

PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED JUNE 14, 2006

2006 Series A

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

New Issue – Book-Entry-Only

In the opinion of Bond Counsel, under existing law and assuming continued compliance with the Internal Revenue Code of 1986, as amended, interest on the 2006 Series A Bonds (the "Bonds") is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations. However, interest on the 2006 Series A Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed upon certain corporations. The Bonds and the interest thereon are exempt from taxation imposed by the State of New Hampshire except for transfer, inheritance and estate taxes. For Federal income tax purposes, interest includes original issue discount. See "TAX EXEMPTION" and "APPENDIX D - Proposed Form of Legal Opinion" herein.

NEW HAMPSHIRE MUNICIPAL BOND BANK

\$53,335,000* 2006 Series A Bonds

Dated:
July 1, 2006

Due:
August 15
(as shown below)

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 Chittenden Trust Company, Burlington, Vermont, 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, 2007.

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

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Bonds.



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

| Due August 15 | Principal Amount* | Interest Rate | Price or Yield | Cusip # 64465M | Due August 15 | Principal Amount* | Interest Rate | Price or Yield | Cusip # 64465M |
|------------------|----------------------|------------------|-------------------|-------------------|------------------|----------------------|------------------|-------------------|-------------------|
| 2007 | \$ 2,485,000 | | | | 2017 | \$ 2,780,000 | | | |
| 2008 | 2,560,000 | | | | 2018 | 2,835,000 | | | |
| 2009 | 2,595,000 | | | | 2019 | 2,895,000 | | | |
| 2010 | 2,635,000 | | | | 2020 | 2,955,000 | | | |
| 2011 | 2,665,000 | | | | 2021 | 3,020,000 | | | |
| 2012 | 2,705,000 | | | | 2022 | 2,250,000 | | | |
| 2013 | 2,745,000 | | | | 2023 | 2,320,000 | | | |
| 2014 | 2,780,000 | | | | 2024 | 2,395,000 | | | |
| 2015 | 2,820,000 | | | | 2025 | 2,470,000 | | | |
| 2016 | 2,865,000 | | | | 2026 | 2,560,000 | | | |

THE BONDS ARE BEING OFFERED FOR SALE AT 11:00 A.M. EASTERN TIME ON THURSDAY, JUNE 22, 2006 AT FIRST SOUTHWEST COMPANY, 54 CANAL STREET, 3RD FLOOR, BOSTON, MASSACHUSETTS, IN THE CASE OF SEALED PROPOSALS AND, IN THE CASE OF ELECTRONIC PROPOSALS, VIA PARITY, IN THE MANNER SET FORTH IN THE NOTICE OF SALE. REFERENCE IS MADE TO THE NOTICE OF SALE DATED JUNE 14, 2006 FOR THE CONDITIONS OF THE SALE.

The Bonds are offered, when, as and if issued by the New Hampshire Municipal Bond Bank and accepted by the original purchasers thereof, subject to prior sale, to withdrawal or modification of the offer without notice and to approval as to legality by Ropes & Gray LLP, Boston, Massachusetts, Bond Counsel to the Bank and certain other conditions. First Southwest Company, Boston, Massachusetts, has acted as Financial Advisor. It is expected that the Bonds in definitive form will be available for delivery at DTC on or about July 20, 2006.

*Preliminary, subject to change.

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.

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

SUMMARY STATEMENT

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

THE BONDS

The Issue \$53,335,000* 2006 Series A Bonds (the "2006 Series A Bonds") offered by the New Hampshire Municipal Bond Bank (the "Bank") through a competitive sale.

Security for the Bonds The 2006 Series A Bonds are valid, general obligations of the Bank and the full faith and credit of the Bank are pledged for the punctual payment of the principal of, premium, if any, and interest thereon. The 2006 Series A Bonds, and the other bonds ranking on a parity therewith which may be issued pursuant to the 2005 General Resolution (hereinafter defined) will be further secured by the pledge of the Municipal Bonds that may be purchased by the Bank with the proceeds of the Bonds to be issued pursuant to the 2005 General Resolution from time to time and all funds and accounts established under the 2005 General Resolution. The 2006 Series A Bonds are the second issue of Bonds to be issued under the 2005 General Resolution. The 2005 General Resolution creates a continuing pledge and lien to secure the full and final payment of the principal of, premium, if any, and interest on all of the Bonds issued pursuant to the 2005 General Resolution, including a pledge of the Municipal Bonds purchased by the Bank from the Governmental Units. The 2006 Series A Bonds are further secured by the moneys in the Bank's Reserve Fund established under the 2005 General Resolution which requires that the Reserve Fund be maintained in an amount equal, in the case of the 2006 Series A Bonds, to the least of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. Thereafter, the Required Debt Service Reserve shall equal an amount determined from time to time by the Bank as a reasonable reserve for the payment of principal of and interest on each Series of Bonds then Outstanding. The Bank may in its sole discretion, establish, change, reduce or increase the Required Debt Service Reserve with respect to a Series of Bonds, from time to time by adoption of a Series Resolution, but in no event may the Bank reduce this amount below the greater of (a) the Required Debt Service Reserve established with respect to the 2006 Series A Bonds and (b) one-half of the maximum annual Debt Service with respect to all Bonds Outstanding in the then current or any succeeding Fiscal Year.

The 2006 Series A Bonds are not guaranteed by the State of New Hampshire (the "State") and the State is not obligated to pay the principal of or interest on the Bonds issued pursuant to the 2005 General Resolution, and neither the full faith and credit nor the taxing power of the State is pledged to the payment of the principal of or the interest on the Bonds.

The loans to be made with proceeds of the 2006 Series A Bonds are listed in APPENDIX B herein.

At the time of original delivery of the 2006 Series A Bonds, Financial Guaranty Insurance Company ("FGIC") is expected to deliver its municipal bond insurance policy with respect to the 2006 Series A Bonds. See "APPENDIX G - FGIC Bond Insurance Policy." In addition, FGIC is expected to deliver a debt service reserve fund surety bond to the Trustee to be held for the benefit of the Reserve Fund, which surety bond will constitute a Credit Facility under the 2005 Resolutions.

Interest Payment Dates Interest on the 2006 Series A Bonds will be payable semi-annually on each February 15 and August 15 until maturity, commencing February 15, 2007.

Record Date The record date for each payment of interest on the 2006 Series A Bonds is the last business day of the month preceding the applicable interest payment date.

* Preliminary, subject to change.

| | |
|--------------------------------|---|
| Maturities | The Bonds mature in the amounts and on the dates shown on the cover page of this Official Statement. |
| Redemption | The 2006 Series A Bonds are subject to redemption prior to their stated dates of maturity as set forth under the caption "THE 2006 SERIES A BONDS- Redemption". |
| Application of Proceeds | Proceeds from the sale of the 2006 Series A Bonds will be used (i) to purchase Municipal Bonds from various Governmental Units, (ii) to provide for the Debt Service Reserve Fund with respect to the 2006 Series A 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 2006 Series A Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for the purpose of computing the alternative minimum tax imposed on individuals and corporations. However, interest on the 2006 Series A Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed upon certain corporations. The 2006 Series A Bonds and the interest thereon are exempt from taxation imposed by the State of New Hampshire except for transfer, inheritance and estate taxes. For federal income tax purposes, interest includes original issue discount. See "TAX EXEMPTION" and "APPENDIX D - Proposed Form of Legal Opinion" herein. |

THE NEW HAMPSHIRE MUNICIPAL BOND BANK

| | |
|-----------------------------|--|
| 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 2006 Series A Bonds are the second issue of Bonds under the 2005 General Resolution and are secured separately from bonds of the Bank previously issued pursuant to its 1978 General Resolution and its 1979 General Resolution (State Guaranteed Municipal Bonds Issue), each as hereafter defined. |

OFFICIAL STATEMENT

of the

NEW HAMPSHIRE MUNICIPAL BOND BANK

Relating to

\$53,335,000* 2006 Series A Bonds

INTRODUCTION

This Official Statement is provided for the purpose of presenting information concerning the New Hampshire Municipal Bond Bank (the "Bank") in connection with the sale of \$53,335,000* 2006 Series A Bonds (the "2006 Series A Bonds"). The 2006 Series A Bonds are issued pursuant to the New Hampshire Municipal Bond Bank Law, as amended, being Chapter 35-A of the New Hampshire Revised Statutes Annotated (the "Act").

The 2006 Series A Bonds

The 2006 Series A Bonds are to be issued under and are to be secured pursuant to the Bank's General Bond Resolution adopted July 14, 2005, as the same may be amended or supplemented from time to time (the "2005 General Resolution"), and its 2006 Series A Series Resolution (the "2006 Series A Series Resolution") expected to be adopted on June 23, 2006. The 2005 General Resolution and the 2006 Series A Series Resolution are sometimes collectively referred to herein as the "2005 Resolution". The 2006 Series A Bonds are the second issue of Bonds under and pursuant to the 2005 General Resolution. Additional series of Bonds may be issued by the Bank on a parity with the 2006 Series A Bonds provided that each additional series will be authorized and secured pursuant to a series resolution adopted in accordance with and under the provisions of the 2005 General Resolution and the Act. The 2006 Series A Bonds and any additional bonds issued under the 2005 General Resolution (referred to collectively herein as "Bonds"), constitute general obligations of the Bank, and the full faith and credit of the Bank are pledged to the payment of principal, premium, if any, and interest thereon.

The 2006 Series A Bonds are not guaranteed by the State of New Hampshire (the "State") and the State is not obligated to pay the principal of or interest on the 2006 Series A Bonds, and neither the full faith and credit nor the taxing power of the State is pledged to the payment of the principal of or the interest on the 2006 Series A Bonds. Attention is directed to Appendix A which contains definitions of certain terms used in this Official Statement.

PLAN OF FINANCING

The 2006 Series A Bonds are being issued to: (i) purchase Municipal Bonds from New Hampshire Governmental Units, (ii) purchase a Credit Facility to provide the Required Debt Service Reserve with respect to the 2006 Series A Bonds, and (iii) to pay certain costs of issuance with respect thereto.

Purchase of Municipal Bonds

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

*Preliminary, subject to change.

Certain Borrower Information

Set forth in Appendix B is a listing of the Governmental Units having received a Loan under the 2005 General Resolution, or receiving a Loan from proceeds of the 2006 Series A Bonds. Set forth in Appendix C is certain information with respect to each Governmental Unit constituting an "obligated person" with respect to Bonds issued pursuant to the 2005 General Resolution. See "CONTINUING DISCLOSURE" herein.

Application of Proceeds

The proceeds of the sale of the 2006 Series A Bonds are expected to be applied as follows:

| | <u>2006 Series A Bonds</u> |
|---|----------------------------|
| SOURCES OF FUNDS | |
| Par Amount of Bonds | \$ |
| Net Original Issue Premium | |
| Total Sources | <u>\$</u> |
| USES OF FUNDS | |
| Loans to Governmental Units | \$ |
| Cost of Issuance and Qualified Administrative Expenses | |
| Total Uses | <u>\$</u> |

In accordance with the provisions of the 2005 General Resolution, the amount on deposit in the Reserve Fund will be at least equal, in the case of the 2006 Series A Bonds, to the least of (i) 10% of the aggregate original net proceeds of each Series of Bonds Outstanding, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. Thereafter, the Required Debt Service Reserve shall equal an amount determined from time to time by the Bank as a reasonable reserve for the payment of principal of and interest on each Series of Bonds then Outstanding. The Bank may in its sole discretion, establish, change, reduce or increase the Required Debt Service Reserve with respect to a Series of Bonds, from time to time by adoption of a Series Resolution, but in no event may the Bank reduce this amount below the greater of (a) the Required Debt Service Reserve established with respect to the 2006 Series A Bonds and (b) one-half of the maximum annual Debt Service with respect to all Bonds Outstanding in the then current or any succeeding Fiscal Year.

THE 2006 SERIES A BONDS

Description

The 2006 Series A Bonds are dated July 1, 2006, 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 2006 Series A Bonds shall bear interest from its date. Interest on the Bonds will be payable semi-annually on each February 15 and August 15 until maturity, commencing February 15, 2007.

The 2006 Series A Bonds are issuable only in fully registered form, without coupons, and, when issued will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2006 Series A Bonds. Purchases of the 2006 Series A Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, and purchasers will not receive certificates representing their interest in 2006 Series A Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the 2006 Series A Bonds. (See "Book-Entry Only System" herein.)

Redemption

Optional Redemption

The 2006 Series A Bonds maturing on and before August 15, 2016 are not subject to optional redemption prior to their stated dates of maturity. The 2006 Series A Bonds maturing after August 15, 2016 are subject to redemption prior to their stated dates of maturity on and after August 15, 2016 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 2006 Series A Bonds to be redeemed plus accrued interest to the redemption date.

Notice of Redemption

Notice of any redemption of the 2006 Series A Bonds prior to their stated maturities, specifying the 2006 Series A Bonds (or the portions thereof) to be redeemed and the place of payment shall be mailed to each registered owner of the 2006 Series A Bonds to be redeemed not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants or Indirect Participants to notify the Beneficial Owners shall not affect the validity of the redemption.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2006 Series A Bonds. The 2006 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 2006 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2006 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through

which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2006 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2006 Series A Bonds, except in the event that use of the book-entry system for the 2006 Series A Bonds is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2006 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or the 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 the 2006 Series A Bonds at any time by giving reasonable notice to the Bank or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

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

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

SECURITY FOR THE 2006 SERIES A BONDS

General Obligations of the Bank

In the opinion of Bond Counsel, the 2006 Series A Bonds will constitute general obligations of the Bank, and the full faith and credit of the Bank are pledged for the payment of principal, redemption price, if any, and interest thereon. The 2006 Series A Bonds and other bonds ranking on a parity therewith which may be issued under the 2005 General Resolution, will be further secured by the pledge of the Municipal Bonds expected to be purchased by the Bank from time to time with the proceeds of Bonds to be issued in accordance with the 2005 General Resolution and the amount paid or required to be paid by the Governmental Units to the Bank pursuant to the Loan Agreements for principal and interest on such Municipal Bonds (the "Municipal Bonds Payments") and the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the 2005 General Resolution.

Additional series of Bonds may be authorized and issued by the Bank pursuant to the 2005 General Resolution on a parity with the 2006 Series A Bonds. The State is not obligated to pay the principal, premium, if any, or interest on any Bonds and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or the interest on any of the Bonds.

Pledge of Municipal Bonds and Municipal Bonds Payments

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

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

The 2006 Series A Bonds constitute the second issue of Bonds under and pursuant to the 2005 General Resolution. To date the Bank has issued \$47,505,000 pursuant to the 2005 General Resolution, of which \$46,370,000 are currently outstanding.

All bonds issued under the 2005 General Resolution (including the 2006 Series A Bonds) are secured separately from bonds issued under the Bank's General Bond Resolution adopted December 1, 1978 (the "1978 General Resolution") and from bonds issued under the Bank's General Bond Resolution (State Guaranteed Municipal Bonds Issue Resolution) adopted July 19, 1979 (the "1979 General Resolution (State Guaranteed Municipal Bonds Issue)"). Pursuant to the 1978 General Resolution, the Bank has issued bonds in the amount of \$1,977,395,000 of which \$808,885,000 are presently outstanding. Pursuant to the 1979 State Guaranteed Municipal Bonds Issue General Resolution, the Bank has issued bonds in the amount of \$428,832,516 of which \$45,360,813 are presently outstanding.

Reserve Funds

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

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

Moneys in the Reserve Fund with respect to Bonds issued pursuant to the 2005 General Resolution, shall be held and applied solely to the payment of the interest on, premium, if any, and principal of Bonds issued and to be issued pursuant to the 2005 General Resolution, as the same become due and payable and for the retirement of such bonds. Moneys may not be withdrawn if such withdrawal reduces the amount in the applicable Reserve Fund to an amount less than the Required Debt Service Reserve, except for payment when due of principal, premium, if any, and interest with respect to bonds for the payment of which other moneys of the Bank are not available. The Required Debt Service Reserve, as of any date of calculation, means the amount required to be on deposit in the Reserve Fund (which amount may be provided through proceeds of Bonds issued from time to time, the provision of a Credit Facility or Credit Facilities which such Credit Facilities shall be rated in any of the two highest ratings categories, without regard to distinctions within such categories, by at least one of the following: Moody's, Fitch or Standard & Poor's), which amount shall equal, in the case of the 2006 Series A Bonds, the least of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. For all other Series of Bonds issued after the issuance of the Series 2006 Series A Bonds, the Required Debt Service Reserve shall equal an amount determined from time to time by the Bank as a reasonable reserve for the payment of principal of and interest on each Series of Bonds then Outstanding. The Bank may in its sole discretion, establish, change, reduce or increase the Required Debt Service Reserve with respect to a Series of Bonds, from time to time by adoption of a Series Resolution, but in no event may the Bank reduce this amount below the greater of (a) the Required Debt Service Reserve established with respect to the 2006 Series A Bonds and (b) one-half of the maximum annual Debt Service with respect to all Bonds Outstanding in the then current or any succeeding Fiscal Year. So long as the Required Debt Service Reserve is satisfied, the Bank may elect, from time to time, to deposit cash in place of any Credit Facility held as part of the Reserve Fund, or to replace cash held as part of the Reserve Fund with a Credit Facility.

Section 12 of the Act provides that in order to assure the continued operation and solvency of the Bank for carrying out its corporate purposes, the Chairman of the Bank shall, not later than the twentieth legislative day of each session of the General Court, submit to the Chairman of the House Appropriations Committee a written request for an appropriation for the sum, if any, required to ensure that the amount on deposit in each Reserve Fund equals the Required Debt Service Reserve for such Reserve Fund. The Chairman of the House Appropriations Committee shall process the request for legislative action. The Bank has covenanted in the 2005 General Resolution to comply with this provision of the Act relating to the making and delivery by the Chairman of the Bank of such written request and to deposit all moneys received pursuant to such request in the Reserve Fund. While Section 12 of the Act requires the Chairman of the House Appropriations Committee to process such request for legislative action, it does not bind or obligate the State legislature or the State to appropriate and pay such moneys to the Bank. Bond Counsel to the Bank is of the opinion that such provisions of the Act are constitutional and any funds appropriated thereunder would be appropriated for a proper public purpose and may be validly applied as provided in the 2005 General Resolution. All amounts thus paid to the Bank by the State pursuant to Section 12 of the Act shall constitute and be accounted for as advances by the State to the Bank and, subject to the rights of the holders of any bonds or notes of the Bank, shall be repaid to the State without interest from all available operating revenues of the Bank in excess of amounts required for the payment of obligations of the Bank, maintenance of the Required Debt Service Reserve and payment of operating expenses.

Enforcement of Municipal Bonds

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

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

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

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

THE NEW HAMPSHIRE MUNICIPAL BOND BANK

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

Purposes, Powers and Procedures of the Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

Organization and Membership of the Bank

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

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

KEVIN A. CLOUGHERTY, CHAIRMAN; TERM EXPIRES OCTOBER 9, 2010.

A resident of Manchester, New Hampshire, Mr. Clougherty has been the Chief Financial Officer for the City of Manchester since 1989. He previously served as the Chief Deputy State Treasurer for the State of New Hampshire and Staff Director of the Joint Committee to Review Agencies and Programs of the New Hampshire General Court. Mr. Clougherty also serves on the Board of Directors of the New Hampshire Public Deposit Investment Pool. He is a graduate of Merrimack College and he holds a Masters Degree from Goddard College.

MICHAEL ABLOWICH, VICE-CHAIRMAN; STATE TREASURER, EX OFFICIO.

Mr. Ablowich, a resident of Portsmouth, New Hampshire, was elected State Treasurer on December 4, 2002. Mr. Ablowich has served previously as Chief Deputy Treasurer of New Hampshire, Budget Director for the Governor of the State of New Hampshire and most recently as the Resident Advisor to the General Department of the Federal Treasury of the Russian Federation while working for the United States Department of the Treasury's Office of Technical Assistance.

STEVE S. PANAGOULIS; TREASURER; TERM EXPIRED JULY 1, 2010.

Mr. Panagoulis, a resident of Plymouth, New Hampshire, is presently chairman of the Board of Commissioners for Grafton County, an office he has held for the past 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 previously owned a restaurant in Rumney for 19 years.

JAMES E. TIBBETTS, TERM EXPIRES JULY 1, 2009.

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

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

VACANCY; TERM EXPIRES JULY 1, 2007.

