

# OFFICIAL STATEMENT DATED JUNE 20, 2008

## 2008 Series A

Ratings: See "Ratings" herein.  
FitchRatings: AAA  
Moody's Investors Service, Inc.: Aaa  
Standard & Poor's Ratings Services: AAA  
(FSA Insured)

## New Issue – Book-Entry-Only

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the 2008 Series A Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the 2008 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the 2008 Series A Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of or accrual or receipt of interest on the 2008 Series A Bonds. See "Tax Exemption" herein.

## NEW HAMPSHIRE MUNICIPAL BOND BANK \$42,310,000 2008 Series A Bonds

**Dated**  
**Date of Delivery**

**Due**  
**August 15,**  
**(as shown below)**

The 2008 Series A Bonds will be issued by means of a book-entry only system evidencing ownership and transfer of the 2008 Series A Bonds on the records of The Depository Trust Company ("DTC"), New York, New York (the "Securities Depository"), and its participants. Purchases of the 2008 Series A Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See "THE 2008 SERIES A BONDS – Book-Entry Only System" herein. The principal of and semi-annual interest on the 2008 Series A Bonds are payable by Chittenden Trust Company, Burlington, Vermont, as Trustee and Paying Agent, to the Securities Depository.

Interest on the 2008 Series A Bonds will be payable semi-annually on each February 15 and August 15 until maturity, commencing February 15, 2009.

The 2008 Series A Bonds are subject to redemption prior to their stated dates of maturity as set forth herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC.



### MATURITIES, PRINCIPAL AMOUNTS, PRICES OR YIELDS, AND CUSIPS

Due August 15	Principal Amount	Interest Rate	Yield	Cusip # 64465P	Due August 15	Principal Amount	Interest Rate	Yield	Cusip # 64465P
2009	\$ 2,220,000	4.00	% 2.25	CS5	2024	\$ 1,665,000	4.25	% 4.40	DH8
2010	2,275,000	4.00	2.53	CT3	2025	1,700,000	4.375	4.45	DJ4
2011	2,295,000	5.00	2.87	CU0	2026	1,735,000	4.375	4.50	DK1
2012	2,310,000	5.00	3.13	CV8	2027	1,780,000	4.50	4.55	DL9
2013	2,335,000	5.25	3.23	CW6	2028	1,820,000	4.50	4.60	DM7
2014	2,245,000	5.25	3.37	CX4	2029	220,000	4.50	4.64	DN5
2015	2,265,000	5.25	3.51	CY2	2030	230,000	4.50	4.68	DP0
2016	2,285,000	5.25	3.64	CZ9	2031	240,000	4.50	4.71	DQ8
2017	2,310,000	5.25	3.77	DA3	2032	255,000	4.50	4.73	DR6
2018	2,350,000	5.25	3.89	DB1	2033	265,000	4.50	4.74	DS4
2019	1,680,000	5.00	4.00	DC9	2034	260,000	4.50	4.75	DT2
2020	1,625,000	4.125	4.16	DD7	2035	275,000	4.50	4.76	DU9
2021	1,655,000	4.125	4.24	DE5	2036	290,000	4.50	4.77	DV7
2022	1,690,000	4.25	4.30	DF2	2037	310,000	4.50	4.78	DW5
2023	1,725,000	4.25	4.35	DG0					

The 2008 Series A Bonds are offered, when, as and if issued by the New Hampshire Municipal Bond Bank and accepted by the original purchasers thereof, subject to prior sale, to withdrawal or modification of the offer without notice and to approval as to legality by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the Bank and certain other conditions. First Southwest Company, Boston, Massachusetts, has acted as Financial Advisor. It is expected that the 2008 Series A Bonds in definitive form will be available for delivery at DTC on or about July 17, 2008.

**MERRILL LYNCH & CO.**

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and specimen "Municipal Bond Insurance Policy" herein, none of the information in the Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

**FOR NEW HAMPSHIRE RESIDENTS: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

No dealer, broker, salesperson or other person has been authorized by the New Hampshire Municipal Bond Bank, or the Financial Advisor to give any information or to make any representations, other than those 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 any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2008 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such **offer, solicitation or sale.**

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The information and expressions of opinion in this Preliminary Official Statement are subject to change without notice. Neither the delivery of this Preliminary Official Statement nor any sale of the 2008 Series A Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Bank since the date of this Preliminary Official Statement.

## SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in this Official Statement.

### THE BONDS

**The Issue** \$42,310,000 2008 Series A Bonds (the “2008 Series A Bonds”) offered by the New Hampshire Municipal Bond Bank (the “Bank”) through a competitive sale.

**Security for the Bonds** The 2008 Series A Bonds are valid, general obligations of the Bank and the full faith and credit of the Bank are pledged for the punctual payment of the principal of, premium, if any, and interest thereon. The 2008 Series A Bonds, and the other bonds ranking on a parity therewith which may be issued pursuant to the 2005 General Resolution (hereinafter defined) will be further secured by the pledge of the Municipal Bonds that may be purchased by the Bank with the proceeds of the Bonds to be issued pursuant to the 2005 General Resolution from time to time and all funds and accounts established under the 2005 General Resolution. The 2008 Series A Bonds are the sixth issue of Bonds to be issued under the 2005 General Resolution. The 2005 General Resolution creates a continuing pledge and lien to secure the full and final payment of the principal of, premium, if any, and interest on all of the Bonds issued pursuant to the 2005 General Resolution, including a pledge of the Municipal Bonds purchased by the Bank from the Governmental Units. The 2008 Series A Bonds are further secured by the moneys in the Bank's Reserve Fund established under the 2005 General Resolution which requires that the Reserve Fund be maintained in an amount equal, in the case of the 2008 Series A Bonds, to the least of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. The Bank may in its sole discretion, establish, change, reduce or increase the Required Debt Service Reserve with respect to a Series of Bonds, from time to time by adoption of a Series Resolution, provided, however, that the Bank may only reduce the Required Debt Service Reserve after the Bank has made at least one hundred (100) Loans and no one Governmental Unit is responsible for the repayment of Loans with an aggregate principal amount in excess of 25% of the aggregate principal amount of the Outstanding Bonds, and in no event may the Bank reduce this amount below the greater of (a) the Required Debt Service Reserve established with respect to the first Series of Bonds to be issued pursuant to the Resolution and (b) one-half of the maximum annual Debt Service with respect to all Bonds Outstanding in the then current or any succeeding Fiscal Year.

The 2008 Series A Bonds are not guaranteed by the State of New Hampshire (the “State”) and the State is not obligated to pay the principal of or interest on the Bonds issued pursuant to the 2005 General Resolution, and neither the full faith and credit nor the taxing power of the State is pledged to the payment of the principal of or the interest on the Bonds.

The loans to be made with proceeds of the 2008 Series A Bonds are listed in APPENDIX B herein.

At the time of original delivery of the 2008 Series A Bonds, Financial Security Assurance Inc. (“FSA”) is expected to deliver its municipal bond insurance policy with respect to the 2008 Series A Bonds. See “APPENDIX G – FSA Bond Insurance”. In addition, FSA is expected to deliver a debt service reserve fund surety bond to the Trustee to be held for the benefit of the Reserve Fund, which surety bond will constitute a Credit Facility under the 2005 Resolution. See “APPENDIX G - FSA Reserve Fund Surety Policy”.

**Interest Payment Dates** Interest on the 2008 Series A Bonds will be payable semi-annually on each February 15 and August 15 until maturity, commencing February 15, 2009.

**Record Date** The record date for each payment of interest on the 2008 Series A Bonds is the last business day of the month preceding the applicable interest payment date.

<b>Maturities</b>	The Bonds mature in the amounts and on the dates shown on the cover page of this Official Statement.
<b>Redemption</b>	The 2008 Series A Bonds are subject to redemption prior to their stated dates of maturity as set forth under the caption "THE 2008 SERIES A BONDS- Redemption".
<b>Application of Proceeds</b>	Proceeds from the sale of the 2008 Series A Bonds will be used (i) to purchase Municipal Bonds from various Governmental Units, (ii) to provide for the Required Debt Service Reserve, and (iii) to pay certain costs of issuance with respect thereto. See "PLAN OF FINANCING – Application of Proceeds" herein.
<b>Tax Exemption</b>	Under existing law and assuming continued compliance with the Internal Revenue Code of 1986, as amended, the interest on the 2008 Series A Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for the purpose of computing the alternative minimum tax imposed on individuals and corporations. However, interest on the 2008 Series A Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed upon certain corporations. The 2008 Series A Bonds and the interest thereon are exempt from taxation imposed by the State of New Hampshire except for transfer, inheritance and estate taxes. For federal income tax purposes, interest includes original issue discount. See "TAX EXEMPTION" and "APPENDIX D - Proposed Form of Legal Opinion" herein.

### **THE NEW HAMPSHIRE MUNICIPAL BOND BANK**

<b>Creation</b>	The New Hampshire Municipal Bond Bank was created in 1977 by Chapter 35-A of the New Hampshire Revised Statutes Annotated as a public body corporate and politic and an instrumentality exercising essential governmental functions of the State.
<b>Purposes</b>	To provide adequate markets and facilities for the borrowing of money by Governmental Units for their public improvements and other municipal purposes through the direct purchase by the Bank of the Governmental Units' Municipal Bonds with the proceeds of the sale of the Bank's bonds.
<b>Membership and Staff</b>	The Bank consists of five directors, including the New Hampshire State Treasurer, who is a director ex officio, and four directors appointed by the Governor and Council. The Bank's staff is managed by an Executive Director, who also serves as Secretary of the Bank.
<b>Financial Position</b>	The 2008 Series A Bonds are the sixth issue of Bonds under the 2005 General Resolution and are secured separately from bonds of the Bank previously issued pursuant to its 1978 General Resolution and its 1979 General Resolution (State Guaranteed Municipal Bonds Issue), each as hereafter defined.

**OFFICIAL STATEMENT  
of the  
NEW HAMPSHIRE MUNICIPAL BOND BANK  
Relating to  
\$42,310,000 2008 Series A Bonds**

**INTRODUCTION**

This Official Statement is provided for the purpose of presenting information concerning the New Hampshire Municipal Bond Bank (the "Bank") in connection with the sale of \$42,310,000 2008 Series A Bonds (the "2008 Series A Bonds"). The 2008 Series A Bonds are issued pursuant to the New Hampshire Municipal Bond Bank Law, as amended, being Chapter 35-A of the New Hampshire Revised Statutes Annotated (the "Act").

**The 2008 Series A Bonds**

The 2008 Series A Bonds are to be issued under and are to be secured pursuant to the Bank's General Bond Resolution adopted July 14, 2005, as the same may be amended or supplemented from time to time (the "2005 General Resolution"), and its 2008 Series A Series Resolution (the "2008 Series A Series Resolution") adopted on June 13, 2008. The 2005 General Resolution and the 2008 Series A Series Resolution are sometimes collectively referred to herein as the "2005 Resolution". The 2008 Series A Bonds are the sixth issue of Bonds as hereinafter defined under and pursuant to the 2005 General Resolution. Additional series of Bonds may be issued by the Bank on a parity with the 2008 Series A Bonds provided that each additional series will be authorized and secured pursuant to a series resolution adopted in accordance with and under the provisions of the 2005 General Resolution and the Act. The 2008 Series A Bonds and any additional bonds issued under the 2005 General Resolution (referred to collectively herein as "Bonds"), constitute general obligations of the Bank, and the full faith and credit of the Bank are pledged to the payment of principal, premium, if any, and interest thereon.

The 2008 Series A Bonds are not guaranteed by the State of New Hampshire (the "State") and the State is not obligated to pay the principal of or interest on the 2008 Series A Bonds, and neither the full faith and credit nor the taxing power of the State is pledged to the payment of the principal of or the interest on the 2008 Series A Bonds. Attention is directed to Appendix A which contains definitions of certain terms used in this Official Statement.

At the time of original delivery of the 2008 Series A Bonds, Financial Security Assurance Inc. ("FSA") is expected to deliver its municipal bond insurance policy and a debt service reserve fund surety bond to the Trustee to be held for the benefit of the Reserve Fund, which surety bond will constitute a Credit Facility under the 2005 Resolution. See "APPENDIX G - FSA Insurance and Reserve Fund Surety Policy". The Bank will pay for the cost of both policies.

**PLAN OF FINANCING**

The 2008 Series A Bonds are being issued to: (i) purchase Municipal Bonds from New Hampshire Governmental Units, (ii) provide for the Required Debt Service Reserve, and (iii) pay certain costs of issuance with respect thereto.

**Purchase of Municipal Bonds**

The 2005 General Resolution requires that the Bank receive approving opinions from bond counsel to each Governmental Unit with respect to Municipal Bonds being purchased by the Bank to the effect that such Municipal Bonds are payable as to both principal and interest from ad valorem taxes, which may be levied without limit as to rate or amount upon all the property within the territorial limits of each such Governmental Unit and taxable by it. No representation is made by the Bank as to the completeness or accuracy of the information set forth therein.

## Certain Borrower Information

Set forth in Appendix B is a listing of the Governmental Units having received a Loan under the 2005 General Resolution, or receiving a Loan from proceeds of the 2008 Series A Bonds. Set forth in Appendix C is certain information with respect to each Governmental Unit constituting an obligated person (within the meaning of Rule 15c2-12 of the Securities and Exchange Commission) with respect to Bonds issued pursuant to the 2005 General Resolution. See "CONTINUING DISCLOSURE" herein.

## Application of Proceeds

The proceeds of the sale of the 2008 Series A Bonds are expected to be applied as follows:

	<u>2008 Series A Bonds</u>
<b>SOURCES OF FUNDS</b>	
Par Amount of Bonds	\$ 42,310,000.00
Net Original Issue Premium	1,789,658.50
Total Sources	<u>\$ 44,099,658.50</u>
<b>USES OF FUNDS</b>	
Loans to Governmental Units	\$ 42,310,000.00
Premium to Governmental Units	1,271,701.00
Surety Bond	68,016.63
Bond Insurance Premium	215,181.63
Underwriter's Discount	148,959.12
Cost of Issuance and Qualified Administrative Expenses	85,800.12
Total Uses	<u>\$ 44,099,658.50</u>

In accordance with the provisions of the 2005 General Resolution, the amount on deposit in the Reserve Fund will be at least equal, in the case of the 2008 Series A Bonds, to the least of (i) 10% of the aggregate original net proceeds of each Series of Bonds Outstanding, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. Thereafter, the Required Debt Service Reserve shall equal an amount determined from time to time by the Bank as a reasonable reserve for the payment of principal of and interest on each Series of Bonds then Outstanding. The Bank may in its sole discretion, establish, change, reduce or increase the Required Debt Service Reserve with respect to a Series of Bonds, from time to time by adoption of a Series Resolution, provided, however, that the Bank may only reduce the Required Debt Service Reserve after the Bank has made at least one hundred (100) Loans and no one Governmental Unit is responsible for the repayment of Loans with an aggregate principal amount in excess of 25% of the aggregate principal amount of the Outstanding Bonds, and in no event may the Bank reduce this amount below the greater of (a) the Required Debt Service Reserve established with respect to the first Series of Bonds to be issued pursuant to the Resolution and (b) one-half of the maximum annual Debt Service with respect to all Bonds Outstanding in the then current or any succeeding Fiscal Year.

## THE 2008 SERIES A BONDS

### Description

The 2008 Series A Bonds are dated as of their date of delivery, and will mature on the dates and in the years and principal amounts, and bear interest at the rates per annum as set forth on the cover page of this Official Statement. Each of the 2008 Series A Bonds shall bear interest from its date. Interest on the Bonds will be payable semi-annually on each February 15 and August 15 until maturity, commencing February 15, 2009.

The 2008 Series A Bonds are issuable only in fully registered form, without coupons, and, when issued will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2008 Series A Bonds. Purchases of the 2008 Series A Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, and purchasers will not receive certificates representing their interests in 2008 Series A Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the 2008 Series A Bonds. (See "Book-Entry Only System" herein.)

## **Redemption**

### **Optional Redemption**

The 2008 Series A Bonds maturing on and before August 15, 2018 are not subject to optional redemption prior to their stated dates of maturity. The 2008 Series A Bonds maturing on or after August 15, 2019 are subject to redemption prior to their stated dates of maturity on and after August 15, 2018 at the option of the Bank, in whole or in part at any time, and if in part, by lot within a maturity at the par amount of the 2008 Series A Bonds to be redeemed plus accrued interest to the redemption date.

### **Notice of Redemption**

Notice of any redemption of the 2008 Series A Bonds prior to their stated maturities, specifying the 2008 Series A Bonds (or the portions thereof) to be redeemed and the place of payment shall be mailed to each registered owner of the 2008 Series A Bonds to be redeemed not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants or Indirect Participants to notify the Beneficial Owners shall not affect the validity of the redemption.

## **Book-Entry Transfer System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2008 Series A Bonds. The 2008 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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, 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

Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of 2008 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2008 Series A 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 2008 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2008 Series A Bonds, except in the event that use of the book-entry system for the 2008 Series A Bonds is discontinued.

To facilitate subsequent transfers, all securities 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 securities 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 securities deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities 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.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2008 Series A 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 issuer of such securities or its paying agent, on the 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 Participants and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its 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 2008 Series A Bonds at any time by giving reasonable notice to the Bank or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bank believes to be reliable, but the Bank takes no responsibility for the accuracy thereof.

## **SECURITY FOR THE 2008 SERIES A BONDS**

### **General Obligations of the Bank**

In the opinion of Bond Counsel, the 2008 Series A Bonds will constitute general obligations of the Bank, and the full faith and credit of the Bank are pledged for the payment of principal, redemption price, if any, and interest thereon. The 2008 Series A Bonds and other bonds ranking on a parity therewith, which may be issued under the 2005 General Resolution, will be further secured by the pledge of the Municipal Bonds expected to be purchased by the Bank from time to time with the proceeds of Bonds to be issued in accordance with the 2005 General Resolution and the amount paid or required to be paid by the Governmental Units to the Bank pursuant to the Loan Agreements for principal and interest on such Municipal Bonds (the "Municipal Bonds Payments") and the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the 2005 General Resolution.

Additional series of Bonds may be authorized and issued by the Bank pursuant to the 2005 General Resolution on a parity with the 2008 Series A Bonds. The State is not obligated to pay the principal, premium, if any, or interest on any Bonds and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or the interest on any of the Bonds.

### **Pledge of Municipal Bonds and Municipal Bonds Payments**

To secure the payment of the principal of, premium, if any, and interest on the Bonds, the Bank pledges the Municipal Bonds Payments for the benefit of the holders of the Bonds. The respective Municipal Bonds and the respective Municipal Bonds Payments, the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the 2005 General Resolution are pledged for the payment of the principal of, premium, if any, and interest on the Bonds in accordance with the terms and provisions of the 2005 General Resolution. The pledge of such Municipal Bonds and Municipal Bonds Payments shall be valid and binding from and after the date of adoption of the 2005 General Resolution, and such Municipal Bonds and Municipal Bonds Payments shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bank, irrespective of whether such parties have notice thereof.

The State has pledged and agreed with the holders of the bonds or notes of the Bank pursuant to the Act that it will not limit or restrict the rights vested in the Bank by the Act to purchase, acquire, hold, sell or dispose of Municipal Bonds or other investments or to make Loans to Governmental Units or to establish and collect such fees or other charges as may be convenient or necessary to produce sufficient revenues to meet the expenses of operation of the Bank, and to fulfill the term of any agreements made with the holders of the Bank's bonds or notes or in any way impair the rights or remedies of the holders of such bonds or notes until the bonds and notes, together with interest thereon, and interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders are fully met, paid and discharged.

The 2008 Series A Bonds constitute the sixth issue of Bonds under and pursuant to the 2005 General Resolution. To date the Bank has issued \$200,526,000 pursuant to the 2005 General Resolution, of which \$193,131,000 are currently outstanding.

All bonds issued under the 2005 General Resolution (including the 2008 Series A Bonds) are secured separately from bonds issued under the Bank's General Bond Resolution adopted December 1, 1978 (the "1978 General Resolution") and from bonds issued under the Bank's General Bond Resolution (State Guaranteed Municipal Bonds Issue Resolution) adopted December 20, 1979 (the "1979 General Resolution (State Guaranteed Municipal Bonds Issue)"). Pursuant to the 1978 General Resolution, the Bank has issued bonds in the amount of \$2,014,725,000 of which \$682,560,000 are presently outstanding. Pursuant to the 1979 State Guaranteed Municipal Bonds Issue General Resolution, the Bank has issued bonds in the amount of \$428,832,516 of which \$29,355,511 are presently outstanding.

## Reserve Funds

Pursuant to the Act and the 2005 General Resolution, the Bank created and established a special bond reserve fund to secure all bonds issued under the 2005 General Resolution (such reserve fund is hereafter referred to as the "Reserve Fund"). The Act provides that there shall be deposited in each Reserve Fund:

- (i) All moneys appropriated and made available by the State for the purpose of the Reserve Fund;
- (ii) All proceeds of notes or bonds to the extent provided in the respective Resolution of the Bank authorizing the issuance thereof; and
- (iii) Any other moneys which may be available to the Bank for the purpose of the Reserve Fund from any other source.

Moneys in the Reserve Fund with respect to Bonds issued pursuant to the 2005 General Resolution, shall be held and applied solely to the payment of the interest on, premium, if any, and principal of Bonds issued and to be issued pursuant to the 2005 General Resolution, as the same become due and payable and for the retirement of such Bonds. Moneys may not be withdrawn if such withdrawal reduces the amount in the applicable Reserve Fund to an amount less than the Required Debt Service Reserve, except for payment when due of principal, premium, if any, and interest with respect to Bonds for the payment of which other moneys of the Bank are not available. The Required Debt Service Reserve, as of any date of calculation, means the amount required to be on deposit in the Reserve Fund (which amount may be provided through proceeds of Bonds issued from time to time, the provision of a Credit Facility or Credit Facilities, which such Credit Facilities shall be rated in any of the two highest ratings categories, without regard to distinctions within such categories, by at least one of the following: Moody's, Fitch or Standard & Poor's), which amount shall equal, in the case of the 2008 Series A Bonds, the least of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. For all other Series of Bonds issued after the issuance of the Series 2008 Series A Bonds, the Required Debt Service Reserve shall equal an amount determined from time to time by the Bank as a reasonable reserve for the payment of principal of and interest on each Series of Bonds then Outstanding. The Bank may in its sole discretion, establish, change, reduce or increase the Required Debt Service Reserve with respect to a Series of Bonds, from time to time by adoption of a Series Resolution, provided, however, that the Bank may only reduce the Required Debt Service Reserve after the Bank has made at least one hundred (100) Loans and no one Governmental Unit is responsible for the repayment of Loans with an aggregate principal amount in excess of 25% of the aggregate principal amount of the Outstanding Bonds, and in no event may the Bank reduce this amount below the greater of (a) the Required Debt Service Reserve established with respect to the first Series of Bonds to be issued pursuant to the Resolution and (b) one-half of the maximum annual Debt Service with respect to all Bonds Outstanding in the then current or any succeeding Fiscal Year. So long as the Required Debt Service Reserve is satisfied, the Bank may elect, from time to time, to deposit cash in place of any Credit Facility held as part of the Reserve Fund, or to replace cash held as part of the Reserve Fund with a Credit Facility.

