respectively, with respect to matters solely within the knowledge of DART, the Financial Advisor 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 Eighth 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 Series 2012 Bonds from the gross income of the owners 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 Eighth Supplemental Debt Resolution, interest on the Series 2012 Bonds could become includable in the gross income of the owners 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 receipt or accrual of interest on, or acquisition, ownership or disposition of, the Series 2012 Bonds.

Owners of the Series 2012 Bonds should be aware that the ownership of tax-exempt obligations, such as the Series 2012 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 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 Series 2012 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 as to whether or not the Service will commence an audit of the Series 2012 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 Seventh 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 Series 2012 Bonds as includable in gross income for federal income tax purposes.

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APPENDIX B

2012 ANNUAL DISCLOSURE STATEMENT

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DALLAS AREA RAPID TRANSIT
2012 Annual Disclosure Statement

This 2012 Annual Disclosure Statement replaces our 2011 Annual Disclosure Statement, dated March 8, 2011. This 2012 Annual Disclosure Statement has been posted on the Internet at our website, ***www.dart.org****, and has been filed with the Municipal Securities Rulemaking Board and is available at www.emma.msrb.org. We intend to update this 2012 Annual Disclosure Statement after the second and third quarters of our fiscal year and to replace it annually. We reserve the right to suspend or stop postings on the Internet and quarterly updates at any time. However, we will always provide the annual and periodic information called for under our undertaking in compliance with SEC Rule 15c2-12.*

This 2012 Annual Disclosure Statement relates to the following securities that we have issued and intend to issue from time to time: Senior Lien Obligations, Senior Subordinate Lien Obligations, and other Bond Obligations, but does not replace the Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum prepared for a particular series of debt securities.

You should carefully consider the information under the caption "INVESTMENT CONSIDERATIONS" herein.

DART is a subregional transportation authority created pursuant to Chapter 452 of the Texas Transportation Code (the "Act"). Our boundaries include the corporate limits of 13 North Texas cities and towns, and our headquarters are located in Dallas, Texas. Under the Act, we are authorized to provide public transportation and complementary services within such cities and towns.

Our Board of Directors has adopted a "Master Debt Resolution" that authorizes the issuance and execution of various types of debt instruments (the "Obligations"). Obligations that are issued in the form of bonds, notes, or other securities (the "Bond Obligations") will be issued in multiple series, and each series will be classified as either "Senior Lien Obligations," "Senior Subordinate Lien Obligations," or "Junior Subordinate Lien Obligations." The Senior Lien Obligations are secured by a first lien on "Pledged Revenues"; the Senior Subordinate Lien Obligations are secured by a second lien on "Pledged Revenues"; and the Junior Subordinate Lien Obligations are secured by a third lien on "Pledged Revenues." These liens are senior to any other claim against the Pledged Revenues. Pursuant to the Master Debt Resolution, we have issued and have outstanding both Senior Lien Obligations and Senior Subordinate Lien Obligations. See, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS."

Under the Master Debt Resolution, "Pledged Revenues" consist of the gross revenues that we receive from a 1% sales and use tax (the "Sales Tax"), and the investment earnings thereon while held by the Trustee in the Gross Sales Tax Revenue Fund, Pledged Farebox Revenues (as defined herein) and any additional revenues of DART which by a Supplemental Resolution are expressly and specifically pledged to the payment of Obligations. The Sales Tax is imposed on items and services that are sold, rented, or purchased, or acquired for use within our boundaries, and that are subject generally to the Texas sales and use tax. See, "DART'S FINANCIAL PRACTICES AND RESOURCES—Principal Source of Revenue—The Sales Tax." Bond Obligations will be issued for any one or more of the following purposes: refunding outstanding indebtedness, obtaining capital funds for the expansion of our public transportation system, creating reserves, paying interest during limited periods, paying our costs of issuance; or for other purposes if permitted by applicable law.

Unless otherwise indicated, capitalized terms used herein have the meanings assigned to them in the Master Debt Resolution.

This 2012 Annual Disclosure Statement may be used to offer and sell a series of Senior Lien Obligations, Senior Subordinate Lien Obligations, or other Bond Obligations only if it is accompanied by the Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum for that series.

Dated Date: March 13, 2012

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IMPORTANT NOTICES

We have included cross-references to captions in the Table of Contents where you can find further discussions of summarized information.

We do not claim that the information in this 2012 Annual Disclosure Statement is accurate as of any date other than the Dated Date stated on the front cover, except for financial information which is accurate as of its stated date. We will update this 2012 Annual Disclosure Statement as described on the cover page. In addition, the summary of the Master Debt Resolution presented in Appendix B is not intended to be comprehensive. You may obtain copies of the Master Debt Resolution, or any updates to this 2012 Annual Disclosure Statement, from the Municipal Securities Rulemaking Board's ("MSRB's") website at www.emma.msrb.org, from our website on the internet at ***www.dart.org***, or by contacting our Chief Financial Officer or Vice President, Finance, at our corporate address or telephone number to request a free copy: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, 214-749-3148.

In this 2012 Annual Disclosure Statement, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" in this 2012 Annual Disclosure Statement 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, receipt of federal grants, and various other factors which 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.

OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS

We issue Senior Subordinate Lien Obligations in the form of short-term commercial paper notes (the "Notes") to fund capital projects on an as-needed basis. On January 20, 2011, we entered into a Revolving Credit Agreement (the "Revolving Credit Agreement") with Bank of America, N.A. to provide liquidity support for the Notes, with a maximum aggregate amount of Notes permitted to be outstanding of $150 million. We also periodically fund capital projects and refund outstanding Notes with Senior Lien Obligations in the form of long-term bonds. We have seven series of Senior Lien Obligations outstanding–our Senior Lien Sales Tax Revenue Bonds, Series 2002 (the "Series 2002 Bonds"), outstanding in the aggregate principal amount of $1,000,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"), outstanding in the aggregate principal amount of $745,895,000; our Senior Lien Sales Tax Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), outstanding in the aggregate principal amount of $718,540,000; our Senior Lien Sales Tax Revenue Bonds, Series 2009A (the "Series 2009A Bonds") outstanding in the aggregate principal amount of $170,385,000; our Senior Lien Sales Tax Revenue Bonds Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "Series 2009B Bonds"), outstanding in the aggregate principal amount of $829,615,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds"), outstanding in the aggregate principal amount of $95,235,000; and our Senior Lien Sales Tax Revenue Bonds Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the "Series 2010B Bonds"), outstanding in the aggregate principal amount of $729,390,000.

Bond Obligations We Expect to Issue in 2012

We do not plan to issue Senior Lien Sales Tax Revenue Bonds or to increase the principal amount of Notes outstanding in 2012. DART plans to apply for a TIFIA loan of approximately $130 million to finance I-3 construction costs. The TIFIA loan may be secured on parity with the Notes.

Preconditions to Issuance of Bond Obligations—Financial Coverage Tests

– Conditions to Issuance of Senior Lien Obligations

There are seven series of Senior Lien Obligations outstanding, the Series 2002 Bonds, the Series 2007 Bonds, the Series 2008 Bonds, the Series 2009A and 2009B Bonds, and the Series 2010A and 2010B Bonds. Under the Master Debt Resolution, we cannot issue Additional Senior Lien Obligations unless:

(1) An independent economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of three consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Additional Senior Lien Obligations, are equal at least to 200% of the Debt Service that will be due on all Senior Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; or

(2) During either our most recent Fiscal Year or during 12 out of the most recent 18 months, our Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service that will be due on any outstanding Obligations and the proposed Additional Senior Lien Obligations during any of the current or any future Fiscal Year; and

(3) Our Chief Financial Officer or Vice President, Finance, certifies that we will receive Gross Sales Tax Revenues, during each of three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Additional Senior Lien Obligations, which will be sufficient to pay all Senior Lien Obligations and all Subordinate Lien Obligations during such three Fiscal Years; and

(4) We satisfy any additional financial tests that may be contained in a Supplemental Resolution or Credit Agreement.

– Conditions to Issuance of Subordinate Lien Obligations

The Master Debt Resolution does not itself impose financial tests as preconditions to the issuance of additional Bond Obligations as Senior Subordinate Lien Obligations or as Junior Subordinate Lien Obligations beyond the requirement that we demonstrate the ability to pay them when due.

However, the Revolving Credit Agreement securing the Notes imposes additional financial tests as preconditions to the issuance of Bond Obligations as Senior Lien Obligations or Senior Subordinate Lien Obligations. The Revolving Credit Agreement has a current termination date of January 17, 2014. In addition, the Revolving Credit Agreement automatically terminates upon the occurrence of certain events described in the Revolving Credit Agreement.

Under the requirement of the Revolving Credit Agreement, we have the right to issue Bond Obligations as Senior Lien Obligations or Senior Subordinate Lien Obligations in any principal amount that is actually applied to the payment, refunding or defeasance of the commercial paper notes or Loans under the Revolving Credit Agreement by meeting solely the financial tests of the Master Debt Resolution, as summarized above.

However, we cannot issue additional Bond Obligations as Senior Lien Obligations or Senior Subordinate Lien Obligations for other purposes unless:

(1) We satisfy the financial tests contained in the Master Debt Resolution summarized above; and

(2) An independent economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of the three following and consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Bond Obligations, are equal at least to 150% of the Debt Service that will be due on all Bond Obligations that are issued as Senior Lien Obligations and Senior Subordinate Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; and

(3) During any 4 of the most recent 6 calendar quarters immediately preceding the issuance date of the proposed Bond Obligations, our Gross Sales Tax Revenues must have been equal at least to 200% of the Debt Service on our Bond Obligations that were outstanding during such 4 calendar quarters plus Debt Service on the proposed Bond Obligations, assuming that they were outstanding during such period and after taking into account any reduction in Debt Service that may result from the issuance of the proposed Bond Obligations.

(4) If the proposed Bond Obligations are Senior Subordinate Lien Obligations, our Chief Financial Officer certifies that estimated Gross Sales Tax Revenues during each of the three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Additional Senior Subordinate Lien Obligations will be sufficient to pay 200% of the Debt Service due on all Senior Lien Obligations, Senior Subordinate Lien Obligations, and Junior Lien Obligations during such three Fiscal Years.

We expect that future Credit Providers and general market requirements will, from time to time, impose different or additional financial tests as preconditions to the issuance of additional Bond Obligations having any lien ranking. Any such additional requirements will be contained in a Supplemental Resolution or in a Credit Agreement. See, Appendix B, SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—Permitted DART Indebtedness.

Method of Issuing Bond Obligations

To issue any series of Bond Obligations, the Master Debt Resolution requires our Board to adopt a Supplemental Resolution establishing the specific terms of the series to be issued. When we issue Bond Obligations, you should purchase them on the basis of this 2012 Annual Disclosure Statement only if you have also obtained a "Supplemental Official Statement" or a "Supplemental Annual Disclosure Statement and Offering Memorandum" relating to the series of Bond Obligations you are considering.

Security for the Obligations—Flow of Funds

Our Gross Sales Tax Revenues consist of the money we are entitled to receive under the Act and other state law from the levy and collection of the voter-approved Sales Tax that is levied on taxable items and services that are sold or used within our boundaries. That revenue and the investments thereof, if any, while held by the Trustee in the Gross Sales Tax Revenue Fund are Pledged Revenues that secure all of the Obligations. Additionally, pursuant to the provisions of the Seventh Supplemental Debt Resolution authorizing the issuance of our Series 2010A and 2010B Bonds, we pledged the Pledged Farebox Revenues as security for all of the Obligations. The Pledged Farebox Revenues include all fares collected by or on behalf of DART for its bus, rail and paratransit services in an amount equal to 97.3% of the debt service accruing on the Series 2010B Bonds after deducting the federal subsidy applicable to such bonds. We reserved the rights (1) to pledge the other farebox revenues as security for the payment of Obligations or any other obligations of DART and (2) to exclude any specified portion of farebox revenues from Pledged Farebox Revenues (including Special Revenues) by Supplemental Resolution, provided that the aggregate amount of Pledged Farebox Revenues then expected to be collected in all future Debt Service Accrual Periods shall not be reduced as a result.

State law requires the sellers and suppliers of taxable items and services to collect the Sales Tax from consumers and to pay collected taxes to the Texas Comptroller of Public Accounts. The Comptroller receives and collects all such taxes that are imposed throughout the state and pays them over to the agencies, such as DART, that levy them, net of a 2% collection fee and reserves for possible refunds.

The Master Debt Resolution establishes (1) the procedure for handling the Gross Sales Tax Revenues from the point of release of the revenues by the Comptroller to the Trustee to the point they are released by the Trustee to us; (2) the priorities of the liens that are created for the benefit of the Senior Lien Obligations, the Senior Subordinate Lien Obligations, and the Junior Subordinate Lien Obligations; and (3) the permissible investments thereof at our direction.

The law requires the Comptroller to deliver the net amount of the collected taxes to us or for our benefit not less frequently than quarterly. Under current practice, the Comptroller delivers net tax collections monthly directly to the Trustee for the benefit of the Holders of Obligations under the Master Debt Resolution.

The Trustee is required to deposit money received from the Comptroller to the Gross Sales Tax Revenue Fund. On the day of receipt, the Trustee is required to withdraw that money and to make deposits to three debt service funds in amounts equal to the Accrued Aggregate Debt Service on the Obligations of each lien ranking, beginning first with the Senior Lien Debt Service Fund, then the Senior Subordinate Lien Debt Service Fund, and finally the Junior Subordinate Lien Debt Service Fund, before any monies are released to us for other uses.

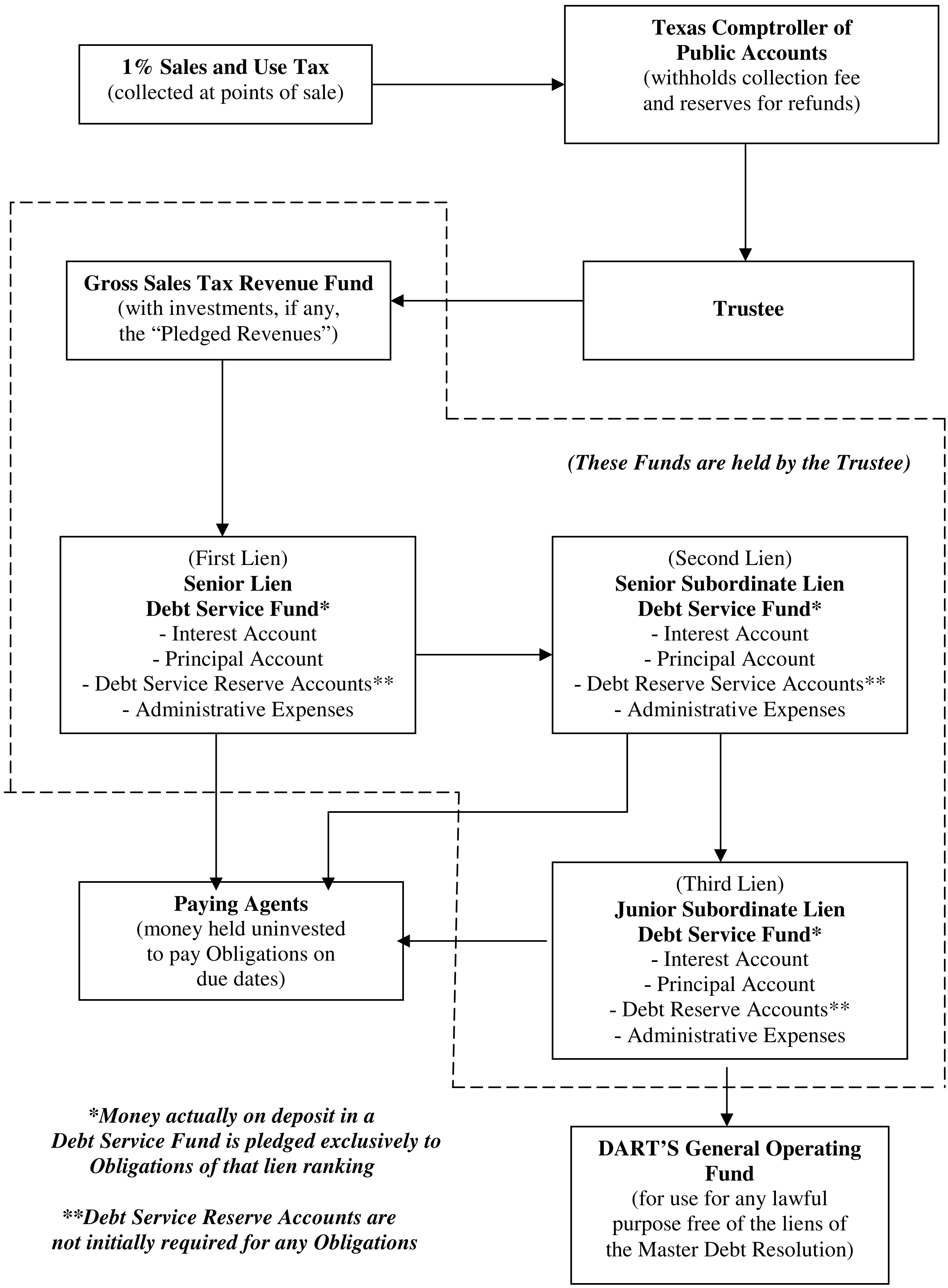
Money actually on deposit in a Debt Service Fund is pledged exclusively and irrevocably to the Obligations of the applicable lien ranking.

If the monies received from the Comptroller are not sufficient to fill all three of the Debt Service Funds to the level of current requirements, they are filled in the order of lien ranking and any deficiencies are restored with the next available Gross Sales Tax Revenues. If amounts on deposit in any Debt Service Fund are not sufficient on any Interest Payment Date, Mandatory Redemption Date or Stated Maturity Date, the Trustee is also required to deposit all the Pledged Farebox Revenues to the Debt Service Funds in the same order of priority as Gross Sales Tax Revenues.

If there is an excess of money over the amounts needed to make the required deposits to all three Debt Service Funds, and after restoring deficiencies, if any, the Trustee is required to deliver the excess revenue to DART, free and clear of the liens of the Master Debt Resolution.

When payments are due on Bond Obligations, the Trustee sends the required amounts from the applicable Debt Service Fund to the Paying Agent(s) for the maturing Obligations, as shown in the following chart of the flow of funds:

Flow of Funds (cont’d)



INFORMATION ABOUT DART

DART is a subregional transportation authority and governmental agency of the State of Texas, created and confirmed by a referendum passed on August 13, 1983, pursuant to Article 1118y of Vernon's Annotated Texas Civil Statutes, as amended and recodified into the Act. The Act authorizes us to provide public transportation and complementary services within the corporate limits of those cities and towns in which the voters have confirmed the creation of or joinder with DART and approved the imposition of the Sales Tax under the Act.

DART's Boundaries, Additions, Withdrawal Rights

Our current boundaries include 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, Texas. Our boundaries encompass approximately 700 square miles and contain an estimated population of 2.3 million persons as of April 2011, according to information obtained from the North Central Texas Council of Governments.

If a municipality that we do not currently serve is located at least in part in a county that we serve, the municipality may become a Participating Municipality by holding an election in accordance with the Act at which its joinder with DART and the imposition of the Sales Tax is approved by its voters.

Under the Act, a Participating Municipality has the right to call an election at which its voters may vote to withdraw as a Participating Municipality every sixth calendar year. This process can be initiated by either official action of the Participating Municipality's governing body or by citizen petition. The next year in which withdrawal elections may be held is 2014.

If a withdrawal election is held and voters approve withdrawal from DART, all of our public transportation services to and within the withdrawing municipality must cease on the day following the canvass of the election returns. The Comptroller must continue to collect the Sales Tax within that municipality, however, until we have collected an amount equal to the withdrawing municipality's pro-rata share of our financial obligations that existed at the time of withdrawal. Accordingly, the Act limits the impact a municipality's withdrawal might have on our ability to repay our indebtedness, including any Obligations.

Under the Act, our Board must calculate a withdrawing municipality's financial obligation to us as of the date of withdrawal. This financial obligation shall equal such municipality's portion of the total amount of the following:

- Our outstanding obligations under contract and authorized in our current budget;
- Our outstanding contractual obligations for capital and other expenditures payable from sources other than proceeds of notes, bonds, or other obligations;
- Payments due or to become due in all subsequent years on notes, bonds, or other securities or obligations for debt issued by us;
- Our required reserves for all years to comply with financial covenants made with lenders, note or bond holders, or other creditors or contractors; and
- The amount necessary for the full and timely payment of our existing obligations, to avoid a default or impairment of those obligations, including contingent liabilities.

Any of our financial obligations that specifically relate to such withdrawing municipality will be allocated completely to it.

DART's General Powers and Purposes

We exercise public and essential governmental functions under the Act, and the Act grants us certain powers to carry out these functions. The Act authorizes us to acquire, construct, develop, plan, own, operate, and maintain all real and personal property needed by us for public transportation or complementary transportation purposes. Complementary transportation services include the following services:

- Special transportation services for elderly or disabled persons;
- Medical transportation services;
- Assistance in street modifications to accommodate our public transportation system;
- The purchase, construction, or renovation of general aviation facilities that are not served by certificated air carriers in order to relieve air traffic congestion at existing facilities; and
- Any other service that complements our public transportation system, such as parking garages.

The Act grants to us the right to acquire property by eminent domain for our public transportation system, so long as the governing body (in a city or town) or the commissioners court of the county (in unincorporated areas) having jurisdiction over the property approves the acquisition. The Act also authorizes us to lease to or contract with a private operator to operate a public transportation system or any part thereof, and to contract with any non-participating city, county, or other political subdivision to provide public transportation services to any area outside our boundaries.

The Board of Directors

We are governed by a 15-member Subregional Board of Directors. The governing bodies of the Participating Municipalities appoint members to our Board according to the ratio of the population of each Participating Municipality to the total population within our boundaries. A Participating Municipality having a population which entitles it to make a fraction of an appointment may combine that fraction with one or more other Participating Municipalities to make one appointment, but no Participating Municipality may appoint more than 65% of the members of the Board. The Board is restructured whenever there is a change in the member municipalities or every fifth year after the date census data or population estimates become available.

Each Board member serves at the pleasure of the governing municipal unit that appoints the member. Board members serve staggered two-year terms. Eight of the member terms begin on July 1 of odd-numbered years and seven of the member terms begin July 1 of even-numbered years. Each member is entitled to receive $50 for each Board meeting attended and is reimbursed for necessary and reasonable expenses incurred in the discharge of the member's duties.

The following table sets forth information regarding our current Board of Directors. The Board appoints from its members a chair, vice chair, secretary, and assistant secretary as shown in the table.

CURRENT MEMBERS AND OFFICERS OF THE BOARD OF DIRECTORS			
NAME	**REPRESENTS**	**YEAR OF APPOINTMENT TO BOARD**	**OCCUPATION**
John C. Danish, ***Chair***	Irving	2005	Attorney
Robert W. Strauss, ***Vice Chair***	Dallas	2006	Attorney
Loretta Ellerbe, ***Secretary***	Plano	2008	Community Volunteer
Richard Carrizales, ***Assistant Secretary***	Dallas	2010	Attorney
Scott Carlson	Dallas	2003	Attorney
Michael Cheney	Garland	2011	Financial Executive Consultant
Randall D. Chrisman	Carrollton and Irving	2002	Commercial Real Estate Broker
Jerry Christian	Dallas	2007	Minister
Mark C. Enoch	Garland, Rowlett, and Glenn Heights	1997	Attorney
Pamela Dunlop Gates	Dallas	2006	Attorney
Gary Slagel	Addison, Highland Park, Richardson, and University Park	2011	President & CEO CapitalSoft, Inc.
William Tsao	Dallas	2007	Licensed Professional Engineer
William M. Velasco, II	Dallas and Cockrell Hill	2001	Tax and Insurance Business Owner
Faye Wilkins	Plano and Farmers Branch	1999	Telecommunications & Systems Integration Consultant
Claude R. Williams, Jr.	Dallas	2008	Dentist

Significant Board Policies and Planning Documents

Our Board has adopted a mission statement, goals, financial and business planning policies, and general policies that provide management a framework within which it must operate. The Board has also adopted Bylaws and Rules of Procedure to ensure that it acts consistently.

Each year, for planning purposes, DART issues an annual business plan (the "Business Plan") which includes the following components:

— The Strategic Plan – The Strategic Plan is reviewed annually, and was most recently updated in 2011. It identifies the key initiatives that must be completed to achieve the Board's goals. The Strategic Plan and Business Plan are the basis for the Annual Budget, the Twenty-Year Financial Plan, and for measuring management and employee performance and are modified based on an analysis of business results; employee, customer, and climate surveys; external events (such as issues being considered by the Texas State Legislature), and benchmark comparisons with other transit agencies and private sector companies.

— Service Plan/Transit System Plan – The Service Plan, required under our enabling legislation, specifies the commitments for service provided to the service area cities including the specific locations of major transit facilities and fixed guideways. The Transit System Plan is the long-range planning tool that is updated to incorporate changes in the service area. It provides the vision and direction for DART's future capital projects and operating programs needed to improve regional mobility. The Transit System Plan is closely coordinated with development of the North Central Texas Council of Government's Regional Mobility Plan and is revised every five to six years. The last revision was completed in Fiscal Year 2007 and focuses on transit needs and opportunities within the context of a 2030 horizon.

— Annual Budget – The Act requires the Board to develop, recommend, and approve an annual budget. The Board must make its proposed annual budget available to the governing bodies of the Participating Municipalities for comment at least 30 days prior to final annual budget adoption. The Participating Municipalities are not required to approve the annual budget, however, in order for it to become effective.

— Twenty-Year Financial Plan – The Twenty-Year Financial Plan addresses the affordability of the Transit System Plan and the timing of service and capital expansion projects. The Twenty-Year Financial Plan details projected sources and uses of cash for twenty years. The first year of the plan corresponds with the coming year's budget, and the first five years of the plan is comprised of the coming year's Business Plan. The final 15 years of the plan validate the affordability of our long-range Transit System Plan, and include our commitments for future system expansion and the issuance and repayment of debt.