SHEILA M. ST. GERMAIN, ACTING 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, 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 which 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 which the students reside, or any other institution which provides a program of education within the state which 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 \$21,110,000 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 which is a party to such Loan Agreement must be a Governmental Unit as defined by the Resolutions and the Loan Agreement must be executed in accordance with existing laws;
- (ii) The Governmental Unit, prior to or simultaneously with the issuance of corresponding Loan Obligations by the Bank, shall issue Municipal Bonds which 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 "Sale of Municipal Bonds by Bank") and states that no sale or redemption of Municipal Bonds shall be affected without the prior written agreement and consent of the parties to the Loan Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE 2005 GENERAL RESOLUTION

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

Funds and Accounts

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

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

General Fund

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

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

(i) On or before each interest payment date and each principal payment date for any Series of Bonds, the Trustee shall withdraw from the General Account and deposit in the Debt Service Account an amount which, when added to the amount then on deposit in the Debt Service Account and after giving effect to all

other deposits made therein pursuant to the 2005 General Resolution, will on such interest payment date or principal payment date be equal to all amounts necessary to pay the interest, if any, and principal then falling due on such Bonds.

(ii) After providing for the payment to the Debt Service Account, the Trustee shall withdraw from the General Account and deposit in the Operating Account the aggregate of the amount requisitioned by the Bank for the purposes of paying its Administrative Expenses and the fees and expenses of the Trustee.

(iii) After providing for the aforementioned withdrawals and as of the last day of each Fiscal Year, the Trustee shall withdraw from the balance of the moneys so remaining in the General Account and deposit to the credit of the Reserve Fund such amount (or the balance of the moneys so remaining in the General Account if less than the required amount) as shall be required to bring the Reserve Fund up to the Required Debt Service Reserve.

(iv) After providing for all the aforementioned payments required to have been made during such Fiscal Year and as of the last day of each Fiscal Year, the Trustee shall, upon the written direction of the Bank, not later than the twentieth day of the succeeding Fiscal Year withdraw from the General Account and pay to the Bank for any of its lawfully authorized purposes the balance of the moneys remaining in the General Account, provided, however, that the Bank, in its absolute discretion may direct the Trustee to deposit any or all of such balance to be withdrawn from the General Account to the credit of the Redemption Account and the payment to the Bank of such balance shall be reduced accordingly.

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

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

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

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

the proceeds from such sale or redemption, except an amount 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 applicable sub-account in the Redemption Account; and the Trustee, upon the written request of the Bank signed by an Authorized Officer, further shall, in connection with each such event, withdraw from the Reserve Fund and deposit in the applicable sub-account in the Redemption Account an amount of moneys equal to the amount of the reduction of the Required Debt Service Reserve 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 2005 General Resolution establishes a Reserve Fund which shall be held by the Trustee. The Bank shall pay into the Reserve Fund: (i) such portion of the moneys appropriated and made available by the State and paid to the Bank for the purposes of the Reserve Fund; (ii) all moneys paid to the Bank pursuant to the Act for the purpose of restoring the Reserve Fund to the amount of the Required Debt Service Reserve; (iii) such portion of the proceeds of the sale of Bonds, if any, as shall be provided by the series resolution authorizing the issuance thereof; (iv) such portion of the proceeds of the sale of notes, if any, as shall be provided by the resolution of the Bank authorizing the issuance thereof; and (v) any other moneys 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 Debt Service Account at the times and in the amounts required in the event there shall be, on any interest payment date or principal payment date, a deficiency therein. On or before each principal payment date of the Bonds, the Trustee shall transfer from the Reserve Fund to the Debt Service Account an amount equal to the principal amount of the Bonds representing Reserve Fund Obligations falling due on such principal payment date. Any income or interest earned by the Reserve Fund due to the investment thereof shall be transferred by the Trustee promptly to the General Account, but only to the extent that any such transfer will not reduce the amount of such Reserve Fund below the Required Debt Service Reserve. If, at any time upon the payment or retirement of Bonds at maturity or upon purchase or redemption, the moneys and securities in the Reserve Fund are in excess of the Required Debt Service Reserve, and the use or transfer of such excess is not otherwise provided for in the 2005 General Resolution or under any Series Resolution adopted in connection therewith, the Trustee, upon the written request of the Bank signed by an authorized officer, shall transfer such excess to and deposit the same in such account of the General Fund as the Bank shall direct. Whenever the Bank shall sell, or whenever a Governmental Unit shall redeem, Municipal Bonds requiring the purchase or redemption of bonds which would result in the reduction of the Required Debt Service Reserve upon the purchase or redemption of such Bonds, the Trustee, upon the written request of the Bank signed by an authorized officer, shall, in connection with each such event, withdraw from the Reserve Fund and deposit in the applicable sub-account in the Redemption Account an amount of moneys equal to the amount of the reduction of the Required Debt Service Reserve which would result upon the redemption of such bonds upon the next succeeding redemption date.

Investment of Funds

Moneys in the Funds and Accounts held by the Trustee shall be invested upon the direction of the Bank in Investment Securities the maturity or redemption date at the option of the holder of which shall coincide as

nearly as practicable with the times at which moneys in such Funds and Accounts will be required for the purposes provided in the 2005 General Resolution.

Additional Bonds

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

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

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

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

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

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

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

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

Bonds

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

Miscellaneous Resolution Provisions

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

Sale of Municipal Bonds by Bank - The Bank shall not sell any Municipal Bonds prior to the date on which all Outstanding Bonds issued with respect to the applicable Loan are redeemable, and shall not after such date sell any such Municipal Bonds unless the sales price thereof received by the Bank shall not be less than the aggregate of (i) the principal amount of the Loan Obligation so to be redeemed, (ii) the interest to accrue on the Loan Obligation so to be redeemed to the next redemption date thereof not previously paid, (iii) the applicable premium, if any, payable on the Loan Obligation so to be redeemed, (iv) the costs and expenses of the Bank in effecting the redemption of the Loan Obligation so to be redeemed, if any, and (v) at the direction of the Bank, an amount equal to the proportionate amount of Reserve Fund Obligations so to be redeemed, if any, which were issued by the Bank with respect to such Loan Obligation, less the amount of moneys or investments available for withdrawal from the Reserve Fund and for application to the redemption of such Bonds in accordance with the terms and provisions of the 2005 General Resolution, as determined by the Bank; provided, however, that, in the event the Loan Obligation has been refunded and the Bonds therefor were issued in a principal amount in excess of or less than the Loan Obligation remaining unpaid at the date of issuance of such Bonds, the required amount to be included in such sales price under item (i) above shall be the principal amount of such Bonds Outstanding. In the event the Loan Obligation has been refunded and the interest the Bank is required to pay on the Bonds thereafter is less than the interest the Bank was required to pay on the Loan Obligation, the required amount to be included in such sales price in item (ii) above shall be the amount of interest to accrue on such Bonds Outstanding. Each Loan Agreement states that no sale or redemption of Municipal Bonds shall be effected without the prior written agreement and consent of the parties to such Loan Agreement.

Certain Other Covenants

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

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

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

Personnel and Servicing of Programs - The Bank shall at all times appoint, retain and employ competent personnel for the purposes of carrying out its respective programs and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable

compensation, salaries, fees and charges and all persons employed by the Bank shall be qualified for their respective positions.

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

Defaults and Remedies

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

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

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

(ii) if the Bank shall fail or refuse to comply with the provisions of Section 12 of the Act, or such amounts as shall be requested by the Chairman of the Bank to the Chairman of the House Appropriations Committee of the General Court pursuant to such provisions of the Act shall not be appropriated and paid to the Bank prior to the termination of the then current State fiscal year; or,

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

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

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

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

(ii) by bringing suit upon such Bonds;

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

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

Priority of Payments after Default - In the event that the funds held by the Trustee and paying agents shall be insufficient for the payment of interest and principal or redemption price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons 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 2005 General Resolution, shall be applied as follows:

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

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

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

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

Modifications of 2005 General Resolution and Outstanding Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defeasance

If the Bank shall pay or cause to be paid to the holders of all Bonds then Outstanding under the 2005 General Resolution, the principal or redemption price, if any, and interest to become due thereon, at the times and in the manner stipulated therein and in the 2005 General Resolution, then, at the option of the Bank, expressed in an instrument in writing signed by an authorized officer of the Bank and delivered to the Trustee, the covenants, agreements and other obligations of the Bank to the bondholders under the 2005 General Resolution shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Bank, execute and deliver to the Bank all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the Bank all money, securities and funds held by them pursuant to the 2005 General Resolution which are not required for the payment or redemption of any Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the Bank of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph one above. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Bank shall have given to the Trustee in form satisfactory to it irrevocable instructions to notify the registered holders of such Bonds by first class mail notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations, the principal of and the interest on which when due will provide moneys, which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof; as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Bank shall have given the Trustee in form satisfactory to it irrevocable instructions to mail notice to the registered holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the 2005 General Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Defeasance Obligations or moneys deposited with the Trustee pursuant to the 2005 General Resolution nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that, any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Bank, as received by the Trustee, free and clear of any trust, lien or pledge.

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

CONTINUING DISCLOSURE

Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), provides that underwriters may not purchase or sell municipal securities unless the issuer of the municipal securities undertakes to provide continuing disclosure with respect to those securities, subject to certain exemptions not applicable to the Bonds. The Bank will covenant at the time of delivery of the 2006 Series A Bonds to provide continuing disclosure consistent with the terms of the Rule, as provided in a Continuing Disclosure Certificate to be dated as of the date of the 2006 Series A Bonds and incorporated by reference therein. A proposed form of Continuing Disclosure Certificate is provided in Appendix F.

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

The Bank has determined that any Governmental Unit responsible for the repayment of fifteen percent (15%) or more of the outstanding Bonds under the 2005 General Resolution shall constitute and "obligated person" within the meaning of the Rule. The Loan Agreement between the Bank and each Governmental Unit provides, among other things, that so long as a Governmental Unit is an obligated person within the meaning of the Rule, that Governmental Unit shall provide the Bank with all the information necessary for the Bank to comply with the Rule. With the issuance of the 2006 Series A Bonds, the only obligated persons will be the Bedford School District and the Kearsarge School District. See Appendix C – "Disclosure Information Relating to Governmental Units" for disclosure with respect to these obligated persons.

BONDS AS LEGAL INVESTMENTS

Under the provisions of Section 19 of the Act, the 2006 Series A Bonds are made securities in which the State and all public officers, Governmental Units and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations, and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control. Bonds or notes of the Bank are authorized security for any and all public deposits in the State of New Hampshire.

TAX EXEMPTION

In the opinion of Ropes & Gray 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 2006 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the 2006 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Bond Counsel is also of the opinion that, under existing law, interest on the 2006 Series A Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel has not opined as to other New Hampshire tax consequences arising with respect to the 2006 Series A Bonds or as to the taxability of the 2006 Series A Bonds or the income therefrom under the laws of any state other than New Hampshire. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the 2006 Series A Bonds is less than the amount to be paid at maturity of such 2006 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2006 Series A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2006

Series A Bonds which is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends. For this purpose, the issue price of a particular maturity of the 2006 Series A Bonds is the first price at which a substantial amount of such maturity of the 2006 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2006 Series A Bonds accrues daily over the term to maturity of such 2006 Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2006 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2006 Series A Bonds. Holders of the 2006 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2006 Series A Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2006 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2006 Series A Bonds is sold to the public.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2006 Series A Bonds. The Bank has covenanted to comply with certain restrictions designed to ensure that interest on the 2006 Series A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2006 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2006 Series A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. 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 2006 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2006 Series A Bonds. Further, no assurance can be given that any pending, proposed or future legislation, including amendments to the Code, if enacted into law, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the 2006 Series A Bonds. Prospective holders of the 2006 Series A 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 2006 Series A Bonds is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends, the ownership or disposition of, or the accrual or receipt of interest on, the 2006 Series A Bonds may otherwise affect the federal or state tax liability of a holder of the 2006 Series A Bonds. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the 2006 Series A Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the 2006 Series A Bonds in determining the portion of such benefits that are included in gross income. 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. Except as indicated in the following paragraph, Bond Counsel expresses no opinion regarding any such other tax consequences, and holders of the 2006 Series A Bonds should consult with their own tax advisors with respect to such consequences.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned ratings of AAA, Aaa, and AAA, respectively, to the 2006 Series A Bonds, with the understanding that upon delivery of the 2006 Series A Bonds, a policy insuring the payment when due of the principal of and interest on the 2006 Series A Bonds will be issued by FGIC. See Appendix G attached hereto for a discussion of FGIC's insurance and ratings assigned to bonds insured by FGIC and for a specimen municipal bond insurance policy. Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing such rating. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any

or all such rating agencies, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market price of the 2006 Series A Bonds.

LITIGATION

There is no controversy or litigation of any nature now pending against the Bank, or to the knowledge of the Bank, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2006 Series A Bonds, or prohibiting the Bank from making the Loans with the proceeds of said 2006 Series A Bonds, or in any way contesting or affecting the validity of the 2006 Series A Bonds or any proceeding of the Bank taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security for the payment of the 2006 Series A Bonds or the existence or powers of the Bank.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery of the 2006 Series A Bonds are subject to the approval of Ropes & Gray 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, 2005 are included in "APPENDIX E -- Audited Financial Statements of the Bank."

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

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 2006 Series A Bonds.

First Southwest Company has acted as Financial Advisor to the Bank with respect to the issuance of the 2006 Series A Bonds.

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

NEW HAMPSHIRE MUNICIPAL BOND BANK

By _____
Kevin A. Clougherty, Chairman

June , 2005

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Fitch” shall mean FitchRatings, Inc.

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

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

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

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

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

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

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

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

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

- Senior debt obligations of the Federal Home Loan Bank System.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Required Debt Service Reserve” shall mean, as of any date of calculation, the amount required to be on deposit in the Reserve Fund (which amount may be provided through proceeds of Bonds issued from time to time, the provision of a Credit Facility or Credit Facilities which such Credit Facilities shall be rated in any of the two highest ratings categories, without regard to distinctions within such categories, by at least one of the following: Moody’s, Fitch or Standard & Poor’s) which amount shall equal, in the case of the first Series of Bonds to be issued pursuant to the 2005 General Resolution, the least of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. Thereafter, the Required Debt Service Reserve shall equal an amount determined from time to time by the Bank as a reasonable reserve for the payment of principal of and interest on each Series of Bonds then Outstanding. The Bank may in its sole discretion, establish, change, reduce or increase the Required Debt Service Reserve with respect to a Series of Bonds, from time to time by adoption of a Series Resolution, but in no event may the Bank reduce this amount below the greater of (a) the Required Debt Service Reserve established with respect to the first Series of Bonds to be issued pursuant to the 2005 General Resolution and (b) one-half of the maximum annual Debt Service with respect to all Bonds Outstanding in the then current or any succeeding Fiscal Year. So long as the Required Debt Service Reserve is satisfied, the Bank may elect, from time to time, to deposit cash in place of any Credit Facility held as part of the Reserve Fund, or to replace cash held as part of the Reserve Fund with a Credit Facility. For purposes of this definition, “net proceeds” of a Series of Bonds shall mean the face amount of such Series minus original issue discount plus any premium received on the sale of such Series.

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

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

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

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

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

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

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

“State” shall mean the State of New Hampshire.

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

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

GOVERNMENTAL UNITS AND THEIR MUNICIPAL BONDS

APPENDIX B

Loan Agreements pertaining to such Municipal Bonds named in Part A: 2005 Series D through 2006 Series A have been executed by the Governmental Unit and the Bank.

PART A:

| GOVERNMENTAL UNIT | PRINCIPAL AMOUNT | BALANCE OUTSTANDING | SERIES MUNICIPAL BONDS YEARS INCLUSIVE |
|---|----------------------|------------------------|--|
| 2005 SERIES D - ISSUED ON JULY 21, 2005 | | | |
| (Due July 15) | | | |
| Bedford School District | \$47,505,000 | \$44,306,681 | 2007-2029 |
| | \$47,505,000 | \$44,306,681 | |
| 2006 SERIES A - ISSUED ON JUNE 22, 2006 | | | |
| (Due August 15) | | | |
| Town of Mason | 300,000 | 300,000 | 2007-2016 |
| Strafford County | 1,200,000 | 1,200,000 | 2007-2016 |
| Jaffrey-Rindge Coop. School District | 9,445,500 | 9,445,500 | 2007-2021 |
| City of Somersworth | 3,500,000 | 3,500,000 | 2007-2021 |
| Town of Brookline | \$500,000 | \$500,000 | 2007-2026 |
| Town of East Kingston | 2,377,150 | 2,377,150 | 2007-2026 |
| Emerald Lake Village District | 700,000 | 700,000 | 2007-2026 |
| Town of Frankestown | 1,000,000 | 1,000,000 | 2007-2026 |
| Town of Greenfield | 120,200 | 120,200 | 2007-2026 |
| Kearsarge Reg. School District | 24,719,000 | 24,719,000 | 2007-2026 |
| City of Lebanon | 6,605,000 | 6,605,000 | 2007-2026 |
| Town of Milford | 1,112,500 | 1,112,500 | 2007-2026 |
| Town of Newfields | 1,300,000 | 1,300,000 | 2007-2026 |
| Spofford Fire Precinct | 1,547,000 | 1,547,000 | 2007-2026 |
| | \$54,426,350 | \$54,426,350 | |
| TOTAL: (MUNICIPAL BONDS WHICH ARE NOT STATE GUARANTEED): | \$101,931,350 | \$98,733,031 | |

(1) Balance outstanding as of July 20, 2006

DISCLOSURE INFORMATION RELATING TO GOVERNMENTAL UNITS

This Appendix C contains certain general information regarding New Hampshire municipal finance matters and more specific information regarding any Governmental Unit that is an “obligated person” within the meaning of SEC Rule 15(c) (2)-12 (the “Rule”) with respect to the securities being offered hereby.

In the case of the Bonds, the Kearsarge Regional School District is the only “obligated person” for purposes of the Rule. Information concerning the towns of Bradford, Newbury, New London, Springfield, Sutton, Warner and Wilmot, New Hampshire is also included in this Appendix C, but the towns are not “obligated persons” with respect to the Bonds. Information is also included herein for Bedford School District, an “obligated person” under the 2005 General Resolution. Information concerning the Town of Bedford, New Hampshire is also included in this Appendix C, but the Town is not an “obligated person” with respect to the Bonds or prior bonds issued pursuant to the 2005 General Resolution. Unless otherwise noted, financial information for periods ending on or before June 30, 2005 is derived from the audited financial statements of the Districts or the Towns, as applicable, for the period noted, and any information for subsequent periods is unaudited and subject to change.

NEW HAMPSHIRE MUNICIPAL FINANCE OVERVIEW**Major Sources of Revenues**

Local Property Taxes: The principal tax of New Hampshire cities, towns and school districts is the tax on real and personal property. There is no limit as to rate or amount. Taxes are due on different installment dates throughout New Hampshire. Interest accrues on delinquent taxes at a rate of 12 percent per annum from said dates. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). An unenforced lien expires on the second October 1 after the assessment. The persons against whom real property taxes are assessed are personally liable therefor (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale of the property as described below and the personal liability is not ordinarily utilized for collecting purposes. New Hampshire law permits a municipality to sell real property for non-payment of taxes thereon by public sale (at which the municipality may become the purchaser). The property owner can redeem the property by paying the unpaid taxes, with interest at a rate of 18 percent, and other charges, but if the right of redemption is not exercised within two years the tax collector then gives a deed of the property to the purchaser. A tax title acquired by the municipality may be held and disposed of like any land held for municipal purposes.

In the case of a school district, the applicable city or town levies and collects taxes on behalf of the school district. The school district’s ability to draw funds from the city or town treasurer up to the limit of its appropriation is independent of the city or town’s tax collection process.

State Shared Revenues: The State distributes a percentage of its general revenues to its cities and towns. Payments are made in two equal annual installments (October 15 and December 15) subject to annual appropriation.

School districts receive a portion of State-shared revenues. In addition, school districts annually receive other State aid for school construction, vocational education, foundation aid, the handicapped and for various other purposes. All such distributions from the State are sent directly to the school district.

Motor Vehicle Permit Fees: Municipalities collect motor vehicle permit fees at the time of annual registration. The amount of the fee is based upon the list price in the year of the manufacture according to a statutory formula.

Fund Accounting

The accounts of cities, towns and school districts are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. The various funds are grouped by type in the financial statements.