Section 12 of the Act provides that in order to assure the continued operation and solvency of the Bank for carrying out its corporate purposes, the Chairman of the Bank shall, not later than the twentieth legislative day of each session of the General Court, submit to the Chairman of the House Appropriations Committee a written request for an appropriation for the sum, if any, required to ensure that the amount on deposit in each Reserve Fund equals the Required Debt Service Reserve for such Reserve Fund. The Chairman of the House Appropriations Committee shall process the request for legislative action. The Bank has covenanted in the 2005 General Resolution to comply with this provision of the Act relating to the making and delivery by the Chairman of the Bank of such written request and to deposit all moneys received pursuant to such request in the Reserve Fund. While Section 12 of the Act requires the Chairman of the House Appropriations Committee to process such request for legislative action, it does not bind or obligate the State legislature or the State to appropriate and pay such moneys to the Bank. Bond Counsel to the Bank is of the opinion that such provisions of the Act are constitutional and any funds appropriated

thereunder would be appropriated for a proper public purpose and may be validly applied as provided in the 2005 General Resolution. All amounts thus paid to the Bank by the State pursuant to Section 12 of the Act shall constitute and be accounted for as advances by the State to the Bank and, subject to the rights of the holders of any bonds or notes of the Bank, shall be repaid to the State without interest from all available operating revenues of the Bank in excess of amounts required for the payment of obligations of the Bank, maintenance of the Required Debt Service Reserve and payment of operating expenses.

### **Debt Service Reserve Fund Surety Policies**

In accordance with the 2005 General Resolution, the Bank may determine to satisfy the Required Debt Service Reserve with either proceeds of Bonds issued from time to time, the provision of a Credit Facility or Credit Facilities, or any combination of the foregoing. The provider of any Credit Facility, at the time of its purchase by the Bank, shall be rated in the highest rating category by Moody's and Standard & Poor's, and if such provider is rated by A.M. Best & Company, it shall also be rated in the highest applicable A.M. Best & Company rating category. The 2005 General Resolution does not require the replacement of a Credit Facility in the event of a provider downgrade. The Bank has satisfied the Required Debt Service Reserve for each series of Bonds issued under the 2005 General Resolution with Credit Facilities provided by various providers, some of which have been downgraded since original purchase. The table below sets forth the name of the provider of each of the Bank's Credit Facilities, the amount of each such Credit Facility, and the current ratings of each provider assigned by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch").

<u>Provider</u>	<u>Amount</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>
MBIA	\$3,423,250	A2	AA	AA
FGIC	5,024,134	Baa3	BB	BBB
FGIC	1,758,791	Baa3	BB	BBB
MBIA	4,824,180	A2	AA	AA
FSA	699,604	Aaa	AAA	AAA
FSA	2,720,665	Aaa	AAA	AAA

The ratings set forth above are as of the date of this Official Statement and are subject to change, suspension or withdrawal at any time by each respective rating agency.

The Moody's rating assigned to Credit Facilities provided by FGIC is on review for a possible downgrade, while a negative watch or outlook has been assigned by S&P and Fitch to ratings of FGIC Credit Facilities. The Moody's, S&P and Fitch ratings assigned to Credit Facilities provided by MBIA also contain negative watch or outlook designations as of the date of this Official Statement.

### **Enforcement of Municipal Bonds**

The 2005 General Resolution provides that the Bank shall diligently enforce and take all reasonable action and proceedings necessary for the enforcement of all terms, covenants and conditions of all Loan Agreements, as more fully described below, and the Municipal Bonds evidencing Loans made by the Bank. These actions include the prompt collection of payments due to the Bank and the giving of notice to the State Treasurer of any failure or default of any Governmental Unit in the payment of its Municipal Bonds or of its Fees and Charges.

The Act provides that at any time after written notice from the Bank to the State Treasurer to the effect that a Governmental Unit has not paid or is in default as to the payment of principal of or interest on any Municipal Bonds then held or owned by the Bank, the State Treasurer shall withhold from such Governmental Unit the payment of any funds or moneys in the State Treasurer's custody until the amount of such principal or interest then due and unpaid has been paid to the Bank, or until the State Treasurer has been advised that arrangements satisfactory to the Bank have been made for the payment of such principal and interest.

It is further provided in the Act that certain funds or moneys in the custody or control of the State Treasurer, to the extent that any such funds or moneys are applicable with respect to Municipal Bonds of a particular Governmental Unit that are then owned or held by the Bank and as to which such Governmental Unit has failed or defaulted to make payment of principal or interest as and when due, shall be paid to the Bank for deposit in the applicable Reserve Fund and made available to the Bank. The funds or moneys include funds or moneys that become available by reason of any grant, allocation or appropriation by the United States of America or the State or agencies thereof to assist any Governmental Unit in payment of its Municipal Bonds owned or held by the Bank, or are required by the terms of any other law to be paid to holders or owners of Municipal Bonds of a Governmental Unit upon failure or default of a Governmental Unit to pay the principal of or interest on its Municipal Bonds as and when due and payable.

Section 30 of the Act provides that upon the sale and issuance of any Municipal Bonds to the Bank by any Governmental Unit such Governmental Unit shall be held and be deemed to have agreed that in the event such Governmental Unit fails to pay as and when due and payable the interest on or the principal of any such Municipal Bonds owned or held by the Bank, such Governmental Unit shall have waived all and any defenses to such nonpayment, and, upon demand, if funds are not available in its treasury to pay the same, the governing body of such Governmental Unit shall forthwith assess a tax upon the assessment roll of such Governmental Unit sufficient to pay the same with 12% interest thereon, and cause the same to be collected within 60 days and notwithstanding the provisions of any other law to the contrary, the Bank upon such repayment may avail itself of all other applicable rights, remedies and provisions of law.

## **THE NEW HAMPSHIRE MUNICIPAL BOND BANK**

The New Hampshire Municipal Bond Bank was created by the Act as a public body corporate and politic and is constituted as an instrumentality exercising public and essential governmental functions of the State. The Bank and its corporate existence shall continue until terminated by law, provided, however, that no such law shall take effect so long as the Bank shall have bonds, notes or other obligations outstanding, unless adequate provision has been made for the payment thereof. Upon termination of the existence of the Bank, all its rights and properties shall pass to and be vested in the State.

### **Purposes, Powers and Procedures of the Bank**

The Act declares that it is the policy of the State to foster and promote by all reasonable means the provision of adequate markets and facilities for the borrowing of money by Governmental Units for their public improvements and other municipal purposes. In furtherance of this policy, the Bank is empowered to issue its bonds to make funds available to such Governmental Units through the purchase by the Bank of their Municipal Bonds. The purchase of Municipal Bonds by the Bank is administered by its municipal division.

Pursuant to the 2005 General Resolution, the Bank is authorized to issue bonds for the purpose of providing funds to make loans to Governmental Units having the power to levy taxes. Such loans are made through the direct purchase by the Bank from such Governmental Units of their Municipal Bonds. Municipal Bonds purchased from the proceeds of bonds issued pursuant to the 2005 General Resolution shall be general obligations of the Governmental Units, but each Governmental Unit shall be obligated only with respect to its own Municipal Bonds and not as to any other Governmental Unit's Municipal Bonds.

Under current procedures adopted by the Bank, each Governmental Unit requesting the Bank to purchase its Municipal Bonds is required to complete an application form containing certain information concerning the Governmental Unit and the Municipal Bonds proposed to be purchased. The directors of the Bank, in consultation with the executive director, discuss and accept or reject each application in an open meeting. If its application is approved, the Governmental Unit enters into a Loan Agreement with the Bank pursuant to which the Governmental Unit issues Municipal Bonds, each payment of principal and interest on which is equal to the annual amount of principal and interest required to be paid on that portion of the Bonds issued by the Bank for the purpose of purchasing the Municipal Bonds (the "Loan Obligations").

In considering requests by Governmental Units, the directors rely on the information contained in the applications, as well as additional information deemed relevant. The information considered by the directors includes, among other items: the amount of debt of each Governmental Unit, the amount by which such debt will be increased by the proposed purchase of the Governmental Unit's Municipal Bonds, the state and local valuation, tax levy and taxes receivable, the largest taxpayers, the largest employers in the locality, the population trends, and the economic outlook for the community. On the basis of such review, the Bank believes that each Governmental Unit whose Municipal Bonds the Bank has purchased has the ability to service such Municipal Bonds by the levy of ad valorem taxes. The directors of the Bank intend to follow similar procedures with respect to applications relating to Municipal Bonds purchased with future series of Bonds issued by the Bank. Reference is made to the section entitled "LOAN AGREEMENTS AND MUNICIPAL BONDS PAYMENTS" below.

Under the Act the Bank's powers include the following:

(1) To fix and prescribe any form of application or procedure to be required of a Governmental Unit for the purpose of any loan or the purchase of its Municipal Bonds, and to fix the terms and conditions of any such loan or purchase and to enter into agreements with Governmental Units with respect to any such loan or purchase;

(2) To purchase or hold Municipal Bonds at such prices and in such manner as the Bank shall deem advisable, and to sell Municipal Bonds acquired or held by it at such prices without relation to cost and in such manner as the Bank shall deem advisable;

(3) To borrow money and to issue its negotiable bonds or notes and to provide for and secure the payment thereof, and to provide for the rights of the holders thereof, and to purchase, hold and dispose of any of its bonds or notes;

(4) To the extent permitted under its contracts with the holders of bonds or notes of the Bank, to consent to any modification with respect to rate of interest, time and payment of any installment of principal or interest, security or any other term of bond or note, contract or agreement of any kind to which the Bank is a party;

(5) To invest any funds or moneys of the Bank not then required for loan to Governmental Units and for the purchase of Municipal Bonds, in the same manner as permitted for investment of funds belonging to the State or held in the State Treasury, except as otherwise permitted or provided by the Act (however, the 2005 General Resolution limits investments as hereinafter set forth);

(6) To fix and revise from time to time and charge and collect fees and charges for the use of its services or facilities;

(7) To make, enter into and enforce all contracts or agreements necessary, convenient or desirable for the purposes of the Bank or pertaining to any loan to a Governmental Unit or any purchase or sale of Municipal Bonds or other investments or to the performance of its duties and execution or carrying out of any of its powers under the Act; and

(8) To do all acts and things necessary, convenient or desirable to carry out the powers expressly granted or necessarily implied in the Act.

### **Organization and Membership of the Bank**

The membership of the Bank consists of five directors: the State Treasurer, who is a director ex officio, and four directors appointed by the Governor and Council, one of whom shall have a background in municipal finance. The four directors appointed by the Governor and Council serve for terms of five years except that vacancies shall be filled for the unexpired term. Each director shall hold office until his or her successor has been appointed and qualified.

The directors annually elect one of their number as Chairman and another as Vice-Chairman. The directors also elect a Secretary, a Treasurer, and a full-time Executive Director, who need not be directors. The same person may be elected to serve both as Secretary and Treasurer. The powers of the Bank are vested in the directors, three of whom constitute a quorum. Action may be taken and motions and resolutions adopted at any meeting of the Bank by the affirmative vote of at least three directors. A vacancy in the directorship of the Bank does not impair the right of a quorum to exercise all the powers and perform all the duties of the Bank. The Bank's membership is as follows:

### **STEVE S. PANAGOULIS, CHAIRMAN; TERM EXPIRES JULY 1, 2010.**

Mr. Panagoulis, a resident of Plymouth, New Hampshire, served as a member of the Board of Commissioners for Grafton County for ten years. From 1999-2001, Mr. Panagoulis presided over the New Hampshire Association of Counties. In 1996 he was selected as County Commissioner of the Year for the State of New Hampshire. From 1992-1999, Mr. Panagoulis was a Selectman for the Town of Plymouth, serving as chairman for most of his term.

Mr. Panagoulis attended Northeastern University and for 19 years operated Steve's Restaurant in Rumney, New Hampshire.

**JAMES E. TIBBETTS, VICE-CHAIRMAN; TERM EXPIRES JULY 1, 2012.**

Mr. Tibbetts, a resident of Columbia, New Hampshire, is the Chief Executive Officer of First Colebrook Bank. Prior to joining the Bank, he was President of Northern Community Investment Corporation and from 1989 to 1995 he was the Government Banking Manager for Fleet Bank, New Hampshire.

Mr. Tibbetts is a CPA, a graduate of New Hampshire College, and has over 25 years of banking experience. He currently serves on several local and statewide boards, including the Advisory Board of the New Hampshire Business Development Center and the Colebrook Development Corporation.

**KATHERINE E. L. CHAMBERS, TREASURER; TERM EXPIRES JULY 1, 2012**

Ms. Chambers, a resident of Milford, New Hampshire, is the Business Manager for SAU #38, administering the Monadnock Regional School District, the Hinsdale School District, and the Winchester School District. Prior to this, she served as the Finance Director, and finally Town Administrator for the Town of Milford over a period of fourteen years. She has served on numerous charitable and governmental boards and committees in addition to helping found a library in the Town of Inlet, New York. Ms. Chambers holds a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania.

**CATHERINE A. PROVENCHER; STATE TREASURER, EX OFFICIO.**

Ms. Provencher, a resident of Merrimack, New Hampshire, was elected State Treasurer on December 6, 2006. Ms. Provencher is a certified public accountant with over twenty years of New Hampshire public service, for the last ten of which she served as the Director of Audits for the Office of Legislative Budget Assistant. In 2006, she was awarded the Caroline Gross Fellowship for Persons Active in Public Service and attended Harvard's Kennedy School of Government Program for Senior Executives in State and Local Government. Ms. Provencher received a Bachelor's in Accountancy from Bentley College and a Masters in Business Administration from Southern New Hampshire University.

**ROBERT LEVAN; TERM EXPIRES OCTOBER 9, 2010.**

Mr. Levan is a resident of Loudon, New Hampshire. He has been a New Hampshire Certified Public Accountant since 1976. His 34 years of municipal government experience include 23 years as Finance Administrator of the Town of Merrimack, New Hampshire. Bob is currently the Finance Director of the Town of Bow, New Hampshire. He served for several years as a Trustee of the New Hampshire Municipal Association Health Insurance Trust and for several years as a member on the New Hampshire Government Finance Officers Association Training Committee.

**SHEILA M. ST. GERMAIN, EXECUTIVE DIRECTOR AND SECRETARY**

Ms. St. Germain, a resident of Concord, has been with the Bank since 1988. During this time she has worked closely with dozens of New Hampshire communities in the issuance of their bonds, bond anticipation notes and tax anticipation notes. Prior to this, she was employed by the New Hampshire Municipal Association and the Cities of Dover, Rochester and Somersworth. Ms. St. Germain received her Bachelor of Science in Accounting from Bentley College, Waltham, Massachusetts.



## Revenue Bond Programs of the Bank

Effective September 4, 1979, the State Legislature enacted the "New Hampshire Public Utility Financing Chapter," the stated purpose of which is to encourage and assist the State's public utilities in the financing of facilities for the manufacture and generation of energy and the furnishing of water by making funds available at reduced interest costs. Such chapter authorizes the Bank to lend money to public utilities through the purchase by the Bank of utility bonds. The Bank, pursuant to its by-laws, has established a separate division to administer its public utilities program. The Bank, through its public utilities division, has issued public utility bonds in the aggregate amount of \$6,200,000 of which none are currently outstanding.

Effective August 29, 1981, the State legislature enacted the "New Hampshire Municipal Bond Bank Small Scale Power Facility Act," to encourage municipalities to pursue their independent development of small scale power facilities for the production of electric power by assisting them in the financing of such facilities including those which produce electrical energy solely by the use, as a primary energy source, of biomass, waste, geothermal energy, and renewable resources including but not limited to the flow of water, or any combination thereof and which have a rated capacity of not more than 80 megawatts. The act authorized the Bank to lend money to municipalities (counties, cities, towns and village districts) through the purchase by the Bank of municipal small scale power facility general obligation or revenue bonds. The act also established a separate small scale power facility division. To date, the Bank has taken no action pursuant to such act.

Effective February 19, 1982, the State Legislature enacted the "New Hampshire Municipal Bond Bank Educational Institutions Bond Financing Act," to assist certain elementary or secondary education institutions to finance the construction and improvement of their facilities. The act provides that the Bank may assist any public or other nonprofit institution within the State that is approved by the State Board of Education as a public academy and empowered to provide a program of education at the elementary or secondary level to students whose tuition costs are paid by the municipalities or school districts in that is the students reside, or any other institution that provides a program of education within the state that is preparatory for secondary, post-secondary or higher education. The Bank is authorized to issue bonds for the purpose of making loans to such education institutions through the purchase by the Bank of education institution bonds. The act established a separate education institutions division. The Bank, through its educational institutions division, has issued educational institution bonds in the aggregate amount of \$52,420,000 and at the present time has \$17,740,000 outstanding.

The acts described in the preceding paragraphs provide that bonds or notes issued by the Bank under those acts to finance public utility projects, small scale power facilities or educational facilities must be secured separately from the Bonds or any bonds or notes issued under the Resolutions, and, in each case, from any bonds or notes issued through the separate divisions established for the other programs.

In addition, the Bank has issued \$46,800,000 of its bond anticipation notes under the Act pursuant to a series of special note resolutions. The proceeds of bond anticipation notes issued by the Bank are used to purchase the general obligation bond anticipation notes of individual Governmental Units. Bond anticipation notes issued by the Bank are not general obligations of the Bank and do not constitute a pledge of the faith and credit or the taxing power of the State of New Hampshire. The Bank is obligated to pay the principal of and interest on such notes solely from the revenues pledged for their payment in accordance with the respective special note resolutions and loan agreements pursuant to which they were issued. Currently, there are no such notes outstanding.

## **LOAN AGREEMENTS AND MUNICIPAL BONDS PAYMENTS**

Each Loan Agreement, under which a Loan is to be made to a Governmental Unit, must comply with certain terms and conditions, including the following:

- (i) The Governmental Unit that is a party to such Loan Agreement must be a Governmental Unit as defined by the Resolutions and the Loan Agreement must be executed in accordance with existing laws;
- (ii) The Governmental Unit, prior to or simultaneously with the issuance of corresponding Loan Obligations by the Bank, shall issue Municipal Bonds that are valid general obligations of the Governmental Unit;
- (iii) The Municipal Bonds Interest Payments to be made by the Governmental Unit under such Loan Agreement shall not be less than the amount of interest the Bank is required to pay on the Loan Obligations and shall be scheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay interest on the corresponding Loan Obligations as the same become due and shall be paid to the Bank at least five business days prior to the due date;
- (iv) The Municipal Bonds Principal Payments to be made by the Governmental Unit under such Loan Agreement shall be scheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay the principal of the corresponding Loan Obligations as the same mature and shall be paid to the Bank at least five business days prior to the due date;
- (v) The Governmental Unit shall be obligated to pay Fees and Charges to the Bank;
- (vi) The Governmental Unit shall be obligated to make the Municipal Bonds Principal and Interest Payments scheduled by the Bank on such annual or semiannual basis or upon such other basis as the Bank shall determine; and
- (vii) The Loan Agreement prohibits the sale or redemption of Municipal Bonds except under certain conditions (see "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 GENERAL RESOLUTION - MISCELLANEOUS RESOLUTION PROVISIONS - Sale of Municipal Bonds by Bank") and states that no sale or redemption of Municipal Bonds shall be affected without the prior written agreement and consent of the parties to the Loan Agreement.

### **SUMMARY OF CERTAIN PROVISIONS OF THE 2005 GENERAL RESOLUTION**

The following is a summary of certain provisions of the 2005 General Resolution, reference to which is made for the full and complete text of its provisions.

#### **Funds and Accounts**

The 2005 General Resolution establishes the following special Funds and Accounts held by the Trustee:

- (1) General Fund - comprised of the:
  - (a) General Account
  - (b) Operating Account
  - (c) Debt Service Account
  - (e) Redemption Account
- (2) Reserve Fund

## General Fund

General Account - The 2005 General Resolution provides for the deposit to the General Account of: (i) any income or interest earned by the Reserve Fund due to the investment thereof (provided a transfer will not reduce the amount of such Reserve Fund below the applicable Required Debt Service Reserve); (ii) the balance of moneys remaining in the Redemption Account when the Trustee is able to purchase principal amounts of Bonds at the purchase price less than an amount equal to the proceeds from the sale or redemption of Municipal Bonds; and (iii) the excess of proceeds resulting from a Governmental Unit's redemption of its Municipal Bonds.

The 2005 General Resolution provides for the following withdrawals to be made from the applicable General Account, for the following purposes:

- (i) On or before each interest payment date and each principal payment date for any Series of Bonds, the Trustee shall withdraw from the General Account and deposit in the Debt Service Account an amount that, when added to the amount then on deposit in the Debt Service Account and after giving effect to all other deposits made therein pursuant to the 2005 General Resolution, will on such interest payment date or principal payment date be equal to all amounts necessary to pay the interest, if any, and principal then falling due on such Bonds.
- (ii) After providing for the payment to the Debt Service Account, the Trustee shall withdraw from the General Account and deposit in the Operating Account the aggregate of the amount requisitioned by the Bank for the purposes of paying its Administrative Expenses and the fees and expenses of the Trustee.
- (iii) After providing for the aforementioned withdrawals and as of the last day of each Fiscal Year, the Trustee shall withdraw from the balance of the moneys so remaining in the General Account and deposit to the credit of the Reserve Fund such amount (or the balance of the moneys so remaining in the General Account if less than the required amount) as shall be required to bring the Reserve Fund up to the Required Debt Service Reserve.
- (iv) After providing for all the aforementioned payments required to have been made during such Fiscal Year and as of the last day of each Fiscal Year, the Trustee shall, upon the written direction of the Bank, not later than the twentieth day of the succeeding Fiscal Year withdraw from the General Account and pay to the Bank for any of its lawfully authorized purposes the balance of the moneys remaining in the General Account, provided, however, that the Bank, in its absolute discretion may direct the Trustee to deposit any or all of such balance to be withdrawn from the General Account to the credit of the Redemption Account and the payment to the Bank of such balance shall be reduced accordingly.

Operating Account - The 2005 General Resolution provides that all Fees and Charges received by the Bank shall be deposited upon receipt in the Operating Account. Such Fees and Charges collected from Governmental Units shall be used, together with the deposits made to the Operating Account from the General Account, as described above, and any other moneys that may be made available to the Trustee by the Bank for the purposes of the Operating Account from any source or sources, including the amount received as a premium over the principal amount of a series of Bonds, to pay: (i) Administrative Expenses of the Bank and the fees and expenses of the Trustee and paying agents, and (ii) financing costs with respect to a series of Bonds. Moneys at any time held for the credit of the Operating Account shall be used for and applied solely to such purposes. The 2005 General Resolution further provides that payments from the Operating Account shall be made by the Trustee upon receipt of a requisition signed by an authorized officer of the Bank, specifying that such amounts are to be used for lawful purposes of the Bank.

Debt Service Account – The 2005 General Resolution provides that the Trustee shall credit to the Debt Service Account all Municipal Bonds Payments. In addition, accrued interest received from the proceeds of the sale of Bonds shall be deposited to the Debt Service Account. The moneys in the Debt Service Account shall be used solely for the purposes of paying the principal of, Sinking Fund Installments, if any, and interest on the Bonds.

The 2005 General Resolution further provides that in the event there shall be, on any interest payment date, a deficiency in the Debt Service Account, the Trustee shall make up any such deficiency from the Reserve Fund by the withdrawal of moneys therefrom for that purpose.

Redemption Account – The 2005 General Resolution provides that the Trustee shall, upon the written direction of the Bank, establish in the Redemption Account a separate sub-account for the Bonds of each series outstanding. Moneys held in each such separate sub-account by the Trustee shall be applied to the purpose of retirement of the Bonds of the series in respect of which such sub-account was created. Moneys for the redemption of Bonds may be deposited in the Redemption Account from the General Account at the direction of the Bank as provided above in Paragraph (iv), under the caption "General Account," and, if at any time upon the payment or retirement of Bonds at maturity or upon the purchase or redemption of Bonds, the moneys and securities in the Reserve Fund are in excess of the Required Debt Service Reserve and the use or transfer of such excess is not otherwise provided for in the 2005 General Resolution, the Trustee, upon the request of the Bank, shall transfer such excess to the applicable sub-account in the Redemption Account. In the event Municipal Bonds or other obligations securing a Loan shall be sold by the Bank in accordance with the terms of the applicable Loan Agreement, or redeemed by the Governmental Unit, the Bank shall deposit the proceeds from such sale or redemption, except an amount therefore equal to the cost and expenses of the Bank in effectuating the redemption of the Bonds to be redeemed upon such sale by the Bank or redemption by the Governmental Unit, into the applicable sub-account in the Redemption Account; and the Trustee, upon the written request of the Bank signed by an Authorized Officer, further shall, in connection with each such event, withdraw from the Reserve Fund and deposit in the applicable sub-account in the Redemption Account an amount of moneys equal to the amount of the reduction of the Required Debt Service Reserve that would result upon the redemption of such Bonds upon the next succeeding redemption date.

If at any time the moneys on deposit to the credit of the Reserve Fund, or the investments thereof, are less than the Required Debt Service Reserve, and there are then moneys on deposit in any sub-account in the Redemption Account resulting from moneys credited thereto from the General Account at the direction of the Bank or from excess moneys that have been previously transferred from the Reserve Fund to the Redemption Account resulting from the retirement of Bonds, there shall be withdrawn from such sub-accounts and deposited to the credit of the Reserve Fund an amount sufficient (or all of the moneys in said sub-accounts if less than the amount sufficient) to make up such deficiency.

## **Reserve Fund**

The 2005 General Resolution establishes a Reserve Fund, which shall be held by the Trustee. The Bank shall pay into the Reserve Fund: (i) such portion of the moneys appropriated and made available by the State and paid to the Bank for the purposes of the Reserve Fund; (ii) all moneys paid to the Bank pursuant to the Act for the purpose of restoring the Reserve Fund to the amount of the Required Debt Service Reserve; (iii) such portion of the proceeds of the sale of Bonds, if any, as shall be provided by the Series Resolution authorizing the issuance thereof; (iv) such portion of the proceeds of the sale of notes, if any, as shall be provided by the resolution of the Bank authorizing the issuance thereof; and (v) any other moneys that may be made available to the Bank for the purposes of the Reserve Fund from any other source or sources. The Trustee shall deposit in and credit to the Reserve Fund all moneys transferred from the General Account and all moneys transferred from the Redemption Account as above provided.

Moneys and securities held for the credit of the Reserve Fund shall be transferred by the Trustee to the Debt Service Account at the times and in the amounts required in the event there shall be, on any interest payment date or principal payment date, a deficiency therein. On or before each principal payment date of the Bonds, the Trustee shall transfer from the Reserve Fund to the Debt Service Account an amount equal to the principal amount of the Bonds representing Reserve Fund Obligations falling due on such principal payment date. Any income or interest earned by the Reserve Fund due to the investment thereof shall be transferred by the Trustee promptly to the General Account, but only to the extent that any such transfer will not reduce the amount of such Reserve Fund below the Required Debt Service Reserve. If, at any time upon the payment or retirement of Bonds at maturity or upon purchase or redemption, the moneys and securities in the Reserve Fund are in excess of the Required Debt Service Reserve, and the use or transfer of such excess is not otherwise provided for in the 2005 General Resolution or under any Series Resolution adopted in connection therewith, the Trustee, upon the written request of the Bank signed by an authorized officer, shall transfer such excess to and deposit the same in such account of the General Fund as the Bank shall direct. Whenever the Bank shall sell, or whenever a Governmental Unit shall redeem, Municipal Bonds requiring the purchase or redemption of bonds that would result in the reduction of the Required Debt Service Reserve upon the purchase or redemption of such Bonds, the Trustee, upon the written request of the Bank signed by an authorized officer, shall, in connection with each such event, withdraw from the Reserve Fund and deposit in the applicable sub-account in the Redemption Account an amount of moneys equal to the amount of the reduction of the Required Debt Service Reserve that would result upon the redemption of such Bonds upon the next succeeding redemption date.

### **Investment of Funds**

Moneys in the Funds and Accounts held by the Trustee shall be invested upon the direction of the Bank in Investment Securities the maturity or redemption date at the option of the holder of which shall coincide as nearly as practicable with the times at which moneys in such Funds and Accounts will be required for the purposes provided in the 2005 General Resolution.

### **Additional Bonds**

The 2005 General Resolution provides that the Bank shall not hereafter create or permit the creating of or issue any obligations or create any additional indebtedness that will be secured by a charge or lien on the Municipal Bonds and the Municipal Bonds Payments or that will be payable from the General Fund or Reserve Fund, except that additional series of Bonds may be issued from time to time pursuant to a respective Series Resolution subsequent to the issuance of the initial series of Bonds under the 2005 General Resolution on a parity with the Bonds of such initial series of Bonds and secured by an equal charge and lien on the Municipal Bonds and the Municipal Bonds Payments, and payable equally and ratably from the General Fund and Reserve Fund for the purposes of (i) making Loans to Governmental Units, (ii) making payments into the Debt Service Account, Operating Account or Reserve Fund, (iii) the funding of notes theretofore issued by the Bank to provide funds to make Loans, and (iv) subject to the provisions and limitations on the issuance of Bonds, the refunding of any Bonds then Outstanding, under the conditions and subject to the limitations stated below.

No additional series of Bonds shall be issued subsequent to the issuance of the initial series of Bonds under the 2005 General Resolution unless:

(i) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds and notes of the Bank theretofore issued, will not exceed in the aggregate principal amount, any limitation thereon imposed by law;

(ii) there is at the time of the issuance of such additional Bonds no deficiency in the amounts required by the 2005 General Resolution or any applicable Series Resolution to be paid into the General Fund and into the Reserve Fund;

(iii) the amount of the Reserve Fund, upon the issuance and delivery of such additional Bonds and the deposit in such Reserve Fund of any amount provided therefor in the Series Resolution authorizing the issuance of such additional Bonds, shall not be less than the Required Debt Service Reserve;

(iv) the provisions of Section 12 of the Act providing for the maintenance of the Reserve Fund in an amount equal to the Required Debt Service Reserve by the appropriation and payment of moneys by the State for such purpose shall not have been repealed or amended to the detriment of bondholders; and

(v) the maturities of the additional Bonds then being issued representing Loan Obligations, unless such additional bonds are being issued to refund Outstanding Bonds, shall be not less than the scheduled Municipal Bonds Principal Payments to be made in respect of the Loans with respect to which such additional Bonds are to be issued.

The Bank expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue notes and any other obligations as long as the same are not a charge or lien on the Municipal Bonds, the Municipal Bonds Payments and the Fees and Charges, or payable from the General Fund created pursuant to the 2005 General Resolution.

## **Bonds**

All or part of one or more series of Bonds may be issued to refund all Outstanding Bonds or all or any part of one or more series of Outstanding Bonds. Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the redemption and either (i) moneys sufficient to effect payment at the applicable redemption price of the Bonds to be refunded, together with interest accrued to the Redemption Date, or (ii) Defeasance Obligations that by their terms will comply with the provisions of the 2005 General Resolution relative to defeasance of Bonds together with any other moneys, if required. Any surplus that might result upon and after the issuance of Refunding Bonds shall be disposed of in the manner specified in the Series Resolution authorizing such Refunding Bonds.

## **Miscellaneous Resolution Provisions**

Modification of Loan Agreement Terms - The Bank shall not consent to the modification of, or modify, the rate or rates of interest of, or the amount or time of payment of any installment of principal or interest of any Municipal Bonds evidencing a Loan, or the amount or time of payment of any Fees and Charges payable with respect to such Loans, or the security for or any terms or provisions of such Loan or the Municipal Bonds evidencing the same, in a manner that adversely affects or diminishes the rights of the bondholders; provided, however, that, in the event the Loan Obligations are being or have been refunded and the Bonds therefor are in a principal amount in excess of or less than the principal amount of the Bonds refunded, the Bank may consent to the modification of and modify the Loan Agreement relating to such Loan and the Municipal Bonds evidencing the same, and the Municipal Bonds Payments to be made thereunder so long as such Municipal Bonds Payments are sufficient in amount and payable at the times required for the payment of the principal of and interest on such Bonds.

Sale of Municipal Bonds by Bank - The Bank shall not sell any Municipal Bonds prior to the date on which all Outstanding Bonds issued with respect to the applicable Loan are redeemable, and shall not after such date sell any such Municipal Bonds unless the sales price thereof received by the Bank shall not be less than the aggregate of (i) the principal amount of the Loan Obligation so to be redeemed, (ii) the interest to accrue on the Loan Obligation so to be redeemed to the next redemption date thereof not previously paid, (iii) the applicable premium, if any, payable on the Loan Obligation so to be redeemed, (iv) the costs and expenses of the Bank in effecting the redemption of the Loan Obligation so to be redeemed, if any, and (v) at the direction of the Bank, an amount equal to the proportionate amount of Reserve Fund Obligations so to be redeemed, if any, which were issued by the Bank with respect to such Loan Obligation, less the amount of moneys or investments available for withdrawal from the Reserve Fund and for application to the redemption of such Bonds in accordance with the terms and provisions of the 2005 General Resolution, as determined

by the Bank; provided, however, that, in the event the Loan Obligation has been refunded and the Bonds therefor were issued in a principal amount in excess of or less than the Loan Obligation remaining unpaid at the date of issuance of such Bonds, the required amount to be included in such sales price under item (i) above shall be the principal amount of such Bonds Outstanding. In the event the Loan Obligation has been refunded and the interest the Bank is required to pay on the Bonds thereafter is less than the interest the Bank was required to pay on the Loan Obligation, the required amount to be included in such sales price in item (ii) above shall be the amount of interest to accrue on such Bonds Outstanding. Each Loan Agreement states that no sale or redemption of Municipal Bonds shall be effected without the prior written agreement and consent of the parties to such Loan Agreement.

### **Certain Other Covenants**

Certain other covenants made by the Bank in the 2005 General Resolution are those related to the following matters:

Accounts and Reports - The Bank shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Municipal Bonds Payments, Municipal Bonds, the Fees and Charges and all Funds and Accounts established by the Resolution, which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than five per centum (5%) in principal amount of Bonds then outstanding under the 2005 General Resolution or their representatives duly authorized in writing.

The Bank shall annually, on or before the last day of December in each year, file with the Trustee a copy of its annual report for the preceding Fiscal Year, accompanied by an its audited financial statements for the preceding Fiscal Year.

Personnel and Servicing of Programs - The Bank shall at all times appoint, retain and employ competent personnel for the purposes of carrying out its respective programs and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by the Bank shall be qualified for their respective positions.

The Bank may pay to the respective State agency, municipality or political subdivision of the State from the applicable Operating Account such amounts as are necessary to reimburse the respective State agency, municipality or political subdivision of the State for the reasonable costs of any services performed for the Bank.

### **Defaults and Remedies**

Defaults - The Trustee shall be and by the 2005 General Resolution is vested with all of the rights, powers and duties of a trustee appointed by bondholders pursuant to Section 15 of the Act, and the right of bondholders to appoint a trustee pursuant to subsection II of Section 5 of the Act is abrogated in accordance with the provisions of subsection XVIII of Section 15 of the Act.

The 2005 General Resolution declares each of the following events an "event of default":

(i) if the Bank shall default in the payment of the principal or Redemption Price of, or Sinking Fund Installment for, or interest on, any Bond issued under the 2005 General Resolution when and as the same shall become due, whether at maturity or upon such call for redemption, and such default shall continue for a period of thirty (30) days; or,

(ii) if the Bank shall fail or refuse to comply with the provisions of Section 12 of the Act, or such amounts as shall be requested by the Chairman of the Bank to the Chairman of the House Appropriations

Committee of the General Court pursuant to such provisions of the Act shall not be appropriated and paid to the Bank prior to the termination of the then current State fiscal year; or,

(iii) if the Bank shall fail or refuse to comply with the provisions of the Act, other than as provided in (ii) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the 2005 General Resolution, any related Series Resolution, any related supplemental resolution, or in the applicable Bonds contained, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds under the 2005 General Resolution; provided, however, that an event of default shall not be deemed to exist under the provisions of this clause (iii) upon the failure of the Bank to make and collect Fees and Charges required to be made and collected by the provisions of the 2005 General Resolution or upon the failure of the Bank to enforce any obligation undertaken by a Governmental Unit pursuant to a Loan Agreement including the making of the stipulated Municipal Bonds Payments so long as the Bank may be otherwise directed by law and so long as the Bank shall be provided with moneys from the State or otherwise, other than withdrawals from or reimbursements of the Reserve Fund, sufficient in amount to pay the principal of and interest on all Bonds under the 2005 General Resolution as the same shall become due during the period for which the Bank shall be directed by law to abstain from making and collecting such Fees and Charges and from enforcing the obligations of a Governmental Unit under the applicable Loan Agreement.

An event of default under the 2005 General Resolution does not constitute an event of default under the 1978 General Resolution or under the 1979 State Guaranteed Municipal Bonds Issue Resolution, and vice versa.

Remedies - Upon the happening and continuance of any event of default specified in paragraph (i) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraphs (ii) and (iii) above, the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds under the 2005 General Resolution with respect to which such event of default has occurred shall proceed, in its own name, to protect and enforce its right and the rights of the bondholders under the 2005 General Resolution by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(i) by mandamus or other suit, action or proceedings at law or in equity, enforce all rights of such bondholders, including the right to require the Bank to make and collect Fees and Charges and Municipal Bonds Payments adequate to carry out the covenants and agreements as to, and pledge of, such Fees and Charges and Municipal Bonds Payments, and other properties and to require the Bank to carry out any other covenant or agreement with bondholders and to perform its duties under the Act;

(ii) by bringing suit upon such Bonds;

(iii) by action or suit, to require the Bank to account as if it were the trustee of the express trust for the holders of such Bonds;

(iv) by action or suit in equity, enjoin any acts or things that may be unlawful or in violation of the rights of the holders of such Bonds; and,

(v) in accordance with the provisions of the Act, declare, upon the occurrence of an event of default under paragraph (i) above, all such Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than twenty-five per centum (25%) in principal amount of such Outstanding Bonds, to annul such declaration and its consequences, provided, however, that as required by subsection V of Section 5 of the Act, before declaring the principal of the Bonds due and payable, the Trustee shall first give thirty (30) days notice in writing to the Governor, to the Bank, to the State Treasurer and to the Attorney General of the State.



In the enforcement of any remedy under the 2005 General Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due from the Bank for principal, redemption price, interest or otherwise, under any provision of the 2005 General Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the bondholders, and to recover and enforce a judgment or decree against the Bank for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

**Priority of Payments after Default** - In the event that the funds held by the Trustee and paying agents shall be insufficient for the payment of interest and principal or redemption price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons that have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any paying agent in the performance of their respective duties under the 2005 General Resolution, shall be applied as follows:

(i) Unless the principal of all of the Bonds under such Resolution shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and,

Second: to the payment to the persons entitled thereto of the unpaid principal or redemption price of any Bonds under the 2005 General Resolution that shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or redemption price due on such Bonds to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all the Bonds under the 2005 General Resolution shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

### **Modifications of 2005 General Resolution and Outstanding Bonds**

The 2005 General Resolution provides procedures whereby the Bank may amend the 2005 General Resolution or a Series Resolution by adoption of a supplemental resolution. The Bank may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or supplemental resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer:

(1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds;

(2) To add to the covenants and agreements of the Bank in the Resolution other covenants and agreements to be observed by the Bank that are not contrary to or inconsistent with the Resolution as theretofore in effect including any covenants necessary for compliance with the Internal Revenue Code of 1986, as amended from time to time, including without limitation, Section 148(f) thereof or regulations promulgated thereunder;

(3) To add to the limitations and restrictions in the Resolution other limitations and restrictions to be observed by the Bank that are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Bank by the terms of the Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Bank contained in the Resolution;

(5) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to specify and determine such matters and things referred to in Article II of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(6) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of any moneys, securities or funds;

(7) To modify, amend, or supplement the Resolution in such manner as to permit the qualification of the Resolution under the Trust Indenture Act of 1939 or any federal statute hereinafter in effect, and similarly to add to the Resolution such other terms, conditions, and provisions as may be permitted or required by such Trust Indenture Act of 1939 or any similar federal statute;

(8) To make any modification or amendment of the Resolution required in order to make any Bonds eligible for acceptance by The Depository Trust Company or any similar holding institution or to permit the issuance of any Bonds or interests therein in book-entry form;

(9) To modify the Resolution to permit the qualification of any Bonds for offer or sale under the securities laws of any state in the United States of America;

(10) To modify the Resolution to provide for the issuance of parity Bonds or subordinated Bonds, and such modification may deal with any subjects and make any provisions that the Bank deems necessary or desirable for that purpose;

(11) To modify any of the provisions of the Resolution in any respect (other than a modification of the type requiring written consent of the Holders of Bonds); provided that for any Bonds that are secured by Credit Facilities providing for the payment of the full amount of the principal and interest to be paid thereon, each issuer of a Credit Facility with respect to such Bonds shall have consented in writing to such modification;

(12) To modify any of the provisions of the Resolution in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds or subordinated Bonds of any Series affected by the amendment Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds or subordinated bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds or subordinated Bonds issued in exchange therefore or in place thereof;

(13) To modify the range of investments permitted for funds in the General Fund (and each of the Accounts therein) and the Reserve Fund as described in Section 701 thereof, provided that the Bank shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating on Outstanding Bonds and that each such Rating Agency has either (i) confirmed in writing that such modification will not adversely affect such ratings or (ii) issued a rating on a Series of Bonds to be issued that is not lower than the rating assigned by such Rating Agency to Outstanding Bonds prior to such modification, or any other evidence satisfactory to the Trustee that modification will not adversely affect the then current ratings, if any, assigned to the Bonds by any Rating Agency;

(14) To modify or add to the provisions of the Resolution to provide for the issuance of Bonds bearing interest on a variable rate, auction rate or any other similar basis;

(15) To modify or add to the provisions of the Resolution so as to permit, to the extent permitted by law, the use of a swap rate agreement, basis swap, forward rate agreement, rate cap agreement, rate floor agreement, rate collar agreement or any other similar agreements by the Bank in connection with a Series of Bonds issued pursuant to this Resolution.

(16) To subject to the lien of the Resolution additional revenues, security or collateral;

(17) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect and not materially adverse to the interests of the Bondholders; or

(18) Any Supplemental Resolution of the Bank may modify the provisions of the Resolution in such a manner, and to such extent and containing such provisions, as the Bank may deem necessary or desirable to effect any of the purposes stated above. As used in this section of the Resolution, the term "modify" shall mean "modify, amend, or supplement" and the term "modification" shall mean "modification, amendment, or supplement."

Amendments of the respective rights and obligations of the Bank and the bondholders may be made with the written consent of the holders of not less than a majority in principal amount of the Outstanding Bonds to which the amendment applies; but no such amendment shall permit a change in the term of redemption or maturity of the principal of any Bond or of any installment of interest thereon or Sinking Fund Installment therefore, or a reduction in the principal amount or redemption price thereof, or the rate of interest thereon or reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect such amendment.

Amendments may be made in any respect with the written consent of the holders of all of the Bonds then Outstanding.

## **Defeasance**

If the Bank shall pay or cause to be paid to the holders of all Bonds then Outstanding under the 2005 General Resolution, the principal or redemption price, if any, and interest to become due thereon, at the times and in the manner stipulated therein and in the 2005 General Resolution, then, at the option of the Bank, expressed in an instrument in writing signed by an authorized officer of the Bank and delivered to the Trustee, the covenants, agreements and other obligations of the Bank to the bondholders under the 2005 General Resolution shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Bank, execute and deliver to the Bank all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the Bank all money, securities and

funds held by them pursuant to the 2005 General Resolution that are not required for the payment or redemption of any Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the Bank of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph one above. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph one above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Bank shall have given to the Trustee in form satisfactory to it irrevocable instructions to notify the registered holders of such Bonds by first class mail notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount that shall be sufficient, or Defeasance Obligations, the principal of and the interest on which when due will provide moneys, which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof; as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Bank shall have given the Trustee in form satisfactory to it irrevocable instructions to mail notice to the registered holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the 2005 General Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to the 2005 General Resolution nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that, any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Bank, as received by the Trustee, free and clear of any trust, lien or pledge.

Anything in the 2005 General Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust of the payment and discharge of any of the Bonds that remain unclaimed for six years after the date when such bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for six years after the date of deposit of such moneys if deposited with the Trustee after the date when such bonds become due and payable, shall, at the written request of the Bank, be repaid by the Trustee to the Bank, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the bondholders shall look only to the Bank for the payment of such Bonds.

### **CONTINUING DISCLOSURE**

Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), provides that underwriters may not purchase or sell municipal securities unless the issuer of the municipal securities undertakes to provide continuing disclosure with respect to those securities, subject to certain exemptions not applicable to the Bonds. The Bank will covenant at the time of delivery of the 2008 Series A Bonds to provide continuing disclosure consistent with the terms of the Rule, as provided in a Continuing Disclosure Certificate to be dated as of the date of the 2008 Series A Bonds and incorporated by reference therein. A proposed form of Continuing Disclosure Certificate is provided in Appendix F.

The Bank has never failed to comply, in any material respect, with any prior undertaking to provide continuing disclosure in accordance with the Rule.

The Bank has determined that any Governmental Unit responsible for the repayment of fifteen percent (15%) or more of the outstanding Bonds under the 2005 General Resolution shall constitute an “obligated person” within the meaning of the Rule. The Loan Agreement between the Bank and each Governmental Unit provides, among other things, that so long as a Governmental Unit is an obligated person within the meaning of the Rule, that Governmental Unit shall provide the Bank with all the information necessary for the Bank to comply with the Rule. With the issuance of the 2008 Series A Bonds, the only obligated person will be the Bedford School District. See Appendix C – “Disclosure Information Relating to Governmental Units” for disclosure with respect to these obligated persons.

## **BONDS AS LEGAL INVESTMENTS**

Under the provisions of Section 19 of the Act, the 2008 Series A Bonds are made securities in which the State and all public officers, Governmental Units and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations, and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control. Bonds or notes of the Bank are authorized security for any and all public deposits in the State of New Hampshire.

## **TAX EXEMPTION**

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Bank (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2008 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the 2008 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Series A Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2008 Series A Bonds. Failure to comply with these requirements may result in interest on the 2008 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2008 Series A Bonds. The Bank has covenanted to comply with such requirements to ensure that interest on the 2008 Series A Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the 2008 Series A Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel expresses no opinion regarding any other New Hampshire tax consequences arising with respect to the 2008 Series A Bonds or as to the taxability of the 2008 Series A Bonds or the income therefrom under the laws of any state other than New Hampshire. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the 2008 Series A Bonds is less than the amount to be paid at maturity of such 2008 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2008 Series A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2008

Series A Bonds which is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends. For this purpose, the issue price of a particular maturity of the 2008 Series A Bonds is the first price at which a substantial amount of such maturity of the 2008 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2008 Series A Bonds accrues daily over the term to maturity of such 2008 Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2008 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2008 Series A Bonds. Holders of the 2008 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2008 Series A Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2008 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2008 Series A Bonds is sold to the public.

2008 Series A Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such 2008 Series A Bonds, or, in some cases, at the earlier redemption date of such bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and for purposes of the New Hampshire personal income tax on interest and dividends. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the basis in a Premium Bond for a holder of the 2008 Series A Bonds will be reduced by the amount of amortizable bond premium properly allocable to such holder of the 2008 Series A Bonds. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Although Bond Counsel is of the opinion that interest on the 2008 Series A Bonds is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends, the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Series A Bonds may otherwise affect the federal or state tax liability of a holder of the 2008 Series A Bonds. The nature and extent of all such other tax consequences will depend upon the particular tax status of the holder or the holder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and holders of the 2008 Series A Bonds should consult with their own tax advisors with respect to such consequences.

## **RATINGS**

Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services are expected to assign ratings of AAA, Aaa, and AAA, respectively, to the 2008 Series A Bonds, with the understanding that upon delivery of the 2008 Series A Bonds, a policy insuring the payment when due of the principal of and interest on the 2008 Series A Bonds will be issued by FSA. See Appendix G attached hereto for a discussion of FSA's insurance and ratings assigned to bonds insured by FSA and for a specimen municipal bond insurance policy. Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing such rating. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all such rating agencies, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market price of the 2008 Series A Bonds.

## **LITIGATION**

There is no controversy or litigation of any nature now pending against the Bank, or to the knowledge of the Bank, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2008 Series A Bonds, or prohibiting the Bank from making the Loans with the proceeds of said 2008 Series A Bonds, or in any way contesting or affecting the validity of the 2008 Series A Bonds or any proceeding of the Bank taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security for the payment of the 2008 Series A Bonds or the existence or powers of the Bank.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, issuance, sale and delivery of the 2008 Series A Bonds are subject to the approval of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the Bank.

## **MISCELLANEOUS**

The Bank's offices are located at 25 Triangle Park Drive, Suite 102, Concord, NH 03301, telephone (603) 271-2595. The financial statements of the Bank's municipal division for the year ended June 30, 2007 are included in "APPENDIX E - Audited Financial Statements of the Bank."

All quotations from, and summaries and explanations of, the Act, the 2005 General Resolution and the Loan Agreements contained herein do not purport to be complete and reference is made to said Act, the 2005 General Resolution and Loan Agreements for full and complete statements of their provisions. The Appendices attached hereto are part of this Official Statement. Copies, in reasonable quantity, of the Act, the 2005 General Resolution and the Loan Agreements, and the loan applications and supplemental material furnished to the Bank by the Governmental Units, may be obtained upon request directed to the Bank.

Baker Newman Noyes LLC, the Bond Bank's independent auditor, has not performed any procedures subsequent to October 25, 2007, the date of their latest report, for the year ending June 30, 2007. Transactions or events after October 25, 2007 have not been examined or reviewed by Baker Newman Noyes LLC.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Bank and the purchasers or holders of any of the 2008 Series A Bonds.

First Southwest Company has acted as Financial Advisor to the Bank with respect to the issuance of the 2008 Series A Bonds.

The distribution of this Official Statement and its execution have been duly authorized by the Bank.

NEW HAMPSHIRE MUNICIPAL BOND BANK

By Steve S. Panagoulis  
Steve S. Panagoulis, Chairman

June 20, 2008

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## DEFINITIONS

The following are definitions of certain of the terms that are used in either the Act and/or the 2005 General Resolution and used in this Official Statement (but not otherwise defined herein) and have the following meanings unless the context shall clearly indicate some other meaning. In all instances, reference is made to the original documents, and definitions and usage contained therein.

“Act” shall mean the New Hampshire Municipal Bond Bank Law, being Chapter 35-A of the New Hampshire Revised Statutes Annotated, as amended to the date of adoption of the 2005 General Resolution.

“Administrative Expenses” shall mean the Bank’s expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, and shall include, without limiting the generality of the foregoing: administrative and operating expenses, legal, accounting and consultant’s services and expenses, payments to pension, retirement, health and hospitalization funds, and any other expenses required or permitted to be paid by the Bank under the provisions of the Act or the 2005 General Resolution or otherwise.

“Aggregate Debt Service” for any period shall mean, as of any date of calculation and with respect to all Bonds, the sum of the amounts of Debt Service for such period.

“Aggregate Interest” for any period shall mean, as of any date of calculation, an amount equal to interest accruing during such period on all Bonds of any one or more Series. Such interest shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of the principal amount of such Bonds on the due date thereof.

“Authorized Officer” shall mean the Chairman, Vice Chairman or Executive Director of the Bank and any other director, officer or employee of the Bank authorized by resolution of the Bank to perform the act or sign the document in question.

“Bank” shall mean the New Hampshire Municipal Bond Bank, a public body corporate and politic constituted as an instrumentality of the State of New Hampshire exercising public and essential governmental functions and created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Bank.

“Bond” or “Bonds” shall mean any New Hampshire Municipal Bond Bank Bond or Bonds, as the case may be, authenticated and delivered under the 2005 General Resolution pursuant to a Series Resolution.

“Bondholders” or “Holder of Bonds” or “Holder” (when used with reference to Bonds) or any similar term, shall mean any person or party who shall be the registered owner of any Outstanding Bond or Bonds.

“Credit Facility” shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the principal of and or interest due on any Bonds or provides funds for (i) the direct payment of the principal of and interest on all or any portion of such Bonds when due or (ii) the payment of the principal of and interest on all or any portion of such Bonds in the event amounts otherwise pledged to the payment thereof are not available when due.

“Counsel’s Opinion” shall mean an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Bank (who may be counsel to the Bank); provided, however, that for the purposes of Article II of the 2005 General Resolution such term shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the Bank, and provided, further, that for the purposes of Article V of the 2005 General Resolution such term when used with respect to Municipal Bonds shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of municipal law whose opinions have been and are accepted by purchasers of like municipal bonds, selected by the Governmental Unit and approved by the Bank.

“Debt Service Account” shall mean the account by that name established pursuant to Section 603 of the 2005 General Resolution.

“Debt Service” for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, and (ii) that portion of Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of delivery of such Series of Bonds if such date occurred less than one year prior to the due date of such Principal Installment). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

“Defeasance Obligations” shall mean the obligations described in clause (a), (b), (c) or (g) of the definition of Investment Securities; provided that such obligations shall not be redeemable prior to the maturity date or stated redemption date relied upon in satisfying the conditions of Section 1401 of the Resolution.

“Fees and Charges” shall mean all fees and charges authorized to be charged by the Bank pursuant to Subsection (VIII) of Section 6 and Subsection (II) of Section 27 of the Act and charged by the Bank to Governmental Units pursuant to the terms and provisions of Loan Agreements.

“Fiduciary” or “Fiduciaries” shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

“Fiscal Year” shall mean any twelve (12) consecutive calendar months commencing with the first day of July and ending on the last day of the following June.

“Fitch” shall mean FitchRatings, Inc.

“General Fund” shall mean the fund by that name established by Section 602 of the 2005 General Resolution.

“General Account” shall mean the account by that name established by paragraph (1) of Section 603 of the 2005 General Resolution.

“Governmental Unit” shall mean any governmental unit, as defined by the Act, which issues general obligation Municipal Bonds payable ultimately from ad valorem taxes.

“Governmental Unit’s Allocable Proportion” shall mean the proportionate amount of the total requirement in respect of which the term is used determined by the ratio that the Loan then outstanding bears to the total of all Loans then Outstanding.

“Investment Securities” shall mean to the extent permitted by law:

- (a) Government Obligations.
- (b) Obligations of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America:

- U.S. Export-Import Bank (Eximbank)
  - Rural Economic Community Development Administration
  - Federal Financing Bank
  - General Services Administration
  - U.S. Maritime Administration
  - U.S. Department of Housing and Urban Development (PHAs)
  - Small Business Administration
  - Government National Mortgage Association (GNMA)
  - Federal Housing Administration
  - Farm Credit System Financial Assistance Corporation

- (c) Direct obligations of any of the following federal entities which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated in the highest long-term rating category by at least two nationally recognized rating agencies issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).

Senior debt obligations of the Federal Home Loan Bank System.

- (d) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which either (a) have a rating on their short-term certificates of deposit on the date of purchase in the highest short-term rating category of at least two nationally recognized rating agencies, (b) are insured at all times by the Federal Deposit Insurance Corporation, or (c) are collateralized with direct obligations of the United States of America at 102% valued daily. All such certificates must mature no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).
- (e) Commercial paper which is rated at the time of purchase in the highest short-term rating category of at least two nationally recognized rating agencies and which matures not more than 270 days after the date of purchase.
- (f) Investments in (a) money market funds subject to SEC Rule 2a-7 and rated in the highest short-term rating category of at least two nationally recognized rating agencies and (b) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the Bank’s deposit shall not exceed 5% of the aggregate pool balance at anytime and such pool is rated in one of the two highest short-term rating categories of at least two nationally recognized rating agencies.

- (g) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice: and, which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest long-term rating category of at least two nationally recognized rating agencies; or (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the United States of America, which escrow maybe applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (h) General obligations of states with a short-term rating in one of the two highest rating categories and a long-term rating in one of the two highest rating categories of at least two nationally recognized rating agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually.
- (i) Investment agreements with providers rated at least AA- or Aa3 by S&P or Moody’s, as the case may be.
- (j) Collateralized investment agreements (including repurchase agreements) with providers rated at least A- or A3 by S&P and Moody’s, respectively.

“Loan” shall mean a loan heretofore or hereafter made by the Bank to a Governmental Unit pursuant to the Act and more particularly described in the applicable Series Resolution.

“Loan Agreement” shall mean an agreement heretofore or hereafter entered into between the Bank and a Governmental Unit setting forth the terms and conditions of a Loan.

“Loan Obligation” shall mean that amount of Bonds issued by the Bank which shall be equal to the principal amount of Municipal Bonds outstanding of a Governmental Unit, as certified to the Trustee by the Bank pursuant to Section 608 of the 2005 General Resolution.

“Moody’s” shall mean Moody’s Investors Service, Inc.

“Municipal Bonds” shall mean the bonds or other evidence of debt issued by any Governmental Unit and authorized pursuant to the Act and other laws of the State and which have heretofore been or will hereafter be acquired by the Bank as evidence of indebtedness of a Loan to the Governmental Unit pursuant to the Act.

“Municipal Bonds Interest Payment” shall mean that portion of a Municipal Bonds Payment made or required to be made by a Governmental Unit to the Bank which represents the interest due or to become due on the Governmental Unit’s Municipal Bonds.

“Municipal Bonds Payment” shall mean the amounts paid or required to be paid, from time to time, for principal and interest by a Governmental Unit to the Bank on its Municipal Bonds.

“Municipal Bonds Principal Payment” shall mean that portion of a Municipal Bonds Payment made or required to be made by a Governmental Unit to the Bank which represents the principal due or to become due on the Governmental Unit’s Municipal Bonds.

“Notes” shall mean any obligations referred to herein issued by the Bank other than Bonds.

“Operating Account” shall mean the account by that name established by paragraph (1) of Section 603 of the 2005 General Resolution.

“Outstanding,” when used with reference to Bonds, other than Bonds referred to in Section 1105 of the 2005 General Resolution, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the 2005 General Resolution, except: (i) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or any Paying Agent in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in Article IV of the 2005 General Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 406 or Section 1106 of the 2005 General Resolution, and (iv) Bonds deemed to have been paid as provided in subsection 2 of Section 1401 of the 2005 General Resolution.

“Paying Agent” for the Bonds of any Series shall mean the bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution and a Series Resolution or any other resolution of the Bank adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

“Principal Installment” shall mean, as of the date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a future date for which no Sinking Fund Installments have been established, or (ii) the Sinking Fund Installment due on a future date for Bonds of such Series, or (iii) if such future dates coincide, the sum of such principal amount of Bonds and of such Sinking Fund Installment due on such future date; in each case in the amounts and on the dates as provided in the Series Resolution authorizing such Series of Bonds.

“Rating Agency” shall mean Fitch, Moody’s or Standard & Poor’s, or such other nationally recognized rating agency which may, as of such date, have assigned a rating to the Bonds at the request of the Bank.

“Redemption Account” shall mean the account by that name established by paragraph (1) of Section 603 of the 2005 General Resolution.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the 2005 General Resolution and the Series Resolution pursuant to which the same was issued.

“Refunding Bonds” shall mean all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to Section 203 of the 2005 General Resolution.

“Required Debt Service Reserve” shall mean, as of any date of calculation, the amount required to be on deposit in the Reserve Fund, which may be satisfied through proceeds of Bonds issued from time to time, the provision of a Credit Facility or Credit Facilities, or any combination of the foregoing (the provider of any such Credit Facilities shall be rated in the highest rating category by Moody’s and Standard & Poor’s, and if such provider is rated by A.M. Best & Company, it shall also be rated in the highest applicable A.M. Best & Company rating category), and which shall equal, in the case of the first Series of Bonds to be issued pursuant to the Resolution, the least of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. Thereafter, subject to the proviso below, the Required Debt Service Reserve shall equal an amount determined from time to time by the Bank as a reasonable reserve for the payment of principal of and interest on each Series of Bonds then Outstanding. The Bank may, in its sole discretion, establish, change, reduce or increase the Required Debt Service Reserve with respect to a Series of Bonds, from time to time by adoption of a Series Resolution, provided, however, that the Bank may only reduce the Required Debt Service Reserve after the Bank has made at least one hundred (100) Loans and no one Governmental Unit is responsible for the repayment of Loans with an aggregate principal amount in excess of 25% of the aggregate principal amount of the Outstanding Bonds, and in no event may the Bank reduce this amount below the greater of (a) the Required Debt Service Reserve established with respect to the first Series of Bonds to be issued pursuant to the Resolution and (b) one-half of the maximum annual Debt Service with respect to all Bonds Outstanding in the then current or any succeeding Fiscal Year. So long as the Required Debt Service Reserve is satisfied, the Bank may elect, from time to time, to deposit cash in place of any Credit Facility held as part of the Reserve Fund, or to replace cash held as part of the Reserve Fund with a Credit Facility. For purposes of this definition, “net proceeds” of a Series of Bonds shall mean the face amount of such Series minus original issue discount plus any premium received on the sale of such Series.

“Reserve Fund” shall mean the New Hampshire Municipal Bond Bank Reserve Fund by that name established by Section 602 of the 2005 General Resolution.

“Reserve Fund Obligations” shall mean the proportionate amount of Bonds issued by the Bank to obtain funds with which to establish and maintain the Reserve Fund, as certified to the Trustee by the Bank pursuant to Section 608 of the 2005 General Resolution.

“Resolution” shall mean the 2005 General Resolution as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions hereof.

“Series of Bonds” or “Bonds of a Series” or words of similar meaning shall mean the Series of Bonds authorized by a Series Resolution.

“Series Resolution” shall mean a resolution of the Bank authorizing the issuance of a Series of Bonds in accordance with the terms and provisions hereof adopted by the Bank in accordance with Article X of the 2005 General Resolution.

“Sinking Fund Installment” shall mean an amount so designated which is established pursuant to paragraph (h) of subsection 1 of Section 202 of the 2005 General Resolution.

“Standard & Poor’s” shall mean Standard & Poor’s Ratings Services, Inc.

“State” shall mean the State of New Hampshire.

“Supplemental Resolution” shall mean a resolution supplemental to or amendatory of this Resolution, adopted by the Bank in accordance with Article X of the 2005 General Resolution.

“Trustee” shall mean the bank or trust company appointed pursuant to Section 801 to act as trustee hereunder, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to the 2005 General Resolution.

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# GOVERNMENTAL UNITS AND THEIR MUNICIPAL BONDS

# APPENDIX B

Loan agreements pertaining to Municipal Bonds named in Part A - 2005 SERIES D through 2008 SERIES A - were executed by the Governmental Unit and the Bank.

<u>GOVERNMENTAL UNIT</u>	<u>PRINCIPAL AMOUNT</u>	<u>BALANCE OUTSTANDING 7/17/2008</u>	<u>BONDS YEARS INCLUSIVE</u>	
<b>PART A - Non State Guaranteed Issues:</b>				
2005 SERIES D - ISSUED ON JULY 21, 2005				
(Due July 15)				
Bedford School District	\$ 47,505,000	\$ 38,263,373	2009-2029	1
2006 SERIES A - ISSUED ON JUNE 22, 2006				
(Due August 15 and February 15*)				
Mason, Town of	292,000	265,000	2008-2016	1
Strafford County	1,168,110	1,050,000	2008-2016	1
Jaffrey-Rindge Coop. School District	9,247,684	8,625,000	2008-2021	1
Somerset, City of	3,426,127	3,200,000	2008-2021	1
Brookline, Town of	492,842	465,000	2008-2026	1
East Kingston, Town of	2,343,970	2,215,000	2008-2026	1
Emerald Lake Village District	690,032	655,000	2008-2026	1
Francestown, Town of	985,745	935,000	2008-2026	1
Greenfield, Town of	118,582	110,000	2008-2026	1
Kearsarge Reg. School District	24,450,150	22,019,034	2008-2026*	1
Lebanon, City of	6,511,829	6,210,000	2008-2026	1
Milford, Town of	1,095,881	1,035,000	2008-2026	1
Newfields, Town of	1,281,427	1,215,000	2008-2026	1
Spofford Fire Precinct	1,525,621	1,445,000	2008-2026	1
	<u>53,630,000</u>	<u>49,444,034</u>		
2006 SERIES B - ISSUED ON DECEMBER 6, 2006				
(Due January 15)				
Conway School District	2,436,000	1,950,000	2009-2012	1
Rye, Town of	946,400	855,000	2009-2017	1
Brookline, Town of	291,900	280,000	2009-2027	1
Dresden School District	2,526,000	2,296,581	2009-2026	1
East Kingston, Town of	680,900	650,000	2009-2027	1
Profile School District	12,948,800	12,300,000	2009-2027	1
	<u>19,830,000</u>	<u>18,331,581</u>		
2007 SERIES B - ISSUED ON JUNE 13, 2007				
(Due August 15 and February 15*)				
Plainfield School District	300,000	300,000	2008-2012	1
Hinsdale, Town of	210,000	210,000	2008-2014	1
Bedford School District	2,681,350	2,681,350	2008-2017	1
Candia, Town of	1,481,500	1,481,500	2008-2017	1
Westmoreland School District	435,000	435,000	2008-2017	1
Bow, Town of	880,600	880,600	2008-2022	1
Merrimack, Town of	1,677,300	1,677,300	2008-2022	1
Atkinson, Town of	1,714,500	1,714,500	2008-2027	1
Brentwood, Town of	237,800	237,800	2008-2027	1
Chesterfield, Town of	2,224,450	2,224,450	2008-2027	1
City of Claremont	4,939,000	4,939,000	2008-2027	1
City of Claremont	2,722,000	2,722,000	2008-2027	1
East Kingston, Town of	461,700	461,700	2008-2027	1
Lebanon, City of	8,947,000	8,947,000	2008-2027	1
Mont Vernon, Town of	1,482,500	1,482,500	2008-2027	1
Newport School District	10,156,100	10,156,100	2008-2027	1
North Hampton, Town of	741,800	741,800	2008-2027	1
Sawyer Lake Village District	266,800	266,800	2008-2027	1
Wolfeboro, Town of	4,701,600	4,701,600	2008-2027	1
Laconia, City of	22,644,000	22,034,656	2008-2036*	1
	<u>68,905,000</u>	<u>68,295,656</u>		

2007 SERIES C - ISSUED ON DECEMBER 5, 2007

(Due January 15)

Lebanon School District	717,500	717,500	2009-2013	1
East Kingston, Town of	455,000	455,000	2009-2028	1
Milford School District	4,393,500	4,393,500	2009-2028	1
Pillsbury Lake Village District	388,100	388,100	2009-2028	1
Somersworth, City of	1,843,500	1,843,500	2009-2028	1
North Hampton, Town of	2,254,000	2,254,000	2009-2037	1
Plymouth Village Water & Sewer District	604,400	604,400	2009-2037	1
	<u>10,656,000</u>	<u>10,656,000</u>		

2008 SERIES A - ISSUED ON JUNE 12, 2008

(Due August 15 and February 15\*)

Jackson School District	622,545	622,545	2009-2014	1
Laconia, City of	976,270	976,270	2009-2019	1
Marlborough, Town of	185,940	185,940	2009-2019	1
Somersworth, City of	1,338,545	1,338,545	2009-2019	1
Windham School District	3,735,620	3,735,620	2009-2019	1
New Durham, Town of	594,895	594,895	2009-2024	1
Sunrise Lake Village District	540,495	540,495	2009-2024	1
Amherst School District	3,883,620	3,883,620	2009-2029	1
Bow, Town of	2,212,020	2,212,020	2009-2029	1
Brentwood, Town of	947,045	947,045	2009-2029	1
Kensington, Town of	754,195	754,195	2009-2029	1
Lebanon, City of	4,427,015	4,427,015	2009-2029	1
Lyme, Town of	899,420	899,420	2009-2029	1
Marlborough School District	10,754,220	10,754,220	2009-2029*	1
Rochester, City of	692,995	692,995	2009-2029	1
Sandown, Town of	970,970	970,970	2009-2029	1
Wolfeboro, Town of	2,776,845	2,776,845	2009-2029	1
Seabrook, Town of	5,997,345	5,997,345	2009-2039	1
	<u>42,310,000</u>	<u>42,310,000</u>		

Total Non State Guaranteed Issues

\$ 242,836,000      \$ 227,300,644

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## BEDFORD SCHOOL DISTRICT, NEW HAMPSHIRE

## General

The Bedford School District (the "District"), governed by a five member Board of Education, is coterminous with the Town of Bedford (the "Town"). The District has historically provided for the education of the Town's public school students in grades PK through 8. The District has maintained a tuition agreement with the adjacent City of Manchester to educate its high school students. The District and the City of Manchester signed an agreement on January 9, 2006 to transition students to a new Bedford High School which opened in August of 2007. The agreement is a three year contractual transition plan with Manchester: Grades 9-12 attended Manchester High School in school year 2006-2007, grades 11-12 are attending in school year 2007-2008, and grade 12 will attend in school year 2008-2009.

The District is subject to oversight by the State Board of Education. Responsibility for legislative decisions rests with the District's School Board which approves, among other things, the District budget and debt authorizations.

## District Facilities

The Bedford School District currently operates three elementary schools, one intermediate school, a new middle school, and a new high school. Lurgio Middle School and Bedford High School opened in August of 2007. Occupancy in Bedford High School is being phased in with grades 9 and 10 attending in August 2007, grades 9, 10 and 11 attending in August 2008, and all grades attending by August 2009.

## District Enrollments

The following table sets forth the trend in school enrollments of the Bedford School District, including students attending high school in Manchester.

Bedford School District Enrollments

	2004	2005	2006	2007	2008	2009	2010	2011
PK-8	2,867	2,910	3,002	3,066	3,162	3,210	3,291	3,351
PK-12	3,703	3,761	3,914	3,999	4,194	4,384	4,595	4,735

## Debt Service Requirements

The following table sets forth the required principal and interest payments on outstanding general obligation bonds of the Bedford School District as of June 30, 2007, including the 2005 and 2007 loan from the Bond Bank.

Fiscal Year Payable	Outstanding Principal	Interest	2005 & 2007 Bond Bank Loan(1)	Total
2008	\$ 755,000	\$ 322,418	\$ 3,411,552	\$ 4,488,970
2009	755,000	291,650	3,722,223	4,768,873
2010-2014	3,455,000	968,916	18,467,353	22,891,269
2015-2019	2,174,400	340,995	17,888,226	20,403,621
2020-2024	200,000	50,410	16,718,250	16,968,660
2025-2029	120,000	8,325	16,719,875	16,848,200
2030	-	-	3,341,500	3,341,500
Total	<u>\$ 7,459,400</u>	<u>\$ 1,982,714</u>	<u>\$ 80,268,979</u>	<u>\$ 89,711,093</u>

(1) The District expects to receive from the State of New Hampshire annual school building aid grant payments of approximately 30% of the principal amount payable on its outstanding bonds and its 2005 and 2007 loans through the Bond Bank, subject to annual appropriation by the State.

## Projected Capital Expenditures

The District's current Capital Improvement Plan reflects additional capital expenditures of approximately \$5.4 million through fiscal year 2014. There are no definitive plans for the financing of such projects.

## Debt Limit

The general debt limit of the Bedford School District is 7% of the District's base valuation of \$3,599,904,944, or \$251,993,346.

## Litigation

In the opinion of the District, there is no litigation either pending or threatened, which is likely to result either individually or in the aggregate in a final judgment against the District which would materially affect its financial position.

## Continuing Disclosure

Since the advent of Rule 15c2-12 the District has entered into four Continuing Disclosure Agreements relating to its (i) \$7,874,000 General Obligation Bonds dated May 1, 1998; (ii) \$3,181,000 General Obligation Bonds dated November 11, 2002; (iii) \$47,505,000 General Obligation Bonds dated July 21, 2005; and (iv) \$2,681,350 General Obligation Bonds dated June 14, 2007. Under the first two of these Agreements the District agreed to provide certain information to the noted repositories within 180 days of the June 30 end of each fiscal year. The information that is the subject of such disclosure consists of (i) the District's annual audited financial statements; and (ii) certain "quantitative information" regarding its operating expenses and revenues, its capital expenditures, its fund balance, real estate taxes, outstanding and overlapping debt, and pension obligations.

Because District officials were unaware of this continuing disclosure obligation until it entered into its third agreement, the required disclosures were not made until July 2005. The District's Annual Financial Report for year ending June 30, 2006 was filed on April 27, 2007.

It should be noted that the Town of Bedford (the "Town"), a separate legal entity that covers the same geographical territory as the District, has made continuing disclosure filings over the last several years. Since 2002, the Town has filed an annual report which, since 2002, contains information about both the Town and the District, including much of the information that the District is required to disclose under the referenced agreements.

## Budget Trends

The following table sets forth the annual approved budgets of the District.

Category	Fiscal 2007	Fiscal 2008	Fiscal 2009
Instruction	\$ 22,431,009	\$ 24,195,418	\$ 23,990,940
Support services	18,189,639	24,040,039	26,468,399
Capital outlays	1,020,000	2,933,128	445,000
Debt service - principal	3,923,045	3,774,757	3,900,692
Debt service - interest	539,476	716,659	868,184
Fund transfers	593,548	702,646	709,948
Total	<u>\$ 46,696,717</u>	<u>\$ 56,362,647</u>	<u>\$ 56,383,163</u>

**Audits**

The District's accounts are audited annually by Plodzik & Sanderson, Professional Association/Accountants & Auditors. The most recent audit was performed for the year ended June 30 2007. The fiscal 2004 audit is the first audit of the District to reflect the new reporting requirements of GASB 34.

**Financial Statements**

Set forth on the following pages are a Governmental Funds Balance Sheet for the year ended June 30, 2007, June 30, 2006, and June 30, 2005, and a Comparative Statement of General Fund Revenues, Expenditures, and Changes in Fund Balances for the years ended June 30, 2003 through June 30, 2007. Fiscal 2004 through 2007 financial statements are not strictly comparable to prior year financial statements by virtue of the new accounting standards of GASB 34.

**Bedford School District  
Balance Sheet  
Governmental Funds  
June 30, 2007(1)**

	General	Capital Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,872,959	\$ -	\$ 121,049	\$ 2,994,008
Investments	775,149	1,936,306	-	2,711,455
Receivables:				-
Accounts	10,825	-	-	10,825
Intergovernmental	58,801	-	756,196	814,997
Prepaid items	37,346	-	-	37,346
Total Assets	<u>\$ 3,755,080</u>	<u>\$ 1,936,306</u>	<u>\$ 877,245</u>	<u>\$ 6,568,631</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	901,560	259,058	11,160	1,171,778
Accrued salaries and benefits	950,104	-	41,235	991,339
Contracts payable	-	113,399	-	113,399
Deferred revenue	4,990	-	84,738	89,728
Retainage payable	-	371,899	-	371,899
Total liabilities	<u>1,856,654</u>	<u>744,356</u>	<u>137,133</u>	<u>2,738,143</u>
Fund balances:				
Reserved for encumbrances	134,894	1,216,586	-	1,351,480
Reserved for special purposes	6,000	-	-	6,000
Unreserved, undesignated, reported in:				-
General fund	1,757,532	-	-	1,757,532
Capital project fund	-	(24,636)	-	(24,636)
Special revenue funds	-	-	740,112	740,112
Total fund balances	<u>1,898,426</u>	<u>1,191,950</u>	<u>740,112</u>	<u>3,830,488</u>
Total liabilities and fund balances	<u>\$ 3,755,080</u>	<u>\$ 1,936,306</u>	<u>\$ 877,245</u>	<u>\$ 6,568,631</u>

(1) Extracted from annual audit.

**Bedford School District  
Balance Sheet  
Governmental Funds  
June 30, 2006(1)**

	General	Capital Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 49,735	\$ 49,735
Investments	1,745,230	31,534,974	-	33,280,204
Receivables:				-
Accounts	7,913	-	-	7,913
Intergovernmental	50,577	-	884,885	935,462
Prepaid items	2,271,916	-	-	2,271,916
Total Assets	<u>\$ 4,075,636</u>	<u>\$31,534,974</u>	<u>\$ 934,620</u>	<u>\$36,545,230</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Cash overdraft	\$ 2,022,882	\$ -	\$ -	\$ 2,022,882
Accounts payable	288,212	35,603	2,835	326,650
Contracts payable	-	4,837,673	-	4,837,673
Retainage payable	-	434,668	-	434,668
Accrued salaries and benefits	692,274	-	17,578	709,852
Intergovernmental payable	17,901	71,336	1,605	90,842
Deferred revenue	-	-	34,763	34,763
Total liabilities	<u>3,021,269</u>	<u>5,379,280</u>	<u>56,781</u>	<u>8,457,330</u>
Fund balances:				
Reserved for encumbrances	-	23,635,036	-	23,635,036
Reserved for special purposes	2,211	2,520,658	877,839	3,400,708
Reserved for contingencies	355,422	-	-	355,422
Unreserved, undesignated, reported in:				-
General fund	696,734	-	-	696,734
Total fund balances	<u>1,054,367</u>	<u>26,155,694</u>	<u>877,839</u>	<u>28,087,900</u>
Total liabilities and fund balances	<u>\$ 4,075,636</u>	<u>\$31,534,974</u>	<u>\$ 934,620</u>	<u>\$36,545,230</u>

(1) Extracted from annual audit.

**Bedford School District  
Balance Sheet  
Governmental Funds  
June 30, 2005(1)**

	General	Capital Reserve	Capital Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,760,191	\$	\$	\$ 9,327	\$ 1,769,518
Receivables:					
Accounts	31,843			136	31,979
Intergovernmental	27,547	847,214		16,483	891,244
Interfund receivable	99,366				99,366
Prepaid items	31,345				31,345
Total Assets	<u>\$ 1,950,292</u>	<u>\$ 847,214</u>	<u>\$</u>	<u>\$ 25,946</u>	<u>\$ 2,823,452</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 118,096	\$	\$ 195,000		\$ 313,096
Accrued salaries and benefits	62,278				62,278
Intergovernmental payable	8,319		137,638		145,957
Interfund payable			89,683	9,683	99,366
Deferred revenue	600			16,263	16,863
Total liabilities	<u>189,293</u>		<u>422,321</u>	<u>25,946</u>	<u>637,560</u>
Fund balances:					
Reserved for encumbrances			2,042,500		2,042,500
Reserved for special purposes	282				282
Unreserved, undesignated, reported in:					-
General fund	1,760,717				1,760,717
Capital project fund			(2,464,821)		(2,464,821)
Special revenue funds		847,214			847,214
Total fund balances	<u>1,760,999</u>	<u>847,214</u>	<u>(422,321)</u>		<u>2,185,892</u>
Total liabilities and fund balances	<u>\$ 1,950,292</u>	<u>\$ 847,214</u>	<u>\$</u>	<u>\$ 25,946</u>	<u>\$ 2,823,452</u>

(1) Extracted from annual audit.



**BEDFORD SCHOOL DISTRICT  
COMPARATIVE STATEMENT OF  
GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
AS OF JUNE 30, (1)**

	2007	2006	2005	2004	2003
<b>Revenues</b>					
School District Assesment	\$ 30,600,759	\$ 26,842,585	\$ 25,523,650	\$ 19,275,737	\$ 15,537,129
State	12,857,897	11,853,525	12,545,580	15,016,011	14,264,791
Miscellaneous	1,560,017	2,206,618	115,419	112,698	107,245
Federal	160,832	169,989		209,603	125,433
Other Financial Sources:					
Operating Transfers in	208,251	-	173,610	160,000	235
Proceeds of Long-Term Debt	-	-			32,981
<b>Total Revenues</b>	<u>\$ 45,387,756</u>	<u>\$ 41,072,717</u>	<u>\$ 38,358,259</u>	<u>\$ 34,774,049</u>	<u>\$ 30,067,814</u>
<b>Expenditures</b>					
Current:					
Instruction	\$ 21,607,548	\$ 24,485,814	\$ 23,119,612	\$ 20,205,013	\$ 17,172,527
Support Services					
Student	1,976,413	2,223,294	1,754,864	1,653,185	1,548,322
Instructional Staff	1,159,151	868,787	552,694	606,375	561,643
General Administration	357,643	135,367	12,053	176,357	151,309
Executive Administration	384,006	-	694,307	509,702	569,149
School Administration	1,476,186	970,716	936,668	898,703	864,002
Business	252,326	213,218	205,810	203,242	149,621
Operation and Maint. Of Plant	2,568,473	1,825,816	2,105,601	1,598,403	2,218,024
Student Transportation	1,563,943	1,610,477	1,524,048	1,520,852	1,440,218
Other	7,628,612	6,706,148	6,141,002	5,486,622	4,697,479
Facilities Acquisitions & Fac.					32,981
Debt Service	4,455,427	2,133,901	1,083,391	1,085,405	753,740
Other Financing Uses					
Transfers in					
Operating Transfers Out	1,113,969	605,811	6,892		468,191
<b>Total Expenditures and Other Financing Uses</b>	<u>44,543,697</u>	<u>41,779,349</u>	<u>38,136,942</u>	<u>33,943,859</u>	<u>30,627,206</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures and Other Financing Uses	844,059	(706,632)	221,317	830,190	(559,392)
<b>Fund Balance - July 1</b>	<u>1,054,367</u>	<u>1,760,999</u>	<u>1,539,682</u>	<u>709,492</u>	<u>1,265,967</u>
<b>Fund Balance - June 30</b>	<u>\$ 1,898,426</u>	<u>\$ 1,054,367</u>	<u>\$ 1,760,999</u>	<u>\$ 1,539,682</u>	<u>\$ 706,575</u>

(1) Compiled from annual audited financial statements of the District

## TOWN OF BEDFORD, NEW HAMPSHIRE

The following information is provided for background information only. The Town of Bedford is not obligated to repay any portion of the bonds or notes of the Bedford School District.

### The Town

The Town of Bedford is coterminous with the Bedford School District; i.e. its tax base supports the operations of the Bedford School District. Located in Hillsborough County in southern New Hampshire, approximately 60 miles northwest of Boston via Routes 3 and 93, the Town is situated between Manchester and Nashua, New Hampshire's two largest cities. The Town has a population of 18,274 (2000 federal census) and occupies a land area of 38 square miles. Bedford was incorporated in 1750 and since 1988 has operated under a charter with a Council-Manager form of government. The Town Council consists of seven members elected to staggered three-year terms. The Council acts as the legislative body of the Town (except for the adoption of the actual budget) and appoints a Town Manager to serve an indefinite term as the Town's chief executive. The Manager is responsible for the administrative and financial affairs of the Town, and implements policies established by the Town Council. Long-term debt, in addition to the annual budget, is approved by a Budgetary Town Meeting.

Bedford has a diverse character, combining residential, commercial, industrial and recreational activities. The Town has experienced significant tax base growth in the last six years with an increasing amount of the growth occurring in commercial and industrial property. This is due to Bedford's proximity to New Hampshire's major north/south and east/west highways, as well as its location within 5 minutes of the Manchester Airport, which offers direct flights to many major cities around the nation. The Town provides a full-range of administrative, public works, public safety, recreational, and cultural services to its residents.

### Assessed Valuations

The following table sets forth the trend in the Town's assessed valuations and the equalized assessed valuations for the last five fiscal years.

<u>Year</u>	<u>Net Assessed Valuation</u>	<u>Equalized Assessed Valuation</u>
2007	\$3,117,004,593	\$3,590,476,567
2006	3,085,197,931	3,521,701,203
2005	3,009,000,765	3,360,250,517
2004	2,929,901,304	3,034,860,094
2003	1,846,056,597	2,843,748,934

### Tax Collections

<u>Calendar Year</u>	<u>Tax Rate</u>	<u>Net Property Tax Levy</u>	<u>Collections During Calendar Year Payable</u>		<u>Collections as of 5/12/2008</u>	
			<u>Dollar Amount</u>	<u>% of Net Levy</u>	<u>Dollar Amount</u>	<u>% of Net Levy</u>
2007 *	\$ 18.99	\$ 58,619,062	\$ 56,750,132	96.8 %	\$ 58,174,804	99.2 %
2006	\$ 16.34	\$ 50,263,732	\$ 48,806,100	97.1	\$ 50,184,165	99.8
2005	15.44	46,191,449	44,863,721	97.1	46,190,676	100.0
2004	15.74	45,928,814	44,695,503	97.3	45,928,814	100.0
2003	20.34	37,353,546	36,467,887	97.6	37,353,377	100.0

\* The net property tax levy includes the final 2007 billing which is due 12/3/07.

## Largest Taxpayers – 2006

Name	Type of Business	Assessed Value	% of Assessed Value
Hampshire Green Apartments	Apartments	\$ 24,577,700	0.80 %
Massachusetts Mutual Life	Apartments	23,254,400	0.75
Public Service of NH	Utility	23,140,600	0.75
NH Heritage LTD Partnership	Bedford Mall	17,611,700	0.59
Kensington Close LLC	Apartments	12,443,700	0.40
Macy's East, Inc	Retail	11,873,400	0.38
PDNED Bedford LLC	Retail	10,344,200	0.34
Target Corporation	Department Store	9,409,600	0.30
Grove Court Shopping Center	Retail Shops/Offices	8,376,900	0.27
Colby Grove Retial LLC	Retail Shops/Offices	8,241,700	0.27

## Largest Employers

Name	Type of Business	No. of Employees
Bedford School District	Public School System	245
Macy's	Retail Store	199
Lowe's	Retail Store	196
Sheraton Tara Wayfarer	Hotel/Restaurant	185
Target Corporation	Department Store	150

## Building Permits

Year	Number Issued	Total Value
2007	476	\$ 45,262,757
2006	497	49,360,511
2005	622	70,237,741
2004	665	73,548,783
2003	667	81,087,807
2002	709	74,639,766

## Population

1970	1980	1990	2000	2004
5,859	9,481	12,563	18,274	20,480

## Income

Median Family Income	Bedford	Hillsborough County	New Hampshire	United States
2000	\$ 91,868	\$ 62,363	\$ 57,575	\$ 49,600
1990	68,187	46,249	41,628	35,225
1980	28,055	18,689	19,724	19,908

Per Capita Income	Bedford	Hillsborough County	New Hampshire	United States
2000	\$ 37,730	\$ 25,198	\$ 23,844	\$ 21,690
1990	25,883	17,404	15,959	14,420
1980	9,614	7,390	6,966	7,313

## Unemployment Rates

Year	Town of Bedford		Unemployment Rates	
	Labor Force	Unemployment Rate	New Hampshire	United States
2007	11,170	2.8 %	3.6 %	4.6 %
2006	11,170	2.8	3.4	4.6
2005	11,000	3.2	3.3	4.6
2004	10,910	2.5	3.8	5.4
2003	11,560	3.1	4.3	6.0

## Debt Service Requirements

The following table sets forth the debt service requirements on the Town's General Fund supported general obligation bonds to be outstanding as of December 31, 2007.

Calendar Year Payable	Outstanding Principal	Interest	Total
2008	\$ 2,565,000	\$ 705,033	\$ 3,270,033
2009	2,560,000	618,884	3,178,884
2010	2,555,000	530,511	3,085,511
2011-2015	10,090,000	1,343,535	11,433,535
2016-2019	1,710,000	94,863	1,804,863
Total	<u>\$ 19,480,000</u>	<u>\$ 3,292,826</u>	<u>\$ 22,772,826</u>

The following table sets forth the debt service requirements on the Town's Enterprise Fund supported general obligation bonds to be outstanding as of December 31, 2007.

<u>Calendar Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 150,000	\$ 37,812	\$ 187,812
2009	155,000	31,212	186,212
2010	165,000	24,238	189,238
2011-2012	345,000	25,137	370,137
Total	<u>\$ 815,000</u>	<u>\$ 118,399</u>	<u>\$ 933,399</u>

### **Debt Limit**

The general debt limit of the Town of Bedford is 3% of its 2007 base valuation of \$3,599,904,944, or \$107,997,148.

