

**RECEIVED**

APR 20 2009

**Las Vegas Monorail Co**

**WELLS  
FARGO**

*Wells Fargo Bank, N.A.  
Corporate Trust Services  
Special Accounts Group  
MAC N9311-115  
625 Marquette Avenue  
Minneapolis, MN 55479*

April 14, 2009

**NOTICE TO HOLDERS OF**

**DIRECTOR OF THE STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
LAS VEGAS MONORAIL PROJECT REVENUE BONDS  
3<sup>rd</sup> TIER SERIES 2000**

**CUSIP NUMBER: 25457V BF2**

**Introduction**

Wells Fargo Bank, National Association, currently serves as trustee (the "Trustee") under the Subordinate Indenture, dated as of September 1, 2000 (the "Subordinate Indenture"), between the Trustee and the Director of the State of Nevada Department of Business and Industry (the "Issuer"), pursuant to which the Issuer's Las Vegas Monorail Project Revenue Bonds 3<sup>rd</sup> Tier Series 2000 A-I (the "3<sup>rd</sup> Tier Bonds") were issued and are outstanding.

The Trustee also currently serves as trustee under the Senior Indenture, dated as of September 1, 2000 (the "Senior Indenture") between the Trustee and the Issuer, pursuant to which the Issuer's 1<sup>st</sup> Tier (the "1<sup>st</sup> Tier Bonds") and 2<sup>nd</sup> Tier (the "2<sup>nd</sup> Tier Bonds") Series 2000 Las Vegas Monorail Project Revenue Bonds (the 1<sup>st</sup> Tier Bonds and 2<sup>nd</sup> Tier Bonds are collectively referred to as the "Senior Bonds" and together with the 3<sup>rd</sup> Tier Bonds are referred to as the "Bonds"), were issued and are outstanding. The proceeds of the Bonds were used for financing (in part) of the acquisition, construction, improvement and/or equipping of a four-mile dual guideway monorail system in Las Vegas, Clark County, Nevada (the "Project"). The Issuer loaned the proceeds of the Bonds to Las Vegas Monorail Company, a non-profit corporation organized under the laws of the State of Nevada (the "Borrower"), pursuant to a Financing Agreement, dated as of September 1, 2000, between the Issuer and the Borrower (the "Financing Agreement").

**The Borrower Failed to Deposit Sufficient Revenues from Operations  
to Pay Debt Service on Senior Bonds Scheduled for  
January 1 and July 1, 2008 and January 1, 2009**

The Borrower is in default of certain obligations under the Financing Agreement, the Senior Indenture and the Subordinate Indenture. In particular, the Borrower has failed to fund debt service in sufficient amounts to pay interest and principal on the Senior Bonds as they come due. Section 4.2(a)(i) of the Financing Agreement requires the Borrower to pay to the Trustee, on or before the last Business Day of each month, sums sufficient to fund debt service on the Senior Bonds and replenish the Debt Service Reserve shortfalls (over twelve months). Specifically, the Financing Agreement requires monthly payments from the Borrower sufficient to pay the following (in order of priority):

1. Into the 1<sup>st</sup> Tier Debt Service Fund, one-sixth of the interest and one-twelfth of the principal next coming due on the 1<sup>st</sup> Tier Bonds;

2. Into the 1<sup>st</sup> Tier Debt Service Reserve (the "1<sup>st</sup> Tier DSRF"), one-twelfth of the total amount necessary to restore the 1<sup>st</sup> Tier DSRF to the Debt Service Reserve Requirement for the 1<sup>st</sup> Tier Bonds;
3. Into the 2<sup>nd</sup> Tier Debt Service Fund, one-sixth of the interest and one-twelfth of the principal next coming due on the 2<sup>nd</sup> Tier Bonds;
4. Into the 2<sup>nd</sup> Tier Debt Service Reserve (the "2<sup>nd</sup> Tier DSRF"), one-twelfth of the total amount necessary to restore the 2<sup>nd</sup> Tier DSRF to the Debt Service Reserve Requirement for the 2<sup>nd</sup> Tier Bonds.

The Borrower failed to make sufficient payments to satisfy the requirements of Section 4.2(a)(i) and consequently, on January 2, 2008, on July 1, 2008 and again on January 1, 2009, the Trustee withdrew from the 1<sup>st</sup> Tier DSRF and the 2<sup>nd</sup> Tier DSRF amounts sufficient to make up the deficiency in the respective Debt Service Funds.