— Financial Standards – The Board's Financial Standards establish limits for capital expansion, the issuance of debt, and the maintenance of cash reserves. These standards are the basis for our Financial Plan projections. The Board has also approved Business Planning Parameters that establish operating service levels, management performance objectives, and policy limitations for projecting major sources and uses of cash.

— Key Performance Indicators – The Business Plan provides a detailed outline of our performance projections and commitments for each mode of service and DART as a whole. The Plan includes "scorecards" addressing key operating, financial, and quality measures (called "Key Performance Indicators") and identifying initiatives necessary to improve performance. The Business Plan defines how management will achieve the key initiatives presented in the Strategic Plan.

— Five-Year Action Plan – The Five-Year Action Plan provides detailed discussions of our plans to increase bus and rail ridership through service improvements for a five-year period.

DART's Management

The Board appoints our President/Executive Director, who also serves as our Chief Executive Officer. The Chief Executive Officer's duties include:

- Administering our daily operations, including the hiring, compensation, and removal of employees;
- Awarding contracts for services, supplies, capital acquisitions, real estate, and construction without Board approval if the amount of any such contract does not exceed $100,000; and
- Awarding contracts of up to $250,000 without Board approval for standard off-the-shelf commercial products.

Additional staff positions that report directly to the Board include the General Counsel, a Director of Internal Audit, and a Director of the Office of Board Support.

A summary of our executive management team is shown in the following table:

DART'S EXECUTIVE MANAGEMENT		
NAME	**POSITION**	**TENURE WITH DART**
Gary C. Thomas	President/Executive Director	1998 – Present
Jesse Oliver	Deputy Executive Director	February 2012
Carol Wise	Executive Vice President, Customer Care/Service Delivery	March 2012
David L. Leininger	Executive Vice President, Chief Financial Officer	2008 – Present
Timothy H. McKay	Executive Vice President, Growth/Regional Development	2001 – Present
John O. Adler	Vice President, Procurement	2006 – Present
Albert Bazis	Director of Internal Audit	2001 – Present
Doug Douglas	Vice President, Paratransit Services	1990 – Present
Nevin Grinnell	Vice President, Chief Marketing Officer	2011 – Present
Michael C. Hubbell	Vice President, Maintenance	1995 – Present
Lynda Jackson	Vice President, Human Resources	1995 – Present
Nancy Johnson	Director of the Office of Board Support	1999 – Present
Sharon Leary	Vice President, Finance	1998 – Present
Norma Navarro	Vice President, Commuter Rail	1990 – Present
Timothy Newby	Vice President, Transportation	1997 – Present
Todd Plesko	Vice President, Planning & Development	2009 – Present
Stephen Salin	Vice President, Rail Planning	2000 – Present
Hyattye Simmons*	General Counsel	1988 – Present
James Spiller	Vice President, Chief of Police	2001 – Present
Allan Steele	Vice President, Chief Information Officer	2008 – Present

* Hyattye Simmons has announced his retirement effective March 31, 2012.

Employees and Employee Relations

DART currently has approximately 3,367 salaried and hourly employees. Hourly employees are represented by two different organizations. The Amalgamated Transit Union, Local 1338, represents the majority of our bus operators, mechanics, and call center personnel. The Rail Employees Association represents operators and mechanics who work primarily with the rail mode of transportation.

As a Texas governmental agency, we do not collectively bargain or sign labor contracts with these employee representatives. We do, however, meet and confer with these representatives on hourly employee issues, compensation, and benefits.

Pension, Retirement, Deferred Compensation Plans, and Other Post-Employment Benefits

We operate three employee benefit plans. Information about the plans is contained in Note 15 to the Audited Financial Statements attached hereto as Appendix A. In addition to pension benefits, we provide post-retirement health care and life insurance benefits in accordance with DART policy to certain employees. Information about such benefits is contained in Note 16 to the Audited Financial Statements attached hereto as Appendix A. In Fiscal Year 2008, we implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions."

Significant Contract Services

We use contracted services extensively, including the following:

- Veolia Transportation Services, Inc., for all of our Paratransit operations and Innovative Services;
- Herzog Transit Services, Inc. for our Commuter Rail services;
- ACT21 (a joint venture of Carter Burgess, STV Inc; Jacobs Sverdrup and KAI-Alliance), our General Engineering Consultant, for our Green Line light rail construction program and major bus facilities;
- Archer Western, Brunson, and Carcon, (a Joint Venture), under a Construction Manager/General Contractor (CM/GC-1) contract for a portion of the light rail build out;
- Archer Western and Herzog (a Joint Venture) under a CM/GC-III contract for a portion of the light rail build out;
- Track 3 (a Joint Venture of LAN, Inc., Aquirre Corporation; APM and Associates, Inc., and Chiang, Patel & Yerby, Inc.) for General Engineering Consultant and oversight for the Orange and Blue Line Design-Build contracts;
- Kiewit, Stacey and Witbeck, Reyes, and Parsons(a Joint Venture) under a Design Build contract for the Orange Line, Irving I and II;
- Austin Bridge and Road, under a Design Build contract for the Blue Line Extension, Rowlett 1;
- Kiewit, Stacey and Witbeck, Reyes, and Parsons (a Joint Venture), under a Design Build contract for the DFW Corridor Orange Line, Irving-3 ;
- Clean Energy, under a Design Build contract for the CNG Fueling Stations; and
- URS Corporation, under an Architect/Engineering contract for General Planning Consultant services.

We also utilize contracts for a major portion of the planning, design, and construction of major capital programs.

Insurance

We maintain a comprehensive insurance program, including the following:

- We self-insure for auto liability, general liability, and workers' compensation claims arising out of transit operations. Segregated cash reserves are maintained for these programs.
- We carry all-risk property insurance for full repair or replacement in the event of loss with a $500 million limit for any one loss or any one location.
- We carry $125 million liability coverage for the Trinity Railway Express commuter rail service with a $3 million self-insured retention. This policy covers all entities associated with providing commuter rail service.
- We purchase $10 million of liability for leased premises to comply with the terms of our lease agreements with third parties. We also purchase insurance to cover non-owned automobile liability, directors and officers liability, and employee dishonesty.
- For the second phase of the light rail build-out, we provide a $50 million project-specific professional liability insurance policy that covers all consultants providing professional services, including environmental consulting services and construction management. In addition, civil contractors are covered for pollution liability arising out of construction activities.
- An Owner Controlled Insurance Program (OCIP) provides all eligible contractors involved with constructing Phase II of the light rail build-out with statutory workers' compensation coverage, $100 million of general and excess liability insurance, railroad protective liability and builders' risk insurance. The OCIP went into effect on July 25, 2006, and will provide coverage through December 31, 2014. An additional ten years of products and completed operations coverage will commence upon acceptance of the work and commencement of revenue service. Products and

completed operations coverage for any work covered by the OCIP will not extend beyond December 31, 2023.

As a public entity, we are protected in many instances by governmental immunity. In cases where our governmental immunity does not apply, our liability is often limited by the Texas Tort Claims Act to $100,000 per person or $300,000 per occurrence for bodily injury and $100,000 per occurrence for property damage. Workers' compensation payments are statutory and regulated by the Department of Labor and the Texas Department of Workers' Compensation.

DART'S FINANCIAL PRACTICES AND RESOURCES

Audits of Financial Information

DART's Fiscal Year is from October 1 through September 30. We maintain our records of accounts in accordance with generally accepted accounting principles. Our financial accounts and records are audited at the close of each Fiscal Year by an independent, outside auditing and accounting firm approved by the Board. The audits are usually presented to us not later than 120 days after the close of each Fiscal Year. The Independent Auditors' Report, with our audited annual financial statements for the Fiscal Years ended September 30, 2011 and 2010, is presented as a part of this 2012 Annual Disclosure Statement as Appendix A. Each subsequent annual revision of this 2012 Annual Disclosure Statement will include our most recent audited annual financial statements and our analysis of the financial results for the year.

Principal Source of Revenue—The Sales Tax

Our principal revenue source is the Sales Tax that is levied on taxable items that are sold, rented, or purchased, or acquired for use, within the boundaries of our Participating Municipalities. The Act and the Limited Sales, Use, and Excise Tax Act, Chapter 151, Texas Tax Code, as amended, contain a full description of the items and services subject to and exempted from the sales and use tax.

The Texas Legislature has modified the sales and use tax base from time to time to add or subtract certain items to or from our taxable base, and even to exempt from taxes certain items purchased during a defined time window. In 1999, the Legislature created an annual three-day "sales tax holiday" just prior to the opening of each new school year which exempts from State and local sales taxes the purchase of certain clothing and footwear. The sales tax holiday exempts these purchases from the Sales Tax as well. While the law establishing the sales tax holiday currently permits us to repeal the temporary exemption from our Sales Tax, we do not intend to repeal this exemption unless it will adversely impact our ability to repay any outstanding Obligations.

The following table shows our Gross Sales Tax Revenues for each of the most recent 10 Fiscal Years. The Gross Sales Tax Revenues shown below consist of sales taxes we actually receive in a given Fiscal Year, and may differ from the sales tax revenues shown on our financial statements due to accounting adjustments made on our financial statements reflecting amounts determined to be overpayments of Sales Tax to DART. When an overpayment is determined to have been made, the financial statements are adjusted to show a reduction in sales tax revenues for that Fiscal Year; however, in two cases where sizeable overpayments were determined to have been made, DART has entered into a repayment plan spanning several years rather than repaying the overpayment in a single Fiscal Year. The aggregate annual repayment installments by DART are reflected in the Gross Sales Tax Revenues shown in the table below because such repayment installments are deducted from Sales Tax that otherwise would be paid to DART in a Fiscal Year, thereby reducing DART's actual receipts. Since the financial statements reflect a reduction in sales tax revenues for the Fiscal Year in which an overpayment is determined to have been made, rather than in the Fiscal Years over which an overpayment is repaid, the sales tax revenues shown on the financial statements may differ from the Gross Sales Tax Revenues shown below.

Gross Sales Tax Revenues* (in millions)	
Fiscal Year ended 9/30	**Receipts**
2002	$325.5
2003	$311.8
2004	$332.4
2005	$341.8
2006	$370.5*
2007	$389.1
2008	$416.1*
2009	$377.6
2010	$375.5
2011	$402.4

*The amounts shown for 2006 and 2008 include $13.2 million and $3.6 million, respectively, that the State Comptroller has determined to be overpayments. Such amounts are being repaid by DART in quarterly payments through March 2027. See "DART's Operations and Performance Results – Sales Tax Revenues and the Net Operating Subsidy."

Secondary Revenues—Farebox Collections

We collect fares from our bus, rail, and paratransit users. The Act permits us to set fares based upon a zone system or by another classification that we determine to be reasonable and nondiscriminatory.

We receive other miscellaneous revenues, primarily from advertising and leases. We refer to these and the farebox revenues as "Operating Revenues." The following table lists our operating revenues and expenses for the past 10 fiscal years.

Operating Revenues & Expenses (in millions)		
Fiscal Year ended 9/30	**Operating Revenues**	**Operating Expenses**
2002	$42.6	$391.1
2003	$42.9	$410.9
2004	$44.9	$388.9
2005	$46.2	$427.5
2006	$49.9	$447.1
2007	$50.5	$460.9
2008	$59.8	$512.2
2009	$57.4	$523.6
2010	$63.2	$572.5
2011	$69.4	$629.0

Federal Grant Funds

We receive federal grant funds primarily from the Federal Transit Administration ("FTA"). We utilize these proceeds to fund a portion of our eligible capitalized maintenance expenses and capital programs. Congress allocates transit funds on both a formula basis and a discretionary basis. We are eligible to receive both types of funds.

In July 2006, FTA awarded a landmark $700 million Full Funding Grant Agreement (FFGA) to DART for the Northwest Southeast Light Rail Transit (NWSE LRT) extension project. Congress appropriates the funds for such Agreement annually. To date, Congress has appropriated $539.4 million of the FFGA. We anticipate Congress will appropriate at least $81.6 million in 2012, with a final appropriation in 2013 of $79.0 million to fund the FFGA.

Federal grants are on a reimbursement basis, so receipts will not match annual appropriation. The following table reflects actual federal and state cash receipts of DART by Fiscal Year for the past ten years.

Federal/State Receipts (in millions)		
Fiscal Year	**Federal Receipts**	**State Receipts**
2002	$120.0	$ 0.0
2003	$ 37.5	$ 1.6
2004	$135.4	$ 5.8
2005	$ 91.7	$ 0.3
2006	$ 69.5	$ 0.0
2007	$137.9	$ 0.0
2008	$173.4	$ 0.0
2009	$300.5	$ 0.1
2010	$197.9	$13.6
2011	$165.5	$ 0.3

Lease/Leaseback Transactions

As authorized by the Act, we entered into ten separate economically defeased lease transactions which, in general, involved our lease and leaseback of specified, depreciable property to various trustee entities, acting on behalf of private investors. As of the date hereof, four of such transactions are still outstanding. The four outstanding transactions involve the lease and leaseback of light rail cars used as a part of our light rail system and buses. See Note 10 to the Audited Financial Statements attached hereto as Appendix A.

Although we retain legal title to the leased property, these transactions were structured so as to result in a sale of the leased property to the private investors for federal income tax purposes. The rent due for the full term of the leases was prepaid to us, and the trustees have no further obligation to pay us any rent under the leases. The respective trustee subleased the property back to us for a sublease term that is shorter than the term of the respective lease. At a specified date on or before the end of the sublease term, we have the right to purchase the respective trustee's interest in the respective lease.

We paid a portion of the advance rental payments received by us from the trustees to purchase contractual undertakings from certain financial institutions, rated "AA" or better at that time by recognized rating agencies, pursuant to which such financial institutions assumed and agreed to pay to the respective trustee the sublease rental payments due and owing by us through our purchase option date, together with the purchase option price owed by us if we determine to exercise our purchase option rights. In other leases, we deposited a portion of such advance rental payments with a custodian, whom we instructed to purchase direct obligations of the United States Government and other securities that will mature on the dates and in the amounts required to pay sublease rental payments and the respective purchase option price.

The excess amounts of the advance rental payments received by us over the costs of the contractual undertakings and the amounts of the custodial deposits, after paying for certain other costs incurred in connection with the transactions, was retained and utilized by us. After closing the transactions, we continue to have the right to uninterrupted use and possession of the leased property so long as we are not otherwise in default under the contractual terms of the lease documents. Notwithstanding such contractual undertakings and custodial deposits, we remain obligated to pay all amounts owed by us under the subleases, including sublease rent and the respective purchase option price should we exercise it, in the event of the insolvency of or other failure to pay by the respective financial institution or a failure of the respective custodial deposits.

– Recent Developments

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of September 30, 2011, four lease/leaseback transactions remain active and all are in full compliance with the respective operative documents, as amended.

DART OPERATIONS AND PERFORMANCE RESULTS

The Independent Auditors' Report on DART's financial statements for the fiscal year ended September 30, 2011, is attached as Appendix A. The information contained under this heading presents the comments, observations, and interpretations of financial and other facts and practices by our management and its opinions as to those facts, practices, and circumstances affecting DART. We do not warrant or guarantee that the conclusions we have drawn therefrom are accurate or complete or provide any assurances as to future financial and/or operating results of DART. The financial information discussed in this section is derived from the financial statements attached as Appendix A and other identified sources.

Sales Tax Revenues and the Net Operating Subsidy

Sales tax revenues contributed 58% and 54% of total revenues (which includes capital contributions and grants) in fiscal year 2011 and fiscal year 2010, respectively (excluding debt issuances). Sales tax revenues in fiscal year 2011 were $403.2 million, a $26.9 million (7.1%) increase over fiscal year 2010. Sales tax revenues for the year ended September 30, 2011 were $8.5 million (2.2%) above the projected Gross Sales Tax Receipts of $394.7 million (Net receipts were $402.4 million versus a Sales Tax Budget of $393.9 million). Our sales taxes highly correlate with personal income and retail sales in the region. Our principal revenue source is the sales tax. Sales tax revenues received by us from the State Comptroller reflect sales transactions that occur approximately two months prior to receipt by us. The sales tax revenues discussed in this section are derived from our annual financials which reflect accounting adjustments made as a result of overpayments of sales taxes to DART. As a result of these accounting adjustments, sales tax revenues shown on our financial statements may differ from the Gross Sales Tax Revenues (which represent actual receipts in a Fiscal Year) shown in the table on page 13. As a result of overpayments to DART of $13.2 million in Fiscal Year 2006 and $3.6 million in Fiscal Year 2008, DART entered into a repayment plan with the State Comptroller which commenced in December 2006, and currently extends to March 2027. Pursuant to the repayment plan, the State Comptroller deducts quarterly repayments from sales tax revenues that would otherwise be owed to DART.

The Fiscal Year 2012 Budget projects Sales Tax Revenues of $422.5 million compared to $393.9 million for 2011. This represents a 7.3% increase from the 2011 budget which represents a 5.0% increase over the 2011 Actual Sales Tax Receipts. For the first two months of Fiscal Year 2012, sales tax receipts are 9.6% over Fiscal Year 2011 and 3.6% above our fiscal year 2012 sales tax budget.

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. In addition, a Capital Project Reserve Account was established. If the Financial Reserve Account exceeds $50 million, excess funds are placed in the Capital Project Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Project Reserves and the funds may be used for any purpose approved by the Board. As of September 30, 2011, the balance in the Financial Reserve Account was $23.1 million and the balance in the Capital Reserve Account was $0. For Fiscal Year 2011, our sales tax receipts exceeded our sales tax budget by $8.5 million. Our Financial Standards require 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 December 2012 was $31.6 million. In addition, we are required by our Financial Standards to maintain a working cash balance in the general operating fund equal to at least one month of expenses that are projected to be paid from sales tax collections. As of September 30, 2011, the balance in the general operating fund was $769.5 million which equals approximately 20 months of expenses.

Operating results for Fiscal Year 2011 reflect that total expenses exceeded total operating revenues resulting in a loss before capital contribution, grants, and reimbursements of $241.7 million compared to $175.7 million for 2010. This loss in 2011 is more than that of 2010 due to an increase in interest and depreciation expenses. Net operating subsidy measures the amount of sales tax dollars required to subsidize the operating costs of our public transit system. We calculate "net operating subsidy" in the following manner: operating expenses minus extraordinary items and depreciation minus operating revenues. Our goal is for the sales tax revenues to increase by a higher percentage than net operating subsidy. In Fiscal Year 2011, net operating subsidy increased as compared to 2010 due to increases in operating expenses.

Sales Tax Revenues for Operating Expenses

Sales tax revenues for operating expenses measures the percentage of sales tax revenues required to subsidize net operating costs. Conversely, this ratio also measures the amount of funding available for future capital expenditures and debt service. The sales taxes for operations calculation is as follows: net operating subsidy (see above) less interest income divided by sales taxes. This ratio moves lower if sales taxes grow by a higher percentage than net subsidy less interest income. The ratio increased from 85.7% in Fiscal Year 2010 to 83.9% in Fiscal Year 2011 due primarily increased costs required to operate and maintain DART's expanding light rail system.

Subsidy Per Passenger

Subsidy per passenger measures the efficiency of our services. Specifically, it measures the amount of tax subsidy required each time a passenger uses our services. It is calculated as follows: operating expenses minus depreciation minus extraordinary items minus operating revenues divided by passenger boardings. Our goal is to minimize subsidy per passenger each year. For this to happen, ridership must grow at a higher percentage than net subsidy. Total system subsidy per passenger in Fiscal Year 2011 was $3.07, a $0.09 increase from Fiscal Year 2010. Fixed-route subsidy per passenger in Fiscal Year 2011 was $4.82, a $0.05 (1.0%) decrease from Fiscal Year 2010. Subsidy per passenger for Fiscal Year 2011 ranged from a high of $43.12 for paratransit service to a low of $0.22 for HOV service.

INFORMATION ABOUT DART'S TRANSPORTATION SYSTEM

The Current System

Our current mass transit services include:

- Regular route bus service;
- Special events service;
- DART Innovative services including DART On-Call and Flexible services;
- Light rail transit service;
- Commuter rail service;
- Paratransit service for the mobility impaired;
- High Occupancy Vehicle Lanes; and
- RideShare matching services for carpools and vanpools.

During Fiscal Year 2011, we moved 111.8 million passengers, with an average weekday ridership for all modes of 367,373. The following table highlights total system ridership by mode for the last ten years.

Ridership by Mode (in millions)							
Fiscal Year	Bus	LRT	Commuter Rail	HOV	Paratransit	Vanpool	Total
2002	42.8	13.7	2.2	34.2	0.6	0.4	93.9
2003	40.3	17.0	2.3	33.8	0.6	0.4	94.4
2004	38.4	16.5	2.2	35.0	0.6	0.4	93.0
2005	40.1	17.5	2.1	37.4	0.6	0.4	98.1
2006	44.4	18.6	2.4	36.1	0.7	0.4	102.6
2007	44.5	17.9	2.5	37.6	0.7	0.5	103.7
2008	45.0	19.4	2.7	48.1	0.7	0.7	116.9
2009	43.1	18.9	2.8	51.0	0.8	0.9	117.5
2010	38.0	17.8	2.5	50.1	0.8	0.9	110.1
2011	37.2	22.3	2.4	48.0	0.8	1.0	111.8

The system ridership and fixed-route ridership numbers are highlighted in the analysis given above. Fixed-route service includes bus, light rail, and commuter rail operations. Total system ridership includes fixed-route, paratransit, HOV transitways, and vanpools. Ridership figures are based on the number of unlinked passenger boardings (each passenger boarding is counted as one trip). Total system ridership in Fiscal Year 2011 was 111.7

million, an increase of 1.6 million (1.5%) from Fiscal Year 2010. Average weekday ridership increased 3.3% to 367,373 in Fiscal Year 2011 as compared to Fiscal Year 2010.

We contract for all of our paratransit and commuter rail services. While we remain responsible for these programs, our contracts establish operating performance standards which the contractors are expected to meet. We maintain an aggressive program to monitor and audit contractor compliance.

— Bus Transit (33.3% of total system ridership in Fiscal Year 2011)

Our bus system provides local, express, crosstown, feeder bus routes, as well as several flex routes and site specific shuttles. Local routes are focused on the Dallas Central Business District (the "CBD"), and serve the largest and most dense concentration of employment in the service area. The routes are characterized by stops at one to two block intervals along their stop segments. Service is provided six to seven days a week.

— Light Rail Transit (20.0% of total system ridership in Fiscal Year 2011)

Light Rail Transit is an electrically powered rail system that generally operates at street level. It currently serves 55 stations with trains departing every five to ten minutes during peak periods. A 20-mile "Starter System," opened in phases from June 1996 through May 1997, connects South and West Oak Cliff, downtown Dallas, and the North Central Expressway corridor as far north as Park Lane in Dallas. In 2002, DART's light rail was extended to North Dallas, Garland, Richardson, and Plano. In 2009, the first phase of the Green Line opened southeast of downtown Dallas. In 2010, we opened the remainder of the Green Line. As of the end of 2011, we operate a 72-mile light rail system with 163 light rail vehicles.

— Commuter Rail (2.1% of total system ridership in Fiscal Year 2011)

Our commuter rail system, commonly referred to as the Trinity Railway Express (the "TRE"), provides diesel powered passenger railroad services on the TRE Corridor between Dallas and Fort Worth, in mixed traffic with freight railroad operations. The 34-mile corridor is jointly owned by DART and the Fort Worth Transportation Authority (the "T"). TRE service is provided pursuant to an interlocal agreement between DART and the T. This agreement was originally entered into in 1994 and was restated and adopted by both Boards in 2003.

Pursuant to Trackage Rights Agreements, the Burlington Northern Santa Fe, the Dallas Garland and Northeastern, and the Union Pacific railroads pay a fee for the right to operate freight services on the TRE corridor. TRE, through its contractor, Herzog Transit Services, Inc., dispatches and maintains the corridor as well as operates the service and maintains the rolling stock used in the service.

— Paratransit (0.7% of total system ridership in Fiscal Year 2011)

We are responsible for providing complementary paratransit service in accordance with the Americans with Disabilities Act of 1990 (the "ADA"). We provide curb-to-curb service to those individuals certified for the program in accordance with guidelines established in the ADA.

— High Occupancy Vehicle ("HOV") Lanes (43.0% of total system ridership in Fiscal Year 2011)

Interim HOV lanes are constructed within the right-of-way of existing freeways to provide access for multi-passenger vehicles and to relieve congestion levels. Buses, vanpools, motorcycles, and carpools with two or more occupants may use the HOV lanes. Our System Plan calls for implementation of HOV lanes along highways and DART-owned former railroad rights-of-way. We currently operate 75 miles of HOV lanes.

HOV lanes are jointly planned and designed with the Texas Department of Transportation ("TxDOT") and us and are constructed by TxDOT. We are responsible for operations and enforcement, and maintenance of the lanes is a joint function between DART and TxDOT.

— Transportation Demand Management (Vanpool is 0.9% of total system ridership in Fiscal Year 2011)

We also work with area employers to develop strategies for reducing employee trips, such as carpools, vanpools, and flexible work schedules. We provide vans for our vanpool program through a third party contractor. We also assist customers in forming carpools. Prospective carpoolers can call in and provide us with information for our RideShare database. We then work to link-up customers with common trip origins and destinations.

— *Special Events Service*

In FY 2011, we operated special event services (bus, light rail, and TRE) to the Texas State Fair, New Year's Eve celebration in downtown Dallas, several NBA Playoff Games through the NBA Championship, concerts, basketball, and hockey games. We also began the special event use of our I-30W managed HOV lanes in support of large professional baseball and football games, and concerts in Arlington, Texas at Cowboy Stadium. Due to the change in FTA charter regulations, we are restricted in the use of buses for charter activity. Consequently, most special event services are provided on the light rail, commuter rail, and HOV systems. Bus involvement is restricted to supplementing the capacity of the rail system during periods of very high usage.

Financial Plan

On September 27, 2011, the Board of Directors formally adopted the FY 2012 Annual Budget and Twenty-Year Financial Plan. The FY 2012 Twenty-Year Financial Plan remains largely unchanged from the FY 2011 Plan and reflects that we are staying on course with the changes planned over the last three years. The FY 2011 Plan made significant revisions to the FY 2010 Twenty-Year Financial Plan including, in recognition of the recent recession slower than expected long-term growth within the DART service area, and a reduction of approximately $3 billion in projected sales tax collections over the twenty-year period from 2011-2030. In addition to other cost-saving measures, the FY 2011 Plan included a reduction of approximately $6 billion of capital expenditures over the life of the Twenty-Year Plan, resulting in all of the projects in the 2030 Transit System Plan and the second alignment in downtown Dallas having been placed in an unfunded status.

- During FY 2011, DART provided employees with retirement incentives and implemented a small reduction in force (33 employees). This was one of the steps taken toward bringing the Financial Plan back to a sustainable level going forward. Many additional changes were implemented in FY 2011, or are in process for FY 2012 and FY 2013 including:

- Full operations of the Green Line Light Rail service (from Pleasant Grove to Carrollton) in December 2010;

- Significant bus service restructuring to match new and revised rail schedules;

- Opening of the first two segments of the Irving Light Rail corridor (from Bachman Station to Beltline Road) in two phases in July and December 2012;

- Introduction of a new service delivery model for Paratransit services in October 2012;

- Delivery and operation of a new fleet of CNG-powered heavy-duty transit buses beginning in FY 2013;

- Opening of Rowlett Light Rail service (from Downtown Garland to Rowlett) in December 2012;

- On April 26, 2011, the Board approved a resolution (#110041) approving an interlocal agreement between DART, the City of Dallas and the North Central Texas Council of Governments regarding the TIGER-funded Streetcar Project, and making a related Financial Plan Amendment. This amendment transferred $17.1 million (in 2002 dollars) from the project to provide transit service to Love Field Airport to the Streetcar project. DART's funds were allocated for the planning, construction and acquisition of rail vehicles / rolling stock and on-going operations and maintenance of the system. DART's funding responsibility is limited to the amount stated above; and

- The introduction of less expensive bus service delivery with smaller vehicles where those vehicles fit lower demand areas in December 2012.

The FY 2012 Business Plan (including the FY 2012 Annual Budget and Twenty-Year Financial Plan) is posted on our website at http://dart.org/debtdocuments/investorinformation.

Future Expansions

The Board periodically updates our Transit System Plan. The most recent update, the 2030 Transit System Plan, was adopted in October 2006 and includes construction of an additional 22 miles of light rail transit (LRT) to: North Irving, and Dallas-Fort Worth International Airport (Orange Line); Rowlett (Blue Line extension), and South Oak Cliff-3 projected to be completed by 2014, at a cost of approximately $1.8 billion. The plan also includes 116 miles of managed HOV lanes, many of which are currently interim lanes, and 122 miles of bus corridor enhancement recommendations.

LITIGATION

In Ordinary Course of Business

Typically, a number of claims, administrative appeals, and/or lawsuits arise from individuals and businesses in the ordinary course of our business that seek compensation for additional construction costs, labor and employment claims, personal injuries, death, and/or property damage resulting from routine operation and development of our public transportation system. We do not believe that the outcome of these claims, administrative appeals, and/or lawsuits will have a material adverse effect on our financial condition. We have accrued an estimate of losses on such matters and have included this accrual in accounts payable and accrued liabilities in our consolidated balance sheets.

INVESTMENT CONSIDERATIONS

Source of Payment is Limited

The Obligations will be special obligations of DART and will be secured by a lien on the Pledged Revenues.

The Obligations are not debts or obligations of the State of Texas. Nor are they the debt or obligation of any Participating Municipality. The holders of Obligations will never have the right to demand payment out of any of our funds other than the Pledged Revenues, unless we, in the case of Subordinate Lien Obligations, expressly and specifically pledge Special Revenues to such payment. We do have the right, however, but are not obligated, to enter into Credit Agreements with respect to any issue of Bond Obligations having any lien ranking as to Pledged Revenues. If we do so, the Holders of the issue of Bond Obligations to which a Credit Agreement relates will have such additional security as the Credit Agreement may provide, such as municipal bond insurance policies, bank-issued letters of credit, or other forms of credit enhancement.

Our Ability to Make Payments on Obligations is Dependent Upon the Amount of Gross Sales Tax Revenues Actually Generated

Except for Bond Obligations that may be supported by a Credit Agreement, as discussed above, the only sources of security for the Obligations will be the Gross Sales Tax Revenues collected by the Comptroller and remitted to the Trustee and the investments thereof and the Pledged Farebox Revenues**.** Sales Tax receipts are impacted by changes in the economic activity and conditions of a municipality or geographic area, and the amount of Gross Sales Tax Revenues generated in any future year is not certain.

The Collection of the Sales Tax is Beyond Our Control

Generally, the seller of taxable items and services collects the Sales Tax from the consumer at the point of a taxable transaction and remits these taxes to the Comptroller. We do not control the Comptroller’s collection efforts, and the Comptroller’s collection efforts against a private seller of goods and services are subject to applicable State law and to federal bankruptcy code provisions with respect to the protection of debtors.

The Comptroller May Reduce Future Payments of our Gross Sales Tax Revenues or Require Us to Make Repayments to Provide for the Repayment of Overpayments of Gross Sales Tax Revenues that Occurred in Prior Periods

The Comptroller periodically identifies underpayments and overpayments of Gross Sales Tax Revenues and responds to claims by taxpayers. In the event that the Comptroller determines that we received an overpayment, our Gross Sales Tax Revenues for future periods are subject to reduction or we may be required to make a repayment in order to reimburse the overpayment. Under State law, DART has no legal standing or ability to intervene or appeal the Comptroller’s determination. We have previously entered into two repayment agreements with the Comptroller regarding overpayments, including an agreement whereby overpayments of approximately $16.8 million will result in a reduction of our Gross Sales Tax Revenues in equal amounts quarterly through March 2027.

We May Receive Payment of Gross Sales Tax Revenues Less Frequently

State law requires the Comptroller to remit Gross Sales Tax Revenues to us only on a quarterly basis. As a matter of convenience and accommodation to local taxing entities, the Comptroller remits Gross Sales Tax Revenues to us and other taxing entities on a monthly basis. While we have no reason to believe that the Comptroller's current practice will be discontinued, there is no assurance that the Comptroller will continue to remit Gross Sales Tax Revenues to us on a monthly basis. Thus, temporary cash flow irregularities could occur.

We May Experience Variations in our Gross Sales Tax Revenues

Variations in the amount of receipts can be adversely affected by a number of variables, including (1) changes in State laws and administrative practices governing the remittance and allocation of Sales Tax receipts, (2) changes in the tax base against which the Sales Tax is assessed, (3) changes in the economic activity and conditions of a municipality or geographic area, and (4) the withdrawal from DART of one or more of the Participating Municipalities. See, "DART'S FINANCIAL PRACTICES AND RESOURCES."

Ratings of the Obligations Do Not Assure Their Payment

The Bond Obligations may be rated by one or more nationally recognized rating agencies. Each Supplemental Disclosure Statement and Offering Memorandum and each Supplemental Official Statement will describe any rating(s) that may be applicable to a series of Bond Obligations. 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.

CONTINUING DISCLOSURE OF INFORMATION

We have agreed voluntarily to replace this 2012 Annual Disclosure Statement on an annual basis and to update it after the second and third quarters of our fiscal year. These disclosure documents will be filed with the Municipal Securities Rulemaking Board ("MSRB") identified below, and will be posted on the Internet at our website, ***www.dart.org.*** We reserve the right to suspend or stop postings on the Internet and the annual and quarterly updates at any time.

However, we intend to comply fully with the terms of our agreement in the Master Debt Resolution undertaken pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") for the benefit of the Holders and beneficial owners of Bond Obligations that are subject to the Rule. Under this agreement, so long as any covered Bond Obligations remain outstanding we will provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB.

Annual Reports Required by the Rule

We will provide certain updated financial information and operating data with respect to us and the System to the MSRB annually. This information includes all quantitative financial information and operating data with respect to us and our transportation system of the general type included in this 2012 Annual Disclosure Statement and in each Supplemental Disclosure Statement, if any, that is approved by a Supplemental Resolution with respect to Bond Obligations subject to the Rule.

We will update and provide this information within six months after the end of each fiscal year. We will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Access ("EMMA") system at www.emma.msrb.org.

The updated information will include audited financial statements if it is completed by the required time. If audited financial statements are not available by the required time, we will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as we may be required to employ from time to time pursuant to state law or regulation.

Our fiscal year ends on September 30. Accordingly, we must provide updated information by the last day of March in each year, unless we change our fiscal year. If we change our fiscal year, we will notify each MSRB of the change.

Over the last five years, we have complied in all material respects with all Continuing Disclosure Agreements made by us in accordance with the Rule.

Material Event Notices Required by the Rule

We will also provide timely notices of certain events to the MSRB. We will provide notice of any of the following events with respect to Bond Obligations, if such event is material within the meaning of the federal securities laws:

- Principal and interest payment delinquencies;
- Nonpayment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of Tax Exempt Bond Obligations;
- Modifications to rights of Holders of Bond Obligations;
- Bond Obligation calls;
- Defeasances;
- Release, substitution, or sale of property securing repayment of Bond Obligations; or
- Rating changes.

In addition, we will provide timely notice of any failure by us to provide information, data, or financial statements in accordance with our agreement under the Rule.

Availability of Information From MSRB

The information will be available to Holders of Bond Obligations free of charge through the MSRB's EMMA system at www.emma.msrb.org.

BOND RATINGS

The current underlying ratings for all the outstanding Senior Lien Obligations are "Aa2" by Moody's Investors Service, Inc. and "AA+" by Standard & Poor's Ratings Services, a Standard and Poor's Financial Service LLC business. The Series 2002 Bonds and the Series 2007 Bonds are also rated "AA" by Fitch Ratings.

OBLIGATIONS AS LEGAL INVESTMENTS

Under the Act, the Bond Obligations are authorized investments for banks, savings banks, trust companies, savings and loan associations, and insurance companies, and are eligible to secure the deposit of public funds of the State, a political subdivision of the State and any other political corporation of the State. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, a rating of "A" or better as to investment quality of the Bond Obligations by a national rating agency may be required before such obligations are eligible for investments for sinking funds and other public funds. We have not reviewed the laws in other states to determine whether our obligations are legal investments for various institutions in those states.

TRUSTEE AND PAYING AGENTS

The Trustee under the Master Debt Resolution is Amegy Bank N.A. and its successors. A Paying Agent for each series of Bond Obligations issued under the Master Debt Resolution will be specified in the Supplemental Resolution creating such series.

LEGAL COUNSEL

The law firms of Bracewell & Giuliani LLP, 1445 Ross Avenue, Suite 3800, Dallas, Texas 75202, and West & Associates L.L.P., 320 S. R.L. Thornton Freeway, Suite 300, Dallas, Texas 75203, serve as our Co-Finance Counsel and as our Co-Bond Counsel with respect to the Obligations and other financial matters.

This 2011 Annual Disclosure Statement, in substantially the form and content presented above, was approved by the Board of Directors of DART on March 13, 2012.

/s/ John C. Danish
Chair, Board of Directors

ATTEST:

/s/ Loretta Ellerbee
Secretary, Board of Directors

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

APPENDIX A

Independent Auditors' Report with Audited Financial Statements for the Fiscal Years ended September 30, 2011 and 2010

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Dallas Area Rapid Transit

Financial Statements
Years Ended September 30, 2011 and 2010 and
Independent Auditors' Report

DALLAS AREA RAPID TRANSIT

FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Dallas Area Rapid Transit
Dallas, Texas

We have audited the accompanying statements of net assets, the statement of revenues, expenses and changes in net assets, and statements of cash flows of the Dallas Area Rapid Transit ("DART"), as of and for the years ended September 30, 2011 and 2010. These financial statements are the responsibility of DART's management. Our responsibility is to express an opinion on the respective financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DART's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DART, as of September 30, 2011 and 2010, and the changes in financial position and cash flows, thereof and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the schedule of funding progress are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of DART's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and express no opinion on it.

Deloitte & Touche LLP

January 27, 2012

DALLAS AREA RAPID TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010 (Dollars in Thousands)

The management of Dallas Area Rapid Transit (DART) offers the users of DART's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2011 and 2010. This discussion and analysis is designed to assist the reader to focus on significant financial activities and identify any significant changes in the financial position of DART. It should be read in conjunction with the financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

As of September 30, 2011 and 2010, total assets of DART exceeded total liabilities by $2,373,611 and $2,445,494 respectively. The amount of unrestricted net assets as of September 30, 2011 was $840,297 compared to $687,987 in 2010.

The net assets of DART decreased by $71,883 during the current fiscal year compared to an increase of $27,030 last year. The decrease during 2011 is predominately due to increases in interest and depreciation expense and decreases in federal capital contributions and grants. The increase during 2010 was due to increases in capital contributions and grants, net of the increases in operating expenses and non-operating expenses.

DART's total debt increased by $704,723 (23%) during the current fiscal year compared to a decrease of $31,854 (1%) in 2010. The increase in 2011 is due to additional borrowing in the form of revenue bonds. The decrease in 2010 is due to principal payments made on revenue bonds and capital lease/leaseback liabilities.

Capital contributions from federal and local governments were $122,314 in 2011 and $151,836 in 2010. Such contributions were used to finance DART's transit system expansion projects and acquisition of light rail vehicles and equipment.

Other federal grants were $47,566 in 2011 compared to $50,913 in 2010.

For fiscal year 2011, total expenses exceeded total revenues resulting in a loss before capital contributions and grants of $241,736 compared to $175,719 for 2010. The loss in 2011 is more than that of 2010 primarily because of the increase in interest and depreciation expenses.

BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to DART's basic financial statements. DART's basic financial statements are comprised of four components: statements of net assets; statements of revenues, expenses, and changes in net assets; statements of cash flows; and notes to the financial statements.

The statements of net assets present information on all of DART's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of DART is improving or deteriorating. The statements of net assets are shown on page 12 of this report.

The statements of revenues, expenses, and changes in net assets present information on revenues, expenses, capital contributions, and how DART's net assets changed during the two most recent fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements for some items that result in cash flows only in future fiscal periods. The increase or decrease in net assets may serve as an indicator of the effect of DART's current year operation on its financial position. The statements of revenues, expenses, and changes in net assets are shown on page 13 of this report.

The statements of cash flows summarize all of DART's cash flows into four categories: cash flows from operating activities; cash flows from non-capital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities. The statements of cash flows, along with related notes and information in other financial statements, can be used to assess the following: DART's ability to generate positive future cash flows and pay its debt as the debt matures; the reasons for differences between DART's operating cash flows and operating income (loss); and the effect of cash and non-cash investing, capital, and financing activities on DART's financial position. The statements of cash flows are shown on pages 14-15 of this report.

Notes to the financial statements provide additional information that is essential to fully understand the data provided in the statements of net assets, statements of revenues, expenses, and changes in net assets, and statements of cash flows. The notes to the financial statements are shown on pages 16-35 of this report.

FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010 (Dollars in Thousands)

The activities of DART are accounted for as a proprietary fund and are presented in the financial statements of DART as business type activities. The activities of DART are supported by a 1% sales and use tax within the member jurisdictions, fare collections, federal, state, and local financial assistance, and other receipts such as advertising and rental income.

The financial statements of DART include the accounts and operations of a blended component unit, Regional Rail Right-of-Way Corporation.

FINANCIAL ANALYSIS

Statements of Net Assets – Total assets of DART exceeded total liabilities by $2,373,611 and $2,445,494 as of September 30, 2011 and 2010, respectively. The largest portion of this excess (64% in 2011 and 71% in 2010) was invested in capital assets, net of related outstanding debt. DART uses these capital assets to provide public transportation services to customers and member jurisdictions; consequently, these assets are not available for future spending. Although DART's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be obtained from other sources such as sales and use tax, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Summary of Assets, Liabilities, and Net Assets

	2011	2010	2009
Current assets	$1,053,663	$962,389	$670,077
Other non-current assets	686,533	446,089	1,309,595
Capital assets (net of accumulated depreciation)	4,775,830	4,520,616	3,934,142
Total assets	6,516,026	5,929,094	5,913,814
Current liabilities	476,118	501,043	492,159
Non-current liabilities	3,666,297	2,982,557	3,003,191
Total liabilities	4,142,415	3,483,600	3,495,350
Net assets			
Invested in capital assets, net of related debt	1,515,210	1,741,742	2,030,937
Restricted for:			
Debt service	7,338	15,765	15,065
Security for lease/leaseback liabilities	10,766		
Unrestricted	840,297	687,987	372,462
Total net assets	$2,373,611	$2,445,494	$2,418,464

Other non-current assets increased by $240,444 in 2011 compared to a decrease of $863,506 in 2010. The increase in 2011 is due to bonds that were issued during the year and held for payment of construction and acquisition of capital assets. The decrease in 2010 is due to spending of bond proceeds on capital projects.

In 2011, $10,766 of DART's net assets are restricted to satisfy the requirements of an amended lease/lease back agreement. The unrestricted portion of net assets, $840,297 in 2011 and $687,987 in 2010 represent resources available to meet DART's ongoing obligations. The DART Board committed $26,123 and $36,633 of the unrestricted net assets for self-insurance and financial reserves in 2011 and 2010, respectively. The increases in unrestricted net assets of $152,310 (22%) in 2011 and $315,525 (85%) in 2010 are due to timing of expenditures and related reimbursements.

FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010 (Dollars in Thousands)

Statements of Revenues, Expenses, and Changes in Net Assets – During fiscal year 2011, DART's activities resulted in a decrease in net assets of $71,883 compared to an increase of $27,030 in 2010. The decrease in 2011 is due to increases in expenses such as depreciation and interest and financing costs and decreases in capital contributions and other federal grants. The increase in net assets during fiscal year 2010 was due to capital contributions and grants, net of the increases in operating expenses and non-operating expenses. The key elements of the changes in net assets for the fiscal years ended September 30 with comparative information for 2009 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Assets

	2011	2010	2009
Operating revenues			
Passenger revenues	$ 57,329	$ 52,081	$ 46,712
Advertising, rent and other	12,049	11,149	10,640
Total operating revenues	69,378	63,230	57,352
Operating expenses			
Labor	198,290	193,213	180,834
Benefits	86,548	80,714	69,157
Services	33,832	32,323	31,894
Materials and supplies	51,096	57,585	51,279
Purchased transportation	53,466	50,452	47,291
Depreciation	179,119	135,324	121,765
Utilities	17,047	13,805	12,362
Taxes, leases, and other	5,737	5,288	5,685
Casualty and liability	3,878	3,841	3,320
Total operating expenses	629,013	572,545	523,587
Operating loss	(559,635)	(509,315)	(466,235)
Non-operating revenues (expenses)			
Sales and use tax revenue	403,228	376,295	378,421
Investment income	28,434	29,539	48,985
Build America Bonds tax credit	30,250	17,736	4,730
Other non-operating revenues	13,562	12,039	11,997
Interest expense	(145,514)	(93,752)	(78,873)
Street improvements for member cities	(1,244)	(1,010)	(645)
Other non-operating expenses	(10,844)	(7,251)	(8,431)
Total net non-operating revenues	317,872	333,596	356,184
Loss before capital contributions and grants	(241,736)	(175,719)	(110,051)
Capital contributions	122,314	151,836	244,924
Other federal grants	47,566	50,913	57,759
Total capital contributions and grants	169,880	202,749	302,683
Increase (decrease) in net assets	(71,883)	27,030	192,632
Net assets, beginning of the year	2,445,494	2,418,464	2,225,832
Net assets, end of the year	$2,373,611	$2,445,494	$2,418,464

Significant changes in revenues and expenses are shown and explained on the following pages.

FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010 (Dollars in Thousands)

REVENUES

The following table summarizes revenues for fiscal year 2011 and 2010 with comparative information for 2009.

REVENUES

Revenues	2011	2010	2009
Passenger revenues	$ 57,329	$ 52,081	$ 46,712
Advertising, rent and other	12,049	11,149	10,640
Sales and use tax revenue	403,228	376,295	378,421
Other federal grants	47,566	50,913	57,759
Investment income	28,434	29,539	48,985
Capital contributions	122,314	151,836	244,924
Build America Bonds tax credit	30,250	17,736	4,730
Other revenues	13,562	12,039	11,997
Total	**$714,732**	**$701,588**	**$804,168**

Passenger revenues – include farebox receipts, monthly and annual pass revenues, paratransit revenue, and special event fares. Passenger revenues increased by 10% ($5,248) in 2011 compared to an 11% ($5,369) increase in 2010. The increase in 2011 is due to an increase in light rail ridership. The increase in 2010 is due to the fare increase that became effective on October 1, 2009.

Advertising, rent and other – Advertising income includes revenues from advertisements at transit stations, on DART buses, and electronic signs on light rail cars. Rental income includes revenue from the rental of land along the rail corridor and other properties. Advertising and rental income increased by 8% ($900) in 2011 compared to an increase of 5% ($509) in 2010. The increase during 2011 is due to rental income from DART's right-of-way and rail diesel cars leased to the Denton County Transportation Authority. The increase during 2010 is due to an increase in car miles operated on DART's right-of-way by railroad companies, increase in rate per car mile, CPI increases and revenue from a new right-of-way easement agreement. The increase in rental income is partially offset by a decrease in advertising revenue as a result of a decline in the advertising market.

Sales and use tax revenue – Sales and use tax revenue is a dedicated 1% tax imposed on certain items within DART's member jurisdictions or service area. Sales and use tax revenue increased by 7% ($26,933) in 2011 compared to a decrease of 1% ($2,126) in 2010. The increase in 2011 is due to a relative improvement in the local economy resulting in better than previous year's retail sales and sales and use tax receipts. The decrease in 2010 was due to the negative impact of the economic recession on retail sales. Sales and use tax revenue constituted approximately 56% and 54% of DART's total revenues in 2011 and 2010, respectively.

Other federal grants – Other federal grant revenues decreased by 7% ($3,347) in 2011 compared to a decrease of 12% ($6,846) in 2010. The decrease in 2011 is due to reduced funding for preventive maintenance grants. The decrease in 2010 is due to the use of fixed guideway funding for capital projects. DART received $56 in 2011 and $181 in 2010 from the U S Department of Justice for hiring law enforcement (transit police) officers under the Community Oriented Policing Services (COPS) Universal Hiring Award program. DART also received $1,579 in 2011 and $1,427 in 2010 from the Federal Transit Administration (FTA) for vanpool and ozone programs and $847 in 2011 compared to $370 in 2010 in the form of homeland security grants from the United States Department of Homeland Security.

Capital contributions – Capital contributions include federal and local grants and contributions. Capital contributions decreased by 19% ($29,522) in 2011 compared to a decrease of 38% ($93,088) in 2010. The decrease in 2011 was due to delay in project funding from the federal government. The decrease in 2010 compared to 2009 is due to lower funding in the form of the American Recovery and Reinvestment Act (ARRA). City of Irving's share of the Belt Line Grade separation project cost is $4.2 million in 2011 compared to $1.3 million during 2010. These amounts are recorded as capital contributions.

Investment income – Investment income decreased by 4% ($1,105) in 2011 compared to a 40% ($19,446) decrease in 2010. The decrease in 2011 is due to a decrease in interest rates. The decrease in 2010 is due to decreases in interest rates and investment balances.

Build America Bonds tax credit – The Build America Bonds (BABs) tax credit increased by 71% ($12,514) in 2011 compared to a 275% ($13,006) increase in 2010. The increase in 2011 is due to an additional bond issued under the BABs program in October 2010. The increase in 2010 is due to the full year of BABs tax credits in 2010 compared to only four months in 2009.

Other revenues – Other revenues increased by13% ($1,523) in 2011 compared to a 0.4% ($42) increase in 2010. Other revenues include revenues from billings to the Fort Worth Transportation Authority (The T) for their share of the Trinity Railway Express (TRE) commuter rail service, toll credits received from the State of Texas as a local match for FTA capital grants, and alternative fuel tax credits. The increase in other revenues in 2011 is due to the alternative fuel tax credit received during 2011 as a result of an act passed by the United State Congress in December 2010 that allowed credits for periods covering fiscal years 2011 and 2010.

The following charts summarize revenues for fiscal years 2009 through 2011.

FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010 (Dollars in Thousands)

EXPENSES

The following table summarizes expenses for fiscal year 2011 and 2010 with comparative information for 2009

EXPENSES BY OBJECT CLASS

Expenses	2011	2010	2009
Labor	$198,290	$193,213	$180,834
Benefits	86,548	80,714	69,157
Services	33,832	32,323	31,894
Materials and supplies	51,096	57,585	51,279
Purchased transportation	53,466	50,452	47,291
Depreciation and amortization	179,119	135,324	121,765
Utilities	17,047	13,805	12,362
Taxes, leases and other	5,737	5,288	5,685
Casualty and liability	3,878	3,841	3,320
Street improvements for member cities	1,244	1,010	645
Interest and financing expenses	145,514	93,752	78,873
Other non-operating expense	10,844	7,251	8,431
Total	**$ 786,615**	**$ 674,558**	**$ 611,536**

Labor – Labor costs increased by 3% ($5,077) in 2011 compared to an increase of 7% ($12,379) in 2010. The increase in 2011 is due to early retirement incentives payments and severance pay for terminations as a result of a reduction in force. The increase in 2010 is due to merit increases given to employees, vacant positions filled, and new positions added during 2010 and 2009. The new positions were added in preparation for the Green Line light rail service opening in December 2010.

Benefits – Benefits increased by 7% ($5,834) in 2011 compared to a 17% ($11,557) increase in 2010. The increase in 2011 is mainly due to increase in health care claim costs. Other smaller increases include contributions to retirement plans, and payroll taxes. The increase in 2010 is due to increases in health care claim costs, contributions to retirement plans, workers compensation claim costs, payroll taxes and a larger increase in labor costs in 2010 than in 2009.

Services – Services include contracted services such as: security, vehicles, equipment and right-of-way maintenance, advertising, marketing, computing, communication, legal, governmental, and environmental services. Services increased by 5% ($1,509) in 2011 compared to an increase of 1% ($429) in 2010. The increase in 2011 is due to the cost of an overhaul of commuter rail vehicles and refurbishment of HOV lane pylons. The increase in 2010 is due to an increase in the maintenance costs of TRE right-of-way and commuter rail cars.