### **Litigation**

In the opinion of the Town, there is no litigation either pending or threatened, which is likely to result either individually or in the aggregate in a final judgment against the Town which would materially affect its financial position.

### **Audits**

The Town's accounts are audited annually by Melanson, Heath & Company, PC, Nashua, New Hampshire. The most recent audit was performed for the fiscal year ended December 31, 2006 and is available upon request.

### **Financial Statements**

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ended December 31, 2006, December 31, 2005 and December 31, 2004, and a Comparative Statement of Revenues, Expenditures and Changes in Fund Balances for the fiscal years ended December 31, 2002 through 2006. All such statements have been extracted and/or compiled from annual audits.

**Town of Bedford, New Hampshire  
Balance Sheet  
Governmental Funds  
December 31, 2006 (1)**

	<b>General</b>	<b>Road Construction Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and short-term investments	\$ 21,905,293	\$ 10,971,641	\$ 3,698,014	\$ 36,574,948
Investments	2,000,000	-	-	2,000,000
Receivables:				
Property taxes, net	1,544,816	-	-	1,544,816
Departmental and other	213,351	-	46,581	259,932
Intergovernmental	-	33,907	-	33,907
Due from other funds	115,209	-	11,083	126,292
Prepaid items	237,843	-	-	237,843
<b>Total Assets</b>	<b>\$ 26,016,512</b>	<b>\$ 11,005,548</b>	<b>\$ 3,755,678</b>	<b>\$ 40,777,738</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 503,778	\$ 147,460	\$ -	\$ 651,238
Accrued liabilities	234,126	-	-	234,126
Retainage payable	15,760	198,427	-	214,187
Deferred Revenues	163,836	-	-	163,836
Tax refunds liability	39,782	-	-	39,782
Due to other funds	11,083	112,459	2,750	126,292
Due to other governments	18,695,813	-	-	18,695,813
Other liabilities	-	-	69	69
<b>Total Liabilities</b>	<b>\$ 19,664,178</b>	<b>\$ 458,346</b>	<b>\$ 2,819</b>	<b>\$ 20,125,343</b>
Fund Balances:				
Reserved for:				
Encumbrances	451,587	3,415,738	-	3,867,325
Prepaid items	237,843	-	-	237,843
Other purposes	1,303,849	-	-	1,303,849
Perpetual permanent funds	-	-	25,255	25,255
Unreserved:				
Undesignated, reported in:				
General fund	4,359,055	-	-	4,359,055
Special revenue funds	-	-	3,726,329	3,726,329
Capital project funds	-	7,131,464	-	7,131,464
Permanent funds	-	-	1,275	1,275
<b>Total fund balances</b>	<b>6,352,334</b>	<b>10,547,202</b>	<b>3,752,859</b>	<b>20,652,395</b>
<b>Total liabilities and fund balances</b>	<b>\$ 26,016,512</b>	<b>\$ 11,005,548</b>	<b>\$ 3,755,678</b>	<b>\$ 40,777,738</b>

**Town of Bedford, New Hampshire  
Balance Sheet  
Governmental Funds  
December 31, 2005 (1)**

	<u>General</u>	<u>Road Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and short-term investments	\$ 20,707,259	\$ 1,149,748	\$ 3,643,616	\$ 25,500,623
Investments	2,000,000	-	-	2,000,000
Receivables:				
Property taxes, net	1,435,095	-	-	1,435,095
Departmental and other	307,764	-	2,374	310,138
Intergovernmental	20,000	38,276	-	58,276
Due from other funds	33,531	-	-	33,531
Prepaid items	231,488	-	-	231,488
<b>Total Assets</b>	<u>\$ 24,735,137</u>	<u>\$ 1,188,024</u>	<u>\$ 3,645,990</u>	<u>\$ 29,569,151</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 544,173	\$ 4,709	\$ -	\$ 548,882
Accrued liabilities	222,367	-	-	222,367
Retainage payable	-	46,372	-	46,372
Deferred Revenues	109,021	-	-	109,021
Tax refunds liability	73,223	-	-	73,223
Due to other funds	-	-	190,756	190,756
Due to other governments	17,569,855	-	-	17,569,855
<b>Total Liabilities</b>	<u>\$ 18,518,639</u>	<u>\$ 51,081</u>	<u>\$ 190,756</u>	<u>\$ 18,760,476</u>
Fund Balances:				
Reserved for:				
Encumbrances	649,912	-	-	649,912
Prepaid items	231,488	-	-	231,488
Other purposes	1,121,257	-	-	1,121,257
Perpetual permanent funds	-	-	25,255	25,255
Unreserved:				
Undesignated, reported in:				
General fund	4,213,841	-	-	4,213,841
Special revenue funds	-	-	3,429,734	3,429,734
Capital project funds	-	1,136,943	-	1,136,943
Permanent funds	-	-	245	245
<b>Total fund balances</b>	<u>6,216,498</u>	<u>1,136,943</u>	<u>3,455,234</u>	<u>10,808,675</u>
<b>Total liabilities and fund balances</b>	<u>\$ 24,735,137</u>	<u>\$ 1,188,024</u>	<u>\$ 3,645,990</u>	<u>\$ 29,569,151</u>

(1) Extracted from annual audit.

**Town of Bedford, New Hampshire  
Balance Sheet  
Governmental Funds  
December 31, 2004 (1)**

	<b>General Fund</b>	<b>Capital Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 16,864,296	\$ 4,307,706	\$ 1,753,803	\$ 22,925,805
Investments	3,391,069		945,361	4,336,430
Receivables net:				
Taxes	1,396,488			1,396,488
Accounts	256,903		40,015	296,918
Interfund receivable	154,692		535,552	690,244
Prepaid items	231,597			231,597
<b>Total Assets</b>	<b>\$ 22,295,045</b>	<b>\$ 4,307,706</b>	<b>\$ 3,274,731</b>	<b>\$ 29,877,482</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 283,909	\$ 215,785	\$ 1,206	\$ 500,900
Accrued payroll and benefits	183,155			183,155
Retainage payable	31,868	179,899		211,767
Intergovernmental payable	16,376,558			16,376,558
Interfund payable	535,552		311,917	847,469
Other current liability	21,611			21,611
Deferred revenue	1,233,281			1,233,281
<b>Total Liabilities</b>	<b>\$ 18,665,934</b>	<b>\$ 395,684</b>	<b>\$ 313,123</b>	<b>\$ 19,374,741</b>
Fund Balances:				
Reserved for encumbrances	306,540	2,437,204	217,314	2,961,058
Reserved for endowments			25,243	25,243
Reserved for special purposes		1,474,818	1,939,975	3,414,793
Unreserved:				
Designated for compensated absences	97,353			97,353
Designated for contingency	200,000			200,000
Unreserved, undesignated, reported in:				
General fund	3,025,218			3,025,218
Special revenue funds			779,076	779,076
<b>Total fund balances</b>	<b>3,629,111</b>	<b>3,912,022</b>	<b>2,961,608</b>	<b>10,502,741</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,295,045</b>	<b>\$ 4,307,706</b>	<b>\$ 3,274,731</b>	<b>\$ 29,877,482</b>

(1) Extracted from annual audit.



**TOWN OF BEDFORD, NEW HAMPSHIRE**  
**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES (1)**  
**For the Years Ended December 31,**

	2006	2005	2004	2003	2002
<b>Revenues</b>					
Taxes	\$ 8,575,873	\$ 8,272,198	\$ 7,111,687	\$ 6,260,167	\$ 6,183,715
Licenses & Permits	4,666,472	4,862,208	4,717,707	4,576,504	4,336,893
Intergovernmental Revenues	1,740,649	1,478,886	1,437,645	1,309,409	1,216,153
Charges for Services	901,177	879,050	927,931	771,203	565,091
Investment Income	384,839				
Miscellaneous	198,982	986,200	1,034,855	959,599	1,104,650
Other Financing Sources:					
Operating Transfers in	464,747	256,360	419,748	720,615	274,582
Proceeds of Long-Term Debt	-	62,786	2,640,983		
Total Revenues and Other Financing Sources	<u>16,932,739</u>	<u>16,797,688</u>	<u>18,290,556</u>	<u>14,597,497</u>	<u>13,681,084</u>
<b>Expenditures</b>					
General Government	3,573,127	3,171,430	3,314,553	3,393,902	2,575,046
Public Safety	5,000,518	4,577,462	4,322,408	4,583,550	3,400,003
Highways and Streets	3,294,349	2,906,602	2,594,082	2,666,862	3,661,080
Sanitation	1,378,176	1,109,809	1,464,477	1,080,225	979,082
Welfare & Health	17,146	12,266	8,902	21,742	11,720
Culture & Recreation	1,206,272	1,184,118	1,853,142	1,178,185	891,286
Conservation	121,166	22,943	7,718	3,051	15,589
Debt Service	1,737,949	1,782,529	1,818,789	965,315	1,401,505
Capital Outlay					
Intergovernmental					
Other Financing Uses					
Operating Transfer Out	468,200	488,950	3,094,983	249,500	477,250
Total Expenditures and Other Financing Uses	<u>16,796,903</u>	<u>15,256,109</u>	<u>18,479,054</u>	<u>14,142,332</u>	<u>13,412,561</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Financing Uses	135,836	1,541,579	(188,498)	455,165	268,523
Fund Balance - January 1	<u>6,216,498</u>	<u>4,674,919</u> (2)	<u>3,817,609</u> (2)	<u>3,274,264</u>	<u>3,005,741</u>
Fund Balance - December 31	<u>\$ 6,352,334</u>	<u>\$ 6,216,498</u>	<u>\$ 3,629,111</u>	<u>\$ 3,729,429</u>	<u>\$ 3,274,264</u>

(1) Compiled from the audited financial statements of the Town.

(2) Restated.

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**EDWARDS ANGELL PALMER & DODGE** LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

New Hampshire Municipal Bond Bank  
Concord, New Hampshire 03301

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$42,310,000 2008 Series A Bonds (the “Bonds”) of the New Hampshire Municipal Bond Bank (herein called the “Bank”), a public body corporate and politic, constituted as an instrumentality of the State of New Hampshire (the “State”).

The Bonds are dated as of their date of delivery, if authenticated prior to the first interest payment date, and otherwise shall be dated as provided in the Series Resolution, as hereinafter defined. The Bonds will mature on August 15 and bear interest payable on February 15 and August 15 in each year until maturity, commencing February 15, 2009.

The Bonds are issued under and pursuant to the Act (as hereinafter defined) and under and pursuant to the General Bond Resolution of the Bank adopted July 14, 2005, as supplemented by the First Supplemental Resolution adopted June 23, 2006 (the “General Bond Resolution”), and a Series Resolution of the Bank adopted June 13, 2008 (the “Series Resolution”). The General Bond Resolution and the Series Resolution are herein sometimes collectively referred to as the “Resolutions.”

The Bonds are subject to optional redemption as set forth therein.

The Bonds are issued in registered form by means of a book-entry system evidencing ownership and transfer of Bonds on the records of The Depository Trust Company and its participants. The Bonds are lettered AR- and are numbered from one (1) upwards.

Pursuant to the Resolutions, the Bank is authorized to issue additional series of bonds from time to time upon the terms and conditions therein set forth, and any such bonds will be on a parity with the Bonds and all other bonds issued pursuant to the General Bond Resolution.

We are of the opinion that:

1. The Bank has been duly created and validly exists as a public body corporate and politic, constituted as an instrumentality of the State, under and pursuant to the laws of the State (including the New Hampshire Municipal Bond Bank Law, being Chapter 35-A of the New Hampshire Revised Statutes Annotated (the “Act”) as amended), with the right and power to adopt the Resolutions which have been duly and lawfully adopted by the Bank, are in full force

and effect and are valid and binding upon the Bank and enforceable in accordance with their terms and no other authorization for the Resolutions is required.

2. The Bank is duly authorized to issue the Bonds, which have been duly and validly authorized and issued in accordance with law, including the Act as amended, and in accordance with the Resolutions, and the Bonds constitute valid, binding general obligations of the Bank as provided in the Resolutions, payable and enforceable in accordance with their terms and the terms of the Resolutions and entitled to the benefits of the Resolutions and of the Act and for the payment of the principal and premium of and interest on which, pursuant to the Resolutions, the full faith and credit of the Bank are pledged.

3. The Bonds are secured by a pledge in the manner and to the extent set forth in the Resolutions. The Resolutions create the valid pledge which they purport to create of the Municipal Bonds and Municipal Bonds Payments, Funds and Accounts established and defined in the Resolutions and other moneys and securities held or set aside thereunder, subject to the purposes and on the conditions permitted by the Resolutions.

4. Obligations of the Bank, including its obligations under the Resolutions and the Bonds are subject to bankruptcy, insolvency and other laws affecting the rights and remedies of creditors.

5. The Bonds are not a debt or liability nor do they constitute a pledge of the faith and credit of the State, nor shall the Bonds be payable out of any revenues or funds other than those of the Bank.

6. The Bank is authorized and under the General Bond Resolution has covenanted and is obligated to cause to be made by its Chairman and delivered to the Chairman of the House Appropriations Committee not later than the twentieth day of each session of the General Court, his or her written request as provided for by the Act, stating the amount, if any, required to restore the Reserve Fund to the amount of the Required Debt Service Reserve established under the Act and the Resolutions.

7. Section 12 of the Act (i) does not bind or obligate the State to appropriate and pay to the Bank in any future year the amount duly certified to the Chairman of the House Appropriations Committee by the Chairman of the Bank as necessary to restore the Reserve Fund to the Required Debt Service Reserve, the language of such Section being permissive only, but there is no constitutional bar to future Legislatures making such appropriations for such purposes if they elect to do so, and (ii) does not constitute a loan of credit of the State or create an indebtedness on the part of the State and is not otherwise in violation of provisions of the Constitution of the State. Any funds so appropriated would be appropriated for a proper public purpose and may be validly applied as provided in the General Bond Resolution.

8. The interest on the Bonds is not included in gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations and such interest is included in the measure of certain

other taxes imposed on corporations and in the measure of income of certain recipients of Social Security and Railroad Retirement benefits for the purpose of determining whether such benefits shall be included in the taxable income of such recipients. We call to your attention certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") relating to the use, expenditure and investment of the proceeds of the Bonds. Failure by the Bank or the Governmental Units (as defined in the Act) to comply with such requirements subsequent to the issuance of the Bonds might cause interest on the Bonds to become subject to federal income taxation retroactive to the date of their issuance. The Bank and each Governmental Unit have covenanted to take all lawful action necessary to comply with those provisions of the Code that, except for such compliance, would affect adversely the excludability of interest on the Bonds from gross income for federal income tax purposes. We express no opinion with respect to other federal tax consequences arising with respect to the Bonds.

9. Under existing New Hampshire statutes, the Bonds and the interest thereon and the income therefrom are exempt from taxation imposed by the State, except for transfer, inheritance and estate taxes.

10. We have examined a photocopy of executed Bond No. AR-1 and, in our opinion, the form of such Bond and its execution are regular and proper.

EDWARDS ANGELL PALMER & DODGE LLP

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**General Purpose  
and  
Combining Financial Statements**

**New Hampshire Municipal Bond Bank**

**YEAR ENDED JUNE 30, 2007  
with REPORT OF INDEPENDENT AUDITORS**

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
New Hampshire Municipal Bond Bank

We have audited the accompanying basic financial statements, consisting of the State Guaranteed Fund Group, Non-State Guaranteed Fund Group, Pinkerton Academy Fund Group and Coc-Brown Northwood Academy Fund Group, of New Hampshire Municipal Bond Bank as of and for the year ended June 30, 2007, as listed in the accompanying table of contents. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Municipal Bond Bank at June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 -- 5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. The supplementary information is the responsibility of the Bond Bank's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Limited Liability Company

Manchester, New Hampshire  
October 25, 2007

## NEW HAMPSHIRE MUNICIPAL BOND BANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

As financial management of the New Hampshire Municipal Bond Bank (the "Bond Bank"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Bond Bank for the fiscal year ended June 30, 2007. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Bond Bank and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

#### Financial Highlights

- Revenues for the Bond Bank were \$45,474,345 for fiscal year 2007, an increase of \$3,870,465 or 9.3% above fiscal year 2006. This increase was due to a more favorable change in the fair value of investments between fiscal year 2006 and 2007. Investments are recorded at fair value to comply with GASB rules. The Bond Bank generally holds investments until maturity to pay reserve fund bonds as they become due, so fluctuations in the fair value of the investments have a minimal long-term effect.
- Fund equity of the Bond Bank increased \$1,329,328 in fiscal year 2007. At June 30, 2007, the Bond Bank had fund equity of \$16,912,212, an increase of 8.53% from the prior year.
- The Bond Bank's bonds outstanding at June 30, 2007 of \$918,578,096 represent a net decrease of \$3,434,502 from the balance at June 30, 2006. This decrease was primarily due to the net result of issuing two new series of bonds and one refunding series of bonds totaling \$110,790,000, less the refunded bonds of \$35,940,000 and the scheduled 2007 debt service principal payments of \$77,869,669.
- The Bond Bank provided loans to local governmental units during fiscal year 2007 totaling \$73,460,000 which was a 42.11% decrease from the loans provided in fiscal year 2006.
- During fiscal year 2007, \$35,940,000 of bonds were refunded, resulting in an estimated present value savings of \$1.19 million.
- Standard & Poor's Rating Services upgraded the Bond Bank's rating from AA- to AA in June 2007.

#### Overview of the Bond Bank

The Bond Bank was created in 1977 by an Act of the New Hampshire Legislature, RSA:35-A, is a public body corporate and politic and is constituted as an instrumentality exercising public and essential governmental functions of the State. The Bond Bank was established to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school districts or other districts (the "governmental units") within the State of New Hampshire. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services or assessments.

As the result of the Bond Bank issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of bonds outstanding and remit payment to the Internal Revenue Service every five years. The Bond Bank's policy is to prepare and review the calculations annually for financial statement purposes. The Bond Bank has hired an outside firm to calculate arbitrage rebate liability and payments.

Since its inception, the Bond Bank issued bonds for its non guaranteed program pursuant to a General Resolution adopted on December 1, 1978, as amended from time to time (the “1978 Resolution”). Over the years, the 1978 Resolution had grown increasingly obsolete. On July 14, 2005, the Bond Bank adopted a new General Resolution (the “2005 Resolution”). While substantially similar to the 1978 Resolution, the 2005 Resolution contains a number of improvements, including a flexible reserve fund sizing requirement, wholesale changes in permitted investments, the ability to meet its reserve fund requirement with surety bond policies and other credit facilities, and a streamlined approach to calling bonds for early redemption. In management’s view, the 2005 Resolution will enhance the Bond Bank’s ability to market its bonds and streamline the administration of its program. Bonds issued under the 2005 Resolution are separately secured from all other bonds of the Bond Bank, including those issued under the 1978 Resolution. The adoption of the 2005 Resolution is not expected to result in any substantive change to the Bond Bank’s overall program.

The Bond Bank has issued three series of bonds under the terms of the 2005 Resolution, totaling \$120,965,000.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Bond Bank’s financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the Bond Bank operates under four separate bond resolutions, the financial statements reflect individual fund activity.

### **Basic Financial Statements**

The basic financial statements are designed to provide readers with a broad overview of the Bond Bank’s finances, in a manner similar to a private-sector business.

The financial statements present information on all of the Bond Bank’s assets and liabilities, with the difference between the two reported as fund equity. Over time, increases or decreases in fund equity may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Fund equity increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, result in increased fund equity, which may indicate an improved financial position.

The statements of revenues, expenses, and changes in fund equity present information showing how the Bond Bank’s fund equity changed during the fiscal year. Changes in fund equity are generally reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### **Financial Analysis**

Fund equity may serve, over time, as a useful indicator of a government’s financial position. In the case of the Bond Bank, assets exceeded liabilities by \$16,912,212 at June 30, 2007. This represents an increase of \$1,329,328 or 8.53% from the previous fiscal year.

By far, the largest portion of the Bond Bank’s fund equity is its investment in loans to governmental units plus bond proceeds remaining in trust investments, less any related debt used to acquire those assets.

The Bond Bank's financial position and operations for the past two years are summarized below based on information included in the financial statements.

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Current assets:			
Cash	\$ 57,074	\$ 55,178	3.44%
Investments held by trustee, at market value	4,179,138	9,586,950	(56.41)
Loans receivable from governmental units	68,833,636	68,258,177	0.84
Accrued investment income receivable	962,060	887,131	8.45
Accrued interest receivable from governmental units	15,463,905	15,172,112	1.92
Other current assets	<u>772,163</u>	<u>798,850</u>	<u>(3.34)</u>
Total current assets	90,267,976	94,758,398	(4.74)
Noncurrent assets:			
Investments held by trustee, at market value	123,635,006	124,834,119	(0.96)
Loans receivable from governmental units	735,051,911	730,921,547	0.57
Unamortized rebates to governmental units and bond issuance costs	<u>5,676,817</u>	<u>5,969,851</u>	<u>(4.91)</u>
Total noncurrent assets	<u>864,363,734</u>	<u>861,725,517</u>	<u>0.31</u>
Total assets	<u>\$ 954,631,710</u>	<u>\$ 956,483,915</u>	<u>(0.19)%</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 24,843	\$ 45,148	(44.97)%
Accrued interest payable	16,130,687	16,194,093	(0.39)
Accrued interest rebate payable to U.S. Government	423,016	693,760	(39.03)
Bonds payable	<u>79,120,346</u>	<u>77,567,430</u>	<u>2.00</u>
Total current liabilities	95,698,892	94,500,431	1.27
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	2,562,856	1,955,432	31.06
Bonds payable	<u>839,457,750</u>	<u>844,445,168</u>	<u>(0.59)</u>
Total noncurrent liabilities	<u>842,020,606</u>	<u>846,400,600</u>	<u>(0.52)</u>
Total liabilities	937,719,498	940,901,031	(0.34)
Fund equity	<u>16,912,212</u>	<u>15,582,884</u>	<u>8.53</u>
Total liabilities and fund equity	<u>\$ 954,631,710</u>	<u>\$ 956,483,915</u>	<u>(0.19)%</u>

Total cash and investments held by trustee decreased \$6,605,029, or 4.91% at June 30, 2007 compared to June 30, 2006. The Bond Bank's investment portfolio is comprised of cash and cash equivalents, U.S. Government obligations (including treasury bills, notes, and bonds), strips, agency notes and bank investment contracts. The Bond Bank's investments are carried at fair value. Unrealized gains and losses (primarily due to fluctuations in market values) are recognized in the statements of revenues, expenses and changes in fund equity.

The Bond Bank's loans receivable from governmental units increased \$4,705,823 in fiscal year 2007. The Bond Bank's total new loan originations in 2007 of \$73,460,000 were 42.11% lower than 2006 originations of \$126,890,910. Net bonds payable decreased \$3,434,502.

Fund equity increased 8.53% in fiscal year 2007. The Bond Bank continued to maintain a positive spread of income from investments and loans to governmental units over bond interest and operating expenses.

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Interest on loans receivable from governmental units	\$ 39,563,748	\$ 40,534,724	(2.40)%
Interest income from investments	6,397,209	6,008,694	6.47
Net decrease in the fair value of investments	(863,931)	(5,473,323)	(84.22)
Other income	<u>377,319</u>	<u>533,785</u>	<u>(29.31)</u>
 Total operating revenues	 45,474,345	 41,603,880	 9.30
 Interest expense	 43,587,565	 44,328,051	 (1.67)
Operating expenses	333,222	341,275	(2.36)
Other expense	<u>224,230</u>	<u>321,572</u>	<u>(30.27)</u>
 Total operating expenses	 <u>44,145,017</u>	 <u>44,990,898</u>	 <u>(1.88)</u>
 Operating (loss) income	 1,329,328	 (3,387,018)	 (139.25)
Fund equity, beginning of year	<u>15,582,884</u>	<u>18,969,902</u>	<u>(17.85)</u>
 Fund equity, end of year	 <u>\$ 16,912,212</u>	 <u>\$ 15,582,884</u>	 <u>8.53%</u>

Operating revenues are generated principally from interest earned on investments and from fees and interest received from governmental units. The Bond Bank's annual operating budget is approved by the Board of Directors.

Interest income on investments in 2007 increased 6.47% from 2006. This increase was the result of an increasing interest rate environment.

The net decrease in the fair value of investments in 2007 of \$863,931 was caused by movements in market interest rates during the year that had a negative impact on the fair value of investments held by the Bond Bank.

### Requests for Information

This financial report is designed to provide a general overview of the Bond Bank's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, New Hampshire Municipal Bond Bank, 25 Triangle Park Drive, Suite 102, Concord, NH 03301.

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## BALANCE SHEETS

June 30, 2007

	Municipal Division	
	State Guaranteed Fund Group	Non-State Guaranteed Fund Group
<u>ASSETS</u>		
Current assets:		
Cash (note 3)	\$ —	\$ 10,000
Investments held by trustee, at market value (note 3):		
Cash equivalents	1,751,025	2,428,113
Loans receivable from governmental units	6,865,636	60,583,000
Accrued investment income receivable	41,547	920,513
Accrued interest receivable from governmental units	903,778	14,478,791
Unamortized rebates to governmental units and bond issuance costs	120,667	636,282
Other assets	<u>8,784</u>	<u>6,430</u>
Total current assets	9,691,437	79,063,129
Noncurrent assets:		
Reserve Fund investments held by trustee, at market value (note 3):		
Cash equivalents	978,152	4,641,081
U.S. Government obligations	11,070,851	106,944,922
Loans receivable from governmental units	22,365,511	694,946,400
Unamortized rebates to governmental units and bond issuance costs	<u>480,200</u>	<u>5,196,617</u>
Total noncurrent assets	<u>34,894,714</u>	<u>811,729,020</u>
Total assets	<u>\$ 44,586,151</u>	<u>\$ 890,792,149</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ —	\$ 24,843
Accrued interest payable	734,334	15,315,017
Accrued interest rebate payable to U.S. Government	89,990	333,026
Bonds payable (note 4)	<u>8,182,786</u>	<u>69,552,560</u>
Total current liabilities	9,007,110	85,225,446
Noncurrent liabilities:		
Accrued interest rebate payable to U.S. Government	822,863	1,739,993
Bonds payable (note 4)	<u>28,667,449</u>	<u>793,050,301</u>
Total noncurrent liabilities	<u>29,490,312</u>	<u>794,790,294</u>
Total liabilities	38,497,422	880,015,740
Fund equity	<u>6,088,729</u>	<u>10,776,409</u>
Total liabilities and fund equity	<u>\$ 44,586,151</u>	<u>\$ 890,792,149</u>

See accompanying notes to the financial statements.

Educational Institutions Division

<u>Pinkerton Academy</u> <u>Fund Group</u>	<u>Coe-Brown Northwood</u> <u>Academy Fund Group</u>	<u>Total</u>
\$ 24,079	\$ 22,995	\$ 57,074
-	-	4,179,138
1,155,000	230,000	68,833,636
-	-	962,060
65,545	15,791	15,463,905
-	-	756,949
<u>-</u>	<u>-</u>	<u>15,214</u>
1,244,624	268,786	90,267,976
-	-	5,619,233
-	-	118,015,773
16,020,000	1,720,000	735,051,911
<u>-</u>	<u>-</u>	<u>5,676,817</u>
<u>16,020,000</u>	<u>1,720,000</u>	<u>864,363,734</u>
<u>\$ 17,264,624</u>	<u>\$ 1,988,786</u>	<u>\$ 954,631,710</u>
\$ -	\$ -	\$ 24,843
65,545	15,791	16,130,687
-	-	423,016
<u>1,155,000</u>	<u>230,000</u>	<u>79,120,346</u>
1,220,545	245,791	95,698,892
-	-	2,562,856
<u>16,020,000</u>	<u>1,720,000</u>	<u>839,457,750</u>
<u>16,020,000</u>	<u>1,720,000</u>	<u>842,020,606</u>
17,240,545	1,965,791	937,719,498
<u>24,079</u>	<u>22,995</u>	<u>16,912,212</u>
<u>\$ 17,264,624</u>	<u>\$ 1,988,786</u>	<u>\$ 954,631,710</u>

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

For the Year Ended June 30, 2007

	<u>Municipal Division</u>	
	<u>State</u>	<u>Non-State</u>
	<u>Guaranteed</u>	<u>Guaranteed</u>
	<u>Fund Group</u>	<u>Fund Group</u>
Operating revenues:		
Interest on loans receivable from governmental units	\$1,990,857	\$ 36,584,700
Interest income from investments	638,900	5,756,168
Net decrease in the fair value of investments	(151,504)	(712,427)
Other income	<u>—</u>	<u>370,319</u>
Total operating revenues	2,478,253	41,998,760
Operating expenses:		
Interest expense	2,073,468	40,525,906
Operating expenses	100,000	224,722
Other expense	<u>—</u>	<u>224,230</u>
Total operating expenses	<u>2,173,468</u>	<u>40,974,858</u>
Operating income	304,785	1,023,902
Fund equity, beginning of year	<u>5,783,944</u>	<u>9,752,507</u>
Fund equity, end of year	<u>\$6,088,729</u>	<u>\$ 10,776,409</u>

See accompanying notes to the financial statements.



Educational Institutions Division

<u>Pinkerton Academy</u> <u>Fund Group</u>	<u>Coe-Brown Northwood</u> <u>Academy Fund Group</u>	<u>Total</u>
\$ 882,644	\$ 105,547	\$ 39,563,748
1,927	214	6,397,209
—	—	(863,931)
<u>6,000</u>	<u>1,000</u>	<u>377,319</u>
890,571	106,761	45,474,345
882,644	105,547	43,587,565
7,650	850	333,222
<u>—</u>	<u>—</u>	<u>224,230</u>
<u>890,294</u>	<u>106,397</u>	<u>44,145,017</u>
277	364	1,329,328
<u>23,802</u>	<u>22,631</u>	<u>15,582,884</u>
\$ <u>24,079</u>	\$ <u>22,995</u>	\$ <u>16,912,212</u>

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2007

	<u>Municipal Division</u>	
	<u>State</u>	<u>Non-State</u>
	<u>Guaranteed</u>	<u>Guaranteed</u>
	<u>Fund Group</u>	<u>Fund Group</u>
Operating activities:		
Cash received from governmental units	\$ 9,103,546	\$ 96,499,341
Cash payments to governmental units	—	(73,460,000)
Cash received from other income	—	370,319
Cash payments for operating expenses	(100,000)	(245,027)
Cash payments for bond issuance costs	—	(224,230)
Cash paid for other assets	<u>(8,784)</u>	<u>(475,378)</u>
Net cash provided by operating activities	8,994,762	22,465,025
Investing activities:		
Purchases of investments	(2,960,881)	(3,945,040)
Proceeds from sale and maturities of investments	1,085,644	6,052,770
Interest received on investments	866,398	6,535,928
Interest rebate paid to U.S. Government	<u>(20,169)</u>	<u>(725,338)</u>
Net cash (used) provided by investing activities	(1,029,008)	7,918,320
Noncapital financing activities:		
Proceeds from bonds payable	—	111,602,523
Deposit to refunding escrow	—	(37,701,886)
Principal paid on bonds payable	(8,199,669)	(67,685,000)
Interest paid on bonds payable	<u>(1,987,769)</u>	<u>(39,886,544)</u>
Net cash used by noncapital financing activities	<u>(10,187,438)</u>	<u>(33,670,907)</u>
(Decrease) increase in cash and cash equivalents	(2,221,684)	(3,287,562)
Cash and cash equivalents, beginning of year	<u>4,950,861</u>	<u>10,366,756</u>
Cash and cash equivalents, end of year	\$ <u>2,729,177</u>	\$ <u>7,079,194</u>
Balance sheet classification:		
Cash	\$ —	\$ 10,000
Cash equivalents – investments held by trustee	1,751,025	2,428,113
Cash equivalents – reserve fund investments held by trustee	<u>978,152</u>	<u>4,641,081</u>
	\$ <u>2,729,177</u>	\$ <u>7,079,194</u>

Educational Institutions Division

<u>Pinkerton Academy</u> <u>Fund Group</u>	<u>Coc-Brown Northwood</u> <u>Academy Fund Group</u>	<u>Total</u>
\$ 2,649,283	\$ 332,350	\$ 108,584,520
—	—	(73,460,000)
6,000	1,000	377,319
(7,650)	(850)	(353,527)
—	—	(224,230)
<u>—</u>	<u>—</u>	<u>(484,162)</u>
2,647,633	332,500	34,439,920
—	—	(6,905,921)
—	—	7,138,414
1,927	214	7,404,467
<u>—</u>	<u>—</u>	<u>(745,507)</u>
1,927	214	6,891,453
—	—	111,602,523
—	—	(37,701,886)
(1,760,000)	(225,000)	(77,869,669)
<u>(889,283)</u>	<u>(107,350)</u>	<u>(42,870,946)</u>
<u>(2,649,283)</u>	<u>(332,350)</u>	<u>(46,839,978)</u>
277	364	(5,508,605)
<u>23,802</u>	<u>22,631</u>	<u>15,364,050</u>
\$ <u>24,079</u>	\$ <u>22,995</u>	\$ <u>9,855,445</u>
\$ 24,079	\$ 22,995	\$ 57,074
—	—	4,179,138
<u>—</u>	<u>—</u>	<u>5,619,233</u>
\$ <u>24,079</u>	\$ <u>22,995</u>	\$ <u>9,855,445</u>

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2007

	<u>Municipal Division</u>	
	State	Non-State
	Guaranteed	Guaranteed
	<u>Fund Group</u>	<u>Fund Group</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 304,785	\$ 1,023,902
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest income from investments	(638,900)	(5,756,168)
Net decrease in the fair value of investments	151,504	712,427
Amortization of rebates to governmental units	77,347	481,041
Interest expense on bonds payable	2,073,468	40,525,906
Change in assets and liabilities:		
Loans receivable from governmental units	6,904,667	(13,595,490)
Accrued interest receivable from governmental units	130,675	(430,910)
Unamortized rebates to governmental units and bond issuance costs	—	(468,948)
Other assets	(8,784)	(6,430)
Accounts payable and accrued liabilities	<u>—</u>	<u>(20,305)</u>
Net cash provided by operating activities	<u>\$ 8,994,762</u>	<u>\$ 22,465,025</u>

See accompanying notes to the financial statements.

Educational Institutions Division

<u>Pinkerton Academy</u> <u>Fund Group</u>	<u>Coe-Brown Northwood</u> <u>Academy Fund Group</u>	<u>Total</u>
\$ 277	\$ 364	\$ 1,329,328
(1,927)	(214)	(6,397,209)
—	—	863,931
—	—	558,388
882,644	105,547	43,587,565
1,760,000	225,000	(4,705,823)
6,639	1,803	(291,793)
—	—	(468,948)
—	—	(15,214)
—	—	(20,305)
<u>\$ 2,647,633</u>	<u>\$ 332,500</u>	<u>\$ 34,439,920</u>

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 1. Organization

The New Hampshire Municipal Bond Bank (Bond Bank) was created in 1977 by Chapter 35-A (Act) of the State of New Hampshire (State) Revised Statutes Annotated. The Bond Bank is an instrumentality of the State, but is not a State agency and has no taxing authority. The Bond Bank has separate corporate and sovereign capacity and its board of directors is composed of the State Treasurer (who serves as director ex officio) and four directors appointed by the Governor and Executive Council. The Bond Bank has no oversight authority over any other entity.

Under the Act, the Bond Bank is empowered to issue its bonds to make funds available to governmental units having the power to levy taxes (county, city, town, school district, village district or other body corporate and politic), through the purchase by the Bond Bank of their municipal bonds. The governmental units enter into loan agreements with the Bond Bank pursuant to which they issue municipal bonds. Accordingly, the Bond Bank enables governmental units to issue debt at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. As discussed below, the Act was amended in 1982 to establish the Educational Institutions Division.

To achieve its purpose, the Bond Bank operates the following divisions and programs:

#### Municipal Division

**State Guaranteed** bonds issued are not a debt of the State of New Hampshire, and the State is not liable on such bonds. However, the municipal bonds purchased by the Bond Bank are guaranteed as to payment of principal and interest by a pledge of the full faith and credit of the State of New Hampshire.

**Non-State Guaranteed** bonds issued are not a debt of the State of New Hampshire, and the State is not liable on such bonds.

Since its inception, the Bond Bank has issued bonds for its Non-State Guaranteed program pursuant to a General Resolution adopted on December 1, 1978, as amended from time to time (the "1978 Resolution"). On July 14, 2005, the Bond Bank adopted a new General Resolution (the "2005 Resolution"). While substantially similar to the 1978 Resolution, the 2005 Resolution contains a number of improvements, including a flexible reserve fund sizing requirement, some changes in permitted investments, the ability to meet its reserve fund requirement with surety bond policies and other credit facilities, and a streamlined approach to calling bonds for early redemption. Bonds issued under the 2005 Resolution are separately secured from all other bonds of the Bond Bank, including those issued under the 1978 Resolution. The adoption of the 2005 Resolution has not resulted in any substantive change to the Bond Bank's overall program. Total assets and liabilities of the 2005 Resolution, which are reported under the Non-State Guaranteed Fund Group, were approximately \$120,000,000 at June 30, 2007, consisting primarily of loans to governmental units and bonds payable.

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 1. Organization (Continued)

#### Educational Institutions Division

**Pinkerton Academy and Coe-Brown Northwood Academy Programs:** Effective February 19, 1982 (and as modified July 11, 1998), the State Legislature enacted the "New Hampshire Municipal Bond Bank Educational Institutions Bond Financing Act", to assist certain elementary, secondary education institutions, or any other institution which provides a program of education within the state which is preparatory of secondary, postsecondary, or higher education, to finance the construction and improvement of their facilities.

No State appropriations are made to the Bond Bank. Fees and charges are authorized to be charged by the Bond Bank for the use of its services or facilities. These fees and charges, along with income from investments, provide for the annual operating costs of the Bond Bank.

### 2. Significant Accounting Policies

#### Proprietary Fund Accounting

The Bond Bank is accounted for as an Enterprise Fund. An Enterprise Fund is used to account for an operation where periodic determination, on an accrual basis, of revenues earned, expenses incurred and net income is appropriate. Accordingly, the Bond Bank recognizes revenues in the period earned and expenses in the period incurred.

The Bond Bank complies with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting*. Under the provisions of this statement, the Bond Bank applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements, Accounting Principals Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As permitted by GASB No. 20, the Bond Bank has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

The financial statements are prepared in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statement No. 21* and No. 34, and No. 38, *Certain Financial Statement Note Disclosures* (the Statements).

#### Federal Income Taxes

It is the opinion of management that the Bond Bank is exempt from federal income taxes under Internal Revenue Code Section 115. However, the Bond Bank is subject to the arbitrage rebate requirements of Section 148 of the Internal Revenue Code. Section 148 requires that any arbitrage profit earned on the proceeds of tax-exempt bonds issued after 1985 must be rebated to the federal government at least once every five years, with the balance rebated no later than 60 days after the retirement of the bonds.

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 2. Significant Accounting Policies (Continued)

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2007 was approximately \$254,000 and \$829,000 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

#### Cash and Cash Equivalents

The Bond Bank considers all checking and savings deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.

#### Investments

Investments are carried at fair value. Changes in fair value are recorded as net increase or decrease in the fair value of investments on the statements of revenues, expenses and changes in fund equity.

#### Bond Discounts, Premiums and Issuance Costs

Costs associated with issuing debt, which are generally paid by means of fees collected from governmental units, are expensed in the year incurred. Bond issuance costs and original issue discounts or premiums associated with the Series 1993, 1996, 1998, 2002, 2003, 2004, 2005 and 2007 refunding bond issues were not offset by fees collected from governmental units, thus they were deferred and are being amortized to interest expense over the life of the refunding bond issues using the straight-line method. For each refunding, bond discounts (premiums) are presented as a reduction of (increase to) the face amount of bonds payable (note 4), whereas issuance costs are recorded as deferred charges included in other assets.

#### Advanced Refundings

All advanced refundings completed subsequent to July 1, 1993 within the Bond Bank's municipal division are accounted for in accordance with the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter, using the straight-line method. The unamortized portion of the deferred amount is reported as a reduction of the face amount of the bonds payable (note 4). Amortization for the year ended June 30, 2007 was approximately \$378,700 and \$1,756,700 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

The gains, losses and economic benefits of advance refundings completed within the Educational Institutions Division inure to the respective institution and not the Bond Bank.



# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 2. Significant Accounting Policies (Continued)

#### Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Bond Bank to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Total Columns

The "total" columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the separate funds.

### 3. Cash, Cash Equivalents and Investments

Cash includes funds held in interest bearing demand deposit and savings accounts, which are fully insured by the Federal Deposit Insurance Corporation, and amounts on deposit with the New Hampshire Public Deposit Investment Pool (established pursuant to Sections 383:22-24 of the New Hampshire Revised Statutes Annotated), of \$47,074 as of June 30, 2007.

Investments held by trustee and Reserve Fund investments held by trustee consist primarily of U.S. Government and Government Agency obligations and shares of money market funds which invest in U.S. Government and Government Agency obligations. All investments are held by a trustee in the Bond Bank's name.

Reserve Fund investments held by trustee are restricted for payment of future debt service on the reserve fund portion of all outstanding bond issues. Pursuant to the Act and respective Bond Resolutions, the Municipal Division of the Bond Bank is required to maintain a debt service reserve fund which is equal to the maximum amount of bond principal and interest payable in any succeeding calendar year, to the extent that the funds are receivable from governmental units. Such reserves would be used to provide for payment of debt service in the event that one or more governmental units defaults in its payments.

As permitted by the bond resolution, any funds not required for loans to government units or deposit to reserve funds, may be held by the Bond Bank as unrestricted investments. These amounts are classified as investments held by trustee within the accompanying balance sheets.

Reserve Fund investments and investments held by trustee must be invested in any of the following obligations; (a) direct obligations of the United States of America or direct obligations of the State or obligations for which the faith and credit of the United States of America or the State is pledged to provide for the payment of the principal and interest, (b) any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association, and (c) any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State or held in the State Treasury.

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 3. Cash, Cash Equivalents and Investments (Continued)

Investments of the Bond Bank consist of short-term money market funds and other investments which are 100% collateralized by government securities. At June 30, 2007, investments are categorized as follows:

	Fair Value	
	Cash Equivalents	U.S. Government Obligations
Investments held by trustee:		
State Guaranteed Fund Group	\$ 1,751,025	\$ —
Non-State Guaranteed Fund Group	<u>2,428,113</u>	<u>—</u>
	4,179,138	—
Reserve fund investments held by trustee:		
State Guaranteed Fund Group	978,152	11,070,851
Non-State Guaranteed Fund Group	<u>4,641,081</u>	<u>106,944,922</u>
	<u>\$ 9,798,371</u>	<u>\$ 118,015,773</u>

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Bond Bank's investment policy provides that investment maturities be closely matched with future bond principal and interest requirements, which are the primary use of invested assets. The Bond Bank's general practice has been to hold all debt securities to their maturity, at which point the funds are needed to make required bond principal and interest payments for the respective resolutions. The following table provides information on future maturities of the Bond Bank's investment in U.S. government obligations as of June 30, 2007:

<u>Maturities</u>	State Guaranteed <u>Fund Group</u>	% of <u>Total</u>	Non-State Guaranteed <u>Fund Group</u>	% of <u>Total</u>
Less than one year	\$ 3,225,666	29.14%	\$ 9,335,544	8.73%
One to five years	6,638,320	59.96	29,886,684	27.95
Six to ten years	947,912	8.56	30,643,203	28.65
More than ten years	<u>258,953</u>	<u>2.34</u>	<u>37,079,491</u>	<u>34.67</u>
	<u>\$ 11,070,851</u>	<u>100.00%</u>	<u>\$ 106,944,922</u>	<u>100.00%</u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Bond Bank will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Bond Bank's investments are held by Flagship Bank, a state-chartered and publicly traded commercial bank which is a wholly owned subsidiary of Chittenden Corporation. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at Flagship Bank at June 30, 2007.