Tax Increment Financing for Development Districts

Cities and towns in New Hampshire are authorized to establish development districts to encourage increased development. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance capital and administrative costs incurred by the city or town in developing the district in accordance with its development program and tax increment financing plan for the district. This may include pledging such "tax increments" for the payment of bonds issued by the city or town to finance development projects. As a result of any such pledge, property taxes raised on the increased assessed value in development districts are not available for other municipal purposes.

New Hampshire School Finance

On December 17, 1997, the New Hampshire Supreme Court ruled that the State of New Hampshire's system of financing elementary and secondary public education primarily through local property taxes was unconstitutional. Since that decision, the state legislature has taken a number of actions to address the issues raised by the Court and to meet its constitutional obligation with respect to school funding. Many of such actions have been subject to subsequent review and decisions by the Court. For a detailed description of the history and status of the school funding litigation and the resulting legislation affecting the extent and manner in which the state participates in the financing of public education, see the State's most recent Information Statement dated as of December 10, 2004, as supplemented by the Information Statement Supplement of the State dated January 19, 2005, each of which has been filed with each of the nationally recognized municipal securities information repositories. Neither the school funding litigation nor the resulting court decisions and legislation affects a municipality's legal obligation and authority to levy property taxes in an amount sufficient to pay the principal of and interest on its general obligation bonds or notes.

Litigation. In 2005, the New Hampshire Legislature passed House Bill 616, now known as 2005 New Hampshire Laws Chapter 257, as the new education funding bill. Chapter 257 provides funding to schools based on four types of aid and revenue from the statewide enhanced education tax. Chapter 257 does not generally provide aid to municipalities on a per pupil basis. The four types of aid are: local tax capacity aid, targeted per pupil aid, statewide enhanced education tax capacity aid, and transition grants. Chapter 257 also includes the statewide enhanced education tax which is assessed at a uniform rate across the State at a rate necessary to raise \$363.0 million. For fiscal year 2006, the total State education aid under Chapter 257 is more than \$819.0 million.

Two lawsuits were filed challenging the constitutionality of Chapter 257. The first is *City of Nashua v. State*, Docket No. 05-E-257, and the second is *Londonderry School District, et al. v. State*, Docket No. 05-E-406. Both of these suits were filed in August, 2005 in the Supreme Court. Both were dismissed from the Supreme Court with direction to the Superior Court that they be tried on an expedited basis.

Nashua's Petition included four general claims: 1) a challenge to Chapter 257 for not providing for an adequate education by failing to "relate the taxes raised by it to the cost of an adequate education," 2) a claim that Chapter 257's transition grants create disproportional and unequal taxes, 3) a claim challenging Chapter 257's "reliance upon three-year old data to fund the cost of an adequate education today," and 4) a claim questioning whether Chapter 257 requires the use of data from April, 2003 for 'Equalized Valuation With Utilities' in order to correctly calculate the education grants under Chapter 257.

Londonderry's Petition included the following four general claims: (1) an alleged facial challenge to HB 616 that "it fails to provide for an adequate education" because there is "nothing in the legislative record [that] would support a determination that the total funds to be distributed are 'lawfully and reasonably sufficient' to fulfill the State's constitutional obligation," (2) a claim that targeting aid to some municipalities has imposed on many of the remaining municipalities the burden of funding education through a local education tax, (3) a claim which asserts that HB 616 violates Part II, Article 5 because it results in property taxes that are not "proportional across the State" due to the transition grants, and (4) an equal protection claim.

The State moved to consolidate both cases but the Court allowed the cases to proceed on different tracks. The Nashua case was tried in mid-December 2005. The Londonderry case proceeded with a motion for summary judgment filed in January, 2006, with the State filing a timely response in February, 2006. On March 8, 2006, the Superior Court issued orders in both cases declaring Chapter 257 unconstitutional due to the State's failure to reasonably determine the cost of an adequate education. The Superior Court also found that the State has not defined an adequate education and has not enacted a constitutional accountability system.

The State filed, and the Court granted, an assented-to motion to stay the effect of the orders pending a final decision by the Supreme Court. The State filed timely appeals of these orders with the New Hampshire Supreme Court on April 7, 2006. The Londonderry Petitioners filed a timely cross-appeal in which they request that the Supreme Court order a remedy requiring the current law stay in effect during the 2007 and 2008 fiscal years in order to ensure funding to school districts.

The Supreme Court scheduled the Londonderry case for expedited briefing and argument. The State filed its opening brief on May 10, 2006. The State argued that the Superior Court applied the incorrect standard of review in not presuming the statute was constitutional; the State's definition of an adequate education is complete and constitutional; the State's delivery system for education provides substantive accountability; the funding formulae were enacted by the Legislature with sound legislative findings and can only be challenged through the development of a factual record; and the statewide property tax is not disproportionate based on the grants provided to municipalities to fund education. Oral argument will occur on June 22, 2006. The decision is expected by the end of the summer. Nashua's case will be heard later as it requires a transcript be created.

The outcome of these matters cannot be predicted at this time.

Investment of Funds

Under RSA 48:16, the treasurer of a New Hampshire city or town, and under RSA 197:23-a the treasurer of a New Hampshire school district, may deposit its funds in the New Hampshire Public Deposit Investment Pool (the "NHPDIP") or in solvent banks in the State, and also in banks outside the State if the deposits are fully secured by collateral in the form of obligations of the United States, U.S. agencies or the State. The treasurer may also invest any excess funds, not immediately needed for expenditure, in the NHPDIP, U.S. obligations, savings bank deposits in New Hampshire savings banks, or certificates of deposit and repurchase agreements of New Hampshire banks or banks recognized by the State Treasurer.

According to the NHPDIP Program Administrator, MBIA Municipal Investors Service Corporation, NHPDIP invests only in high grade short term federal securities, variable rate obligations backed by federal agencies having monthly or quarterly resets based on indicies like the prime rate, LIBOR, or a combination of the two, the highest grade short term commercial paper instruments, and very short-term (usually overnight) repurchase agreements secured by high quality collateral which is valued daily and fully delivered to the program's custodial bank to be held for the benefit of the pool's participants. In addition, MBIA Inc., corporate parent of the Program Administrator, has agreed that it will guarantee, so long as its subsidiary serves as Program Administrator, that no pool participant will be exposed to loss of funds upon account liquidation.

Indebtedness

Authorization Procedure and Limitations

Bonds and notes are generally authorized on behalf of the local entity by vote of two-thirds of all the members of the City Council in a city, by vote of two-thirds of all the voters present and voting at the annual or special town meeting called for the purpose of authorizing debt in a town, and by two-thirds of the School Board of Education in a city school district and by two-thirds of all the voters present and voting at the annual or special school meeting called for the purpose of authorizing debt in a town school district. Under state law certain municipalities are permitted to authorize debt by a three-fifths vote.

In accordance with RSA 33:3, a municipality may issue its bonds or notes for the acquisition of land, for planning relative to public facilities, for the construction, reconstruction, alteration and enlargement or purchase of public buildings, for other public works or improvements of a permanent nature, for the purchase of departmental equipment of a lasting character, for the payment of judgments, and for purposes of economic development which shall include public-private partnerships involving capital improvements, loans, and guarantees. The public benefit in any public-private partnership must outweigh any benefit accruing to a private party. Bonds or notes for the purposes of economic development may be issued only after the governing body of the municipality has held hearings and presented the public benefit findings to the public and after such issuance has been approved by the legislative body. A municipality may not issue bonds or notes to provide for the payment of expenses for current maintenance and operation except as otherwise specifically provided by law. The term of any borrowing may not exceed the lesser of thirty years or the expected useful life of the asset financed.

The general debt limit of cities and towns is generally 3% of base valuation, except for school purposes. The debt limit for school purposes is generally 7% of the base valuation and school debt is not counted toward a city or town's debt limit for other purposes. Water and sewer projects ordered by the State Water Supply and Pollution Control Commission are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the city or town's base valuation. Borrowings authorized by special legislative acts rather than the general municipal finance statutes are sometimes excluded from a city or town's debt limit.

The base valuation for computing the debt limit is determined by adding the amount of taxable property lost to cities, towns and districts as a result of the enactment of the State Business Profits Tax Law to the "equalized assessed valuation" (full value of taxable property) as determined annually by the State Department of Revenue Administration.

Temporary loans in anticipation of taxes, bonds or serial notes, and federal and state aid are not included in the usual measure of indebtedness. The maximum term for temporary loans in anticipation of taxes is one year from the date of issue; for temporary loans in anticipation of bonds, five years; and for notes in anticipation of federal or state aid, five years.

Retirement System

Provision for the retirement of teachers and other municipal employees is handled via the New Hampshire Retirement System.

New Hampshire Retirement System

Prior to 1967 four separate retirement systems were operated by the State involving State employees and State and local teachers, police officers and firefighters. Effective July 1, 1967, these four systems were combined under a common board of trustees in a new system known as the New Hampshire Retirement System (the "System") to include all employees hired subsequent to such time and to also include all members of the prior systems who elected to transfer to the new system. At June 30, 2005, there were approximately 60,940 active and inactive members and 18,950 retired members of the System. The System provides service, disability, death and vested retirement benefits to its members and their beneficiaries. It also provides a health insurance subsidy to qualified members and their beneficiaries.

The financing of the System as well as its predecessor programs is provided through both employee contributions and political subdivision and State employer contributions. The State's normal contribution rate is based on the actuarial valuation of the amount necessary to provide the State annuity for current service.

The State funds 100% of the employer cost for all State employees and 35% of the employer cost for teachers, firefighters and police officers employed by political subdivisions. The total State contribution increased from \$55.4 million in fiscal year 2004 to \$59.7 million in fiscal year 2005. Total contributions by the State during fiscal year 2006 are estimated to be approximately \$68 million.

As of June 30, 2005, the net assets available to pay pension benefits of the combined retirement and health insurance subsidy programs, at fair value, were reported by the System to be \$4,425.8 million. The total pension liability at June 30, 2005 was \$6,234.6 million, resulting in an unfunded pension liability at June 30, 2005 of \$1,808.8 million.

In addition to the regular pension benefit obligations described above, the State has medical insurance benefit obligations.

SOURCE: Board of Trustees, New Hampshire Retirement System.

BEDFORD SCHOOL DISTRICT, NEW HAMPSHIRE

General

The Bedford School District (the "District"), governed by a five member Board of Education, is coterminous with the Town of Bedford (the "Town"). The District provides for the education of the Town's public school students in grades PK through 8. Grades 9 through 12 are currently serviced under a 3-year tuition agreement with the City of Manchester, which terminates on June 30, 2006. The District and the City of Manchester signed an agreement, on January 9, 2006, to transition students to the new schools being constructed in Bedford. The agreement is a three year contractual transition plan with Manchester: Grades 9-12 would attend Manchester High School for school year 2006-2007, grades 11-12 would attend for school year 2007-2008, and grade 12 would attend for school year 2008 - 2009. In the event Bedford High School is not ready for occupancy by Bedford students as of September 2007, notice shall be given to Manchester no later than December 31, 2006, and the terms of the contract will be extended by one year.

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

District Facilities

The Bedford School District currently operates three elementary schools and one middle school. The elementary schools and middle school are over or near capacity. The new project currently underway, will move grade 7/8 to a new middle school, move grade 5 from the elementary schools creating a new 5/6 intermediate school, and construct a new 9/12 high school. The projects are expected to start in August 2005 and are expected to be completed in August, 2007. Occupancy is expected to be phased in with grades 7-10 occupying the new schools in August, 2007 and all grades using the new schools by August, 2009.

District Enrollments

The following table sets forth the trend in school enrollments of the Bedford School District.

Bedford School District Enrollments – October 1

| | Actual | | | | | Projected | | |
|-------|--------|-------|-------|-------|-------|-----------|-------|------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| PK-8 | 2,709 | 2,833 | 2,867 | 2,910 | 3,019 | 3,023 | 3,093 | 3065 |
| PK-12 | 3,501 | 3,652 | 3,703 | 3,761 | 3,915 | 3,979 | 4,095 | 4058 |

Debt Service Requirements

The following table sets forth the required principal and interest payments on outstanding general obligation bonds of the Bedford School District projected as of June 30, 2006, including the 2005 loan from the Bond Bank.

| Fiscal Year Payable | Outstanding Principal | Interest | 2005 Bond Bank Loan(1) | Total |
|---------------------|-----------------------|---------------------|------------------------|----------------------|
| 2007 | \$ 715,000 | \$ 314,856 | \$ 3,345,996 | \$ 4,375,852 |
| 2008 | 715,000 | 286,888 | 3,344,471 | 4,346,359 |
| 2009 | 715,000 | 258,120 | 3,343,971 | 4,317,091 |
| 2010-2014 | 3,255,000 | 829,836 | 16,720,828 | 20,805,664 |
| 2015-2019 | 1,974,400 | 246,245 | 16,718,113 | 18,938,758 |
| 20-20-2024 | | | 16,718,250 | 16,718,250 |
| 2025-2029 | | | 16,719,875 | 16,719,875 |
| 2030 | | | 3,341,500 | 3,341,500 |
| Total | \$ 7,374,400 | \$ 1,935,945 | \$ 80,253,004 | \$ 89,563,349 |

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

Projected Capital Expenditures

The District's current Capital Improvement Plan reflects additional capital expenditures of approximately \$5.1 million through fiscal 2012. There are no definitive plans for the financing of such projects, other than an issue of \$800,000 to be issued in the next few months.

Debt Limit

The general debt limit of the Bedford School District is 7% of the District's base valuation of \$3,371,509,816, or \$236,005,687.

Litigation

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

Continuing Disclosure

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

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

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

Budget Trends

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

| <u>Category</u> | <u>Fiscal 2005</u> | <u>Fiscal 2006</u> | <u>Fiscal 2007</u> |
|--------------------------|------------------------|------------------------|------------------------|
| Instruction | \$ 24,005,036 | \$ 24,412,970 | \$ 22,431,009 |
| Support services | 14,919,815 | 15,594,287 | 18,189,639 |
| Capital outlays | - | 200,000 | 1,020,000 |
| Debt service - principal | 715,000 | 715,000 | 3,923,045 |
| Debt service - interest | 368,080 | 1,459,869 | 539,476 |
| Fund transfers | 580,006 | 638,556 | 593,548 |
| Total | <u>\$ 40,587,937</u> | <u>\$ 43,020,682</u> | <u>\$ 46,696,717</u> |

Audits

The District's accounts are audited annually by Plodzick & Sanderson, Professional Association/Accountants & Auditors. The most recent audit was performed for the year ended June 30 2005. The fiscal 2004 audit is the first audit of the District to reflect the new reporting requirements of GASB 34.

Financial Statements

Set forth on the following pages are a Governmental Funds Balance Sheet for the year ended June 30, 2005, June 30, 2004, an All Fund Types and Account Groups Balance Sheet for the year ended June 30, 2003, and a Comparative Statement of General Fund Revenues, Expenditures, and Changes in Fund Balances for the years ended June 30, 2001 through June 30, 2005. Fiscal 2004 and 2005 financial statements are not strictly comparable to prior year financial statements by virtue of the new accounting standards of GASB 34.

Fiscal 2006 Year End Estimated Operating Results

The District currently estimates it had an approximate \$300,000 operating surplus for fiscal 2006.

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

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

(1) Extracted from annual audit.

**Bedford School District
Balance Sheet
Governmental Funds
June 30, 2004(1)**

| | General | Capital Reserve | Special Projects | Other Funds | Total |
|--|---------------------|--------------------|---------------------|------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,819,407 | \$ | \$ 229,961 | \$ 8,480 | \$ 2,057,848 |
| Receivables: | | | | | |
| Accounts | 42,473 | | | | 42,473 |
| Intergovernmental | | 819,346 | | 24,163 | 843,509 |
| Interfund receivable | 13,287 | | | | 13,287 |
| Prepaid items | 33,627 | | | | 33,627 |
| Total Assets | \$ 1,908,794 | \$ 819,346 | \$ 229,961 | \$ 32,643 | \$ 2,990,744 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 153,374 | \$ | \$ 137,638 | \$ 5,082 | \$ 296,094 |
| Accrued salaries and benefits | 209,638 | | | | 209,638 |
| Intergovernmental payable | | | | 1,407 | 1,407 |
| Interfund payable | | | | 13,287 | 13,287 |
| Deferred revenue | 6,100 | | | 12,867 | 18,967 |
| Total liabilities | 369,112 | | 137,638 | 32,643 | 539,393 |
| Fund Balances: | | | | | |
| Reserved for encumbrances | 111,672 | | | | 111,672 |
| Unreserved, undesignated, reported in: | | | | | |
| General fund | 1,428,010 | | | | 1,428,010 |
| Capital project funds | | | 92,323 | | 92,323 |
| Special revenue funds | | 819,346 | | | 819,346 |
| Total Fund Balances | 1,539,682 | 819,346 | 92,323 | | 2,451,351 |
| Total Liabilities and Fund Balances | \$ 1,908,794 | \$ 819,346 | \$ 229,961 | \$ 32,643 | \$ 2,990,744 |

**Bedford School District
Balance Sheet
Governmental Funds
June 30, 2003(1)**

| | Governmental Fund Types | | | Fiduciary Fund Types Trust and Agency | Account Group General Long-Term Debt | Total Memorandum Only |
|---|-------------------------|--------------------|---------------------|--|---|-----------------------------|
| | General | Special Revenue | Capital Projects | | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 2,281,580 | \$ 6,180 | | \$ 234,607 | \$ | \$ 2,522,367 |
| Investments | | | \$ 510,308 | | | 510,308 |
| Receivables: | | | | | | |
| Accounts | 74,548 | | | | | 74,548 |
| Intergovernmental | | 24,315 | | 940,189 | | 964,504 |
| Interfund receivable | 15,977 | | 630,000 | | | 645,977 |
| Prepaid items | 13,629 | | | | | 13,629 |
| Other Debits | | | | | | |
| Amount to be provided for retirement of general long term debt | | | | | 9,984,720 | 9,984,720 |
| Total Assets and Other Debits | <u>\$ 2,385,734</u> | <u>30,495</u> | <u>\$ 1,140,308</u> | <u>\$ 1,174,796</u> | <u>\$ 9,984,720</u> | <u>\$ 14,716,053</u> |
| LIABILITIES AND FUND Equity | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 838,181 | \$ | \$ | \$ | \$ | \$ 838,181 |
| Accrued salaries and benefits | 91,655 | | | | | 91,655 |
| Intergovernmental payable | | 3,841 | | | | 3,841 |
| Interfund payable | 160,000 | 15,977 | | 470,000 | | 645,977 |
| Due to student groups | | | | 234,607 | | 234,607 |
| Deferred revenue | 589,323 | 10,677 | | | | 600,000 |
| General obligation bonds payable | | | | | 9,495,400 | 9,495,400 |
| Capital lease payable | | | | | 21,097 | 21,097 |
| Compensated absences payable | | | | | 468,223 | 468,223 |
| Total Liabilities | <u>1,679,159</u> | <u>30,495</u> | <u></u> | <u>704,607</u> | <u>9,984,720</u> | <u>12,398,981</u> |
| Fund Balances | | | | | | |
| Reserved for special purposes | 460,000 | | 1,140,308 | 470,189 | | 2,070,497 |
| Unreserved: | | | | | | |
| Undesignated | 246,575 | | | | | 246,575 |
| Total Equity | <u>706,575</u> | | <u>1,140,308</u> | <u>470,189</u> | | <u>2,317,072</u> |
| Total liabilities and Equity | <u>\$ 2,385,734</u> | <u>\$ 30,495</u> | <u>\$ 1,140,308</u> | <u>\$ 1,174,796</u> | <u>\$ 9,984,720</u> | <u>\$ 14,716,053</u> |

(1) Extracted from annual audit.

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

| | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues | | | | | |
| School District Assesment | \$ 25,523,650 | \$ 19,275,737 | \$ 15,537,129 | \$ 14,591,282 | \$ 13,447,813 |
| State | 12,545,580 | 15,016,011 | 14,264,791 | 13,588,861 | 12,758,237 |
| Miscellaneous | 115,419 | 112,698 | 107,245 | 144,293 | 149,926 |
| Federal | | 209,603 | 125,433 | 103,433 | 45,040 |
| Other Financial Sources: | | | | | |
| Operating Transfers in | 173,610 | 160,000 | 235 | | |
| Proceeds of Long-Term Debt | | | 32,981 | | |
| Total Revenues | <u>\$ 38,358,259</u> | <u>\$ 34,774,049</u> | <u>\$ 30,067,814</u> | <u>\$ 28,427,869</u> | <u>\$ 26,401,016</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | \$ 23,119,612 | \$ 20,205,013 | \$ 17,172,527 | \$ 16,061,222 | \$ 15,525,191 |
| Support Services | | | | | |
| Student | 1,754,864 | 1,653,185 | 1,548,322 | 1,342,356 | 1,517,764 |
| Instructional Staff | 552,694 | 606,375 | 561,643 | 499,211 | 491,373 |
| General Administration | 12,053 | 176,357 | 151,309 | 121,188 | 133,339 |
| Executive Administration | 694,307 | 509,702 | 569,149 | 488,743 | 442,610 |
| School Administration | 936,668 | 898,703 | 864,002 | 824,295 | 812,477 |
| Business | 205,810 | 203,242 | 149,621 | 141,899 | 104,568 |
| Operation and Maint. Of Plant | 2,105,601 | 1,598,403 | 2,218,024 | 1,468,688 | 1,505,571 |
| Student Transportation | 1,524,048 | 1,520,852 | 1,440,218 | 1,360,234 | 1,308,365 |
| Other | 6,141,002 | 5,486,622 | 4,697,479 | 4,129,648 | 3,425,433 |
| Facilities Acquisitions & Fac. | | | 32,981 | 94,918 | |
| Debt Service | 1,083,391 | 1,085,405 | 753,740 | 809,554 | 737,448 |
| Other Financing Uses | | | | | |
| Operating Transfers Out | 6,892 | | 468,191 | 217,214 | |
| Total Expenditures and Other Financing Uses | <u>38,136,942</u> | <u>33,943,859</u> | <u>30,627,206</u> | <u>27,559,170</u> | <u>26,004,139</u> |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures and Other Financing Uses | 221,317 | 830,190 | (559,392) | 868,699 | 396,877 |
| Fund Balance - July 1 | <u>1,539,682</u> | <u>709,492 (2)</u> | <u>1,265,967</u> | <u>397,268</u> | <u>391</u> |
| Fund Balance - June 30 | <u>\$ 1,760,999</u> | <u>\$ 1,539,682</u> | <u>\$ 706,575</u> | <u>\$ 1,265,967</u> | <u>\$ 397,268</u> |

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

(2) As restated.

TOWN OF BEDFORD, NEW HAMPSHIRE

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

The Town

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

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

Assessed Valuations

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

| <u>Fiscal Year</u> | <u>Net Assessed Valuation</u> | <u>Equalized Assessed Valuation</u> |
|--------------------|-----------------------------------|---|
| 2005 | \$3,009,000,765 | \$ 3,360,250,517 |
| 2004 | 2,929,901,304 | 3,034,860,094 |
| 2003 | 1,846,056,597 | 2,843,748,934 |
| 2002 | 1,792,937,256 | 2,480,263,353 |
| 2001 | 1,721,218,053 | 2,202,066,245 |

Tax Collections

| <u>Calendar Year</u> | <u>Tax Rate</u> | <u>Net Property Tax Levy</u> | <u>Collections During Calendar Year Payable(1)</u> | | <u>Collections as of April 14, 2006</u> | |
|--------------------------|-----------------|----------------------------------|--|--------------------------|---|--------------------------|
| | | | <u>Dollar Amount</u> | <u>% of Net Levy</u> | <u>Dollar Amount</u> | <u>% of Net Levy</u> |
| 2005 | \$ 15.44 | \$ 46,191,449 | \$ 44,863,721 | 97.1 % | \$ 45,920,612 | 99.4 % |
| 2004 | 15.74 | 45,928,814 | 44,695,503 | 97.3 | 45,874,079 | 99.9 |
| 2003 | 20.34 | 37,353,546 | 36,467,887 | 97.6 | 37,350,279 | 100.0 |
| 2002 | 19.56 | 34,867,668 | 33,851,916 | 97.1 | 34,867,668 | 100.0 |
| 2001 | 19.11 | 32,790,145 | 31,820,789 | 97.0 | 32,790,145 | 100.0 |

Largest Taxpayers – 2005

| <u>Name</u> | <u>Type of Business</u> | <u>Assessed Value</u> | <u>% of Assessed Value</u> |
|------------------------------|-------------------------|-----------------------|----------------------------|
| Hampshire Green Apartments | Apartments | \$ 26,667,800 | 0.89 % |
| Massachusetts Mutual Life | Apartments | 23,254,400 | 0.77 |
| NH Heritage LTD Partnership | Bedford Mall | 17,611,700 | 0.59 |
| Kensington Close LLC | Apartments | 14,681,900 | 0.49 |
| Public Service of NH | Utility | 12,461,400 | 0.41 |
| Macy's East, Inc | Retail | 11,873,400 | 0.40 |
| Grove Court Shopping Center | Retail Shops/Offices | 8,376,900 | 0.28 |
| Colby Grove Retail LLC | Retail Shops/Offices | 8,241,700 | 0.27 |
| Bedford Newark LLC | Retail Shops/Offices | 8,111,500 | 0.27 |
| Independence Equity Partners | Offices | 7,947,900 | 0.26 |

Largest Employers

| <u>Name</u> | <u>Type of Business</u> | <u>No. of Employees</u> |
|-------------------------|-------------------------|-------------------------|
| Wal-Mart | Department Store | 283 |
| Bedford School District | Public School System | 245 |
| Macy's | Retail Store | 199 |
| Sheraton Tara Wayfarer | Hotel/Restaurant | 185 |
| Managed Operation Com. | Computer Tech. | 180 |

Building Permits

| <u>Fiscal Year</u> | <u>Number Issued</u> | <u>Total Value</u> |
|--------------------|----------------------|--------------------|
| 2005 | 622 | \$70,237,741 |
| 2004 | 665 | 73,548,783 |
| 2003 | 667 | 81,087,807 |
| 2002 | 709 | 74,639,766 |
| 2001 | 692 | 58,564,522 |
| 2000 | 766 | 73,378,177 |

Population

| <u>1970</u> | <u>1980</u> | <u>1990</u> | <u>2000</u> | <u>2004</u> |
|-------------|-------------|-------------|-------------|-------------|
| 5,859 | 9,481 | 12,563 | 18,274 | 20,480 |

Income

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

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

Unemployment Rates

| <u>Year</u> | <u>Town of Bedford</u> | | <u>Unemployment Rates</u> | |
|-------------|------------------------|--------------------------|---------------------------|----------------------|
| | <u>Labor Force</u> | <u>Unemployment Rate</u> | <u>New Hampshire</u> | <u>United States</u> |
| 2005 | 11,000 | 3.2 % | 3.3 % | 4.6 % |
| 2004 | 10,910 | 2.5 | 3.8 | 5.4 |
| 2003 | 11,560 | 3.1 | 4.3 | 6.0 |
| 2002 | 11,160 | 3.6 | 4.7 | 5.8 |
| 2001 | 10,770 | 2.4 | 3.5 | 4.8 |

Debt Service Requirements

The following table sets forth the debt service requirements on the Town's General Fund supported general obligation bonds outstanding as of December 31, 2005.

| <u>Calendar Year Payable</u> | <u>Outstanding Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|------------------------------|---------------------|----------------------|
| 2006 | \$ 1,520,000 | \$ 407,907 | \$ 1,927,907 |
| 2007 | 1,515,000 | 362,457 | 1,877,457 |
| 2008 | 1,515,000 | 316,844 | 1,831,844 |
| 2009 | 1,515,000 | 269,096 | 1,784,096 |
| 2010-2014 | 5,745,000 | 598,904 | 6,343,904 |
| 2015-2019 | 720,000 | 75,382 | 795,382 |
| Total | <u>\$ 12,530,000</u> | <u>\$ 2,030,590</u> | <u>\$ 14,560,590</u> |

The following table sets forth the debt service requirements on the Town's Enterprise Fund supported general obligation bonds outstanding as of December 31, 2005.

| <u>Calendar Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|---------------------|-------------------|---------------------|
| 2006 | \$ 140,000 | \$ 49,957 | \$ 189,957 |
| 2007 | 140,000 | 43,937 | 183,937 |
| 2008 | 150,000 | 37,812 | 187,812 |
| 2009 | 155,000 | 31,212 | 186,212 |
| 2010-2012 | 510,000 | 49,375 | 559,375 |
| Total | <u>\$ 1,095,000</u> | <u>\$ 212,293</u> | <u>\$ 1,307,293</u> |

Subsequent Debt

The Town issued \$12 million bonds for road construction purposes dated June 1, 2006 payable \$1,200,000 annually on July 1, 2007 through 2016, inclusive, at coupon rates ranging from 3.75% to 4%. No other debt authorizations are presently being considered.

Debt Limit

The general debt limit of the Town of Bedford is 3% of its base valuation of \$3,371,509,816, or \$101,145,294.

Litigation

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

Audits

The Town's accounts are audited annually by Plodzik & Sanderson, Professional Association/Accountants & Auditors, Concord, New Hampshire. The most recent audit was performed for the fiscal year ended December 31, 2004 and is available upon request.

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ended December 31, 2004 and December 31, 2003, and a Comparative Statement of Revenues, Expenditures and Changes in Fund Balances for the fiscal years ended December 31, 2000 through 2004. All such statements have been extracted and/or compiled from annual audits.

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

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

(1) Extracted from annual audit.

**Town of Bedford, New Hampshire
Balance Sheet
Governmental Funds
December 31, 2003 (1)**

| | <u>General Fund</u> | <u>Capital Project Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|-------------------------|-------------------------------------|---|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 10,642,392 | \$ 6,450,942 | \$ 1,672,219 | \$ 18,765,553 |
| Investments | 5,337,013 | | 737,677 | 6,074,690 |
| Receivables net: | | | | |
| Taxes | 1,248,933 | | | 1,248,933 |
| Accounts | 271,416 | 2,856 | 5,684 | 279,956 |
| Intergovernmental | 260,838 | | | 260,838 |
| Interfund receivable | 16,670 | | 85,767 | 102,437 |
| Prepaid items | 65,201 | | | 65,201 |
| Total Assets | <u>\$ 17,842,463</u> | <u>\$ 6,453,798</u> | <u>\$ 2,501,347</u> | <u>\$ 26,797,608</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 494,431 | \$ 26,739 | | \$ 521,170 |
| Accrued payroll and benefits | 258,198 | | | 258,198 |
| Intergovernmental payable | 12,131,428 | | | 12,131,428 |
| Contracts payable | 20,318 | | | 20,318 |
| Retainage payable | 57,938 | 63,162 | | 121,100 |
| Interfund payable | 85,197 | | 174,465 | 259,662 |
| Other current liability | 21,261 | | | 21,261 |
| Deferred revenue | 1,044,263 | | | 1,044,263 |
| Total Liabilities | <u>\$ 14,113,034</u> | <u>\$ 89,901</u> | <u>\$ 174,465</u> | <u>\$ 14,377,400</u> |
| Fund Balances: | | | | |
| Reserved for encumbrances | 1,348,406 | | | 1,348,406 |
| Reserved for endowments | | | | |
| Reserved for special purposes | | | | |
| Unreserved: | | | | |
| Designated for special purposes | | | | |
| Undesignated | 2,381,023 | | | 2,381,023 |
| Total Equity | <u>3,729,429</u> | | | <u>3,729,429</u> |
| Total liabilities and Equity | <u>\$ 17,842,463</u> | <u>\$ 89,901</u> | <u>\$ 174,465</u> | <u>\$ 18,106,829</u> |

(1) Extracted from annual audit.

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

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | |
| Taxes | \$ 7,111,687 | \$ 6,260,167 | \$ 6,183,715 | \$ 5,654,661 | \$ 4,899,826 |
| Licenses & Permits | 4,717,707 | 4,576,504 | 4,336,893 | 4,145,402 | 3,949,026 |
| Intergovernmental Revenues | 1,437,645 | 1,309,409 | 1,216,153 | 1,240,889 | 1,056,407 |
| Charges for Services | 927,931 | 771,203 | 565,091 | 738,376 | 425,365 |
| Miscellaneous | 1,034,855 | 959,599 | 1,104,650 | 331,377 | 663,438 |
| Other Financing Sources: | | | | | |
| Operating Transfers in | 419,748 | 720,615 | 274,582 | 2,300,000 | 525,766 |
| Proceeds of Long-Term | 2,640,983 | | | 755,112 | |
| Total Revenues and Other Financing Sources | <u>18,290,556</u> | <u>14,597,497</u> | <u>13,681,084</u> | <u>15,165,817</u> | <u>11,519,828</u> |
| Expenditures | | | | | |
| General Government | 3,314,553 | 3,393,902 | 2,575,046 | 2,598,559 | 2,404,552 |
| Public Safety | 4,322,408 | 4,583,550 | 3,400,003 | 3,433,892 | 3,179,574 |
| Highways and Streets | 2,594,082 | 2,666,862 | 3,661,080 | 2,860,608 | 2,635,248 |
| Sanitation | 1,464,477 | 1,080,225 | 979,082 | 1,027,115 | 871,196 |
| Welfare & Health | 8,902 | 21,742 | 11,720 | 20,408 | 31,890 |
| Culture & Recreation | 1,853,142 | 1,178,185 | 891,286 | 698,362 | 833,144 |
| Conservation | 7,718 | 3,051 | 15,589 | 1,595 | 1,402 |
| Economic Development | | | | | 25 |
| Debt Service | 1,818,789 | 965,315 | 1,401,505 | 558,105 | 569,200 |
| Capital Outlay | | | | 3,600,223 | |
| Intergovernmental | | | | | |
| Other Financing Uses | | | | | |
| Operating Transfer Out | 3,094,983 | 249,500 | 477,250 | 477,632 | 221,500 |
| Total Expenditures and Other Financing Uses | <u>18,479,054</u> | <u>14,142,332</u> | <u>13,412,561</u> | <u>15,276,499</u> | <u>10,747,731</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses | (188,498) | 455,165 | 268,523 | (110,682) | 772,097 |
| Fund Balance - January 1 | <u>3,817,609</u> | <u>3,274,264</u> | <u>3,005,741</u> | <u>3,116,423</u> | <u>2,344,326</u> |
| Fund Balance - December 31 | <u>\$ 3,629,111</u> | <u>\$ 3,729,429</u> | <u>\$ 3,274,264</u> | <u>\$ 3,005,741</u> | <u>\$ 3,116,423</u> |

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

(2) Restated.

KEARSARGE SCHOOL DISTRICT, NEW HAMPSHIRE

General

The Kearsarge School District (the "District"), governed by a nine member Board of Education, is comprised of the following member towns: Bradford, Newbury, New London, Springfield, Sutton, Warner and Wilmot. One resident from each town in the district serves on the school board, with the exception of the towns of Warner and New London, each of which have two representatives. The district is located in the Lake Sunapee Region of the state, and provides for the education of the Towns' public school students in grades PK through 12. District facilities include 4 elementary schools, 1 middle school and 1 high school. The district is currently building a new middle school facility with proceeds of the current loan from the Bond Bank.

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

District Facilities

The Kearsarge Regional School District currently operates four elementary schools, one middle school and one high school. The new project being financed with the current loan from the Bond Bank will replace the new middle school. The project is expected to start in August 2006 and is expected to be completed in January, 2008.

District Enrollments

| Actual | | Projected | |
|-----------|-------|-----------|-------|
| Year | R-12 | Year | R-12 |
| 2005-2006 | 2,192 | 2006-2007 | 2,360 |
| 2004-2005 | 2,227 | 2007-2008 | 2,410 |
| 2003-2004 | 2,192 | 2008-2009 | 2,460 |
| 2002-2003 | 2,190 | | |
| 2001-2002 | 2,158 | | |

Debt Service Requirements – Projected As of June 30, 2006

| Year | Principal | Interest | Total |
|-------|--------------|--------------|--------------|
| 2007 | \$ 911,126 | \$ 234,966 | \$ 1,146,092 |
| 2008 | 927,898 | 220,381 | 1,148,279 |
| 2009 | 939,075 | 202,642 | 1,141,717 |
| 2010 | 952,289 | 185,171 | 1,137,460 |
| 2011 | 972,137 | 163,100 | 1,135,237 |
| 2012 | 992,823 | 137,284 | 1,130,107 |
| 2013 | 327,002 | 129,923 | 456,925 |
| 2014 | 247,838 | 140,162 | 388,000 |
| 2015 | 236,948 | 152,552 | 389,500 |
| Total | \$ 6,507,136 | \$ 1,566,181 | \$ 8,073,317 |

Projected Capital Expenditures

The school district does not have any additional capital debt authorizations currently planned.

Debt Limit

The general debt limit of the Kearsarge Regional School District is 10% of the District's base valuation of \$3,033,461,905, or \$303,346,191.

Litigation

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

Continuing Disclosure

The District has never been subject to the continuing disclosure obligations required by SEC Rule 15c2-12 (the "Rule"), but in connection with the issuance of the 2006 Series A Bonds, the District will enter into a continuing disclosure undertaking, and for so long as the District remains an obligated person with respect to the Bonds (within the meaning of the Rule), the District will provide continuing disclosure information consistent with the requirements of the Rule. See APPENDIX F-- Proposed Form of Continuing Disclosure Certificate.

Largest Taxpayers-

| <u>Name</u> | <u>Type of Business</u> | <u>Assessed Value</u> |
|----------------------------|-------------------------|-----------------------|
| Market Basket, Inc. | Grocery | \$ 3,500,000 |
| Milton-Warner Associates | Machinery Dealership | 3,203,870 |
| PSNH | Utility | 3,005,110 |
| 40 Depot Street, LLC | Manufacturing | 2,890,480 |
| Magdalen College | College | 1,759,770 |
| PRM Realty | Nursing Home | 1,635,400 |
| Tory Hill Properties, Inc. | Retail Supplier | 1,036,140 |
| Evans Group, Inc. | Gas/Convenience | 998,200 |
| McDonalds Corp. | | 943,100 |
| Gerald E. Roy | Residence | 937,850 |
| | | <u>\$ 19,909,920</u> |

Building Permits

| <u>Fiscal Year</u> | <u>Number Issued</u> | <u>Total Value</u> |
|--------------------|----------------------|--------------------|
| 2005 | 65 | \$14,244 |
| 2004 | 75 | 12,715 |
| 2003 | 74 | 17,943 |
| 2002 | 82 | 24,821 |
| 2001 | 69 | 13,203 |

Budget Trends

| | Fiscal 2003 | Fiscal 2004 |
|---|----------------------|----------------------|
| Budgetary Fund Balance - Beginning | \$ (380,749) | \$ 49,199 |
| Resources (Inflows): | | |
| School district assessment | 10,697,546 | 12,330,778 |
| Local school tax | 377,000 | (377,000) |
| Deficit appropriation | | |
| Local sources | | |
| Tuition | 168,610 | 154,390 |
| Earnings on investments | 17,117 | 25,817 |
| Student activities | 1,107 | 7,534 |
| Other | 23,335 | 4,268 |
| State of New Hampshire sources | | |
| School building aid | 271,710 | 289,899 |
| Kindergarten aid | 120,000 | 142,800 |
| Catastrophic aid | 70,408 | 97,745 |
| Vocational aid | | 2,702 |
| Driver education | 70,809 | 33,450 |
| Adequacy aid | 2,787,965 | 2,860,757 |
| State education tax | 6,195,389 | 6,050,204 |
| Federal sources | | |
| Medicaid distribution | 86,771 | 97,190 |
| Operating transfers in | | |
| Special revenue funds | 6,962 | |
| Capital project funds | | 72,500 |
| Fiduciary funds | | 23,926 |
| Amounts available for appropriation | <u>\$ 20,513,980</u> | <u>\$ 21,866,159</u> |
| Charges to appropriations (outflows): | | |
| Instruction | | |
| Regular instruction | 9,581,703 | 9,769,619 |
| Special education instruction | 3,430,916 | 3,710,546 |
| Other instruction | 249,278 | 267,790 |
| Support services | | |
| Student support services | 889,818 | 840,128 |
| Instructional staff services | 478,498 | 437,049 |
| General administration | | |
| Other school board | 115,529 | 355,812 |
| Executive administration | | |
| SAU management services | 543,382 | 581,373 |
| School administrative services | 1,042,984 | 809,939 |
| Operation and maintenance | 1,862,317 | 1,758,987 |
| Student transportation | 1,375,055 | 1,369,388 |
| Capital outlay | | |
| Various | 205,371 | 208,578 |
| Debt service | | |
| Debt service principal | 395,000 | 492,500 |
| Debt service interest | 294,930 | 213,847 |
| Operating transfers out | | |
| Special revenue funds | | 140,365 |
| Capital project funds | | 6,307 |
| Total charges to appropriations | <u>20,464,781</u> | <u>20,962,228</u> |
| Budgetary Fund Balance - Ending | <u>\$ 49,199</u> | <u>\$ 903,931</u> |

Fiscal 2006 Estimated Year End Operating Results

The District currently estimates an approximate \$200,000 operating surplus for fiscal 2006.

KEARSARGE REGIONAL SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2005**

| | <u>General Fund</u> | <u>Capital Reserves</u> | <u>High School Addition</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------|-------------------------|-----------------------------|------------------------------------|---------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,254,880 | \$ - | \$ - | \$ 58,642 | \$ 1,313,522 |
| Investments | 43,340 | - | 357,849 | 136,441 | 537,630 |
| Receivables, net | 2,475 | - | - | 23,352 | 25,827 |
| Due from other governments | 100,480 | 542,815 | - | 73,491 | 716,786 |
| Due from other funds | 406,523 | - | - | 62,296 | 468,819 |
| Total assets | <u>\$ 1,807,698</u> | <u>\$ 542,815</u> | <u>\$ 357,849</u> | <u>\$ 354,222</u> | <u>\$ 3,062,584</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 243,455 | \$ - | \$ - | \$ 9,360 | \$ 252,815 |
| Accrued expenses | 558,824 | - | - | 25,481 | 584,305 |
| Due to other governments | 17,639 | - | - | - | 17,639 |
| Due to other funds | 62,296 | - | 255,008 | 151,515 | 468,819 |
| Deferred revenue | - | - | - | 32,016 | 32,016 |
| Total liabilities | <u>882,214</u> | <u>-</u> | <u>255,008</u> | <u>218,372</u> | <u>1,355,594</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 72,434 | - | - | - | 72,434 |
| Unreserved | 853,050 | 542,815 | 102,841 | - | 1,498,706 |
| Unreserved, reported in nonmajor: | | | | | |
| Special revenue funds | - | - | - | 3,311 | 3,311 |
| Capital project funds | - | - | - | 132,539 | 132,539 |
| Total fund balances | <u>925,484</u> | <u>542,815</u> | <u>102,841</u> | <u>135,850</u> | <u>1,706,990</u> |
| Total liabilities and fund balance: | <u>\$ 1,807,698</u> | <u>\$ 542,815</u> | <u>\$ 357,849</u> | <u>\$ 354,222</u> | <u>\$ 3,062,584</u> |

*Preliminary. Subject to revision and change.

**Kearsarge Regional School District
Balance Sheet
Governmental Funds
June 30, 2004 (1)**

| | <u>General Fund</u> | <u>Capital Reserves</u> | <u>High School Addition</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-----------------------------|---------------------------------|--|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,132,249 | \$ | \$ | \$ 61,643 | \$ 1,193,892 |
| Investments | 12,000 | | | 206,308 | 218,308 |
| Receivables, net | 3,236 | | | | 3,236 |
| Due from other governments | 86,582 | 415,543 | | 170,711 | 672,836 |
| Due from other funds | 206,630 | | | 24,746 | 231,376 |
| Prepays | 276,530 | | | | 276,530 |
| Total Assets | <u>\$ 1,717,227</u> | <u>\$ 415,543</u> | <u>\$</u> | <u>\$ 463,408</u> | <u>\$ 2,596,178</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 210,207 | \$ | \$ 577,223 | \$ 562 | \$ 787,992 |
| Accrued expenses | 506,127 | | | 42,345 | 548,472 |
| Due to other governments | 6,062 | | | | 6,062 |
| Due to other funds | | 23,926 | | 207,450 | 231,376 |
| Deferred revenue | 82,434 | | | 13,826 | 96,260 |
| Other Liabilities | 8,466 | | | | 8,466 |
| Total Liabilities | <u>\$ 813,296</u> | <u>\$ 23,926</u> | <u>\$ 577,223</u> | <u>\$ 264,183</u> | <u>\$ 1,678,628</u> |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | \$ 275,547 | \$ | \$ | \$ | \$ 275,547 |
| Unreserved | 628,384 | 391,617 | (577,223) | | 442,778 |
| Unreserved, reported in nonmajor: | | | | | |
| Special revenue funds | | | | 10,016 | 10,016 |
| Capital project funds | | | | 189,209 | 189,209 |
| Total fund balances | <u>\$ 903,931</u> | <u>\$ 391,617</u> | <u>\$ (577,223)</u> | <u>\$ 199,225</u> | <u>\$ 917,550</u> |
| Total liabilities and fund balances | <u>\$ 1,717,227</u> | <u>\$ 415,543</u> | <u>\$</u> | <u>\$ 463,408</u> | <u>\$ 2,596,178</u> |

(1) Extracted from audited financial statements.

**Kearsarge Regional School District
Balance Sheet
Governmental Funds
June 30, 2003 (1)**

| | <u>General Fund</u> | <u>Grants Fund</u> | <u>Capital Reserves</u> | <u>Capital Project Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|------------------------|-----------------------------|-------------------------------------|--|---|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 113,999 | \$ | \$ | \$ | \$ 22,004 | \$ 136,003 |
| Investments | | | | 263,940 | | 263,940 |
| Receivables, net | 58,428 | 19,817 | | | | 78,245 |
| Due from other governments | 568,595 | 116,880 | | | 57,067 | 742,542 |
| Due from other funds | 187,713 | | 337,960 | | | 525,673 |
| Other assets | 15,514 | | | | | 15,514 |
| Total Assets | <u>\$ 944,249</u> | <u>\$ 136,697</u> | <u>\$ 337,960</u> | <u>\$ 263,940</u> | <u>\$ 79,071</u> | <u>\$ 1,761,917</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 43,419 | \$ | \$ | \$ | \$ 136 | \$ 43,555 |
| Accrued expenses | 490,359 | 12,252 | | | | 502,611 |
| Due to other governments | 8,781 | | | | 49,651 | 58,432 |
| Due to other funds | 337,960 | 124,445 | | 3,903 | 59,365 | 525,673 |
| Deferred revenue | 14,531 | | | | | 14,531 |
| Total Liabilities | <u>\$ 895,050</u> | <u>\$ 136,697</u> | <u>\$</u> | <u>\$ 3,903</u> | <u>\$ 109,152</u> | <u>\$ 1,144,802</u> |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | \$ 22,409 | \$ | \$ | \$ | \$ | \$ 22,409 |
| Unreserved | 26,790 | | 337,960 | 260,037 | | 624,787 |
| Unreserved, reported in nonmajor: | | | | | | |
| Special revenue funds | | | | | (23,774) | (23,774) |
| Capital project funds | | | | | (6,307) | (6,307) |
| Total fund balances | <u>\$ 49,199</u> | <u>\$</u> | <u>\$ 337,960</u> | <u>\$ 260,037</u> | <u>\$ (30,081)</u> | <u>\$ 617,115</u> |
| Total liabilities and fund balances | <u>\$ 944,249</u> | <u>\$ 136,697</u> | <u>\$ 337,960</u> | <u>\$ 263,940</u> | <u>\$ 79,071</u> | <u>\$ 1,761,917</u> |

(1) Extracted from audited financial statements.

KEARSARGE REGIONAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005**

| | <u>General Fund</u> | <u>Capital Reserves</u> | <u>High School Addition</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------------|---------------------------------|--|---|
| Revenues | | | | | |
| School district assessment | \$ 11,906,132 | \$ - | \$ - | \$ 720,922 | \$ 12,627,054 |
| Local sources | 151,633 | - | - | 535,576 | 687,209 |
| State of New Hampshire sources | 10,030,719 | - | - | - | 10,030,719 |
| Federal sources | 157,031 | - | - | 951,581 | 1,108,612 |
| Miscellaneous | - | - | - | 11,900 | 11,900 |
| Investment income | 49,487 | 9,122 | 14,679 | 4,409 | 77,697 |
| Total revenues | <u>22,295,002</u> | <u>9,122</u> | <u>14,679</u> | <u>2,224,388</u> | <u>24,543,191</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 14,483,454 | - | - | 865,140 | 15,348,594 |
| Support services | 1,404,784 | - | - | - | 1,404,784 |
| General administration | 131,226 | - | - | - | 131,226 |
| Executive administration | 5,269,324 | - | - | 759,152 | 6,028,476 |
| Capital outlay | - | - | 2,593,659 | - | 2,593,659 |
| Food service program | - | - | - | 659,150 | 659,150 |
| Debt service: | | | | | |
| Principal | 590,131 | - | - | - | 590,131 |
| Interest | 256,775 | - | - | - | 256,775 |
| Total expenditures | <u>22,135,694</u> | <u>-</u> | <u>2,593,659</u> | <u>2,283,442</u> | <u>27,012,795</u> |
| Excess (deficiency) of revenues over expenditures | 159,308 | 9,122 | (2,578,980) | (59,054) | (2,469,604) |
| Other Financing Sources (Uses) | | | | | |
| Sale of bonds | - | - | 3,060,700 | - | 3,060,700 |
| Premiums on bonds issued | - | - | 198,344 | - | 198,344 |
| Transfers in | 77,924 | 160,000 | - | 55,679 | 293,603 |
| Transfers out | (215,679) | (17,924) | - | (60,000) | (293,603) |
| Net change in fund balances | 21,553 | 151,198 | 680,064 | (63,375) | 789,440 |
| Fund balances - beginning of year | <u>903,931</u> | <u>391,617</u> | <u>(577,223)</u> | <u>199,225</u> | <u>917,550</u> |
| Fund balances - end of year | <u>\$ 925,484</u> | <u>\$ 542,815</u> | <u>\$ 102,841</u> | <u>\$ 135,850</u> | <u>\$ 1,706,990</u> |

*Preliminary. Subject to revision and change.

Kearsarge Regional School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
June 30, 2004

| | <u>General Fund</u> | <u>Capital Reserves</u> | <u>High School Addition</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-----------------------------|---------------------------------|--|---|
| Revenues | | | | | |
| School district assessment | \$ 11,953,778 | \$ | \$ | \$ 581,373 | \$ 12,535,151 |
| Local sources | 166,192 | | | 471,748 | 637,940 |
| State of New Hampshire sources | 9,638,619 | | | 60,373 | 9,698,992 |
| Federal sources | 97,190 | | | 954,481 | 1,051,671 |
| Miscellaneous | | | | 15,771 | 15,771 |
| Investment income | 25,817 | 2,583 | | 2,112 | 30,512 |
| Total Revenues | \$ 21,881,596 | \$ 2,583 | \$ | \$ 2,085,858 | \$ 23,970,037 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | \$ 13,909,017 | \$ | \$ | 895,786 | \$ 14,804,803 |
| Support services | 1,277,177 | | | | 1,277,177 |
| General administration | 355,812 | | | | 355,812 |
| Executive administration | 4,519,687 | | | 614,729 | 5,134,416 |
| Capital Outlay | 208,578 | | 577,223 | 13,360 | 799,161 |
| Food service program | | | | 591,886 | 591,886 |
| Debt Service: | | | | | |
| Principal | 492,500 | | | | 492,500 |
| Interest | 213,847 | | | | 213,847 |
| Total Expenditures | \$ 20,976,618 | \$ | \$ 577,223 | \$ 2,115,761 | \$ 23,669,602 |
| Excess (deficiency) of revenues over expenditures | \$ 904,978 | \$ 2,583 | \$ (577,223) | \$ (29,903) | \$ 300,435 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 96,426 | 75,000 | 6,307 | 65,365 | 243,098 |
| Transfers out | (146,672) | (23,926) | | (72,500) | (243,098) |
| Net change in fund balances | 854,732 | 53,657 | (570,916) | (37,038) | 300,435 |
| Fund balances - beginning of year | \$ 49,199 (2) | \$ 337,960 | \$ (6,307) | \$ 236,263 | \$ 617,115 |
| Fund balances - end of year | \$ 903,931 | \$ 391,617 | \$ (577,223) | \$ 199,225 | \$ 917,550 |

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

(2) As restated.

Kearsarge Regional School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
June 30, 2003

| | <u>General Fund</u> | <u>Grants Fund</u> | <u>Capital Reserves</u> | <u>Capital Project Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|------------------------|-----------------------------|-------------------------------------|--|---|
| Revenues | | | | | | |
| School district assessment | \$ 11,074,546 | \$ | \$ | \$ | \$ 543,382 | \$ 11,617,928 |
| Local sources | 210,169 | | 2,698 | | 511,785 | 724,652 |
| State of New Hampshire sources | 9,637,798 | | | | 6,163 | 9,643,961 |
| Federal sources | 86,771 | 767,281 | | | 109,065 | 963,117 |
| Investment income | | | | | 12,293 | 12,293 |
| Total Revenues | \$ 21,009,284 | \$ 767,281 | \$ 2,698 | \$ | \$ 1,182,688 | \$ 22,961,951 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Instruction | \$ 13,383,414 | \$ 767,281 | \$ | \$ | \$ | \$ 14,150,695 |
| Support services | 1,368,316 | | | | | 1,368,316 |
| General administration | 115,529 | | | | | 115,529 |
| Executive administration | 4,823,738 | | | | 555,460 | 5,379,198 |
| Capital Outlay | 377,715 | | | 407,463 | 161,617 | 946,795 |
| Food service program | | | | | 531,900 | 531,900 |
| Debt Service: | | | | | | |
| Principal | 395,000 | | | | | 395,000 |
| Interest | 294,930 | | | | | 294,930 |
| Total Expenditures | \$ 20,758,642 | \$ 767,281 | \$ | \$ 407,463 | \$ 1,248,977 | \$ 23,182,363 |
| Excess (deficiency) of revenues over expenditures | \$ 250,642 | \$ | \$ 2,698 | \$ (407,463) | \$ (66,289) | \$ (220,412) |
| Other Financing Sources (Uses) | | | | | | |
| Sale of bonds | | | | 667,500 | | 667,500 |
| Capital leases | 172,344 | | | | | 172,344 |
| Transfers in | 6,962 | | | | | 6,962 |
| Transfers out | | | | | (6,962) | (6,962) |
| Net change in fund balances | 429,948 | | 2,698 | 260,037 | (73,251) | 619,432 |
| Fund balances - beginning of year | \$ (380,749) | \$ | \$ 335,262 | \$ | \$ 43,170 | \$ (2,317) |
| Fund balances - end of year | \$ 49,199 | \$ | \$ 337,960 | \$ 260,037 | \$ (30,081) | \$ 617,115 |

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

TOWN OF BRADFORD, NEW HAMPSHIRE

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

The Town

Bradford is a town of 1,500, twenty-eight miles northwest of Concord.

Assessed Valuations

| <u>Fiscal Year</u> | <u>Local Assessed Valuation</u> |
|--------------------|---|
| 2005 (1) | \$ 2,929,901,304 |
| 2004 | 1,846,056,597 |
| 2003 | 1,792,937,256 |
| 2002 | 1,721,218,053 |
| 2001 | 1,643,252,340 |

(1) Revaluation year.

Tax Rates, Levies and Collections

| <u>Year</u> | <u>Tax Rate</u> | <u>Net Property Tax Levy</u> | <u>Amount Uncollected at Each Year End</u> |
|-------------|-----------------|----------------------------------|--|
| 2005 | \$ 14.23 | \$3,176,607 | \$ 289,735 |
| 2004 | 25.90 | 3,067,927 | 257,258 |
| 2003 | 25.80 | 2,748,544 | 241,329 |
| 2002 | 22.77 | 2,572,498 | 244,871 |
| 2001 | 20.72 | 2,290,367 | 271,263 |

(1) Revaluation year.

Largest Taxpayers - 2005

| <u>Name</u> | <u>Type of Business</u> | <u>Assessed Value</u> |
|----------------------------|-------------------------|-----------------------|
| PSNH | Utility | \$ 2,936,100 |
| Pfeifle, John | Individual | 1,645,401 |
| Lake Massasecum Campground | Campground | 1,449,700 |
| Knight, Edward | Property | 1,416,506 |
| Manley Stephen | Rental | 1,249,100 |
| Moreland Jr., Frederick | Individual | 1,236,200 |
| Marquis, Richard | Bed & Breakfast | 1,208,800 |
| Bradford Realty Trust | Property | 1,041,800 |
| Brunnhoelz, Frederick | Transportation Camp | 1,028,675 |
| Chivers, Martyn | Individual | 968,597 |

Largest Employers

| <u>Name</u> | <u>Type of Business</u> | <u>No. of Employees</u> |
|------------------------|-------------------------|-------------------------|
| Keargarge Elem. School | Education | 50 |
| Town of Bradford | Municipal | 35 |
| Bruss Construction | Construction | 30 |
| Colonial Woodworking | Stair Building | 19 |
| Valley Transportation | Fire Trucks | 14 |

Building Permits

| <u>Fiscal Year</u> | <u>Number Issued</u> |
|--------------------|----------------------|
| 2005 | 48 |
| 2004 | 59 |
| 2003 | 60 |
| 2002 | 57 |
| 2001 | 48 |

Population

| <u>1970</u> | <u>1980</u> | <u>1990</u> | <u>2000</u> |
|-------------|-------------|-------------|-------------|
| 679 | 1,115 | 1,405 | 1,454 |

Unemployment Rates

| <u>Year</u> | <u>Town</u> | <u>NH</u> | <u>US</u> |
|-------------|-------------|-----------|-----------|
| 2005 | 2.9 | 3.3 | 4.6 |
| 2004 | 3.0 | 3.8 | 5.5 |
| 2003 | 3.2 | 4.3 | 6.0 |

Debt

The Town currently has no outstanding debt.

Litigation

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

**Town of Bradford
Balance Sheet
Governmental Funds
December 31, 2004 (1)**

| | <u>General Fund</u> | <u>Capital Reserves</u> | <u>Common Trust Funds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-----------------------------|-----------------------------------|--|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 734,176 | \$ 300,014 | \$ 64,278 | \$ 65,895 | \$ 1,164,363 |
| Investments | 180,850 | | 161,550 | | 342,400 |
| Property taxes receivable | 255,278 | | | | 255,278 |
| Timber taxes receivable | 7,501 | | | | 7,501 |
| Excavation taxes receivable | 32 | | | | 32 |
| Tax liens receivable | 73,561 | | | | 73,561 |
| Other receivables | 6,913 | | | | 6,913 |
| Due from other governments | 30,080 | | | | 30,080 |
| Total Assets | <u>\$ 1,288,391</u> | <u>\$ 300,014</u> | <u>\$ 225,828</u> | <u>\$ 65,895</u> | <u>\$ 1,880,128</u> |
| Liabilities and Fund Equity | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 27,888 | \$ | \$ | \$ | \$ 27,888 |
| Accrued expenses | 279 | | | | 279 |
| Due to other governments | 664,672 | | | | 664,672 |
| Total Liabilities | <u>\$ 692,839</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$ 692,839</u> |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | \$ 121,706 | \$ | \$ | \$ | \$ 121,706 |
| Endowments | | | 188,928 | | 188,928 |
| Unreserved | 473,846 | 300,014 | 36,900 | | 810,760 |
| Unreserved, reported in nonmajor: | | | | | - |
| Special revenue funds | | | | 65,895 | 65,895 |
| Total Fund Balances: | <u>\$ 595,552</u> | <u>\$ 300,014</u> | <u>\$ 225,828</u> | <u>\$ 65,895</u> | <u>\$ 1,187,289</u> |
| Total liabilities and fund equity | <u>\$ 1,288,391</u> | <u>\$ 300,014</u> | <u>\$ 225,828</u> | <u>\$ 65,895</u> | <u>\$ 1,880,128</u> |

(1) Extracted from audited financial statements.

**Town of Bradford
Balance Sheet
Governmental Funds
December 31, 2003 (1)**

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 637,135 | \$ 94,537 | \$ 731,672 |
| Investments | 124,883 | | 124,883 |
| Taxes Receivable | 318,240 | | 318,240 |
| Accounts receivable | 9,626 | | 9,626 |
| Due from other governmnets | 44,743 | | 44,743 |
| Due from other funds | | 3,252 | 3,252 |
| Other assets | 1,222 | | 1,222 |
| Total Assets | <u>\$ 1,135,849</u> | <u>\$ 97,789</u> | <u>\$ 1,233,638</u> |
| Liabilities and Fund Equity | | | |
| Liabilities: | | | |
| Accounts payable | \$ 60,552 | \$ | \$ 60,552 |
| Due to School District | 758,273 | | 758,273 |
| Dut to other funds | 3,252 | | 3,252 |
| Accrued Expenses | | | |
| Other Current Liabilities | 6,776 | | 6,776 |
| Capital Lease Obligations | | | |
| Total Liabilities | <u>\$ 828,853</u> | <u>\$</u> | <u>\$ 828,853</u> |
| Fund Equity | | | |
| Contributed capital | | | |
| Fund balance | | | |
| Reserved | | | |
| Encumbrances | \$ 142,445 | \$ | \$ 142,445 |
| Endowments | | | |
| Unreserved | | | |
| Designated | | | |
| Undesignated | 164,551 | 97,789 | 262,340 |
| Total Fund Equity | <u>\$ 306,996</u> | <u>\$ 97,789</u> | <u>\$ 404,785</u> |
| Total liabilites and fund equity | <u>\$ 1,135,849</u> | <u>\$ 97,789</u> | <u>\$ 1,233,638</u> |

(1) Extracted from audited financial statements.

Town of Bradford
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2004

| | <u>General Fund</u> | <u>Capital Reserves</u> | <u>Common Trust Funds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-----------------------------|-----------------------------------|--|---|
| Revenues | | | | | |
| Taxes | \$ 3,110,355 | \$ | \$ | \$ | \$ 3,110,355 |
| Licenses, permits and fees | 279,153 | | | | 279,153 |
| State of NH sources | 349,834 | | | | 349,834 |
| Charges for services | 49,960 | | | 3,936 | 53,896 |
| Miscellaneous revenues | 39,932 | | 7,240 | 80,736 | 127,908 |
| Investment income | | 4,139 | 7,969 | 254 | 12,362 |
| Total Revenues | <u>\$ 3,829,234</u> | <u>\$ 4,139</u> | <u>\$ 15,209</u> | <u>\$ 84,926</u> | <u>\$ 3,921,146</u> |
| Other Financing Sources | | | | | |
| Operating Transfers In | | | | | |
| Total Revenue and Other Financing Sources | <u>\$ 3,829,234</u> | <u>\$ 4,139</u> | <u>\$ 15,209</u> | <u>\$ 84,926</u> | <u>\$ 3,933,508</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | \$ 462,387 | \$ | \$ 1,735 | \$ | \$ 464,122 |
| Public safety | 280,762 | | | | 280,762 |
| Highways and streets | 300,138 | | | | 300,138 |
| Sanitation | 105,499 | | | | 105,499 |
| Health | 1,398 | | | | 1,398 |
| Welfare | 14,159 | | | | 14,159 |
| Culture and recreation | 63,005 | | | 46,620 | 109,625 |
| Conservation | 1,101 | | | | 1,101 |
| Debt service: | | | | | - |
| Interest | 417 | | | | 417 |
| Capital outlay | 235,271 | 1,969 | | 65,200 | 302,440 |
| Payments to other governments | 2,005,744 | | | | 2,005,744 |
| Total Expenditures | <u>\$ 3,469,881</u> | <u>\$ 1,969</u> | <u>\$ 1,735</u> | <u>\$ 111,820</u> | <u>\$ 3,585,405</u> |
| Excess (deficiency) of revenues over expenditures | | | | | |
| Other Financing Sources (Uses) | \$ 359,353 | \$ 2,170 | \$ 13,474 | \$ (26,894) | \$ 348,103 |
| Transfers in | \$ 5,203 | \$ 81,000 | | \$ 5,000 | 91,203 |
| Transfers out | (76,000) | | 5,203 | (10,000) | (91,203) |
| Net change in fund balances | 288,556 | 83,170 | 8,271 | (31,894) | 348,103 |
| Fund balances - beginning of year | <u>\$ 306,996</u> | <u>\$ 216,844</u> | <u>\$ 217,557</u> | <u>\$ 97,789</u> | <u>839,186</u> |
| Fund balances - end of year | <u>\$ 595,552</u> | <u>\$ 300,014</u> | <u>\$ 225,828</u> | <u>\$ 65,895</u> | <u>\$ 1,187,289</u> |

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

Town of Bradford
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2003

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------------------|---|
| Revenues | | | |
| Taxes | \$ 3,063,952 | \$ 3,252 | \$ 3,067,204 |
| Licenses, permits and fees | 261,483 | | 261,483 |
| Intergovernmental | 388,238 | | 388,238 |
| Charges for services | 37,303 | 1,501 | 38,804 |
| Miscellaneous revenues | 38,917 | 88,811 | 127,728 |
| Total revenues | <u>\$ 3,789,893</u> | <u>\$ 93,564</u> | <u>\$ 3,883,457</u> |
| Other Financing Sources | | | |
| Operating Transfers In | 100,821 | | 100,821 |
| Total Revenue and Other Financing Sources | <u>\$ 3,890,714</u> | <u>\$ 93,564</u> | <u>\$ 3,984,278</u> |
| Expenditures | | | |
| General government | \$ 473,979 | \$ | \$ 473,979 |
| Public safety | 255,834 | | 255,834 |
| Highways and streets | 297,621 | | 297,621 |
| Sanitation | 99,357 | | 99,357 |
| Health | 383 | | 383 |
| Welfare | 9,645 | | 9,645 |
| Culture and recreation | 56,298 | 82,929 | 139,227 |
| Conservation | 1,537 | | 1,537 |
| Capital outlay | 637,148 | | 637,148 |
| Payments to Other Governments | 2,005,741 | | 2,005,741 |
| Total Expenditures | <u>\$ 3,837,543</u> | <u>\$ 82,929</u> | <u>\$ 3,920,472</u> |
| Other Financing Uses | | | |
| Operating Transfers Out | 86,000 | - | 86,000 |
| Total Expenditures and Other Financing Uses | <u>\$ 3,923,543</u> | <u>\$ 82,929</u> | <u>\$ 4,006,472</u> |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | (32,829) | 10,635 | (22,194) |
| Change in reserves | (16,019) | | (16,019) |
| Unreserved Fund Balance | | | |
| Change, net | (48,848) | 10,635 | (22,194) |
| Fund balances - beginning of year | <u>\$ 213,399</u> | <u>\$ 87,154</u> | <u>\$ 300,553</u> |
| Fund balances - end of year | <u>\$ 164,551</u> | <u>\$ 97,789</u> | <u>\$ 278,359</u> |

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

TOWN OF NEWBURY, NEW HAMPSHIRE

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

The Town

Newbury is located in the northwestern section of Merrimack County. The Town covers approximately 37.5 square miles. Transportation is provided by Vermont Transit.

Assessed Valuations

| <u>Fiscal Year</u> | <u>Local Assessed Valuation</u> |
|--------------------|---------------------------------|
| 2005 | \$518,305,598 |
| 2004 | 506,439,679 |
| 2003 | 497,695,840 |
| 2002 | 269,501,622 |
| 2001 | 259,968,385 |

(1) Revaluation year.

Tax Rates, Levies and Collections

| <u>Year</u> | <u>Tax Rate</u> | <u>Net Property Tax Levy</u> | <u>Amount Uncollected at Each Year End</u> |
|-------------|-----------------|------------------------------|--|
| 2005 | \$ 14.63 | \$ 7,528,363 | \$ 398,571 |
| 2004 | 14.29 | 7,185,121 | 348,757 |
| 2003 | 12.88 | 6,431,945 | 410,491 |
| 2002 | 21.17 | 5,686,689 | 275,518 |
| 2001 | 20.73 | 5,370,650 | 333,998 |

(1) Revaluation year.

Largest Taxpayers - 2005

| <u>Name</u> | <u>Type of Business</u> | <u>Assessed Value</u> |
|-----------------------------|-------------------------|-----------------------|
| Mount Sunapee Resort | Ski Resort | \$ 6,527,200 |
| Baker Hill Golf Course | Golf Course | 4,120,520 |
| PSNH | Utility | 2,042,106 |
| Joan Wight | Residence | 1,398,000 |
| David and Judith McLaughlin | Residence | 1,014,767 |
| GMM Jr. Trust | Residence | 863,950 |
| Diane Kusinski | Residence | 866,300 |
| Martin & Jill Kersh | Residence | 822,200 |
| Dean Lebanon | Residence | 925,200 |
| Lance & Loretta Macey | Residence | 621,400 |

Largest Employers

| <u>Name</u> | <u>Type of Business</u> | <u>No. of Employees</u> |
|------------------------|-------------------------|-------------------------|
| Mount Sunapee Resort | Ski Resort | 150 + |
| Baker Hill Golf Course | Golf Course | 25 |
| Best Western | Hotel | 25 |
| Murphy's | Restaurant | 20 |
| Bellissima | Restaurant | 20 + |

Building Permits

| <u>Fiscal Year</u> | <u>Number Issued</u> | <u>Total Valuate</u> |
|--------------------|----------------------|----------------------|
| 2005 | 113 | \$ 21,518,600 |
| 2004 | 108 | 16,195,839 |
| 2003 | 117 | 13,199,885 |
| 2002 | 116 | 12,637,554 |
| 2001 | 106 | 6,000,000 |

Population

| <u>1970</u> | <u>1980</u> | <u>1990</u> | <u>2000</u> |
|-------------|-------------|-------------|-------------|
| 509 | 961 | 1,347 | 1,702 |

Unemployment Rates

| <u>Year</u> | <u>Town</u> | <u>NH</u> | <u>US</u> |
|-------------|-------------|-----------|-----------|
| 2005 | 2.7 | 3.3 | 4.6 |
| 2004 | 3.2 | 3.8 | 5.5 |
| 2003 | 2.7 | 4.3 | 6.0 |

Debt

| <u>Calendar Year Payable</u> | <u>Outstanding Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|------------------------------|-------------------|---------------------|
| 2006 | \$ 200,000 | \$ 8,056 | \$ 208,056 |
| 2007 | 200,000 | 76,825 | 276,825 |
| 2008 | 195,000 | 68,600 | 263,600 |
| 2009 | 165,000 | 58,675 | 223,675 |
| 2010-2014 | 815,000 | 49,000 | 864,000 |
| Total | <u>\$ 1,575,000</u> | <u>\$ 121,500</u> | <u>\$ 1,696,500</u> |

Litigation

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

**Town of Newberry
Balance Sheet
Governmental Funds
December 31, 2004 (1)**

| | <u>General Fund</u> | <u>Highway Garage</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------|--|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 2,445,889 | \$ 465,131 | \$ 406,476 | \$ 3,317,496 |
| Investments | 1,096 | | 678,993 | 680,089 |
| Property taxes receivable | 348,965 | | | 348,965 |
| Land use taxes receivable | 5,307 | | | 5,307 |
| Timber taxes receivable | 697 | | | 697 |
| Tax liens receivable | 77,400 | | | 77,400 |
| Accounts receivable | 5,844 | | 19,560 | 25,404 |
| Other receivables | 2,543 | | | 2,543 |
| Due from other governments | 2,600 | | | 2,600 |
| Due from other funds | 210,288 | | 59,747 | 270,035 |
| Other assets | 1,226 | | | 1,226 |
| Total Assets | <u>\$ 3,101,855</u> | <u>\$ 465,131</u> | <u>\$ 1,164,776</u> | <u>\$ 4,731,762</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 76,714 | \$ | \$ | \$ 76,714 |
| Accrued expenses | 141 | | | 141 |
| Due to other governments | 2,148,545 | | | 2,148,545 |
| Due to other funds | 59,747 | 160,521 | 49,767 | 270,035 |
| Total Liabilities | <u>\$ 2,285,147</u> | <u>\$ 160,521</u> | <u>\$ 49,767</u> | <u>\$ 2,495,435</u> |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | \$ | \$ | \$ 207,099 | \$ 207,099 |
| Endowments | | | 53,546 | 53,546 |
| Unreserved | 816,708 | 304,610 | | 1,121,318 |
| Unreserved, reported in nonmajor: | | | | |
| Special revenue funds | | | 671,324 | 671,324 |
| Capital project funds | | | 162,729 | 162,729 |
| Permanent trust funds | | | 20,311 | 20,311 |
| Total Fund Balances | <u>\$ 816,708</u> | <u>\$ 304,610</u> | <u>\$ 1,115,009</u> | <u>\$ 2,236,327</u> |
| Total liabilities and Fund Balances | <u>\$ 3,101,855</u> | <u>\$ 465,131</u> | <u>\$ 1,164,776</u> | <u>\$ 4,731,762</u> |

(1) Extracted from audited financial statements.

**Town of Newberry
Balance Sheet
Governmental Funds
December 31, 2003 (1)**

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--------------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 1,885,324 | \$ 176,350 | \$ 2,061,674 |
| Investments | 1,084 | | 1,084 |
| Taxes receivable | 1,494,713 | | 1,494,713 |
| Accounts receivable | 5,844 | 11,190 | 17,034 |
| Due from other governments | 55,500 | | 55,500 |
| Due from other funds | 22,552 | 40,890 | 63,442 |
| Other assets | 20 | | 20 |
| Total Assets | <u>\$ 3,465,037</u> | <u>\$ 228,430</u> | <u>\$ 3,693,467</u> |
| Liabilities and Fund Equity | | | |
| Liabilities: | | | |
| Accounts payable | \$ 125,013 | \$ | \$ 125,013 |
| Due to other governments | 241,755 | | 241,755 |
| Due to School District | 1,567,256 | | 1,567,256 |
| Due to other funds | 40,890 | 22,552 | 63,442 |
| Accrued expenses | 797 | | 797 |
| Notes payable | 1,100,000 | | 1,100,000 |
| Total Liabilities | <u>\$ 3,075,711</u> | <u>\$ 22,552</u> | <u>\$ 1,997,466</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| Encumbrances | \$ | \$ | \$ |
| Endowments | | | |
| Unreserved | | | |
| Undesignated | 389,326 | 205,878 | 595,204 |
| Total fund equity | <u>\$ 389,326</u> | <u>\$ 205,878</u> | <u>\$ 595,204</u> |
| Total Liabilities and Fund Equity | <u>\$ 3,465,037</u> | <u>\$ 228,430</u> | <u>\$ 2,592,670</u> |

Town of Newbury
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2004

| | <u>General Fund</u> | <u>Highway Garage</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------|--|---|
| Revenues | | | | |
| Taxes | \$ 7,201,369 | \$ | \$ | \$ 7,201,369 |
| Licenses, permits and fees | 406,494 | | | 406,494 |
| State of New Hampshire sources | 175,587 | | | 175,587 |
| Charges for services | 46,717 | | 145,102 | 191,819 |
| Miscellaneous revenues | 14,823 | | 46,900 | 61,723 |
| Investment income | 18,152 | 4,295 | 11,665 | 34,112 |
| Total Revenues | \$ 7,863,142 | \$ 4,295 | \$ 203,667 | \$ 8,071,104 |
| Expenditures | | | | |
| General government | \$ 674,292 | \$ | \$ | \$ 674,292 |
| Public safety | 367,173 | | | 367,173 |
| Highways and streets | 539,495 | | | 539,495 |
| Sanitation | 202,073 | | 139,167 | 341,240 |
| Health | 26,228 | | | 26,228 |
| Welfare | 10,970 | | | 10,970 |
| Culture and recreation | 101,069 | | 33,515 | 134,584 |
| Conservation | 850 | | 1,649 | 2,499 |
| Debt service: | | | | |
| Principal | 30,000 | | | 30,000 |
| Interest | 24,014 | | | 24,014 |
| Capital outlay | 166,186 | 919,685 | 332,836 | 1,418,707 |
| Payments to other governments | 5,090,159 | | | 5,090,159 |
| Total Expenditures | \$ 7,232,509 | \$ 919,685 | \$ 507,167 | \$ 8,659,361 |
| Excess (deficiency) of revenues over expenditures | \$ 630,633 | \$ (915,390) | \$ (303,500) | \$ (588,257) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 167,547 | 120,000 | 250,798 | 538,345 |
| Transfers out | (370,798) | | (167,547) | (538,345) |
| Proceeds from long-term notes and bonds | | 1,100,000 | 650,000 | 1,750,000 |
| Net change in fund balances | 427,382 | 304,610 | 429,751 | 1,161,743 |
| Fund Balances - beginning of year | \$ 389,326 | \$ | \$ 685,258 | 1,074,584 |
| Fund balances - end of year | \$ 816,708 | \$ 304,610 | \$ 1,115,009 | \$ 2,236,327 |

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

Town of Newbury
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2003

| | General Fund | Special Revenue Funds | Total Governmental Funds |
|--|-------------------------|--------------------------------------|---|
| Revenues | | | |
| Taxes | \$ 6,532,804 | \$ | \$ 6,532,804 |
| Licenses, permits and fees | 388,632 | | 388,632 |
| Intergovernmental revenues | 168,864 | | 168,864 |
| Charges for services | 46,695 | 101,896 | 148,591 |
| Miscellaneous revenues | 35,928 | 29,293 | 65,221 |
| Total Revenues | \$ 7,172,923 | \$ 131,189 | \$ 7,304,112 |
| Expenditures | | | |
| General government | \$ 621,660 | \$ | \$ 621,660 |
| Public safety | 333,490 | | 333,490 |
| Highways and streets | 611,118 | | 611,118 |
| Sanitation | 184,215 | 95,116 | 279,331 |
| Health | 11,685 | | 11,685 |
| Welfare | 11,062 | | 11,062 |
| Culture and recreation | 90,307 | 25,762 | 116,069 |
| Conservation | 875 | | 875 |
| Debt service: | 39,321 | | 39,321 |
| Capital outlay | 275,800 | | 275,800 |
| Payments to other governments | 4,778,403 | | 4,778,403 |
| Total Expenditures | \$ 6,957,936 | \$ 120,878 | \$ 7,078,814 |
| Excess (deficiency) of revenues over expenditures | \$ 214,987 | \$ 10,311 | \$ 225,298 |
| Other Financing Sources (Uses) | | | |
| Transfers in | 193,201 | 40,890 | 234,091 |
| Transfers out | (186,490) | | (186,490) |
| Net change in fund balances | 221,698 | 51,201 | 272,899 |
| Fund Balances - beginning of year | \$ 167,628 | \$ 154,677 | 322,305 |
| Fund Balances - end of year | \$ 389,326 | \$ 205,878 | \$ 595,204 |

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

TOWN OF NEW LONDON, NEW HAMPSHIRE

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

The Town

New London is situated in the Upper Valley/Lake Sunapee region of New Hampshire incorporating a total area of 16,192 acres; 2,048 being water acreage. The population is approximately 4,116 for year round residents. New London is unique because of its lakes - Lake Sunapee, Little Lake Sunapee, and Pleasant. All the lakes are Class A thus ensuring water quality, tourists and summer waterfront home owners. This influx in the summer provides viability to many commercial enterprises in town, and basically targets New London as the main service lifeline between Concord & Lebanon.

Assessed Valuations

| <u>Fiscal Year</u> | <u>Local Assessed Valuation</u> |
|--------------------|---------------------------------|
| 2005 | \$1,032,847,474 |
| 2004 | 853,708,568 |
| 2003 | 877,882,126 |
| 2002 | 687,960,834 |
| 2001 | 513,590,439 |

Tax Rates, Levies and Collections

| <u>Year</u> | <u>Tax Rate</u> | <u>Net Property Tax Levy</u> | <u>Amount Uncollected at Each Year End</u> |
|-------------|-----------------|------------------------------|--|
| 2005 | \$ 11.79 | \$ 12,400,768 | \$ 284,959 |
| 2004 | 14.61 | 13,271,954 | 400,068 |
| 2003 | 12.95 | 11,708,270 | 389,721 |
| 2002 | 15.47 | 10,569,246 | 389,214 |
| 2001 | 20.05 | 10,426,445 | 397,245 |

Largest Taxpayers - 2005

| <u>Name</u> | <u>Type of Business</u> | <u>Assessed Value</u> |
|-------------------------------------|-------------------------|-----------------------|
| Colby-Sawyer College | Education | \$ 15,400,300 |
| Hannafords/New London Shopping Ctr. | Retail | 10,665,600 |
| Sydney Crook/Davis Hill Trust | Private Property | 6,851,900 |
| Joan Brook | Private Property | 6,142,400 |
| Daniel & Eleanor Snyder Trust | Private Property | 5,096,600 |
| Samuel Rowse | Private Property | 4,961,100 |
| Lake Sunapee Country Club | Country Club | 4,832,400 |
| Inc. | Private Property | 4,796,100 |
| Muriel Deacon/Family Trust | Private Property | 4,680,400 |
| Harold Obrkotter | Private Property | 4,354,600 |

Largest Employers

| <u>Name</u> | <u>Type of Business</u> | <u>No. of Employees</u> |
|----------------------|-------------------------|-------------------------|
| New London Hospital | Medical | 356 |
| Colby-Sawyer College | Education | 318 |
| Hannafords | Retail | 110 |
| Lake Sunapee Bank | Banking | 28 |
| Country Press | Pritners | 30 |

Building Permits

| <u>Fiscal Year</u> | <u>Number Issued</u> |
|--------------------|----------------------|
| 2005 | 155 |
| 2004 | 195 |
| 2003 | 162 |
| 2002 | 145 |
| 2001 | 134 |

Population

| <u>1970</u> | <u>1980</u> | <u>1990</u> | <u>2000</u> |
|-------------|-------------|-------------|-------------|
| 2,236 | 2,935 | 3,180 | 4,116 |

Unemployment Rates

| <u>Year</u> | <u>Town</u> | <u>NH</u> | <u>US</u> |
|-------------|-------------|-----------|-----------|
| 2005 | 2.7 % | 3.3 % | 4.6 % |
| 2004 | 3.2 | 3.8 | 5.5 |
| 2003 | 2.7 | 4.3 | 6.0 |

Debt

| <u>Calendar Year Payable</u> | <u>Outstanding Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|------------------------------|---------------------|---------------------|
| 2006 | \$ 118,897 | \$ 118,503 | \$ 237,400 |
| 2007 | 118,897 | 108,019 | 226,916 |
| 2008 | 123,897 | 109,082 | 232,979 |
| 2009 | 103,897 | 105,200 | 209,097 |
| 2010-2014 | 549,485 | 462,653 | 1,012,138 |
| 2015-2019 | 614,485 | 342,817 | 957,302 |
| 2020-2024 | 219,485 | 243,980 | 463,465 |
| Total | <u>\$ 1,849,043</u> | <u>\$ 1,490,253</u> | <u>\$ 3,339,296</u> |

Litigation

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

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

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------------|-----------------------------|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 3,761,376 | \$ 428,169 | \$ | \$ 4,189,545 |
| Investments | 695,332 | 335,873 | 52,173 | 1,083,378 |
| Receivables, net of allowance for uncollectable: | | | | |
| Taxes | 435,894 | | | 435,894 |
| Accounts | 5,619 | 16,051 | | 21,670 |
| Special assessments | 153 | 420,215 | | 420,368 |
| Interfund receivable | 811,349 | 3,360 | | 814,709 |
| Total Assets | <u>\$ 5,709,723</u> | <u>\$ 1,203,668</u> | <u>\$ 52,173</u> | <u>\$ 6,965,564</u> |
| Liabilities and Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 84,504 | \$ 37,853 | \$ | \$ 122,357 |
| Contracts payable | | | 17,643 | 17,643 |
| Retainage payable | | | 35,452 | 35,452 |
| Intergovernmental payable | 4,578,140 | 48,095 | | 4,626,235 |
| Interfund payable | | 3,360 | 811,349 | 814,709 |
| Escrow and performance deposits | | | | |
| Deferred revenue | | 417,390 | | 417,390 |
| Total Liabilities | <u>\$ 4,662,644</u> | <u>\$ 506,698</u> | <u>\$ 864,444</u> | <u>\$ 6,033,786</u> |
| Equity | | | | |
| Fund balances: | | | | |
| Reserved for encumbrances | \$ 97,202 | \$ | \$ | \$ 97,202 |
| Reserved for endowments | | | | |
| Reserved for special purposes | | | 53,057 | 53,057 |
| Unreserved: | | | | |
| Designated for special purposes | | 696,970 | | 696,970 |
| Undesignated (deficit) | 949,877 | | (865,328) | 84,549 |
| Total Equity | <u>\$ 1,047,079</u> | <u>\$ 696,970</u> | <u>\$ (812,271)</u> | <u>\$ 931,778</u> |
| Total Liabilities and Equity | <u>\$ 5,709,723</u> | <u>\$ 1,203,668</u> | <u>\$ 52,173</u> | <u>\$ 6,965,564</u> |

(1) Extracted from audited financial statements.

**Town of New London
Balance Sheet
Governmental Funds
December 31, 2003 (1)**

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------------|-----------------------------|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 911,008 | \$ 376,720 | \$ | \$ 1,287,728 |
| Investments | 2,917,861 | 328,406 | 51,313 | 3,297,580 |
| Receivables, net of allowance for uncollectable: | | | | |
| Taxes | 436,426 | | | 436,426 |
| Accounts | 1,762 | 16,736 | | 18,498 |
| Special assessments | 858 | 456,870 | | 457,728 |
| Interfund receivable | 5,439 | 3,360 | | 8,799 |
| Total Assets | <u>\$ 4,273,354</u> | <u>\$ 1,182,092</u> | <u>\$ 51,313</u> | <u>\$ 5,506,759</u> |
| Liabilities and Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 55,944 | \$ 5,020 | \$ | \$ 60,964 |
| Intergovernmental payable | | 36,218 | | 36,218 |
| Interfund payable | 3,066,253 | 3,360 | | 3,069,613 |
| Escrow and performance deposits | | | | - |
| Deferred revenue | | 451,090 | | 451,090 |
| Total Liabilities | <u>\$ 3,122,197</u> | <u>\$ 495,688</u> | <u>\$</u> | <u>\$ 3,617,885</u> |
| Equity | | | | |
| Fund balances: | | | | |
| Reserved for encumbrances | \$ 111,954 | \$ | \$ | \$ 111,954 |
| Reserved for endowments | | | 1,251,950 | 1,251,950 |
| Reserved for special purposes | | | 1,098,464 | 1,098,464 |
| Unreserved: | | | | |
| Designated for special purposes | | 686,404 | | 686,404 |
| Undesignated (deficit) | 1,039,203 | | | 1,039,203 |
| Total Equity | <u>\$1,151,157</u> | <u>\$686,404</u> | <u>\$2,350,414</u> | <u>\$4,187,975</u> |
| Total Liabilities and Equity | <u>\$ 4,273,354</u> | <u>\$ 1,182,092</u> | <u>\$ 2,350,414</u> | <u>\$ 7,805,860</u> |

(1) Extracted from audited financial statements.

Town of New London
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2004

| | <u>General Fund</u> | <u>Special Projects</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-----------------------------|-----------------------------|---|
| Revenues | | | | |
| Taxes | \$ 2,956,967 | \$ | \$ | \$ 2,956,967 |
| Licenses, permits and fees | 852,269 | | | 852,269 |
| Intergovernmental | 399,537 | 27,959 | | 427,496 |
| Charges for services | 141,874 | 528,577 | | 670,451 |
| Miscellaneous revenues | 252,115 | 87,819 | 830 | 340,764 |
| Total Revenues | <u>\$ 4,602,762</u> | <u>\$ 644,355</u> | <u>\$ 830</u> | <u>\$ 5,247,947</u> |
| Expenditures | | | | |
| General government | \$ 1,031,380 | \$ | \$ | \$ 1,031,380 |
| Public safety | 922,664 | | | 922,664 |
| Highways and streets | 877,527 | | | 877,527 |
| Sanitation | 409,437 | 637,483 | | 1,046,920 |
| Health | 113,338 | | | 113,338 |
| Welfare | 10,081 | | | 10,081 |
| Culture and recreation | 118,082 | 392,795 | | 510,877 |
| Conservation | 18,048 | | | 18,048 |
| Debt service | 187,393 | | | 187,393 |
| Capital outlay | 312,548 | | 1,234,179 | 1,546,727 |
| Total Expenditures | <u>\$ 4,000,498</u> | <u>\$ 1,030,278</u> | <u>\$ 1,234,179</u> | <u>\$ 6,264,955</u> |
| Excess (deficiency) of revenues over expenditures | \$ 602,264 | \$ (385,923) | \$ (1,233,349) | \$ (1,017,008) |
| Other Financing Sources (Uses) | | | | |
| InterfundTransfers in | 237,808 | 381,145 | 250,798 | 869,751 |
| InterfundTransfers out | (944,150) | (109,142) | (167,547) | (1,220,839) |
| Total other financing sources and uses | <u>(706,342)</u> | <u>272,003</u> | <u>83,251</u> | <u>(351,088)</u> |
| Net change in fund balances | (104,078) | (113,920) | (863,614) | (1,081,612) |
| Fund Balances - beginning of year | <u>\$ 1,151,157</u> | <u>\$ 810,890</u> | <u>\$ 51,343</u> | <u>2,013,390</u> |
| Fund Balances - end of year | <u>\$ 1,047,079</u> | <u>\$ 696,970</u> | <u>\$ (812,271)</u> | <u>\$ 931,778</u> |

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

Town of New London
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2003

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital Project</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|----------------------------|----------------------------|---|
| Revenues | | | | |
| Taxes | \$ 2,781,043 | \$ | \$ | \$ 2,781,043 |
| Licenses and permits | 865,852 | | | 865,852 |
| Intergovernmental | 343,309 | 27,383 | | 370,692 |
| Charges for services | 128,839 | 520,296 | | 649,135 |
| Miscellaneous | 210,444 | 89,220 | 1,129 | 300,793 |
| Total Revenues | \$ 4,329,487 | \$ 636,899 | \$ 1,129 | \$ 4,967,515 |
| Expenditures | | | | |
| General government | \$ 811,624 | \$ | \$ | \$ 811,624 |
| Public safety | 909,892 | | | 909,892 |
| Highways and streets | 972,610 | | | 972,610 |
| Sanitation | 381,836 | 451,570 | | 833,406 |
| Health | 27,949 | | | 27,949 |
| Welfare | 6,685 | | | 6,685 |
| Culture and recreation | 107,977 | 365,139 | | 473,116 |
| Conservation | 15,959 | | | 15,959 |
| Debt service | 194,363 | | | 194,363 |
| Capital outlay | 329,810 | | | 329,810 |
| Total Expenditures | \$ 3,758,705 | \$ 816,709 | \$ | \$ 4,575,414 |
| Excess (deficiency) of revenues over expenditures | \$ 570,782 | \$ (179,810) | \$ 1,129 | \$ 392,101 |
| Other Financing Sources (Uses) | | | | |
| Interfund transfers in | \$ 313,196 | \$ 355,219 | \$ | \$ 668,415 |
| Interfund transfers out | (865,092) | (104,180) | | (969,272) |
| Total Other Financing Sources and Uses | \$ (551,896) | \$ 251,039 | \$ | \$ (300,857) |
| Net change in fund balances | 18,886 | 71,229 | 1,129 | 91,244 |
| Fund Balances - beginning of year | \$ 1,132,271 | \$ 615,175 | \$ 50,214 | 1,797,660 |
| Fund Balances - end of year | \$ 1,151,157 | \$ 686,404 | \$ 51,343 | \$ 1,888,904 |

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

TOWN OF SPRINGFIELD, NEW HAMPSHIRE

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

The Town

Springfield is high, hilly, wooded and generally rural with several water bodies, wetlands and large areas of forest. Development occurs in a practical mix of residences and service establishments concentrated in West Springfield and near I-89. The economy is primarily recreational and natural resource based. Access to cultural and employment centers in New London, Concord, Sunapee, Newport, Claremont, White River Junction, Lebanon and Hanover is convenient via I-89. Excellent health care facilities are available at the New London Hospital and the Dartmouth-Hitchcock Medical Center in Lebanon.

Assessed Valuations

| Fiscal Year | Local Assessed Valuation |
|-------------|--------------------------------|
| 2005 | \$ 197,641,516 |
| 2004 | 97,529,727 |
| 2003 | 95,774,532 |
| 2002 | 94,770,567 |
| 2001 | 80,502,569 |

(1) Revaluation year.

Tax Rates, Levies and Collections

| Year | Tax Rate | Net Property Tax Levy | Amount Uncollected at Each Year End |
|------|----------|--------------------------|---|
| 2005 | \$ 12.41 | \$ 2,429,932 | \$ 173,187 |
| 2004 | 25.34 | 2,408,013 | 138,305 |
| 2003 | 24.29 | 2,272,291 | 62,990 |
| 2002 | 24.31 | 2,287,842 | 20,523 |
| 2001 | 26.07 | 2,090,318 | 281,339 |

Largest Taxpayers - 2005

| Name | Type of Business | Assessed Value |
|------------------------|------------------|----------------|
| Hamphill Power & Light | Electrical | \$ 9,478,500 |
| Durgin & Crowell | Lumber | 6,720,700 |
| Twin Lake Villa | Resort | 4,390,770 |
| PSNH | Utility | 2,666,300 |
| Star Lake Properties | Property | 2,114,125 |
| Brandow, Ann | Resident | 1,571,800 |
| Leathers, David | Resident | 1,441,000 |
| Bloch, Roger | Resident | 1,360,300 |
| Rowse, Sandra | Resident | 1,136,202 |
| Ome, Frank | Resident | 1,134,400 |

Largest Employers

| <u>Name</u> | <u>Type of Business</u> |
|------------------------|-------------------------|
| Durgin & Crowell | Lumber |
| Evarts | Lumber |
| Twin Lake Villa Inn | Resort |
| Feeman, Hide A Way Inn | Bed & Breakfast |
| Multi Media | Data |

Building Permits

| <u>Fiscal Year</u> | <u>Number Issued</u> |
|--------------------|----------------------|
| 2005 | 16 |
| 2004 | 23 |
| 2003 | 22 |
| 2002 | 22 |
| 2001 | 13 |

Population

| <u>1970</u> | <u>1980</u> | <u>1990</u> | <u>2000</u> |
|-------------|-------------|-------------|-------------|
| 310 | 532 | 788 | 945 |

Unemployment Rates

| <u>Year</u> | <u>Town</u> | <u>NH</u> | <u>US</u> |
|-------------|-------------|-----------|-----------|
| 2005 | 2.7 % | 3.3 % | 4.6 % |
| 2004 | 3.2 | 3.8 | 5.5 |
| 2003 | 2.7 | 4.3 | 6.0 |

Debt

The Town currently has no outstanding debt.

Litigation

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

**Town of Springfield
Balance Sheet
Governmental Funds
December 31, 2004 (1)**

| | General Fund | Special Revenue | Total Governmental Funds |
|---|-------------------------|----------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 1,114,461 | \$ 10,935 | \$ 1,125,396 |
| Investments | | 140,641 | 140,641 |
| Receivables, net of allowance for uncollectable: | | | |
| Taxes | 168,018 | | 168,018 |
| Accounts | 4,640 | | 4,640 |
| Total Assets | \$ 1,287,119 | \$ 151,576 | \$ 1,438,695 |
| Liabilities and Equity | | | |
| Liabilities: | | | |
| Accounts payable | \$ 46,311 | \$ | \$ 46,311 |
| Intergovernmental payable | 767,000 | | 767,000 |
| Interfund payable | 1,000 | 2,546 | 3,546 |
| Deferred revenue | 600 | | 600 |
| Total Liabilities | \$ 814,911 | \$ 2,546 | \$ 817,457 |
| Equity | | | |
| Fund balances: | | | |
| Reserved for encumbrances | \$ 114,358 | \$ | \$ 114,358 |
| Reserved for endowments | | | |
| Reserved for special purposes | | | |
| Unreserved: | | | |
| Designated for special purposes | | 149,030 | 149,030 |
| Undesignated (deficit) | 357,850 | | 357,850 |
| Total Equity | \$ 472,208 | \$ 149,030 | \$ 621,238 |
| Total Liabilities and Equity | \$ 1,287,119 | \$ 151,576 | \$ 1,438,695 |

(1) Extracted from audited financial statements.

**Town of Springfield
Balance Sheet
Governmental Funds
December 31, 2003 (1)**

| | General Fund | Special Revenue | Total Governmental Funds |
|---|-------------------------|----------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 1,008,530 | \$ 9,052 | \$ 1,017,582 |
| Investments | 4,832 | 55,727 | 60,559 |
| Receivables, net of allowance for uncollectable: | | | |
| Taxes | 209,512 | | 209,512 |
| Intergovernmental | 28,401 | | 28,401 |
| Total Assets | \$ 1,251,275 | \$ 64,779 | \$ 1,316,054 |
| Liabilities and Equity | | | |
| Liabilities: | | | |
| Accounts payable | \$ 6,734 | \$ | \$ 6,734 |
| Intergovernmental payable | | | |
| Interfund payable | 598,211 | 2,520 | 600,731 |
| Total Liabilities | \$ 604,945 | \$ 2,520 | \$ 607,465 |
| Equity | | | |
| Fund balances: | | | |
| Reserved for encumbrances | \$ 20,000 | \$ | \$ 20,000 |
| Reserved for endowments | | | |
| Reserved for special purposes | | | |
| Unreserved: | | | |
| Designated for special purposes | | 62,259 | 62,259 |
| Undesignated (deficit) | 626,330 | | 626,330 |
| Total Equity | \$ 646,330 | \$ 62,259 | \$ 708,589 |
| Total Liabilities and Equity | \$ 1,251,275 | \$ 64,779 | \$ 1,316,054 |

(1) Extracted from audited financial statements.

Town of Springfield
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2004

| | General Fund | Special Revenue | Total Governmental Funds |
|--|-------------------------|----------------------------|---|
| Revenues | | | |
| Taxes | \$ 430,153 | \$ | \$ 430,153 |
| Licenses, permits and fees | 233,236 | | 233,236 |
| Intergovernmental | 101,230 | | 101,230 |
| Charges for services | 9,096 | | 9,096 |
| Miscellaneous revenues | 37,293 | 90,187 | 127,480 |
| Total Revenues | \$ 811,008 | \$ 90,187 | \$ 901,195 |
| Expenditures | | | |
| General government | \$ 280,288 | \$ | \$ 280,288 |
| Public safety | 125,015 | | 125,015 |
| Highways and streets | 207,587 | | 207,587 |
| Sanitation | 88,242 | | 88,242 |
| Health | 6,964 | | 6,964 |
| Welfare | 1,441 | | 1,441 |
| Culture and recreation | 20,681 | 12,916 | 33,597 |
| Conservation | 675 | | 675 |
| Capital outlay | 244,737 | | 244,737 |
| Total Expenditures | \$ 975,630 | \$ 12,916 | \$ 988,546 |
| Excess (deficiency) of revenues over expenditures | \$ (164,622) | \$ 77,271 | \$ (87,351) |
| Other Financing Sources (Uses) | | | |
| Interfund transfers in | | 9,500 | 9,500 |
| Interfund transfers out | (9,500) | | (9,500) |
| Total other financing sources and uses | (9,500) | 9,500 | |
| Net change in fund balances | (174,122) | 86,771 | (87,351) |
| Fund Balances - beginning of year | \$ 646,330 | \$ 810,890 | \$ 1,457,220 |
| Fund Balances - end of year | \$ 472,208 | \$ 897,661 | \$ 1,369,869 |

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

Town of Springfield
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2003

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|----------------------------|---|
| Revenues | | | |
| Taxes | \$ 449,531 | \$ | \$ 449,531 |
| Licenses and Permits | 194,366 | | 194,366 |
| Intergovernmental | 93,753 | | 93,753 |
| Charges for services | 2,412 | 224 | 2,636 |
| Miscellaneous revenues | 23,352 | 7,760 | 31,112 |
| Total Revenues | <u>\$ 763,414</u> | <u>\$ 7,984</u> | <u>\$ 771,398</u> |
| Expenditures | | | |
| General government | \$ 276,671 | \$ | \$ 276,671 |
| Public safety | 92,804 | | 92,804 |
| Highways and streets | 141,163 | | 141,163 |
| Sanitation | 85,589 | | 85,589 |
| Health | 6,219 | | 6,219 |
| Welfare | 929 | | 929 |
| Culture and recreation | 17,622 | 14,710 | 32,332 |
| Conservation | 175 | | 175 |
| Debt Service | 2,571 | | 2,571 |
| Capital outlay | 15,640 | | 15,640 |
| Total Expenditures | <u>\$ 639,383</u> | <u>\$ 14,710</u> | <u>\$ 654,093</u> |
| Excess (deficiency) of revenues over expenditures | \$ 124,031 | \$ (6,726) | \$ 117,305 |
| Other Financing Sources (Uses) | | | |
| Interfund transfers in | | 8,500 | 8,500 |
| Interfund transfers out | (8,500) | | (8,500) |
| Total other financing sources and uses | (8,500) | 8,500 | |
| Net change in fund balances | 115,531 | 1,774 | 117,305 |
| Fund Balances - beginning of year | <u>\$ 530,799</u> | <u>\$ 60,485</u> | <u>\$ 591,284</u> |
| Fund Balances - end of year | <u>\$ 646,330</u> | <u>\$ 62,259</u> | <u>\$ 708,589</u> |

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

TOWN OF SUTTON, NEW HAMPSHIRE

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

The Town

Sutton is comprised of 36 square acres with a population of 1,544. Mostly residential, the Town is located in central New Hampshire near the I-89 corridor. The Town is rural in character.