**Concerns About the Sufficiency of Revenues from Operations and Moneys  
 Held in Reserves to Make Future Scheduled Debt Service Payments**

The Borrower has since failed to make sufficient payments to satisfy the requirements of Section 4.2(a)(i) of the Financing Agreement. Since January 2008, in every month the amount of revenues available to be applied to debt service has been less than that required under §5.03(a) of the Senior Indenture to fund 1<sup>st</sup> Tier debt service. The Trustee has therefore transferred the entire balance of the available revenues on deposit in the Revenue Fund each month to the 1<sup>st</sup> Tier Debt Service Fund. No revenues have been available to replenish the 1<sup>st</sup> Tier DSRF, to fund the 2<sup>nd</sup> Tier Debt Service Fund, or to replenish the 2<sup>nd</sup> Tier DSRF.

These failures to fund debt service and replenish the Debt Service Reserves constitute Events of Default under the Financing Agreement, the Senior Indenture and the Subordinate Indenture. These Events of Default are continuing.

The Trustee holds in trust certain funds and accounts, as provided for in the Senior Indenture. As of April 9, 2009, the amounts held by the Trustee are as follows:

Revenue Fund	\$1,948,570.66
First-tier Debt Service Account	\$525,134.60
First-tier Debt Service Reserve	\$3,703,475.52
Second-tier Debt Service Account	0
Second-tier Debt Service Reserve	\$3,303,193.84
Indemnification Account	\$1,092,127.33
Construction Account	\$3,403,534.14
Removal Cost Escrow	\$7,891,563.36

On July 1, 2009, interest on the 1<sup>st</sup> Tier Bonds comes due in the amount of \$9,634,971.88 and interest on the 2<sup>nd</sup> Tier Bonds comes due in the amount of \$5,493,875.00.

The 1<sup>st</sup> Tier DSRF and the 2<sup>nd</sup> Tier DSRF do not have sufficient funds available to make the entire payment of interest coming due July 1, 2009. If the Borrower continues to fail to fully fund debt service on the 1<sup>st</sup> Tier and 2<sup>nd</sup> Tier Bonds, the Trustee will hold insufficient amounts to fully fund the 1<sup>st</sup> Tier and 2<sup>nd</sup> Tier interest payments due July 1, 2009. On that date, if there are insufficient funds available to pay interest due on the 1<sup>st</sup> Tier Bonds the Trustee will make demand on Ambac Assurance Corporation, as insurer of the 1<sup>st</sup> Tier Bonds, to fully fund the shortfall. If there are insufficient funds available to pay interest due on the 2<sup>nd</sup> Tier Bonds, the 2<sup>nd</sup> Tier Bonds will experience a payment default.

Failure of the Borrower to make sufficient payments under Section 4.2(a)(i) constitutes an Event of Default under Section 7.01(c) of the Subordinate Indenture.

### **Subordination of Third Tier Bonds**

The Subordinate Bonds are subordinate and junior in right of payment to the prior payment in full of the 1<sup>st</sup> Tier Bonds. Notwithstanding the above-described payment defaults, so long as any 1<sup>st</sup> Tier Bonds are outstanding, the Holders of the Third Tier Bonds have no right to institute any suit, action or proceeding at law or in equity to protect or enforce any right under the Subordinate Indenture.

### **The Scheduled Telephonic Meeting with Bondholders**

The Borrower and the Trustee will conduct a telephonic meeting for holders of the 3<sup>rd</sup> Tier Bonds on **Wednesday April 29, 2009 at 2:00 p.m. Eastern Daylight Savings Time (11:00 a.m. Pacific Daylight Savings Time)**. The purpose of the meeting is to allow the Borrower to report on the performance of the monorail and to discuss certain of the findings and recommendations of Michael Monaco, the Chief Restructuring Officer of the Borrower, as reported to the Borrower's Board of Directors. The call-in information for the meeting follows:

**Telephone No.: 1-866-751-5723**

**Conference ID: \*6673777 \* (the asterisk before and after the ID are required)**

The meeting will be recorded. Holders of the Bonds may contact the Trustee after the meeting to receive the telephone number and access code for the recording.

Any party in receipt of this Notice may direct questions by telephone to the Trustee at (612) 667-3777, or by mail addressed to:

Wells Fargo Bank, National Association  
Corporate Trust Department – Attn: Gavin Wilkinson  
MAC# N9311-115  
625 Marquette Avenue, 11<sup>th</sup> Floor,  
Minneapolis, MN 55479  
Email: gavin.wilkinson@wellsfargo.com

**Bondholders should not rely on the Trustee as their sole source of information. The Trustee makes no recommendations and gives no investment or legal advice herein or as to the Bonds generally.**

Dated: April 14, 2009.

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee