

OFFICIAL STATEMENT

\$86,020,000

**State of Nevada
Highway Revenue
(Motor Vehicle Fuel Tax) Bonds
Series 2014**



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In the opinion of Sherman & Howard L.L.C., Bond Counsel to the State of Nevada, assuming continuous compliance with certain covenants described herein, interest on the Series 2014 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2014 Bonds (the "Tax Code"), and is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See "TAX MATTERS — Federal Tax Matters" in Part I of this Official Statement. The Series 2014 Bonds, their transfer and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of the NRS. See "TAX MATTERS — State Tax Exemption" in Part I of this Official Statement.

NEW ISSUE – BOOK-ENTRY ONLY

DAC Bond

RATINGS

Fitch:	AA+
Moody's:	Aa2
Standard & Poor's:	AAA

See "RATINGS" in Part I of this Official Statement

\$86,020,000
State of Nevada
Highway Revenue
(Motor Vehicle Fuel Tax) Bonds
Series 2014

DATED: Date of Delivery

DUE: December 1, on the dates shown on the inside cover

Interest on the Series 2014 Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2014. Series 2014 Bonds may be purchased in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. See "APPENDIX C — BOOK-ENTRY ONLY SYSTEM" in Part I of this Official Statement.

The Series 2014 Bonds or portions thereof maturing on or after December 1, 2024, are subject to optional redemption prior to maturity on and after June 1, 2024, as set forth herein.

The Series 2014 Bonds are issued pursuant to a bond resolution adopted by the State Board of Finance adopted on January 14, 2014 (the "Bond Resolution"). The Bond Resolution provides that the Series 2014 Bonds shall be payable from any federal aid eligible for the payment of the principal of and interest on the Series 2014 Bonds and from the proceeds of the motor vehicle fuel taxes imposed and collected pursuant to the Fuel Tax Act and credited to the State Highway Fund (the "Gross Pledged Revenues").

The Series 2014 Bonds are special obligations of the State, payable and collectible solely out of the Gross Pledged Revenues. Bondholders may not look to any general or other fund for payment except the special funds pledged under the Bond Resolution. The Series 2014 Bonds do not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation, and the Series 2014 Bonds shall not be considered or held to be general obligations of the State. The State does not pledge its full faith and credit for the payment of the Series 2014 Bonds. See "DESCRIPTION OF THE SERIES 2014 BONDS — Security for the Series 2014 Bonds" in Part I of this Official Statement.

For maturity dates, principal amounts, interest rates, yields and CUSIP numbers of the Series 2014 Bonds, see the inside cover of this Official Statement.

The Series 2014 Bonds are offered when, as and if issued by the State and accepted by the underwriter subject to the approval of legality and certain other legal matters by Sherman & Howard L.L.C., Bond Counsel and to certain other conditions. Certain legal matters will be passed upon by Hawkins Delafield & Wood LLP, as Disclosure Counsel to the State. The Series 2014 Bonds are expected to be available for book-entry delivery on or about March 19, 2014.

This page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Official Statement Dated: March 10, 2014

**State of Nevada
Highway Revenue
(Motor Vehicle Fuel Tax) Bonds
Series 2014**

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u> <u>Number</u>
2015	\$2,115,000	5.000%	0.270%	641480HB7
2016	2,235,000	5.000%	0.400%	641480HC5
2017	2,240,000	5.000%	0.700%	641480HD3
2018	2,260,000	5.000%	1.050%	641480HE1
2019	2,070,000	5.000%	1.360%	641480HF8
2020	1,170,000	5.000%	1.800%	641480HG6
2021	9,335,000	5.000%	2.110%	641480HH4
2022	9,770,000	5.000%	2.360%	641480HJ0
2023	21,085,000	5.000%	2.560%	641480HK7
2024	11,360,000	5.000%	2.680%*	641480HL5
2025	11,900,000	5.000%	2.800%*	641480HM3
2026	10,480,000	3.000%	3.150%	641480HN1

* Yield to first optional call date.

[†] A registered trademark of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds. The State makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Bonds.

STATE OF NEVADA

Brian Sandoval, Governor
Brian K. Krolicki, Lieutenant Governor
Ross Miller, Secretary of State
Kate Marshall, State Treasurer
Kim R. Wallin, State Controller
Catherine Cortez Masto, Attorney General

FINANCIAL ADVISORS

Hobbs, Ong & Associates, Inc.
3900 Paradise Road, Suite 152
Las Vegas, Nevada 89169
(702) 733-7223

Public Financial Management, Inc.
50 California Street, Suite 2300
San Francisco, California 94111
(415) 982-5544

BOND COUNSEL

Sherman & Howard L.L.C.
50 West Liberty Street, Suite 1000
Reno, Nevada 89501
(775) 323-1980

DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
One Chase Manhattan Plaza
New York, New York 10005
(212) 820-9300

REGISTRAR AND PAYING AGENT

U.S. Bank National Association
101 North First Avenue, Suite 1600
Phoenix, Arizona 85003
(800) 934-6802

No dealer, broker, salesperson or other person has been authorized by the State of Nevada (the "State") to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the State or the successful bidders for the Series 2014 Bonds. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Any information, estimates and expressions of opinion herein are subject to change without notice; and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no material change in the affairs of the State since the date hereof.

The information set forth herein has been furnished by the State and includes information obtained from other sources. Such other sources are believed to be reliable, but the information derived from such sources is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other person.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements". In this respect, the words "estimate", "project", "anticipate", "expect", "intend", "believe", and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the State's financial results could cause actual results to differ materially from those stated in the forward-looking statements. The presentation of information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the State. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

In connection with this offering the purchasers may over allot or effect transactions that stabilize or maintain the market prices of the Series 2014 Bonds offered hereby at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

THESE SECURITIES 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.

TABLE OF CONTENTS

PAGE

INTRODUCTION

General.....	1
Part I – The Series 2014 Bonds	1
Part II – The State of Nevada	1
Part III – State Department of Transportation and Pledged Revenues	1
Miscellaneous.....	1

PART I - INFORMATION CONCERNING THE BONDS BEING OFFERED

DESCRIPTION OF THE SERIES 2014 BONDS.....	I-1
General.....	I-1
Interest	I-1
Redemption of Series 2014 Bonds.....	I-1
Authorization and Purpose of the Series 2014 Bonds	I-2
Sources and Uses of Funds.....	I-2
Security for the Series 2014 Bonds.....	I-2
Pledge of the State	I-5
State Make-Up for Reduction in Federal Fuel Tax	I-5
Continuing Disclosure Undertaking.....	I-6
PARITY SECURITIES AND DEBT SERVICE REQUIREMENTS	I-7
Existing Parity Securities	I-7
Debt Service Requirements.....	I-8
SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION	I-9
OPINION OF BOND COUNSEL.....	I-11
LITIGATION RELATING TO THE SERIES 2014 BONDS.....	I-11
TAX MATTERS.....	I-12
Federal Tax Matters.....	I-12
State Tax Exemption.....	I-14
FINANCIAL STATEMENTS	I-14
RATINGS	I-14
UNDERWRITING.....	I-14
FINANCIAL ADVISORS	I-14
AUTHORIZATION	I-15

Part I – List of Tables

Table 1	Existing Parity Securities	I-7
* Table 2	Annual Debt Service Requirements	I-8
* Table 3	Fuel Taxes and Pro Forma Debt Service Coverage.....	I-9

* Annual financial information to be updated annually pursuant to SEC Rule 15c2-12.

Part I – Schedules and Appendices

PART I – APPENDIX A – FORM OF APPROVING OPINION OF BOND COUNSEL.....	I-A-1
PART I – APPENDIX B – FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT	I-B-1
PART I – APPENDIX C – BOOK-ENTRY ONLY SYSTEM.....	I-C-1

PART II - INFORMATION CONCERNING THE STATE OF NEVADA

GOVERNMENT STRUCTURE..... II-1

ECONOMIC AND DEMOGRAPHIC INFORMATION..... II-2

 General..... II-2

 Population and Age Distribution II-2

 Income II-3

 Employment II-4

 Educational Attainment..... II-5

 Sales and Use Tax..... II-6

 Gaming and Tourism II-6

 Transportation II-8

 Economic Development..... II-9

 Warehousing II-9

 Federal Activities..... II-9

 Mining II-10

 Electric Utilities..... II-11

 Water II-11

 State Litigation II-16

Part II – List of Tables

Table 1 Nevada Population by County..... II-2

Table 2 Age Distribution..... II-2

Table 3 Per Capita Personal Income Groups II-3

Table 4 Median Household Income II-3

Table 5 Percent of Households by Income Groups II-4

Table 6 Average Annual Labor Force Summary II-4

Table 7 Average Establishment - Based Industrial Employment by Calendar Year II-5

Table 8 Educational Attainment II-5

Table 9 Transactions Taxable Under the Nevada Sales and Use Tax Laws II-6

Table 10 Gross Taxable Gaming Revenues and Total Gaming Taxes..... II-6

Table 11 Visitor Volume and Room Occupancy Rate Las Vegas Metropolitan Area, Nevada..... II-7

Table 12 Visitor Volume and Room Occupancy Rate Washoe County, Nevada..... II-8

Table 13 Convention and Visitors Authority Room Tax Revenue..... II-8

Table 14 Mineral Production II-11

Table 15 Mineral Production (By Weight)..... II-11

**PART III - INFORMATION CONCERNING THE STATE DEPARTMENT OF TRANSPORTATION,
REVENUES PLEDGED TO SECURE THE BONDS
AND RELATED MATTERS**

NEVADA DEPARTMENT OF TRANSPORTATION	III-1
NDOT Responsibilities	III-1
NDOT Governance	III-1
NDOT Staff	III-1
THE STATE HIGHWAY SYSTEM	III-2
Overview	III-2
NDOT-Maintained Roads	III-2
SUPPORT FOR STATE HIGHWAY SYSTEM	III-5
Federal Aid Highway System	III-5
Other Improved Roads	III-5
Unimproved Roads	III-5
NDOT PLANNING AND CURRENT PROGRAMS	III-6
Statewide Transportation Planning (Annual Work Program)	III-6
Statewide Transportation Improvement Program	III-6
Pioneer Program	III-7
Project NEON	III-8
OVERVIEW OF FUNDING FOR STATE HIGHWAYS	III-9
State Highway Fund	III-9
Transportation Funding in General	III-9
Federal Highway Funding in General	III-9
State Transportation Funding in General	III-10
State Make-Up for Reduction in Federal Fuel Tax	III-10
STATE FUNDING	III-10
Fuel Taxes	III-10
Other Taxes and Fees	III-12
Revenue Source Derived From Counties	III-15
Revenue Derived From LVCVA	III-16
FEDERAL TRANSPORTATION FUNDING	III-16
MAP-21	III-16
Federal Aid to Pay the Bonds	III-18
REVENUES AND EXPENDITURES OF STATE HIGHWAY ACTIVITIES	III-19
REVENUES PLEDGED TO SECURE SERIES 2014 BONDS AND PARITY SECURITIES	III-20
Gross Pledged Revenues	III-21
Direct Distributions and Other Exclusions	III-21
Highway Improvement Revenue Bonds	III-21

Part III – List of Tables

Table 1	Miles of Improved Roads by County	III-3
Table 2	Vehicle Miles of Travel by County	III-4
Table 3	Truck Miles of Travel	III-5
Table 4	State Highway System Mileage	III-6
Table 5	Special Fuel Tax Distribution	III-11
Table 6	State Gasoline Tax Revenue	III-12
Table 7	Vehicle Registration Rates	III-13
Table 8	Vehicle Permit Fees	III-13
Table 9	State Motor Vehicle Fund Taxes, Licenses, and Fees Revenue	III-14
Table 10	State Motor Vehicle Taxes Deposited to State Highway Fund Derived from the Motor Vehicle Fund	III-14
Table 11	Highway Fund Federal-Aid Revenue for Highways by Phase	III-18
Table 12	Highway Fund Federal-Aid Apportionments	III-18

Table 13	Total State Highway Revenue	III-19
Table 14	State Highway Expenditures and Disbursements.....	III-19
Table 15	NDOT Expenditures by Activity	III-20
Table 16	NDOT Expenditures by Appropriation	III-20
Part III - Appendix A – State of Nevada History of State Highway Fund Revenues, Expenditures and Changes in Fund Balances		III-A-1

**OFFICIAL STATEMENT
OF THE STATE OF NEVADA
RELATING TO THE ISSUE AND SALE OF
\$86,020,000
HIGHWAY REVENUE
(MOTOR VEHICLE FUEL TAX) BONDS
SERIES 2014**

INTRODUCTION

General

This Official Statement of the State of Nevada (the “State”), including the cover page, the inside cover pages, the appendices and exhibits, is provided for the purpose of setting forth information in connection with the sale of the State’s Highway Revenue (Motor Vehicle Fuel Tax) Bonds Series 2014 (the “Series 2014 Bonds”).

This Official Statement consists of the cover pages and all prefatory material prior to this introduction, this introduction, and Part I (including all Appendices thereto), Part II and Part III (including the Appendix thereto).

Part I – The Series 2014 Bonds

Part I sets forth information concerning the Series 2014 Bonds, including the payment and redemption provisions, the basis of their authorization and their purposes, the security for the Series 2014 Bonds, the federal income tax treatment of the interest on the Series 2014 Bonds, and certain other matters.

Part II – The State of Nevada

Part II sets forth certain information relating to the State, including certain financial information relating to the State, and certain economic and demographic information.

Part III – State Department of Transportation and Pledged Revenues

Part III sets forth certain information relating to the State Department of Transportation, the various revenue sources pledged as security for the Series 2014 Bonds, and related matters.

Miscellaneous

Potential investors should review this entire Official Statement. The Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the State, the Series 2014 Bonds, the State Department of Transportation, and the State documents authorizing the Series 2014 Bonds (the “Bond Resolution”) are included in this Official Statement. All references herein to the Series 2014 Bonds and the Bond Resolution and other documents referred to herein are qualified in their entirety by reference to such documents and all capitalized terms used herein, which are not defined, have the meanings given such terms as set forth in the Bond Resolution.

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth herein. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the purchasers or subsequent owners of the Series 2014 Bonds.

The summaries of certain provisions of the Series 2014 Bonds, the Nevada statutes, the Bond Resolution and other documents referred to in this Official Statement do not purport to be complete and reference is made to each of them for a complete statement of their provisions.

A wide variety of other information, including financial information, concerning the State and the State Department of Transportation is available from State agencies, State agency publications and State agency websites. No such information is a part of or incorporated into this Official Statement.

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PART I

INFORMATION CONCERNING THE BONDS BEING OFFERED

DESCRIPTION OF THE SERIES 2014 BONDS

General

The Series 2014 Bonds will be dated the date of delivery and will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement. The Series 2014 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), which will act as securities depository for the Series 2014 Bonds. Beneficial interests in the Series 2014 Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Purchasers of Series 2014 Bonds will not receive certificates representing their ownership interest in the Series 2014 Bonds purchased. The record date for the payment of interest on the Series 2014 Bonds (the “Regular Record Date”) is the close of business on the 15th day of the calendar month preceding an interest payment date. Interest will be paid by U.S. Bank National Association, Paying Agent and Registrar (the “Paying Agent” and “Registrar”), on the interest payment date (or if such day is not a business day, on the next succeeding business day) to DTC or its nominee as registered owner of the Series 2014 Bonds. Disbursement of interest, principal and redemption payments is the responsibility of DTC. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2014 Bonds, references in this Official Statement to the registered owners of the Series 2014 Bonds will mean Cede & Co., and will not mean the beneficial owners. See “APPENDIX C—BOOK-ENTRY ONLY SYSTEM” in Part I of this Official Statement.

Interest

Interest on the Series 2014 Bonds is payable on the dates and at the interest rates shown on the inside cover page of this Official Statement calculated on the basis of a 360-day year of twelve 30-day months.

Redemption of Series 2014 Bonds

Optional Redemption

The Series 2014 Bonds, or portions thereof in Authorized Denominations, maturing on or after December 1, 2024, will be subject to optional redemption prior to their respective maturities, at the option of the State, on and after June 1, 2024, in whole or in part at any time, from any maturities selected by the State and by lot within a maturity, at a redemption price equal to 100% of the principal amount of each Series 2014 Bond, or portion thereof to be redeemed, plus accrued interest thereon to the redemption date.

Notice of Redemption

Notice of redemption of any Series 2014 Bonds will be given by the Registrar by electronic mail as long as Cede & Co. or a nominee of a successor depository is the owner of the Series 2014 Bonds, and otherwise by first-class, postage prepaid mail, at least 30 days but not more than 60 days prior to the redemption date, to DTC, as the registered owner of the Series 2014 Bonds, and electronically to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access System (“MSRB”), and as otherwise provided in the Bond Resolution. The notice will identify the Series 2014 Bonds or portions thereof to be redeemed, specify the redemption date, and state that on the redemption date the principal amount thereof, accrued interest and premium, if any, thereon will become due and payable at the principal office of the Paying Agent, or such other office as may be designated by the Paying Agent, and that after the redemption date, no further interest will accrue on the principal of any Series 2014 Bond called for redemption. Failure to give such notice as described above to the MSRB or DTC, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other Series 2014 Bond called for redemption.

Any notice of redemption may contain a statement that the redemption is conditional upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Series 2014 Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the owners of the Series 2014 Bonds called for redemption in the same manner as the original redemption notice was given.

Authorization and Purpose of the Series 2014 Bonds

The Series 2014 Bonds are being issued by the State to fund State highway construction projects and to pay costs of issuance of the Series 2014 Bonds. The Series 2014 Bonds are being issued pursuant to the Constitution and laws of the State, including particularly Chapters 365 and 366, Nevada Revised Statutes (the “Fuel Tax Act”); Chapter 408, Nevada Revised Statutes (the “Project Act”); Sections 349.150 to 349.364, inclusive, Nevada Revised Statutes (the “State Securities Law”); and Chapter 348, Nevada Revised Statutes; and a Bond Resolution titled “2014 Highway Revenue Bond Resolution” adopted by the State of Nevada Board of Finance (the “Board”) on January 14, 2014 (the “Bond Resolution”). A copy of the Bond Resolution is on file in the office of the secretary of the Board in Carson City, Nevada, for public inspection.

Sources and Uses of Funds

The sources and uses of the proceeds of the Series 2014 Bonds are approximately as follows:

SOURCES

Principal amount of Series 2014 Bonds	\$86,020,000.00
Net premium bid	14,653,278.60
TOTAL SOURCES	<u>\$100,673,278.60</u>

USES

Construction Account	\$99,992,539.80
Costs of issuance ⁽¹⁾	680,738.80
TOTAL USES	<u>\$100,673,278.60</u>

⁽¹⁾ Represents legal and financing fees, printing costs, rating fees, and other miscellaneous expenses relating to the issuance of the Series 2014 Bonds.

Security for the Series 2014 Bonds

Gross Pledged Revenues

The Bond Resolution provides that the Series 2014 Bonds shall be payable from any federal aid eligible for the payment of the principal of and interest on the Series 2014 Bonds and from the proceeds of the motor vehicle fuel taxes imposed and collected pursuant to the Fuel Tax Act (as defined in Part III of this Official Statement) and credited to the State Highway Fund (as defined in Part III of this Official Statement) for the payment of principal of and interest on the Series 2014 Bonds (the “Gross Pledged Revenues”). The Bond Resolution excludes from Gross Pledged Revenues certain fuel tax proceeds not collected because of exempt sales and other exempt transactions, any tax proceeds not collected because of the dealers’ collections and handling fee, tax proceeds for making refunds, motor vehicle fuel tax proceeds paid on fuel used in watercraft for recreational purposes, tax proceeds imposed and collected and required to be distributed to the counties in the State, tax proceeds derived from motor vehicle fuel used in aircraft, and fuel taxes in an amount required to pay the costs of administration for the collection of any excise tax on gasoline or other motor vehicle fuel, subject to the limitation of not exceeding 1% of the total proceeds so collected (such exclusions being herein the “Direct Distributions and Other Exclusions”). For a more detailed summary of the Gross Pledged Revenues and the Direct Distributions and Other Exclusions, see “REVENUES PLEDGED TO SECURE SERIES 2014 BONDS AND PARITY SECURITIES” in Part III of this Official Statement. For a more detailed summary of the pledge created by the Bond Resolution, see “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” in this Part I of this Official Statement.

Limited Obligation of State

The Series 2014 Bonds are payable and collectible solely out of the Gross Pledged Revenues. The holders of Series 2014 Bonds may not look to any general or other fund for the payment of the Bond Requirements, except the Gross Pledged Revenues. The Series 2014 Bonds do not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; and the Series 2014 Bonds are not general obligations of the State, but constitute its special obligations. The Series 2014 Bonds are not secured by an encumbrance, mortgage or other pledge of property of the State, except the Gross Pledged Revenues and any other moneys pledged for the payment of the Series 2014 Bonds.

Existing Parity Securities

The State currently has six series of highway improvement revenue bonds outstanding in the aggregate principal amount of \$441,430,000, all of which are secured by the Gross Pledged Revenues (the “Existing Parity Securities”). Each series of Existing Parity Securities was authorized and issued pursuant to a bond resolution adopted by the Board that is substantially similar to the Bond Resolution authorizing the Series 2014 Bonds. Existing Parity Securities (and Additional Parity Securities, described below, if and when issued) are secured by the Gross Pledged Revenues on a parity with the Series 2014 Bonds, without priority or preference. For a summary of Existing Parity Securities issued and outstanding see Table 1 in this Part I.

Additional Parity Securities

The Bond Resolution permits the issuance by the State of additional bonds or other additional securities (“Additional Parity Securities”) payable from the Gross Pledged Revenues and constituting a lien thereon on a parity with, but not prior or superior to, the lien thereon of the Series 2014 Bonds and the Existing Parity Securities. Existing Parity Securities, the Series 2014 Bonds and Additional Parity Securities are referred to herein as “Parity Securities”. The Bond Resolution also permits the issuance of bonds or other securities refunding all or a part of the Series 2014 Bonds, or that are subordinate to the Parity Securities.

Prior to the issuance of Additional Parity Securities (other than refunding securities, which are summarized below), the following conditions must be satisfied:

- (i) Absence of Default. At the time of the adoption of the resolution authorizing the issuance of the Additional Parity Securities, the State shall not be in default in making any required payments with respect to any Parity Securities.
- (ii) Historic Earnings Test. The Gross Pledged Revenues (but excluding any federal aid included as Gross Pledged Revenues) derived for the last fiscal year for which audited Gross Pledged Revenues are available immediately preceding the date of the issuance of the Additional Parity Securities proposed to be issued shall have been sufficient to pay an amount at least equal to 200% of the combined maximum annual principal and interest requirements to be paid during any one Bond Year of the Outstanding Series 2014 Bonds, any Existing Parity Securities and the Additional Parity Securities proposed to be issued (excluding any reserves therefor), except as otherwise expressly provided in the Bond Resolution.
- (iii) Adjustment of Gross Pledged Revenues. In any computation of such earnings tests as to whether or not Additional Parity Securities may be issued as provided in the preceding paragraph, the amount of the Gross Pledged Revenues for the next preceding fiscal year shall be decreased and may be increased by the amount of loss or gain estimated by the Treasurer, the Controller or an Independent Accountant resulting from any change in the Fuel Tax proceeds and constituting all or a part of the Gross Pledged Revenues, whether a change in the amount periodically paid per gallon, or the portions of the collections thereof credited to the Gross Pledged Revenues, or modifications to the Direct Distributions and Other Exclusions, or otherwise, during the next preceding fiscal year, as if the schedule of such modified Fuel Tax proceeds had been in effect during the entire next preceding fiscal year, if such change shall have been made by the State prior

to such computation of the designated earnings test but made in the same fiscal year in which such computation is made or in the next preceding fiscal year.

- (iv) Reduction of Annual Requirements. The respective annual Bond Requirements (including the amount of any prior redemption premiums due on any prior redemption date as of which the State shall have called or shall have obligated itself to call for prior redemption by a call of securities for payment if the securities are subject to call for prior redemption) shall be reduced to the extent such Bond Requirements are scheduled to be paid in each of the respective fiscal years with moneys held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities.

As used in the Bond Resolution, the following terms have the meanings set forth below:

“Bond Requirements” means the principal of, the interest on and any prior redemption premiums due in connection with the Series 2014 Bonds and any other additional bonds or other additional securities payable from the Gross Pledged Revenues, or such part of such other bonds or other securities pertaining to those revenues as may be designated, as such principal, any such premiums, and such interest become due.

“Direct Distributions and Other Exclusions” means the distributions and other exclusions of revenues from the Gross Pledged Proceeds resulting from exempt sales and other exempt transactions, allowances for the dealers’ collections and handling fee, refunds, exemption of proceeds pertaining to fuel used in watercraft for recreational purposes or in aircraft, Fuel Taxes imposed and collected for the benefit of counties and certain political subdivisions therein, and administration costs of collecting certain Fuel Taxes, as more specifically delineated in the Bond Resolution.

“Federal Securities” means bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States, or securities which are direct obligations of, or the principal and interest of which securities are conditionally or unconditionally guaranteed by the Federal Government, or other securities of the Federal Government, or other obligations the payment of which is fully secured by a pledge of any such securities.

Issuance of Refunding Securities

Parity Securities may be refunded only if such Parity Securities at the time or times of their required surrender for their payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the State’s option upon proper call, unless the owner or owners of all Parity Securities of the issue consent to such surrender and payment, regardless of whether the priority of the lien for the payment of any refunding securities on the Gross Pledged Revenues is changed (except as otherwise provided in the Bond Resolution). If only a part of the Outstanding Parity Securities of any issue or issues payable from the Gross Pledged Revenues is refunded, then such securities must not be refunded without the consent of the owner or owners of the unrefunded portion of such securities unless:

- (i) Requirements Not Increased. The refunding bonds or other refunding securities do not increase for any Bond Year the aggregate principal and interest requirements evidenced by such refunding securities and by the Outstanding securities not refunded on and prior to the last maturity date or last Redemption Date, if any, whichever time is earlier, of such unrefunded securities, and unless the lien of any refunding bonds or other refunding securities on the Gross Pledged Revenues is not raised to a higher priority than the lien thereon of the Bonds or other securities thereby refunded; or
- (ii) Subordinate Lien. The lien on any Gross Pledged Revenues for the payment of the refunding securities is subordinate to each such lien for the payment of any securities not refunded; or
- (iii) Historic Earnings Test. The refunding bonds are issued in compliance with the requirements summarized under the heading “*Additional Parity Securities*” above, but excluding from any

computation thereunder the bonds or other securities to be refunded and redeemed and which shall forthwith upon the issuance of the refunding bonds be no longer Outstanding.

Subordinate Securities Permitted

The Bond Resolution permits the State to issue additional bonds or other additional securities payable from the Gross Pledged Revenues and having a lien on the Gross Pledged Revenues that is junior to the lien thereon securing the Series 2014 Bonds and other Parity Securities.

Priority of Application of Gross Pledged Revenues

As long as any of the Series 2014 Bonds remain Outstanding, the Bond Resolution requires that during each fiscal year the Gross Pledged Revenues shall be administered, the money pertaining thereto shall be applied in the order of priority, and payments shall be made from the Gross Pledged Revenues as follows:

First, from the Gross Pledged Revenues, there shall be credited to the Bond Fund and any bond funds created by resolutions authorizing the issuance of any Parity Securities, monthly, commencing on the first day of the month immediately succeeding the delivery of the Parity Securities, an amount in equal monthly installments necessary, together with any other money from time to time available therefor from whatever source, to pay the next maturing installments of principal and interest due on the Outstanding Parity Securities. The moneys credited to the Bond Fund shall be used to pay the Bond Requirements of the Outstanding Parity Securities.

Second, after payment of the amounts required to be made first as set forth above, amounts required to be transferred to the Rebate Account for purposes of compliance with the Internal Revenue Code shall be so transferred.

Third, after payment of the amounts required to be made first and second as set forth above, amounts may be used for payments required to be made with respect to subordinate securities payable from the Gross Pledged Revenues.

After the transfers described above are made, any remaining Gross Pledged Revenues may be used in any fiscal year for any one or any combination of lawful purposes, as the Board or the Director may from time to time determine.

Pledge of the State

Pursuant to State law, the faith of the State is pledged that the Project Act, the Fuel Tax Act, the State Securities Law, any other law supplemental or otherwise pertaining to the Bond Act, and any other act concerning the Series 2014 Bonds or other State securities, Fuel Taxes or the Gross Pledged Revenues, or any combination of such securities, such taxes and such revenues, shall not be repealed nor amended or otherwise directly or indirectly modified in such manner as to impair adversely the Series 2014 Bonds or any other outstanding State securities, until all such securities have been discharged in full or provision for their payment and redemption has been fully made.

State Make-Up for Reduction in Federal Fuel Tax

Under current State law, if the tax collected by the federal government relating to motor vehicle fuel is reduced or discontinued in whole or in part, the State's motor vehicle fuel tax will increase in an amount equal to the amount by which the federal tax is reduced. This provision, if triggered by federal reductions in the fuel tax, would provide an additional source of revenues to the State Highway Fund comprising Gross Pledged Revenues securing the Series 2014 Bonds.

Continuing Disclosure Undertaking

The State has agreed to certain covenants relating to compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended ("SEC Rule 15c2-12"). The State has designated Digital Assurance Certification L.L.C. ("DAC") as its dissemination agent. See Appendix B of this Part I for the form of Disclosure Dissemination Agent Agreement to be entered into by the State.

In connection with other bonds issued by the State, the State has entered into similar continuous disclosure undertakings pursuant to which the State agrees to provide and file annual financial information and notices of specified material events with respect to the applicable bonds.

The State became aware that an annual report filing for the fiscal year ended June 30, 2009, due by March 31, 2010, for Nevada Municipal Bond Bank Project Nos. 57-64 Series June 1, 1997B was not on file with the MSRB (the annual report filings for the prior and subsequent fiscal years were properly filed). The State made a supplemental filing to remedy the omission. The State believes that it has filed all other annual reports for that bond issue and believes that the omission of the filing in 2010 was due to either a clerical error in the filing process or the result of a change in CUSIP number that was not properly recorded.

The State generally offers multiple series of bonds through a single official statement and enters into continuing disclosure arrangements through a single agreement that is applicable to all series of bonds offered under the applicable official statement. In certain instances, one or more series of bonds is secured by revenues that are not available as security for the other series of bonds offered pursuant to the same offering document. It has come to the State's attention that in several financings a continuing disclosure obligation may be applicable to an issue of bonds for which it is not intended, and that is not secured by the revenues with respect to which continuing disclosure information is required. The State has become aware of a limited number of instances of failure to update certain tables, none of which the State believes to be material because the tables update revenue sources that are not available for payment of the issue of bonds for which an update was not provided.

With respect to the State's Motor Vehicle Fuel Tax Revenue Bonds, the State learned that while annual reports were filed for fiscal years ended June 30, 2008 and 2009, updates of certain tables* were omitted from the annual report. The affected bonds are no longer outstanding.

The Office of the State Treasurer believes that, except as set forth above, during the past five years the State has complied in all material respects with any prior written continuing disclosure undertaking pursuant to SEC Rule 15c2-12.

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* These tables were regarding the Public Employees' Retirement System of Nevada ("PERS"). Such information is currently included in State general obligation bond offering documents, but not in offering documents for Highway Revenue Bonds secured as set forth herein and not secured by a State general obligation pledge.

PARITY SECURITIES AND DEBT SERVICE REQUIREMENTS

Existing Parity Securities

As listed in Table 1 below, the State has six issues of Existing Parity Securities pursuant to the Fuel Tax Act for various transportation projects throughout the State.

**Table 1
Existing Parity Securities**

Existing Parity Securities	Original Principal Amount	Principal Balance Outstanding*
State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2004	\$173,345,000	\$11,905,000
State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2005	191,445,000	27,020,000
State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2006	192,730,000	87,135,000
State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2008	129,970,000	117,975,000
State of Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds, Series 2012	66,490,000	66,150,000
State of Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds, Series 2013	131,245,000	131,245,000
Total	\$885,225,000	\$441,430,000

* As of February 1, 2014.

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Debt Service Requirements

The following table lists the debt service requirements for the \$441,430,000 outstanding principal amount of Existing Parity Securities.

Table 2
Annual Debt Service Requirements
(As of February 1, 2014)

Bond Year Ended December 1	Principal of and Interest on Existing Parity Securities ⁽¹⁾
2014	\$61,804,100
2015	61,861,075
2016	62,561,825
2017	62,558,525
2018	62,656,525
2019	54,387,975
2020	57,850,450
2021	25,648,475
2022	25,676,725
2023	14,850,675
2024	25,629,925
2025	25,652,725
2026	14,893,650
Total	\$556,032,650

⁽¹⁾ Prior to issuance of the Series 2014 Bonds.

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The following Table 3 reports Fuel Taxes included in Gross Pledged Revenues for the five fiscal years ended June 30, 2013, and pro forma debt service coverage on Existing Parity Securities Outstanding.

Table 3

Fuel Taxes and Pro Forma Debt Service Coverage ⁽¹⁾
(000 omitted)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Gas Tax	\$189,934	\$186,147	\$186,165	\$185,171	\$185,651
Special Fuel Tax	<u>79,545</u>	<u>79,340</u>	<u>78,534</u>	<u>79,198</u>	<u>80,913</u>
Total Fuel Taxes ⁽²⁾⁽⁴⁾	\$269,479	\$265,487	\$264,699	\$264,369	\$266,564
Coverage of Maximum Annual Debt Service ⁽³⁾	3.02	3.29	3.29	3.29	4.25

⁽¹⁾ Calculated using Fuel Taxes only. Does not include any debt service coverage from federal aid funds discussed under "FEDERAL TRANSPORTATION FUNDING" in Part III of this Official Statement. Fuel Taxes are for fiscal years ended June 30.

⁽²⁾ Fuel Taxes constituting Gross Pledged Revenues do not include "Direct Distributions and Other Exclusions" consisting of tax proceeds that are not collected because of exempt sales and other exempt transactions, dealers' collection and handling fees, tax proceeds to be used for refunds, motor vehicle fuel tax proceeds paid on fuel used in watercraft for recreational purposes, tax proceeds distributed to counties, tax proceeds derived from motor vehicle fuel used in aircraft; and the costs of administration for the collection of excise taxes on gasoline or other motor vehicle fuel (subject to a limitation of not exceeding 1% of the total proceeds so collected).

⁽³⁾ Based on scheduled debt service on the Existing Parity Securities and assuming no other debt outstanding. Maximum Annual Debt Service on Existing Parity Securities is \$89,319,000 for 2009, \$80,581,000 for 2010, \$80,454,000 for 2011, \$80,254,000 for 2012, and \$62,657,000 for 2013. Maximum Annual Debt Service on Existing Parity Securities is determined based on bond years (each bond year ending on December 1).

⁽⁴⁾ Appendix A to Part III of this Official Statement consists of a history of State Highway Fund Revenues, Expenditures and Changes in Fund Balances for the five fiscal years ended June 30, 2013. The line item "Other Taxes" in that presentation includes the Fuel Taxes. "Other Taxes" also includes debits that reduce the total amounts reported as "Other Taxes" to amounts less than the amounts of Fuel Taxes reported in this table.

Gross Pledged Revenues include federal aid eligible for the payment of the principal of and interest on the Parity Securities. Receipts by the State of federal aid revenues eligible for debt service from FY 2009 through 2013 were as follows:

<u>Fiscal Year</u>	<u>Federal Aid Eligible for Debt Service</u> <u>(in millions)</u>
2009	\$48.80
2010	\$51.30
2011	\$53.90
2012	\$48.30
2013	\$50.60

It should be noted that the portion of federal aid revenues that is eligible to be used to pay debt service, while being included within Gross Pledged Revenues, is not included when performing the debt service coverage calculation required by the Bond Resolution as a condition of the issuance of Additional Parity Securities.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution. The Bond Resolution includes the form, terms and conditions of the Series 2014 Bonds, the manner and terms of their issuance, the manner of their execution, the method of their payment, the security therefor and other matters.

The Bond Fund. The Board has created a separate account to be held in trust by the State and designated as the “State of Nevada, Highway Parity Revenue Bonds, Gross Pledged Revenues Interest and Bond Retirement Fund” (the “Bond Fund”). The Bond Resolution requires that monthly deposits be made to the Bond Fund from Gross Pledged Revenues in equal installments as necessary to pay the next maturing installments of principal and interest on the Series 2014 Bonds and any Parity Securities. Money in the Bond Fund is required to be transferred to the Paying Agent to pay debt service on the Series 2014 Bonds and any Parity Securities as debt service becomes due.

Gross Pledged Revenues each month in excess of the amounts required to be deposited in the Bond Fund that month are required by the Bond Resolution to be applied as described under the heading “DESCRIPTION OF THE SERIES 2014 BONDS — Security for the Series 2014 Bonds — *Priority of Application of Gross Pledged Revenues*” in Part I of this Official Statement.

Amounts held in the Bond Fund will be accounted for in the State Treasury as a separate trust account in one or more bank accounts as determined by the State Board of Finance or the State Treasurer. Any moneys therein not needed for immediate use may be invested by the State Treasurer in investments permitted under State law. Investment earnings on the Bond Fund will be credited to the State Highway Fund.

Bonds Outstanding. In the Bond Resolution, the term “Outstanding” means, when used with reference to the Series 2014 Bonds or any other designated securities and as of any particular date, all the Series 2014 Bonds or any such other securities payable from the Gross Pledged Revenues, in any manner theretofore and thereupon being executed and delivered:

- (i) Except any Series 2014 Bond or other security canceled by the State, or otherwise on the State’s behalf, at or before such date;
- (ii) Except any Series 2014 Bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of its maturity or any Redemption Date, whichever date is earlier, if any, shall have theretofore been deposited with a trust bank in escrow or in trust for that purpose, as provided in the Bond Resolution hereof or any similar section of the resolution pursuant to which such other securities were issued (see “*Defeasance*” below); and
- (iii) Except any Series 2014 Bond or other security in lieu of or in substitution for which another Series 2014 Bond or other security shall have been executed and delivered pursuant to the sections of the Bond Resolution relating to bond transfers.

Covenants of the State; Amendment of the Bond Resolution. The Bond Resolution sets forth covenants of the State, including a promise to impose and collect the Fuel Tax Proceeds and to preserve and protect the pledge of the Gross Pledged Revenues. The covenants also include a promise not to repeal or amend or modify Nevada law so as to impair adversely the Series 2014 Bonds.

Amendments to the Bond Resolution. The Bond Resolution can be amended with the written consent of the insurer of the Series 2014 Bonds, if any, or the owners of record of at least 66% in aggregate principal amount of the outstanding Series 2014 Bonds, but no amendment may, without the consent of all Series 2014 Bond owners of record adversely affected thereby, change Series 2014 Bond maturity or redemption provisions, reduce the principal amount of any Series 2014 Bond or the rate of interest thereon, create a lien upon or a pledge of revenues ranking prior to the lien of or to the pledge created by the Bond Resolution, reduce the bondholder consent requirements of the Bond Resolution, establish priorities as between Series 2014 Bonds or materially and prejudicially modify or otherwise materially and prejudicially affect the rights or privileges of the record owners of less than all of the outstanding Series 2014 Bonds. Each bond resolution authorizing an issue of Existing Parity Securities has substantially the same amendment provisions, but applicable to the issue of Existing Parity Securities authorized and issued pursuant to such bond resolution.

Defeasance. When all Bond Requirements of a Series 2014 Bond or any other securities of any other issue payable from the Gross Pledged Revenues have been duly paid, the pledge and lien and all obligations under the Bond Resolution as to that Series 2014 Bond or other security shall thereby be discharged and the Series 2014 Bond or other security shall no longer be deemed to be Outstanding within the meaning of the Bond Resolution. There shall be deemed to be such due payment if the State, acting by and through the Board, has placed in escrow or in trust with a trust bank exercising trust powers, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of the Series 2014 Bond or other security as such requirements become due to the fixed maturity of the Series 2014 Bond or other security or to any Redemption Date or Redemption Dates as of which the State shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Series 2014 Bond or security for payment if the securities are subject to a call for prior redemption. The Federal Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the State and such bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the owner thereof to assure such availability as so needed to meet such schedule. If at any time the State has so placed in escrow or trust an amount sufficient to pay designated Bond Requirements of the Series 2014 Bond or security constituting less than all of the Bond Requirements of the Series 2014 Bond or security becoming due on and before their respective due dates, whether the fixed maturity dates of the Series 2014 Bond or security or any such Redemption Date pertaining to the securities, such designated Bond Requirements shall be deemed paid and discharged under the Bond Resolution. The term "Federal Securities" shall include only bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal of and interest on which securities are unconditionally guaranteed by, the United States which are not callable at the option of the issuer thereof.

Events of Default; Remedies. The Bond Resolution includes various events of default, including nonpayment of debt service. No provision is made for acceleration of maturity of the Series 2014 Bonds upon default. Upon the happening and continuance of any of the events of default set forth in the Bond Resolution, the Owner or Owners of not less than 10% in aggregate principal amount of the Series 2014 Bonds then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the State and its agents, officers and employees to protect and to enforce the rights of any Owner of Series 2014 Bonds under the Bond Resolution by mandamus or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement set forth in the Bond Resolution or in an award of execution of any power granted in the Bond Resolution for the enforcement of any proper, legal or equitable remedy as such Owner or Owners may deem most effectual to protect and to enforce their rights, or to enjoin any act or thing which may be unlawful or in violation of any right of any Owner of any Series 2014 Bond, or to require the State to act as if it were the trustee of an express trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of the Series 2014 Bonds then Outstanding.

OPINION OF BOND COUNSEL

The validity of the Series 2014 Bonds is to be approved by Bond Counsel, whose approving opinion will be delivered with the Series 2014 Bonds. A copy of the proposed text of the approving opinion of Bond Counsel is set forth in Appendix A to Part I of this Official Statement.

LITIGATION RELATING TO THE SERIES 2014 BONDS

No litigation is pending against the State (with service of process on the State having been accomplished) in any federal or state court, nor is the State a party in any administrative proceeding pending before any administrative body, that seeks to restrain or enjoin the sale or delivery of the Series 2014 Bonds or challenges the constitutionality, validity or enforceability of any document or approval necessary to the issuance of the Series 2014 Bonds.

The staff attorneys of the Nevada Attorney General's Office reported that the State or its officers and employees were parties to numerous lawsuits. In view of the financial condition of the State and based on the information provided by the staff attorneys, the State Attorney General is of the opinion that the State's ability to

pay the Series 2014 Bonds will not be materially affected by this litigation, based on information known at the time this Official Statement was prepared. See “State Litigation” in Part II of this Official Statement for additional information concerning litigation affecting the State.

TAX MATTERS

Federal Tax Matters

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Series 2014 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2014 Bonds (the “Tax Code”), and such interest is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest on the Bonds is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described below. For purposes of this paragraph and the succeeding discussion, “interest” includes the original issue discount on certain of the Series 2014 Bonds only to the extent such original issue discount is accrued as described herein.

The opinion of Bond Counsel does not cover the treatment for federal tax purposes of any moneys received in payment of or in respect to the Series 2014 Bonds subsequent to the occurrence of an Event of Default.

The Tax Code imposes several requirements which must be met with respect to the Series 2014 Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the Series 2014 Bonds. These requirements include: (a) limitations as to the use of proceeds of the Series 2014 Bonds; (b) limitations on the extent to which proceeds of the Series 2014 Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Series 2014 Bonds above the yield on the Series 2014 Bonds to be paid to the United States Treasury. The State will covenant and represent that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Series 2014 Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under such federal income tax laws in effect when the Series 2014 Bonds are delivered. Bond Counsel’s opinion as to the exclusion of interest on the Series 2014 Bonds from gross income and alternative minimum taxable income (to the extent described above) is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the State to comply with these requirements could cause such interest to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel’s opinion also is rendered in reliance upon certifications of the State and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of a corporation’s “adjusted current earnings” over the corporation’s alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation’s alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. “Adjusted current earnings” includes interest on the Series 2014 Bonds.

With respect to the Series 2014 Bonds that were sold in the initial offering at a discount (the “Discount Bonds”), the difference between the stated redemption price of the Discount Bonds at maturity and the initial offering price of those Bonds to the public (as defined in Section 1273 of the Tax Code) will be treated as “original issue discount” for federal income tax purposes and will, to the extent accrued as described below, constitute interest which is excluded from gross income or alternative minimum taxable income under the conditions and subject to the exceptions described in the preceding paragraphs. The original issue discount on the Discount Bonds is treated as accruing over the respective terms of such Discount Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on June 1 and December 1

with straight line interpolation between compounding dates. The amount of original issue discount accruing each period (calculated as described in the preceding sentence) constitutes interest which is excluded from gross income or alternative minimum taxable income under the conditions and subject to the exceptions described in the preceding paragraphs and will be added to the owner's basis in the Discount Bonds. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale or payment at maturity). Owners should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners who purchase Discount Bonds after the initial offering or who purchase Discount Bonds in the initial offering at a price other than the initial offering price (as defined in Section 1273 of the Tax Code) should consult their own tax advisors with respect to the federal tax consequences of the ownership of the Discount Bonds. Owners who are subject to state or local income taxation should consult their tax advisor with respect to the state and local income tax consequences of ownership of the Discount Bonds. It is possible that, under the applicable provisions governing determination of state and local taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Series 2014 Bonds. Owners of the Series 2014 Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, 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, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Series 2014 Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Certain of the Series 2014 Bonds may be sold at a premium, representing a difference between the original offering price of those bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner's acquisition cost. Bond Counsel's opinion relates only to the exclusion of interest and, to the extent described above for Discount Bonds, original issue discount on the Series 2014 Bonds from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the Series 2014 Bonds. Owners of the Series 2014 Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Series 2014 Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Series 2014 Bonds, the exclusion of interest and, to the extent described above for the Discount Bonds, original issue discount on the Series 2014 Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the Series 2014 Bonds or any other date, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the Series 2014 Bonds. Owners of the Series 2014 Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Series 2014 Bonds. If an audit is commenced, the market value of the Series 2014 Bonds may be adversely affected. Under current audit procedures, the Service will treat the State as the taxpayer and the Series 2014 Bond owners may have no right to participate in such procedures. The State has covenanted not to take any action that would cause the interest on the Series 2014 Bonds to lose their exclusion from gross income for federal income tax purposes or lose their exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the State, the

financial advisors, any initial purchaser, Bond Counsel or Disclosure Counsel is responsible for paying or reimbursing any Series 2014 Bond owner with respect to any audit or litigation costs relating to the Series 2014 Bonds.

State Tax Exemption

The Series 2014 Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

FINANCIAL STATEMENTS

The Series 2014 Bonds are not general obligations of the State. The Comprehensive Annual Financial Report of the State of Nevada for the year ended June 30, 2013, and prior fiscal years are available on the website of the State Controller. The availability of this information is referred to solely as background information concerning the State, and no portion of the information on the State Controller's website, or accessible through such website, is incorporated as part of this Official Statement.

RATINGS

Fitch Ratings, Inc., doing business as Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") have assigned ratings of "AA+", "Aa2" and "AAA", respectively, to the Series 2014 Bonds. An explanation of the significance of these ratings may be obtained from Fitch at One State Street Plaza, New York, New York 10004; from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and from Standard & Poor's at 55 Water Street, New York, New York 10041. Such ratings reflect only the views of the rating agencies.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if, in their opinion, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the marketability and market price of the Series 2014 Bonds to which such ratings are applicable.

UNDERWRITING

The successful bidder for the Series 2014 Bonds was Wells Fargo Bank, National Association. The aggregate purchase price of the Series 2014 Bonds is \$100,459,088.80, being the par amount of the Series 2014 Bonds plus a net reoffering premium of \$14,653,278.60 and less underwriter's discount of \$214,189.80.

FINANCIAL ADVISORS

Hobbs, Ong & Associates, Inc. ("Hobbs, Ong") and Public Financial Management, Inc. ("PFM") are serving as financial advisors to the State in connection with the Series 2014 Bonds. PFM is acting as a subcontractor to Hobbs, Ong. The financial advisors have not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the State, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the financial advisors respecting accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

AUTHORIZATION

This Official Statement and its use in connection with the offering and sale of the Series 2014 Bonds have been duly authorized by the State.

STATE OF NEVADA

/s/ Kate Marshall
State Treasurer

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APPENDIX A

FORM OF APPROVING OPINION OF BOND COUNSEL

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FORM OF APPROVING OPINION OF BOND COUNSEL

State of Nevada
Capitol Building
101 N. Carson, No. 4
Carson City, Nevada 89701

**\$86,020,000
State of Nevada
Highway Revenue
(Motor Vehicle Fuel Tax) Bonds
Series 2014**

Ladies and Gentlemen:

We have acted as bond counsel to the State of Nevada (the "State") in connection with the issuance of its "State of Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2014" in the aggregate principal amount of \$86,020,000 (the "Bonds") pursuant to an authorizing resolution adopted and approved by the State Board of Finance on January 14, 2014 (the "Bond Resolution"). In such capacity, we have examined the State's certified proceedings and such other documents and such law of the State and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Bond Resolution.

Regarding questions of fact material to our opinions, we have relied upon the State's certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding, special, limited obligations of the State payable solely from the Gross Pledged Revenues and from funds and accounts pledged therefor under the Bond Resolution.

2. The Bond Resolution creates a valid lien on the Gross Pledged Revenues pledged therein for the security of the Bonds on a parity with any Parity Securities heretofore and hereafter issued. The Bond Resolution also creates a valid lien on the Bond Fund on a parity with any Parity Securities heretofore and hereafter issued. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the Gross Pledged Revenues or on the Bond Fund created by the Bond Resolution.

3. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the State's certified proceedings and in certain other documents and certain other certifications furnished to us.

4. Under laws of the State in effect as of the date hereof, the Bonds, their transfer and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the State pursuant to the Bonds and the Bond Resolution are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including without limitation, bankruptcy powers.

In this opinion letter rendered in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement relating to the Bonds or any other statements made in connection with any offer or sale of the Bonds or upon any state or federal tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds except those specifically addressed herein.

This opinion letter is rendered as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX B

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of March 19, 2014, is executed and delivered by the State of Nevada (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Section 2(a) and Section 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Disclosure Representative” means the Treasurer of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (i) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (ii) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Exhibit A.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports and Other Disclosures.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than March 31 after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2014. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. on the first business day following the Annual Filing Date for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, without reference to the anticipated filing date for the Annual Report.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 - 1. “Principal and interest payment delinquencies;”
 - 2. “Non-Payment related defaults, if material;”
 - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
 - 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
 - 5. “Substitution of credit or liquidity providers, or their failure to perform;”
 - 6. “Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) 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.”
 - 7. “Modifications to rights of securities holders, if material;”
 - 8. “Bond calls, if material;”

9. “Defeasances;”
 10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
 11. “Rating changes;”
 12. “Tender offers;”
 13. “Bankruptcy, insolvency, receivership or similar event of an Obligated Person;”
 14. “Merger, consolidation, or acquisition of an Obligated Person, if material;” and
 15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. “amendment to continuing disclosure undertaking;”
 2. “change in Obligated Person;”
 3. “notice to investors pursuant to bond documents;”
 4. “certain communications from the Internal Revenue Service;”
 5. “secondary market purchases;”
 6. “bid for auction rate or other securities;”
 7. “capital or other financing plan;”
 8. “litigation/enforcement action;”
 9. “change of tender agent, remarketing agent, or other on-going party;”
 10. “derivative or other similar transaction;” and
 11. “other event-based disclosures;”
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. “quarterly/monthly financial information;”

2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information in tables marked with an asterisk on page (i) of the Table of Contents preceding Part I of the Official Statement.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”). If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an Obligated Person, which have been previously filed with the Securities and Exchange Commission or available to the public on the MSRB Internet website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

Event: (a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) 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;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. 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 the Obligated Person, 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 the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the

Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filings.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section

7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to an issue of the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds of such issue, when the Issuer is no longer an Obligated Person, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable, until payment in full, for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability

for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days prior written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of Nevada. The Disclosure Dissemination Agent consents to the jurisdiction of the Nevada district courts for enforcement of this Disclosure Agreement.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Dissemination Agent Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

STATE OF NEVADA
as Issuer

By: _____
Name: Kate Marshall
Title: State Treasurer

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

\$86,020,000
STATE OF NEVADA
HIGHWAY REVENUE
(MOTOR VEHICLE FUEL TAX) BONDS
SERIES 2014
Base CUSIP: 641480

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Suffix</u>
2015	\$2,115,000	5.000%	HB7
2016	2,235,000	5.000	HC5
2017	2,240,000	5.000	HD3
2018	2,260,000	5.000	HE1
2019	2,070,000	5.000	HF8
2020	1,170,000	5.000	HG6
2021	9,335,000	5.000	HH4
2022	9,770,000	5.000	HJ0
2023	21,085,000	5.000	HK7
2024	11,360,000	5.000	HL5
2025	11,900,000	5.000	HM3
2026	10,480,000	3.000	HN1

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: **State of Nevada**
Name of Bond Issue: **Highway Revenue (Motor Vehicle Fuel Tax)
Bonds, Series 2014**
Date of Issuance: **March 19, 2014**

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Issuer

cc: Issuer
Obligated Person

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information contained in this Appendix has been extracted from a document prepared by DTC, entitled "SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE."

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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 each series of Bonds, in the aggregate principal amount thereof, 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"). DTC has a Standard & Poor's rating of 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be 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 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 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 will 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.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds 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 the State or the Paying Agent, on 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 nor its nominee, the Paying agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will 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 depository with respect to the Bonds at any time by giving reasonable notice to the State or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof. The information contained in the website referred to in the preceding material or in any other website referred to therein is not incorporated by reference in this Official Statement.

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PART II

INFORMATION CONCERNING THE STATE OF NEVADA

Part II of this Official Statement contains information concerning the State, and supplements the information contained in the other parts of this Official Statement. This Official Statement, including the cover, the inside covers, Part I and the appendices thereto, this Part II, Part III and the appendix thereto, and any financial statements expressly incorporated herein by reference, should be read in its entirety.

TABLE OF CONTENTS

	Page
GOVERNMENT STRUCTURE.....	II-1
ECONOMIC AND DEMOGRAPHIC INFORMATION.....	II-2
General.....	II-2
Population and Age Distribution	II-2
Income	II-3
Employment	II-4
Educational Attainment.....	II-5
Sales and Use Tax.....	II-6
Gaming and Tourism	II-6
Transportation	II-8
Economic Development.....	II-9
Warehousing.....	II-9
Federal Activities.....	II-9
Mining.....	II-10
Electric Utilities.....	II-11
Water	II-11
State Litigation	II-16

Part II – List of Tables

Table 1	Nevada Population by County.....	II-2
Table 2	Age Distribution.....	II-2
Table 3	Per Capita Personal Income Groups	II-3
Table 4	Median Household Income	II-3
Table 5	Percent of Households by Income Groups.....	II-4
Table 6	Average Annual Labor Force Summary	II-4
Table 7	Average Establishment - Based Industrial Employment by Calendar Year	II-5
Table 8	Educational Attainment	II-5
Table 9	Transactions Taxable Under the Nevada Sales and Use Tax Laws	II-6
Table 10	Gross Taxable Gaming Revenues and Total Gaming Taxes	II-6
Table 11	Visitor Volume and Room Occupancy Rate Las Vegas Metropolitan Area, Nevada.....	II-7
Table 12	Visitor Volume and Room Occupancy Rate Washoe County, Nevada.....	II-8
Table 13	Convention and Visitors Authority Room Tax Revenue.....	II-8
Table 14	Mineral Production.....	II-11
Table 15	Mineral Production (By Weight).....	II-11

GOVERNMENT STRUCTURE

Nevada’s Constitution was approved in 1864 and has been amended from time to time. The Constitution provides for three branches of government: legislative, executive and judicial. The legislative branch is made up of a Senate and an Assembly. State Senators are elected for four-year terms, and members of the State Assembly are elected for two-year terms.

The State Legislature convenes biennially in odd-numbered years. The most recent regular (77th) biennial legislative session convened on February 4, 2013 and adjourned on June 3, 2013. A special session was convened on June 4, 2013, and was adjourned the same day. Special sessions of the State Legislature may be convened by the Governor. In the November 2012 election, voters approved Ballot Question No. 1 which authorizes an amendment to the Constitution to permit the State Legislature, on extraordinary occasions, to convene a special legislative session upon a petition signed by two-thirds of the legislators of each house and to limit the subject matter of bills passed at a special session.

There are 21 Senators and 42 members of the Assembly. Nevada’s elected Constitutional officers are the Governor, Lieutenant Governor, Secretary of State, Treasurer, Controller, and Attorney General, all of whom are elected for four-year terms. All Constitutional officers are limited to two terms. Supreme Court justices are elected on a non-partisan ballot for six-year terms.

Following are the State’s Constitutional officers:

<u>Office</u>	<u>Name</u>	<u>Political Party Affiliation</u>	<u>Term First Commenced</u>	<u>Term Expires</u>
Governor	Brian Sandoval	Republican	2011	2015
Lieutenant Governor	Brian K. Krolicki	Republican	2007	2015
Secretary of State	Ross Miller	Democrat	2007	2015
Treasurer	Kate Marshall	Democrat	2007	2015
Controller	Kim R. Wallin	Democrat	2007	2015
Attorney General	Catherine Cortez Masto	Democrat	2007	2015

The Board of Finance, consisting of the Governor, the Treasurer, the Controller, and two additional members appointed by the Governor, may issue and redeem securities on behalf of the State, when authorized by law, as provided in NRS Sections 349.150 through 349.364.

County governments in Nevada are managed by boards of county commissioners or the equivalent. There are 17 counties in the State. Cities are governed by general acts, and 13 of the cities are also governed by special charters granted by the State Legislature.

Representation in the United States Congress is by two Senators and four Representatives.

As of December 31, 2013, there were approximately 16,983 permanent and non-permanent (emergency, provisional and temporary) full-time equivalent State employees excluding employees of the University System, courts and legislature. The State does not have collective bargaining agreements with employee unions. As of December 31, 2013, approximately 3,357 State employees were members of voluntary employee/labor organizations that represent the interests of their members. The State considers its relations with its employees to be satisfactory.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

This portion of Part II of this Official Statement contains general information concerning the economic and demographic conditions in the State. It is provided so that prospective investors will be aware of factors that may affect future development and growth within the State. The information presented was obtained from the sources indicated, and the State does not guarantee or make any representation as to the accuracy or completeness of the data presented.

Population and Age Distribution

Nevada's population increased from 1,201,833 residents in 1990 to 1,998,257 residents in 2000 and to 2,724,634 residents in 2010, an increase of approximately 66% between 1990 and 2000 and approximately 127% between 1990 and 2010. In 2012, Nevada's population increased by 1.0% from the previous year. Historical and estimated State population figures, by county, are shown in the following table:

Table 1
Nevada Population by County

	1990	2000	2008	2009	2010	2011	2012
Carson City	40,443	52,457	57,600	56,506	55,850	56,066	55,441
Churchill	17,938	23,982	26,981	26,859	26,360	25,136	25,238
Clark	741,459	1,375,765	1,967,716	1,952,040	1,968,831	1,967,722	1,988,195
Douglas	27,637	41,259	52,131	51,390	49,242	47,661	48,015
Elko	33,530	45,291	50,561	51,325	52,097	49,861	51,771
Esmeralda	1,344	971	1,240	1,187	1,145	825	860
Eureka	1,547	1,651	1,553	1,562	1,609	1,994	2,011
Humboldt	12,844	16,106	18,014	17,690	18,364	17,135	17,384
Lander	6,266	5,794	5,891	6,003	5,992	5,988	6,221
Lincoln	3,775	4,165	4,352	4,317	4,631	5,284	5,100
Lyon	20,001	34,501	55,820	53,825	52,334	52,443	52,245
Mineral	6,475	5,071	4,401	4,474	4,471	4,601	4,679
Nye	17,781	32,485	47,370	46,360	45,459	44,513	44,292
Pershing	4,336	6,693	7,192	7,149	7,133	6,847	7,013
Storey	2,526	3,399	4,384	4,317	4,234	4,123	4,103
Washoe	254,667	339,486	423,833	416,632	417,379	421,593	442,704
White Pine	9,264	9,181	9,694	9,570	9,503	10,002	9,945
Nevada Total	1,201,833	1,998,257	2,738,733	2,711,206	2,724,634	2,721,794	2,750,217

Source: 1990 and 2000: U.S. Bureau of the Census; 2008-2012: Nevada State Demographer.

The following table sets forth a comparative age distribution profile for Clark County, Washoe County, the State and the United States:

Table 2
Age Distribution

Percent of Population				
Age	Clark County	Washoe County	State	United States
14 and under	20.4%	19.1%	20.0%	19.5%
15-24	13.3	14.3	13.3	14.0
25-34	14.8	13.7	14.2	13.5
35-54	27.8	26.5	27.4	27.0
55 and older	23.7	26.4	25.1	26.0

Source: U.S. Census Bureau, 2012 American Community Survey.

Income

The following table sets forth annual per capita personal income levels of the Las Vegas-Paradise MSA (which is comprised of Clark County), the Reno-Sparks MSA (which is comprised of Washoe County and Storey County), the State and the United States:

Table 3
Per Capita Personal Income Groups

Year	Las Vegas-Paradise MSA	Reno-Sparks MSA	State	United States
2008	\$38,742	\$46,256	\$39,936	\$40,823
2009	35,830	41,323	36,839	39,357
2010	35,531	41,169	36,692	40,163
2011	35,896	42,524	37,396	42,298
2012	36,676	43,317	38,221	43,735

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following tables depict Median Household Income and Percent of Households by Income Groups for Clark County, Washoe County, the State and the United States.

Table 4
Median Household Income

Year	Clark County	Washoe County	State	United States
2007	\$55,996	\$54,343	\$55,062	\$50,740
2008	56,696	57,392	56,361	52,029
2009	53,505	52,833	53,341	50,221
2010	51,437	50,556	51,001	50,046
2011	48,215	50,733	48,927	50,502
2012	49,546	49,026	49,760	51,371

Source: U.S. Census Bureau, 2012 American Community Survey.

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Table 5
Percent of Households by Income Groups

Income Group	Clark County Households	Washoe County Households	State Households	United States Households
Under \$25,000	22.5%	27.0%	23.2%	24.4%
\$25,000-\$34,999	12.0	10.2	11.5	10.4
\$35,000-\$49,999	15.9	13.9	15.5	13.8
\$50,000 and Over	49.6	48.9	49.8	51.4

Source: U.S. Census Bureau, 2012 American Community Survey.

Employment

The following tables set forth labor force and employment statistics for the State. The State experienced high rates of unemployment beginning in 2008 and continuing through 2012. In October 2010, the State's unemployment rate reached a high of 14%. Through the first eleven months of 2013, the State's average unemployment rate has decreased to 9.5%.

Table 6⁽¹⁾
Average Annual Labor Force Summary

Calendar Year	2008	2009	2010	2011	2012	2013⁽⁴⁾
Total Labor Force	1,350,157	1,370,327	1,391,467	1,391,502	1,378,936	1,370,508
Unemployed	95,908	160,751	191,839	183,863	152,531	130,237
Unemployment Rate ⁽²⁾	7.1%	11.7%	13.8%	13.2%	11.1%	9.5%
Total Employment ⁽³⁾	1,254,483	1,209,576	1,191,839	1,207,639	1,226,405	1,240,265

⁽¹⁾ Subject to revision.

⁽²⁾ According to the U.S. Department of Labor, Bureau of Labor Statistics, the U.S. average unemployment rates for the years 2008 through 2013 were 5.8%, 9.3%, 9.6%, 8.9%, 8.1% and 7.5% (average through November 2013), respectively.

⁽³⁾ Adjusted by census relationships to reflect number of persons by place of residence.

⁽⁴⁾ Through November 2013. Subject to adjustment.

Source: State of Nevada - Department of Employment, Training and Rehabilitation.

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Table 7⁽¹⁾
Average Establishment-Based Industrial Employment by Calendar Year
(Estimates in Thousands)

NAICS Classification	2008	2009	2010	2011	2012	2013⁽²⁾
Natural Resources and Mining	12.2	11.7	12.2	14.0	15.5	16.5
Construction	116.5	81.2	59.3	52.2	51.8	52.8
Manufacturing	48.2	40.2	37.9	38.3	39.2	39.7
Trade (wholesale and retail)	177.2	162.6	160.1	161.3	165.2	170.0
Transportation, Warehousing and Utilities	54.3	50.9	50.0	51.4	53.1	53.3
Information	15.0	13.1	12.5	12.6	12.5	12.5
Financial Activities	61.3	55.3	52.9	52.5	54.2	55.2
Professional and Business Services	152.0	135.4	135.7	139.7	144.1	142.8
Education and Health Services	96.7	98.5	101.1	104.3	106.7	110.1
Leisure and Hospitality (casinos excluded)	129.1	120.1	122.3	126.8	131.2	135.9
Casino Hotels and Gaming	203.4	188.0	186.7	188.8	187.1	188.5
Other Services	36.6	33.7	32.9	32.4	33.2	33.5
Government	<u>161.2</u>	<u>157.4</u>	<u>153.8</u>	<u>150.3</u>	<u>148.9</u>	<u>151.4</u>
Total all industries	1,263.6	1,148.3	1,117.3	1,124.6	1,142.7	1,162.2

⁽¹⁾ Reflects employment by place of work. Does not necessarily coincide with labor force concept. Includes multiple jobholders. Subject to revision. Totals may not add due to rounding.