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 4. Bonds Payable

Bonds payable at June 30, 2007, by program, are as follows:

Municipal Division:	
State Guaranteed	\$ 36,850,235
Non-State Guaranteed	862,602,861
Educational Institutions Division:	
Pinkerton Academy	17,175,000
Coe-Brown Northwood Academy	<u>1,950,000</u>
	<u>\$ 918,578,096</u>

Following is a comprehensive summary of bonds payable by program at June 30, 2007:

#### **Municipal Division – State Guaranteed**

Bonds payable consist of the following at June 30, 2007:

Series 1994 D Bonds, maturing August 15, 1995 to August 15, 2014, with interest ranging from 4.25% to 7.15%	\$ 691,147
Series 1994 E Bonds, maturing August 15, 2001 to August 15, 2014, with interest ranging from 5.25% to 6.25%	275,000
Series 1997 B Bonds, maturing August 15, 1998 to August 15, 2017, with interest ranging from 4.6% to 5.2%	5,470,000
Series 1997 D Bonds, maturing January 15, 1999 to January 15, 2013, with interest ranging from 4.15% to 4.9%	2,610,000
Series 1998 B Refunding Bonds, maturing February 15, 1999 to August 15, 2014, with interest ranging from 3.75% to 4.75%	2,970,000
Series 2003 B Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	23,445,000
Series 2003 G Refunding Bonds, maturing February 15, 2004 to August 15, 2012, with interest ranging from 2% to 4%	<u>2,240,000</u>
	37,701,147
Net unamortized original issue premium on Series 1993 F, 1996 B, 1998 B, 2003 B and 2003 G Refunding Bonds	977,792
Unamortized deferred loss on Series 1993 F, 1996 B, 1998 B, 2003 B and 2003 G advance refundings	<u>(1,828,704)</u>
Bonds payable	36,850,235
Current portion	<u>8,182,786</u>
Noncurrent portion	<u>\$ 28,667,449</u>

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 4. Bonds Payable (Continued)

The above bonds payable will mature as follows, with interest payable semiannually:

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 8,345,637	\$ 1,643,245	\$ 9,988,882
2009	6,881,196	1,330,531	8,211,727
2010	7,318,108	1,068,318	8,386,426
2011	4,436,165	773,288	5,209,453
2012	5,730,320	598,387	6,328,707
2013 – 2016	4,319,721	1,136,093	5,455,814
2018 – 2019	<u>670,000</u>	<u>17,420</u>	<u>687,420</u>
	<u>\$ 37,701,147</u>	<u>\$ 6,567,282</u>	<u>\$ 44,268,429</u>

### **Municipal Division – Non-State Guaranteed**

*Bonds payable consist of the following at June 30, 2007:*

Series 1996 A Refunding Bonds, maturing August 15, 1996 to January 15, 2008, with interest ranging from 3.75% to 5.75%	\$ 1,680,000
Series 1996 C Bonds, maturing August 15, 1997 to August 15, 2008, with interest at 5.625%	7,715,000
Series 1997 A Bonds, maturing August 15, 1998 to August 15 2007, with interest ranging from 4.7% to 4.8%	705,000
Series 1997 C Bonds, maturing January 15, 1999 to January 15, 2010, with interest ranging from 4.5% to 4.7%	495,000
Series 1998 A Refunding Bonds, maturing February 15, 1999 to August 15, 2018, with interest ranging from 3.9% to 5%	12,610,000
Series 1999 A Bonds, maturing January 15, 2000 to January 15, 2029, with interest ranging from 4% to 4.9%	8,780,000
Series 1999 B Bonds, maturing August 15, 2000 to August 15 2009, with interest ranging from 4.5% to 5.25%	18,030,000
Series 1999 C Bonds, maturing January 15, 2001 to January 15, 2010, with interest ranging from 5.375% to 5.5%	6,090,000
Series 2000 A Bonds, maturing August 15, 2001 to August 15, 2010, with interest ranging from 5.125% to 5.2%	7,365,000
Series 2000 B Bonds, maturing January 15, 2002 to January 15, 2014, with interest ranging from 4.75% to 5%	2,070,000
Series 2001 A Bonds, maturing August 15, 2002 to August 15, 2016, with interest ranging from 4.125% to 4.8%	22,495,000
Series 2002 A Bonds, maturing June 15, 2003 to June 15, 2022, with interest ranging from 3.5% to 4.75%	3,890,000
Series 2002 B Bonds, maturing August 15, 2003 to August 15, 2018, with interest ranging from 3% to 4.6%	44,930,000

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 4. Bonds Payable (Continued)

#### **Municipal Division – Non-State Guaranteed**

Series 2002 C Bonds, maturing August 15, 2003 to August 15, 2022, with interest ranging from 3% to 4.75%	\$ 18,510,000
Series 2002 D Refunding Bonds, maturing August 15, 2003 to August 15, 2016, with interest ranging from 2% to 5%	74,255,000
Series 2002 E Bonds, maturing January 15, 2004 to January 15, 2022, with interest ranging from 4.25% to 4.85%	10,065,000
Series 2002 F Refunding Bonds, maturing August 15, 2003 to August 15, 2008, with interest ranging from 2% to 3.2%	1,415,000
Series 2003 A Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	21,315,000
Series 2003 C Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 3% to 6%	68,200,000
Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	11,900,000
Series 2003 E Bonds, maturing August 15, 2004 to August 15, 2018, with interest ranging from 3.5% to 5%	27,495,000
Series 2003 F Bonds, maturing January 15, 2005 to January 15, 2024, with interest ranging from 4% to 5%	45,725,000
Series 2004 A Refunding Bonds, maturing August 15, 2005 to February 15, 2020, with interest ranging from 2% to 5%	70,715,000
Series 2004 B Bonds, maturing August 15, 2005 to August 15, 2024 with interest ranging from 3% to 5%	95,270,000
Series 2004 C Bonds, maturing January 15, 2006 to January 15, 2025 with interest ranging from 3.75% to 5%	5,425,000
Series 2005 A Refunding Bonds, maturing August 15, 2009 to August 15, 2020 with interest ranging from 3% to 5%	34,035,000
Series 2005 B Bonds, maturing August 15, 2006 to August 15, 2025 with interest ranging from 4% to 5%	62,975,000
Series 2005 C Bonds, maturing March 15, 2006 to March 15, 2028 with interest ranging from 3% to 5%	22,265,000
Series 2005 D Bonds, maturing July 15, 2006 to July 15, 2029 with interest ranging from 3% to 5%	46,370,000
Series 2006 A Bonds, maturing August 15, 2007 to August 15, 2026 with interest ranging from 4% to 5%	53,630,000
Series 2006 B Bonds, maturing January 15, 2008 to January 15, 2027 with interest ranging from 4% to 5%	19,830,000
Series 2007 A Refunding Bonds, maturing August 15, 2008 to February 15, 2029 with interest ranging from 3.75% to 4.50%	<u>37,330,000</u>
	863,580,000

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 4. Bonds Payable (Continued)

Net unamortized original issue premium on Series 1993 E, 1996 A, 1998 A, 2002 D, 2002 F, 2003 A, 2004 A, 2005 A and 2007 A Refunding Bonds	\$ 15,449,752
Unamortized deferred loss on Series 1996 A, 1998 A, 2002 D and F, 2003 A, 2004 A, 2005 A and 2007 A advance refundings	<u>(16,426,891)</u>
Bonds payable	862,602,861
Current portion	<u>69,552,560</u>
Noncurrent portion	<u>\$ 793,050,301</u>

The above bonds payable will mature as follows, with interest payable semiannually:

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 66,210,000	\$ 38,727,701	\$ 104,937,701
2009	65,455,000	35,929,186	101,384,186
2010	64,095,000	32,890,093	96,985,093
2011	58,655,000	29,996,041	88,651,041
2012	56,495,000	27,367,659	83,862,659
2013 – 2017	252,305,000	99,017,896	351,322,896
2018 – 2022	177,860,000	49,555,921	227,415,921
2023 – 2027	110,530,000	13,214,705	123,744,705
2028 – 2030	<u>11,975,000</u>	<u>869,198</u>	<u>12,844,198</u>
	<u>\$ 863,580,000</u>	<u>\$ 327,568,400</u>	<u>\$ 1,191,148,400</u>

### **Educational Institutions Division – Pinkerton Academy**

Bonds payable at June 30, 2007 consist of the following:

2001 A Pinkerton Academy Project Refunding Revenue Bonds, maturing June 1, 2003 to June 1, 2021, with interest ranging from 4% to 5%	\$ 15,800,000
2001 B Pinkerton Academy Project Refunding Revenue Bonds, maturing June 1, 2002 to June 1, 2011, with variable interest rate (3.83% at June 30, 2007)	<u>1,375,000</u>
Bonds payable	17,175,000
Current portion	<u>1,155,000</u>
Noncurrent portion	<u>\$ 16,020,000</u>

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 4. Bonds Payable (Continued)

The above bonds payable will mature as follows, with interest payable semiannually:

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,155,000	\$ 811,012	\$ 1,966,012
2009	1,200,000	761,215	1,961,215
2010	1,250,000	711,622	1,961,622
2011	1,305,000	659,967	1,964,967
2012	980,000	604,863	1,584,863
2013 – 2017	5,660,000	2,275,888	7,935,888
2018 – 2022	<u>5,625,000</u>	<u>720,250</u>	<u>6,345,250</u>
	<u>\$ 17,175,000</u>	<u>\$6,544,817</u>	<u>\$ 23,719,817</u>

### **Educational Institutions Division – Coe-Brown Northwood Academy**

Bonds payable at June 30, 2007 consist of the following:

1994 Coe-Brown Northwood Academy Revenue Bonds, maturing May 1, 1995 to May 1, 2009, with interest ranging from 7.25% to 7.38%, payable semiannually	\$ 190,000
2003 Coe-Brown Northwood Academy Revenue Bonds, maturing May 1, 2004 to May 1, 2018, with interest ranging from 2% to 5%, payable semiannually	<u>1,760,000</u>
Bonds payable	1,950,000
Current portion	<u>230,000</u>
Noncurrent portion	<u>\$1,720,000</u>

The above bonds payable are subject to mandatory redemptions as follows, with interest payable semiannually:

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 230,000	\$ 96,350	\$ 326,350
2009	220,000	84,550	304,550
2010	140,000	72,825	212,825
2011	145,000	66,525	211,525
2012	150,000	60,000	210,000
2013 – 2017	865,000	184,000	1,049,000
2018 – 2019	<u>200,000</u>	<u>10,000</u>	<u>210,000</u>
	<u>\$1,950,000</u>	<u>\$ 574,250</u>	<u>\$2,524,250</u>

# NEW HAMPSHIRE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### 4. Bonds Payable (Continued)

Some bonds contain provisions for prepayment at the Bond Bank's option. All bonds are secured by the payment stream of loans receivable from governmental units. The monies in the reserve funds shall be held and applied solely to the payment of the interest and principal of the reserve fund bonds as they become due and payable and for the retirement of the reserve fund bonds. In the event of a deficiency in an interest and/or principal payment from the governmental units, transfers can be made from the general reserve funds to cover the shortfall. If this transfer creates a deficiency in the required amount of the reserve funds, the State can annually appropriate and cover such deficiency. Reserve funds of one division (as defined in note 1) cannot be used to cover deficiencies of another division.

In periods of declining interest rates, the Bond Bank has refunded certain bond obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Bond Bank's financial statements. As of June 30, 2007, defeased bonds payable by irrevocable trusts were approximately \$123,625,000.

On March 28, 2007, the Bond Bank issued \$37,330,000 in Non-State Guaranteed Fund Group bonds with an average interest rate of 4.45% to advance refund \$35,940,000 of various outstanding maturities of the 1999A, 2000B, 2001A, 2002B, 2002E and 2003E series bonds with an average interest rate of 5.09%. The net proceeds of approximately \$37,702,000 including bond premium of approximately \$812,500 and after payment of approximately \$440,500 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the refunded bonds. Although the advance refunding resulted in the recognition of a deferred accounting loss of approximately \$1.54 million in the year ended June 30, 2007, the Bond Bank in effect reduced its aggregate debt service payments by approximately \$1.18 million over the next fifteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately \$1.19 million.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2007:

	State Guaranteed Fund Group	Non-State Guaranteed Fund Group	Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group
Balance, beginning of year	\$ 44,885,078	\$ 856,017,520	\$ 18,935,000	\$2,175,000
Issuances	—	110,790,000	—	—
Redemptions	(8,199,669)	(67,685,000)	(1,760,000)	(225,000)
Refunded bonds	—	(35,940,000)	—	—
Capitalized premiums and deferred losses, net	—	(727,938)	—	—
Amortization of premiums and deferred losses, net	<u>164,826</u>	<u>148,279</u>	<u>—</u>	<u>—</u>
Balance, end of year	<u>\$ 36,850,235</u>	<u>\$ 862,602,861</u>	<u>\$ 17,175,000</u>	<u>\$1,950,000</u>



# **NEW HAMPSHIRE MUNICIPAL BOND BANK**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

### **5. Subsequent Events**

On July 19, 2007, the Bond Bank issued \$68,905,000 in non-State Guaranteed bonds. At June 30, 2007, the Bond Bank had committed all of the proceeds to governmental unit loans.

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**NEW HAMPSHIRE MUNICIPAL BOND BANK  
Proposed Form of Continuing Disclosure Certificate**

In connection with the issuance by the New Hampshire Municipal Bond Bank (the “Bank”) of its \$42,310,000 2008 Series A Bonds dated as of July 17, 2008 (the “Bonds”) and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the “Rule”), the Bank hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Bank reserves the right to incorporate by reference its Official Statement relating to the Bonds in any future disclosure provided hereunder.

1. Not later than 270 days after the end of each fiscal year of the Bank, the Bank will provide to (i) each nationally recognized municipal securities information repository (“NRMSIR”) and (ii) the appropriate state information depository for the State of New Hampshire (“SID”), if any (as of the date hereof, there is no SID for New Hampshire):

a. financial information and operating data relating to the Bank and each obligated person with respect to the Bonds for the preceding fiscal year, of the type presented in the Official Statement regarding (i) revenues and expenditures relating to operating budgets, (ii) capital expenditures, (iii) fund balances, (iv) assessment or property tax information, as appropriate, (v) outstanding indebtedness and overlapping indebtedness, (vi) pension obligations and (vii) such other financial information, operating data and financial statements, including without limitation, unaudited financial statements, as may be required to comply with the Rule; and

b. promptly upon their public release, the audited financial statements of the Bank and any obligated person with respect to the Bonds for the most recently ended fiscal year, prepared in accordance with generally accepted accounting principles in the case of the Bank and in accordance with customary New Hampshire municipal finance accounting practices in the case of any obligated person with respect to the Bonds, to the extent any such audited financial statements have been commissioned and publicly released.

The Bank reserves the right to modify from time to time the specific types of information provided under subparagraph (a) above or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Bank; provided that any such modification will be done in a manner consistent with the Rule.

2. The Bank will provide in a timely manner each NRMSIR or the Municipal Securities Rulemaking Board, and the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- g. Modifications to the rights of securities holders;
- h. Bond calls;
- i. Defeasances;

- j. The release, substitution, or sale of property securing repayment of the Bonds; or
- k. Rating changes.

The Bank from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Bank, such other event is material with respect to the Bonds, but the Bank does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Bank will provide, in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board and to the SID, if any, notice of a failure to satisfy the requirements of Paragraph 1 herein. As of the date hereof, there is no SID established for the State of New Hampshire.

4. The intent of the Bank's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Bank without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Bank for the benefit of the beneficial owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Bank (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the Agency of municipal securities to provide all or any portion of the information the Bank has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Bank to provide such information also shall cease immediately.

5. The purpose of the Bank's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Bank's obligations hereunder, not to create new contractual or other rights for any registered owner or beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Bank to comply with any provision herein shall be an action for the specific performance of the Bank's obligations hereunder and not for money damages in any amount. Any failure by the Bank to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.

6. The Bank may satisfy its obligation to make a filing with each NRMSIR or SID hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each NRMSIR or SID is an undertaking described in Rule 15c2-12. "Transmission Agent"

shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under Rule 15c2-12 for submission to each NRMSIR or SID.

7. The NRMSIRs and the Transmission Agent as of the date of this Continuing Disclosure Certificate are set forth in Exhibit A hereto.

8. The Bedford School District (the "District"), is the only obligated person with respect to bonds of the Bank issued pursuant to the Bank's General Bond Resolution adopted July 14, 2005, as amended (the "General Resolution"), including the Bonds. The form of the continuing disclosure undertaking that will be provided to the Bank by the District is attached hereto as Exhibit B. In addition, the loan agreements between the Bank and each of governmental unit obtaining a loan through the Bank, require that so long as a governmental unit is an obligated persons with respect to bonds of the Bank (including the Bonds) issued pursuant to the General Resolution, each such governmental unit agrees to provide the Bank with the information necessary to enable the Bank to comply with the Rule as in effect from time to time.

9. Capitalized terms used herein and not otherwise defined shall have the meanings as set forth in the Official Statement of the Bank, dated June 12, 2008, prepared in connection with the Bonds.

10. The Executive Director of the Bank, or such official's designee from time to time, shall be the contact person on behalf of the Bank from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is Sheila M. St. Germain, Executive Director, New Hampshire Municipal Bond Bank, 25 Triangle Park Drive, Concord, New Hampshire 03301, Telephone (603) 271-2595.

NEW HAMPSHIRE MUNICIPAL BOND BANK

By: \_\_\_\_\_  
Sheila M. St. Germain  
Executive Director

Dated: July 17, 2008

## EXHIBIT A

NATIONAL REPOSITORIES  
Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, New Jersey 08558  
PH: (609) 279-3225  
FAX: (609) 279-5962  
E-mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024  
PH: (201) 346-0701  
FAX: (201) 947-0107  
E-mail: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, New York 10038  
PH: (212) 771-6999  
FAX: (212) 771-7390 (Secondary Market Information)  
(212) 771-7391 (Primary Market Information)  
E-mail: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street, 45<sup>th</sup> Floor  
New York, New York 10041  
PH: (212) 438-4595  
FAX: (212) 438-3975  
E-mail: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

## TRANSMISSION AGENTS

[www.DisclosureUSA.org](http://www.DisclosureUSA.org)

Disclosure USA  
P.O. Box 684667  
Austin, Texas 78768-4667

Digital Assurance Certification, L.L.C.  
390 North Orange Avenue, Suite 1750  
Orlando, Florida 32801  
Phone: (407) 515-1100  
Fax: (407) 515-6513  
[www.dacbond.com](http://www.dacbond.com)

## EXHIBIT B

### Bedford School District, New Hampshire

#### Form of Continuing Disclosure Certificate

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Bedford School District, New Hampshire (the "District"), an obligated person within the meaning of the Rule (as hereinafter defined), with respect to the New Hampshire Municipal Bond Bank's \$42,310,000 2008 Series A Bonds dated July 17, 2008 (the "Bonds"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Bank" shall mean the New Hampshire Municipal Bond Bank.

"National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The current National Repositories are listed on Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Depository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private depository or entity designated by the State of New Hampshire as a state information depository for the purpose of the Rule. (As of the date of this Disclosure Certificate there is no State Depository).

"Transmission Agent" shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under the Rule for submission to each NRMSIR or SID. The currently recognized Transmission Agent is listed in Exhibit A attached hereto.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, not later than 180 days after the end of each fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted when available separately from the balance of the Annual Report.

(b) If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board and the State Depository, if any, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Appendix C to the Bank's Official Statement dated June 12, 2008 relating to the Bonds regarding (i) the revenues and expenditures of the District relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) assessment or property tax information, as appropriate, (v) outstanding indebtedness and overlapping debt of the District, (vi) pension obligations of the District, and (vii) such other financial information, operating data and financial statements, including without limitation, unaudited financial statements, as may be required to comply with the Rule; and

(b) the most recently available audited financial statements of the District, prepared in accordance with generally accepted accounting principles.

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so incorporated by reference.

SECTION 5. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds or payment in full of all of the Bonds.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, with the consent of the Bank, if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the District), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.



If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

SECTION 7. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Bank and any Owner of the Bonds from time to time may seek a court order for specific performance by the District of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action for specific performance of the District's obligations hereunder and not for money damages in any amount.

SECTION 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

SECTION 9. Use of Transmission Agent. The District may satisfy its obligation to make a filing with each NRMSIR or SID hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each NRMSIR or SID is an undertaking described in Rule 15c2-12.

BEDFORD SCHOOL DISTRICT, NEW HAMPSHIRE

By: \_\_\_\_\_  
Treasurer

Date: July 17, 2008

EXHIBIT A

NATIONAL REPOSITORIES  
Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, New Jersey 08558  
PH: (609) 279-3225  
FAX: (609) 279-5962  
E-mail: Munis@Bloomberg.com

DPC Data Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024  
PH: (201) 346-0701  
FAX: (201) 947-0107  
E-mail: nrmsir@dpcdata.com

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, New York 10038  
PH: (212) 771-6999  
FAX: (212) 771-7390 (Secondary Market Information)  
(212) 771-7391 (Primary Market Information)  
E-mail: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street, 45<sup>th</sup> Floor  
New York, New York 10041  
PH: (212) 438-4595  
FAX: (212) 438-3975  
E-mail: nrmsir\_repository@sandp.com

TRANSMISSION AGENTS

[www.DisclosureUSA.org](http://www.DisclosureUSA.org)

Disclosure USA  
P.O. Box 684667  
Austin, Texas 78768-4667

Digital Assurance Certification, L.L.C.  
390 North Orange Avenue, Suite 1750  
Orlando, Florida 32801  
Phone: (407) 515-1100  
Fax: (407) 515-6513  
[www.dacbond.com](http://www.dacbond.com)

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of District: Bedford School District, New Hampshire

Name of Issue:

Date of Issuance: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the District dated \_\_\_\_\_. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

BEDFORD SCHOOL DISTRICT, NEW HAMPSHIRE

By: \_\_\_\_\_

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**BOND INSURANCE****Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

**Financial Security Assurance Inc.**

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2008, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately \$3,012,872,486 and its total net unearned premium reserve was approximately \$2,419,501,630 in accordance with statutory accounting principles. At March 31, 2008, Financial Security's consolidated shareholder's equity was approximately \$3,053,752,711 and its total net unearned premium reserve was approximately \$1,882,057,335 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2007 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.



**FINANCIAL  
SECURITY  
ASSURANCE®**

## **MUNICIPAL BOND INSURANCE POLICY**

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment



made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

By \_\_\_\_\_

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
31 West 52<sup>nd</sup> Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)