Materials and supplies – Materials and supplies include the cost of fuel, parts and supplies used to operate and maintain vehicles, equipment, and facilities. Materials and supplies expenses decreased by 11% ($6,489) in 2011 compared to an increase of 12% ($6,306) in 2010. The decrease in 2011 is due to DART's diesel fuel hedge program that significantly reduced the net cost of fuel used by DART vehicles. The increase in 2010 is due to an increase in fuel costs and an increased need for parts to maintain the aging fleets of buses and light rail vehicles.

Purchased transportation – Purchased transportation represents the costs of contracted transportation services such as commuter rail, paratransit, DART on-call, and shuttle services. Purchased transportation expenses increased by 6% ($3,014) in 2011 compared to a 7% ($3,161) increase in 2010. The increases in both 2011 and 2010 are due to increases in service miles and hours of paratransit service, fuel costs, and fixed monthly costs for paratransit and commuter rail services.

Depreciation – Depreciation expenses increased by 32% ($43,795) in 2011 compared to an 11% ($13,559) increase in 2010. The increases in both 2011 and 2010 are due to new assets placed in service during both fiscal years. The increase in 2011 is larger because of the opening of the Green Line light rail service and Northwest Rail Operating Facility in December 2010.

Utilities – Utilities represent the cost of electricity, telecommunications, water and sewer, and natural gas. Utilities increased by 23% ($3,242) in 2011 compared to an increase of 12% ($1,443) in 2010. The increase in 2011 is due to electricity usage increase for the light rail service as a result of the Green Line opening. Water usage has also increased because of new passenger and maintenance facilities. The increase in 2010 is due to an increase in the electricity rate and an increase in usage of electricity as well as an increase in communication costs.

Taxes, leases, and other – Taxes, leases, and other includes fuel and lube taxes, equipment rentals, leases of operating and passenger facilities, training, travel, business meetings, membership dues, subscriptions, employee programs and allowance for uncollectible receivables. Taxes, leases, and other expenses increased by 8% ($449) in 2011 compared to a decrease of 7% ($397) in 2010. The increase in 2011 is due to an increase in equipment rentals, increases in usage and rental rates for document storage facilities and an increase in the wellness screening costs. The decrease in 2010 is due to a decrease in the allowance for uncollectible receivables, recruiting costs and training expenses.

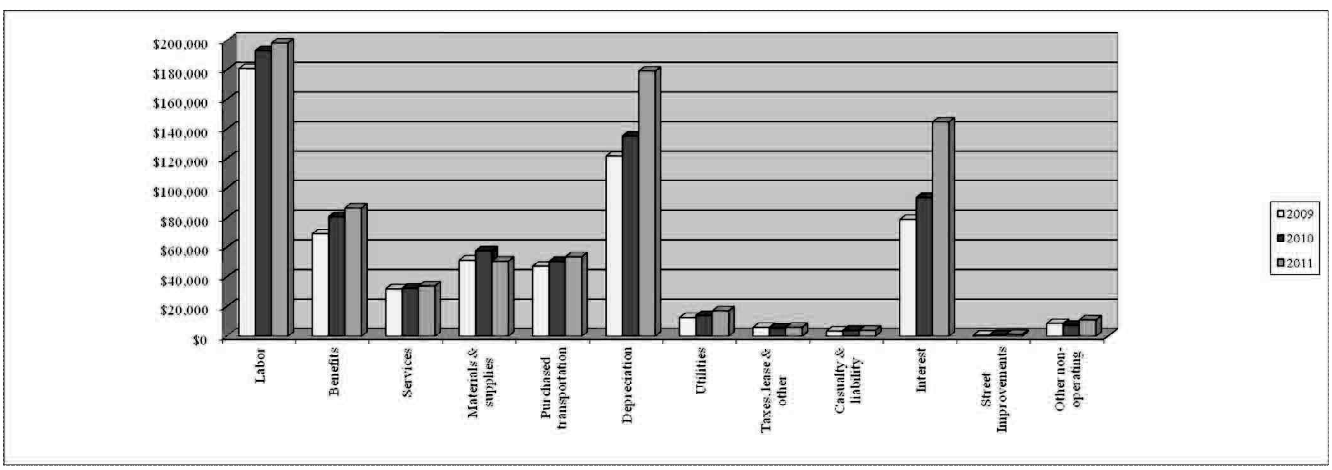
Casualty and liability – Casualty and liability expenses increased by 0.1% ($37) in 2011 compared to an increase of 16% ($521) in 2010. The increases in both 2011 and 2010 are due to higher claim losses.

Street improvements – Local assistance is provided to eligible member jurisdictions in the form of technical and financial assistance to reduce traffic congestion and complement bus and public transit operations. The street improvement program costs increased by 23% ($234) in 2011 compared to a 57% ($365) increase in 2010. The increases in both 2011 and 2010 are due to increased work on intelligent transportation systems projects that are expected to improve the flow of vehicle traffic.

Interest – Interest expense increased by 55% ($51,762) in 2011 compared to an increase of 19% ($14,879) in 2010. In both 2011 and 2010, interest expense increased due to additional borrowings in the form of revenue bonds. The increase in 2011 is more than that of 2010 because less interest was capitalized as a result of the completion of the Green Line related projects during the first quarter of the fiscal year 2011. Also, additional bonds were issued in October 2011 which caused an added increase in interest in fiscal year 2011.

Other non-operating expenses – Other non-operating expenses increased by 50% ($3,593) in 2011 compared to a decrease of 14% ($1,180) in 2010. The increase in 2011 is due to general planning and consulting service costs for a regional commuter rail project and a loss on disposal of capital assets. Expenses incurred for modification to streets adjacent to the new light rail segment caused the increase in 2009. These streets belong to the City of Dallas and Texas Department of Transportation. During 2010 there was no similar expense resulting in the 14% decrease.

The following charts summarize expenses for fiscal years 2009 through 2011.



FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010 (Dollars in Thousands)

Expenses by function – *Transportation* – includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, high occupancy vehicle (HOV) lanes, DART on-call and shuttle services. These expenses include such items as wages and benefits for operators, transit center service employees, transportation supervisors and managers, DART police, cost of fuel, tires and tubes, propulsion power, purchased transportation, customer service, revenue collection, and other related costs. *Maintenance* – includes labor costs and benefits for vehicle and facility maintenance, materials and supplies, utilities, and all other costs incurred for maintenance purposes. *General and administration* – includes administrative personnel costs, benefits, accident, general liability and contract claims; street improvements; and other related costs. *Depreciation* – includes depreciation expense on all depreciable capital assets. *Interest* – includes interest expense incurred on debt net of capitalized interest.

EXPENSES BY FUNCTION

	2011	2010	2009
Transportation	$ 257,546	$ 246,631	$ 230,331
Maintenance	125,778	123,596	110,691
General and administration	78,658	75,255	69,876
Depreciation and amortization	179,119	135,324	121,765
Interest	145,514	93,752	78,873
Total	**$ 786,615**	**$ 674,558**	**$ 611,536**

FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010 (Dollars in Thousands)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – Investment in capital assets includes: land and rights-of-way; transitways; buildings and improvements; revenue and non-revenue vehicles; equipment; and furniture, fixtures, and leasehold improvements. DART's investment in capital assets as of September 30, 2011, is $4,775,830 compared to $4,520,616 in 2010. The net increase in capital assets during the current year is $255,214 (6%) compared to an increase of $586,474 (15%) in 2010.

The following table summarizes capital assets net of depreciation as of September 30 with comparative information for 2009.

Capital Assets (Net of Depreciation)

	2011	2010	2009
Land and rights-of-way	$ 548,904	$ 397,997	$ 398,914
Transitways	2,185,849	1,123,831	1,154,839
Buildings and improvements	455,135	198,617	209,198
Revenue and non-revenue vehicles and equipment	719,397	487,900	409,131
Furniture, fixtures, and leasehold improvements	6,673	7,001	6,321
Projects in progress	859,872	2,305,270	1,755,739
Total	$4,775,830	$4,520,616	$3,934,142

The increases during 2011 and 2010 are due to the cost of planning, designing and building the Light Rail Transit (LRT) Phase II expansion. The Phase II expansion consists of approximately 46 miles of light rail transit lines. These new lines extend northwest from Downtown Dallas to the cities of Carrollton, Farmers Branch, and Irving and southeast from Downtown Dallas to Buckner Blvd. in South Dallas and northeast from the Downtown Garland Station to the Rowlett Park-and-Ride. The northwest and southeast extensions opened for service during 2011 and the northeast extension is scheduled to open during 2013.

Additional information on DART's capital assets is shown in note 6 on pages 23-25.

Outstanding debt – Outstanding debt includes sales tax revenue commercial paper notes, senior lien revenue bonds, and capital lease/leaseback liabilities. As of September 30, 2011, DART had total outstanding debt of $3,772,333 compared to $3,067,610 as of September 30, 2010. Outstanding debt increased by 23% ($704,723) in 2011 compared to a 1% ($31,854) decrease in 2010.

The following table summarizes DART's total outstanding debt.

Outstanding Debt

	2011	2010	2009
Sales tax revenue commercial paper notes	$ 150,000	$ 150,000	$ 150,000
Senior lien revenue bonds payable	3,298,430	2,595,370	2,613,305
Capital lease/leaseback liabilities	323,903	322,240	336,159
Total debt	$3,772,333	$3,067,610	$3,099,464

The sales tax revenue commercial paper notes remained at $150,000 as of September 30, 2011 and 2010. The commercial paper notes were issued as a senior subordinate lien to sales and use tax revenues and are payable from the 1% sales and use tax receipts.

Senior lien revenue bonds outstanding are $3,298,430 as of September 30, 2011 and $2,595,370 as of September 30, 2010. These are senior lien bonds secured by and payable from the 1% sales and use tax receipts and farebox revenues. The increase of $703,060 in 2011 is due to additional borrowing during fiscal year 2011. The decrease of $17,935 in 2010 is due to principal payments made on December 1, 2009. All of DART bonds are issued to finance capital projects. The senior lien revenue bonds are shown net of original issuance premium, discount and refunding gain (loss) of $66,008 and $63,437 as of September 30, 2011 and 2010, respectively, on the statement of net assets.

During 2011 DART maintained an AA+ credit rating from Standard & Poors, and an Aa2 from Moody's for its bonds.

Capital lease/leaseback liabilities are $323,903 and $322,240 as of September 30, 2011 and 2010, respectively. The increase in 2011 is due to accrued interest on outstanding liabilities. The decrease in capital lease/leaseback liabilities in 2010 is due to lease payments.

Additional information on DART's outstanding debt is shown in footnotes 10-14.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 56% and 54% of total revenues in 2011 and 2010, respectively. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2010, DART's sales and use tax revenues showed a 1% decline compared to the previous year. Actual sales and use tax revenues in 2011 are $403.2 million compared to $376.3 million in 2010. The sales and use tax budget for 2012 is $422.5 million compared to $403.2 million actual for 2011. This represents a 4.8% increase from the 2011 actual sales and use tax revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide our member jurisdictions, customers, investors, and creditors with a general overview of DART's finances. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

DALLAS AREA RAPID TRANSIT
STATEMENTS OF NET ASSETS
For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 116,477	$ 141,419
Investments	677,801	609,784
Derivative instrument asset	5,480	1,660
Sales and use tax receivable	68,114	63,995
Transit revenue receivable, net	2,563	2,659
Due from federal and other governments	20,306	17,092
Materials and supplies inventory, net	27,381	28,383
Prepaid transit expense and other	2,483	3,172
Restricted investments held by trustee for debt service	65,375	62,379
Restricted investments held for advance funding agreements	11,921	11,040
Restricted investments held to pay capital lease/leaseback liabilities	55,762	20,806
TOTAL CURRENT ASSETS	1,053,663	962,389
NONCURRENT ASSETS		
Note receivable		913
Investments restricted for system expansion and acquisition	354,274	97,464
Restricted Investments held as security for capital lease/leaseback liabilities	10,766	
Investment in joint venture	24,190	20,821
Capital assets		
Land and rights-of-way	548,904	397,997
Depreciable capital assets, net of depreciation	3,367,054	1,817,349
Projects in progress	859,872	2,305,270
Restricted investments held to pay capital lease/leaseback liabilities	268,141	301,434
Net pension asset	6,485	5,585
Unamortized bond issue costs and other	22,677	19,872
TOTAL NONCURRENT ASSETS	5,462,363	4,966,705
TOTAL ASSETS	6,516,026	5,929,094
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	93,415	152,195
Commercial paper notes payable	150,000	150,000
Current portion of capital lease/leaseback liabilities	55,762	20,806
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	13,370	13,370
Retainage payable	55,666	67,531
Unearned revenue and other liabilities	35,194	29,252
Accrued interest payable from restricted assets	58,037	46,615
Current portion of senior lien revenue bonds payable	8,370	18,790
Deferred inflows of resources	5,480	1,660
TOTAL CURRENT LIABILITIES	476,118	501,043
NONCURRENT LIABILITIES		
Accrued liabilities	30,217	28,411
Repayment due to State Comptroller	11,871	12,695
Senior lien revenue bonds payable	3,356,068	2,640,017
Capital lease/leaseback liabilities	268,141	301,434
TOTAL NONCURRENT LIABILITIES	3,666,297	2,982,557
TOTAL LIABILITIES	4,142,415	3,483,600
NET ASSETS		
Invested in capital assets, net of related debt	1,515,210	1,741,742
Restricted for debt service	7,338	15,765
Restricted as security for capital lease/leaseback liabilities	10,766	
Unrestricted	840,297	687,987
TOTAL NET ASSETS	$2,373,611	$2,445,494

The accompanying notes are an integral part of these financial statements.

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

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

	2011	2010
OPERATING REVENUES		
Passenger revenues	$ 57,329	$ 52,081
Advertising, rent, and other	12,049	11,149
TOTAL OPERATING REVENUES	69,378	63,230
OPERATING EXPENSES		
Labor	198,290	193,213
Benefits	86,548	80,714
Services	33,832	32,323
Materials and supplies	51,096	57,585
Purchased transportation	53,466	50,452
Depreciation and amortization	179,119	135,324
Utilities	17,047	13,805
Taxes, leases, and other	5,737	5,288
Casualty and liability	3,878	3,841
TOTAL OPERATING EXPENSES	629,013	572,545
NET OPERATING LOSS	(559,635)	(509,315)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	403,228	376,295
Investment income	5,966	6,842
Interest income from investments held to pay capital lease/leaseback	22,468	22,697
Interest expense on capital lease/leaseback	(22,468)	(22,697)
Street improvements	(1,244)	(1,010)
Interest and financing expenses	(123,046)	(71,055)
Build America Bonds tax credit	30,250	17,736
Other non-operating revenues	13,562	12,039
Other non-operating expenses	(10,844)	(7,251)
NET NON-OPERATING REVENUES	317,872	333,596
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(241,736)	(175,719)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	117,217	147,832
State capital contributions	839	2,712
Local capital contributions	4,258	1,292
Total capital contributions	122,314	151,836
Other federal grants	47,566	50,913
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	169,880	202,749
CHANGE IN NET ASSETS	(71,883)	27,030
TOTAL NET ASSETS – BEGINNING OF YEAR	2,445,494	2,418,464
TOTAL NET ASSETS – END OF YEAR	$2,373,611	$2,445,494

The accompanying notes are an integral part of these financial statements.

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 82,804	$ 62,856
Payments to suppliers of goods and services	(120,006)	(90,684)
Payments to purchased transportation service providers	(58,436)	(48,773)
Payments to employees	(197,539)	(192,029)
Benefit payments on behalf of employees	(85,649)	(80,012)
NET CASH USED BY OPERATING ACTIVITIES	(378,826)	(348,642)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	398,284	372,614
Other federal grants	48,057	50,743
Other non-capital financing receipts	4,123	12,045
Build America Bonds tax credit	26,008	16,554
Other non-capital financing payments	(1,905)	(7,239)
Local Assistance Program and street improvements	(649)	(2,772)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	473,918	441,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	8,629	10,786
Proceeds from sales and maturity of investments	1,299,015	765,278
Purchase of investments	(1,368,785)	(980,358)
Decrease (increase) in restricted assets	(270,598)	850,746
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(331,739)	646,452
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(504,244)	(740,764)
Proceeds from the issuance of commercial paper notes	824,800	435,000
Payment on commercial paper notes	(824,800)	(435,000)
Proceeds from the issuance of revenue bonds	839,531	
Payments to advance refund existing revenue bonds	(110,410)	
Payment of debt issuance costs	(4,948)	
Principal payment on revenue bonds	(18,790)	(17,935)
Interest and financing expenses	(113,884)	(70,181)
Federal capital contributions	118,634	146,237
State capital contributions		13,752
Local capital contributions	4,849	
Proceeds from the sale of capital assets	967	992
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	211,705	(667,899)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,942)	71,856
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	141,419	69,563
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 116,477	$ 141,419

(Continued)

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

	2011	2010
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(559,635)	$(509,315)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	179,119	135,324
Changes in assets and liabilities		
(Increase) decrease in transit receivable	201	(534)
Increase (decrease) in materials and supplies inventory	1,002	(1,347)
(Increase) decrease in prepaid expenses and other current assets	71	(206)
Decrease in pension assets	(900)	(775)
Decrease in other post employment benefits assets		605
Increase (decrease) in accounts payable and accrued liabilities	(4,460)	20,038
Increase in other current liabilities	5,776	7,568
NET CASH USED BY OPERATING ACTIVITIES	$(378,826)	$(348,642)
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$22,468	$22,697
Interest expense on capital lease/leaseback	(22,468)	(22,697)
Decrease in capital lease/leaseback obligations	(1,662)	(13,918)
Decrease in investments held to pay capital lease/leaseback	1,662	13,918
Decrease in fair value of investments	(1,454)	(1,930)
Amortization of premium, discount and debt issuance costs	(2,686)	(2,778)
Loss on disposal of assets	(2,205)	(281)

(Concluded)

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Dallas Area Rapid Transit (DART) is a regional transportation authority of the State of Texas, created and confirmed by passage of a referendum on August 13, 1983, pursuant to Article 1118y of the Vernon's Annotated Texas Civil Statutes, as amended, and recodified into Section 452 of the Texas Transportation Code (the Code) effective September 1, 1995. DART is organized to provide public and general transportation services to 13 member jurisdictions in five counties: Dallas, Collin, Ellis, Denton, and Rockwall. The member jurisdictions in which the voters elected to be included in DART consist of the cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett, University Park, and the towns of Addison and Highland Park. Fifteen Board members represent the 13 member jurisdictions. Board members are appointed according to the ratio of the population of a member jurisdiction to the total population of the service area. One Board member may represent multiple jurisdictions.

Amendments to DART's enabling legislation require approval of the Texas State Legislature, which holds its regular session every two years. Past legislative changes limited the term of debt issued by DART without voter approval, allowed the issuance of lease/leaseback transactions (see note 10), and changed the collection period of sales taxes from quarterly to monthly. Future changes to DART's enabling legislation could have a material impact on DART's financial position. The next session of the State Legislature is scheduled to begin in January 2013.

On August 12, 2000, the voters of the DART service area passed a referendum that allows DART to issue up to $2.9 billion of bonds or notes that are payable from and secured by the DART sales and use tax revenue, have maturities beyond five years, and are issued pursuant to the authority granted at the election. On August 9, 2001, DART issued $400 million of the authorized $2.9 billion bonds. On September 10, 2002, $98.7 million of the authorized bonds were issued. On March 8, 2007, an additional $770.3 million of the authorized bonds were issued. From the $770.3 million, $317.7 million was issued to refund part of the 2001 and 2002 bonds. The remaining $452.6 million was issued to pay-off commercial paper notes. In April 2008, the Board approved the fourth issuance of Bonds (Series 2008), for $731.4 million as authorized by the Master Debt Resolution. This issuance included $341million to refund commercial paper notes. In May 2009, the Board approved the fifth issuance of Bonds (Series 2009A and Series 2009B), for $1 billion as authorized by the Master Debt Resolution (see notes 12 and 13). In September 2010, the Board approved the sixth issuance of Bonds (Series 2010A and Series 2010B), for $824.6 million as authorized by the Master Debt Resolution (see notes 12 and 13).These bonds are Senior Lien Revenue Bonds that are secured by, and payable solely from, a senior lien on revenues that DART receives from the 1% sales and use tax and farebox revenues.

DART received approximately $403,228 in 2011 from a 1% sales and use tax imposed on certain items within its member jurisdictions compared to $376,295 in 2010. These revenues constituted approximately 56% and 54% of DART's total revenues for fiscal years 2011 and 2010, respectively. Approximately 50%, 15%, and 11% of these sales and use tax revenues were collected from sales in the cities of Dallas, Plano, and Irving during fiscal years 2011 and 2010.

Basis of Accounting – The activities of DART are accounted for as proprietary funds of other local governments and therefore are reported as an enterprise fund in accordance with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB). Accordingly, transactions are accounted for using the accrual basis of accounting. Under Alternative 1 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* DART applies all standards issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB), except when they contradict GASB standards, and has elected not to apply FASB standards issued after November 30, 1989.

Reporting Entity – DART has a blended component unit, Regional Rail Right-of-Way Corporation (RRRC). RRRC is a legally separate corporation, which was formed to facilitate the acquisition of certain properties and right-of-way for DART. Because RRRC directly benefits DART, GASB Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14,* requires that DART use the blending method to incorporate the financial information of RRRC into DART's financial statements. The accompanying financial statements include the accounts and operations of RRRC. All significant intercompany balances have been eliminated. Internally prepared financial statements for Regional Rail Right-of-Way Corporation may be obtained by contacting the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

New Accounting Pronouncements – During 2011, DART implemented the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, and Statement No. 54 had no financial impact on DART during 2011.

During 2011 the Governmental Accounting Standards Board Statement No. 59, *Financial Instruments Omnibus*, became effective for DART. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This Statement had no financial impact on DART during 2011.

Cash and Cash Equivalents – DART considers investments in unrestricted funds with original maturities of less than 90 days at the date of purchase to be cash equivalents. Cash and cash equivalents were $116,477 and $141,419 as of September 30, 2011 and 2010, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), at September 30, 2011 and 2010 are stated at fair value. Fair value is the amount at which an investment may be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. DART considers quoted market prices at September 30, 2011 and 2010, as the equivalent of the fair value of investments. When both restricted and unrestricted funds are available, it is DART's policy to spend restricted funds first on eligible expenditures.

Material and Supplies Inventory – An inventory of supplies and parts is maintained at different DART warehouses for use in the operation and is recorded as an expense when consumed or placed in service. Inventory is stated at average cost.

Capital Assets – Capital assets are assets with an initial, individual cost of more than five thousand dollars ($5,000) and an estimated useful life in excess of one year. Such assets are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as indicated in note 6. Major improvements to buildings and equipment are capitalized. Maintenance and repairs are charged to expense as incurred. Improvements and betterments that extend the useful lives of capital assets or add new functionality are capitalized. Transit system development costs for services such as project-related design, construction, construction management, and project management costs are capitalized when incurred. Interest expense incurred during the construction phase of a capital asset is capitalized. In 2011, total interest and financing expense of $172,498 was incurred, and $49,452 of this total was capitalized. In 2010, total interest expense of $139,028 was incurred, and $67,974 of this total was capitalized. Donated assets are capitalized at estimated fair value on the date of donation.

Federal, State and Local Capital Contributions, and Grants – Grant funds used for the acquisition of property and equipment are recorded as capital contribution revenues when the related grant eligibility requirements are met and qualified expenditures are incurred. DART received $122,314 in federal, state and local capital contributions during 2011 compared to $151,836 during 2010. Of the total capital contributions amount received during 2011, $105,742 was based on capital expenditures made during the previous years. This amount is included in Federal Capital Contributions on the Statements of Revenues, Expenses and Changes in Net Assets for the fiscal year ended September 30, 2011.

In addition to capital contributions, DART also received $47,566 in 2011 compared to $50,913 in 2010 in the form of other federal grants. Included in these amounts are grants that are substantially related to capital maintenance grants from the federal government.

Paid Time Off, Vacation and Sick Leave – Salaried exempt and non-exempt employees are eligible for a "Paid Time Off" (PTO) benefits program. Accumulated PTO hours have no cash value unless the employee has five or more years of service. Upon termination of employment, a percentage of unused PTO hours will be paid in a lump sum based on number of years or length of continued service with DART. Hourly employees earn vacation and sick leave, which may be taken or accumulated up to certain levels, until paid upon retirement or termination. The liability for PTO, vacation, and sick leave has been calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* and is included in the accounts payable and accrued liabilities line item in the accompanying statements of net assets.

Operating Revenues and Expenses – Operating revenues are generated from activities related to providing public transportation services such as bus, light rail, commuter rail, paratransit, and vanpool to DART customers. DART's operating revenues include passenger fare revenues, advertising revenues, and certain rental income. Non-operating revenues are revenues not directly related to the operations of DART's transit service. Sales and use tax revenues, Build America Bond tax credit, and investment income are classified as non-operating revenues.

Operating expenses are incurred for activities directly related to providing public transportation services to DART customers. Such activities include transportation, maintenance, transit police, and general and administrative functions. Non-operating expenses include interest and financing costs, general planning and consulting work not related to current service, and the local assistance provided to eligible member jurisdictions.

Revenue Recognition – Operating revenues are recognized when transit service is provided. Monthly tickets and annual passes are sold for revenue service, including bus and rail operations. An estimate of unused tickets and passes is recorded as deferred transit revenue and is included in the unearned revenue and other liabilities line item in the accompanying statements of net assets.

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

Sales and use tax Revenues – Sales and use tax revenues are recognized when the underlying transactions occur. Sales and use tax revenues are subject to audits by the State Comptroller, which sometimes results in refunds to the State.

Self-Insurance Liabilities – DART administers and maintains self-insured reserves for employee medical, operational workers compensation, auto, and general liability (including bus/rail accidents), directors and officers liability, and light rail construction workers compensation and general liability claims. These programs are administered by DART, or in some instances, a third party. DART accrues the estimated cost of self-insurance liabilities based on actuarial review and the estimate is included in the accounts payable and accrued liabilities line item in the accompanying statements of net assets.