⁽²⁾ Through November 2013. Subject to adjustment.

Source: Nevada Department of Employment, Training and Rehabilitation.

Educational Attainment

The following table sets forth educational attainment statistics for the State.

Table 8
Educational Attainment
(Civilian Labor Force Aged 25 and Older)

<u>Nevada state-wide</u> <u>Educational Attainment Level</u>	<u>Male</u>	<u>Female</u>	<u>Total⁽¹⁾</u>
Total population	50.0%	50.0%	100.0%
Not a high school graduate	15.2%	15.0%	15.1%
High school graduate (including equivalency)	28.6%	29.0%	28.8%
Some college or associate degree	33.5%	34.0%	33.7%
Bachelor's degree	14.9%	14.7%	14.8%
Graduate or Professional Degree	7.8%	7.3%	7.5%

⁽¹⁾ Totals may not add exactly due to rounding.

Source: U.S. Census, 2012 American Community Survey 1-Year Estimates.

Sales and Use Tax

Aggregate sales and use taxes imposed in Nevada's counties range from 6.85% to 8.1% (Clark County). The State General Fund's share (2%) is a major source of revenue for the State's General Fund. See "FINANCIAL INFORMATION—State General Fund Revenue Sources." Clark County and Washoe County are the major sources of taxable sales revenue in the State. The following table presents a record of taxable sales in the State:

Table 9⁽¹⁾
Transactions Taxable Under the Nevada Sales and Use Tax Laws

Fiscal Year Ended June 30	Taxable Sales	Percentage Change
2009	\$42,086,614,338	-12.68%
2010	37,772,066,777	-10.25
2011	39,935,010,577	5.73
2012	42,954,750,131	7.56
2013	45,203,408,413	5.23
July 12 - October 12	14,621,702,929	5.19
July 13 - October 13	15,540,154,086	6.28

⁽¹⁾ Subject to change.

Source: State of Nevada, Department of Taxation.

Gaming and Tourism

The economy of Nevada is largely dependent upon a tourism industry based upon legalized gaming and related forms of entertainment. The industry represents a significant source of revenues to the State, county and local jurisdictions in which gaming companies operate. For the past three consecutive fiscal years (2011 to 2013), taxable gaming revenue and collections have generally experienced increases that were driven primarily by increased convention attendance and visitation on the Las Vegas Strip in addition to record win amounts in baccarat. Gaming collections fell significantly in prior years due to decreased discretionary consumer spending. The following table represents a record of gross taxable gaming revenues in the State and total State gaming taxes and fees collected.

Table 10
Gross Taxable Gaming Revenues and Total Gaming Taxes⁽¹⁾

Fiscal Year Ended June 30	Gross Taxable Gaming Revenue⁽²⁾		State Gaming Collection⁽³⁾	
	State Total	% Change	State Total	% Change
2008	\$11,925,228,867	-2.4%	\$980,052,427	-5.5%
2009	10,244,532,620	-14.1	858,007,713	-12.5
2010	9,667,833,487	-5.6	829,289,514	-3.3
2011	9,836,469,093	1.7	853,455,347	2.9
2012	9,770,060,305	-0.7	864,621,791	1.3
2013	10,208,253,030	4.5	892,106,457	3.2

⁽¹⁾ The figures shown are subject to adjustments due to amended tax filings, fines and penalties.

⁽²⁾ The total of all sums received as winnings less only the total of all sums paid out as losses (before operating expenses).

⁽³⁾ Based upon the taxable revenues generated in the previous month. Cash receipts of the State from all sources relating to gaming (General Fund and other revenues) including percentage license fees, quarterly flat license fees, annual license fees, casino entertainment taxes, annual slot machine taxes, penalties, advance fees, and miscellaneous collections. A portion of collections is deposited to the State funds other than the State's General Fund.

Source: State of Nevada - Gaming Control Board.

Gaming is a highly regulated industry. The five-member Nevada Gaming Commission and the three-member Nevada Gaming Control Board, both appointed by the Governor, investigate and approve all licenses, establish operating rules, monitor the activities of licensed establishments and collect State gaming fees and taxes. In addition to the State, local governments also license, levy taxes and regulate gaming establishments and licensees. The laws, regulations and ordinances of both state and local governments regulate the licensing, operations and financial stability of the businesses as well as the background and character of the owners, managers, and persons with financial interests in the gaming.

The gaming industry is highly competitive. Prior to the 1980s, Nevada was the only state with legalized casino gaming, although some forms of gaming, such as pari-mutual horse, dog and jai alai betting, existed in other states. A significant proliferation of casino and other forms of gaming has occurred outside of Nevada, both nationally and internationally, in recent years. Today, 17 states have (some in combination) land-based or river boat gaming, 14 have racetrack casinos, 28 have tribal casinos, five have card rooms and seven have electronic gaming devices. All told, some 39 states have some form of gambling operating within their borders. In addition, more than two hundred Native American tribes conduct some form of gaming on tribal lands throughout the United States. Tribal gaming in the State of California accounts for the highest Native American gaming revenue of any state within the United States. Gaming continues to expand into foreign countries as well. Nevada no longer enjoys a near-monopoly on the United States gaming market as it did historically. Competition from casino gaming, state-run lotteries and other forms of gaming will likely continue to increase in the future. The impact of such expansion and proliferation upon Nevada's gaming economy is uncertain.

Information relating to the occupancy rates of hotels is not available on a state-wide basis. This information is generally only available for Clark County (Las Vegas) and for Washoe County (Reno and Sparks) as provided in the following tables:

Table 11
Visitor Volume and Room Occupancy Rate
Las Vegas Metropolitan Area, Nevada

Calendar Year	Total Visitor Volume	Number of Hotel/Motel Rooms Available	Hotel/Motel Occupancy Rate⁽¹⁾	National Occupancy Rate⁽²⁾
2008	37,481,552	140,529	86.0%	60.4%
2009	36,351,469	148,941	81.5	55.1
2010	37,335,436	148,935	80.4	57.6
2011	38,928,708	150,161	83.8	60.1
2012	39,727,022	150,481	84.4	61.4
2013	39,668,221	150,593	84.3	N/A

⁽¹⁾ The sample size for this survey represents approximately 75% of the total hotel/motel rooms available.

⁽²⁾ Source: 2008 through 2012 – Smith Travel Research, Lodging Outlook.

Source: Las Vegas Convention and Visitors Authority.

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Table 12
Visitor Volume and Room Occupancy Rate
Washoe County, Nevada

Calendar Year	Total Visitor Volume	Number of Hotel/Motel Rooms Available	Hotel/Motel Occupancy Rate⁽¹⁾	National Occupancy Rate⁽²⁾
2008	4,583,298	25,114	62.9%	60.4%
2009	4,354,423	25,304	60.0	55.1
2010	4,406,270	24,867	60.9	57.6
2011	4,345,141	24,872	60.5	60.1
2012	4,536,415	24,596	60.1	61.4
Jan 12 – Nov 12	4,209,948	24,426 ⁽³⁾	61.9 ⁽³⁾	--
Jan 13 – Nov 13	4,268,299	23,976 ⁽³⁾	64.9 ⁽³⁾	--

⁽¹⁾ The rooms and units in all types of accommodation (with three or more rooms/units) licensed with the Reno-Sparks Convention and Visitors Authority to rent rooms/units on a short-term basis.

⁽²⁾ Source: 2008 through 2012 - Smith Travel Research, Lodging Outlook.

⁽³⁾ 11-month average.

Source: Reno-Sparks Convention and Visitors Authority.

Table 13
Convention and Visitors Authority Room Tax Revenue

Las Vegas Convention and Visitors Authority			Reno-Sparks Convention and Visitors Authority		
Fiscal Year	Revenue⁽¹⁾	% Change	Fiscal Year	Revenue⁽¹⁾	% Change
2009	\$171,492,792	-22.03%	2009	\$16,346,211	-17.65%
2010	155,914,556	-9.08	2010	16,013,408	-2.04
2011	178,869,442	14.72	2011	15,628,489	-2.40
2012	200,701,137	12.21	2012	15,378,063	-1.60
2013	203,602,271	1.45	2013	16,724,281	8.75
Jul 12 – Oct 12	68,108,893	--	Jul 12 - Nov 12	7,425,443	--
Jul 13 – Oct 13	71,683,455	5.25	Jul 13 - Nov 13	8,037,318	8.2

⁽¹⁾ The Room Tax Revenue is retained locally and is not part of the State's room tax revenue.

Source: Las Vegas Convention and Visitors Authority; Reno-Sparks Convention and Visitors Authority.

Transportation

Reno and Las Vegas, the State's two major population centers, are 400 miles apart. Both cities have airports designated as international ports of entry. The Reno/Tahoe International Airport had an estimated 3.48 million commercial and charter passengers enplaned and deplaned in 2012, a decline from approximately 3.75 million in 2011. McCarran International Airport in Las Vegas had an estimated total of 41.67 million commercial and charter passengers enplaned and deplaned in 2012, an increase from 41.48 million in 2011. Passenger volume at McCarran is reported to be up approximately 0.03% through July 2013 compared to a comparable period in 2012. The airports are served by scheduled airlines and supplemental charter carriers. Federal legislation has been approved to allow the sale of federal land near Las Vegas to Clark County to be used as a second major airport serving Las Vegas.

Two major railroads cross Nevada, while short lines serve as feeders. There are nine federal highways in Nevada, three of which are part of the interstate system. Interstate 15, connecting Salt Lake City and San Diego, passes through Las Vegas and provides convenient access to the Los Angeles area. Interstate 80 connects with the San Francisco Bay area and the Reno-Sparks area. Interstate 580 connects Reno and Carson City. Several national bus lines and trucking lines serve the State.

U.S. Highways 95 and 93 are major routes north from Las Vegas, through Fallon and Ely, Nevada, respectively. South of Las Vegas, U.S. 95 extends to the Mexican border, generally following the Colorado River, and U.S. 93 crosses into Arizona.

Economic Development

The State's Department of Business and Industry promotes the expansion of Nevada's business economy and administers the State's industrial development bond program designed to assist businesses to expand or relocate.

The State's Commission on Economic Development has two offices in the State, located in Carson City and Las Vegas. Both offices are primarily concerned with industrial development in the area, expansion of existing companies, and promoting motion picture production activity within the State. The Commission is the umbrella organization for twelve regional development authorities that operate as nonprofit corporations or under interlocal agreements between county, city and private sector organizations. The regional development authorities provide information to companies considering relocation to Nevada as well as to firms already doing business in Nevada. These companies are in manufacturing, warehousing/distribution, computer software, communications, electronics, data processing and sales. In addition, the development authorities have worked with local governments and others to improve the infrastructure in these communities to increase their ability to attract new businesses.

The Commission also sponsors the Nevada Film Office, which provides extensive assistance to the local and national television and film production community.

The Commission's Procurement Outreach Program provides assistance to Nevada firms that wish to compete for federal contracts. The Community Development Block Grant Program assists rural communities with grants for qualified local projects; providing financing for businesses through a revolving loan fund; and providing technical assistance to cities and counties for planning and improvement of economic conditions.

Other incentives for Nevada business include competitive wage rates, an expanding labor force, low-cost and readily available electrical power, low out-bound freight transportation costs to other prominent southwestern markets and a graduated schedule for payment of sales and use tax on new capital equipment. Nevada also has a sales and use tax abatement on capital equipment for qualified relocating or expanding companies.

Warehousing

Reno and Las Vegas are the two major trade centers of the State. Reno is the principal distribution center for northwestern Nevada and northeastern California. Las Vegas serves southern Nevada and nearby areas of California, Utah, and Arizona. Warehousing is a growing industry in the State because of Nevada's strategic location and its freeport tax exemption for goods in transit. Nevada's Freeport Law provides tax-free warehousing on goods stored, assembled, disassembled, bound, joined, processed, divided, cut, broken in bulk, relabeled, or repacked while in transit through the State. The area also has an established foreign Trade Zone.

The Reno/Sparks area is a major western U.S. distribution hub with over 200 national/international firms. Major manufacturing and distributing facilities in the Reno/Sparks area include: International Game Technology, Wal-Mart, GE Bently Nevada, American AVK, R.R. Donnelley & Sons, Leviton Manufacturing Co. Inc., Sherwin-Williams Co., J.C. Penney, Kmart, Merck & Co., Patagonia, Barnes & Noble, Amazon.com and Toys "R" Us. Besides manufacturing and distribution facilities, Washoe County has a Class A and B office market approaching seven million square feet.

Federal Activities

Operations and facilities of the Federal Government in the State have been significant, beginning with Hoover Dam in the 1930s, an Army Air Force gunnery school (which later became Nellis Air Force Base) during World War II, and the subsequent creation of the Nevada Test Site. Currently, the following major federal activities are located in the State.

Hoover Dam — Hoover Dam, operated by the Bureau of Reclamation, is a multiple-purpose development. The dam controls floods and stores water for irrigation, municipal and industrial uses, hydroelectric power generation, and recreation. Hoover Dam is one of the world's largest hydroelectric installations with a capacity of more than 2,000 megawatts. Hoover Dam also is a major tourist attraction in Clark County.

Nellis Air Force Base — Nellis Air Force Base, a part of the U.S. Air Force Air Combat Command, is located adjacent to the City of Las Vegas. The base itself covers more than 11,000 acres of land, while the total land area occupied by Nellis Air Force Base and its ranges is over three million acres. The base hosts numerous military programs as well as civilian workers. It is the home base of the "Thunderbirds," the world famous air demonstration squadron.

Nevada Test Site — The Nevada Test Site ("NTS") was established in 1950 as the nation's proving ground for nuclear weapons testing. In recent years, under the direction of the Nevada Operations Office of the U.S. Department of Energy ("DOE"), NTS use has diversified into many other areas such as hazardous chemical spill testing, emergency response training, conventional weapons testing, and waste management projects that can best be conducted in this remote desert area. The NTS has been designated as an Environmental Research Park where scientists and students can conduct research on environmental issues. Located 65 miles northeast of Las Vegas, the NTS is a massive outdoor laboratory and national experimental center. NTS comprises 1,350 square miles, surrounded by thousands of additional acres of land withdrawn from the public domain for use as a protected wildlife range and for a military gunnery range, creating an unpopulated area of approximately 5,470 square miles. Federal employees and independent contractors are employed at NTS.

Yucca Mountain — The federal government formerly planned to use Yucca Mountain (located approximately 90 miles northwest of Las Vegas in Nye County) as a national nuclear repository for high-level waste and spent fuel from nuclear power plants around the country. The U.S. Department of Energy submitted in 2008 a license application to the U.S. Nuclear Regulatory Commission (the "NRC") seeking authorization to construct the nuclear waste and spent fuel repository, but the NRC suspended its review. The current administration has stated that it is opposed to proceeding with this project, and the federal government has not authorized further funding for review of the license application by the NRC beyond the approximately \$11 million remaining of previously appropriated funds. In August 2013, the D.C. Circuit Court of Appeals ordered the NRC to resume the statutory license review process, unless Congress declares otherwise through legislation or until appropriated funds are depleted.

Mining

Nevada is called the "Silver State" because of the vast quantities of silver mined from the Comstock Lode in the 19th Century. Today, Nevada's mining industry production consists of metals, industrial minerals, oil and gas, and geothermal energy. The total value of mineral production (excluding oil, gas and geothermal) in Nevada reached \$10.2 billion in 2012. Gold is the primary source of mining revenue which reached \$9.3 billion in 2012. Nevada leads the nation in gold production.

Oil and natural gas exploration activity continues in Nevada. During 2012, the total net oil produced was 368,000 barrels. There are no commercial sales of natural gas in Nevada; however, small quantities are produced and used to fuel oil production facilities on lease sites.

Gross geothermal energy production totaled 2.4 million megawatt-hours in 2012 from 21 electrical generating plants.

According to the Department of Employment, Training and Rehabilitation, in 2012, there was an average of 15,400 people employed in the mining industry at an average annual salary of \$83,474.

According to the Division of Minerals, gold and silver currently account for 92% of total value of metal and non-metal mine production in the Nevada mining industry. The following table compares the calculated value of mineral production for the periods indicated:

Table 14
Mineral Production ⁽¹⁾

Calendar Year Ending	Millions of Dollars	% Change
2008	6,100	13.0
2009	5,927	-2.8
2010	7,300	23.2
2011	9,600	31.5
2012	10,244	6.7

⁽¹⁾ Estimates. Does not include oil, gas and geothermal energy.

Source: State of Nevada, Commission on Mineral Resources-Division of Minerals.

The following table presents the amount of selected mineral commodities produced in the State during the periods indicated:

Table 15
Mineral Production
(By Weight)
(In Thousands)

	2008	2009	2010	2011	2012
Gold	5,689 ozs.	5,033 ozs.	5,339 ozs.	5,536 ozs.	5,615 ozs.
Silver	7,965 ozs.	7,310 ozs.	7,361 ozs.	7,141 ozs.	8,527 ozs.
Gypsum	1,401 tons	1,198 tons	1,056 tons	996 tons	1,482 tons
Barite ⁽¹⁾	595 tons	476 tons	657 tons	698 tons	745 tons

⁽¹⁾ Shipped.

Source: State of Nevada, Commission on Mineral Resources-Division of Minerals.

Electric Utilities

NV Energy, Inc. (“NV Energy”), formerly Sierra Pacific Resources, is a publicly traded investor-owned holding company. Through its subsidiaries, which include Sierra Pacific Power Company and Nevada Power Company (each doing business as NV Energy), NV Energy supplies electric service to Las Vegas and surrounding Clark County, and to northern Nevada. NV Energy through its subsidiaries provides electric and natural gas services to a range of over one million residential, commercial, industrial and public sector customers.

Water

Nevada is one of the eight mountain states, bordered by California, Oregon, Idaho, Utah, and Arizona. The State lies in the Great Basin, an arid region east of the Sierra Nevada Mountains, where annual rainfall averages less than ten inches. The availability of water is important to continued growth and development in the State. The two most populous counties in the State are Clark County and Washoe County. Water availability for those two counties is discussed below.

On January 16, 2014, the U.S. Department of Agriculture (USDA) announced the designation of nine counties in Nevada, including Clark County and Washoe County, as primary natural disaster areas due to ongoing drought conditions. Qualified farm operators in these areas and certain contiguous areas may be eligible for low-interest emergency loans from the USDA. The State cannot predict the duration of the drought or the effects of the drought on the State.

Clark County

General. The major water purveyors in Clark County are the Big Bend Water District; the cities of Boulder City, Henderson, and North Las Vegas; the Las Vegas Valley Water District (“LVVWD”); and Nellis Air Force Base. The LVVWD provides water service to the City of Las Vegas, the unincorporated urban areas of Clark County, Jean, Kyle Canyon, Blue Diamond, and Searchlight. The Big Bend Water District, operated by the LVVWD, serves the Town of Laughlin, and the Coyote Springs Water Resources District, operated by the LVVWD, serves the community within the Coyote Spring valley. In addition, the Virgin Valley Water District serves the City of Mesquite and surrounding area, and the Moapa Valley Water District serves Logandale, Overton, Moapa and Glendale.

In 1991, a regional water entity was created for Southern Nevada. This new entity, the Southern Nevada Water Authority (“SNWA”), was established to address water issues on a regional basis rather than an individual purveyor basis. The members of the SNWA include the cities of Boulder City, Henderson, Las Vegas and North Las Vegas, the Big Bend Water District, Clark County Water Reclamation District (formerly Clark County Sanitation District), and the LVVWD. The SNWA works collaboratively with its member agencies to manage regional water facilities; address water resource management and water conservation on a regional basis; manage and develop additional water supplies for Southern Nevada; and expand and enhance regional treatment and delivery capabilities. The LVVWD provides the management and staff for the SNWA.

Conservation. The centerpiece of the SNWA’s conservation efforts is the Water Smart Landscapes program, which pays existing residents to replace lawn with drought-tolerant plants. Since 1999, thousands of Southern Nevada residents have replaced more than 167 million square-feet of lawn, saving the community billions of gallons of water each year. The Water Smart Landscapes program is one of several aggressive conservation initiatives that have enabled Southern Nevada to decrease its water use by more than 29 billion gallons annually between 2002 and 2012, despite the addition of 400,000 new residents during that span.

In 2009, the SNWA member agencies implemented previously adopted drought restrictions as permanent conservation measures for the community. These regulations and land use codes include restrictions on landscape watering, vehicle washing and ornamental water features; lawn installation limits; golf course water budgets; and water waste violations. In addition, the SNWA in 2009 adopted a new conservation goal of 199 gallons per capita per day (GPCD) by the year 2035. This goal is expected to save the community approximately 276,000 acre-feet of water per year by 2035, which is nearly equivalent to the State’s total annual Colorado River allocation. Available data indicate that in 2008 the SNWA achieved its previous conservation goal of 250 GPCD by 2010 – two years ahead of schedule. In 2012, demand was reduced to 219 GPCD.

SNWA Water Resource Plan. In addition to aggressive water conservation measures, the SNWA developed and maintains a comprehensive Water Resource Plan to manage current and future resources available to the Las Vegas Valley. The plan, which was first adopted in 1996, is reviewed annually and updated as needed. The Water Resource Plan provides a demand projection for Southern Nevada and outlines a portfolio of water resource options to meet projected water demands over a 50-year planning horizon. This portfolio approach enables the SNWA to quickly respond to changing conditions. The portfolio of resources as described in the SNWA Water Resource Plan includes Nevada’s 300,000 acre-foot per year (“AFY”) Colorado River apportionment and associated return-flow credits; Las Vegas Valley and in-state groundwater; flood control, domestic and intentionally created surplus water (intentionally created surplus water is divided into four categories: tributary, imported, system efficiency and extraordinary conservation); water resources banked in the Las Vegas Valley and the states of Arizona and California; wastewater reuse; and other current and future supplies.

While the Colorado River Basin continues to experience drought conditions, the SNWA has acquired and is developing new water resources that will be managed in tandem with Colorado River supplies. These resources, paired with expected conservation gains, are designated to enable the SNWA to meet current and projected water demands over the long-term planning horizon. In 2009, the SNWA updated its drought plan, which is integrated into the 2009 Water Resource Plan, to outline the SNWA’s approach to meeting demands during declared shortages in light of new rules and agreements. Response measures include the use of Intentionally Created Surplus, banked resources, shortage-sharing agreements and heightened conservation measures, and accelerated development of in-

state groundwater resources. The SNWA also continues to work with the other Colorado River Basin states to identify and explore options for long-term augmentation of Colorado River resources.

Interim Guidelines. In 2007, the Secretary of the Interior issued a Record of Decision regarding development of Lower Basin shortage guidelines and coordinated management strategies for Lake Powell and Lake Mead under low reservoir conditions (the “Interim Guidelines”). The Interim Guidelines and associated agreements among the seven states of the Colorado River Basin (the “Basin States”) define new coordinated operations for lakes Powell and Mead; establish new rules for how states will share shortages on the Colorado River; modify and extend previously approved interim surplus guidelines; and create a new category of water called Intentionally Created Surplus (“ICS”). The Interim Guidelines expire in 2026.

Provisions for the coordinated operation of lakes Mead and Powell establish parameters for water releases from Lake Powell to Lake Mead under reservoir conditions through the year 2026. This will improve management of the Colorado River by considering tradeoffs between the frequency and magnitude of reductions of water deliveries; the effects of water storage in lakes Powell and Mead; water supply; power production; recreation and environmental needs.

Under the Interim Guidelines, Nevada can consumptively use up to 400,000 acre-feet of Colorado River water annually from 2016 through the year 2026 when Lake Mead is above 1,145 feet and operating under surplus conditions. This supply, combined with the ICS, significantly extends available resources.

Provisions for ICS allow the SNWA to develop a portion of its water resources portfolio by conveying water to the Colorado River in exchange for ICS credits. The SNWA can then divert its Colorado River ICS credits from Lake Mead through existing facilities. The SNWA currently has three ICS projects, which include the Coyote Spring Valley Groundwater Imported ICS Project; the Virgin and Muddy Rivers Tributary Conservation ICS Project; and the Brock (formerly known as Drop 2) Reservoir System Efficiency ICS Project. The SNWA owns 9,000 AFY of groundwater rights in Coyote Spring Valley which are available for use as imported ICS; approximately 30,000 AFY from its Virgin and Muddy Rivers Tributary Conservation ICS Project; and 400,000 acre-feet from its Brock Reservoir System Efficiency ICS Project. The Brock Reservoir is located near the California-Mexico border. The reservoir captures unused United States Colorado River water that was ordered but not diverted and would otherwise inadvertently flow across the border into Mexico. The SNWA can use up to 40,000 AFY. This resource expires upon full use or in 2036, whichever comes sooner.

Tributary Conservation and Imported ICS credits can be created and used under any operating condition, including shortage. In addition, if the ICS credits are not used in the year they are created, they can be stored in Lake Mead; however, stored ICS is not available during declared shortages. Tributary Conservation and Imported ICS are subject to a 5% reduction for the benefit of Colorado River system storage when they are created, and ICS stored in Lake Mead is subject to a 3% annual reduction for evaporation, except during a declared shortage. The SNWA can bank up to 300,000 acre-feet of credits in Lake Mead for future use. As of 2013, the SNWA had stored approximately 138,000 acre-feet of ICS in Lake Mead.

The Interim Guidelines also establish when water supply shortages will be declared and the amount of shortage that will be incurred. As part of an interstate agreement signed in early 2007 between Arizona and Nevada, Nevada will take a smaller share of any declared shortage. As long as Lake Mead levels stay above 1,000 feet, the largest shortage Nevada will incur is 20,000 AFY. By comparison, Arizona’s largest shortage is 480,000 AFY. If water levels are projected to fall below 1,000 feet, the Secretary will re-consult with the Basin States on further management strategies. These Interim Guidelines help to ensure Colorado River supplies to the Lower Colorado River Basin states, as well as protect Lake Mead water levels in the event prolonged drought conditions in the Upper Colorado River Basin were to occur. In the event of a declared shortage, the SNWA will utilize additional conservation, banked resources, and other supplies to meet water demands until other permanent resources under development are brought on-line.

Minute No. 319 to the 1944 Mexican Water Treaty. On November 20, 2012, Minute No. 319 to the 1944 Mexican Water Treaty, which addresses cooperative management strategies in the management of the Colorado River system, was passed. Minute No. 319, along with related agreements that were executed concurrently, allows

for the United States and Mexico to better assess the long-term opportunities for water conservation, management and development. Provisions include Mexico agreeing to adjust its delivery schedule during low reservoir conditions, Mexico having access to additional water during high reservoir conditions, and a commitment to work together on a five-year pilot program that includes water for the environment and water benefits for the United States and Mexico (the “Pilot Program”). The SNWA will contribute \$2.5 million to the Pilot Program, resulting in the creation of 95,000 acre-feet of Binational Intentionally Created Surplus. The SNWA will receive an amount proportional to its capital contribution of 23,750 acre-feet of water to be used by 2036. The federal government will also contribute \$11 million in funds in exchange for 29,000 acre-feet of water that will be dedicated to system benefits including bolstering the water elevation in Lake Mead.

Long-Term Augmentation of Colorado River Supplies. The SNWA funded the “Study of the Long-Term Augmentation Options for the Water Supply of the Colorado River System” in 2007. The independent study commissioned by the Basin States examined water resource augmentation options, evaluating their engineering feasibility, environmental viability and potential for water resource yield. This study is an important step in identifying and assessing potential actions to implement water supply augmentation on the Colorado River or exchanges of Colorado River water. The SNWA continues to pursue the development of 75,000 AFY of permanent water supplies through various augmentation options evaluated in the study.

Groundwater Development. The SNWA is engaged in the development of additional in-state groundwater resources in Clark, Lincoln and White Pine counties. The development of these in-state groundwater resources is a significant focus of the SNWA. In 2006, the SNWA participated in hearings before the State Engineer to consider the SNWA’s applications for unappropriated groundwater in Spring Valley, Nevada, one of the groundwater basins comprising the project area. The Nevada State Engineer issued a ruling in 2007, granting the SNWA 60,000 AFY subject to staged development guidelines and findings of the initial staged development period. After holding hearings in early 2008, the Nevada State Engineer issued a ruling granting the SNWA 18,775 AFY of groundwater from Delamar, Dry Lake and Cave valleys, three of the other groundwater basins comprising the project area.

The Nevada Supreme Court issued an opinion on June 17, 2010 that found that the Nevada State Engineer did not act on SNWA’s above-noted applications within the appropriately mandated timeframe. The SNWA re-filed its applications. The Nevada State Engineer set a hearing on the matter and in March 2012, issued a ruling on SNWA’s applications for groundwater rights in Spring, Delamar, Dry Lake and Cave valleys, granting nearly 84,000 acre-feet of water annually. Appeals seeking judicial review of the Nevada State Engineer’s decisions were filed in State district court by parties opposing the decision. In December 2013, the Seventh Judicial District Court remanded the State Engineer’s rulings concerning the SNWA water rights in Spring Valley, Cave Valley, Dry Lake Valley and Delamar Valley. The court asked the State Engineer to gather additional data before rights are granted and water is developed. The SNWA has filed an appeal to this decision.

The SNWA’s remaining applications in Snake Valley, Nevada (50,679 AFY of unappropriated groundwater) are pending consideration by the Nevada State Engineer. The Lincoln County Conservation, Recreation, and Development Act of 2004 requires that the states of Nevada and Utah reach an agreement regarding the division of water resources in Snake Valley before water can be diverted from the basin. The two states have been working together to reach an agreement that will allow the maximum sustainable beneficial use of the water resources and protect existing water rights. An agreement had been reached, but in April 2013, the Governor of the State of Utah announced that he has decided against signing the water sharing agreement. It is uncertain whether the agreement will be renegotiated or the issue will be litigated.

Planning and environmental compliance activities for the SNWA’s Clark, Lincoln and White Pine Counties Groundwater Development Project are underway. The SNWA anticipates that up to 175,667 AFY of water could be developed from this project. Resource development will be staged with initial resources planned to come on-line in 2020; however, these resources may be developed or delayed as conditions warrant. Development of in-state groundwater resources will create additional wastewater that can be reused. The SNWA will reclaim in-state groundwater through direct reuse, or accounting for these imports as consumptive use prior to reaching Lake Mead.

Groundwater Banking. Through local and interstate arrangements, the SNWA has acquired a number of banked resources. These temporary supplies serve as an important management tool that can be used to offset

reductions in permanent supplies due to shortages, meet short-term gaps and serve as a temporary bridge to meet demands while other permanent resources are being developed. Through an agreement with the Arizona Water Banking Authority, the SNWA has the potential to store up to 1.25 million acre-feet of water from Arizona, to be delivered through Lake Mead. This water may be utilized at a maximum annual rate of 40,000 AFY of consumptive use during normal water supply conditions. The SNWA also has a banking agreement with California, where approximately 160,000 acre-feet of water is stored. Up to 30,000 acre-feet of water per year may be recovered from the California bank during normal water supply conditions. Additionally, Southern Nevada has stored approximately 340,000 acre-feet of water in its local groundwater basin.

Lake Mead Intake No. 3. In light of drought conditions and to ensure a safe and reliable water supply for the region, the SNWA is constructing a new water intake in Lake Mead. Intake No. 3 will help protect Southern Nevada's access to Colorado River resources, as well as access to better water quality as Lake Mead water levels decline in times of drought. Construction of Intake No. 3 is currently underway. The project is scheduled to be completed by 2015.

Washoe County

Water Supply. The primary source of water for Washoe County is the Truckee River, which flows from Lake Tahoe to Pyramid Lake (approximately 120 miles). Underground water and individual private wells augment the river water supply, particularly in the unincorporated areas of Washoe County.

Regional planning of water resources in certain portions of Washoe County is the responsibility of the Northern Nevada Water Planning Commission (the "Planning Commission") and the Western Regional Water Commission (the "Regional Commission"). The Regional Commission is governed by a Board of Trustees comprising representatives of the City of Reno, the City of Sparks, the Board of County Commissioners of Washoe County, the Truckee Meadows Water Authority, the Truckee Meadows Water Reclamation Facility, the South Truckee Meadows General Improvement District, and the Sun Valley General Improvement District. The Planning Commission is governed by members comprising the Director of Public Works for the City of Reno, the Director of Public Works for the City of Sparks, the Director of Water Resources for Washoe County, a member of the South Truckee Meadows General Improvement District, the General Manager of the Sun Valley General Improvement District, the General Manager of the Truckee Meadows Water Authority, the General Manager of the Truckee Meadows Water Reclamation Facility, or their respective designees, and various other members.

On January 14, 2011, the Regional Commission adopted the 2011-2030 Comprehensive Regional Water Management Plan (the "Comprehensive Plan") developed by the Planning Commission for the relevant planning area, covering such matters as supply of municipal and industrial water, quality of water, sanitary sewerage, treatment of sewage, drainage of storm waters and control of floods. The Comprehensive Plan addresses such matters as the problems and needs of the planning area, the providers of service, alternatives to reduce demand or increase water supply, identifying and providing for existing and future sources of water needed to meet present and future needs, priorities and general location for additional major facilities needed to provide services, programs to mitigate drought, conserve water and otherwise manage water, and other matters related to water supply, planning and conservation. Any facility of "regional significance" associated with water supply, wastewater treatment and stormwater drainage must be recognized in the Comprehensive Plan or presented for review by the Planning Commission and possible amendment to the Comprehensive Plan by approval of the Regional Commission.

The Truckee Meadows Water Authority ("TMWA"), a joint powers authority composed of the City of Reno, the City of Sparks and Washoe County, provides water service to the cities of Reno and Sparks, the major population centers in Washoe County, and nearby areas. The remainder of Washoe County is served either by special districts, the Washoe County Department of Water Resources, private companies and/or private wells. TMWA and the Department of Water Resources are currently evaluating the feasibility of consolidation.

Water Resource Plan. TMWA has developed a Water Resource Plan and Water Facility Plan to address the water needs of its service area through 2030.

State Litigation

The staff attorneys of the State Attorney General's Office reported that the State or its officers and employees were parties to numerous lawsuits, in addition to those described below. In view of the financial condition of the State and based on the information provided by the staff attorneys, the State Attorney General is of the opinion that the State's ability to pay its general obligation bonds will not be materially affected by this litigation, based on information known at the time this Official Statement was prepared.

Several of the actions pending against the State are based upon the State's (or its agents') negligence or tort liability in which the State must be named as a party defendant. However, there is a statutory limit to the State's liability of \$50,000 per claim for causes of action arising before October 1, 2007, which has increased to \$75,000 per claim effective for causes of action arising on or after October 1, 2007 and to \$100,000 for causes of action arising on or after October 1, 2011. Buildings and contents are self-insured on a blanket replacement cost basis for all risks except certain specified exclusions.

The State and/or its officers and employees are parties to a number of lawsuits that have been filed under the federal civil rights statutes. The State is statutorily required to indemnify its officers and employees held liable for damages for acts or omissions on the part of its officers and employees occurring in the course of their public employment. Several causes of action may be filed against the State based on alleged civil rights violations by its officers and employees. The statutory limit of tort liability (discussed above) does not apply in federal civil rights, federal discrimination and certain employment cases. Accordingly, the potential liability of the State is unascertainable at the present time.

Sierra Pacific Power Company and Nevada Power Company, Jointly Doing Business as Nevada Energy v. Dept. of Taxation. Two major Nevada power companies, collectively, NV Energy, have requested refunds of approximately \$26 million for use tax paid on coal that is used to produce electricity. The Department of Taxation prevailed when the matter was presented before an administrative hearing officer. The Department prevailed before the Nevada Tax Commission. The power companies were denied relief in the Second Judicial District Court for the State and have appealed to the Nevada Supreme Court.

2003 Non-Participating Manufacturers Adjustment arbitration proceeding relating to nationwide Tobacco Master Settlement Agreement (MSA). The State is involved in a nationwide arbitration with a group of tobacco companies, the Participating Manufacturers, over the tobacco Master Settlement Agreement (MSA), which the State signed along with 46 other states in 1998. The Participating Manufacturers have alleged that the State has failed to diligently enforce the provisions of NRS 370A (Qualifying Statute) as contemplated by the Master Settlement Agreement. As a result, in January 2009, the Nevada Supreme Court ordered the State to arbitrate its dispute with the Participating Manufacturers. The State's potential liability is up to the total amount of the MSA payment for calendar year 2003 which is approximately \$44 million. Additional arbitrations for the succeeding calendar years were anticipated with a similar dollar amount at risk. The State entered into a settlement with the Participating Manufacturers, reflected in an agreed term sheet, in December 2012. The agreement has not yet been finalized in a formal settlement agreement, but it is anticipated that the settlement will be duly formalized. The settlement resolves the dispute for calendar 2003 and reaches subsequent years through 2014. Although not yet finalized in a formal agreement, the settlement has resulted in a release of funds by the Participating Manufacturers that increased revenue received by the state under the MSA for 2013. The settlement terms will reduce revenue from the MSA for years 2014 through 2018.

Déjà vu Showgirls of Las Vegas, et al. v. Dept. of Taxation, et al., case No. A533273, and K-Kel, Inc., dba Spearmint Rhino Gentlemen's Club, et al. v. Dept. of Taxation, et al., case No. A554970 are State district court actions against the Nevada Department of Taxation seeking declaratory and injunctive relief, damages and attorneys' fees and costs. Plaintiff sought a declaration that the Live Entertainment Tax was unconstitutional on its face and a refund of all Live Entertainment Taxes paid. On the State's motion for summary judgment, the District Court ruled that the statute was facially valid. On a separate Motion for Summary Judgment, the District Court dismissed the plaintiffs' as-applied challenge to the statute stating their claim could only be brought as a separate petition for judicial review. Pursuant to that ruling, the taxpayers filed a separate action on the as-applied challenge. The taxpayers have appealed these two rulings of the District Court judge to the Nevada Supreme Court. In FY

2006, the Nevada Department of Taxation collected approximately \$8.7 million in Live Entertainment Tax. This amount is 7.4% of the approximately \$117 million collected in FY 2006 by the Nevada Department of Taxation and the Nevada Gaming Control Board, collectively. If the tax is found to be facially unconstitutional, all taxes collected since 2004, approximately \$700 million, may be subject to refund.

Ellis v. Alessi Trustee Corp. Alessi Trustee Corp. was engaged in unlicensed collection activity. Rather than contesting the matter, the corporation transferred its collection activity to the law firm of Alessi and Koenig. Thereafter, the law firm was sued in a class-action lawsuit regarding the collection activities. The State's Financial Institutions Division and its deputy commissioner were made parties to the action via a third-party complaint alleging 42 U.S.C. § 1983 damages and unconstitutionality of NRS 649.390. The Plaintiffs have requested damages in the amount of \$10.5 million. The Division and its deputy commissioner have been dismissed from the matter by order of the court, which ruled that they have absolute immunity. It remains to be seen whether third party plaintiffs will appeal this decision when final judgment is entered on the class action lawsuit.

In *State of Nevada v. Lehman Brothers Commercial Bank*, Case No. 08 OC 00375IB, in the First Judicial District Court of the State, the State instituted a claim for declaratory relief relating to its actions in 2008 in terminating a forward delivery investment agreement between it and Lehman Brothers Commercial Bank, a Utah industrial bank ("LBCB"). When the State entered into the forward delivery investment agreement in June of 2002, it received a fee of \$20,475,000 in exchange for agreeing to purchase certain specified U.S. Treasury securities of various maturities and principal amounts at different times between June 30, 2002 and November 15, 2027. In January of 2009, LBCB (now known as Woodlands Commercial Bank) filed an answer to the State's declaratory judgment action and a counterclaim requesting a judgment in favor of LBCB in the declaratory relief claim, and seeking other relief, including an award of damages against the State. LBCB's expert has stated that the contractual value of the remainder of the contract exceeds \$30 million. The District Court ruled in favor of the State. LBCB has appealed that ruling to the Nevada Supreme Court.

Sierra Nevada SW Enterprises, Ltd. v. Jason King, P.E. Nevada State Engineer is a civil rights action alleging that the State Engineer denied Plaintiff's substantive and due process rights in denying a requested change in place and manner of use of a supplemental groundwater right. The claims in federal court are pending and stayed, but once the order is signed and the appeal period runs, the State will look at further actions. There appears to be only a very remote possibility of an unfavorable outcome, but worst case scenario could mean a \$12 million loss plus attorneys' fees.

Southern California Edison sought a \$36 million refund of use taxes paid arguing that coal used to produce electricity was not taxable. At the hearing that was held in late 2008, Southern California Edison's refund request was denied by the Nevada Tax Commission. The matter is currently proceeding as a trial de novo in the First Judicial District, where a motion to dismiss by the State has been denied. Trial was held January 21-31, 2014, and the parties are currently in post-trial briefing. There is a reasonable likelihood of an unfavorable outcome. The refund and interest is approximately \$111 million.

Treasury Solutions v. State of Nevada ex rel. Board of College Savings Plans of Nevada. This matter arises out of a contract with a consultant who provided services to the State's college savings plans. Treasury Solutions claims it is owed monies that were to be paid by the program manager. Although not specified in the court pleading, Treasury Solutions has stated at various times that it is owed some \$30 million.

Piper v. Dept. of Administration. This case involves liability and an insurance dispute over a worker's compensation claim due to a severe head injury that was suffered by a former Nevada Department of Corrections ("NDOC") inmate while working for a private employer on a work release program and a subsequent seizure and additional injuries he suffered while in NDOC custody. Four parties are involved: (1) NDOC; (2) Nevada Department of Risk Management; (3) Claimant Piper; and (4) the private employer's insurance company, York Claims Services. The claimant's ongoing medical costs are rising daily and the total liability of the State could be in the \$20 million range. The State prevailed in front of the administrative hearing officer, but on judicial review, the District Court set aside the hearing officer's decision. The State has appealed the District Court's decision to the Nevada Supreme Court.

Village League v. State Board, CV-03-06922. Pursuant to an order of the Nevada Supreme Court that the State Board of Equalization provide taxpayers statewide the opportunity to testify regarding equalization, the State Board has made a decision denying certain Incline Village residential property owners' request that values for the properties receive a rollback to 2002 values for tax years 2003-2004, 2004-2005 and 2005-2006, ordering instead that the Washoe County Assessor reappraise said properties without using certain disapproved methodologies. The property owners sought and were denied judicial review and have appealed to the Nevada Supreme Court. If the property owners were to prevail on appeal, it would be anticipated that they would be granted a refund in excess of \$10 million.

Harrah's Operating Co. v. State of Nevada ex rel. Dept. of Taxation tax refund request. This matter relates to aircraft purchased by Harrah's on which it paid approximately \$8.6 million in use tax. Harrah's has sought a refund of those amounts. With interest, the amount requested is over \$11 million. At the administrative hearing and an administrative appeal, Harrah's refund was denied, which denial was upheld on judicial review on March 27, 2012. Harrah's has appealed to the Nevada Supreme Court, Case No. 61521.

City of Fernley v. State of Nevada. The City of Fernley is suing the State alleging that the manner in which the revenue from certain taxes is divided among local governments violates the Federal and State Constitutions. The complaint does not request a specific dollar amount; however, the dollar amounts at issue may exceed \$10 million. As the relief involves potential redistribution of revenues among local governments, it is unclear whether, were judgment awarded to the City, it would involve a loss of revenues to the State.

Jericho Heights, adv. NDOT, Eighth Judicial District. Nevada Department of Transportation ("NDOT") brought an eminent domain proceeding against Jericho Heights in 2012 in connection with the Boulder City Bypass Project. On January 15, 2013, Jericho Heights brought a counterclaim against NDOT, alleging inverse condemnation occurred in 2005 based on alleged denial of direct access to US 95. Jericho Heights asserts damages in excess of \$60 million dollars.

