

OFFICIAL STATEMENT AND NOTICE OF SALE DATED JUNE 8, 2011

Ratings: See "Ratings" herein.
Fitch: AA
Standard & Poor's: AA

2011 Series B Bonds

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 2011 Series B Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the 2011 Series B 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 2011 Series B 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 2011 Series B Bonds. See "Tax Exemption" herein.

NEW HAMPSHIRE MUNICIPAL BOND BANK

\$24,685,000 2011 Series B Bonds

Dated: Date of Delivery

Due: as shown below

The 2011 Series B Bonds (the "Bonds") will be issued by means of a book-entry only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company ("DTC"), New York, New York (the "Securities Depository"), and its participants. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See "THE BONDS - Book-Entry Only System" herein. The principal of and semi-annual interest on the Bonds are payable by People's United Bank, Bridgeport, Connecticut, as Trustee and Paying Agent, to the Securities Depository.

Interest on the Bonds will be payable semi-annually on each February 15 and August 15 until maturity, commencing February 15, 2012.

The Bonds are subject to optional redemption prior to their stated dates of maturity, as described herein.

MATURITIES, PRINCIPAL AMOUNTS, YIELDS, AND CUSIPS

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip #</u> <u>64465P</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip #</u> <u>64465P</u>
8/15/2012	\$ 1,775,000	2.00 %	0.30 %	PF9	8/15/2022	\$ 1,095,000	4.00 %	3.10 %	PR3
8/15/2013	1,775,000	3.00	0.54	PG7	8/15/2023	1,090,000	4.00	3.26	PS1
8/15/2014	1,770,000	4.00	0.86	PH5	8/15/2024	1,095,000	4.00	3.42	PT9
8/15/2015	1,490,000	2.00	1.18	PJ1	8/15/2025	1,095,000	4.00	3.58	PU6
8/15/2016	1,490,000	4.00	1.43	PK8	8/15/2026	1,095,000	4.00	3.71	PV4
8/15/2017	1,475,000	3.00	1.86	PL6	8/15/2027	445,000	4.00	3.80	PW2
8/15/2018	1,475,000	4.00	2.20	PM4	8/15/2028	450,000	4.00	3.89	PX0
8/15/2019	1,475,000	3.00	2.50	PN2	8/15/2029	450,000	4.00	3.98	PY8
8/15/2020	1,475,000	3.00	2.74	PP7	8/15/2030	455,000	4.00	4.07	PZ5
8/15/2021	2,760,000	3.00	2.92	PQ5	8/15/2031	455,000	4.00	4.16	QA9

The Bonds are offered, when, as and if issued by the New Hampshire Municipal Bond Bank (the "Bank") and accepted by the original purchaser 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 to the New Hampshire Municipal Bond Bank with respect to the Bonds. It is expected that the Bonds in definitive form will be available for delivery at DTC or its custodial agent on or about July 21, 2011.

BOA MERRILL LYNCH

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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY STATEMENT	ii	Reserve Fund	13
THE NEW HAMPSHIRE MUNICIPAL BOND BANK	iii	Investment of Funds	13
INTRODUCTION	1	Additional Bonds	14
The Bonds	1	Refunding Bonds	14
PLAN OF FINANCING	1	Miscellaneous Resolution Provisions	15
Purchase of Municipal Bonds	1	Certain Other Covenants	15
Application of Proceeds	2	Defaults and Remedies	16
THE BONDS	2	Modifications of Resolution and	
Description	2	Outstanding Bonds	18
Redemption	2	Defeasance	18
Book-Entry Transfer System	3	CONTINUING DISCLOSURE	19
SECURITY FOR THE BONDS	4	BONDS AS LEGAL INVESTMENTS	19
General Obligations of the Bank	4	TAX EXEMPTION	19
Pledge of Municipal Bonds and		RATINGS	20
Municipal Bonds Payments	4	LITIGATION	21
Reserve Funds	5	APPROVAL OF LEGALITY	21
Moral Obligation to Replenish Debt Service		MISCELLANEOUS	21
Reserve Fund	6		
State Aid Intercept	6	APPENDIX A - Definitions	A-1
Enforcement of Municipal Bonds	6		
THE NEW HAMPSHIRE MUNICIPAL		APPENDIX B - Governmental Units	B-1
BOND BANK	7		
Purposes, Powers and Procedures of the Bank	7	APPENDIX C - Proposed Form of Legal Opinion	C-1
Organization and Membership of the Bank	8		
Revenue Bond Programs of the Bank	9	APPENDIX D - Audited Financial Statements	
LOAN AGREEMENTS AND MUNICIPAL		of the Bank	D-1
BONDS PAYMENTS	10		
SUMMARY OF CERTAIN PROVISIONS		APPENDIX E - Proposed Form of Continuing	
OF THE RESOLUTION	11	Disclosure Certificate	E-1
Funds and Accounts	11		
General Fund	11		

The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2011 Series B 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 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	\$24,685,000 2011 Series B Bonds (the "2011 Series B Bonds" or the "Bonds") offered by the New Hampshire Municipal Bond Bank through a competitive sale.
Security for the Bonds	<p>The Bonds are valid, general obligations of the New Hampshire Municipal Bond 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 Bonds, and the other bonds ranking on a parity therewith which may be issued pursuant to the 1978 Resolution, will be further secured by the pledge of the Municipal Bonds purchased by the Bank with the proceeds of the bonds previously issued pursuant to the 1978 Resolution and all funds and accounts established by the 1978 Resolution. The 1978 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 1978 Resolution, including a pledge of the Municipal Bonds purchased by the Bank from the Governmental Units. The Bonds are further secured by the moneys in the Bank's Reserve Fund established under the 1978 Resolution which requires that the Reserve Fund be maintained in an amount at least equal to the maximum amount of Principal Installments and interest maturing and becoming due in any succeeding calendar year on all Loan Obligations then outstanding under the 1978 Resolution.</p> <p>The 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, 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.</p> <p>The loan to be made with proceeds of the Bonds is listed in Appendix B herein.</p>
Interest Payment Dates	Interest on the Bonds will be payable semi-annually on each February 15 and August 15 until maturity, commencing February 15, 2012.
Record Date	The record date for each payment of interest on the Bonds is the last business day of the month preceding the interest payment date.
Maturities	The Bonds mature in the amounts and on the dates shown on the cover page of this Official Statement.
Redemption	The Bonds are subject to redemption prior to their stated dates of maturity as set forth under the caption "THE BONDS – Redemption."
Application of Proceeds	Proceeds from the sale of the Bonds will be used (i) to purchase municipal Bonds from New Hampshire Governmental Units, (ii) to deposit additional moneys in the Reserve Fund securing the Bonds, and (iii) to pay certain costs of issuance with respect thereto. See "PLAN OF FINANCING – Application of Proceeds", herein.
Tax Exemption	Under existing law and assuming continued compliance with the Internal Revenue Code of 1986, as amended, the interest on the 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 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 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 C - Proposed Form of Legal Opinion" herein.

THE NEW HAMPSHIRE MUNICIPAL BOND BANK

Creation	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.
Purposes	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.
Membership and Staff	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.
Financial Position	The Bank has previously issued bonds on a parity with the Bonds in an aggregate amount, including refunding bonds, of \$2,281,810,000 of which \$657,640,000 are currently outstanding. The balance in the Bank's Reserve Fund established pursuant to the 1978 Resolution has at all times been equal to or greater than the Reserve Fund requirement.

OFFICIAL STATEMENT
of the
NEW HAMPSHIRE MUNICIPAL BOND BANK

Relating to
\$24,685,000 2011 Series B 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 \$24,685,000 2011 Series B Bonds (the "2011 Series B Bonds" or the "Bonds"). The 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 Bonds

The Bonds are to be issued under and are to be secured pursuant to the Bank's General Bond Resolution adopted December 1, 1978, as heretofore amended and supplemented (the "1978 Resolution") and its Series Resolution (the "2011 Series B Series Resolution") to be dated as of the sale date of the Bonds. The 1978 Resolution and the 2011 Series B Series Resolution are sometimes collectively referred to herein as the "Resolutions". The Bank has previously issued bonds pursuant to the 1978 Resolution in an aggregate amount, including refunding issues, of \$2,281,810,000 of which \$657,640,000 are currently outstanding. Additional series of bonds may be issued by the Bank on a parity with such bonds and the 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 1978 Resolution and the Act. The currently Outstanding bonds, the Bonds and any additional bonds issued under the 1978 Resolution (referred to collectively herein as the "1978 Resolution Bonds" or the "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 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, 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. Attention is directed to Appendix A which contains definitions of certain terms used in this Official Statement.

PLAN OF FINANCING

The Bonds are being issued to: (i) purchase Municipal Bonds from New Hampshire Governmental Units, (ii) deposit additional moneys in the Reserve Fund securing the Bonds, and (iii) pay certain costs of issuance with respect thereto.

Purchase of Municipal Bonds

Those Governmental Units that have executed Loan Agreements and sold Municipal Bonds to the Bank, from time to time, and that have debt currently outstanding, are listed in Appendix B to this Official Statement. The Bank has received approving opinions from bond counsel to each Governmental Unit with respect to the Municipal Bonds to the effect that such Municipal Bonds are payable as to both principal and interest from ad valorem taxes that 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.

Application of Proceeds

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

	2011 Series B Bonds
SOURCES OF FUNDS	
Par Amount of Bonds	\$ 24,685,000.00
Net Original Issue Premium/Discount	1,166,638.90
Total Sources	<u>\$ 25,851,638.90</u>
USES OF FUNDS	
Loans to Governmental Units	\$ 23,390,000.00
Premium to Governmental Units	883,160.00
Reserve Fund Deposit	1,374,998.26
Underwriter's Discount	75,544.48
Cost of Issuance and Qualified Administrative Expenses	127,936.16
Total Uses	<u>\$ 25,851,638.90</u>

In accordance with the provisions of the 1978 Resolution, the amount on deposit in the Reserve Fund will be at least equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all Loan Obligations outstanding under the 1978 Resolution.

THE BONDS

Description

The Bonds are dated as of their delivery date 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 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, 2012.

The 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 Bonds. Purchases of the 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 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 Bonds. (See "Book-Entry Only System" herein.)

Redemption

Optional Redemption

The Bonds maturing on and before August 15, 2021 are not subject to optional redemption prior to their stated dates of maturity. The Bonds maturing on and after August 15, 2022 are subject to redemption prior to their stated dates of maturity on and after August 15, 2021 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 Bonds to be redeemed plus accrued interest to the redemption date.

Notice of Redemption

Notice of any redemption of the Bonds prior to their stated maturities, specifying the Bonds (or the portions thereof) to be redeemed and the place of payment shall be mailed to each registered owner of the 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered 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 securities held by DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security held by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchases. 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 securities held by DTC 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 securities held by DTC, except in the event that use of the book-entry system for such securities 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 securities held by DTC 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 Participant 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 securities held by it at any time by giving reasonable notice to the issuer of such securities 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 BONDS

General Obligations of the Bank

In the opinion of Bond Counsel, the 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 Bonds and other bonds ranking on a parity therewith which are outstanding or which may be issued under the 1978 Resolution (i.e. the "1978 Resolution Bonds") will be further secured by the pledge of the Municipal Bonds purchased by the Bank from the proceeds of the Bank's previously issued bonds 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 1978 Resolution.

Additional series of bonds may be authorized and issued by the Bank pursuant to the 1978 Resolution on a parity with the 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 1978 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 1978 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 1978 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.

Pursuant to the 1978 Resolution, the Bank has issued bonds in the amount of \$2,281,810,000 of which \$657,640,000 are outstanding as of the date hereof.

All bonds issued under the 1978 Resolution (including the Bonds) are secured separately from bonds issued under the Bank's State Guaranteed Municipal Bonds Issue Resolution (the "1979 Resolution") and the Bank's General Bond Resolution adopted July 14, 2005 (the "2005 Resolution"). Bonds issued under the 1979 Resolution are secured by Municipal Bonds, the payments of which are unconditionally guaranteed by the State of New Hampshire. Pursuant to the 1979 Resolution, the Bank has issued bonds in the amount of \$437,212,516 of which \$10,400,042 are presently outstanding. Bonds issued under the 2005 Resolution are secured by Municipal Bonds, the payments of which are not guaranteed by the State of New Hampshire. Pursuant to the 2005 Resolution, the Bank has issued bonds in the amount of \$295,571,000, of which \$255,065,000 are presently outstanding.

All bonds issued under the 1978 Resolution (including the Bonds) are also secured separately from bonds issued under the Bank's General Bond Resolution adopted June 2, 2010 authorizing the issuance of New Hampshire Municipal Bond Bank Bonds (Qualified School Construction Bonds Issue) (the "QSCB Resolution"). Bonds issued under the QSCB Resolution are secured by Municipal Bonds that have been designated as "Qualified School Construction Bonds", within the meaning of Section 54F of the Internal Revenue Code of 1986, the payments of which are unconditionally guaranteed by the State of New Hampshire. Pursuant to the QSCB Resolution, the Bank has issued bonds in the amount of \$46,812,349, all of which are currently outstanding.

The Bonds offered hereby are not issued or secured pursuant to the 1979 Resolution (State Guaranteed Municipal Bonds Issue).

Reserve Funds

Pursuant to the Act and the 1978 Resolution, the Bank created and established a special bond reserve fund to secure all 1978 Resolution Bonds (the "Reserve Fund"). The Act provides that there shall be deposited in the 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 1978 Resolution 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 shall be held and applied solely to the payment of the interest on, premium, if any, and principal of 1978 Resolution Bonds as they become due and payable and for the retirement of such bonds. Moneys may not be withdrawn if such withdrawal reduces the amount in the 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 the 1978 Resolution Bonds for the payment of which other moneys of the Bank are not available. The Required Debt Service Reserve for 1978 Resolution Bonds is equal to the maximum amount of Principal Installments and interest maturing and becoming due in any succeeding calendar year on all Loan Obligations with respect to 1978 Resolution Bonds then outstanding as of the date of calculation. 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 the Reserve Fund equals the Required Debt Service Reserve for the Reserve Fund. The Chairman of the House Appropriations Committee shall process the request for legislative action. The Bank has covenanted in the 1978 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 1978

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.

Moral Obligation to Replenish Debt Service Reserve Fund

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 the Reserve Fund equals the Required Debt Service Reserve for the Reserve Fund. The Chairman of the House Appropriations Committee shall process the request for legislative action. The Bank has covenanted in the 1978 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 1978 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.

State Aid Intercept

The Act provides that upon any failure by a Governmental Unit to make a scheduled payment of principal or interest on its Municipal Bond or Municipal Bonds held by the Bank, the chairman or vice chairman of the Bank shall certify the failure of such Governmental Unit to make such scheduled payment to the State Treasurer. The chairman or vice chairman of the Bank shall also certify the amount of the overdue payment and the name of the Bank's trustee at which such Municipal Bond is payable, to the State Treasurer. Within three days after receipt of the certification of any Governmental Unit's overdue payment from the chairman or vice chairman of the Bank, the State Treasurer shall pay to the Bank's trustee at which such unpaid Municipal Bond is payable, the amount of such certified overdue payment, to the extent amounts are appropriated from the general fund or the education trust fund of the State and are payable by the State to such Governmental Unit during the remainder of the fiscal year, together with any federal funds payable to such Governmental Unit on account of such unpaid Municipal Bond. If any portion of such certified overdue payment has not been paid at the close of the fiscal year, the State Treasurer shall pay the same as soon as practicable in the next fiscal year to the extent of amounts otherwise then appropriated by the State and payable by the State to such Governmental Unit during that fiscal year, together with any federal funds then payable to such Governmental Unit on account of such unpaid Municipal Bond.

Enforcement of Municipal Bonds

The 1978 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.

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 1978 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 1978 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 any 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 1978 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:

MATTHEW D. BOUCHER, CHAIRMAN; TERM EXPIRES JULY 1, 2014.

Mr. Boucher, a resident of Manchester, New Hampshire is Vice President at Airmar Technology Corporation, responsible for production, purchasing, and finance. For ten years prior, he was a Vice President in the Investment Management Division of Goldman Sachs where he specialized in credit analysis and trading of investment grade and high yield corporate bonds and credit derivatives. Mr. Boucher constructed portfolios and helped to manage over \$50 billion of securities on behalf of mutual funds, pension funds, hedge funds, insurance companies, corporations, and government entities. Mr. Boucher holds a BSE in Civil Engineering and Operations Research from Princeton University.

STEVE S. PANAGOULIS, VICE-CHAIRMAN; TERM EXPIRES JULY 1, 2015.

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.

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

Ms. Chambers, a resident of Milford, New Hampshire, is the Business Administrator for the Milford School District. She previously served as Business Manager for SAU #38, administering the Monadnock Regional School District, the Hinsdale School District and the Winchester School District. Prior to that, 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 DECEMBER 9, 2015.

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 \$1,360,000 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 Resolution 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 1978 RESOLUTION - MISCELLANEOUS RESOLUTION PROVISIONS - Sale of Municipal Bonds by Bank") and states that no sale or redemption of Municipal Bonds shall be effected without the prior written agreement and consent of the parties to the Loan Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE 1978 RESOLUTION

The following is a summary of certain provisions of the 1978 Resolution, reference to each of which is made for the full and complete text of their provisions.

Funds and Accounts

The 1978 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) Interest Account
 - (d) Principal Account
 - (e) Redemption Account
- (2) Reserve Fund

The General Fund (and the Accounts within such General Fund) and the Reserve Fund established under the 1978 Resolution are separate and distinct and are segregated by the Trustee from the General Funds (and the Accounts within such General Fund) and the Reserve Funds established under the 1979 Resolution and the 2005 Resolution.

General Fund

General Account - The 1978 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 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 1978 Resolution provides for the following withdrawals to be made from the General Account, for the following purposes:

(i) On or before each interest payment date of Bonds, the Trustee shall withdraw from the 1978 General Account and deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account and after giving effect to all other deposits made therein pursuant to the 1978 Resolution, will on such interest payment date be equal to all amounts necessary to pay the interest, if any, then falling due on such Bonds. On or before each principal payment date of Bonds, the Trustee shall withdraw from the General Account and deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account and after giving effect to all other deposits made therein pursuant to the 1978 Resolution, will on such principal payment date be equal to all amounts necessary to pay the principal then falling due on such Bonds.

(ii) After providing for the payment to the Interest Account and on or before each interest payment date, the Trustee shall withdraw from the General Account and deposit in the Operating Account the aggregate of the amount requisitioned by the Bank as of such interest payment date for the six-month period to and including the next succeeding interest payment date, for the purposes of paying the estimated Administrative Expenses of the Bank and the fees and expenses of the Trustee and paying agents due and to become due during such six-month period.

(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 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 the balance to be withdrawn from such General Account to the credit of the Redemption Account and the payment to the Bank of such balance shall be reduced accordingly.

The Operating Account - The 1978 Resolution provides that all Fees and Charges received by the Trustee 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 which may be made available to 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 1978 Resolution further provides that payments from the Operating Account shall be made (i) by the Trustee upon receipt of a requisition signed by an authorized officer, describing each payment and specifying that each item is a proper charge against the moneys in the Operating Account, or (ii) by the Bank from a revolving fund established from payments from the Operating Account for the purpose of paying certain expenses.

The Interest Account and Principal Account – The 1978 Resolution provides that the Trustee shall credit to the Interest Account such portion of the Municipal Bonds Payments as shall represent Municipal Bonds Interest Payments, and to the Principal Account such portion of the Municipal Bonds Payments as shall represent Municipal Bonds Principal Payments, subject to certain exceptions. In addition, accrued interest received from the proceeds of the sale of Bonds shall be deposited to the Interest Account. The moneys in the Interest Account and the Principal Account shall be used solely for the purposes of paying the principal of, Sinking Fund Installments, if any, and interest on, the 1978 Resolution Bonds.

The 1978 Resolution further provides that in the event there shall be, on any interest payment date, a deficiency in the Interest Account, or in the event there shall be, on any principal payment date, a deficiency in the Principal Account, the Trustee shall make up such deficiencies from the Reserve Fund by the withdrawal of moneys therefrom for that purpose.

The Redemption Account – The 1978 Resolution provides that the Trustee shall 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 1978 Resolution, the Trustee, upon the request of the Bank, shall transfer such excess to the 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 Loan Agreement, or redeemed by the Governmental Unit, the Bank shall deposit the proceeds from such sale or redemption, except an amount therefor 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 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 sub-account in the Redemption Account an amount of moneys equal to the amount of the reduction of the Required Debt Service Reserve which 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 which 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 Reserve Fund securing 1978 Resolution Bonds 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 which 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 Interest Account and Principal Account at the times and in the amounts required in the event there shall be, on any interest payment date, a deficiency in the Interest Account, or in the event there shall be, on any principal payment date, a deficiency in the Principal Account. On or before each principal payment date of 1978 Resolution Bonds, the Trustee shall transfer from the Reserve Fund to the Principal Account an amount equal to the principal amount of such 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 1978 Resolution, the Trustee, upon the written request of the Bank signed by an authorized officer, shall transfer such excess to and deposit the same in the sub-account in the Redemption Account. Whenever the Bank shall sell, or whenever a Governmental Unit shall redeem, Municipal Bonds requiring the purchase or redemption of 1978 Resolution Bonds that would result in the reduction of the Required Debt Service Reserve upon the purchase or redemption of such 1978 Resolution 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 sub-account in the Redemption Account an amount of moneys equal to the amount of the reduction of the Required Debt Service Reserve which would result upon the redemption of such 1978 Resolution Bonds upon the next succeeding redemption date.

Investment of Funds

The 1978 Resolution provides that all moneys held by the Trustee shall be continuously and fully secured, for the benefit of the Bank and the holders of the 1978 Resolution Bonds. 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 1978 Resolution.

"Investment Securities" shall mean 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.

In lieu of the investment of moneys in Investment Securities, the Trustee shall upon direction of the Bank deposit moneys from any Fund or Account held by the Trustee under the terms of the 1978 Resolution in, to the extent permitted by law, interest-bearing deposits, or shall make other similar banking arrangements, with itself or a member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation; provided, that all moneys in each such interest-bearing deposit or other similar banking arrangement shall be continuously and fully secured by Investment Securities or by direct obligations of the State or obligations the principal and interest of which are guaranteed by the State, or a market value equal at all times to the amount of the deposit or of the other similar banking arrangement.

Additional Bonds

The 1978 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 series resolution and secured by an equal charge and lien on the respective Municipal Bonds and the respective 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 Interest 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 refunding 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 under the 1978 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 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 1978 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 applicable 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 1978 Resolution.

Refunding Bonds

All or part of one or more series of refunding bonds may be issued to refund all Outstanding Bonds or all or any part of one or more series of Outstanding Bonds. Refunding 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) direct obligations of the United States of America which by their terms will comply with the provisions of the 1978 Resolution relative to defeasance of bonds, together with any other moneys, if required.

If the principal amount of the refunding bonds of a series shall exceed the principal amount of the Outstanding Bonds refunded thereby, from and after the delivery of such series of refunding bonds, the Trustee shall make appropriate adjustment between the Interest Account and the Principal Account when disbursing and applying Municipal Bonds Payments deposited in the General Fund pursuant to the provisions of the 1978 Resolution to the end that such portion of the Municipal Bonds Payments as shall represent Municipal Bond Interest Payments not required for deposit in the Interest Account for the purpose of paying interest accruing upon the Bonds shall be deposited in the Principal Account. Any surplus which might result upon and after such deposit 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 Loans or the Municipal Bonds evidencing the same, in a manner which 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 refunding 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 refunding 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 1978 Resolution, as determined by the Bank; provided, however, that, in the event the Loan Obligation has been refunded and the refunding 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 refunding bonds, the required amount to be included in such sales price under item (i) above shall be the principal amount of such refunding bonds Outstanding. In the event the Loan Obligation has been refunded and the interest the Bank is required to pay on the refunding 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 refunding 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 1978 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 1978 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 1978 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 an annual report for the preceding Fiscal Year, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (a) its operations and accomplishments; (b) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the Bank for its operating and capital outlay purposes; (c) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Municipal Bonds Payments, Municipal Bonds, Fees and Charges and the status of reserve, special or other funds and the Funds and Accounts established by the 1978 Resolution; and (d) a schedule of its Outstanding Bonds and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amount paid, redeemed and issued during such Fiscal Year.

Budgets - The Bank shall, at least sixty (60) days prior to the beginning of each Fiscal Year, prepare and file in the office of the Trustee a preliminary budget covering its fiscal operations for the succeeding Fiscal Year which shall be open to inspection by any bondholder. The Bank shall also prepare a summary of such preliminary budget and on or before forty-five (45) days prior to the beginning of each Fiscal Year mail a copy thereof to any bondholder who shall have filed his name and address with the Bank for such purpose.

The Bank shall adopt and file an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than June 1 of each year, which budget shall be open to inspection by any bondholder. In the event the Bank shall not adopt an annual budget of the succeeding Fiscal Year on or before June 1, the budget for the preceding Fiscal Year shall be deemed to have been adopted and be in effect for such fiscal year until the annual budget for such fiscal year shall have been adopted as above provided. The Bank may at any time adopt an amended annual budget in the manner provided in the Act as then amended.

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 1978 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 1978 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 1978 Resolution Bond 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 1978 Resolution, any related series resolution, any related supplemental resolution, or contained in the applicable 1978 Resolution Bonds, 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 1978 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 1978 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 1978 Resolution Bonds 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 Loan Agreement.

An event of default under the 1978 Resolution does not constitute an event of default under the 1979 Resolution, the 2005 Resolution or the QSCB 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 1978 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 1978 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 which 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 1978 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 1978 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 which 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 1978 Resolution, shall be applied as follows:

(i) Unless the principal of all of the bonds issued under the 1978 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 1978 Resolution Bonds 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 1978 Resolution Bonds 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 and coupons.

Modifications of Resolutions and Outstanding Bonds

The 1978 Resolution provides procedures whereby the Bank may amend the 1978 Resolution or a series resolution by adoption of a supplemental resolution. Amendments that may be made without the consent of bondholders must be for purposes of further securing the bonds issued pursuant to the 1978 Resolution, imposing further limitations on or surrendering rights of the Bank or curing ambiguities.

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 sixty-six and two-thirds per centum (66 2/3%) 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 1978 Resolution Bonds then Outstanding.

Defeasance

1) If the Bank shall pay or cause to be paid to the holders of all Outstanding 1978 Resolution Bonds, 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 1978 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 1978 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 Fiduciaries shall pay over or deliver to the Bank all money, securities and funds held by them pursuant to the 1978 Resolution which are not required for the payment or redemption of 1978 Resolution Bonds not theretofore surrendered for such payment or redemption.

2) 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 Fiduciaries (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 1 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 1 above (a) in case 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 publish as provided in the 1978 Resolution notice of redemption on said date of such bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities, as herein before defined under the caption "Investment of Funds," 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 60 days, the Bank shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, as defined in the 1978 Resolution, notice to the 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 as provided herein 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 Investment Securities or moneys deposited with the Trustee pursuant to the provisions in the 1978 Resolution providing for defeasance 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, however, that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities 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.

3) Anything in the 1978 Resolution to the contrary notwithstanding, any moneys held by a Fiduciary 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 Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such bonds become due and payable, shall, at the written request of the Bank, be repaid by the Fiduciary to the Bank, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the bondholders shall look only to the Bank for the payment of such bonds; provided, however, that before being required to make any such payment to the Bank, the Fiduciary shall, at the expense of the Bank, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Bank.

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 Underwriter 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 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 delivery of the Bonds and incorporated by reference therein. A proposed form of Continuing Disclosure Certificate is provided in Appendix E. Other than the Bank, there are no obligated persons with respect to the Bonds within the meaning of the Rule.

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

BONDS AS LEGAL INVESTMENTS

Under the provisions of Section 19 of the Act, the 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 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 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 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 Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Bank has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the 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 Bonds or as to the taxability of the 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 C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 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 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 Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of Underwriter, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Holders of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such 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 Bonds will be reduced by the amount of amortizable bond premium properly allocable to such holder of the 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.

Prospective holders of the Bonds should be aware that certain requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective holders of the Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the 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 Bonds may otherwise affect the federal or state tax liability of a holder of the 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 Bonds should consult with their own tax advisors with respect to such consequences.

RATINGS

Fitch Rating Group and Standard and Poor's Corporation have assigned ratings of AA and AA on the Bonds. They reflect only the respective rating agency's views and are subject to revision or withdrawal, which could affect the market price of the 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 Bonds, or in any way contesting or affecting the validity of the 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 Bonds or the existence or powers of the Bank.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery of the 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, 2010 are included in "APPENDIX D - Audited Financial Statements of the Bank."

All quotations from, and summaries and explanations of, the Act, the 1978 Resolution and the Loan Agreements contained herein do not purport to be complete and reference is made to said Act, the 1978 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 1978 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.

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 Bonds.

First Southwest Company, Boston, Massachusetts has acted as Financial Advisor to the Bank with respect to the issuance of the Bonds.

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

NEW HAMPSHIRE MUNICIPAL BOND BANK

By Matthew D. Boucher
Matthew D. Boucher, Chairman

THIS PAGE LEFT BLANK INTENTIONALLY

DEFINITIONS

The following are definitions of certain of the terms that are used in either the Act and/or the 1978 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.

"Accountant's Certificate" shall mean a certificate signed by a certified public accountant or a firm of certified public accountants of recognized standing selected by the Bank and satisfactory of the Trustee.

"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 Resolutions or otherwise.

"Aggregate Debt Service" for any period shall mean, as of any date of calculation and with respect to all Bonds issued under a respective Resolution the sum of the amounts of Debt Service for such period.

"Debt Service" for any period shall mean, as of any date of calculation and with respect to any Series, and 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 date of such Principal Installment). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bond 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.

"Fees and Charges" shall mean all fees and charges authorized to be charged by the Bank 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.

"Governmental Unit" shall mean any county, city, town, school district, village district or other body corporate and politic having the power to levy 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 under the applicable Resolution.

"Loan" shall mean a loan heretofore or hereafter made by the Bank to a Governmental Unit pursuant to the Act and the applicable Resolution.

"Loan Agreement" shall mean an agreement heretofore or hereafter entered into pursuant to the applicable Resolution 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.

"Municipal Bonds" shall mean the bonds or other evidence of debt issued by any Governmental Unit and payable from taxes but shall not include any bond or other evidence of debt issued by any other state or any public body or municipal corporation thereof. In the case of Municipal Bonds purchased from the proceeds of a State Guaranteed Municipal Bonds Issue series of Bonds, Municipal Bonds shall mean the bonds or other evidence of debt issued by any Governmental Unit payment of the principal and interest of which shall be guaranteed unconditionally by a pledge of the full faith and credit of the State, which bonds or other evidence of debt are 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 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.

"Outstanding" shall mean Bonds theretofore or then being delivered under the provisions of a particular Resolution except: (i) any Bond canceled 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 the Paying Agents 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 the applicable Resolution, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered and (iv) Bonds deemed to have been paid as provided in subsection 2 of Section 1401 of the applicable Resolution.

"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 Funds 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, as provided in the applicable Series Resolution authorizing such Series of Bonds.

"Required Debt Service Reserve" shall mean, as of any date of calculation, the amount required to be on deposit in the respective Reserve Fund which amount shall be equal to the maximum amount of Principal Installments and interest maturing and becoming due in any succeeding calendar year on all Loan Obligations with respect to said Resolution then Outstanding as of such date of calculation.

"Reserve Fund Obligations" shall mean, with respect to a particular Resolution, the proportionate amount of Bonds issued by the Bank to obtain funds with which to establish and maintain the applicable Reserve Fund.

GOVERNMENTAL UNITS AND THEIR MUNICIPAL BONDS**APPENDIX B**

The Governmental Units named in 1987 SERIES A through 2011 SERIES A - previously sold Municipal Bonds to the Bank. Loan agreements pertaining to Municipal Bonds named in 2011 SERIES B were executed by the Governmental Units and the Bank.

Each loan agreement provides that, simultaneously with the delivery of the Governmental Unit's bond or bonds to the Bank, the Governmental Unit shall furnish to the Bank an opinion of bond counsel satisfactory to the Bank which shall set forth among other things that said Governmental Unit's bond or bonds will constitute valid general obligations of the Governmental Unit.

<u>GOVERNMENTAL UNIT</u>	<u>PRINCIPAL AMOUNT</u>	<u>BALANCE OUTSTANDING 7/21/2011</u>	<u>SERIES MUNICIPAL BONDS YEARS INCLUSIVE</u>
PART A - Non State Guaranteed Issues:			
1987 SERIES A - ISSUED ON JUNE 16, 1987 (Due July 15) Town of Ashland	\$ 448,000	\$ 15,000	2012
1991 SERIES E - ISSUED ON JULY 18, 1991 (Due August 15 and July 15) Gunstock Acres Village District Haverhill Cooperative School District City of Lebanon Town of Littleton Town of Milford	250,500 2,475,000 2,000,000 225,000 555,000 <u>5,505,500</u>	10,000 215,000 50,000 10,000 10,000 <u>295,000</u>	2011 2011 2011 2011 2011
1991 SERIES J - ISSUED ON DECEMBER 19, 1991 (Due January 15) Milford School District	5,150,000	255,000	2,012
1992 SERIES A - ISSUED ON JULY 14, 1992 (Due August 15) Town of Allentown Conway Village Fire District Governor Wentworth Reg. School District City of Lebanon	700,000 600,000 2,717,848 2,162,305 <u>6,180,153</u>	35,000 60,000 270,000 210,000 <u>575,000</u>	2011 2011-2012 2011-2012 2011-2012
1992 SERIES C - ISSUED ON DECEMBER 22, 1992 (Due January 15) Merrimack Village District City of Rochester Waterville Estates Village District	450,000 1,194,500 355,000 <u>1,999,500</u>	40,000 120,000 30,000 <u>190,000</u>	2012-2013 2012-2013 2012-2013
1993 SERIES C - ISSUED ON JULY 14, 1993 (Due August 15) City of Berlin Derry Cooperative School District Town of Derry City of Franklin Town of Northumberland	3,000,000 2,125,000 2,358,000 1,000,000 1,880,000 <u>10,363,000</u>	450,000 345,000 315,000 150,000 270,000 <u>1,530,000</u>	2011-2013 2011-2013 2011-2013 2011-2013 2011-2013

1993 SERIES G - ISSUED ON DECEMBER 28, 1993

(Due February 15)

City of Claremont	3,185,000	310,000	2012-2013
-------------------	-----------	---------	-----------

1994 SERIES B - ISSUED ON JULY 14, 1994

(Due August 15)

City of Berlin	3,450,000	600,000	2011-2014
City of Franklin	1,300,000	260,000	2011-2014
Hollis School District	1,960,000	380,000	2011-2014
Lyme School District	600,000	120,000	2011-2014
Merrimack Village District	1,330,000	260,000	2011-2014
Town of Salem	6,350,000	900,000	2011-2014
	<u>14,990,000</u>	<u>2,520,000</u>	

1994 SERIES F - ISSUED ON DECEMBER 20, 1994

(Due January 15)

Hanover School District	3,985,000	785,000	2012-2015
Town of Henniker	132,900	20,000	2012-2015
	<u>4,117,900</u>	<u>805,000</u>	

1995 SERIES A - ISSUED ON JULY 20, 1995

(Due August 15)

Andover Village District	422,000	100,000	2011-2015
City of Berlin	6,100,000	1,525,000	2011-2015
Town of Bow	965,000	225,000	2011-2015
Town of Canaan	315,000	75,000	2011-2015
Claremont School District	6,600,000	1,650,000	2011-2015
Town of Derry	1,839,710	450,000	2011-2015
Goffstown Village Precinct	1,200,000	300,000	2011-2015
Henniker School District	3,996,566	175,000	2011-2015
Town of Henniker	910,000	1,000,000	2011-2015
Town of Hinsdale	500,000	125,000	2011-2015
City of Lebanon	3,459,219	675,000	2011-2015
City of Rochester	2,440,000	600,000	2011-2015
Rye Water District	1,600,000	400,000	2011-2015
Salem School District	5,704,170	1,425,000	2011-2015
Town of Tilton	425,000	50,000	2011-2015
Town of Waterville Valley	900,000	225,000	2011-2015
Town of Weare	1,000,000	250,000	2011-2015
	<u>38,376,665</u>	<u>9,250,000</u>	

1995 SERIES B - ISSUED ON DECEMBER 21, 1995

(Due January 15)

City of Laconia	1,405,000	330,000	2012-2016
-----------------	-----------	---------	-----------

1996 SERIES C - ISSUED ON JULY 11, 1996

(Due August 15, July 15 and February 15)

City of Dover	3,885,092	195,000	2011
Town of Holderness	950,000	60,000	2011
Town of Hooksett	1,700,000	110,000	2011
Kearsarge Regional School District	6,838,167	655,000	2011
Merrimack School District	4,737,447	315,000	2011
North Hampton School District	4,780,000	460,000	2011
White Mountains Regional School District	500,000	30,000	2011
Bow School District	16,157,528	4,830,000	2011-2016
Gilmanton School District	2,460,000	1,050,000	2011-2016
Hampton School District	3,970,000	1,685,000	2011-2016
Hollis-Brookline Coop. School District	2,700,000	1,150,000	2011-2016
Hollis-Brookline Coop. School District	8,100,000	1,502,984	2011-2016
City of Lebanon	886,223	90,000	2011-2016
City of Rochester	1,477,000	430,000	2011-2016
Town of Salem	2,900,000	1,235,000	2011-2016
City of Somersworth	5,300,000	1,590,000	2011-2016
	<u>67,341,457</u>	<u>15,387,984</u>	

1996 SERIES D - ISSUED ON DECEMBER 19, 1996

(Due January 15 and July 15)

City of Dover	875,055	18,490	2012-2012
Town of Piermont	22,650	1,510	2012-2012
The Exeter Region Cooperative School District	15,600,000	2,747,774	2012-2016
Rye School District	5,614,804	1,680,000	2012-2017
	<u>22,112,509</u>	<u>4,447,774</u>	

1997 SERIES A - ISSUED ON JULY 10, 1997

(Due August 15 and February 15)

City of Dover	1,002,327	80,000	2011-2012
City of Lebanon	1,060,009	40,000	2011-2012
Wakefield School District	607,562	80,000	2011-2012
City of Franklin	3,089,000	810,000	2011-2017
Town of Fremont	940,000	315,000	2011-2017
Town of Milford	764,000	245,000	2011-2017
City of Rochester	1,320,000	455,000	2011-2017
Stewartstown School District	249,438	70,000	2011-2017
	<u>9,032,336</u>	<u>2,095,000</u>	

1997 SERIES C - ISSUED ON DECEMBER 23, 1997

(Due January 15)

City of Berlin	1,500,000	200,000	2012-2013
Milford School District	996,292	40,000	2012-2013
	<u>2,496,292</u>	<u>240,000</u>	

1998 SERIES A - ISSUED ON JULY 22, 1998

(Due August 15)

City of Claremont	1,680,663	330,000	2011-2013
Town of Goffstown	818,300	160,000	2011-2013
Town of Hillsborough	1,169,980	225,000	2011-2013
City of Lebanon	1,283,670	30,000	2011-2013
Merrimack Village District	1,587,000	315,000	2011-2013
Town of Rollinsford	750,000	150,000	2011-2013
City of Somersworth	1,000,000	195,000	2011-2013
Town of Waterville Valley	673,700	150,000	2011-2016
Town of Chester	499,000	200,000	2011-2018
Town of Derry	1,840,000	400,000	2011-2018
Hampton School District	1,770,000	915,000	2011-2018
Town of Henniker	150,000	40,000	2011-2018
City of Rochester	2,650,000	1,040,000	2011-2018
Town of Salem	2,193,354	875,000	2011-2018
	<u>18,065,667</u>	<u>5,025,000</u>	

1999 SERIES A - ISSUED ON FEBRUARY 24, 1999

(Due January 15)

City of Dover	4,137,500	660,000	2012-2013
Town of Rye	895,139	175,000	2012-2013
City of Lebanon	4,822,082	320,000	2012-2014
Central Hooksett Water Precinct	950,000	360,000	2012-2018
Town of Derry	1,735,000	200,000	2012-2018
Town of Peterborough	1,500,000	600,000	2012-2018
Town of Hanover	5,100,000	3,870,000	2012-2029
	<u>19,139,721</u>	<u>6,185,000</u>	

1999 SERIES B - ISSUED ON JULY 22, 1999

(Due August 15, July 15 and February 15)

Town of Barrington	750,000	200,000	2011-2014
Pittsburg School District	3,010,000	790,000	2011-2014
Town of New London	250,000	85,000	2011-2018
Brookline School District	5,367,912	1,676,617	2011-2019
City of Franklin	5,010,376	2,250,000	2011-2019
Keene Union School District	17,500,000	7,875,000	2011-2019
Town of New London	1,000,000	575,000	2011-2019
Plainfield Village Water District	450,000	180,000	2011-2019
City of Somersworth	1,610,000	720,000	2011-2019
Timberlane Regional School District	32,000,000	14,400,000	2011-2019
Wilton-Lyndeborough Cooperative	6,476,775	2,905,000	2011-2019
	<u>73,425,063</u>	<u>31,656,617</u>	

1999 SERIES C - ISSUED ON DECEMBER 16, 1999

(Due January 15 and July 15)

City of Dover	2,179,901	560,000	2012-2015
Town of Derry	1,890,000	845,000	2012-2020
City of Dover	15,741,027	4,818,060	2012-2019
Milford School District	10,895,000	4,900,000	2012-2020
Pittsfield School District	5,300,000	2,385,000	2012-2020
	<u>36,005,928</u>	<u>13,508,060</u>	

2000 SERIES A - ISSUED ON JULY 20, 2000

(Due August 15 and February 15)

Hollis-Brookline Coop. School District	3,200,000	787,673	2011-2015
South Hampton School District	1,430,000	610,000	2011-2015
Town of Stark	208,200	60,000	2011-2015
City of Lebanon	5,273,904	2,390,000	2011-2020
Merrimack School District	5,915,851	2,950,000	2011-2020
Town of Wolfeboro	1,113,500	550,000	2011-2020
	<u>17,141,455</u>	<u>7,347,673</u>	

2000 SERIES B - ISSUED ON DECEMBER 14, 2000

(Due January 15 and December 15)

Town of Peterborough	750,000	250,000	2012-2016
Town of Derry	489,605	240,000	2012-2021
Town of Jaffrey	1,500,000	750,000	2012-2021
City of Somersworth	1,875,000	850,000	2012-2021
	<u>4,614,605</u>	<u>2,090,000</u>	

2001 SERIES A - ISSUED ON July 19, 2001

(Due August 15 and February 15)

Town of Brookline	145,000	10,000	2011
Farmington School District	7,650,000	765,000	2011
Town of Hancock	574,000	45,000	2011
Town of Farmington	713,334	155,000	2011-2016
Town of Goffstown	1,138,835	450,000	2011-2016
Town of Milford	600,000	240,000	2011-2016
Northwood School District	4,370,000	1,740,000	2011-2016
City of Somersworth	1,200,000	480,000	2011-2016
Washington School District	1,105,012	430,000	2011-2016
Brentwood School District	4,410,000	1,864,717	2011-2021
Dresden School District	1,100,000	605,000	2011-2021
Town of Fremont	995,500	545,000	2011-2021
Town of Henniker	575,000	305,000	2011-2021
Hill School District	1,423,750	935,000	2011-2021
Town of Jaffrey	750,000	390,000	2011-2021
City of Laconia	9,788,000	5,375,000	2011-2021
City of Lebanon	3,297,982	1,700,000	2011-2021
	<u>39,836,413</u>	<u>16,034,717</u>	

2002 SERIES A - ISSUED ON March 14, 2002

(Due June 15)

Campton Village Precinct	360,000	45,000	2012
Town of Chester	3,000,000	300,000	2012
Town of Hanover	165,000	15,000	2012
City of Dover	2,240,600	955,000	2012
	<u>5,765,600</u>	<u>1,315,000</u>	

2002 SERIES B - ISSUED ON July 18, 2002

(Due August 15)

Town of Brookline	556,500	105,000	2011-2012
Governor Wentworth School District	2,996,343	590,000	2011-2012
Kearsarge Regional School District	667,500	130,000	2011-2012
Lisbon Regional School District	1,995,190	475,000	2011-2012
Town of Newfields	2,000,000	400,000	2011-2012
Newport School District	546,800	100,000	2011-2012
Chichester School District	1,600,000	735,000	2011-2017
Town of Merrimack	4,075,000	1,890,000	2011-2017
Town of Nottingham	474,000	210,000	2011-2017
Town of Alexandria	500,000	300,000	2011-2022
Town of Boscawen	1,200,000	720,000	2011-2022
Gilford School District	16,997,033	10,195,000	2011-2022
Town of Greenfield	1,306,000	775,000	2011-2022
Greenland School District	6,473,415	3,870,000	2011-2022
Hillsboro-Deering Coop. School District	14,750,000	8,830,000	2011-2022
City of Laconia	2,783,375	1,350,000	2011-2022
City of Lebanon	3,099,870	1,625,000	2011-2022
Merrimack Village District	1,500,000	900,000	2011-2022
Town of Webster	805,000	480,000	2011-2022
Town of Whitefield	595,000	355,000	2011-2022
	<u>64,921,026</u>	<u>34,035,000</u>	

2002 SERIES C - ISSUED ON September 12, 2002

(Due August 15)

Town of Danville	442,000	50,000	2011-2012
Town of Hooksett	2,600,000	520,000	2011-2012
Kensington School District	1,950,000	390,000	2011-2012
Town of Conway	1,178,250	535,000	2011-2017
Barnstead School District	9,633,125	5,760,000	2011-2022
Littleton Union School District	6,000,000	3,600,000	2011-2022
	<u>21,803,375</u>	<u>10,855,000</u>	

2002 SERIES E - ISSUED ON December 19, 2002

(Due January 15)

Hollis-Brookline Coop. School District	650,000	130,000	2012-2013
Town of Weare	600,000	120,000	2012-2013
Town of Hanover	1,500,000	900,000	2012-2023
Town of Hinsdale	862,620	395,000	2012-2023
City of Laconia	4,123,300	2,460,000	2012-2023
Town of Newmarket	3,500,000	2,100,000	2012-2023
	<u>11,235,920</u>	<u>6,105,000</u>	

2003 SERIES C - ISSUED ON July 17, 2003

(Due August 15 and February 15*)

Fremont School District	450,000	135,000	2011-2013
Town of Hinsdale	452,365	135,000	2011-2013
Town of Brookline	1,915,000	1,010,000	2011-2023
Town of Canterbury	2,305,735	1,495,000	2011-2023
Exeter Reg. Coop. School District	42,695,000	22,675,464	2011-2023*
City of Lebanon	2,887,830	975,000	2011-2023
Town of Lee	600,000	390,000	2011-2023
Merrimack School District	15,525,000	10,075,000	2011-2023
Winchester School District	3,504,725	2,275,000	2011-2023
	<u>70,335,655</u>	<u>39,165,464</u>	

2003 SERIES D - ISSUED ON July 17, 2003

(Due August 15)

Androscoggin Valley Reg. Refuse District	14,000,000	9,100,000	2011-2023
--	------------	-----------	-----------

2003 SERIES E - ISSUED ON August 20, 2003

(Due August 15 and February 15)

Town of Brentwood	565,000	355,000	2011-2023
Dresden School District	37,775,000	20,136,404	2011-2023
	<u>38,340,000</u>	<u>20,491,404</u>	

2003 SERIES F - ISSUED ON December 18, 2003

(Due January 15)

Town of Hollis	1,800,500	945,000	2012-2019
Conway School District	42,120,000	24,010,000	2012-2024
City of Laconia	2,244,000	1,440,000	2012-2024
Town of Rindge	215,500	130,000	2012-2023
	<u>46,380,000</u>	<u>26,525,000</u>	

2004 SERIES B - ISSUED ON July 22, 2004

(Due August 15 and February 15)

John Stark Regional School District	3,516,000	490,000	2011
Fremont School District	2,239,800	890,000	2011-2014
Kearsarge Regional School District	3,060,700	1,019,611	2011-2014
Town of Newbury	1,647,000	650,000	2011-2014
Town of Rye	5,185,600	2,065,000	2011-2014
Town of Carroll	544,300	365,000	2011-2024
Town of Deering	527,500	350,000	2011-2024
Town of Grantham	1,219,000	840,000	2011-2024
Hampton Falls School District	1,168,000	930,000	2011-2024
Hollis-Brookline School District	7,703,400	6,130,000	2011-2024
Town of Jaffrey	287,500	200,000	2011-2024
City of Lebanon	4,788,000	3,115,000	2011-2024
Town of Lyme	508,900	350,000	2011-2024
Town of New Durham	248,600	160,000	2011-2024
Town of Salem	695,900	490,000	2011-2024
Sanborn Regional School District	29,770,200	17,114,196	2011-2024
Winnacunnet Cooperative School District	25,484,800	20,275,000	2011-2024
	<u>88,595,200</u>	<u>55,433,807</u>	

2004 SERIES C - ISSUED ON December 22, 2004

(Due January 15 and July 15)

Town of Hopkinton	761,500	450,000	2012-2020
Town of Brentwood	500,000	350,000	2012-2025
Dresden School District	4,000,000	2,356,988	2012-2024
	<u>5,261,500</u>	<u>3,156,988</u>	

2005 SERIES B - ISSUED ON July 21, 2005

(Due August 15)

Jaffrey-Rindge Cooperative School District	631,625	305,000	2011-2015
City of Somersworth	1,395,355	694,900	2011-2015
Milton School District	4,097,790	2,725,000	2011-2020
Fall Mountain Regional School District	1,911,965	1,400,000	2011-2024
Town of Henniker	793,740	440,000	2011-2024
Town of Canterbury	764,900	565,000	2011-2025
Epping School District	12,072,350	10,040,000	2011-2025
Town of Fremont	795,300	600,000	2011-2025
Town of Hampton Falls	3,036,970	2,115,000	2011-2025
Hinsdale School District	13,032,960	9,760,000	2011-2025
Town of Hopkinton	467,990	345,000	2011-2025
City of Lebanon	5,837,475	4,331,500	2011-2025
Raymond School District	13,402,490	8,636,137	2011-2025
	<u>58,240,910</u>	<u>41,957,537</u>	

2005 SERIES C - ISSUED ON July 21, 2005

(Due August 15)

Town of Hudson	2,272,337	1,585,000	2012-2025
Town of Hudson	18,872,663	15,620,000	2012-2028
	<u>21,145,000</u>	<u>17,205,000</u>	

2008 SERIES B - ISSUED ON December 18, 2008

(Due January 15)

Grafton County	972,800	845,000	2012-2019
Town of East Kingston	941,400	775,000	2012-2029
Grantham School District	7,092,100	6,385,000	2012-2029
Plymouth Village Water & Sewer District	1,086,200	1,025,000	2012-2029
	<u>10,092,500</u>	<u>9,030,000</u>	

2009 SERIES D - ISSUED ON July 16, 2009

(Due August 15)

Governor Wentworth Regional School District	25,000,000	22,377,867	2012-2039
---	------------	------------	-----------

2010 SERIES B - ISSUED ON July 22, 2010

(Due August 15)

Westmoreland School District	207,000	207,000	2011-2015
Town of Lincoln	1,084,000	1,084,000	2011-2020
Town of Rye	942,500	942,500	2011-2020
Town of Wolfeboro	1,408,000	1,408,000	2011-2020
Salem School District	6,986,000	6,986,000	2011-2026
Town of Brentwood	1,551,000	1,551,000	2011-2030
Town of Durham	1,384,000	1,384,000	2010-2025
City of Lebanon	7,101,000	7,101,000	2011-2030
Merrimack Village District	2,620,000	2,620,000	2011-2030
Strafford School District	5,234,500	5,234,500	2011-2030
Governor Wentworth Regional School District	32,508,500	31,657,182	2011-2039
Union School District of Keene	36,933,500	35,985,258	2011-2039
	<u>97,960,000</u>	<u>96,160,440</u>	

2010 SERIES D - ISSUED ON DECEMBER 16, 2010

(Due January 15)

Town of Chester	140,000	135,000	2012-2016
Lebanon School District	705,600	678,550	2012-2016
Town of Marlborough	209,500	200,000	2012-2022
Plainfield School District	330,000	314,800	2012-2022
Merrimack Village District	835,000	811,400	2012-2027
Town of Jackson	755,000	735,250	2012-2032
	<u>2,975,100</u>	<u>2,875,000</u>	

2011 SERIES A - ISSUED ON MARCH 03, 2011

(Due August 15)

Winnisquam Regional School District	8,625,000	8,625,000	2011-2021
-------------------------------------	-----------	-----------	-----------

2011 SERIES B - ISSUED ON JUNE 8, 2011

(Due August 15)

Town of Pembroke	864,000	864,000	2012-2014
Town of Exeter	2,896,200	2,896,200	2012-2021
Town of Freedom	737,000	737,000	2012-2021
Town of Bow	9,805,300	9,805,300	2012-2026
City of Lebanon	8,372,500	8,372,500	2012-2031
Town of North Hampton	715,000	715,000	2012-2031
	<u>23,390,000</u>	<u>23,390,000</u>	

Total Part A - Non State Guaranteed Issues	<u>\$ 1,014,998,950</u>	<u>\$ 547,896,332</u>	
--	-------------------------	-----------------------	--

THIS PAGE LEFT BLANK INTENTIONALLY

PROPOSED FORM OF LEGAL OPINION

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
25 Triangle Park Drive, Suite 102
Concord, New Hampshire 03301

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$24,685,000 2011 Series B 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, 2012.

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 December 1, 1978, as supplemented from time to time (the “General Bond Resolution”), and a Series Resolution of the Bank dated June 8, 2011 (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 BR- 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. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific

preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Bank and each Governmental Unit (as defined in the Act) with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Bank and each Governmental Unit have covenanted to comply with all such requirements. Failure by the Bank or a Governmental Unit to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any 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. BR-1 and, in our opinion, the form of such Bond and its execution are regular and proper.

EDWARDS ANGELL PALMER & DODGE LLP

THIS PAGE LEFT BLANK INTENTIONALLY

**General Purpose
and
Combining Financial Statements**

New Hampshire Municipal Bond Bank

**YEAR ENDED JUNE 30, 2010
with REPORT OF INDEPENDENT AUDITORS**

THIS PAGE LEFT BLANK INTENTIONALLY

New Hampshire Municipal Bond Bank

Basic Financial Statements and Management's Discussion and Analysis

*Year Ended June 30, 2010
With Independent Auditors' Report*

NEW HAMPSHIRE MUNICIPAL BOND BANK

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

For the Year Ended June 30, 2010

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	2 – 6
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenses and Changes in Net Assets	11
Statements of Cash Flows	13
Notes to Financial Statements	17

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, Qualified School Construction Fund Group, Non-State Guaranteed Fund Group, Pinkerton Academy Fund Group and Coe-Brown Northwood Academy Fund Group, of New Hampshire Municipal Bond Bank (the Bond Bank) as of and for the year ended June 30, 2010, 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 opinions 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Bond Bank, including the individual fund groups referred to above, as of June 30, 2010, and the results of their operations and their 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 – 6 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.

Manchester, New Hampshire
November 5, 2010

Baker Newman & Noyes
Limited Liability Company

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. 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 consistent between 2009 and 2010. Revenues in 2010 of \$44,280,047 represented an increase of \$194,790 or .44% above fiscal year 2009. Investments are recorded at fair value to comply with Governmental Accounting Standards Board (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.
- Net assets of the Bond Bank increased \$4,637,323 in fiscal year 2010. At June 30, 2010, the Bond Bank had net assets of \$26,055,107, an increase of 21.65% from the prior year.
- The Bond Bank's bonds outstanding at June 30, 2010 of \$934,073,866 represent a net increase of \$37,266,903 from the balance at June 30, 2009. This increase was the result of the following activity in fiscal year 2010:

○ Issued 2009 C, D and E bonds totaling	\$ 80,580,000
○ Issued 2010 A Refunding bonds	98,975,000
○ Issued 2010 C Qualified School Construction bonds	46,812,349
○ Adjustment to deferred loss and premiums	5,162,662
○ 2010 debt service paid	(76,553,108)
○ Removed bonds refunded by 2010 A	(102,890,000)
○ Removed bonds refunded by Pinkerton Academy	<u>(14,820,000)</u>
	<u>\$ 37,266,903</u>

- The Bond Bank provided \$120,292,349 of new loans to local governmental units during fiscal year 2010, less the \$14,820,000 refunded Pinkerton Academy loans, resulting in a net increase of \$105,472,349, which was a 101.27% increase from the loans provided in fiscal year 2009.
- One refunding issue was issued in the Spring of 2010 resulting in approximately \$6 million in savings in debt service. The net present value savings was approximately \$5 million.
- Since the surety providers had been downgraded, we worked with the State of NH to purchase a State of NH bond to meet our reserve fund requirement under the 2005 Resolution. We purchased State of NH bonds for 2009C and 2009E bonds. There was no cost to the State and the Bond Bank saved considerable costs due to the decline of investment rates.
- Pinkerton Academy refinanced their NH Municipal Bond Bank Education Division loans through NH Health and Higher Education Facilities Authority.
- On June 2, 2010, the Bond Bank adopted a new General Resolution (the "QSCB Resolution"), authorizing the issuance of New Hampshire Municipal Bond Bank Bonds (Qualified School Construction Bond Issue). This enabled five school districts to issue \$46,812,349 in Qualified School Construction Bonds through the Bond Bank.

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 review the calculations annually for financial statement purposes. The Bond Bank has hired an outside firm to calculate arbitrage rebate liability and required payments.

Since its inception, the Bond Bank has 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 contained a number of improvements, including a flexible reserve fund sizing requirement, wholesale changes in permitted investments, and 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. The Bond Bank has issued eight series of bonds under the terms of the 2005 Resolution, totaling \$295,571,000. 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.

The Bond Bank analyzes the cost effectiveness of the 1978 Resolution and the 2005 Resolution whenever a new issue of bonds is being considered. Due to the downgrades of the surety bond providers, this is no longer a viable method of funding the reserve fund. Depending on the structure of the new bonds and the reserve fund requirements, we analyze the best alternative by comparing the availability of investments in the market and the possibility of purchasing State of NH bonds. In fiscal year 2010, 2009 Series C and 2009 Series B were issued per the 2005 Resolution and State of NH bonds were purchased to fund the reserve fund, 2010 Series A Refunding Bonds were issued per the 1978 Resolution because the refunded bonds were issued under the 1978 Resolution (no reserve fund bonds were required), and 2009 Series D was sold per the 1978 Resolution and investments were purchased in the market to fund the reserve fund.

The Bond Bank has purchased surety bond policies to meet the reserve fund requirements for bonds issued under the terms of the 2005 Resolution. Several downgrades of the surety providers occurred between September 2009 and October 2010. The table below summarizes the surety policies purchased by the Bond Bank:

Surety Provider	Amount of Surety Policies	Ratings as of September 28, 2009			Ratings as of September 9, 2010			Ratings as of October 25, 2010		
		Moody’s	S&P	Fitch	Moody’s	S&P	Fitch	Moody’s	S&P	Fitch
Assured Guaranty Municipal (formerly FSA)*	\$3,420,269	Aa3	AAA	AA+	Aa3	AAA	withdrawn	Aa3	AA+	withdrawn
National Public Finance (formerly MBIA Illinois)**	\$8,247,430	Baa1	A	withdrawn	Baa1	A	withdrawn	Baa1	A	withdrawn
FGIC	\$6,782,925	withdrawn	withdrawn	withdrawn	withdrawn	withdrawn	withdrawn	withdrawn	withdrawn	withdrawn

* On November 2, 2009, Assured Guaranty announced that, pending approval, FSA will be renamed to Assured Guaranty Municipal.

** On February 18, 2009, MBIA Insurance Corporation (“MBIA”) separated its operations into two entities with National Public Finance Guaranty Corporation (“National”) (formerly MBIA Insurance Corp. of Illinois) becoming the public finance sector insurer/surety bond provider.

The Bond Bank's Refunding Policy stipulates that advanced and current refundings will be considered, if the par amount to be issued is at least \$30 million and the net present value of savings is at least 3.0%. One refunding issue, \$98,975,000 2010 Series A, was issued in the spring of 2010, with a net present value of 4.89%. Detailed information can be found in Note 4 in the Financial Statements.

As of May 3, 2010, Pinkerton Academy prepaid \$715,000, the June 2010 and 2011 maturities of the 2001 Series B bonds and advanced refunded the outstanding balance of \$14,105,000 of the 2001 Series A bonds through the New Hampshire Health and Higher Education Facilities Authority.

On June 2, 2010, the Bond Bank adopted a new General Resolution (the "QSCB Resolution"), authorizing the issuance of New Hampshire Municipal Bond Bank Bonds (Qualified School Construction Bond Issue). This enabled five school districts to issue \$46,812,349 in Qualified School Construction Bonds through the Bond Bank. The 2010 Series C bonds closed on June 29, 2010 with an interest rate of 5.39%. The individual school districts are responsible for filing certain federal forms required to receive a federal subsidy that is available for their outstanding Qualified School Construction Bonds. The municipal bonds are guaranteed as to 75% of principal and interest by a pledge of the full faith and credit of the State of New Hampshire.

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 five 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 net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, result in increased net assets, which may indicate an improved financial position.

The statements of revenues, expenses, and changes in net assets present information showing how the Bond Bank's net assets changed during the fiscal year. Changes in net assets 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

Net Assets 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 \$26,055,107 at June 30, 2010. This represents an increase of \$4,637,323 or 21.65% from the previous fiscal year.

By far, the largest portion of the Bond Bank's net assets 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>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Current assets:			
Cash	\$ 41,987	\$ 51,070	(17.79)%
Investments held by trustee, at fair value	16,636,021	18,684,371	(10.96)
Loans receivable from governmental units	64,926,165	70,405,608	(7.78)
Accrued investment income receivable	927,652	883,234	5.03
Accrued interest receivable from governmental units	14,595,292	14,987,833	(2.62)
Unamortized rebates to governmental units and bond issuance costs	817,200	757,160	7.93
Other current assets	<u>191,483</u>	<u>5,988</u>	<u>3097.78</u>
Total current assets	98,135,800	105,775,264	(7.22)
Noncurrent assets:			
Investments held by trustee, at fair value	104,056,635	98,878,077	5.24
Loans receivable from governmental units	766,888,791	726,012,607	5.63
Unamortized rebates to governmental units and bond issuance costs	<u>5,350,822</u>	<u>5,105,031</u>	<u>4.81</u>
Total noncurrent assets	<u>876,296,248</u>	<u>829,995,715</u>	<u>5.58</u>
Total assets	<u>\$974,432,048</u>	<u>\$935,770,979</u>	<u>4.13%</u>
 <u>LIABILITIES AND NET ASSETS</u>	 <u>2010</u>	 <u>2009</u>	 <u>Percentage Change</u>
Current liabilities:			
Accounts payable and accrued liabilities	\$ 142,492	\$ 20,850	583.41%
Accrued interest payable	12,746,121	15,801,505	(19.34)
Accrued interest rebate payable to U.S. Government	379,617	629,836	(39.73)
Bonds payable	<u>73,758,925</u>	<u>77,708,523</u>	<u>(5.08)</u>
Total current liabilities	87,027,155	94,160,714	(7.58)
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	1,034,845	1,094,041	(5.41)
Bonds payable	<u>860,314,941</u>	<u>819,098,440</u>	<u>5.03</u>
Total noncurrent liabilities	<u>861,349,786</u>	<u>820,192,481</u>	<u>5.02</u>
Total liabilities	948,376,941	914,353,195	3.72
Net assets	<u>26,055,107</u>	<u>21,417,784</u>	<u>21.65</u>
Total liabilities and net assets	<u>\$974,432,048</u>	<u>\$935,770,979</u>	<u>4.13%</u>

Total cash and investments held by trustee increased \$3,121,125, or 2.65% at June 30, 2010 compared to June 30, 2009. The Bond Bank's investment portfolio is comprised of cash and cash equivalents, U.S. Government obligations (including treasury bills, notes, and bonds), U.S. Treasury strips, U.S. Government sponsored enterprise notes and strips, 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 net assets.

The Bond Bank's loans receivable from governmental units increased \$35,396,741 in fiscal year 2010. The Bond Bank's total new loan originations in 2010 of \$120,292,349 less the \$14,820,000 refunded by Pinkerton Academy were 101.27% higher than 2009 originations of \$52,402,500. Net bonds payable increased 4.16%.

Net assets increased 21.65% in fiscal year 2010. 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>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Interest on loans receivable from governmental units	\$37,594,034	\$38,755,510	(3.00)%
Interest income from investments	5,079,182	5,106,264	(.53)
Net increase (decrease) in the fair value of investments	754,963	(215,312)	(450.64)
Other income	<u>851,868</u>	<u>438,795</u>	<u>94.14</u>
Total operating revenues	44,280,047	44,085,257	.44
Interest expense	38,762,118	42,642,240	(9.10)
Operating expenses	386,132	361,255	6.89
Other expense	<u>494,474</u>	<u>184,915</u>	<u>167.41</u>
Total operating expenses	<u>39,642,724</u>	<u>43,188,410</u>	<u>(8.21)</u>
Operating income	4,637,323	896,847	417.07
Net assets, beginning of year	<u>21,417,784</u>	<u>20,520,937</u>	<u>4.37</u>
Net assets, end of year	<u>\$26,055,107</u>	<u>\$21,417,784</u>	<u>21.65%</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 2010 decreased .53% from 2009. This decrease was the result of a decreasing interest rate environment.

The net increase in the fair value of investments in 2010 of \$754,963 was caused by movements in market interest rates during the year that had a positive impact on the fair value of investments held by the Bond Bank.

The increase in other income and other expense was primarily due to the proceeds and costs related to the increase of bond issuance over the previous year.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

NEW HAMPSHIRE MUNICIPAL BOND BANK

BALANCE SHEETS

June 30, 2010

	Municipal Division		
	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
<u>ASSETS</u>			
Current assets:			
Cash (note 3)	\$ —	\$ —	\$ 19,417
Investments held by trustee, at fair value (note 3):			
Cash equivalents	1,776,649	—	5,303,633
Reserve Fund investments	1,767,638	—	7,788,101
Loans receivable from governmental units (note 4)	3,596,165	—	61,185,000
Accrued investment income receivable	—	—	927,652
Accrued interest receivable from governmental units	414,799	7,009	14,162,581
Unamortized rebates to governmental units and bond issuance costs	150,538	—	666,662
Other assets	<u>—</u>	<u>190,900</u>	<u>583</u>
Total current assets	7,705,789	197,909	90,053,629
Noncurrent assets:			
Reserve Fund investments held by trustee, at fair value (notes 3 and 4):			
Cash equivalents	2,973,587	—	4,796,839
Investments	3,477,528	—	92,808,681
Loans receivable from governmental units (note 4)	6,945,042	46,812,349	711,916,400
Unamortized rebates to governmental units and bond issuance costs	<u>334,908</u>	<u>—</u>	<u>5,015,914</u>
Total noncurrent assets	<u>13,731,065</u>	<u>46,812,349</u>	<u>814,537,834</u>
Total assets	<u>\$21,436,854</u>	<u>\$47,010,258</u>	<u>\$904,591,463</u>

Educational Institutions Division		
<u>Pinkerton</u> <u>Academy</u> <u>Fund Group</u>	<u>Coe-Brown</u> <u>Northwood</u> <u>Academy</u> <u>Fund Group</u>	<u>Total</u>
\$ —	\$ 22,570	\$ 41,987
—	—	7,080,282
—	—	9,555,739
—	145,000	64,926,165
—	—	927,652
—	10,903	14,595,292
—	—	817,200
<u>—</u>	<u>—</u>	<u>191,483</u>
—	178,473	98,135,800
—	—	7,770,426
—	—	96,286,209
—	1,215,000	766,888,791
<u>—</u>	<u>—</u>	<u>5,350,822</u>
<u>—</u>	<u>1,215,000</u>	<u>876,296,248</u>
<u>\$ —</u>	<u>\$1,393,473</u>	<u>\$974,432,048</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

BALANCE SHEETS (CONTINUED)

June 30, 2010

	Municipal Division		
	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ —	\$ 120,900	\$ 21,592
Accrued interest payable	340,705	7,009	12,387,504
Accrued interest rebate payable to U.S. Government	—	—	379,617
Bonds payable (note 4)	<u>4,306,096</u>	<u>—</u>	<u>69,307,829</u>
Total current liabilities	4,646,801	127,909	82,096,542
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	497,008	—	537,837
Bonds payable (note 4)	<u>10,312,908</u>	<u>46,812,349</u>	<u>801,974,684</u>
Total noncurrent liabilities	<u>10,809,916</u>	<u>46,812,349</u>	<u>802,512,521</u>
Total liabilities	15,456,717	46,940,258	884,609,063
Net assets	<u>5,980,137</u>	<u>70,000</u>	<u>19,982,400</u>
Total liabilities and net assets	<u>\$21,436,854</u>	<u>\$47,010,258</u>	<u>\$904,591,463</u>

See accompanying notes to the financial statements.

Educational Institutions Division		
<u>Pinkerton</u> <u>Academy</u> <u>Fund Group</u>	<u>Coe-Brown</u> <u>Northwood</u> <u>Academy</u> <u>Fund Group</u>	<u>Total</u>
\$ —	\$ —	\$ 142,492
—	10,903	12,746,121
—	—	379,617
<u>—</u>	<u>145,000</u>	<u>73,758,925</u>
—	155,903	87,027,155
—	—	1,034,845
<u>—</u>	<u>1,215,000</u>	<u>860,314,941</u>
<u>—</u>	<u>1,215,000</u>	<u>861,349,786</u>
—	1,370,903	948,376,941
<u>—</u>	<u>22,570</u>	<u>26,055,107</u>
<u>\$ —</u>	<u>\$1,393,473</u>	<u>\$974,432,048</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010

	Municipal Division		
	State	Qualified	Non-State
	Guaranteed	School	Guaranteed
	<u>Fund Group</u>	<u>Construction</u>	<u>Fund Group</u>
Operating revenues:			
Interest on loans receivable from governmental units	\$ 822,442	\$ 7,009	\$36,402,898
Interest income from investments	323,606	—	4,755,472
Net increase (decrease) in the fair value of investments	(337,935)	—	1,092,898
Other income	<u>—</u>	<u>190,900</u>	<u>660,468</u>
Total operating revenues	808,113	197,909	42,911,736
Operating expenses:			
Interest expense	1,012,144	7,009	37,381,280
Operating expenses	150,000	—	217,278
Other expense	<u>—</u>	<u>120,900</u>	<u>373,574</u>
Total operating expenses	<u>1,162,144</u>	<u>127,909</u>	<u>37,972,132</u>
Operating income (loss)	(354,031)	70,000	4,939,604
Net assets, beginning of year	<u>6,334,168</u>	<u>—</u>	<u>15,042,796</u>
Net assets, end of year	<u>\$5,980,137</u>	<u>\$ 70,000</u>	<u>\$19,982,400</u>

See accompanying notes to the financial statements.

Educational Institutions Division		
Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group	Total
\$289,892	\$71,793	\$37,594,034
93	11	5,079,182
—	—	754,963
<u>—</u>	<u>500</u>	<u>851,868</u>
289,985	72,304	44,280,047
289,892	71,793	38,762,118
17,594	1,260	386,132
<u>—</u>	<u>—</u>	<u>494,474</u>
<u>307,486</u>	<u>73,053</u>	<u>39,642,724</u>
(17,501)	(749)	4,637,323
<u>17,501</u>	<u>23,319</u>	<u>21,417,784</u>
\$ <u><u>—</u></u>	\$ <u><u>22,570</u></u>	\$ <u><u>26,055,107</u></u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2010

	Municipal Division		
	State	Qualified	Non-State
	Guaranteed	School	Guaranteed
	Fund Group	Construction	Fund Group
	Fund Group	Fund Group	Fund Group
Operating activities:			
Cash received from governmental units	\$ 6,577,147	\$ —	\$ 101,500,235
Cash payments to governmental units	—	(46,812,349)	(73,505,000)
Cash received from other income	—	—	660,468
Cash payments for operating expenses	(154,738)	—	(211,798)
Cash payments for bond issuance costs	—	—	(1,015,803)
Cash received for other assets	—	—	5,405
Net cash provided (used) by operating activities	6,422,409	(46,812,349)	27,433,507
Investing activities:			
Purchases of investments	—	—	(7,260,773)
Proceeds from sale and maturities of investments	3,589,275	—	7,855,316
Interest received on investments	583,722	—	4,894,473
Interest rebate paid to U.S. Government	(121,773)	—	(631,177)
Net cash provided by investing activities	4,051,224	—	4,857,839
Noncapital financing activities:			
Proceeds from bonds payable	—	46,812,349	184,802,962
Deposit to refunding escrow	—	—	(102,890,000)
Principal paid on bonds payable	(7,128,108)	—	(69,285,000)
Interest paid on bonds payable	(1,066,354)	—	(40,630,249)
Net cash provided (used) by noncapital financing activities	(8,194,462)	46,812,349	(28,002,287)
Increase (decrease) in cash and cash equivalents	2,279,171	—	4,289,059
Cash and cash equivalents, beginning of year	2,471,065	—	5,830,830
Cash and cash equivalents, end of year	\$ 4,750,236	\$ —	\$ 10,119,889

Educational Institutions Division		
Pinkerton Academy <u>Fund Group</u>	Coe-Brown Northwood Academy <u>Fund Group</u>	<u>Total</u>
\$ 15,165,342	\$ 212,825	\$ 123,455,549
—	—	(120,317,349)
—	500	660,968
(17,594)	(1,260)	(385,390)
—	—	(1,015,803)
<u>—</u>	<u>—</u>	<u>5,405</u>
15,147,748	212,065	2,403,380
—	—	(7,260,773)
—	—	11,444,591
93	11	5,478,299
<u>—</u>	<u>—</u>	<u>(752,950)</u>
93	11	8,909,167
—	—	231,615,311
—	—	(102,890,000)
(14,820,000)	(140,000)	(91,373,108)
<u>(345,342)</u>	<u>(72,825)</u>	<u>(42,114,770)</u>
<u>(15,165,342)</u>	<u>(212,825)</u>	<u>(4,762,567)</u>
(17,501)	(749)	6,549,980
<u>17,501</u>	<u>23,319</u>	<u>8,342,715</u>
\$ <u>—</u>	\$ <u>22,570</u>	\$ <u>14,892,695</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2010

	Municipal Division		
	State	Qualified	Non-State
	Guaranteed	School	Guaranteed
	Fund Group	Construction	Fund Group
	Fund Group	Fund Group	Fund Group
Balance sheet classification:			
Cash	\$ —	\$ —	\$ 19,417
Cash equivalents – investments held by trustee	1,776,649	—	5,303,633
Cash equivalents – reserve fund investments held by trustee	<u>2,973,587</u>	<u>—</u>	<u>4,796,839</u>
	<u>\$4,750,236</u>	<u>\$ —</u>	<u>\$10,119,889</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (354,031)	70,000	\$ 4,939,604
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Interest income from investments	(323,606)	—	(4,755,472)
Net (increase) decrease in the fair value of investments	337,935	—	(1,092,898)
Amortization of rebates to governmental units	97,203	—	451,163
Interest expense on bonds payable	1,012,144	7,009	37,381,280
Change in assets and liabilities:			
Loans receivable from governmental units	5,523,108	(46,812,349)	(9,067,500)
Accrued interest receivable from governmental units	134,394	(7,009)	208,674
Unamortized rebates to governmental units and bond issuance costs	—	—	(642,229)
Other assets	—	(190,900)	5,405
Accounts payable and accrued liabilities	<u>(4,738)</u>	<u>120,900</u>	<u>5,480</u>
Net cash provided (used) by operating activities	<u>\$6,422,409</u>	<u>\$(46,812,349)</u>	<u>\$27,433,507</u>

See accompanying notes to the financial statements.

Educational Institutions Division		
<u>Pinkerton Academy Fund Group</u>	<u>Coe-Brown Northwood Academy Fund Group</u>	<u>Total</u>
\$ —	\$ 22,570	\$ 41,987
—	—	7,080,282
—	—	7,770,426
\$ <u>—</u>	\$ <u>22,570</u>	\$ <u>14,892,695</u>
 \$ (17,501)	 \$ (749)	 \$ 4,637,323
(93)	(11)	(5,079,182)
—	—	(754,963)
—	—	548,366
289,892	71,793	38,762,118
14,820,000	140,000	(35,396,741)
55,450	1,032	392,541
—	—	(642,229)
—	—	(185,495)
—	—	121,642
<u>\$15,147,748</u>	<u>\$212,065</u>	<u>\$ 2,403,380</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 issued through 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. The Bond Bank has issued bonds for its State Guaranteed program pursuant to a General Resolution adopted on July 19, 1979, as amended from time to time (the “1979 Resolution”).

Qualified School Construction 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 issued through the Bond Bank are guaranteed as to 75 percent of principal and interest by a pledge of the full faith and credit of the State of New Hampshire.

On June 2, 2010, the Bond Bank adopted a new General Resolution (the “QSCB Resolution”), authorizing the issuance of New Hampshire Municipal Bond Bank Bonds (Qualified School Construction Bond Issue). The Bond Bank issued the \$46,812,349 2010 Series C Bonds (Qualified School Construction Bond Issue) on June 29, 2010 with an interest rate of 5.39%. Loan agreements were signed by five school districts matching the 2010 Series C Bonds issued by the Bond Bank. The individual school districts are responsible for filing certain federal forms required to receive a federal subsidy that is available for their outstanding Qualified School Construction Bonds.

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

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. Organization (Continued)

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, and 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 \$270,490,000 at June 30, 2010, consisting primarily of loans to governmental units and bonds payable.

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 Governmental Accounting Standards Board (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 Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As permitted by GASB Statement 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 GASB 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).

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

2. Significant Accounting Policies (Continued)

Federal Income Taxes

It is the opinion of management that the Bond Bank is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115. However, the Bond Bank is subject to the arbitrage rebate requirements of Section 148 of the IRC. 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.

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2010 was approximately \$222,000 for both the State Guaranteed and Non-State Guaranteed Fund Groups.

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 net assets. Interest earnings on principal-only strips within the State Guaranteed and Non-State Guaranteed Fund Groups have been recorded as interest income from investments in 2010. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after June 30, 2011 have been classified as long-term.

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 2002, 2003, 2004, 2005, 2007, 2009 and 2010 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 unamortized rebates to governmental units and bond issuance costs.

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, 2010 was approximately \$388,000 and \$1,795,000 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

2. Significant Accounting Policies (Continued)

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. The Board of Directors determines what percentage, if any, of the gains, losses and economic benefits of advanced refunding within the Municipal Divisions gets passed on to the respective governmental units. The refunding benefits rebated to governmental units are deferred and amortized over the life of the refunded bonds (which is equivalent to the life of the loans receivable) using a method which approximates the effective interest method.

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 \$22,570 as of June 30, 2010.

Investments held by trustee and Reserve Fund investments held by trustee consist primarily of U.S. Treasury obligations and U.S. Government-sponsored enterprises 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.

The Act and each of the Municipal Division’s general bond resolutions under the State Guaranteed Fund Group and the Non-State Guaranteed Fund Group require the establishment of a debt service reserve fund. These resolutions are secured separately from all other general bond resolutions of the Bond Bank. Amounts on deposit in the debt service reserve fund of each of these resolutions are held by the trustee under each of such general bond resolutions. Investment earnings on amounts held in each respective debt service reserve fund are restricted to the payment of debt service on bonds of the Bond Bank issued pursuant to each respective general bond resolution for the purpose of funding each respective debt service reserve fund. Each of these resolutions pledges its debt service reserve fund to the payment of debt service in the event of a governmental unit payment default.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. Cash, Cash Equivalents and Investments (Continued)

The 1978 and 1979 Resolutions require their respective debt service funds be sized to meet the maximum amount of maturing municipal bond debt service in any calendar year. The 2005 Resolution requires that for each issue of bonds, the reserve fund requirement shall equal the lesser 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. This requirement is subject to change by an amendment to the 2005 Resolution under certain circumstances, but only once 100 loans have been made by the Bank under the 2005 Resolution. At June 30, 2010, the Bank had made 78 loans under the 2005 Resolution.

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.

Investments of the Bond Bank consist of short-term money market funds that are 100% collateralized by government securities and investments in U.S. Treasury and U.S. Government sponsored enterprise securities. At June 30, 2010, investments are categorized as follows:

	<u>Fair Value</u>
<u>State Guaranteed Fund Group</u>	
Investments held by trustee:	
Cash equivalents	\$ <u>1,776,649</u>
Reserve fund investments held by trustee:	
Cash equivalents	\$ 2,973,587
U.S. Treasury strips	1,665,926
U.S. Government-sponsored enterprises strips ⁽¹⁾	<u>3,579,240</u>
	\$ <u>8,218,753</u>
<u>Non-State Guaranteed Fund Group</u>	
Investments held by trustee:	
Cash equivalents	\$ <u>5,303,633</u>
Reserve fund investments held by trustee:	
Cash equivalents	\$ 4,796,839
U.S. Government obligations	51,163,489
U.S. Treasury strips	27,580,917
U.S. Government-sponsored enterprises ⁽¹⁾	357,801
U.S. Government-sponsored enterprises strips ⁽¹⁾	17,239,575
N.H. G.O. capital improvement bonds	<u>4,255,000</u>
	\$ <u>105,393,621</u>

⁽¹⁾ Includes FHLMC, FHLB, FFCB, FNMA and REFCORP.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. Cash, Cash Equivalents and Investments (Continued)

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 investments as of June 30, 2010:

	<u>Fair Value</u>	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More than Ten Years</u>
<u>State Guaranteed Fund Group</u>					
U.S. Treasury strips	\$ 1,665,926	\$ 794,542	\$ 511,915	\$ 359,469	\$ —
U.S. Government- sponsored enterprises strips	<u>3,579,240</u>	<u>973,095</u>	<u>2,606,145</u>	<u>—</u>	<u>—</u>
	<u>\$ 5,245,166</u>	<u>\$ 1,767,637</u>	<u>\$ 3,118,060</u>	<u>\$ 359,469</u>	<u>\$ —</u>
<u>Non-State Guaranteed Fund Group</u>					
U.S. Government obligations	\$ 51,163,489	\$ 1,478,247	\$ 27,663,589	\$ 1,543,038	\$ 20,478,615
U.S. Treasury strips	27,580,917	2,699,015	10,692,122	10,694,872	3,494,908
U.S. Government- sponsored enterprises	357,801	295,561	62,240	—	—
U.S. Government- sponsored enterprises strips	17,239,575	3,315,278	3,387,640	5,145,025	5,391,632
N.H. G.O. capital improvement bonds	<u>4,255,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,255,000</u>
	<u>\$ 100,596,782</u>	<u>\$ 7,788,101</u>	<u>\$ 41,805,591</u>	<u>\$ 17,382,935</u>	<u>\$ 33,620,155</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 People's United Bank, a state-chartered and publicly traded commercial bank. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at People's United Bank at June 30, 2010.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Bond Bank. The Bond Bank's investment policy limits its investments to those with high credit quality such as U.S. Treasury Obligations and U.S. Government-sponsored enterprises.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. Cash, Cash Equivalents and Investments (Continued)

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk.

The Bond Bank has invested some of its long-term funds in U.S. Treasury and U.S. Government-sponsored enterprises principal-only strips in order to maximize yields coincident with cash needs for operations, debt service, and arbitrage. These securities are similar to zero coupon bonds which are purchased deeply discounted, with the Bond Bank receiving its only repayment stream at maturity; therefore, they are sensitive to interest rate changes. These securities are reported at fair value in the balance sheet. At June 30, 2010, the fair value of these investments is approximately \$5,245,000 and \$44,821,000 with the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

4. Bonds Payable

Bonds payable at June 30, 2010, by program, are as follows:

Municipal Division:

State Guaranteed	\$ 14,619,004
Qualified School Construction	46,812,349
Non-State Guaranteed	871,282,513

Educational Institutions Division:

Pinkerton Academy	—
Coe-Brown Northwood Academy	<u>1,360,000</u>

\$934,073,866

Following is a comprehensive summary of bonds payable by program at June 30, 2010:

Municipal Division – State Guaranteed

Bonds payable consist of the following at June 30, 2010:

Series 1994 D Bonds, maturing August 15, 1995 to August 15, 2014, with interest ranging from 4.25% to 7.15%	\$ 376,207
Series 1994 E Bonds, maturing August 15, 2001 to August 15, 2014, with interest ranging from 5.25% to 6.25%	275,000
Series 2003 B Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	7,275,000
Series 2003 G Refunding Bonds, maturing February 15, 2004 to August 15, 2012, with interest ranging from 2% to 4%	135,000
Series 2009 B Refunding Bonds, maturing August 15, 2009 to August 15, 2017 with interest ranging from 2.25% to 4.00%	<u>6,785,000</u>
	14,846,207

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

4. Bonds Payable (Continued)

Municipal Division – State Guaranteed (Continued)

Net unamortized original issue premium	\$ 621,353
Unamortized deferred loss on refundings	<u>(848,556)</u>
Bonds payable	14,619,004
Current portion	<u>4,306,096</u>
Noncurrent portion	<u>\$10,312,908</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>
2011	\$ 4,446,165	\$ 641,025	\$ 5,087,190
2012	5,710,322	495,681	6,206,003
2013	1,699,870	338,067	2,037,937
2014	1,079,793	288,644	1,368,437
2015	720,057	258,886	978,943
2016 – 2018	<u>1,190,000</u>	<u>82,525</u>	<u>1,272,525</u>
	<u>\$14,846,207</u>	<u>\$2,104,828</u>	<u>\$16,951,035</u>

Municipal Division – Qualified School Construction Bond

Bonds payable consist of the following at June 30, 2010:

Series 2010 C Bonds maturing September 15, 2011 to
September 15, 2026 with interest at 5.39%

	\$46,812,349
Current portion	<u>—</u>
Noncurrent portion	<u>\$46,812,349</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>
2011	\$ —	\$ 1,794,265	\$ 1,794,265
2012	2,952,349	2,443,620	5,395,969
2013	2,945,000	2,284,686	5,229,686
2014	2,945,000	2,125,951	5,070,951
2015	2,945,000	1,967,215	4,912,215
2016 – 2020	14,640,000	7,464,881	22,104,881
2021 – 2025	14,565,000	3,529,507	18,094,507
2026 – 2027	<u>5,820,000</u>	<u>313,698</u>	<u>6,133,698</u>
	<u>\$46,812,349</u>	<u>\$21,923,823</u>	<u>\$68,736,172</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed

Series 2000 A Bonds, maturing August 15, 2001 to August 15, 2010, with interest ranging from 5.125% to 5.2%	\$ 1,865,000
Series 2000 B Bonds, maturing January 15, 2002 to January 15, 2013, with interest ranging from 4.75% to 5%	330,000
Series 2001 A Bonds, maturing August 15, 2002 to August 15, 2015, with interest ranging from 4.125% to 4.8%	5,725,000
Series 2002 A Bonds, maturing June 15, 2003 to June 15, 2022, with interest ranging from 3.5% to 4.75%	995,000
Series 2002 B Bonds, maturing August 15, 2003 to August 15, 2018, with interest ranging from 3% to 4.6%	14,600,000
Series 2002 C Bonds, maturing August 15, 2003 to August 15, 2022, with interest ranging from 3% to 4.75%	5,670,000
Series 2002 D Refunding Bonds, maturing August 15, 2003 to August 15, 2016, with interest ranging from 2% to 5%	50,400,000
Series 2002 E Bonds, maturing January 15, 2004 to January 15, 2022, with interest ranging from 4.25% to 4.85%	3,220,000
Series 2003 A Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	5,770,000
Series 2003 C Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 3% to 6%	36,380,000
Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	9,800,000
Series 2003 E Bonds, maturing August 15, 2004 to August 15, 2018, with interest ranging from 3.5% to 5%	12,850,000
Series 2003 F Bonds, maturing January 15, 2005 to January 15, 2024, with interest ranging from 4% to 5%	30,105,000
Series 2004 A Refunding Bonds, maturing August 15, 2005 to February 15, 2020, with interest ranging from 2% to 5%	64,215,000
Series 2004 B Bonds, maturing August 15, 2005 to August 15, 2024 with interest ranging from 3% to 5%	61,770,000
Series 2004 C Bonds, maturing January 15, 2006 to January 15, 2025 with interest ranging from 3.75% to 5%	4,750,000
Series 2005 A Refunding Bonds, maturing August 15, 2009 to August 15, 2020 with interest ranging from 3% to 5%	33,910,000
Series 2005 B Bonds, maturing August 15, 2006 to August 15, 2025 with interest ranging from 4% to 5%	48,930,000
Series 2005 C Bonds, maturing March 15, 2006 to March 15, 2028 with interest ranging from 3% to 5%	19,950,000
Series 2005 D Bonds, maturing July 15, 2006 to July 15, 2029 with interest ranging from 3% to 5%	42,645,000
Series 2006 A Bonds, maturing August 15, 2007 to August 15, 2026 with interest ranging from 4% to 5%	45,965,000
Series 2006 B Bonds, maturing January 15, 2008 to January 15, 2027 with interest ranging from 4% to 5%	15,755,000

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2007 A Refunding Bonds, maturing August 15, 2008 to February 15, 2029 with interest ranging from 3.75% to 4.50%	\$ 37,055,000
Series 2007 B Bonds, maturing August 15, 2008 to August 15, 2036 with interest ranging from 4% to 5%	63,755,000
Series 2007 C Bonds, maturing January 15, 2009 to January 15, 2037 with interest ranging from 4.25% to 5.25%	9,545,000
Series 2008 A Bonds, maturing February 15, 2009 to August 15, 2037 with interest ranging from 4% to 5.25%	40,090,000
Series 2008 B Bonds maturing January 15, 2010 to January 15, 2029 with interest ranging from 4.50% to 5.875%	9,970,000
Series 2009 A Refunding Bonds maturing August 15, 2009 to February 15, 2026 with interest ranging from 2.50% to 4.25%	11,780,000
Series 2009 C Bonds maturing August 15, 2010 to August 15, 2029 with interest ranging from 3.00% to 5.00%	23,250,000
Series 2009 D Bonds maturing July 15, 2010 to July 15, 2033 with interest ranging from 2.50% to 5.50%	27,845,000
Series 2009 E Bonds maturing January 15, 2011 to January 15, 2030 with interest ranging from 3.00% to 5.00%	29,485,000
Series 2010 A Refunding Bonds maturing August 15, 2010 to August 15, 2022 with interest ranging from 2.00% to 5.00%	<u>98,975,000</u>
	867,350,000
Net unamortized original issue premium on refundings	25,668,817
Unamortized deferred loss on refundings	<u>(21,736,304)</u>
Bonds payable	871,282,513
Current portion	<u>69,307,829</u>
Noncurrent portion	<u>\$801,974,684</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>
2011	\$ 68,840,000	\$ 38,065,739	\$ 106,905,739
2012	66,145,000	35,603,856	101,748,856
2013	61,720,000	32,820,556	94,540,556
2014	74,025,000	29,766,194	103,791,194
2015	55,415,000	26,647,656	82,062,656
2016 – 2020	248,200,000	96,904,660	345,104,660
2021 – 2025	193,915,000	45,907,738	239,822,738
2026 – 2030	73,655,000	13,795,160	87,450,160
2031 – 2035	13,215,000	4,486,816	17,701,816
2036 – 2040	<u>12,220,000</u>	<u>1,340,456</u>	<u>13,560,456</u>
	<u>\$867,350,000</u>	<u>\$325,338,831</u>	<u>\$1,192,688,831</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

4. Bonds Payable (Continued)

Educational Institutions Division – Pinkerton Academy

As of May 3, 2010, Pinkerton Academy prepaid the June 2010 and 2011 maturities of the 2001 Series B bonds and advanced refunded the outstanding balance of \$14,105,000 of the 2001 Series A bonds through the New Hampshire Health and Higher Education Facilities Authority.

Educational Institutions Division – Coe-Brown Northwood Academy

Bonds payable at June 30, 2010 consist of the following:

2003 Coe-Brown Northwood Academy Revenue Bonds, maturing May 1, 2004
to May 1, 2018, with interest ranging from 2% to 5%, payable semiannually \$1,360,000

Current portion 145,000

Noncurrent portion \$1,215,000

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>
2011	\$ 145,000	\$ 66,525	\$ 211,525
2012	150,000	60,000	210,000
2013	155,000	53,250	208,250
2014	165,000	45,500	210,500
2015	175,000	37,250	212,250
2016 – 2018	<u>570,000</u>	<u>58,000</u>	<u>628,000</u>
	<u>\$1,360,000</u>	<u>\$320,525</u>	<u>\$1,680,525</u>

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, 2010, defeased bonds payable by irrevocable trusts were approximately \$149,665,000.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

4. Bonds Payable (Continued)

On March 30, 2010, the Bond Bank issued \$98,975,000 in Non-State Guaranteed Fund Group bonds with an average coupon rate of 4.78% to advance refund \$102,890,000 of various outstanding maturities of the 1999A, 2000B, 2001A, 2002A, 2002B, 2002C, 2002E, 2003C, 2003E, 2003F, 2004B and 2005B series bonds with an average coupon rate of 4.73%. The net proceeds of approximately \$113,490,000 including bond premium of approximately \$15,157,000 and after payment of approximately \$642,000 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 \$9,966,000 in the year ended June 30, 2010, the Bond Bank in effect reduced its aggregate debt service payments by approximately \$6 million over the next seventeen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately \$5,034,000. The advanced refunding resulted in a net present value savings of 4.89% of the refunded bonds.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2010:

	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group	Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group
Balance, beginning of year	\$21,634,222	\$ —	\$ 858,852,741	\$ 14,820,000	\$ 1,500,000
Issuances	—	46,812,349	179,555,000	—	—
Redemptions	(7,128,108)	—	(69,285,000)	(14,820,000)	(140,000)
Refunded bonds	—	—	(102,890,000)	—	—
Capitalized premiums and deferred losses, net	—	—	5,247,963	—	—
Amortization of premiums and deferred losses, net	<u>112,890</u>	<u>—</u>	<u>(198,191)</u>	<u>—</u>	<u>—</u>
Balance, end of year	<u>\$14,619,004</u>	<u>\$46,812,349</u>	<u>\$ 871,282,513</u>	<u>\$ —</u>	<u>\$1,360,000</u>

5. Subsequent Events

On July 22, 2010, the Bond Bank issued \$104,560,000 in Non State Guaranteed Bonds. The issue included \$97,960,000 for loans to twelve municipalities and \$6,600,000 issued as Reserve Fund Bonds. The coupon rates range from 3.0% to 5.0% with a True Interest Cost (TIC) of 4.22%.

THIS PAGE LEFT BLANK INTENTIONALLY

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 \$24,685,000 2011 Series B Bonds dated their date of delivery (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 the Municipal Securities Rulemaking Board (the “MSRB”):

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 notice to the MSRB in a timely manner, not in excess of ten (10) business days after the occurrence of the event, of the occurrence of any of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies.
- b. Non-payment related defaults, if material.
- 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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds.
- g. Modifications to rights of the beneficial owners of the Bonds, if material.
- h. Bond calls, if material, and tender offers.

APPENDIX E

- i. Defeasance of the Bonds or any portion thereof.
- j. Release, substitution or sale of property securing repayment of the Bonds, if material.
- k. Rating changes.
- l. Bankruptcy, insolvency, receivership or similar event of the Bank.*
- m. The consummation of a merger, consolidation, or acquisition involving the Bank or the sale of all or substantially all of the assets of the Bank, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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 event except those listed above.

3. The Bank will provide notice to the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of a failure to satisfy the requirements of Paragraph 1 herein. Filing information relating to the MSRB is set forth in Exhibit A hereto. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

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 to respond 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 issuer 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.

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Bank in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Bank, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Bank.

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. Any Governmental Unit obligated to pay, from time to time, 20 percent or more of the total outstanding debt service due on all bonds issued by the Bank under the 1978 Resolution shall be an obligated person with respect to the Bonds as long as such Governmental Unit remains obligated to pay at least 20 percent of all debt service for bonds issued pursuant to the 1978 Resolution. The loan agreement with each Governmental Unit provides that to the extent a Governmental Unit becomes an obligated person with respect to the Bonds, it 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. At the present time, no Governmental Units are obligated persons with respect to the Bonds.

7. Capitalized terms used herein and not otherwise defined shall have the meanings as set forth in the Official Statement of the Bank, dated June 8, 2011, prepared in connection with the Bonds.

8. 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: _____, 2011

APPENDIX E

EXHIBIT A

Filing information for the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board

<http://emma.msrb.org>