The estimate includes incurred but not reported (IBNR) claims. Changes in the liabilities in 2011 and 2010 for all of DART's self-insured programs are as follows:

Description	2011	2010
Beginning balance	$16,907	$15,901
Current year claims and changes in estimates	6,412	7,732
Payments	(5,503)	(6,726)
Ending balance	$17,816	$16,907
Amounts due in one year	$5,868	$5,783

DART purchases liability insurance coverage for all-risk property, commuter rail, leased premises, crime, directors and officers and light rail project-specific professional liability and light rail build-out workers compensation and general liability. Coverage is evaluated annually and adjusted as necessary based upon exposure and claim payments. There was no significant reduction in insurance coverage from the previous year and the settlement amounts did not exceed insurance coverage for each of the past three fiscal years.

Premium and Discounts on Revenue Bonds - Premiums and discounts on Senior Lien Revenue Bonds are amortized using the effective interest method. Costs of issuance and gains/losses on refunding are also amortized using the effective interest method over the life of the bonds.

2. SERVICE AGREEMENTS

DART has entered into several long-term agreements with contractors to provide paratransit, commuter rail, HOV lane, DART on-call and shuttle services. Payments to service providers are recorded as purchased transportation in the accompanying statements of revenues, expenses, and changes in net assets. A summary of the major amounts for services rendered in 2011 and 2010 and the current contract terms, including option periods, is as follows:

		Annual Payments		Contract Terms	
Contractor's Name	Service Type	2011	2010	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail	$17,949	$17,373	10/2010	09/2015
Veolia Transportation Services, Inc.	Paratransit , DART On-call, and Flex Service	30,133	27,795	01/2007	09/2012
Others	Various	5,384	5,284	Various	Various
Total		$53,466	$50,452		

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and investments, excluding investments held for lease/leaseback liabilities, as of September 30 are classified in the statements of net assets as follows:

	9/30/2011	9/30/2010
Cash and cash equivalents	$116,477	$141,419
Investments	677,801	609,784
Restricted investments held by trustee for debt service	65,375	62,379
Restricted investments held for advance funding agreements	11,921	11,040
Investments restricted for system expansion and acquisition	354,274	97,464
Restricted investments held as security for capital lease/leaseback liabilities	10,766	
Total cash and investments	$1,236,614	$922,086

Cash and investments as of September 30 consist of the following:

	9/30/2011	9/30/2010
Cash on hand	$570	$732
Cash equivalents	115,907	140,687
Investments	1,120,137	780,667
Total cash and investments	$1,236,614	$922,086

Deposits

State statutes authorize DART's cash to be deposited in demand deposits, time deposits, or certificates of deposit and require that all deposits be fully collateralized or insured.

On September 30, 2011, the carrying amount of DART's deposits was $570 compared to $732 at September 30, 2010. Bank balances at September 30, 2011 and 2010 were entirely covered either by Federal Depository Insurance or by collateral held by DART's agent in DART's name.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, DART will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. DART’s policy requires that all deposits with financial institutions must be collateralized to the extent not protected by F.D.I.C. insurance. Securities that can be accepted as collateral are limited to U.S. Government Securities, Federal Agency Securities, and Municipal Securities.

Investments

In accordance with the Texas Public Funds Investment Act and DART's investment policy, DART invests in, among others, obligations of the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities, and other state political subdivisions with ratings from a nationally recognized investment rating firm of not less than "A" or its equivalent and commercial paper with ratings of not less than "A1" or "P1." In addition, State statutes authorize DART to invest funds in other cash equivalents such as money market mutual funds among other things. All DART investments are subject to the Texas Public Funds Investment Act.

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

The following table identifies the investment types that are authorized by DART's Investment Policy. The table also identifies certain provisions of DART Investment Policy that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer at the time of purchase
U.S. Government Securities	10 years	None	None
Federal Agency Securities	10 years	None	25%
Municipal Securities	10 years	None	10%
Repurchase Agreements and Reverse Repurchase Agreements	90 days	50%	5%
Money Market Mutual Funds	10 years	None	None
Commercial Paper	270 days	None	5%
Banker's Acceptance	270 days	None	5%
Certificate of Deposit	10 years	None	None

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that DART manages exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of it matures evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of DART investments to market interest rate fluctuations as of September 30 is provided in the tables below, which show the distribution of DART investments by maturity.

		Remaining Maturity (in months) as of September 30, 2011		
Investment Type	Total Amount	12 months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$229,957	$54,662	$ 103,801	$71,494
Federal Home Loan Mortgage Corporation	191,903	84,685	70,011	37,207
Federal Home Loan Bank	168,841	65,070	63,568	40,203
Federal National Mortgage Association	102,163	21,286	15,071	65,806
Bankers Acceptance	62,038	62,038		
Commercial Paper	354,613	354,613		
Money Market Funds	126,529	126,529		
Total	$ 1,236,044	$ 768,883	$ 252,451	$ 214,710

		Remaining Maturity (in months) as of September 30, 2010		
Investment Type	Total Amount	12 months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$89,350	$ 44,419	$ 29,938	$ 14,993
Federal Home Loan Mortgage Corporation	125,770	32,969	44,044	48,757
Federal Home Loan Bank	150,866	36,971	25,004	88,891
Federal National Mortgage Association	143,621	49,218	41,097	53,306
Bankers Acceptance	47,586	47,586		
Commercial Paper	185,337	185,337		
Money Market Funds	178,824	178,824		
Total	$ 921,354	$ 575,324	$ 140,083	$ 205,947

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating agency. The following tables show actual ratings as of September 30 for each investment type. Money market funds listed are SEC regulated 2a.7 funds.

		Rating as of September 30, 2011		
Investment Type	Total Amount	AA+/ AAA	A1/P1	AAAm
Federal Farm Credit Banks	$229,957	$229,957		
Federal Home Loan Mortgage Corporation	191,903	191,903		
Federal Home Loan Bank	168,841	168,841		
Federal National Mortgage Association	102,163	102,163		
Bankers Acceptance	62,038		$ 62,038	
Commercial Paper	354,613		354,613	
Money Market Funds	126,529			$126,529
Total	$1,236,044	$692,864	$416,651	$126,529

On August 5, 2011, Standard and Poors, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term United States sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists. Included in DART's investment portfolio as of September 30, 2011 is $692,864 that was downgraded from AAA to AA+ by Standard and Poors.

		Rating as of September 30, 2010		
Investment Type	Total Amount	AAA	A1/P1	AAAm
Federal Farm Credit Banks	$89,350	$89,350		
Federal Home Loan Bank	150,866	150,866		
Federal Home Loan Mortgage Corporation	125,770	125,770		
Federal National Mortgage Association	143,621	143,621		
Bankers Acceptance	47,586		$ 47,586	
Commercial Paper	185,337		185,337	
Money Market Funds	178,824			$178,824
Total	$921,354	$509,607	$232,923	$178,824

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of DART's investment in a single issuer. The Investment Policy of DART contains limitations on the amount that can be invested in any one issuer as shown in the table on page 20. Investments in any one issuer that represent 5% or more of total investment portfolio of DART as of September 30 are as shown below:

September 30, 2011		
Investment type/Issuer	Reported Amount	Percentage of total Portfolio
Federal Farm Credit Banks	$229,957	19%
Federal Home Loan Mortgage Corporation	191,903	16%
Federal Home Loan Bank	168,840	14%
Federal National Mortgage Association	102,163	8%
Bankers Acceptance:		
Bank of America	62,038	5%
Commercial Paper:		
ABN AMRO Bank, N.A.	69,876	6%
Citigroup	69,839	6%
Prudential	64,943	5%
Abbey National	59,859	5%

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

September 30, 2010

Investment type/Issuer	Reported Amount	Percentage of total Portfolio
Federal Home Loan Bank	$150,866	16%
Federal National Mortgage Association	143,621	16%
Federal Home Loan Mortgage Corporation	125,770	14%
Federal Farm Credit Banks	89,350	10%
Bankers Acceptance:		
Bank of America	47,586	5%
Commercial Paper:		
Deutsche Bank	62,379	7%

Custodial Credit Risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, DART will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All of DART's investments with the exception of money market mutual funds, which by design provide ownership of shares within the fund, are registered in DART's name as of September 30, 2011 and 2010 and are not exposed to custodial credit risk.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. None of DART's Investment is in foreign currency-denominated investments.

Restricted investments held to pay capital lease/leaseback liabilities – Currently, DART has four outstanding lease/leaseback obligations. When DART entered into these transactions it received advance rental payments. A portion of the advance rental payment received by DART was used to purchase contractual undertakings from certain financial institutions. These institutions assumed and agreed to pay the sublease rental payments due through the purchase option date, together with the purchase option price owed if DART were to exercise the purchase option rights. For other leases, DART deposited a portion of the advance rental payment with a trustee, who was to purchase direct obligations of the US government and other securities that would mature on the dates and the amounts required to pay sublease rental payments and the respective purchase option price. These investments are held by the trustee in the name of DART and are invested in U.S. Treasury strips, U.S. government sponsored enterprise obligations, and guaranteed investment contracts. They include a combination of investments with short-term and long-term maturities which minimizes the exposure to interest rate risk. Because these investments are insured by a third party and are held in U.S. Treasuries and government investment contracts they are not recorded at fair value but are recorded at amortized cost in the statement of net assets.

Assigned assets – The DART Board has assigned certain cash and investment balances to be maintained for self-insurance and financial reserve. These amounts are shown as unrestricted investments in the accompanying financial statements. The assets for self-insurance include amounts assigned by the Board to fund future claims and workers' compensation liabilities. The Board established the financial reserve to accumulate sales and use taxes in years when sales and use tax revenues exceed the budgeted amount. Sales and use tax revenues, net of annual repayments to the State Comptroller, were $8,482 more than budget for fiscal year 2011 compared to $12,288 less than budget for fiscal year 2010. 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 Project Reserve Account.

An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Project Reserves, and the funds may be used for any purpose approved by the Board. During 2011, the DART Board approved to set aside $10,766 of the financial reserve investments for potential collateral as required by an amendment to one of the lease/leaseback agreements. This amount is shown as restricted investments held as security for capital lease/lease back liabilities in the statements of net assets and is excluded from the financial reserve amount of September 30, 2011 shown below.

As of September 30 assets assigned by the DART Board for specific purposes, including investments and accrued interest, consisted of the following:

Assigned for	2011	2010
Self-Insurance	$13,761	$13,778
Financial Reserve	12,362	22,855
Total	$26,123	$36,633

4. RESTRICTED ASSETS

As security for the Senior Lien Obligations (Bonds) and Senior Subordinate Lien Obligations (Commercial Paper notes), DART is required to maintain a certain amount of money in trust accounts created for this purpose. The money maintained in the trust accounts is reported as *Investments held by trustee for debt service* in the statements of net assets. The trustee uses all the monies and investments in the account for payment of principal, interest, and administrative expenses for bonds and commercial paper notes.

The System Expansion and Acquisition Fund (SEA Fund) includes monies on deposit to be used solely for paying the costs of acquisition and construction of capital assets. The Board may, but is not required to, use money on deposit in the SEA Fund to pay for obligations in the event of a default.

Restricted assets shown in the Statements of Net Assets also include bond proceeds which will be used to fund capital expenditures.

DART entered into three advance funding agreements with the Texas Department of Transportation and received money for construction of three parking lots. DART also entered into an inter-local agreement with the City of Dallas to plan and design a modern street car system for the City of Dallas and received money for this purpose. The remaining balances of these monies are shown as restricted investments held for advance funding agreements in the Statements of Net Assets as of September 30, 2011.

DART also entered into an additional Equity Security Agreement that requires it to set aside certain investments as security for a certain lease/leaseback obligation. As of September 30, 2011, DART has set aside $10,766 for this purpose and this amount is shown as investments restricted as security for lease/lease back liabilities in the statements of net assets.

5. INVESTMENT IN JOINT VENTURE

DART and the Fort Worth Transportation Authority ("The T") jointly provide commuter rail service between downtown Dallas and downtown Fort Worth. The authorities have adopted the assumed name of *Trinity Railway Express* ("TRE") to provide this service. The operation and maintenance of commuter rail service is contracted to Herzog Transit Services, Inc. Cost of operating TRE, net of operating revenues, is shared between DART and the T based on revenue seat miles operated in Dallas County and Tarrant County, respectively. The transit authorities separately contributed the capital for the passenger stations and track storage areas in their respective counties, including fixtures and fare collection equipment at those stations. DART has separately contributed the capital for thirteen rail diesel cars (RDCs) purchased for the initial TRE commuter rail service. DART and the T have jointly contributed the capital for seven rehabilitated locomotives, two new locomotives, ten rehabilitated bi-level coaches, five bi-level coaches, two rehabilitated bi-level cab cars, and five new bi-level cab cars. The book value of DART's share of these capital assets jointly owned with the T is recorded as Investment in Joint Venture in the statement of net assets in accordance with GASB Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No.39, *Determining Whether Certain Organizations Are Component Units*. There are no separate financial statements for the TRE. Each authority includes its share of revenues, operating costs and capital assets in its own financial statements.

6. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2011 and 2010 are shown in the following tables on the next page.

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

	Beginning Oct. 1, 2010	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2011
Non-Depreciable Assets					
Land and right-of-way	$397,997		$(957)	$ 151,864	$548,904
Capital projects in progress	2,305,270	$437,213		(1,882,611)	859,872
Total non-depreciable assets	2,703,267	437,213	(957)	(1,730,747)	1,408,776
Depreciable Assets					
Transitways	1,631,987		(2,965)	1,150,729	2,779,751
Buildings and improvements	419,849		(1,619)	277,872	696,102
Revenue and non-revenue vehicles and equipment	935,898		(15,095)	297,836	1,218,639
Furniture, fixtures, and Leasehold improvements	38,940		(8)	4,310	43,242
Total depreciable assets	3,026,674		(19,687)	1,730,747	4,737,734
Less accumulated depreciation					
Transitways	508,156	87,205	(1,459)		593,902
Buildings and improvements	221,232	21,354	(1,619)		240,967
Revenue and non-revenue vehicles and equipment	447,998	65,632	(14,388)		499,242
Furniture, fixtures, and Leasehold improvements	31,939	4,638	(8)		36,569
Total accumulated depreciation	1,209,325	178,829	(17,474)		1,370,680
Depreciable assets, net	1,817,349	(178,829)	(2,213)	1,730,747	3,367,054
Total capital assets	$4,520,616	$258,384	$(3,170)		$4,775,830

	Beginning Oct. 1, 2009	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2010
Non-Depreciable Assets					
Land and right-of-way	$398,914		$(917)		$397,997
Capital projects in progress	1,755,739	$722,048		$(172,517)	2,305,270
Total non-depreciable assets	2,154,653	722,048	(917)	(172,517)	2,703,267
Depreciable Assets					
Transitways	1,607,364			24,623	1,631,987
Buildings and improvements	416,472		(811)	4,188	419,849
Revenue and non-revenue vehicles and equipment	804,314		(6,582)	138,166	935,898
Furniture, fixtures, and Leasehold improvements	38,189		(4,789)	5,540	38,940
Total depreciable assets	2,866,339		(12,182)	172,517	3,026,674
Less accumulated depreciation					
Transitways	452,524	55,632			508,156
Buildings and improvements	207,275	14,658	(701)		221,232
Revenue and non-revenue vehicles and equipment	395,183	59,151	(6,336)		447,998
Furniture, fixtures, and Leasehold improvements	31,868	4,860	(4,789)		31,939
Total accumulated depreciation	1,086,850	134,301	(11,826)		1,209,325
Depreciable assets, net	1,779,489	(134,301)	(356)	172,517	1,817,349
Total capital assets	$3,934,142	$587,747	$(1,273)		$4,520,616

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Description	Years
Buildings and improvements	20-30
Buses and equipment	4-12
Furniture, fixtures, and leasehold improvements	3-10
Facilities and transitways (LRT System and HOV lanes)	20-30
Light rail transit vehicles and remanufactured diesel cars	25

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND REPAYMENT DUE TO STATE COMPTROLLER

Accounts payable and accrued liabilities at September 30 were as follows:

Description	2011	2010
Accounts payable and accrued liabilities		
Payroll	$9,364	$7,593
Accrued paid time off, vacation and sick leave	19,235	19,650
Self insurance liabilities	17,816	16,907
Other operating liabilities	30,278	38,130
Total operating expense related	76,693	82,280
Non-operating expense and capital related	46,939	98,326
Total accounts payable and accrued liabilities	123,632	180,606
Non-current	30,217	28,411
Current	$93,415	$152,195

The Texas State Comptroller collects the 1% sales and use tax from tax payers for DART. Sales and use tax revenues are subject to audits by the State Comptroller, which sometimes results in repayments to the State. Outstanding repayments and changes in the repayments due to the State Comptroller at September 30 are as follows:

Description	2011	2010
Beginning balance	$13,519	$14,343
Payments	(824)	(824)
Ending balance	12,695	13,519
Non-current	11,871	12,695
Current	$824	$824

8. ACCRUED PAID TIME OFF (PTO) VACATION AND SICK LEAVE

Changes in accrued PTO, vacation, and sick leave for the years ended September 30 are shown in the following table.

Description	2011	2010
Beginning balance	$19,650	$17,837
Additions	1,944	2,665
Payments	(2,359)	(852)
Ending balance	$19,235	$19,650
Amounts due in one year	$965	$2,363

Payments during 2011 are higher than that of 2010 because of PTO, sick leave and vacation payments in connection with early retirement and reduction in force that took place during 2011. Accrued PTO, vacation, and sick leave amounts shown above are included in the accounts payable and accrued liabilities line item on the statement of net assets.

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

9. LOCAL ASSISTANCE PROGRAM

In 1989, DART created a Local Assistance Program (LAP) to provide technical and financial assistance to cities for the implementation of projects to reduce traffic congestion and complement bus and public transit operations. Eligible member jurisdictions are responsible for developing and submitting projects to DART for approval in order to receive distribution of these funds. According to the terms of inter-local agreements, DART allocated a percentage of its annual sales and use tax collections for the LAP program. Eligible member jurisdictions received 15% of the estimated sales and use taxes collected within that jurisdiction, except Irving, which received 7.5%. Dallas, University Park, and Highland Park were not eligible. The LAP program ended in 2004. Accrued but unpaid funds were carried over to succeeding years and were recorded as a liability on the accompanying statements of net assets.

Changes in Local Assistance Program Payable for the years ended September 30 are as follows:

Description	2011	2010
Beginning balance	$13,370	$14,824
Payments		(1,454)
Ending balance	$13,370	$13,370

10. FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

DART has entered into lease transactions in which certain capital assets are leased to investors (headlease) and simultaneously leased back (sublease). Under these transactions, DART maintains the right to continued use and control of the assets through the end of the lease term and is required to insure and maintain the assets. The headleases and subleases have been recorded as capital lease/leaseback for accounting purposes. The following table summarizes DART capital lease/leaseback transactions as of the respective transaction date.

Lease Date	Property	Fair Market Value At Closing Date	Prepayment Received On Head Lease	Amount Invested to Satisfy Sublease Obligation	Cash Benefit	Repurchase Option Date	Sublease Termination Date
7/25/97	22 Light rail cars	$57,992	$51,886	$47,096	$4,790	01/01/13	03/01/25
9/28/00	28 Light rail cars	91,000	91,000	84,000	7,000	01/02/23	01/02/23
10/26/00	25 Light rail cars	81,000	81,000	74,700	6,300	01/02/25	01/02/25
7/10/02	Buses – Lot 1	46,505	46,505	44,903	1,602	01/01/12	01/01/12
7/10/02	Buses – Lot 2	36,828	36,828	35,559	1,269	01/01/13	01/01/13
7/10/02	Buses – Lot 3	15,367	15,367	14,838	529	01/01/14	01/01/14

The subleases provide DART with an opportunity, at its sole discretion, to repurchase equipment on specified dates. As these dates approach, DART will complete a financial analysis on each specific lease to determine if it is financially beneficial to repurchase the equipment. At this point in time, DART anticipates that it will exercise the repurchase option on all of its remaining leases at the specified dates and has reflected this option in the amortization.

The net present value of the future sublease payments has been recorded as both a short-term and long-term liability in the accompanying statements of net assets. Prepayments received from the head lease were invested to satisfy the sublease obligations. Since the investments have been structured to meet all future obligations under the subleases at all times when due, the investment balances have been recorded to equal the sublease liabilities on the accompanying statements of net assets. The benefits from these transactions, net of transaction costs, were recorded as non-operating revenues in the statements of revenues, expenses, and changes in net assets in the fiscal year each transaction occurred. The capital lease/leaseback liabilities are reported as follows on the statements of net assets:

	2011	2010
Amounts due within one year	$55,762	$20,806
Amounts due in more than one year	268,141	301,434
Total	$323,903	$322,240

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

Each of the lease/leaseback transactions has specific performance requirements for DART when the financial rating of the Payment Undertaker insurer falls below a specified level. During fiscal year 2010, credit ratings of two of three financial institutions insuring DART's lease/leaseback transactions were downgraded below certain levels specified in the lease/leaseback agreements. As a result, DART has entered into an amended agreement to reset the acceptable credit rating to be maintained at or above BBB for one of these two transactions. For the other lease/leaseback obligation, DART also entered into an additional Equity Security Agreement that requires it to set aside certain investments as security. As of September 30, 2011, DART has set aside $10,766 for this purpose and this amount is shown as investments restricted as security for lease/lease back liabilities in the statements of net assets.

Changes in the capital lease/lease back obligations for the years ended September 30 are shown below:

Description	2011	2010
Beginning balance	$322,240	$336,159
Accrued interest	22,468	22,697
Retirements/terminations/adjustments	(20,805)	(36,616)
Ending Balance	$323,903	$322,240

The following schedule shows future minimum sublease payments as of September 30, 2011 for the outstanding lease capital lease/leaseback transactions.

Year Ending September 30	Minimum Sublease Payments
2012	$55,762
2013	86,884
2014	36,209
2015	14,096
2016	12,210
2017 – 2021	61,050
2022 – 2026	267,204
Total minimum sublease payments due under capital lease/leaseback	533,415
Less: amount representing interest	(209,512)
Present value of minimum sublease payments	$323,903

11. SENIOR SUBORDINATE LIEN SALES TAX REVENUE COMMERCIAL PAPER NOTES PAYABLE

In January 2001, the Board approved the issuance of up to $650 million of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes under the provisions of the Master Debt Resolution. In 2006, a new Revolving Credit Agreement was executed with four lenders (Westdeutsche Landesbank Girozentrale, Bayerische Landesbank Girozentrale, State Street Bank and Trust Company, and Landesbank Baden-Wurtemberg) to provide a liquidity facility to support the Commercial Paper Program. The Revolving Credit Agreement expired on January 21, 2011. A new agreement was executed with Bank of America with an effective date of January 20, 2011. As part of this new revolving credit agreement, the maximum commercial paper amount that can be issued is limited to a principal amount of $150 million.

The Revolving Credit Agreement contains certain covenants as follows: projected gross sales and use tax revenues must exceed debt service requirements by 150% for each of the three following and consecutive fiscal years, beginning with the first fiscal year in which debt service on the proposed bond obligations will be due and 200% of four consecutive quarters of the last six quarters. DART complied with these covenants for the years ended September 30, 2011 and 2010. The Commercial paper program expires on June 30, 2041. Commercial paper is issued in blocks for terms from 1 to 270 days. The commercial paper notes are recorded as current liabilities on the statements of net assets. The Revolving Credit Agreement is secured by and payable from a pledge (senior subordinate lien) of DART's sales and use tax revenue. The average interest rate on outstanding commercial paper at September 30, 2011 was 0.25% compared to 0.37% at September 30, 2010.

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

Changes in the Commercial Paper Notes for the years ended September 30 are shown below:

Description	2011	2010
Beginning balance	$150,000	$150,000
Additions	824,800	435,000
Retirement	(824,800)	(435,000)
Ending Balance	$150,000	$150,000

The maximum principal of outstanding Commercial Paper Notes did not exceed the $150 million limit during either year.

12. SENIOR LIEN REVENUE BONDS

In August 2000, the voters in DART's service area approved the issuance of up to $2.9 billion in sales tax revenue bonds to accelerate the completion of extensions to the existing light rail system and other improvements to the public transportation system. The DART Board has approved several issuances in accordance with the Master Debt Resolution. These bonds are Senior Lien Revenue Bonds that are secured by, and payable solely from, a senior lien on revenue that DART receives from the 1% sales and use tax and farebox receipts. Pertinent information related to each bond is shown below.

				Interest rates (Yields) range		Maturity date range		Optional Redemption	
Bond Series	Board Approval Date	Original Issue Amount	Date issued	From	To	From	To	Bonds maturing after	Earliest call date
2001	Jul. 2001	$400,000	8/09/01	2.8%	5.2%	12/1/02	12/1/31	12/1/12	12/1/11
2002	Jul. 2002	98,735	9/10/02	3.0%	5.4%	12/1/05	12/1/32	12/1/13	12/1/12
2007*	Jan. 2007	770,270	3/08/07	4.0%	5.3%	12/1/07	12/1/36	12/1/17	12/1/16
2008	Apr. 2008	731,415	6/23/08	4.5%	5.3%	12/1/09	12/1/48	12/1/18**	12/1/17
2009A	May 2009	170,385	6/25/09	2.8%	4.3%	12/1/14	12/1/22	12/1/19	6/1/19
2009B	May 2009	829,615	6/25/09	6.0%	6.3%	12/1/23	12/1/44	12/1/34	5/31/19
2010A	Sep. 2010	95,235	10/7/10	2.0%	5.0%	12/1/13	12/1/23	12/1/21	12/1/20
2010B	Sep. 2010	729,390	10/7/10	4.9%	5.0%	12/1/37	12/1/48	Not applicable	

* The series 2007 bond issuance included $328,235 to partially refund Series 2001 and 2002 bonds.
** The Series 2008 bonds maturing after December 1, 2018 are subject to optional redemption with the exception of those maturing on December 1, 2029 and 2030.

In June 2009, DART issued and sold $170,385 in tax exempt Senior Lien Sales Tax Revenue Bonds (Series 2009A Bonds), and $829,615 in taxable Senior Lien Sales Tax Revenue Bonds (Series 2009B Bonds) to finance capital expenditures for DART's system expansion and acquisition. The Series 2009B bonds are taxable bonds issued under the Build America Bond program of the American Recovery and Reinvestment Act of 2009 (ARRA). In accordance with ARRA, DART receives a tax credit from the United States Treasury in amounts equal to 35% of the interest payable amount on the Series 2009B Bonds.

In October 2010, DART issued and sold $95,235 in tax exempt Senior Lien Sales Tax Revenue Bonds (Series 2010A Bonds), and $729,390 in taxable Senior Lien Sales Tax Revenue Bonds (Series 2010B Bonds) to finance capital expenditures for DART's system expansion and acquisition. The Series 2010B bonds are taxable bonds issued under the Build America Bond program of the American Recovery and Reinvestment Act of 2009 (ARRA). In accordance with ARRA, DART receives a tax credit from the United States Treasury in amounts equal to 35% of the interest payable amount on the Series 2010B Bonds.

During 2011, DART recorded tax credits of $30,250 compared to $17,736 for 2010 as Build America Bonds tax credit in the Statements of Revenues, Expenses and Changes in Net Assets.

Additional bonds may not be issued unless gross sales and use tax revenues exceed maximum debt service by at least 200% for 12 of the last 18 months. Changes in revenue bonds (shown at par) for the years ended September 30, 2011 and 2010 are shown on the next page.

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

Changes in revenue bonds (shown at par) for the years ended September 30, 2011 and 2010.

Bond Series	Balance, 9/30/2009	Retirement	Balance, 9/30/2010	Addition	Advance Refunding	Retirement	Balance, 9/30/2011	Amounts due in one year
2001	$90,805	$(8,490)	$82,315		$(73,400)	$(8,915)		
2002	29,955	(1,545)	28,410		(25,910)	(1,500)	$ 1,000	
2007	761,130	(4,920)	756,210			(5,240)	750,970	$5,075
2008	731,415	(2,980)	728,435		(3,465)	(3,135)	721,835	3,295
2009A	170,385		170,385				170,385	
2009B	829,615		829,615				829,615	
2010A				$95,235			95,235	
2010B				729,390			729,390	
Total	$2,613,305	$(17,935)	$2,595,370	$824,625	$(102,775)	$(18,790)	$3,298,430	$8,370

The revenue bonds shown above are at face value. They are shown on the statement of net assets net of the original issuance premium, discount and refunding gain (loss) of $66,008 and $63,437 as of September 30, 2011 and 2010, respectively.

Below is a summary of debt service requirements of the Senior Lien Revenue Bonds as of September 30, 2011.

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2012	$8,370	$173,768	$182,138	$(30,462)	$151,676
2013	6,740	173,395	180,135	(30,462)	149,673
2014	23,355	172,728	196,083	(30,462)	165,621
2015	43,740	171,218	214,958	(30,462)	184,496
2016	45,870	169,090	214,960	(30,463)	184,497
2017 – 2021	266,350	808,479	1,074,829	(152,311)	922,518
2022 – 2026	335,955	732,355	1,068,310	(149,901)	918,409
2027 – 2031	414,105	634,543	1,048,648	(136,360)	912,288
2032 – 2036	523,465	507,390	1,030,855	(118,567)	912,288
2037 – 2041	616,240	352,458	968,698	(90,242)	878,456
2042 – 2046	681,925	169,517	851,442	(41,249)	810,193
2047 – 2049	332,315	29,125	361,440	(5,609)	355,831
TOTAL	$3,298,430	$4,094,066	$7,392,496	$(846,550)	$6,545,946

13. PLEDGED REVENUES

DART has pledged sales and use tax and farebox revenues as security for bonds and commercial paper debts. The amount of the pledge is equal to the remaining debt service requirements for these obligations. These obligations were issued to pay for DART's system expansion and acquisition costs. The pledge continues for the remaining life of these obligations, which is currently through fiscal year 2049. Total principal and interest remaining on the bonds as of September 30, 2011 is $7.4 billion. The annual debt service requirements for these bonds, before Build America Bonds tax credits, range from $214,911 in fiscal year 2018 to $118,162 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest) was $180,767. Bonds have a senior lien on the sales and use tax and farebox revenues.

Total principal and interest remaining on commercial paper as of September 30, 2011 is $150,045. Interest payments on commercial paper notes during the current fiscal year totaled $618. Commercial Paper notes have a subordinate senior lien on the sales and use tax revenues.

14. DEBT REFUNDINGS

In prior years, DART issued $770,270 in Senior Lien Sales Tax Revenue Bonds (Series 2007 bonds) to refund the Series 2001 and 2002 Bonds and the Series 2001 Commercial Paper Notes. As a result, the Series 2001 Commercial Paper Notes, and a portion of the Series 2001 and 2002 bonds are considered defeased and the liability for those notes, bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Assets. Also during 2011, DART issued the Series 2010A bonds to refund a portion of Series 2001, 2002 and 2008 bonds. As a result, the Series 2001, 2002 and 2008 bonds in the total amount of $102,775 are considered to be defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Assets. As of September 30, 2011, $431,010 of refunded DART bonds remains outstanding compared to $328,235 as of September 30, 2010. These refunded bonds are solely payable from and secured by the assets in the irrevocable trust accounts. As a result of this refunding, DART recognized a book loss of $7,883, a reduction in debt service of $3,945 and an economic gain of $8,786.

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

15. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS

DART operates several employee benefit plans. The plans include DART Employees' Defined Benefit Plan (formerly the Dallas Transit System [DTS] pension plan), DART Retirement Plan, and DART Capital Accumulation Plan and Trust. DART is the administrator of these retirement plans and has the authority to establish and amend the plans.

Defined Benefit Plan – The DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan) is a single-employer defined benefit pension plan that was designed to provide retirement, death, and disability benefits to certain employees of DART. On October 1, 1995, the DTS Employees Retirement Plan (Plan A) was amended to become the DB Plan. Participants of the DB Plan are those employees who were members of the former plan on September 30, 1995. Those employees who elected to be covered under Plan A have eligibility, vesting, and benefit provisions different from those who elected the DB Plan. DART's covered payroll for the DB Plan as of October 1, 2010 (actuarial valuation date), was approximately $23.7 million.

Contributions to the DB Plan, as stipulated by the "Sale, Purchase, and Transfer Contract Between the City of Dallas and Dallas Area Rapid Transit," are based upon Dallas Area Rapid Transit's agreement to contribute an amount at least equal to the minimum funding standard under Section 412 of the Internal Revenue Code of 1986, as if the Plan were subject to Section 412. Participants who were in the Plan on September 30, 1995 are required to contribute 3% of their base monthly salaries to the Plan. Other participants are not required to contribute to the DB Plan. DART's contribution amount is actuarially determined on an annual basis.

Participants under the provisions of Original Plan A may elect normal retirement at age 60 or at the date at which the sum of their credited service and age equals 90. Participants who elected to remain under the provisions of the original plan receive monthly benefits equal to 2% times the years of credited service multiplied by the participant's final average monthly compensation. Participants in Amended Plan A are entitled to monthly benefits equal to: 2% times the number of years of credited service up to October 1, 1983; plus 1.5% times the number of years of credited service after October 1, 1983; times the participant's final average monthly compensation. A participant may elect early retirement at age 55 with 10 years of service (30 years of service for participants under the Original Plan A). Monthly income under this election will equal normal retirement benefits reduced by 5/12 of 1% for each full month by which the participant's early retirement date precedes the normal retirement date. A net pension asset of $6,485 and $5,585 is shown in the accompanying statements of net assets of DART at September 30, 2011 and 2010, respectively.

In accordance with GASB Statement No. 27, *Accounting for Pension by State and Local Government Employers,* an actuary determines the contribution amount that DART pays to the plan each year. The amount determined is referred to as the "Annual Required Contribution" (ARC). All significant actuarial assumptions used to compute the ARC are the same as those used to compute the actuarial accrued liability. The net pension asset/obligation is the cumulative difference between annual pension cost (including any interest accumulated on the pension asset/obligation, the ARC, and any adjustments to the ARC), and the employer's actual contribution to the plan.

Actuarial Assumptions - The net pension assets for fiscal years 2011 and 2010 were computed as part of an actuarial valuation performed and dated as of the first day of the fiscal periods, October 1, 2010 and 2009.

The significant actuarial assumptions as of October 1 are as follows:

	October 1, 2010 and 2009
Investment Return	8% compounded annually, net of expenses
Salary Increases	3.5% per annum
Mortality	RP 2000 mortality tables for males and females
Disability Mortality	RP 2000 mortality tables for males and females
Early Retirement Age	55
Normal Retirement Age	60
Cost-of-Living Adjustments	2.5% per annum
Actuarial Cost Method	Projected Unit Credit Cost Method

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

For plan years 2011, 2010, and 2009, the net pension asset was as follows:

	2011	2010	2009
Annual required contribution	$5,317	$5,395	$4,559
Interest on net pension asset	(447)	(385)	(350)
Adjustment to annual required contribution	496	427	388
Annual pension cost	5,366	5,437	4,597
Employer contributions	6,266	6,212	5,036
Increase in net pension asset	900	775	439
Net pension asset, beginning of year	5,585	4,810	4,371
Net pension asset, end of year	$6,485	$5,585	$4,810
Percentage of annual pension cost contributed	117%	114%	110%

The actuarial value of plan net assets is determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using a level dollar amount on a closed basis with no amortization period exceeding 30 years.

Funding Progress - The schedule of funding progress for the DART Employees Defined Benefit Retirement Plan is included in the Required Supplementary Information. The data for the two most recent valuations are as follows:

	Actuarial Valuation Date	
	10/1/10	10/1/09
Actuarial value of assets	$145,605	$141,696
Actuarial accrued liability (AAL) projected unit credit	176,587	173,469
Unfunded AAL (UAAL)	30,982	31,773
Funded ratio	82.5%	81.7%
Covered payroll	23,727	23,904
UAAL as a % of covered payroll	130.6%	132.9%

The recent downturn in market conditions will have a negative impact on the funded ratio. Additional trend information for the DB Plan can be obtained by writing to the DB Plan, Dallas Area Rapid Transit, P.O. Box 660163, Dallas, Texas 75266-7240.

DART Retirement Plan – DART has adopted a defined contribution retirement plan for all employees not covered by the pension plans described above. DART contributes an amount equal to 7.7% of each participant's annual compensation to the plan.

Participants hired before January 1, 2006 are vested in 25% of DART's contributions after two years of service, graduating to 100% vesting after five years. Participants hired after December 31, 2005 become 100% vested in DART's contributions to the Plan only after completing five years of service. Total expense to DART to fully fund this plan was approximately $12,710 and $12,419 for the years ended September 30, 2011 and 2010, respectively.

DART Capital Accumulation Plan – 401(k) – DART has adopted a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k), which allows employees to contribute up to 50% of their annual compensation to the plan subject to the annual contribution limits of the Internal Revenue Service. DART matches 50% of the employee's contribution up to a maximum of 3% of the employee's annual compensation. Participants hired before January 1, 2006 are vested in 25% of DART's contributions after two years of service, graduating to 100% vesting after five years. Participants hired after December 31, 2005 become 100% vested in DART's contributions to the Plan only after completing five years of service. Total expense to DART to fully fund this plan was approximately $4,607 and $4,378 for the years ended September 30, 2011 and 2010, respectively.

Annual financial statements for each of the three retirement plans discussed above may be obtained by contacting the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

16. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Description - DART administers a single-employer defined benefit other post employment benefits (OPEB) Plan. The plan provides healthcare and life insurance for eligible retirees and their spouses through DART's group health plan and group life plan, which covers both active employees and retired members. Eligibility criteria for the post employment health care and life insurance benefits are as follows: Participants of the defined pension plan will be eligible at age 55 with a minimum of ten years of service to DART. Participants of the defined contribution pension plan will be eligible at age 60 with a minimum of ten years of service to DART.

Funding Policy - DART's contribution to the retiree healthcare and life insurance is an annual required contribution (ARC) determined actuarially based on the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortization of any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The current ARC is 2.8% of annual covered payroll. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost. For the years ended September 30, 2011 and 2010, DART's annual required contributions to other post employment benefits (OPEB) trust were $4,591 and $3,654. These contribution amounts are the same as annual OPEB costs for both years. The contribution for 2011 was made after fiscal year-end. The annual required contribution amount of $4,591 was recorded as liability and included in the accounts payable and accrued liabilities on DART's statement of net assets. The OPEB trust was set up during the fiscal year 2008 for the first time and is not included in these financial statements. DART has 298 retirees eligible to receive these benefits in 2011 compared to 310 retirees in 2010.

Actuarial Assumptions - Actuarial evaluations were performed for the OPEB Plan as of September 30. The following tables show the actuarial assumptions:

Valuation Date	September 30, 2011
Investment Return	7.00%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend	Year 1 trend is 8%, and the trend for 12 or more years is 5% (with different rates for the years in between)
Mortality – Pre-retirement	RP 2000 Employees Pre-Retirement Mortality
Mortality – Post-retirement	RP 2000 Healthy Mortality
Aging Factor	3% per annum for Pre-65 and 2% for Post-65
Eligibility for Coverage	For Defined Benefit Pension Plan participants: age 55 and 10 years of service and for Defined Contribution Pension Plan participants: age 60 and 10 years of service
Spouse coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage
Age of Dependent Spouse	Females are assumed to be 4 years younger than males
Actuarial Cost Method	Projected Unit Credit

Valuation Date	September 30, 2010
Investment Return	7.00%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend	Year 1 trend is 9%, and the trend for 13 or more years is 5%
Mortality – Pre-retirement	RP 2000 Employees Pre-Retirement Mortality
Mortality – Post-retirement	RP 2000 Healthy Mortality
Aging Factor	3% per annum for Pre-65 and 2% for Post-65
Retirement Age	From 55 to 65 for Defined Benefit Pension Plan participants and from 60 to 70 for Defined Contribution Pension Plan participants
Spouse coverage	40% of future retirees are assumed to have spouses
Age of Dependent Spouse	Females are assumed to be 4 years younger than males
Actuarial Cost Method	Projected Unit Credit

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

Annual OPEB Cost and Net OPEB Asset

For plan years 2011 and 2010, annual OPEB cost and the net OPEB asset were as follows:

	2011	2010
Annual required contribution	$4,951	$3,654
Annual OPEB cost	4,951	3,654
Total employer contributions*		3,049
Increase in net OPEB obligation (decrease in net OPEB asset)	4,951	(605)
Net OPEB asset (obligation), beginning of year		605
Net OPEB asset (obligation), end of year	(4,951)	-
Percentage of annual OPEB cost contributed*	0%	83%

*For 2011, employer contribution was made after fiscal year-end on October 13, 2011. For 2010, employer actual contribution is lower than annual required contribution by $605 since DART applied the net OPEB asset towards the contribution requirement for 2010.

Funding Progress - The schedule of funding progress for the DART Other Postemployment Benefits (OPEB) is included in the Required Supplementary Information. The data for the two most recent valuations are as follows:

	Actuarial Valuation Date	
	9/30/11	9/30/10
Actuarial value of assets	$14,103	$10,554
Actuarial accrued liability (AAL) Unit Credit	$43,323	$34,598
Unfunded AAL (UAAL)	$29,220	$24,044
Funded ratio	32.6%	30.5%
Covered payroll	$175,685	$171,371
UAAL as a % of covered payroll	16.6%	14.0%

17. CLAIMS AND LITIGATION

In the ordinary course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury, death, and/or property damage resulting from accidents occurring in the operation of the system. In addition, DART has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on DART's financial position.

18. COMMITMENTS AND CONTINGENCIES

The Board has approved a Transit System Plan, which includes the design and construction of a 46-mile light rail transit (LRT) extension from Downtown Dallas to Buckner Blvd. (the Southeast Corridor) and from Downtown Dallas to Farmers Branch, Carrollton, and Irving (the Northwest Corridor) and from downtown Garland to Rowlett (Rowlett extension). The timing and completion of the Transit System Plan is based on economic assumptions made in DART’s 20-year financial plan and is subject to change based on changing economic conditions. The Transit System Plan is forecasted at $3.6 billion as of September 30, 2011. DART has entered into contract commitments for the LRT build out and other capital developments in the amount of $3.1 billion and spent approximately $2.8 billion of the committed amount as of September 30, 2011 on these projects.

DART participates in several federal and state grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, no significant contingent liabilities exist relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

For the Years Ended September 30, 2011 and 2010 (Dollars in Thousands)

DART has entered into certain operating lease agreements. Operating lease expenses are approximately $1,302 and $980 in 2011 and 2010, respectively.

Future minimum lease payments for all non-cancelable operating leases are as follows:

Fiscal Year	2012	2013	2014	2015	2016
Minimum Lease Payments	$1,080	$866	$849	$737	$141

DART owns and operates a number of facilities. It also acquires new properties for light rail expansion projects. In some of these properties DART has discovered contamination that may require pollution remediation activity. DART is working with relevant state and federal agencies on pollution remediation plans. Management does not believe that the outcome of these remediation activities will have a material adverse effect on DART's financial position. Management has accrued an estimate which is included in the accounts payable and accrued liabilities line item in the accompanying statements of net assets.

19. DERIVATIVE INSTRUMENTS - DIESEL FUEL HEDGE

As part of its normal business of providing public transportation services, DART operates a large fleet of buses, commuter rail cars, and paratransit and innovative service vans, that are currently operated with diesel fuel. DART has diesel fuel delivery contracts with suppliers; however, the price DART pays for the fuel fluctuates depending on market prices. This exposes DART to significant risk related to fluctuations in the amounts it pays for fuel. It also creates uncertainty in budgeting for fuel costs. In order to minimize the impact of fluctuating fuel market prices on its cash flow, DART has entered into diesel fuel hedge contracts. Summary information of each hedge contract is shown below.

Fiscal Year Covered	Type	Notional Amount (U.S. Gallons)	Effective Date	Termination Date	Fair Value, 9/30/10	Fair Value, 9/30/11	Change in Fair Value
2011	Commodity forward contract	8,413,200	10/1/10	9/30/11	$656	$0	$(656)
2012	Commodity forward contract	8,413,200	10/1/11	9/30/12	581	3,565	2,984
2013	Commodity forward contract	7,218,765	10/1/12	9/30/13	423	1,915	1,492
	Total				$1,660	$5,480	$3,820

The fair values of $5,480 and $1,660 as of 9/30/2011 and 9/30/2010 are shown in the statements of net assets and statements of changes in net assets on pages 12 and 13.

Objective and terms of the fuel hedge contracts

The objective of each of the derivative instruments (diesel fuel hedge contracts) is to hedge changes in cash flows due to market price fluctuations related to expected purchases of diesel fuel for DART buses, commuter rail cars, and paratransit vans. The terms of the agreement include DART paying monthly fixed prices and receiving floating prices based on an average of daily mean of Platts US Gulf Coast ultra low sulphur diesel (ULSD) for each month.

Risks

Credit risk – The derivative instrument for fiscal years 2012 and 2013 are held by the same counterparty. On September 30, 2011, DART's position in the derivative instruments is a potential inflow of resources. DART can potentially be exposed to credit risk if the counter party to the transaction becomes insolvent. The following table shows credit ratings for the counterparty.

Fiscal Year Covered	Credit Rating
2012	A+/Aa3
2013	A+/Aa3

Termination risk – DART or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The effect of termination risk on DART is that it will pay market prices for diesel fuel it buys for use in its operations. No termination event has occurred during fiscal years 2011 and 2010.

Contingencies

All of DART's derivative instruments include provisions that require it to post collateral in the event its credit rating falls below A- or A3 as issued by Standard & Poors or Moody's and if the exposure exceeds threshold amounts specified in the derivative instruments (contracts). DART's credit rating as of September 30, 2011 is AA+ as issued by Standards & Poors or Aa2 as issued by Moody's.

20. NEW ACCOUNTING PRONOUNCEMENTS

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. This Statement address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans and clarifies when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers. This Statement is effective for DART in fiscal year 2012.

In December 2010 GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard addresses SCAs in which there is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The statement also includes required disclosures about the SCAs. This Statement is effective for DART in fiscal year 2013.

In November 2010 GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*—an amendment of GASB Statements No. 14 and No. 34, to improve financial reporting for a governmental reporting entity. The standard modifies certain requirements for inclusion of component units, amends criteria for blending, and clarifies the reporting of equity interests in legally separate entities. This Statement is effective for DART in fiscal year 2013.

In December 2010 GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. This standard becomes effective for DART in fiscal year 2013.

In June 2011 GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB defines deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. This standard becomes effective for DART in fiscal year 2013.

In June 2011 GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53.* The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. It also provides guidance as to when the effective hedging relationship continues and hedge accounting should continue to be applied. This standard becomes effective for DART in fiscal year 2012.

Management has not yet determined the impact of these statements on the basic financial statements.

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

September 30, 2011 (Dollars in Thousands)

The schedule of funding progress for the DART defined benefit Pension Plan calculated by the actuaries as follows:

	Actuarial Valuation Date		
	10/1/10	10/1/09	10/1/08
Actuarial Value of Assets	$145,605	$141,696	$145,269
Actuarial Accrued Liability (AAL) Projected Unit Credit	176,587	173,469	166,876
Unfunded AAL (UAAL)	30,982	31,773	21,607
Funded Ratio	82.5%	81.7%	87.1%
Covered Payroll	23,727	23,904	24,721
UAAL as a % of Covered Payroll	130.6%	132.9%	87.4%

Annual financial statements for the DART defined benefit Pension Plan may be obtained by contacting the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

The schedule of funding progress for the DART Other Postemployment Benefits (OPEB) calculated by the actuaries is as follows:

	Actuarial Valuation Date		
	9/30/11	9/30/10	9/30/09
Actuarial Value of Assets	$14,103	$10,554	$7,362
Actuarial Accrued Liability (AAL) Unit Credit	$43,323	34,598	34,151
Unfunded AAL (UAAL)	$29,220	24,044	26,789
Funded Ratio	32.6%	30.5%	21.6%
Covered Payroll	$175,685	171,371	150,406
UAAL as a % of Covered Payroll	16.6%	14.0%	17.8%

* * * * * * * *

APPENDIX B

A Table of Contents and brief descriptions of certain provisions of the Master Debt Resolution are included on the following pages of this Appendix B. The descriptions are not intended to be comprehensive or complete but are to be used as a guide to the full provisions of the Master Debt Resolution. The full and complete text of the Master Debt Resolution may be obtained directly from us without cost at the address given in the text of this document, and it may be viewed on the Internet at our website, ***www.dart.org***. See, "IMPORTANT NOTICES." Specific Article and Section numbers are identified in "*italics*" throughout this Summary.

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SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION

DEFINITIONS
{*Article I*}

The following are definitions of certain terms used in this Summary.

Accrued Aggregate Debt Service - means, for any specified Debt Service Accrual Period, and with respect to a specified series of Obligations, an amount equal to the sum of the Debt Service accruing during that Debt Service Accrual Period with respect to all of such Obligations that are Outstanding at the beginning of such Debt Service Accrual Period.

Accrued Aggregate Interest - means, for any Debt Service Accrual Period, that portion of the Accrued Aggregate Debt Service that is attributable to interest on Obligations for the Debt Service Accrual Period.

Act - means Chapter 452, Transportation Code, as amended.

Additional Senior Lien Obligations - means bonds, notes, commercial paper, or other evidences of indebtedness issued by DART on a parity as to the Pledged Revenues with the Initial Senior Lien Obligations pursuant to Section 3.2 of the Master Debt Resolution.

Administrative Expenses - means amounts owed to the Trustee under Section 8.4 of the Master Debt Resolution and, to the extent specified in a Supplemental Resolution, the fees, expenses, and indemnification liabilities payable to the Paying Agent, the Credit Providers, any Bondholder Representative, and others. Said term does not include Credit Agreement Obligations.

Applicable Law - means the Act and all other laws or statutes, rules or regulations, and any amendments thereto, of the State or of the United States by which DART and its powers, securities, bonds, notes, and other obligations, and its operations and procedures are, or may be, governed or from which such powers may be derived.

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

Available Remaining Revenues - means the amount of the Gross Sales Tax Revenues, plus the Special Revenues that are available to DART for spending for lawful purposes and the uses of which are not restricted by Applicable Law, grant condition, or contract (i) after complying with the requirements of Article V of the Master Debt Resolution, and (ii) after applying all of the revenues received from the operation of the System to the purpose of operating and maintaining the System, as required by Section 452.357 of the Act.

Board - means the governing subregional board of directors of DART as authorized and required by, and selected in the manner provided in, Section 452.571 of the Act.

Bondholder Representative - means each Person appointed pursuant to Section 11.8 of the Master Debt Resolution.

Bond Obligation - means any Obligation that is issued in the form of bonds, notes, or other securities or other forms of indebtedness other than a Credit Agreement Obligation.

Business Day - means, unless another definition is provided in a Supplemental Resolution with respect to a series of Obligations, any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the city where the designated payment/transfer office of the Paying Agent and/or Registrar is located, or where the principal office of the Trustee is located, are generally authorized or obligated by law or executive order to close.

Code - means the Internal Revenue Code of 1986, as amended, the regulations and published rulings promulgated or published pursuant thereto, and the provisions of any applicable section of a successor federal income tax law.

Comptroller - means the Constitutional Officer of the State of Texas known as the "Comptroller of Public Accounts" and any successor official or officer that may be charged by law with the duty of collecting the Sales Tax for the account of, and remitting Gross Sales Tax Revenues to, DART.

Costs of Acquisition and Construction - means all costs and expenses of planning, designing, acquiring, constructing, installing, extending, equipping, improving, repairing, replacing and financing any part or all of the System, placing the System in operation, and obtaining governmental approvals, certificates, permits and licenses with respect thereto, including acquisition of land and interests in land, working capital and reserves during construction periods, capitalized interest, and financing costs.

Credit Agreement - means any agreement between DART and a Credit Provider permitted by Applicable Law that is entered into for the purpose of providing credit enhancement or liquidity support for all or a part of a series of Bond Obligations.

Credit Agreement Obligations - means any liability of DART to pay principal, interest, or other payment on any debt or liability created under a Credit Agreement in favor of a Credit Provider that is declared by the terms of the Master Debt Resolution or a Supplemental Resolution to be a Senior Lien Obligation or a Subordinate Lien Obligation.

Credit Provider - means each party named in the Master Debt Resolution or a Supplemental Resolution that provides credit or liquidity support for a series of Bond Obligations, or other financial undertakings in a Credit Agreement.

Debt Service - means, for any specified Debt Service Accrual Period or other period with respect to a specified series of Obligations, an amount equal to:

> (i) the sum of (A) all interest that is due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) interest accruing on such Obligations, including as to Interim Obligations, and as to Variable Interest Rate Obligations, if any, the amount estimated to accrue during such Debt Service Accrual Period or other period, but excluding interest that will be paid from the proceeds of Obligations or from Credit Agreements; and
>
> (ii) the sum of (A) all Principal Installments that are due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) that portion of next maturing Principal Installment on such Obligations which will accrue during such Debt Service Accrual Period or other period, other than a Principal Installment with respect to Interim Obligations and Credit Agreement Obligations that are to be paid either with the proceeds of Bond Obligations or with funds provided by a Credit Provider, and other than amounts scheduled to be paid by a counter party to a Swap

Agreement that is not in default, all as determined as provided in the Master Debt Resolution.

Debt Service Accrual Period - means the period commencing on, as applicable, the date of issuance or execution of any Obligation under the Master Debt Resolution, or the most recent date on which the Trustee has transferred Gross Sales Tax Revenues from the Gross Sales Tax Revenue Fund in accordance with Section 5.3(a) the Master Debt Resolution, whichever is later, and ending on, but excluding, the next date on which the Trustee is expected to transfer Gross Sales Tax Revenues to the Gross Sales Tax Revenue Fund, as such period is specified by the Trustee in its request to each Paying Agent as required by Section 5.3(i) of the Master Debt Resolution.

Event of Default - means the occurrence of any of the events or circumstances described as such in Section 7.1 of the Master Debt Resolution.

Federal Subsidy – means a subsidy payment from the United States Treasury relating to the interest payable on the Series 2010B Bonds under Section 54AA of the Code.

First Supplemental Debt Resolution - means the Supplemental Resolution approved by the Board authorizing the issuance and setting forth the terms of the Senior Subordinate Lien Obligations authorized by Section 3.3(a) of the Master Debt Resolution.

Fiscal Year - means the twelve consecutive month period established from time to time by the Board as DART's fiscal year. Until changed by resolution of the Board, the fiscal year shall be the period commencing October 1 and ending on the following September 30.

Force Majeure - means any act of God or the public enemy; strike, lockout, work slowdown or stoppage or other labor dispute; insurrection, riot or other civil disturbance; order of the government of the United States or of any state thereof or order of any other civil or military authority; failure of a public utility; or other condition or event beyond the reasonable control of DART, other than a financial condition, business condition or condition or event constituting frustration of purpose.

General Operating Fund - means the fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

Gross Sales Tax Revenue Fund - means the special trust fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

Gross Sales Tax Revenues - means all of the revenues due or owing to, or collected or received by or on behalf of, DART, or by the Trustee pursuant to the Master Debt Resolution, from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retentions are authorized or required by law. Such term expressly does not include any Special Revenues.

Holder - means, with respect to Bond Obligations, the registered owner of a Bond Obligation according to the Obligation Register relating to such Bond Obligation, and, with respect to each Credit Agreement Obligation, the related Credit Provider.

Initial Senior Lien Obligations - mean the Senior Lien Obligations that are authorized in Section 3.1(a) of the Master Debt Resolution.

Interest Payment Date(s) - means the date or dates on which interest on Obligations is payable (including a prepayment or redemption date), as said date or dates are specified in a Supplemental Resolution or in Credit Agreements, as appropriate.

Interim Obligations - mean Obligations, including commercial paper, notes, and similar Obligations (i) for or with respect to which no Principal Installments are required to be made other than on the Stated Maturity Date thereof, which date shall be no later than five (5) years from the date of their delivery to their initial purchasers, and (ii) which are authorized by a Supplemental Resolution in which they are designated as “Interim Obligations” that DART intends to refund, reissue, or refinance in whole or in part prior to or on such Stated Maturity Date.

Investment Securities - mean any and all of the investments permitted by Applicable Law for the investment of the public funds of DART, provided that such investments are at the time made included in and authorized by the official investment policy of DART as approved by the Board from time to time and are not prohibited by a Supplemental Resolution.

Junior Subordinate Lien Debt Service Fund - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

Junior Subordinate Lien Obligations - means (i) bonds, notes, or other forms of indebtedness and obligations of DART that are by their terms made payable from the Junior Subordinate Lien Debt Service Fund and are secured by a lien on and pledge of Pledged Revenues that is junior and subordinate to the liens on and pledges of Pledged Revenues created in the Master Debt Resolution for the benefit of the Senior Lien Obligations and the Senior Subordinate Lien Obligations, and (ii) each Credit Agreement Obligation that is declared in a Supplemental Resolution to be a “Junior Subordinate Lien Obligation.”

Market Value - means the fair market value of Investment Securities calculated as set forth in the Master Debt Resolution.

Maximum Interest Rate - means, with respect to particular Variable Interest Rate Obligations, a numerical or other statement of the rate of interest, which shall be set forth in a Supplemental Resolution or in a Credit Agreement, authorizing such Obligations as appropriate, in each case as being the maximum rate of interest such Obligations may bear at a single time or over the period during which they are Outstanding or unpaid, but in no event exceeding the maximum amount or rate of interest permitted by Applicable Law.

Minimum Interest Rate - means, with respect to any particular Variable Interest Rate Obligations, a numerical rate of interest which may (but need not) be set forth in the Supplemental Resolution, or Credit Agreement, as appropriate, authorizing such Obligations that shall be the minimum rate of interest such Obligations will at any time bear.

Obligation Register - means, as to each series of Bond Obligations, the register or registers maintained pursuant to Section 4.5 of the Master Debt Resolution.

Obligations - mean the Senior Lien Obligations and the Subordinate Lien Obligations.

Outstanding - when used with reference to Bond Obligations, means, as of any date, Bond Obligations theretofore or thereupon being authenticated and delivered under the Master Debt Resolution or a Supplemental Resolution, except:

(i) Bond Obligations which have been fully paid at or prior to their maturity or on or prior to a redemption date;

(ii) Bond Obligations (or portions thereof) for the payment of which moneys equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption, shall be held by a paying agent or a trustee in cash in trust and set aside for payment at maturity or redemption on a redemption date and for which notice of redemption has been given or provision has been made therefor;

(iii) Bond Obligations in lieu of or in substitution for which other Obligations have been authenticated and delivered pursuant to the Master Debt Resolution or a Supplemental Resolution; and

(iv) Bond Obligations for which payment has been provided by defeasance in accordance with Section 10.2 of the Master Debt Resolution.

When used with reference to Credit Agreement Obligations, the term "Outstanding" shall mean all principal amounts due and payable by DART under the applicable Credit Agreement until the later of the due or maturity date thereof, and the payment thereof in full, but only to the extent, and solely to the extent, that moneys (A) have been actually advanced or loaned to or for the account of DART (and have not been repaid) for the purpose of providing funds for the payment of the interest on or principal or Redemption Price of any Obligations on their maturity, due, or redemption date, or (B) have been paid (and have not been repaid) to or for the account of the Holder of an Obligation in order to honor such Holder's right to tender Obligations for purchase prior to maturity in accordance with the terms and provisions of the applicable Supplemental Resolution or Credit Agreement.

Outstanding Obligations - means any Obligations while, when, after, to the extent, and for so long as any of the same are Outstanding.

Outstanding Resolutions - means the Master Debt Resolution, the First Supplemental Debt Resolution and all other Supplemental Resolutions when and as adopted by the Board.

Paying Agent - means any paying agent for a series or issue of Obligations appointed pursuant to a Supplemental Resolution as described in Section 4.6 of the Master Debt Resolution and its successor or successors.

Person - means any individual, corporation, partnership, (including a limited partnership) limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other legal entity.

Pledged Farebox_Revenues - means with respect to any Debt Service Accrual Period, all fares collected by or on behalf of DART for its bus, rail and paratransit services in an amount equal to the Pledged Farebox Revenues Ratio multiplied by the Accrued Aggregate Debt Service applicable to the Series 2010B Bonds during such Debt Service Accrual Period after deducting the Federal Subsidy accrued during such Debt Service Accrual Period.

Pledged Farebox Revenues Ratio – means 97.3%.

Pledged Revenues - means collectively (a) the Gross Sales Tax Revenues at the point where they are required to be first collected in accordance with the Act and other Applicable Law, and for so long as they are owed, but unpaid, to, or on behalf of DART, (b) the Gross Sales Tax Revenues upon and after receipt by DART or by the Trustee under the Master Debt Resolution and while they are required to be or are on deposit in the Gross Sales Tax Revenue Fund, (c) Investment Securities or other investments or earnings, if any, credited to the Gross Sales Tax Revenue Fund that are not required by the Code to be rebated to the United States of America, and (d) any additional revenues or money of DART which may be, by a Supplemental Resolution, expressly and specifically pledged to the payment of any and or all of the Obligations. Pursuant to the Seventh Supplemental Debt Resolution, DART irrevocably pledged the Pledged Farebox Revenues as additional security for the Obligations, and such Pledged Farebox Revenues were made expressly and specifically subject to the pledge and lien of the Master Debt Resolution as Pledged Revenues.

Principal Installment - means any amounts, other than interest payments, including any Sinking Fund Installments, which are stated to be due or required to be made on or with respect to an Obligation which, when made, would reduce the amount of such Obligation that remains Outstanding or would retire and pay the same in full.

Rebate Fund - means any fund established by a Supplemental Resolution in connection with the issuance of any Bond Obligation that is a Tax-Exempt Obligation, to ensure compliance with the provisions of Section 148 of the Code.

Required Percentage of Holders of Bond Obligations - means the Holders of: (i) 51% of the principal amount of Outstanding Bond Obligations that are Senior Lien Obligations; (ii) 51% of the principal amount of Outstanding Bond Obligations that are Senior Subordinate Lien Obligations; and (iii) 51% of the principal amount of Outstanding Bond Obligations that are Junior Subordinate Lien Obligations.

Resolution - means Master Debt Resolution as it may from time to time be amended, modified or supplemented by Supplemental Resolutions or by amendment in accordance with Article IX of the Master Debt Resolution.

Sales Tax - means the one-percent (1%) local sales and use tax authorized by the Act and other Applicable Law and heretofore approved at an election and then levied on taxable items and transactions, and confirmed and levied in the Master Debt Resolution, by DART within its boundaries, and hereafter required to be levied within any expanded areas included within DART pursuant to the Act, together with any increases in the rate thereof if provided and authorized by amendment to the Act, but subject to the requirements of the Voted Tax and Debt Limits.

Senior Lien Debt Service Fund - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

Senior Lien Obligations - means (i) the Initial Senior Lien Obligations, (ii) any Additional Senior Lien Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution or a Supplemental Resolution to be a "Senior Lien Obligation."

Senior Subordinate Lien Debt Service Fund - means the special fund so designated and established in Section 5.1 of the Master Debt Resolution.

Senior Subordinate Lien Obligations - means (i) the Senior Subordinate Lien Obligations authorized and named in Section 3.3(a) of the Master Debt Resolution, (ii) any other bonds, notes, or other forms of indebtedness and obligations of DART that are, by their terms, made payable from the Senior Subordinate Lien Debt Service Fund and that are secured by a lien on and pledge of Pledged Revenues that are junior and subordinate to the lien on and pledge of Pledged Revenues created in the Master Debt Resolution for the benefit of Senior Lien Obligations, but that are senior in right to the lien on and pledge of Pledged Revenues and Pledged Funds created in the Master Debt Resolution for the benefit of Junior Subordinate Lien Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution, or in a Supplemental Resolution to be a "Senior Subordinate Lien Obligation."

Sinking Fund Installment - means, with respect to any Bond Obligations, the portion of the Accrued Aggregate Debt Service required by a Supplemental Resolution to be deposited to the

Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, or the Senior Subordinate Lien Debt Service Fund in all events on a future date to be held on deposit or applied, in either case, for the mandatory redemption or retirement, in whole or in part, of any of such Bond Obligations having a stated maturity after said future date. Said future date is deemed to be the date when such Sinking Fund Installment is due and payable.

Special Revenue Bonds - mean bonds, notes or other obligations issued for lawful purposes that (i) are made payable from Special Revenues pursuant to the right to issue the same reserved in Section 3.6 of the Master Debt Resolution, and (ii) are not payable from or secured by any part or portion of the Pledged Revenues.

Special Revenues - mean any and all revenues of DART, other than the Sales Tax, including, but not limited to, all of (i) any taxes or special charges, other than the Sales Tax, that DART is authorized by Applicable Law to impose and collect for its public purposes, (ii) fare-box revenues, rents, tolls, rates and charges imposed by DART for the use of any part or all of the System, as it exists from time to time, and (iii) the proceeds from grants for the purposes of the System made to DART by the State or by the United States of America.

Standard Assumptions - means the assumptions that are applicable to Interim Obligations and to Variable Interest Rate Obligations, as set forth and described in subsections (e) and (f), respectively, of Section 1.4 of the Master Debt Resolution.

State - means the State of Texas.

Stated Maturity Date - means the date on which an Obligation matures and the full amount owed thereon is in all events due and payable, as specified in a Supplemental Resolution or in a Credit Agreement, as appropriate.

Subordinate Lien Obligations - mean any and all Senior Subordinate Lien Obligations and any and all Junior Subordinate Lien Obligations.

Supplemental Resolution - means any resolution of the Board adopted concurrently with or subsequent to the adoption of this Resolution that supplements this Resolution for (i) the purpose of authorizing and providing the terms and provisions of Obligations, or (ii) any of the other purposes permitted by Article IX of the Master Debt Resolution.

Swap Agreement - means a Credit Agreement with respect to a series of Bond Obligations pursuant to which DART agrees to pay to a qualified counterparty an amount of money in exchange for the counterparty's promise to pay an amount equal to all or a portion of the actual amount of interest due and payable on such series according to its terms as it becomes due. For the purposes of this definition, a counterparty is not qualified unless it holds a current rating for claims-paying ability by at least two nationally recognized rating agencies at least equal to the rating of each such rating agency assigned to the Initial Senior Lien Obligations without reference to any Credit Agreement.

System - means the public transportation system of DART, including complementary transportation services, and all of the properties and assets of DART that are defined in and permitted by the Act, whether owned or operated by DART directly or provided for or on behalf of DART by others pursuant to contracts executed for such purposes as provided in the Act.

System Expansion and Acquisition Fund - means the fund so designated and established in Section 5.1 of the Master Debt Resolution.

Tax-Exempt Obligation - means any Bond Obligation the interest on which is excludable from the gross income of the Holder for federal income tax purposes under Section 103 of the Code.

Trustee - means Bank One, Texas, N.A., as the trustee under the Master Debt Resolution, and any successor to or replacement of such trustee appointed in accordance with the Master Debt Resolution.

Variable Interest Rate - means a variable or adjustable interest rate that varies from time to time based on a formula or reference to specified financial indicators, or by negotiation, auction, or revisions through another method from time to time and to be borne by all or a part of any Obligations, all as specified in a Supplemental Resolution or Credit Agreement, as applicable.

Variable Interest Rate Obligations - mean Obligations which bear a Variable Interest Rate.

Voted Tax and Debt Limits - means the limitations on (i) the maximum rate of the Sales Tax that DART may levy and collect, and (ii) the maximum amount of indebtedness that DART may incur that has a maturity longer than five (5) years, in either case without further elections in conformity with the Election Order as summarized in the preambles to the Master Debt Resolution.

Interpretations - Standard Assumptions *{Sections 1.4(e) and (f)}*

Wherever a calculation of Debt Service with respect to Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming (A) that the Outstanding principal amount of the series of Interim Obligations are bonds secured by a lien on Pledged Revenues on a parity with the Interim Obligations which will amortize over a period of not to exceed 25 years following the date of initial issuance of such Interim Obligations in such manner as will cause the maximum Debt Service for such series in any 12 month period not exceeding 110% of the minimum Debt Service for such series for any other 12 month period, and (B) such series will bear interest at a fixed interest rate reasonably estimated to be the interest rate such series would bear if issued on the date of such estimate.

Wherever a calculation of Debt Service with respect to Variable Interest Rate Obligations that are not Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming that such Obligations will bear interest at the highest of (i) the actual rate on the date of calculation, or, if such Obligations are not yet Outstanding, the initial rate, if established and binding, (ii) if the Obligations have been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or (iii) (A) if the Obligations are Tax Exempt Obligations, the most recently published "Revenue Bond Index," published by the financial news publication presently known as The Bond Buyer, or by a comparable index if no longer published, plus fifty basis points, or (B) if the Obligations are not Tax Exempt Obligations, the interest rate on direct obligations of the United States with comparable maturities, plus fifty basis points or (C) if the Obligations are Credit Agreement Obligations, such rate as is specified in the Supplemental Resolution creating such Credit Agreement Obligations.

PURPOSES, PLEDGE AND SECURITY
{*Article II*}

Purposes of Resolution, Contract with Holders *{Section 2.1}*

The Master Debt Resolution establishes a lien and the security for, and prescribes minimum standards for issuing, Obligations; authorizes the issuance of the Initial Senior Lien Obligations, an initial series of Senior Subordinate Lien Obligations and permits the issuance of Additional Senior Lien Obligations and other Subordinate Lien Obligations; reserves the right to issue Special Revenue Bonds; and prescribes other matters and the general rights of the Holders, DART, Credit Providers, any Bondholder Representative and the Trustee in relation to such

Obligations. The provisions of the Master Debt Resolution constitute a contract of DART to and with the Holders and the Trustee.

Confirmation and Levy of Sales Tax *{Section 2.2}*

The levy and collection of the Sales Tax, at the rate voted at the election at which DART was created, is confirmed, and DART covenants that, as long as any Obligations are Outstanding, or any Administrative Expenses unpaid, it will levy and collect the Sales Tax to the extent it may legally do so at the highest rate permitted by Applicable Law, subject to requirements for an election under the Voted Tax and Debt Limits, and to take all action permitted to cause the Sales Tax to be collected and remitted to DART at the earliest permissible date.

Pledge and Security for Obligations *{Section 2.3}*

The Pledged Revenues are irrevocably pledged: (i) first, with respect to Outstanding Senior Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; (ii) second, subject to the rights of the Holders of Senior Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Senior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; and (iii) third, subject to the rights of the Holders of Senior Lien Obligations and the Holders of Senior Subordinate Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Junior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts and to the payment of Administrative Expenses.

All moneys and investments on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund are irrevocably pledged to the payment of Debt Service on and Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively.

The Obligations and Administrative Expenses are special obligations of DART, and, unless otherwise provided in a Supplemental Resolution, are secured solely by a pledge of and a lien on the Pledged Revenues and the money on deposit, respectively, in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, that is exclusive, senior and superior to the rights of all other creditors of DART. Neither the Obligations nor the Administrative Expenses shall constitute a debt or obligation of the State, or of any city, town or county having appointment or other powers with respect to DART or the Board. The Holders of Obligations and payees of Administrative Expenses shall never have the right to demand payment out of any funds raised or to be raised by any system of ad valorem taxation or, unless otherwise provided in a Supplemental Resolution, from any other funds or revenues of DART.

Collection of Pledged Revenues, Assignment to Trustee *{Section 2.4}*

DART assigns to the Trustee all of the Pledged Revenues, in trust, for the benefit and security of Holders and the Credit Providers. DART appoints the Trustee as its agent and attorney-in-fact for the purpose of performing those duties of its treasurer which consist of collecting and receiving the Gross Sales Tax Revenues from the Comptroller and taking such steps as may be necessary to perfect and maintain the liens granted under the Master Debt Resolution. DART is required to cause the Comptroller to pay all Gross Sales Tax Revenues directly to the Trustee for deposit to the Gross Sales Tax Revenue Fund. If the Comptroller refuses or is not legally obligated to make transfers as directed by DART, the DART is required to cause the Gross Sales Tax Revenues to be transferred to the Trustee as received. All Gross Sales Tax Revenues received by the Trustee are required to be deposited to the Gross Sales Tax Revenue Fund and applied in accordance with the Master Debt Resolution. A specific series of Bond Obligations may be additionally payable from or secured by Credit Agreements and any Supplemental Resolution may provide that the security provided thereby not extend to other series of Obligations.

Security Agreement *{Section 2.5}*

The Master Debt Resolution constitutes a security agreement with the Trustee as the secured party. The grants, assignments, liens, pledges and security interests of the Trustee created in the Master Debt Resolution shall become effective upon the delivery of Obligations under the Master Debt Resolution, and shall be continuously effective for so long as any Obligations or Administrative Expenses are Outstanding.

PERMITTED DART INDEBTEDNESS
{*Article III*}

Initial Senior Lien Obligations *{Section 3.1}*

The Master Debt Resolution authorizes DART to issue up to $500 Million of Initial Senior Lien Obligations, which amount may be increased, pursuant to the terms of one or more Supplemental Resolutions. DART may issue Additional Senior Lien Obligations upon compliance with the requirements set forth in the Master Debt Resolution. No obligations having a first lien on the Pledged Revenues, other than Senior Lien Obligations, may be issued by DART.

Additional Senior Lien Obligations *{Section 3.2}*

Subject to the Voted Tax and Debt Limits, DART reserves the right to issue Additional Senior Lien Obligations on a parity with Outstanding Senior Lien Obligations, pursuant to one or more Supplemental Resolutions. Prior to the issuance of Additional Senior Lien Obligations, either (A) Gross Sales Tax Revenues must be estimated to be, for each of the three consecutive Fiscal Years beginning with the First Fiscal Year in which Debt Service with respect to the proposed Additional Senior Lien Obligations is due, equal to at least 200% of the Debt Service that will be due on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years after taking into consideration any additional Debt Service to be paid during such period with respect to the Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued and any reduction in Debt Service that may result from the issuance thereof, determined in accordance with the requirements of the Master Debt Resolution; or (B) for either the most recent complete Fiscal Year, or for any consecutive 12 of the most recent 18 months, the Gross Sales Tax Revenues must have been equal to at least 200% of the maximum Debt Service with respect to all Outstanding Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) including maximum Debt Service on the proposed Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued, determined in accordance with the requirements of the Master Debt Resolution, provided however, this requirement does not apply to the issuance of Interim Obligations. In addition, estimated Gross Sales Tax Revenues for each of the 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service on the proposed Additional Senior Lien Obligations is due must equal at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) plus (B) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Outstanding Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years, determined in accordance with the requirements of the Master Debt Resolution. The Debt Service required to be calculated for a particular series of Obligations shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations, if such amounts are, at the time of calculation, required to be deposited to the debt service fund for such Obligations.

Senior Subordinate Lien Obligations *{Section 3.3}*

The Master Debt Resolution authorizes DART to issue up to $650 Million of commercial paper notes as Senior Subordinate Lien Obligations pursuant to the terms of one or more Supplemental Resolutions for the purposes of refunding all outstanding indebtedness of DART, paying Costs of Acquisition and Construction, and other purposes permitted by Applicable Law.

Additional Senior Subordinate Lien Obligations. Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue additional Senior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law secured by and payable from a senior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Additional Senior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of the three consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Senior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Senior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Junior Subordinate Lien Obligations *{Section 3.4}*

Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue Junior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law, payable from and secured by a junior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Junior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Junior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Junior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Credit Agreement Obligations *{Section 3.5}*

DART is authorized to enter into Credit Agreements, pursuant to Supplemental Resolutions, that create Credit Agreement Obligations that are secured and payable on a parity with other Outstanding Obligations. Credit Agreements may include rights and remedies which are in addition to the rights and remedies contained in the Master Debt Resolution and which may be enforced apart from the Master Debt Resolution.

Special Revenue Bonds *{Section 3.6}*

DART reserves the right to issue Special Revenue Obligations and to enter into related credit agreements without complying with the requirements of the Master Debt Resolution regarding the issuance of Obligations.

Other Encumbrances Prohibited *{Section 3.8}*

Except for the Pledge of the Pledged Revenues as security for the Obligations and Administrative Expenses in the order of priority established in Article II of the Master Debt Resolution, the Pledged Revenues may not be pledged or encumbered to or for the payment of any other obligation or liability of DART.

TERMS, PROVISIONS AND AUTHENTICATION OF BOND OBLIGATIONS
{*Article IV*}

Bond Obligations may be issued in any form and manner permitted by Applicable Law, subject to the provisions of the Master Debt Resolution and any applicable Supplemental Resolution. Bond Obligations are to be issued pursuant to a Supplemental Resolution setting forth all of the terms, provisions and conditions pertaining to such Bond Obligations.

SPECIAL FUNDS, USES OF MONEYS
{*Article IV*}

Creation of Funds and Accounts *{Section 5.1}*

The Master Debt Resolution establishes the System Expansion and Acquisition Fund, the Senior Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; the Senior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; and the Junior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account. The Master Debt Resolution reestablishes and reconfirms the Gross Sales Tax Revenue Fund and the General Operating Fund.

The Gross Sales Tax Revenue Fund is a special trust fund held by the Trustee for the benefit of the Holders of the Obligations and the payees of Administrative Expenses. The Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Lien Debt Service Fund are special trust funds held by the Trustee for the benefit of the Holders of the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively, and the payees of Administrative Expenses.

The System Expansion and Acquisition Fund, the General Operating Fund and all other funds or accounts of DART not expressly required by the Master Debt Resolution or by a Supplemental Resolution to be held by the Trustee, may be held in any bank or lawful depository and said funds and accounts and all moneys on deposit therein, including the Available Remaining Revenues, shall be free of any lien, pledge or trust created by the Master Debt Resolution.

System Expansion and Acquisition Fund *{Section 5.2}*

Money on deposit in the System Expansion and Acquisition Fund is to be used to pay Costs of Acquisition and Construction and will be funded as directed in Supplemental Resolutions. In the event of a default in the payment of Obligations the Board may, but is not required to, use moneys on deposit in the System Expansion and Acquisition Fund to cure such default. Amounts remaining after payment of Costs of Acquisition and Construction for which a series of Obligations was issued may, at the discretion of DART, be used to redeem such Obligations in advance of maturity or used to pay other Costs of Acquisition and Construction.

Gross Sales Tax Revenue Fund *{Section 5.3}*

The Trustee is required to deposit to the Gross Sales Tax Revenue Fund all Gross Sales Tax Revenues (and no other moneys) as received and, on the day received, to transfer all amounts deposited to the Gross Sales Tax Revenue Fund, first, to the Senior Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Lien Obligations; second, to the Senior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Subordinate Lien Obligations; and, third, to the Junior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Junior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Junior Subordinate Lien Obligations. The amounts required to be deposited to each of the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, is equal to the Accrued Aggregate Debt Service for the current Debt Service Accrual Period less any amounts required to be credited against the amounts transferred pursuant to Section 5.3(d) of the Master Debt Resolution, and are required to be allocated first to the respective Interest Account and then to the respective Principal Installment Account. If the amounts on deposit in the Gross Sales Tax Revenue Fund are not sufficient to make the full amount of a transfer or payment required to be made, the Trustee is required to transfer the amount to the fund or account where the deficiency occurs with the highest priority and is prohibited from making transfers to any fund or account with a lower priority. Any balance remaining in the Gross Sales Tax Revenue Fund after making the foregoing transfers and payments is to be deposited to the General Operating Fund.

The Trustee is required to notify each Paying Agent of the anticipated date of commencement of each Debt Service Accrual Period not less than 2 Business Days prior to the date the Trustee expects such Debt Service Accrual Period to begin. Each Paying Agent is required to certify to the Trustee the amount of Accrued Aggregate Debt Service for Obligations for the Debt Service Accrual Period specified by the Trustee which has not been paid from other sources.

Senior Lien Debt Service Fund, Senior Subordinate Lien Debt Service Fund and Junior Subordinate Lien Debt Service Fund *{Sections 5.4, 5.5 and 5.6}*

The Trustee is required to pay from the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, to the respective Paying Agents and Credit Providers for Outstanding Senior Lien Obligations, Outstanding Senior Subordinate Lien Obligations and Outstanding Junior Subordinate Lien Obligations, respectively, the amounts required to pay Debt Service on such Obligations when due, whether at the stated maturity or prior redemption; provided, however, that if less than the total amount required to pay such Obligations is on deposit in the Senior Subordinate Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund or the Junior Subordinate Lien Debt Service Fund, respectively, Trustee is required to allocate to each Paying Agent and each Credit Provider, in order of priority, pro rata in proportion to the respective unpaid amounts.

If an Event of Default has occurred and is continuing, moneys in such funds are required to be applied as provided in Section 7.4 of the Master Debt Resolution.

General Provisions Applicable to Payments on Obligations *{Section 5.7}*

If a payment date is not a Business Day, then such payment date will be deemed to be the next succeeding Business Day of the Trustee or Paying Agent, as the case may be, and no interest will accrue between the stated day and the applicable succeeding Business Day.

Uses of General Operating Fund and of Available Remaining Revenues *{Section 5.8}*

Gross Sales Tax Revenues deposited in the General Operating Fund may be transferred to other funds and accounts of DART, free and clear of the lien of the Master Debt Resolution, and may be used for any purpose permitted or required by Applicable Law. In addition to contractual and other obligations incurred in the ordinary course of its business, DART may incur obligations payable from or secured by the Available Remaining Revenues.

Investment of Trust Funds and Accounts *{Section 5.9}*

Amounts in funds and accounts held by the Trustee may, to the extent permitted by Applicable Law, be invested in Investment Securities upon written instructions of DART. Investment Securities must mature in such amounts and at such times as is necessary to provide for timely payment from such fund or account. Investment Securities may be exchanged among funds and accounts, if required to meet payment obligations, and the Trustee may cause the liquidation prior to their maturities of Investment Securities; the Trustee is not to be liable for any resulting loss or penalty. Generally, Investment Securities and the earnings or losses thereon are part of the fund or account from which they were purchased except that transfers of earnings may be made in order to avoid investment in any manner that would cause any of the Obligations intended to be tax-exempt to be or become "arbitrage bonds" within the meaning of the Code. Investments are required to be valued at least annually at the lower of original cost or the then market value thereof.

Effect of Deposits With Paying Agents *{Section 5.10}*

Upon the deposit with the applicable Paying Agent of moneys sufficient to pay the amounts due on Obligations, DART is released from further obligation with respect to the payment of such amounts or interest thereon and such Obligations will no longer be Outstanding. Moneys deposited with Paying Agents are held uninvested in trust for the benefit of the Holders or payees of such Obligations. Unclaimed moneys are required to be distributed in accordance with any applicable escheat laws.

Arbitrage *{Section 5.11}*

DART covenants that it will take no action or fail to take any action which would cause any Tax-Exempt Obligations to be "arbitrage bonds" within the meaning of the Code.

Deposits of Special Revenues *{Section 5.12}*

Special Revenues may be deposited to such funds and accounts of DART as may be required by Applicable Law, grant condition or contract, or as directed in the documents relating to the issuance of Special Revenue Bonds or to Subordinate Lien Obligations if Special Revenues are pledged to the payment thereof.

GENERAL COVENANTS AND REPRESENTATIONS

{*Article VI*}

Representations as to Pledged Revenues *{Section 6.1}*

DART represents and warrants that it is authorized to issue the Obligations, to adopt the Master Debt Resolution and to pledge the Pledged Revenues as provided in the Master Debt Resolution, and that the Pledged Revenues are and will remain free and clear of any pledge, lien, charge or encumbrance except as expressly permitted by Article II of the Master Debt Resolution. The Obligations and provisions of the Master Debt Resolution are valid and legally enforceable obligations of DART in accordance with their terms, subject only to any applicable bankruptcy or insolvency laws or to any Applicable Law affecting creditors' rights generally. DART and the Trustee will defend, preserve and protect the pledge of the Pledged Revenues and all of the rights of the Holders against all claims and will take appropriate steps for the collection of delinquencies in the collection of the Sales Tax.

Accounts, Periodic Reports and Certificates *{Section 6.2}*

DART covenants to keep proper books of record and account relating to the System and the funds and accounts established by the Master Debt Resolution which will be subject to inspection by Holders of not less than 5% in principal amount of Bond Obligations, each Bondholder Representative and each Credit Provider. DART will provide annually, within 180 days after the close of each fiscal year, to any requesting Holder of at least 25% of a single series of Outstanding Obligations, a copy of an annual report containing certain financial information for the fiscal year just ended and the preceding fiscal year.

DART will notify the Trustee and each Credit Provider immediately if it becomes aware of the occurrence of any Event of Default or of any fact, condition or event that, with the giving of notice or passage of time or both, could become an Event of Default, or of the failure of DART to observe any of its undertakings under the Master Debt Resolution or under any Supplemental Resolution or Credit Agreement.

Withdrawals of Units of Election *{Section 6.4}*

If any "unit of election," as defined in the Act, having once become a part of DART, withdraws from DART, the Board will take all lawful steps necessary to assure that all amounts due and owing on all Obligations allocated to such unit of election will continue to be collected from within the withdrawing unit of election until such amounts are paid in full. Gross Sales Tax Revenues collected from within a withdrawn unit of election is required to be set aside by the Trustee in a special trust account and to be expended in such a manner as will permit the continued, timely payment when due of all amounts payable on Outstanding Obligations.

DEFAULTS AND REMEDIES

{*Article VII*}

Events of Default *{Section 7.1}*

Each of the following occurrences or events constitutes an "Event of Default" under the Master Debt Resolution:

(i) failure to timely pay any Debt Service on Bond Obligations;

(ii) failure to timely pay any Credit Agreement Obligations;

(iii) default by DART in the performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in any of the Outstanding Resolutions, the failure of which materially and adversely affects the rights of the Holders, and the continuation thereof for a period of 30 days after written notice of such default;

(iv) issuing of an order by the Bankruptcy Court or a United States District Court or other court having jurisdiction, granting DART, in an involuntary proceeding, any relief under any applicable law relating to bankruptcy or providing for the appointment of a receiver or other similar official for DART or any substantial part of its property, affairs or assets, and the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or

(v) DART institutes or consents to the institution of insolvency or bankruptcy proceedings against it under any federal or state insolvency laws, or files or consents to the filing of any petition, application or complaint seeking the appointment of a receiver or other similar official for DART or of any substantial part of its property, affairs or assets.

Remedies for Default *{Section 7.2}*

Upon the happening and continuance of any of the Events of Default the Trustee is required to transfer future Gross Sales Tax Revenues in the order and priority set forth in Section 5.3(a) of the Master Debt Resolution as described above under *"SPECIAL FUNDS, USES OF MONEY—Gross Sales Tax Revenue Fund."* Subject to certain restrictions on Holder's actions set forth in Section 7.3 of the Master Debt Resolution, a Credit Provider, a Bondholder Representative and/or a trustee representing not less than 25% in principal amount of Outstanding Bond Obligations, may proceed against DART to protect and enforce the rights of the Holders. No Holder has the right to seek appointment of a receiver or administrator of the affairs and assets of DART. There is no right to accelerate the maturity of any Obligation under the Master Debt Resolution.

Thirty days after a default is cured DART will be restored to its former position under the Master Debt Resolution and any proceedings are required to be abandoned or dismissed.

Application of Revenues and Other Moneys After Default *{Section 7.4}*

During the continuance of an Event of Default, the Trustee shall apply all amounts on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, and the Junior Subordinate Lien Debt Service Fund at the time of the default or deposited to such funds after the default, respectively, as follows: (i) to the payment of Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations, or the Junior Subordinate Lien Obligations, respectively, as applicable; and (ii) to the payment of Debt Service due on the Obligations, based on the foregoing priority and in the following order:

- Unless the principal of all applicable Outstanding Obligations is due, first, to the payment to the payment of interest then due in the order of maturity of such interest installments, and, if the amount available is not sufficient to pay all interest amounts then due, then to the payment of interest ratably, according to the amounts due on such installment, without any discrimination or preference; and second, to the payment of principal or redemption price then due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay all of the applicable Obligations due on any date, then to the payment of principal or redemption price ratably, according to the amounts of principal due, without any discrimination or preference.

· If the principal of all of the applicable Outstanding Obligations is due, to the payment of the principal and interest then due and unpaid upon such Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

Notice of Event of Default *{Section 7.6}*

The Trustee shall promptly give each Holder, by first class mail, notice of each Event of Default of which it has knowledge, unless such Event of Default has been remedied or cured before the giving of such notice, except in the case of an Event of Default specified in paragraph (i) or (ii) of "Events of Default" above, the Trustee may withhold such notice if it determines that the withholding of such notice is in the best interests of the Holders.

THE TRUSTEE

{*Article VIII*}

Amegy Bank N.A. is appointed as the Trustee under the Master Debt Resolution. The duties, rights and responsibilities of the Trustee, appointment of successor and co-trustees, and matters pertaining to the administration of the trust created in the Master Debt Resolution, are set forth in Article VIII.

AMENDMENTS TO RESOLUTION

{*Article IX*}

Supplemental Resolution Without Holders' Consent *{Section 9.2}*

Subject to any limitations contained in a Supplemental Resolution or a Credit Agreement, DART may adopt Supplemental Resolutions without the consent of Holders of Obligations for the following purposes: (i) to cure any formal defect, omission or ambiguity in the Master Debt Resolution; (ii) to grant to the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security; (iii) to add covenants and agreements of DART; (iv) to add limitations and restrictions to be observed by DART; (v) to confirm any pledge or lien of the Pledged Revenues or to subject to the lien or pledge of the Master Debt Resolution additional revenues, properties or collateral; (vi) to authorize the issuance and prescribe the terms of the Initial Senior Lien Obligations, Additional Senior Lien Obligations, Subordinate Lien Obligations, and Special Revenue Bonds, and to create such additional funds and accounts as may be necessary in connection with the issuance of such Obligations; (vii) to make modifications in the Master Debt Resolution or in a Supplemental Resolution that are necessary to comply with the requirements of federal tax or securities law or other Applicable Law and that do not materially adversely affect the rights and security of the Holders to be paid in full when due; or (viii) to make any other change to the Master Debt Resolution or any Supplemental Resolution that does not materially adversely affect the right of the Holders to be paid the full amounts due and payable on the Obligations when due.

Powers of Amendment *{Section 9.3}*

The Master Debt Resolution or any Supplemental Resolution and the rights and obligations of DART and of the Holders may be amended pursuant to a Supplemental Resolution with the written consent (i) of the Holders of a Required Percentage of Bond Obligations, or (ii) if less than all of the series of Obligations then Outstanding are affected by such amendment, of the Holders of a Required Percentage of the Bond Obligations so affected; provided, however, no amendment shall permit a change in the terms of payment of principal or redemption price of or interest of any Outstanding Bond Obligation without the consent of the Holder of such Obligation; and provided further that no such amendment may be made without the consent of such Credit Providers having the right of such consent.

Consent of Holders, Credit Providers or Bondholder Representatives *{Section 9.4}*

A Supplemental Resolution making amendments permitted by the Master Debt Resolution may take effect upon receipt of the required consents of the applicable Holders in accordance with the terms and provisions of the Master Debt Resolution. Any consent will be binding upon the Holder giving such consent and upon any subsequent Holder thereof unless such consent is revoked. DART will give notice of the effective date of any such Supplemental Resolution to the affected Holders. Unless such right is limited by a Supplemental Resolution, DART reserves the right to amend the Master Debt Resolution without the consent of or notice to the Holders of Bond Obligations if such amendment is approved by each Credit Provider and Bondholder Representative which is granted the right to give such consent by a Supplemental Resolution.

DISCHARGE OF RESOLUTION
{*Article X*}

Discharge by Payment *{Section 10.1}*

The pledge and lien of the Outstanding Resolutions will be released when all Bond Obligations, Credit Agreement Obligations, and Administrative Expenses have been paid or provided for.

Discharge by Defeasance *{Section 10.2}*

DART may discharge its obligations to pay Debt Service on all or any portion of the Obligations and related Administrative Expenses, and thereby obtain a release of the pledge and lien of the Master Debt Resolution and any applicable Supplemental Resolution as to such Obligations, by depositing irrevocably with a trustee or escrow agent moneys which, together with earnings thereon from investment in "Government Securities," as verified by a nationally recognized firm of independent certified public accountants or accounting firm, will be sufficient to pay such amounts on such Obligations to maturity or prior redemption, in all cases in accordance with the terms and provisions set forth in the Master Debt Resolution.

MISCELLANEOUS PROVISIONS
{*Article XI*}

Secondary Market Disclosure, Annual Reports *{Section 11.1}*

DART will provide such financial information and operating data necessary to comply with SEC Rule 15c2-12 relating to secondary market reporting requirements.

Meeting of Holders of Bond Obligations *{Section 11.4}*

Meetings of Holders of Bond Obligations may be called in the manner provided in the Master Debt Resolution to give any notice to DART or to the Trustee, to waive or consent to the waiving of any Event of Default, to remove or appoint a successor Trustee, to consent to the execution of a Supplemental Resolution or to take any other action authorized to be taken by or on behalf of the Holders of Bond Obligations.

Appointment of Bondholder Representative *{Section 11.8}*

Each Supplemental Resolution my designate a Bondholder Representative or establish for the means by which Holders of a series of Bond Obligations may appoint a Bondholder Representative.

APPENDIX C

QUARTERLY DISCLOSURE UPDATE FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2012

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DALLAS AREA RAPID TRANSIT

Quarterly Disclosure Update
for the nine-month period ended June 30, 2012

This Quarterly Disclosure Update supplements the information contained in our 2012 Annual Disclosure Statement dated March 6, 2012 (the 2012 Annual Disclosure Statement); our Quarterly Disclosure Update for the three-month period ending December 31, 2011 dated April 24, 2012, and our Quarterly Disclosure Update for the six-month period ended March 31, 2012 dated June 26, 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: ExecutiveVice 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; our Quarterly Disclosure Update dated April 24, 2012; and our Quarterly Disclosure Update dated June 26, 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 2011 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 nine-month period ended June 30, 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: September 11, 2012

QUARTERLY DISCLOSURE UPDATE

The 2012 Annual Disclosure Statement dated March 6, 2012; Quarterly Disclosure Update dated April 24, 2012, and Quarterly Disclosure Update dated June 26, 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 nine-month period ended June 30, 2012 and June 30, 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 nine-month period ended June 30, 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 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 period ended June 30, 2012, and June 30, 2011, show sales tax revenues as $321.6 million and $300.7 million, respectively, which indicates an increase of 6.9%. Our operating results for the nine-month period ended June 30, 2012 reflect an operating loss of $415.6 million, compared to an operating loss of $409.5 million for the nine-month period ended June 30, 2011. This was primarily due to inflation and annualization of the costs associated with the Green Line extension to DART's light rail system. Workers' compensation costs are trending below budget, but health care costs are trending above budget. The overall result for the nine-month period ended June 30, 2012 shows a decrease in net assets of $20.6 million since September 30, 2011. This change in net assets is due to an increase in Operating and Non-Operating expenses over and above the increase in Operating and Non-Operating Revenues.

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. For Fiscal Year (FY) 2011, our sales tax receipts exceeded our sales tax budget by $8.5 million. Our Financial Standards require us to move any overages to the Financial Reserve Account. The funds were moved in December 2011. As of June 30, 2012, the balance in the Financial Reserve Account was $31.7 million, and the balance in the Capital Reserve Account was $0. As of June 30, 2012, the Operating Fund balance was $763.5 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

On June 21, 2012, Moody's Investors downgraded Bank of America's short-term rating. As a result of the downgrade, DART has paid down $100 million of the $150 million in Commercial Paper debt. DART will be issuing an additional $100 million under the Commercial Paper program backed by Bank of America. In addition, DART is evaluating options for an additional $250 million Commercial Paper program including a Self-Liquidity Component and establishment of a new Revolving Credit Agreement Facility.

On July 23, 2012, DART filed a Bond Validation Petition in District Court 160 in Dallas County. DART is seeking a judicial ruling clarifying whether a $2.9 billion limitation on "solely" pledged Sales Tax Revenue Bonds applies to "combined" Pledged Revenue Bonds. The hearing is scheduled for August 13, 2012.

Financial Outlook

The Dallas/Fort Worth economy grew at a modest pace. Our FY 2012 Twenty-Year Financial Plan 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 September 11, 2012.

/s/John Danish
Chairman, Board of Directors

ATTEST:

/s/Loretta Ellerbe
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, 2012

DALLAS AREA RAPID TRANSIT
STATEMENTS OF NET ASSETS

June 30, 2012 and September 30, 2011 (Dollars in Thousands)

	6/30/2012 Unaudited	9/30/2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 75,585	$ 116,477
Investments	723,375	677,801
Derivative instrument asset	2,650	5,480
Sales and use tax receivable	74,400	68,114
Transit revenue receivable, net	1,713	2,563
Due from federal and other governments	16,895	20,306
Materials and supplies inventory, net	29,534	27,381
Prepaid transit expense and other	3,561	2,483
Restricted investments held by trustee for debt service	18,731	65,375
Restricted investments held for advance funding agreements	9,549	11,921
Restricted investments held to pay capital lease/leaseback liabilities	76,296	55,762
TOTAL CURRENT ASSETS	1,032,289	1,053,663
NONCURRENT ASSETS		
Investments restricted for system expansion and acquisition	171,312	354,274
Restricted Investments held as security for capital lease/leaseback liabilities	10,608	10,766
Investment in joint venture	23,305	24,190
Capital assets		
Land and rights-of-way	548,905	548,904
Depreciable capital assets, net of depreciation	3,315,633	3,367,054
Projects in progress	1,006,522	859,872
Restricted investments held to pay capital lease/leaseback liabilities	213,734	268,141
Net pension asset	7,419	6,485
Unamortized bond issue costs and other	21,775	22,677
TOTAL NONCURRENT ASSETS	5,319,213	5,462,363
TOTAL ASSETS	6,351,502	6,516,026
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	83,586	93,415
Commercial paper notes payable	130,000	150,000
Current portion of capital lease/leaseback liabilities	76,296	55,762
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	5,170	13,370
Retainage payable	41,829	55,666
Unearned revenue and other liabilities	34,671	35,194
Accrued interest payable from restricted assets	14,478	58,037
Current portion of senior lien revenue bonds payable	6,740	8,370
Deferred inflows of resources	2,650	5,480
TOTAL CURRENT LIABILITIES	396,244	476,118
NONCURRENT LIABILITIES		
Accrued liabilities	31,526	30,217
Repayment due to State Comptroller	11,253	11,871
Senior lien revenue bonds payable	3,345,719	3,356,068
Capital lease/leaseback liabilities	213,734	268,141
TOTAL NONCURRENT LIABILITIES	3,602,232	3,666,297
TOTAL LIABILITIES	3,998,476	4,142,415
NET ASSETS		
Invested in capital assets, net of related debt	1,486,030	1,515,210
Restricted for debt service	4,252	7,338
Restricted as security for capital lease/leaseback liabilities	10,608	10,766
Unrestricted	852,136	840,297
TOTAL NET ASSETS	$2,353,026	$2,373,611

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

For the nine months ended June 30, 2012 and 2011 (Dollars in Thousands)

	2012 Unaudited	2011 Unaudited
OPERATING REVENUES		
Passenger revenues	$ 45,062	$ 42,616
Advertising, rent, and other	15,163	8,691
TOTAL OPERATING REVENUES	60,225	51,307
OPERATING EXPENSES		
Labor	149,632	149,259
Benefits	66,808	63,977
Services	20,728	23,459
Materials and supplies	35,728	36,023
Purchased transportation	41,190	39,594
Depreciation and amortization	141,704	129,659
Utilities	13,024	11,909
Taxes, leases, and other	4,127	4,053
Casualty and liability	2,914	2,828
TOTAL OPERATING EXPENSES	475,855	460,761
NET OPERATING LOSS	(415,630)	(409,454)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	321,563	300,732
Investment income	4,502	5,138
Interest income from investments held to pay capital lease/leaseback	16,309	16,971
Interest expense on capital lease/leaseback	(16,309)	(16,971)
Street improvements	(3,534)	(299)
Interest and financing expenses	(100,408)	(90,449)
Build America Bonds tax credit	22,847	22,635
Other non-operating revenues	7,035	9,580
Other non-operating expenses	(2,307)	(4,633)
NET NON-OPERATING REVENUES	249,698	242,704
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(165,932)	(166,750)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	100,971	27,416
State capital contributions	1,762	2,088
Local capital contributions	2,299	4,110
Total capital contributions	105,032	33,614
Other federal grants	40,315	2,115
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	145,347	35,729
CHANGE IN NET ASSETS	(20,585)	(131,021)
TOTAL NET ASSETS – BEGINNING OF YEAR	2,373,611	2,445,494
TOTAL NET ASSETS – END OF THE NINE MONTHS PERIOD	$2,353,026	$2,314,473

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the nine months ended June 30, 2012 and 2011 (Dollars in Thousands)

	2012 Unaudited	2011 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 56,420	$ 61,359
Cash flows from other sources	6,697	6,273
Payments to suppliers of goods and services	(81,497)	(86,704)
Payments to purchased transportation service providers	(41,556)	(38,249)
Payments to employees	(149,473)	(149,695)
Benefit payments on behalf of employees	(62,694)	(59,807)
NET CASH USED BY OPERATING ACTIVITIES	(272,103)	(266,823)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax proceeds	314,659	294,395
Other federal grants	40,848	2,041
Build America Bonds tax credit	30,462	26,008
Other non-capital financing receipts	959	6,240
Other non-capital financing payments	(170)	(277)
Local Assistance Program and street improvements	(12,210)	(299)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	374,548	328,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	3,687	6,568
Proceeds from sales and maturity of investments	924,376	891,781
Purchase of investments	(969,112)	(915,304)
(Increase) decrease in restricted assets	232,136	(323,875)
NET CASH (USED) GENERATED BY INVESTING ACTIVITIES	191,087	(340,830)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(233,735)	(396,603)
Proceeds from the issuance of commercial paper notes	1,060,000	600,000
Payment on commercial paper notes	(1,080,000)	(600,000)
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	(175,770)	(124,158)
Payments of bond issuance costs		(4,949)
Federal capital contributions	101,009	29,430
Local capital contribution	2,299	3,075
Proceeds from the sale of capital assets	143	
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(334,424)	217,126
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,892)	(62,419)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	116,477	141,419
CASH AND CASH EQUIVALENTS, END OF THE NINE MONTHS PERIOD	$ 75,585	$ 79,000

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the nine months ended June 30, 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	$(415,630)	$(409,454)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	141,704	129,659
Other non-operating revenues	6,697	6,273
Other non-operating expenses	(2,100)	(4,124)
Changes in assets and liabilities		
(Increase) in receivables	(4,747)	(571)
(Increase) in materials and supplies inventory	(2,153)	(462)
(Increase) in prepaid expenses and other current assets	(1,081)	(2,412)
(Increase) in net pension assets	(934)	(675)
Increase in accounts payable and accrued liabilities	5,068	5,954
Increase in other current liabilities	1,073	8,989
NET CASH USED BY OPERATING ACTIVITIES	$(272,103)	$(266,823)
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$16,309	$16,971
Interest expense on capital lease/leaseback	(16,309)	(16,971)
Decrease in capital lease/leaseback obligations	33,873	3,835
Decrease in investments held to pay capital lease/leaseback	(33,873)	(3,835)
Toll credits received from the State of Texas	37	232
Toll credits recorded as non-operating expense	(37)	(232)
Increase (decrease) in fair value of investments	807	(754)
Amortization of premium, discount and debt issuance costs	(2,727)	(974)

SCHEDULE I

SCHEDULE OF REFUNDED COMMERCIAL PAPER NOTES

$150,000,000 Dallas Area Rapid Transit Commercial Paper Notes, Series 2001, shall be paid on November 15, 2012, the Stated Maturity Date therefor, at a price equal to the principal amount thereof, plus interest accrued thereon to the Stated Maturity Date.

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