Nassiri, Fred, adv. NDOT. NDOT previously settled an eminent domain action with Nassiri. Settlement included transfer by NDOT of other property to Nassiri. Nassiri has filed an action asserting inverse condemnation and other relief, based on actions (subsequently taken) by NDOT, specifically development of an overpass that blocked view of the property from the freeway, thereby allegedly impairing the property. Nassiri's claim is in excess of \$40 million.

Railroad Pass Investment Group, adv. State of Nevada. The State (NDOT) brought an eminent domain proceeding in 2012 to acquire a portion of Railroad Pass's property as part of the Boulder City bypass project. Railroad Pass claims damage to its casino business due to reduced access. It will likely claim in excess of \$10 million over and above the amount the State has deposited for acquisition costs.

Ad America. Ad America has filed an action against the State in inverse condemnation concerning the alleged effective taking of three parcels of property for Project Neon (widening of Interstate 15). Ad America obtained a ruling in District Court that the State is liable for inverse condemnation. The District Court has ruled on a valuation date but has not yet ruled on the amount of liability. NDOT has petitioned the Nevada Supreme Court to overturn the District Court's decision. The Nevada Supreme Court has accepted the petition. Plaintiffs have valued the alleged taking at \$24 million.

State of Nevada v. Highland 2000; Highland 1980, et al. This is a direct condemnation action. As part of Project Neon, NDOT is condemning the entire one-acre parcel and the office building on it that was formerly occupied by a tenant, AMR ambulance service. NDOT filed a separate case, *State v. Highland 1980, et al.*, to acquire adjoining parcels of land owned by an affiliated entity (the Highland entities are LLCs that have the same owner). AMR and its subtenants, as well as an attorney, occupied the 1980 parcels. NDOT filed a third case, *State v. Catello*, to acquire a strip of land adjoining the Highland parcels that AMR used for parking. As a result of a subsequent quiet title action between Highland and Catello, Highland is now the owner of that property. The three cases described above have been consolidated into one action. Discovery is continuing. Trial is set for May 19, 2014. Claimants' probable claim in excess of the amount budgeted for the consolidated direct condemnation action

is \$11,000,000, plus interest. Because the highway project is partially federally funded, there will be some federal financial participation.

Wykoff Newberg Corp., adv. State of Nevada (NDOT). The State, through NDOT, brought a condemnation proceeding against Wykoff to acquire property for widening I-15 between Tropicana and Blue Diamond. NDOT valued compensation due Wykoff at \$1,290,000, but Wykoff has demanded \$10 million. The scheduled trial date is nearing, but there are motions pending to extend discovery and continue trial.

There are a number of other claims affecting the State, but the State estimates that its potential liability for any single claim not described above will not exceed \$10 million.

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PART III

INFORMATION CONCERNING THE STATE DEPARTMENT OF TRANSPORTATION, REVENUES PLEGGED TO SECURE THE BONDS AND RELATED MATTERS

Part III of this Official Statement contains information concerning the State Department of Transportation, revenues pledged to secure the Series 2014 Bonds, Parity Securities issued and outstanding, and related information. This Part III supplements the information contained in the other parts of this Official Statement. This Official Statement, including the cover, the inside covers, Part I and the appendices thereto, Part II, this Part III and the appendix hereto, and any financial statements expressly incorporated herein by reference, should be read in its entirety.

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TABLE OF CONTENTS

	Page
NEVADA DEPARTMENT OF TRANSPORTATION	III-1
NDOT Responsibilities.....	III-1
NDOT Governance	III-1
NDOT Staff	III-1
THE STATE HIGHWAY SYSTEM.....	III-2
Overview	III-2
NDOT-Maintained Roads.....	III-2
SUPPORT FOR STATE HIGHWAY SYSTEM	III-5
Federal Aid Highway System	III-5
Other Improved Roads	III-5
Unimproved Roads.....	III-5
NDOT PLANNING AND CURRENT PROGRAMS.....	III-6
Statewide Transportation Planning (Annual Work Program)	III-6
Statewide Transportation Improvement Program.....	III-6
Pioneer Program.....	III-7
Project NEON.....	III-8
OVERVIEW OF FUNDING FOR STATE HIGHWAYS	III-9
State Highway Fund.....	III-9
Transportation Funding in General	III-9
Federal Highway Funding in General.....	III-9
State Transportation Funding in General	III-10
State Make-Up for Reduction in Federal Fuel Tax.....	III-10
STATE FUNDING.....	III-10
Fuel Taxes	III-10
Other Taxes and Fees	III-12
Revenue Source Derived From Counties.....	III-15
Revenue Derived From LVCVA.....	III-16
FEDERAL TRANSPORTATION FUNDING	III-16
MAP-21	III-16
Federal Aid to Pay the Bonds	III-18
REVENUES AND EXPENDITURES OF STATE HIGHWAY ACTIVITIES	III-19
REVENUES PLEDGED TO SECURE SERIES 2014 BONDS AND PARITY SECURITIES.....	III-20
Gross Pledged Revenues.....	III-21
Direct Distributions and Other Exclusions	III-21
Highway Improvement Revenue Bonds	III-21

Part III – List of Tables

Table 1	Miles of Improved Roads by County	III-3
Table 2	Vehicle Miles of Travel by County.....	III-4
Table 3	Truck Miles of Travel	III-5
Table 4	State Highway System Mileage.....	III-6
Table 5	Special Fuel Tax Distribution.....	III-11
Table 6	State Gasoline Tax Revenue.....	III-12
Table 7	Vehicle Registration Rates	III-13
Table 8	Vehicle Permit Fees	III-13
Table 9	State Motor Vehicle Fund Taxes, Licenses, and Fees Revenue.....	III-14
Table 10	State Motor Vehicle Taxes Deposited to State Highway Fund Derived from the Motor Vehicle Fund	III-14
Table 11	Highway Fund Federal-Aid Revenue for Highways by Phase.....	III-18
Table 12	Highway Fund Federal-Aid Apportionments	III-18
Table 13	Total State Highway Revenue	III-19
Table 14	State Highway Expenditures and Disbursements.....	III-19
Table 15	NDOT Expenditures by Activity	III-20
Table 16	NDOT Expenditures by Appropriation	III-20

Part III - Appendix A	- State of Nevada History of State Highway Fund Revenues, Expenditures and Changes in Fund Balances	III-A-1
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NEVADA DEPARTMENT OF TRANSPORTATION

NDOT Responsibilities

Nevada Department of Transportation (“NDOT”) supervises the planning, construction, improvement and maintenance of the State’s highway system. NDOT is responsible for the planning, construction, operation and maintenance of approximately 5,400 miles of highway and over 1,100 bridges.

NDOT Governance

NDOT is administered by a seven-member Board of Directors (the “State Transportation Board”), consisting of the Governor, the Lieutenant Governor and the State Controller, each of whom serves ex officio, and four members who are appointed by the Governor. The appointed members serve four-year terms. The Governor serves as Chairman of the State Transportation Board. NDOT is headed by a Director who is appointed by the State Transportation Board. NDOT currently has an annual operating budget of approximately \$600 million and manages approximately 1,700 employees.

NDOT Staff

The State Transportation Board appoints the Director of NDOT. The Director in turn appoints subordinate officers and employees of NDOT. Following are the key executives of NDOT:

Rudy Malfabon, P.E. is the Director of NDOT. He has worked for NDOT for more than 26 years. As Director, he is responsible for the daily operations of NDOT. Previously, Mr. Malfabon was NDOT’s Deputy Director for Southern Nevada. Mr. Malfabon is a graduate civil engineer from the University of Nevada, Reno, and is a registered professional engineer in the states of Nevada and Washington.

Bill Hoffman, P.E. is the Deputy Director of NDOT. He is responsible for assisting the Director in the daily operations of NDOT. Mr. Hoffman began his employment with NDOT in 1991 as an Engineering Technician in District 2. Since then, he has served in a variety of positions within NDOT, including the roles of Chief of the Maintenance and Operations Division and Assistant Director, Engineering. Mr. Hoffman holds a bachelor’s degree in sports marketing from the University of Wyoming and a bachelor’s degree in civil engineering from the University of Nevada, Reno and is a registered professional engineer in the State.

Tracy Larkin-Thomason is the Deputy Director for Southern Nevada. Ms. Larkin-Thomason has more than 25 years of transportation experience and has held positions in the areas of planning, operations, maintenance engineering, traffic engineering, structural design, and roadway civil engineering. As Deputy Director for Southern Nevada, Ms. Larkin-Thomason seeks to improve communication, coordination and customer service with local agency partners, elected officials and the general public. Ms. Larkin-Thomason has a Bachelor of Science degree in civil engineering from the University of Nevada, Reno, and is a licensed civil engineer in the State. She is also certified as an ITE Professional Traffic Operations Engineer and a Nevada Certified Public Manager.

John Terry is the Assistant Director, Engineering/Chief Engineer. He is in charge of NDOT’s pre-construction engineering sections including Project Management, Design, Bridge, Environmental, Location, and Right-of-Way. Mr. Terry supervises six groups within NDOT, representing more than 300 engineering and right-of-way professionals responsible for developing all engineering work necessary in delivering design plans and specifications used in the construction of NDOT projects. He worked for NDOT in Carson City in the Roadway Design, Structures, Hydraulics, and Traffic Divisions. After 12 years in the private sector, Mr. Terry returned to NDOT in 2002 as a senior project manager and assistant chief project manager. He has a Bachelor of Science degree in civil engineering from Union College and is a registered professional engineer in the State.

Richard J. Nelson, P.E. is the Assistant Director, Operations. Mr. Nelson oversees NDOT’s operations programs, including the Construction, Materials, Maintenance and Operations, and Equipment Divisions. Prior to his appointment as Assistant Director, he served as NDOT’s District II engineer for 13 years and in the operations

analysis division for five years. Mr. Nelson is a graduate of the University of Colorado, Boulder with a Bachelor of Science degree in civil engineering and a registered professional engineer in the states of Nevada and California.

Tom Greco is the Assistant Director, Planning. He administers all state-wide multimodal transportation planning efforts including the Nevada Statewide Transportation Improvement Program (STIP) and coordination with the Metropolitan Planning Organizations (MPOs) to assist in their development of their Regional Transportation Plans. Mr. Greco brings 40 years of transportation experience to this position, including 25 years with NDOT. He is a registered professional engineer in the State and a graduate of Mt. San Antonio College with a degree in business administration.

Robert Nellis is the Assistant Director, Administration. Mr. Nellis oversees four divisions including Financial Management, Accounting, Administrative Services and Information Services. Mr. Nellis has 20 years of experience in private sector real estate development, business management, public land management, and energy program management. He has been with the State since 2004 and was head of the State Land Office in the Division of State Lands for five years.

THE STATE HIGHWAY SYSTEM

Overview

The State highway system consists of approximately 5,400 centerline miles, which includes the federal-aid highway system and other improved roads. The federal-aid highway system is more fully described below under the heading “SUPPORT FOR STATE HIGHWAY SYSTEM — Federal Aid Highway System” in this Part III. A well-functioning State highway system is key to the State’s economy, and improvements to the system will be needed to support future economic development and diversification efforts. The State’s population increased from 1,201,833 residents in 1990 to 1,998,257 residents in 2000 and to 2,724,634 residents in 2010, an increase of approximately 66% between 1990 and 2000 and approximately 127% between 1990 and 2010. This growth has resulted in significantly increased highway usage during that period. The State’s location results in a large proportion of commercial truck use, including high usage by trucks having an origin and destination outside the State. NDOT projects significant growth in both commercial and non-commercial road usage.

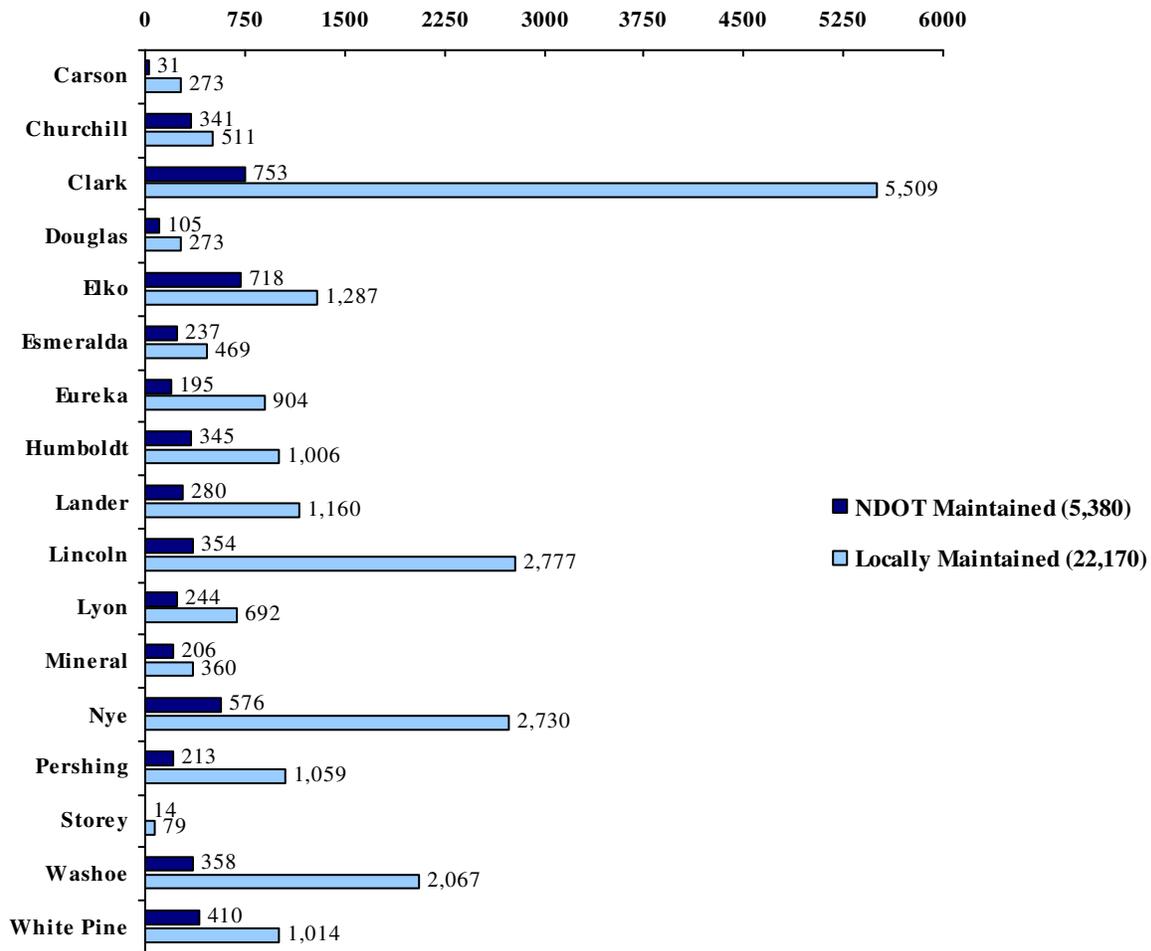
NDOT-Maintained Roads

NDOT is responsible for constructing, operating and maintaining approximately 20 percent of all roads (measured in miles) in the State. These roads are referred to herein as the state-maintained system (the “State-Maintained System”). The State-Maintained System carries approximately 52 percent of the total vehicle miles of travel. The remaining 48 percent of vehicle miles traveled is on systems maintained by county, city or other governmental agencies. While the State-Maintained System represents only 20 percent of total road miles, the State-Maintained System also carries approximately 70 percent of all truck traffic and 80 percent of the heavy truck traffic. Vehicle miles of travel on all roads in the State increased from 14 billion in 1995 to 23 billion in 2012.

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Table 1 illustrates the number of miles of improved roads in the State by county, within and outside the State-Maintained System, based on the most recent data available (2012).

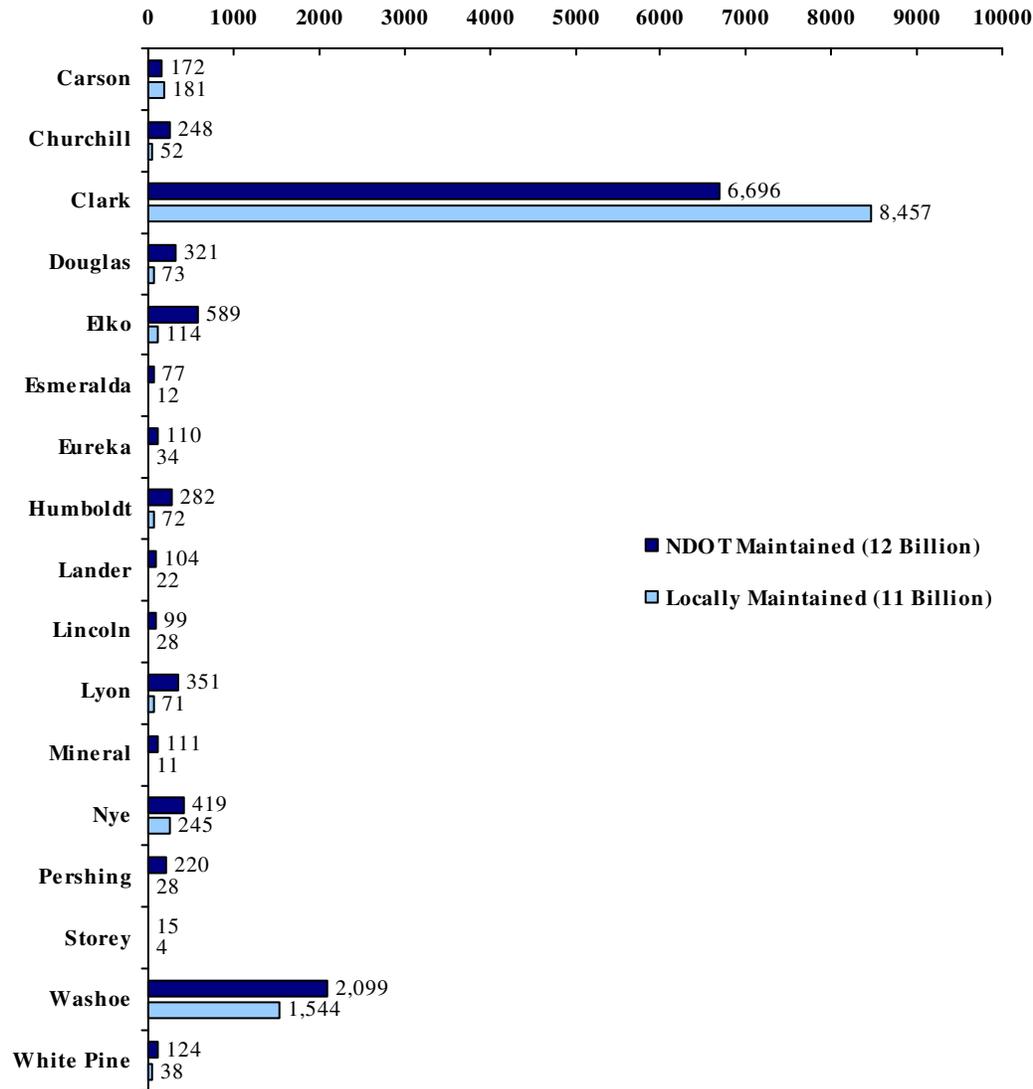
Table 1
Miles of Improved Roads by County



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Table 2 illustrates the number of vehicle miles traveled in the State by county, within and outside the State-Maintained System, based on the most recent data available (2012).

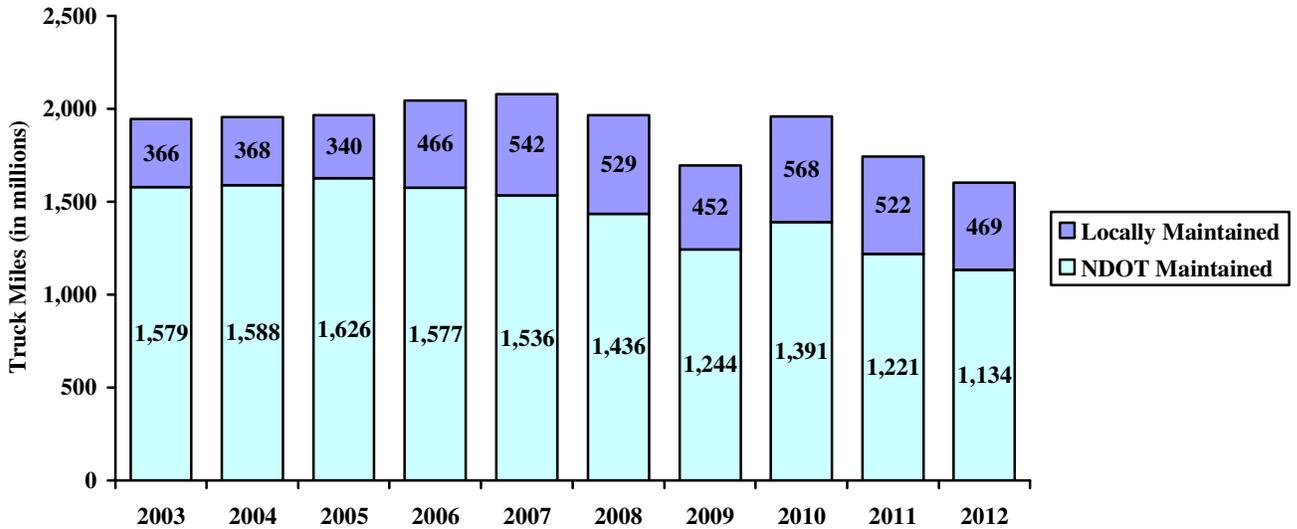
Table 2
Vehicle Miles of Travel by County
(million miles traveled)



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Table 3 illustrates the numbers of truck miles traveled in the State.

**Table 3
Truck Miles of Travel**



SUPPORT FOR STATE HIGHWAY SYSTEM

Federal Aid Highway System

The federal-aid highway system is classified as the National Highway System (the “NHS”) routes and the Surface Transportation Program (the “STP”) roads. The NHS within the State consists of all interstate routes, most principal arterials, the defense strategic highway network, and strategic connectors, including 589 miles of interstate highways (I-15 and I-80) and 1,805 miles of other NHS routes (US 95, US 50, US 395, US 6, US 93, McCarran Boulevard in Reno and Tropicana Avenue in Las Vegas). The STP within the State consists of 2,380 miles of roads that are functionally classified as principal arterials, minor arterials, major collectors, and urban collectors. See “FEDERAL TRANSPORTATION FUNDING” in this Part III for a discussion of various programs of federal assistance for highways in general, and “REVENUES AND EXPENDITURES OF STATE HIGHWAY ACTIVITIES” in this Part III for amounts of federal assistance for the State Highway Fund.

Other Improved Roads

There are 606 miles of other improved roads on the State highway system, including local and rural collectors, access frontage and state park roads. Other improved roads that are not part of the NHS or STP are classified mainly as local or rural minor collectors. These roads serve as access roads to the NHS and STP and do not qualify for federal aid but receive support from the State’s gas tax distribution. Responsibility for maintaining these roads is divided among NDOT, cities and counties.

Unimproved Roads

The balance of the roads in the State is classified as unimproved roads. Unimproved roads are local roads and are not regularly maintained. Unimproved roads do not qualify for federal aid, are not maintained by NDOT, and are not entitled to receive gas tax receipts to fund costs of their construction, operation or maintenance.

The following table sets forth the aggregate mileage of highways in the State by responsibility for maintaining and eligibility for federal funding.

**Table 4
State Highway System Mileage**

	NDOT Maintained	Locally Maintained	Statewide Total
Federal Aid			
NHS	2,394	154	2,548
STP	<u>2,380</u>	<u>2,159</u>	<u>4,539</u>
Subtotal	4,774	2,313	7,087
Non-Federal Aid			
Other Improved	606	21,979	22,585
Unimproved	<u>0</u>	<u>8,896</u>	<u>8,896</u>
Subtotal	606	30,875	31,481
Total	5,380	33,188	38,568

Source: NDOT.

NDOT PLANNING AND CURRENT PROGRAMS

Statewide Transportation Planning (Annual Work Program)

The Annual Work Program (“AWP”) is a compilation of NDOT’s short range (two to three years) and long range (four to ten years) elements of various transportation projects and includes projects pursued during each fiscal year. Pursuant to Nevada Revised Statutes (“NRS”) Section 408.203, the Director of NDOT is required to submit a comprehensive report of highway construction and maintenance projects for the next ten years to the State Legislative Counsel Bureau, a projects report for the next three years to the Legislative Counsel Bureau in every even-numbered year, and a progress report regarding NDOT’s 12-year plan for highway resurfacing to the State Legislature in every odd-numbered year.

Statewide Transportation Improvement Program

The Statewide Transportation Improvement Program (the “STIP”) consists of capital and non-capital transportation projects supported by United States Code Title 23 (Highways) and the Federal Transit Act funding. The STIP is administered by NDOT. Annually, the NDOT develops a STIP, including a four-year list of federally funded and regionally significant non-federally funded transportation projects and programs consistent with the goals and strategies of the statewide transportation plan. Projects in non-attainment areas must conform with the State Implementation Plan prior to being included in a STIP.

The STIP is developed in cooperation with the State’s Metropolitan Planning Organizations (the “MPO”) and local government agencies. An MPO is designated for each urbanized area with a population of more than 50,000. The Regional Transportation Commission (the “RTC”) of Southern Nevada, the RTC of Washoe County, the Carson Area MPO (each designated by the US Census Bureau) and the Tahoe MPO (designated through Congressional actions) are the State’s MPOs. The STIP also includes all regionally significant transportation projects in the Transportation Management Areas (the “TMAs”) regardless of funding sources. TMAs are urbanized areas with a population of more than 200,000 and are certified at least once every three years.

Highway Safety Improvement Program (the “HSIP”)

The HSIP was established in fiscal year 2006 as a core program with separate funding to significantly reduce traffic fatalities and serious injuries on all public roads. Each year NDOT utilizes a percentage of the Federal Safety Program funding to upgrade and maintain the statewide crash database, develop and implement safety management systems, develop strategic plans, evaluate safety engineering software and receive training in new and effective methods of traffic safety engineering. Up to \$21 million annually is allocated for HSIP programs.

State Highway Preservation

The NDOT maintains 5,400 miles of highways, which carry approximately 52 percent of the State's traffic and 80 percent of the heavy trucks. NDOT's goal is to continue to maintain the State's interstate system and high volume roads at a high level of serviceability by applying timely overlays and reconstructing inferior segments; continue to maintain the State's non-interstate principal arterials, minor arterials, and other moderate volume roads at a modest to high level of serviceability by applying timely overlays and reconstructing inferior segments; and improve low volume roads and maintain them at a limited, but acceptable, level of serviceability. In 2013, NDOT spent \$526 million on maintenance and preservation.

Interstate Maintenance Program

The Interstate Maintenance Program was initiated to ensure that the Interstate Highway System is maintained on an ongoing basis. The purpose of the program is to maintain a reasonably high level of serviceability on the roads, while optimizing available funding and minimizing risks to the traveling public. Unobligated Interstate Construction authorization balances are used to fund these projects.

Nevada Bridge Program

MAP-21 eliminated the Federal Highway Bridge Program (HBP) funding category. (For more information regarding MAP-21, see "FEDERAL TRANSPORTATION FUNDING – MAP-21" in this Part III.) Without a specific funding category for bridges, NDOT has targeted \$10,000,000 annually in funding for the Nevada Bridge Program. Bridge Inspection operations cost about \$2,000,000 annually and MAP-21 requires NDOT to allocate \$2.1 million to replacement and rehabilitation for bridges on locally maintained roads.

Transportation Enhancement Program

The Transportation Enhancement Program (the "TEP") was established by Congress as part of the International Surface Transportation Efficiency Act of 1991 ("ISTEA") and was continued under the Transportation Equity Act for the 21st Century Act ("TEA-21"). In 2005, TEP was included in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"). In 2012, President Obama signed into law the Moving Ahead for Progress in the 21st Century Act ("MAP-21"). MAP-21 created the Transportation Alternatives program encompassing most activities funded under TEP. The TEP includes projects such as pedestrian and bicycle facilities, landscaping and other scenic beautification, historic preservation, and rehabilitation and operation of historic transportation structures.

Pioneer Program

A modern transportation system is essential to the State's ability to attract visitors, move people and goods, improve quality of life for its residents, and provide beneficial family-wage jobs. The State is committed to searching for innovative delivery and funding strategies to keep up with the transportation needs of the State's expanded population. In 2011, the State Transportation Board authorized NDOT to explore innovative financing and construction methods to help solve the State's growing transportation and congestion problems. In response, NDOT created the Pioneer Program to assess and implement public-private partnerships designed to ensure prompt delivery of needed projects and to provide a more efficient transportation system.

Public-private partnerships allow the state to leverage limited public funds and utilize private capital to finance, design, build, operate, and/or maintain needed transportation improvements that could not otherwise be funded. These partnerships usually include the greater assumption of risk by the private partner, rather than taxpayers, along with specified responsibilities, performance and quality assurances to the taxpayer. While each entity shares in the risks and rewards, the involved government partner maintains control and ownership of the project and sets the standards under which the private partner must build, maintain and possibly operate the facility.

The goals of the Pioneer Program are as follows: (1) keep the State competitive and moving; (2) enhance the State's standard of living and economic vitality by increasing mobility for commuters, visitors, transit, and

economic commerce; (3) reduce congestion on heavily-traveled State transportation corridors; (4) deliver projects faster and with greater cost certainty throughout the state, thus promoting rural economies and job-boosting development; (5) improve safety by unlocking gridlocked roadways; (6) improve air quality by reducing the number of idling vehicles stuck in traffic; (7) enhance express transit, vanpool, and rideshare opportunities in applicable areas; and (8) generate revenue and leverage limited public funds to potentially fund other needed transportation improvements in the State.

Project NEON

Project NEON is a significant project in Las Vegas consisting of improving the capacity, operations and safety of a section of Interstate 15 (I-15) and major street connections from south of the Sahara Avenue/I-15 interchange to the I-15/US 95/I-515 interchange known as the Spaghetti Bowl. NDOT began preliminary studies in 2003 and received federal environmental approval in late 2010. Preliminary engineering advanced thereafter, with NDOT commencing right-of-way acquisition in 2011.

After considering an unsolicited proposal from a private entity to design, build, finance, operate and maintain the project under the Pioneer Program, NDOT retained financial and legal advisors in March 2013 to advise and assist NDOT in developing alternative delivery methods (compared to traditional State procurements) that will provide an accelerated and cost effective means of completing this Project NEON. With advice from its consultants, NDOT determined that procuring a project company (the “Project Company”) to design, build, construct, finance and operate the project through a competitive procurement (a “public private partnership” or “P3” approach) could achieve the desired results. In October 2013, NDOT short-listed three teams that expressed interest in delivering the project through the design-build-finance-operate and maintain P3 model. NDOT feels that this approach has the potential to complete Project NEON years ahead of schedule and for a more affordable financing solution.

NDOT estimates that the cost of Project NEON design, construction and construction financing for which the Project Company would be responsible will be approximately \$610 million. In June 2013, the State Transportation Board approved pursuing the P3 approach for Project NEON. The project is expected to be financed through a combination of: (i) an initial issuance of State-issued Highway Improvement Revenue Bonds (the bonds being offered pursuant to this Official Statement); (ii) a subsequent issuance of State issued Highway Improvement Revenue Bonds in an amount of approximately \$200 million to fund a lump sum payment following completion of construction to pay a portion of the construction costs; and (iii) private financing, to be determined by each proposer, which NDOT expects may include all or any combination of the following: (a) Transportation Infrastructure Finance and Innovation Act (TIFIA) loan through the US Department of Transportation for up to \$280 million; (b) private activity bonds issued by a State entity to be secured by payments to be made by the Project Company; and (c) at-risk equity.

NDOT, on behalf of the Project Company to be selected, has submitted a letter of interest for Project NEON to the federal loan program known as TIFIA. The loan application recently entered its second phase of review by the U.S. Department of Transportation, Federal Highway Administration. Repayment of any TIFIA Loan would be the responsibility of the Project Company.

If the private activity bonds are used by the Project Company to finance a portion of project costs, the bonds are expected to be issued by the State of Nevada Department of Business and Industry. Payment of principal of and interest on such bonds would be non-recourse to the issuer and the State, and payments with respect to the bonds would be made from funds provided by the Project Company.

Upon completion of the design and construction of the project, the Project Company will be required to operate and maintain the project (including making upgrades) for a period of approximately 35 years. The Project Company would be compensated for its operating and maintenance responsibilities by payments to be made by NDOT (referred to as “availability payments”) commencing upon anticipated completion of construction in about 2019 in amounts to be determined pursuant to the procurement. This amount would escalate based upon agreed-upon indices, and would be subject to adjustment upward or downward based on certain performance criteria and other factors. NDOT expects that the availability payments will be made from funds generally available to NDOT, and such availability payments would not be secured by a pledge of or lien on revenues comprising the Gross

Pledged Revenues. The obligation of NDOT to make the availability payments will be subject to appropriation of the funds by the State.

Project NEON is currently not expected to be supported by toll revenues. Establishing and collecting highway tolls is not currently authorized under State law, although legislation permitting such tolls may be enacted in the future.

This project is in the development phase and various elements of the foregoing are subject to change.

OVERVIEW OF FUNDING FOR STATE HIGHWAYS

State highways maintained by NDOT are financed with dedicated highway-user revenue and federal funds. No State General Fund (general tax) revenue is normally used. Under the State's Constitution, the proceeds from the imposition of any license or registration fee and other charges with respect to the operation of any motor vehicle upon any public highway in the State and the proceeds from the imposition of any excise tax on gasoline or other vehicle fuel shall, except costs of administration, be used exclusively for the construction, maintenance, and repair of the public highways of the State. The provisions of that section of the State Constitution do not apply to the proceeds of any tax imposed upon motor vehicles by the State Legislature in lieu of an ad valorem tax.

State Highway Fund

The State Highway Fund was created by State law as a special revenue fund to account for the receipt and expenditure of dedicated highway-user revenues. State law requires that, subject to certain exceptions, the proceeds from the imposition of any (1) license or registration fee and other charges with respect to the operation of any motor vehicle upon any public highway or city, town or county road in the State and (2) excise tax on gasoline or other motor vehicle fuel must be deposited in the State Highway Fund. Amounts in the State Highway Fund must be used, except for costs of administering the collection thereof, exclusively for the administration, construction, reconstruction, improvement and maintenance of the highways provided for under State law. Cost of administration for the collection of the excise tax on gasoline or other motor vehicle fuel may not exceed 1% of the proceeds collected. Costs of administration for the collection of license or registration fees for motor vehicles may not exceed 22% of the proceeds collected. However, the passage of Senate Bill 503 of the 2011 Legislative Session allowed this percentage to go up to 33% for FY 2012 and FY 2013. This reduced by approximately \$26 million in 2012 and 2013 fiscal years the amount of revenues available for deposit in the Highway Fund. The Governor's budget for FY 2014 and FY 2015 lowered the percentage allowable for administration costs to drop back to 22% for FY 2014 and increased the percentage back to 33% for FY 2015. This change restored approximately \$26 million in revenues available for deposit in the Highway Fund during the 2014-2015 biennium. Amounts received by the State from the federal government for acquiring, constructing, repairing or improving any highway in the State are also deposited in the State Highway Fund.

Transportation Funding in General

Funding for highways within the State is derived from a number of sources, including federal, state and local sources. State and federal highway funds are derived from motor vehicle license and registration fees, drivers' license fees, and motor vehicle fuel taxes, which are deposited in the State Highway Fund. NDOT is the major recipient of amounts in the State Highway Fund. See Appendix A to this Part III for historical financial information about the State Highway Fund. The bonds described in this Official Statement are payable out of Gross Pledged Revenues that are accounted for in the State Highway Fund. See "DESCRIPTION OF THE SERIES 2014 BONDS — Security for the Series 2014 Bonds — *Gross Pledged Revenues*" in Part I of this Official Statement.

Federal Highway Funding in General

A significant amount of funding for State highway purposes is received from the federal government. Federal highway funds are derived from fuel tax and highway-user fees and are allocated by Congress to the states under federal transportation statutes enacted from time to time and annual appropriations bills. Federal funds are available only for reimbursement of expenditures on approved projects and are normally paid to the State weekly.

Federal aid is not available for routine maintenance, administration, or other non-project related costs. To be eligible for federal funds, the State must, among other requirements, pay five to twenty-five percent of the project's costs. Federal funds received by the State for highway projects are required to be deposited in the State Highway Fund and a portion of such funds are included in Gross Pledged Revenues available to be transferred to the Bond Fund. Federal funding for State surface transportation programs is currently authorized by an act signed into law on July 6, 2012, which provides authorization for federal funding of the surface transportation programs through September 30, 2014 at levels comparable to prior levels. See "FEDERAL TRANSPORTATION FUNDING — MAP-21". No assurances can be made that the level of future federal funding will be maintained at levels of historical federal funding, or that the State will be eligible to receive all of those funds that have been appropriated by Congress and are available for the State. Federal highway funds that have been allocated to states but have not been obligated by a state, and which are subject to lapse in the current federal fiscal year, are available for redistribution to other states. NDOT has consistently obligated all of the Federal Highway Funds that have been allocated to it in each federal fiscal year, and become eligible for and received additional federal funds through this reallocation process. See "DESCRIPTION OF THE SERIES 2014 BONDS — Security for the Series 2014 Bonds — *Gross Pledged Revenues*" in Part I of this Official Statement.

State Transportation Funding in General

Under State law, the proceeds from the imposition of any license or registration fee and other charges with respect to the operation of any motor vehicle upon any public highway in the State and the proceeds from the imposition of any excise tax on gasoline or other vehicle fuel shall, except costs of administration, be deposited in the State Highway Fund and be used exclusively for the construction, maintenance, and repair of the public highways of the State. For summaries of the various fuel taxes and other fees and charges that are collected and deposited in the State Highway Fund, see "STATE FUNDING — Fuel Taxes" and "STATE FUNDING — Other Taxes and Fees" in this Part III.

State Make-Up for Reduction in Federal Fuel Tax

Under current State law, if the tax collected by the federal government relating to motor vehicle fuel is reduced or discontinued in whole or in part, the State's motor vehicle fuel tax will increase in an amount equal to the amount by which the federal tax is reduced.

STATE FUNDING

Fuel Taxes

The primary source of funds to pay the Parity Securities is State excise taxes on motor vehicle fuel and special fuel (defined as any combustible gas or liquid used for the generation of power for the propulsion of motor vehicles) credited or transferred to the State Highway Fund (collectively, the "Fuel Taxes") pursuant to various State statutes imposing such taxes (the "Fuel Tax Act"). The State Board of Finance has determined in the Bond Resolution that the net proceeds of the Fuel Taxes are sufficient to pay debt service on the Series 2014 Bonds.

The State's Fuel Taxes are imposed pursuant to various sections of State law. A portion of the receipts from the Fuel Taxes are earmarked for NDOT purposes, and certain receipts are earmarked for apportionment to the counties and for other purposes. The Statewide (State and county mandatory) tax on gasoline is 24.75 cents per gallon (not including the 0.055 cents per gallon tax on imported gasoline). Receipts from these Fuel Taxes are allocated as follows:

- (1) 17.65 cents per gallon is deposited to the State Highway Fund for NDOT purposes;
- (2) 6.35 cents per gallon is allocated to the counties; and
- (3) 0.75 cents is deposited in the Cleaning Up Petroleum Discharges Fund.

In addition to the foregoing, the State imposes a 0.055 cents per gallon inspection fee for imported gasoline, which is deposited in the General Fund.

The State imposes a diesel fuel tax of 27.0 cents per gallon (not including the 0.75 cents allocated for petroleum clean-up). Fuel taxes are also imposed on compressed natural gas, liquefied petroleum gas and water-phased hydrocarbon fuel for motor vehicles, but nearly all of the State's Fuel Tax proceeds are derived from the taxes on gasoline and diesel fuel. The following table sets forth the tax distribution for diesel fuel and for propane gas and methane gas used as motor fuels.

Table 5
Special Fuel Tax Distribution
(Cents per Gallon)

Fuel	State Highway Fund	Petroleum Clean-up
Diesel	27.0	0.75
Propane	22.0	
Methane	21.0	

State law specifies that additional Fuel Taxes will be imposed to the extent federal taxes on these motor vehicle fuels are reduced or discontinued in whole or in part. See "OVERVIEW OF FUNDING FOR STATE HIGHWAYS — State Make-Up for Reduction in Federal Fuel Tax" in this Part III.

Counties are permitted by State law to impose an additional fuel tax up to a maximum of 9.0 cents per gallon. These amounts are permitted to be indexed for inflation. This discretionary tax has been imposed at the rate of 9.0 cents per gallon by the counties of Carson City, Churchill, Clark, Eureka, Humboldt, Lander, Lyon, Mineral, Pershing, Washoe and White Pine; at the rate of 6.5 cents per gallon by the county of Elko; and at the rate of 4.0 cents per gallon by the counties of Douglas, Esmeralda, Lincoln, Nye and Storey.

Dealers are required by State law to collect the Fuel Taxes and report and pay at the end of the calendar month the tax liability incurred on fuel sales during the preceding calendar month.

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The following table sets forth the State fuel tax revenues by source for the fiscal years ending June 30, 2009 through 2013.

Table 6
State Gasoline Tax Revenue
(Administered by the Department of Motor Vehicles)
(Millions of Dollars)

Fiscal Year	State Gas Tax (to Highway Fund)	Mandatory County Gas Tax	Optional County Gas Tax	County Index on Motor Fuel Tax	Jet Fuel Tax	Petroleum Clean Up Fees	Other ¹	Total ²
2009	189.9	69.2	94.9	4.6	13.0	12.6	3.9	388.0
2010	186.1	66.9	92.9	7.6	12.1	12.2	4.9	382.7
2011	186.2	66.9	92.6	18.1	11.4	12.3	5.0	392.3
2012	185.2	66.6	92.0	19.7	11.5	12.7	4.8	392.5
2013	185.8	66.6	92.2	24.5	15.2	12.7	4.7	401.8

¹ Includes Petroleum Inspection Fees, Aviation Fuel Tax, and other Gasoline Tax distributions.

² Totals may not add up due to rounding.

Source: NDOT and DMV.

Factors over which the State has no control which might adversely affect Fuel Tax receipts include reduction in supplies of motor vehicle fuels, government restrictions on the sale or use of motor vehicle fuels, voluntary conservation, increased cost, reduced fuel consumption of certain vehicles, utilization of vehicles not propelled by such fuels and restrictions on the use of motor vehicles because of environmental concerns.

Other Taxes and Fees

The State Highway Fund receives revenues from a number of other State sources, which are summarized below. These revenues are not included in Gross Pledged Revenues, but are generally available for NDOT purposes.

Governmental Services Tax

A governmental services tax is imposed on motorists for the privilege of operating any vehicle on the public highways of the State. Such tax is imposed in lieu of all taxes based on value and levied for state or local purpose on such vehicles. The annual amount of the basic governmental services tax throughout the State is 4.0 cents on each \$1 of valuation of the vehicle as determined by the Department of Motor Vehicles (“DMV”). An optional supplemental rate of 1% of a vehicle’s depreciated assessed valuation is taxed in Clark, Churchill, and White Pine counties.

The distribution of the governmental services tax is dependent on where the taxes are paid or collected. For vehicles registered at a DMV office, 94% is distributed to local governments and 6% to the State Highway Fund as a collection commission. For vehicles registered at a County Assessor’s office, 99% is distributed to local governments and the State Highway Fund receives 1%. Local governments use the funds primarily for schools and current debt service. Supplemental Government Services Tax is an additional fee for vehicles in Clark, Churchill and White Pine counties. The funds are returned to those counties to be used specifically for road construction.

Driver's License Fees

Driver's licenses issued by the State are renewable every four years. The current rates for obtaining a driver's license are as follows: \$22.00 for operating passenger cars; \$17.00 for persons 65 years old or older; \$8.00 for a motorcycle endorsement; and \$87.00 for operating commercial vehicles.

Title Fees

The State charges a one-time title fee of \$28.25 for all vehicles (new title).

Vehicle Registration

The following table shows the current annual registration rates for vehicles by type and weight.

**Table 7
Vehicle Registration Rates**

Type of Vehicle	Registration Cost
Automobiles, RV's and Motor Homes	\$33
Motorcycles	\$39
Travel Trailers	\$27
Trucks, Truck Tractors, or Buses less than 6,000 lbs. DGVW*	\$33
Trucks, Truck Tractors, or Buses between 6,000 and 8,499 lbs. DGVW*	\$38
Trucks, Truck Tractors, or Buses between 8,500 and 10,000 lbs. DGVW*	\$48
Per 1,000 lbs. for units between 10,001 and 26,000 lbs. DGVW*	\$12
Per 1,000 lbs. for motor-carrier units between 26,001 and 80,000 lbs. DGVW* (maximum fee is \$1,360). Interstate motor-carriers prorate this fee and pay only on the percentage of miles driven in the State.	\$17

* Declared Gross Vehicle Weight.

Permit Fees

The following table shows the current annual permit fee for various types of vehicles by weight.

**Table 8
Vehicle Permit Fees**

Vehicle Type/Size of Load	Permit Fees
Per 1,000 lbs. exceeding 80,000 lbs. for reducible-load units between 80,000 and 129,000 lbs. DGVW* (maximum fee is \$2,940)	\$60
For overlength vehicles (longer than 70 feet) carrying reducible loads not exceeding 80,000 lbs. DGVW*	\$10
For non-reducible loads carried on over legal-size or weight vehicles.	\$60

* Declared Gross Vehicle Weight.

Table 9
State Motor Vehicle Fund Taxes, Licenses, and Fees Revenue
 (Administered by the Department of Motor Vehicles)
 (Millions of Dollars)

Fiscal Year	State Motor Vehicle Taxes (to Highway Fund)	County Taxes Licenses and Fees	Sales Tax Collections	General Fund Allocation	Other Revenue¹	Total²
2009	231.2	298.3	20.0		93.8	643.3
2010	232.0	281.7	21.0	51.3	72.0	658.1
2011	232.7	267.6	24.1	61.5	63.5	649.4
2012	236.6	261.2	25.3	62.4	75.2	660.6
2013	238.5	266.8	27.7	63.5	48.9	645.2

¹ Other revenue includes special fuel inflation index and DMV fees and commissions.

² Totals may not add up due to rounding.

Source: NDOT.

Table 10
State Motor Vehicle Taxes Deposited to State Highway Fund Derived from the Motor Vehicle Fund
 (Millions of Dollars)

Fiscal Year	Special Fuel Taxes¹	Motor-Carrier Fees	Registration Fees	Driver's License Fees	Total²
2009	79.5	37.9	100.1	13.6	231.2
2010	79.3	37.1	98.2	17.4	232.0
2011	78.5	37.6	98.0	18.6	232.7
2012	79.2	38.5	99.8	19.0	236.6
2013	80.9	36.7	102.1	18.7	238.5

¹ Special fuel includes diesel fuel, propane, natural gas, and water-phased hydrocarbon emulsions.

² Totals may not add up due to rounding.

Source: NDOT.

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Revenue Source Derived From Counties

Prior to the adoption of Assembly Bill 595 (“A.B. 595”) during the 2007 Legislative Session, counties were permitted to impose, in addition to other permissible property taxes, an ad valorem tax on all taxable property in the county at a rate not to exceed 5.0 cents per \$100 of the assessed valuation of the county. A.B. 595 requires, within counties with a population of 100,000 or more, that proceeds of this tax be distributed among the county, cities and towns based on a specified formula, with a portion of this tax allocated to and deposited in the State Highway Fund. This provides a dedicated source of funding for the State Highway Fund which was not available prior to FY 2009. A.B. 595 allocates the proceeds of the tax among the county, cities and towns and the State Highway Fund as follows:

<u>Fiscal Year</u>	<u>Portion Retained by County, Cities, and Towns</u>	<u>Portion Deposited in State Highway Fund for Projects within the County</u>
2009	88%	12%
2010	76%	24%
2011	64%	36%
2012	52%	48%
2013 and thereafter	40%	60%

Actual revenues received by the NDOT related to ad valorem tax on property are as follows:

<u>Fiscal Year</u>	<u>Washoe Co.</u>	<u>Clark Co.</u>	<u>Total</u>
2009	\$ 885,000	\$ 3,882,000	\$ 4,767,000
2010	\$1,745,000	\$10,090,000	\$11,835,000
2011	\$2,368,000	\$10,953,000	\$13,321,000
2012	\$2,888,000	\$10,651,000	\$13,539,000
2013	\$3,424,000	\$16,057,000	\$19,481,000
	<u>\$11,310,000</u>	<u>\$51,633,000</u>	<u>\$62,943,000</u>

Proceeds of this tax from a county deposited in the State Highway Fund must be used exclusively for projects within that county, and may not be used to reduce or supplant the amount or percentage of money that would otherwise be available from the State Highway Fund for projects in that county. Receipts from this tax are not included in Gross Pledged Revenues.

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Revenue Derived From LVCVA

A.B. 595 also provided for the Las Vegas Convention and Visitors Authority (“LVCVA”), at the request of NDOT, to use its commercially reasonable efforts to issue up to the lesser of \$300,000,000 of bonds or an amount of bonds which can be repaid over a term of 30 years with an expenditure of not more than \$20,000,000 per year from certain taxes imposed on the revenue derived from transient lodging in Clark County. The proceeds of the bonds are to be used to assist in paying the cost of construction of highway projects in Clark County upon a determination by LVCVA that the project is essential to providing access for tourists to the recreation and tourism facilities of Clark County. LVCVA has issued bonds in the full principal amount of \$300,000,000 under this authorization.

FEDERAL TRANSPORTATION FUNDING

Fuel taxes and other highway-user revenues collected by the federal government are placed in the Federal Highway Trust Fund. Congress allocates these funds to the states pursuant to provisions in multi-year highway funding authorization acts. The State receives approximately \$1.00 in federal highway funds (as a combination of both apportioned funds and earmarked funds) for every dollar contributed to the Federal Highway Trust Fund.

MAP-21

On July 6, 2012, President Obama signed into law the Moving Ahead for Progress in the 21st Century Act (“MAP-21”). MAP-21 is the first long-term highway authorization enacted since 2005. MAP-21 establishes authorization for federal funding of surface transportation programs and allocation of such funding among the states and territories for the federal fiscal years ending September 30, 2013 and 2014. MAP-21 creates a streamlined, performance-based, and multimodal program to address the many challenges facing the U.S. transportation system. These challenges include improving safety, maintaining infrastructure condition, reducing traffic congestion, improving efficiency of the system and freight movement, protecting the environment, and reducing delays in project delivery. MAP-21 builds on and refines many of the highway, transit, bike, and pedestrian programs and policies established in 1991.

MAP-21 restructures core highway formula programs. Activities carried out under some existing formula programs – the National Highway System Program, the Interstate Maintenance Program, the Highway Bridge Program, and the Appalachian Development Highway System Program – are incorporated into the following new core formula program structure: (1) National Highway Performance Program (NHPP); (2) Surface Transportation Program (STP); (3) Congestion Mitigation and Air Quality Improvement Program (CMAQ); (4) Highway Safety Improvement Program (HSIP); (5) Railway-Highway Crossings (set-aside from HSIP); and (6) Metropolitan Planning.

It creates two new formula programs: (1) Construction of Ferry Boats and Ferry Terminal Facilities (replaces a similarly purposed discretionary program); and (2) Transportation Alternatives (a new program, with funding derived from the NHPP, STP, HSIP, CMAQ and Metropolitan Planning programs, encompassing most activities funded under the Transportation Enhancements, Recreational Trails, and Safe Routes to School programs under SAFETEA-LU).

Funding levels under MAP-21 are maintained at FY 2012 levels, plus minor adjustments for inflation. MAP-21 extends the imposition of the highway-user taxes, generally at the rates that were in place when the legislation was enacted, through September 30, 2016.

National Highway Performance Program

Under MAP-21, the enhanced NHS is composed of rural and urban roads serving major population centers, international border crossings, intermodal transportation facilities, and major travel destinations. It includes the Interstate System, all principal arterials (including some not previously designated as part of the NHS) and border crossings on those routes, highways that provide motor vehicle access between the NHS and major intermodal transportation facilities, and the network of highways important to U.S. strategic defense and its connectors to major military installations.

Surface Transportation Program

MAP-21 continues the STP, providing flexible funding that may be used by states and localities for projects to preserve or improve conditions and performance on any Federal-aid highway, bridge projects on any public road, facilities for non-motorized transportation, transit capital projects and public bus terminals and facilities.

Highway Safety Improvement Program

MAP-21 continues the successful HSIP. The HSIP emphasizes a data-driven, strategic approach to improving highway safety on all public roads that focuses on performance.

Congestion Mitigation and Air Quality Improvement Program

CMAQ provides a flexible funding source to state and local governments for transportation projects and programs to help meet the requirements of the Clean Air Act. Funding is available to reduce congestion and improve air quality for areas that do not meet the National Ambient Air Quality Standards for ozone, carbon monoxide, or particulate matter (nonattainment areas) as well as former nonattainment areas that are now in compliance (maintenance areas).

Transportation Alternatives

MAP-21 establishes a new program to provide for a variety of alternative transportation projects that were previously eligible activities under separately funded programs. Eligible activities include: (1) Transportation Alternatives (new definition incorporates many transportation enhancement activities and several new activities); (2) Recreational Trails program; (3) Safe Routes to Schools program; and (4) planning, designing, or constructing roadways within the right-of way of former interstate routes or other divided highways.

More information regarding MAP-21 can be found at: <http://www.fhwa.dot.gov/map21/summaryinfo.cfm>. Information on this website is not incorporated by reference in this Official Statement.

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Table 11
Highway Fund Federal-Aid Revenue for Highways by Phase
(Millions of Dollars)

Fiscal Year	Planning and Research	Right of Way	Preliminary Engineering	Construction and Engineering	Transit and Rail	Miscellaneous Federal Funding	Total Federal Aid for Highways
2009	8.3	36.0	20.3	271.8	8.6	0.0	344.9
2010	7.7	20.9	22.7	331.6	8.4	0.1	391.5
2011	8.4	14.1	21.1	322.1	8.0	0.5	374.2
2012	9.2	18.7	34.1	393.7	10.7	0.1	466.7
2013	12.8	29.4	19.2	281.3	8.1	0.0	350.8

Note: Federal-Aid revenue is received on a reimbursement basis and typically is from prior year apportionments. Consequently, the Federal-aid revenue shown will not match the Federal-aid apportionments, shown in Table 12, in a given year. Totals may not add up due to rounding.

Source: NDOT.

Table 12
Highway Fund Federal-Aid Apportionments
(Millions of Dollars)

Under SAFETEA-LU

Fiscal Year	Interstate Maintenance	National Highway System	Congestion/Air Quality	Surface Transportation Program	Other¹	ARRA	Total²
2009	50.0	72.9	18.3	47.6	96.8	201.0	486.6
2010	77.1	84.3	35.8	111.2	84.0		392.4
2011	82.2	93.6	28.4	82.5	43.2		329.9
2012	79.8	88.6	32.8	82.1	46.8		330.2

Under MAP-21³

Fiscal Year	National Highway Performance Program	Congestion/Air Quality	Surface Transportation Program	Other¹	Total²
2013	182.0	31.3	86.4	44.4	344.0

¹ Other includes Planning, Bridge Replacement, Advance Right of Way, High Priority, Forest Highway Funds, and Earmarked Funds, if any.

² Totals may not add up due to rounding.

³ MAP-21 reallocated/combined program funds, therefore, cannot be compared to SAFETEA-LU programs. Amounts include a 0.2% across-the-board rescission.

Source: NDOT.

Federal Aid to Pay the Bonds

Federal law pertaining to highway systems (23 United States Code Annotated Section 122) permits the United States Secretary of Transportation to reimburse the State for the retirement of a portion of the principal of, interest on, costs of issuance, costs of insurance and any other costs incidental to the sale of the Series 2014 Bonds if bond proceeds are used for an “eligible project.” Reimbursement for the Series 2014 Bonds may be sought by the

State from the federal government to the extent the Series 2014 Bond proceeds are used for an eligible project. Any funds received as reimbursement will be Gross Pledged Revenues and credited to the Highway Fund and, if necessary, transferred to the Bond Fund and applied as described under the heading “DESCRIPTION OF THE SERIES 2014 BONDS — Security for the Series 2014 Bonds — *Priority of Application of Gross Pledged Revenues*” in Part I of this Official Statement. No assurance can be given that federal reimbursement will occur because reimbursement is dependent upon both the appropriation of funds by Congress and the completion of the eligible project in accordance with federal requirements.

Federal law provides that the eligibility of the Series 2014 Bonds for reimbursement shall not constitute a commitment, guarantee or obligation on the part of the United States to provide for payment of debt service on the Series 2014 Bonds or create any right of a bondholder or other third party against the United States for payment of the Series 2014 Bonds.

REVENUES AND EXPENDITURES OF STATE HIGHWAY ACTIVITIES

The following tables set forth revenues of and expenditures from the State Highway activities.

Table 13
Total State Highway Revenue
 (Administered by NDOT)
 (Millions of Dollars)

Fiscal Year	Federal-Aid Revenue	State Gas and Motor Vehicle Taxes	Other Sources	Total
2009	344.9	421.1	171.3	937.4
2010	391.5	418.2	179.0	988.7
2011	374.2	418.8	291.2	1,084.2
2012	466.7	421.7	150.7	1,039.1
2013	350.8	424.2	134.1	909.1

Note 1: Total revenue is net of collection costs of the Highway Fund.

Note 2: Other revenue includes interest income, cooperative construction reimbursement, DMV and Department of Public Safety authorized revenue, A.B. 595 revenue, and miscellaneous sales and reimbursements.

Note 3: The Federal-Aid Revenue shown includes monies for highways, transit, aviation, and other programs.

Note 4: Totals may not add up due to rounding.

Source: NDOT.

Table 14
State Highway Expenditures and Disbursements
 (Millions of Dollars)

Fiscal Year	Transfers to other Agencies	DMV Expenditures	DPS Expenditures	Bond Principal and Interest	NDOT Expenditures	Total
2009	1.8	108.0	81.1	89.0	772.4	1,052.3
2010	4.6	99.5	75.8	89.3	744.1	1,013.2
2011	4.4	90.2	77.0	84.2	807.2	1,063.1
2012	4.3	89.7	76.1	80.5	924.8	1,175.4
2013	4.2	85.5	76.5	79.8	661.0	906.9

Note: DPS stands for Department of Public Safety (includes Nevada Highway Patrol). Totals may not add up due to rounding.

Source: NDOT.

Table 15
NDOT Expenditures by Activity
(Millions of Dollars)

Fiscal Year	Administrative and Support Services	Maintenance and Equipment	Construction and Engineering	Total NDOT Expenditures*
2009	41.7	136.4	594.3	772.4
2010	41.0	113.7	589.4	744.1
2011	44.2	111.7	651.4	807.2
2012	43.8	132.9	748.1	924.8
2013	40.5	113.8	506.7	661.0

* Totals may not add up due to rounding.

Source: NDOT.

Table 16
NDOT Expenditures by Appropriation
(Millions of Dollars)

Fiscal Year	Salaries	Travel	Operating	Equipment	Capital Improvements	Total*
2009	134.7	2.3	64.1	8.0	563.3	772.4
2010	127.9	2.0	63.8	2.9	547.4	744.1
2011	125.8	2.1	59.8	3.2	616.3	807.2
2012	120.4	2.2	61.9	3.7	736.7	924.8
2013	123.8	1.9	60.8	4.9	469.7	661.0

* Totals may not add up due to rounding.

Source: NDOT.

REVENUES PLEDGED TO SECURE SERIES 2014 BONDS AND PARITY SECURITIES

The State Constitution (Article 9, Section 5) provides that the proceeds from the imposition of any excise tax on gasoline or other motor vehicle fuel shall, except costs of administration, be used exclusively for the construction, maintenance, and repair of the public highways of the State. The State has determined that the use of Fuel Taxes to pay the Parity Securities is permitted by this provision.

The foregoing constitutional provision further provides that, excluding administrative costs, revenues received from taxes levied on any gasoline or other vehicle fuel, license or registration fee shall be used exclusively for the construction of, maintenance, and repair of the public highways of the State. Accordingly, the majority of the State Highway Fund, which derives its funds from Article 9, Section 5 enumerated sources, finances the activities of NDOT. However, the DMV and the Department of Public Safety are also partially funded by appropriations from the State Highway Fund. Other appropriations or transfers from the Highway Fund for administrative services provided to NDOT include the Department of Administration, the Attorney General's Office, the Public Works Board, and the Transportation Services Authority.

The Bond Resolution provides that State laws concerning the Fuel Taxes or the Gross Pledged Revenues may not be repealed or amended or otherwise directly or indirectly modified in such manner as to impair adversely the Series 2014 Bonds or any other Outstanding State securities until all such securities have been discharged in full or provision for their payment and redemption has been fully made.

Gross Pledged Revenues

The Bond Resolution provides that the Series 2014 Bonds shall be payable from any federal aid eligible for the payment of the principal of and interest on the Series 2014 Bonds and from the proceeds of the motor vehicle fuel taxes imposed and collected pursuant to the Fuel Tax Act and credited to the State Highway Fund for the payment of principal of and interest on the Series 2014 Bonds (the “Gross Pledged Revenues”). Gross Pledged Revenues includes the fuel taxes and other taxes and funds described under the headings “STATE FUNDING — Fuel Taxes”, “STATE FUNDING — Other Taxes and Fees” and “FEDERAL TRANSPORTATION FUNDING — Federal Aid to Pay the Bonds” in this Part III. Gross Pledged Revenues does not include the Direct Distributions and Other Exclusions described below.

Direct Distributions and Other Exclusions

The Bond Resolution excludes from Gross Pledged Revenues certain fuel tax proceeds not collected because of exempt sales and other exempt transactions; any tax proceeds not collected because of the dealers’ collection and handling fee; tax proceeds for making refunds; motor vehicle fuel tax proceeds paid on fuel used in watercraft for recreational purposes; tax proceeds imposed and collected and required to be distributed to the counties in the State; tax proceeds derived from motor vehicle fuel used in aircraft; and fuel taxes in an amount required to pay the costs of administration for the collection of any excise tax on gasoline or other motor vehicle fuel, subject to the limitation of not exceeding 1% of the total proceeds so collected (such exclusions being herein the “Direct Distributions and Other Exclusions”).

Highway Improvement Revenue Bonds

Pursuant to NRS 408.273 (the “Project Act”); chapter 365 and chapter 366 of the NRS (collectively, the “Fuel Tax Act”) and the Bond Resolution adopted by State Board of Finance, the State, acting by and through the State Board of Finance, is authorized to issue highway improvement revenue bonds known as “Highway Improvement Revenue Bonds.” As such, pursuant to the Project Act and the request submitted by the State Transportation Board, the State Board of Finance is authorized to issue revenue bonds to provide funds to pay for the cost of construction, maintenance and repair of public highways of the State. The State has issued \$885 million in bonds since 2004 for the construction of five “Super Projects”: US-95 widening in Las Vegas, I-515/Beltway Interchange in Henderson, Hoover Dam Bypass, I-580 Reno to Carson Freeway, and the Carson City Freeway. Currently, the State has approximately \$441 million of highway revenue bonds outstanding.

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APPENDIX A

**State of Nevada
History of State Highway Fund Revenues,
Expenditures and Changes in Fund Balances
(000's omitted)**

	2009	2010	2011	2012	2013
Revenues:					
Intergovernmental	\$370,381	\$456,360	\$564,571	\$527,123	\$375,228
Other taxes ⁽¹⁾	207,589	213,078	218,898	197,412	206,233
Licenses, fees and permits	177,966	176,974	171,406	181,307	183,328
Sales and charges for services	14,418	14,269	13,184	13,934	13,860
Interest and investment income	2,743	1,177	854	3,034	650
Other	25,449	17,209	13,074	21,911	33,618
Total revenues	798,546	879,067	981,987	944,721	812,917
Expenditures:					
Current:					
General government	1,428	-	-	-	-
Law, justice and public safety	161,827	155,251	151,334	151,312	149,803
Transportation	747,425	691,931	751,647	846,335	578,231
Intergovernmental	29,783	58,527	58,721	80,450	87,244
Debt Service: ⁽²⁾					
Principal	96	100	104	53	-
Interest	14	11	7	2	2
Total expenditures	940,573	905,820	961,813	1,078,152	815,280
Excess (deficiency) of revenues over expenditures	(142,027)	(26,753)	20,174	(133,431)	(2,363)
Other Financing Sources (Uses):					
Proceeds from sale of bonds	20,001	-	-	-	-
Proceeds from capitol leases	585	16	-	-	-
Operating transfers in	17,289	1,785	6,473	6,470	4,806
Operating transfers out	(21,730)	(13,841)	(9,066)	(7,161)	(7,494)
Total other financing sources (uses)	16,145	(12,040)	(2,593)	(691)	(2,688)
Excess deficiency of revenues and other financing sources over expenditures and other financing uses	(125,882)	(38,793)	17,581	(134,122)	(5,051)
Fund balances, July 1	435,274	309,392	270,599	288,180	154,058
Fund balances, June 30	\$309,392	\$270,599	\$288,180	\$154,058	\$149,007

⁽¹⁾ This line item includes the Fuel Taxes reported in the table under "STATE FUNDING - Fuel Taxes" in this Part III.

⁽²⁾ This does not refer to debt service on the Parity Securities, but to debt service payments on other Highway Fund obligations.