Assessed Valuations

| <u>Fiscal Year</u> | <u>Local Assessed Valuation</u> |
|--------------------|---------------------------------|
| 2005 | \$ 205,901,384 |
| 2004 | 197,835,067 |
| 2003 | 191,979,351 |
| 2002 | 118,792,787 |
| 2001 | 115,945,219 |

(1) Revaluation year.

Tax Rates, Levies and Collections

| <u>Year</u> | <u>Tax Rate</u> | <u>Net Property Tax Levy</u> | <u>Amount Uncollected at Each Year End</u> |
|-------------|-----------------|------------------------------|--|
| 2005 | \$ 20.74 | \$ 4,198,915 | \$ 281,714 |
| 2004 | 17.95 | 3,468,246 | 225,040 |
| 2003 | 17.51 | 3,340,907 | 228,146 |
| 2002 | 25.02 | 2,735,361 | 213,872 |
| 2001 | 21.98 | 2,526,345 | 170,241 |

(1) Revaluation year.

Largest Taxpayers - 2005

| <u>Name</u> | <u>Type of Business</u> | <u>Assessed Value</u> |
|--------------------------|-------------------------|-----------------------|
| Country Club of NH | Golf Course | \$ 3,698,039 |
| Labshpere | Electronic/Computer | 3,552,523 |
| PSNH | Utility | 1,582,288 |
| Paul, Thomas/Janet | Private Residence | 1,087,588 |
| Obertuck, Joseph | Private Residence | 782,299 |
| Herlitz, Stacey | Private Residence | 754,300 |
| Hallahan Revocable Trust | Private Residence | 732,370 |
| Donovan, Dvid/Cynthia | Private Residence | 717,910 |
| Donlin, Paul | Private Residence | 714,695 |
| Joslin, Tennis | Tennis Club | 688,900 |

Largest Employers

| <u>Name</u> | <u>Type of Business</u> | <u>No. of Employees</u> |
|--------------------|-------------------------|-------------------------|
| Labsphere | Electronics | 75 |
| KRHS | School | 105 |
| Country Club of NH | Golf Course | 55 (mostly in summer) |

Building Permits

| <u>Fiscal Year</u> | <u>Number Issued</u> | <u>Total Value</u> |
|--------------------|----------------------|--------------------|
| 2005 | 94 | \$ 5,929,635 |
| 2004 | 104 | 6,400,000 |
| 2003 | 104 | 6,700,000 |
| 2002 | 101 | 3,000,000 |
| 2001 | 68 | 2,800,000 |

Population

| <u>1970</u> | <u>1980</u> | <u>1990</u> | <u>2000</u> |
|-------------|-------------|-------------|-------------|
| 642 | 1,091 | 1,457 | 1,544 |

Unemployment Rates

| <u>Year</u> | <u>Town</u> | <u>NH</u> | <u>US</u> |
|-------------|-------------|-----------|-----------|
| 2005 | 2.7 % | 3.3 % | 4.6 % |
| 2004 | 3.2 | 3.8 | 5.5 |
| 2003 | 2.7 | 4.3 | 6.0 |

Debt

| <u>Calendar Year Payable</u> | <u>Outstanding Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|------------------------------|-----------------|------------------|
| 2006 | \$ 18,324 | \$ 1,044 | \$ 19,368 |
| 2007 | 18,759 | 792 | 19,551 |
| 2008 | 19,204 | 534 | 19,738 |
| 2009 | 19,660 | 270 | 19,930 |
| Total | <u>\$ 75,947</u> | <u>\$ 2,640</u> | <u>\$ 78,587</u> |

Litigation

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

**Town of Sutton
Balance Sheet
Governmental Funds
December 31, 2005 (1)**

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital & Noncapital Reserves</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|----------------------------|--|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,636,790 | \$ 135,145 | \$ | \$ 1,771,935 |
| Investments | | | | |
| Taxes receivable | 289,007 | 9,434 | 649,639 | 948,080 |
| Intergovernmental receivables | 7,477 | | | 7,477 |
| Other receivables | 711 | | | 711 |
| Total Assets | <u>\$ 1,933,985</u> | <u>\$ 144,579</u> | <u>\$ 649,639</u> | <u>\$ 2,728,203</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 154 | \$ | \$ | \$ 154 |
| Accrued liabilities | 215 | | | 215 |
| Intergovernmental payable | 1,162,876 | | | 1,162,876 |
| Deferred revenue | 1,291 | | | 1,291 |
| Total Liabilities | <u>\$ 1,164,536</u> | <u>\$</u> | <u>\$</u> | <u>\$ 1,164,536</u> |
| Fund balances: | | | | |
| Reserved for: | \$ 159,240 | \$ | | \$ 159,240 |
| Encumbrances | | | | |
| Special purposes, reported in: | | | | |
| Special revenue funds | | 144,579 | | 144,579 |
| Expendable trust funds | | | \$ 649,639 | 649,639 |
| Unreserved, reported in: | | | | |
| General fund | 610,209 | | | 610,209 |
| Total Fund Balances: | <u>769,449</u> | <u>144,579</u> | <u>649,639</u> | <u>1,563,667</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,933,985</u> | <u>\$ 144,579</u> | <u>\$ 649,639</u> | <u>\$ 2,728,203</u> |

(1) Extracted from audited financial statements.

**Town of Sutton
Balance Sheet
Governmental Funds
December 31, 2004 (1)**

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital & Noncapital Reserves</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|----------------------------|--|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 372,445 | \$ 78,106 | \$ - | \$ 450,551 |
| Investments | 978,866 | | 497,736 | 1,476,602 |
| Receivables - net of allowance for uncollectibles | | | | |
| Taxes | 206,387 | 18,654 | | 225,041 |
| Intergovernmental | 9,085 | | | 9,085 |
| Interfund receivable | 41,000 | 5,885 | | 46,885 |
| Other receivables | 312 | | | 312 |
| Total Assets | <u>\$ 1,608,095</u> | <u>\$ 102,645</u> | <u>\$ 497,736</u> | <u>\$ 2,208,476</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 6,617 | \$ | \$ | \$ 6,617 |
| Interfund payable | 5,885 | | 41,000 | 46,885 |
| Intergovernmental payable | 963,049 | | | 963,049 |
| Deferred revenue | 500 | | | 500 |
| Total Liabilities | <u>\$ 976,051</u> | <u>\$</u> | <u>\$ 41,000</u> | <u>\$ 1,017,051</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | 72,464 | | | \$ 72,464 |
| Special purposes, reported in: | | | | |
| Special revenue funds | | 102,645 | | 102,645 |
| Expendable trust funds | | | 456,736 | 456,736 |
| Unreserved, reported in: | | | | |
| General fund | 559,580 | | | 559,580 |
| Total Fund Balances: | <u>\$ 632,044</u> | <u>\$ 102,645</u> | <u>\$ 456,736</u> | <u>\$ 1,191,425</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,608,095</u> | <u>\$ 102,645</u> | <u>\$ 497,736</u> | <u>\$ 2,208,476</u> |

(1) Extracted from audited financial statements.

**Town of Sutton
Balance Sheet
Governmental Funds
December 31, 2003 (1)**

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|-------------------------|----------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 295,608 | \$ 6,263 | \$ 301,871 |
| Investments | 926,115 | 51,838 | 977,953 |
| Receivables | | | |
| Taxes | 235,511 | 33,049 | 268,560 |
| Accounts | 24 | | 24 |
| Intergovernmental | 6,425 | | 6,425 |
| Total Assets | <u>\$ 1,463,683</u> | <u>\$ 91,150</u> | <u>\$ 1,554,833</u> |
| Liabilities and Equity | | | |
| Liabilities: | | | |
| Accrued Payroll and Benefits | \$ 1,120 | \$ | \$ 1,120 |
| Intergovernmental payable | 814,156 | | 814,156 |
| Agency Deposits | | | |
| Deferred Revenues | 500 | | |
| Total Liabilities | <u>\$ 815,276</u> | <u>\$</u> | <u>\$ 815,276</u> |
| Equity: | | | |
| Investment in General Fixed Assets | \$ | \$ | \$ |
| Fund Balances | | | |
| Reserved for Endowments | | | |
| Reserved for Encumbrances | 133,135 | | 133,135 |
| Reserved for Special Purposes | | 91,150 | 91,150 |
| Unreserved | | | |
| Undesignated | 514,772 | | 514,772 |
| Total Equity: | <u>647,907</u> | <u>91,150</u> | <u>739,057</u> |
| Total Liabilities and Equity | <u>\$ 1,463,183</u> | <u>\$ 91,150</u> | <u>\$ 1,554,333</u> |

Town of Sutton
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2005

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital & Noncapital Reserves</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------------|--|---|
| Revenues | | | | |
| Property tax assessments | \$ 1,419,368 | \$ 31,457 | \$ | \$ 1,450,825 |
| Licenses and permits | 340,274 | | | 340,274 |
| State support | 192,969 | | | 192,969 |
| Federal support | 8,503 | | | 8,503 |
| Charges for services | 60,359 | | | 60,359 |
| Other local sources | 18,794 | 16,900 | 16,358 | 52,052 |
| Total Revenues | <u>\$ 2,040,267</u> | <u>\$ 48,357</u> | <u>\$ 16,358</u> | <u>\$ 2,104,982</u> |
| Expenditures | | | | |
| General government | \$ 387,024 | \$ | \$ | \$ 387,024 |
| Public safety | 294,898 | | | 294,898 |
| Highways and streets | 494,317 | | | 494,317 |
| Sanitation | 131,758 | | | 131,758 |
| Health | 5,490 | | | 5,490 |
| Welfare | 18,432 | | | 18,432 |
| Culture and recreation | 7,028 | 20,097 | | 27,125 |
| Conservation | | 7,445 | | 7,445 |
| Debt Service | 20,127 | | | 20,127 |
| Capital outlay | 349,687 | | | 349,687 |
| Total Expenditures | <u>\$ 1,708,761</u> | <u>\$ 27,542</u> | <u>\$</u> | <u>\$ 1,736,303</u> |
| Excess revenues over (under) expenditures | \$ 331,506 | \$ 20,815 | \$ 16,358 | \$ 368,679 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 60,268 | \$ 21,119 | \$ 233,250 | \$ 314,637 |
| Transfers out | (254,369) | | (56,705) | (311,074) |
| | <u>\$ (194,101)</u> | <u>\$ 21,119</u> | <u>\$ 176,545</u> | <u>\$ 3,563</u> |
| Net Change in fund balances | 137,405 | 41,934 | 192,903 | 372,242 |
| Fund Balances - January 1 | <u>\$ 632,044</u> | <u>\$ 102,645</u> | <u>\$ 456,736</u> | <u>\$ 734,689</u> |
| Fund Balances - December 31 | <u>\$ 769,449</u> | <u>\$ 144,579</u> | <u>\$ 649,639</u> | <u>\$ 1,563,667</u> |

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

Town of Sutton
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2004

| | General Fund | Special Revenue | Capital & Noncapital Reserves | Total Governmental Funds |
|---|-------------------------|----------------------------|--|---|
| Revenues | | | | |
| Property tax assessments | \$ 1,128,607 | \$ | \$ | \$ 1,128,607 |
| Licenses and permits | 323,491 | | | 323,491 |
| State support | 170,876 | | | 170,876 |
| Federal support | 9,037 | | | 9,037 |
| Charges for services | 53,593 | | | 53,593 |
| Other local sources | 26,740 | 1,800 | 4,450 | 32,990 |
| Total Revenues | \$ 1,712,344 | \$ 1,800 | \$ 4,450 | \$ 1,718,594 |
| Expenditures | | | | |
| General government | \$ 347,853 | \$ | \$ | \$ 347,853 |
| Public safety | 241,384 | | | 241,384 |
| Highways and streets | 480,560 | | | 480,560 |
| Sanitation | 151,000 | | | 151,000 |
| Health | 4,840 | | | 4,840 |
| Welfare | 10,533 | | | 10,533 |
| Culture and recreation | 5,553 | 17,935 | | 23,488 |
| Conservation | | 15,148 | | 15,148 |
| Debt Service | | | | 0 |
| Principal | 17,483 | | | 17,483 |
| Interest | 2,656 | | | 2,656 |
| Capital outlay | 396,879 | | | 396,879 |
| Total Expenditures | \$ 1,658,741 | \$ 33,083 | \$ | \$ 1,691,824 |
| Excess revenues over (under) expenditures | \$ 63,063 | \$ (31,283) | \$ 4,450 | \$ 36,770 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 41,000 | \$ 19,422 | \$ 101,750 | \$ 162,172 |
| Transfers out | (120,466) | | (41,000) | (161,466) |
| | \$ (79,466) | \$ 19,422 | \$ 60,750 | \$ 706 |
| Net Change in fund balances | (15,863) | (11,861) | 65,200 | 37,476 |
| Fund Balances - January 1 | \$ 647,907 | \$ 91,150 | \$ 391,536 | \$ 1,130,593 |
| Fund Balances - December 31 | \$ 632,044 | \$ 79,289 | \$ 456,736 | \$ 1,168,069 |

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

Town of Sutton
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2003

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|----------------------------|---|
| Revenues | | | |
| Taxes | \$ 1,033,784 | \$ 81,590 | \$ 1,115,374 |
| Licenses and permits | 296,624 | | 296,624 |
| Intergovernmental | 217,474 | 900 | 218,374 |
| Charges for services | 44,549 | 138 | 44,687 |
| Miscellaneous | 26,192 | 2,385 | 28,577 |
| Other Financing Sources | | | |
| Operating transfers in | 101,888 | 16,717 | 118,605 |
| Total Revenues | <u>\$ 1,720,511</u> | <u>\$ 101,730</u> | <u>\$ 1,822,241</u> |
| Expenditures | | | |
| General government | \$ 325,187 | \$ | \$ 325,187 |
| Public safety | 197,682 | | 197,682 |
| Highways and streets | 645,813 | | 645,813 |
| Sanitation | 109,719 | | 109,719 |
| Health | 4,932 | | 4,932 |
| Welfare | 12,980 | | 12,980 |
| Culture and recreation | 4,825 | 15,182 | 20,007 |
| Conservation | | 78,359 | 78,359 |
| Debt Service | 20,519 | | 20,519 |
| Capital outlay | 186,625 | | 186,625 |
| Other Financing Uses | | | |
| Operating transfers out | 86,817 | | 86,817 |
| Total Expenditures | <u>\$ 1,595,099</u> | <u>\$ 93,541</u> | <u>\$ 1,688,640</u> |
| Excess (deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses | \$ 125,412 | \$ 8,189 | \$ 133,601 |
| Fund Balances - January 1 | <u>\$ 522,495</u> | <u>\$ 102,645</u> | <u>625,140</u> |
| Fund Balances - December 31 | <u>\$ 647,907</u> | <u>\$ 110,834</u> | <u>\$ 758,741</u> |

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

TOWN OF WARNER, NEW HAMPSHIRE

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

The Town

Warner is Located 20 minutes from Concord, New Hampshire, with a population 2,883. Most residents are in two-person households with both working out of Town.

Assessed Valuations

| Fiscal Year | Local Assessed Valuation |
|-------------|--------------------------------|
| 2005 | \$ 271,933,250 |
| 2004 | 210,952,447 |
| 2003 | 205,529,960 |
| 2002 | 119,548,860 |
| 2001 | 116,670,300 |

'(1) Revaluation year.

Tax Rates, Levies and Collections

| Year | Tax Rate | Net Property Tax Levy | Amount Uncollected at Each Year End |
|------|----------|--------------------------|---|
| 2005 | \$ 18.28 | \$ 4,998,597 | \$ 310,414 |
| 2004 | 20.70 | 4,363,575 | 222,711 |
| 2003 | 21.19 | 4,355,158 | 269,510 |
| 2002 | 33.29 | 3,986,967 | 243,802 |
| 2001 | 32.23 | 3,736,113 | 218,751 |

Largest Taxpayers - 2005

| Name | Type of Business | Assessed Value |
|----------------------------|----------------------|----------------|
| Market Basket, Inc. | Grocery | \$ 3,500,000 |
| Milton-Warner Associates | Machinery Dealership | 3,203,870 |
| PSNH | Utility | 3,005,110 |
| 40 Depot Street, LLC | Manufacturing | 2,890,480 |
| Magdalen College | College | 1,759,770 |
| PRM Realty | Nursing Home | 1,635,400 |
| Tory Hill Properties, Inc. | Retail Supplier | 1,036,140 |
| Evans Group, Inc. | Gas/Convenience | 998,200 |
| McDonalds Corp. | Restaurant | 943,100 |
| Gerald E. Roy | Residence | 937,850 |

Largest Employers

| <u>Name</u> | <u>Type of Business</u> | <u>No. of Employees</u> |
|----------------------|-------------------------|-------------------------|
| 40 Depot Street, LLC | Manufacturing | 120 |
| Market Basket, Inc. | Grocery Store | 90 |
| Tory Hill Properties | Retail Supplier | 35 |
| PRM Realty LLC | Nursing Home | 53 |
| Milton-Warner Assoc. | Machinery Dealership | 42 |

Building Permits

| <u>Fiscal Year</u> | <u>Number Issued</u> | <u>Total Value</u> |
|--------------------|----------------------|--------------------|
| 2005 | 65 | \$ 14,244 |
| 2004 | 75 | 12,715 |
| 2003 | 74 | 17,943 |
| 2002 | 82 | 24,821 |
| 2001 | 69 | 13,203 |

Population

| <u>1970</u> | <u>1980</u> | <u>1990</u> | <u>2000</u> |
|-------------|-------------|-------------|-------------|
| 1,441 | 1,963 | 2,250 | 2,760 |

Unemployment Rates

| <u>Year</u> | <u>Town</u> | <u>NH</u> | <u>US</u> |
|-------------|-------------|-----------|-----------|
| 2005 | 2.9 % | 3.3 % | 4.6 % |
| 2004 | 3.0 | 3.8 | 5.5 |
| 2003 | 3.2 | 4.3 | 6.0 |

Debt

| <u>Year Payable</u> | <u>Outstanding Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|------------------------------|------------------|-------------------|
| 2006 | \$ 44,112 | \$ 16,008 | \$ 60,120 |
| 2007 | 45,656 | 14,464 | 60,120 |
| 2008 | 47,254 | 12,866 | 60,120 |
| 2009 | 48,908 | 11,212 | 60,120 |
| 2010-2014 | 271,449 | 29,157 | 300,606 |
| Total | <u>\$ 457,379</u> | <u>\$ 83,707</u> | <u>\$ 541,086</u> |

Litigation

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

**TOWN OF WARNER, NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004 (1)**

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|
| ASSETS | | | |
| Cash, Including Time Deposits | \$ 1,532,849 | \$ 1,024,965 | \$ 2,557,814 |
| Accounts Receivable Taxes & Other | 320,095 | | 320,095 |
| Deferred Expense | 270,585 | | 270,585 |
| Total Assets | <u>\$ 2,123,529</u> | <u>\$ 1,024,965</u> | <u>\$ 3,148,494</u> |
| LIABILITIES | | | |
| Accounts Payable - KRSD | 1,146,040 | | 1,146,040 |
| Note Payable | 500,000 | | 500,000 |
| Other Payable | 270,585 | | 270,585 |
| Total Liabilities | <u>1,916,625</u> | | <u>1,916,625</u> |
| Fund Balances | | | |
| Reserved for: | | | |
| Unexpended Balance of Special Appropriations | 15,900 | | 15,900 |
| Unreserved, Reported in: | | | |
| General Fund | 191,004 | | 191,004 |
| Capital Projects Fund | | 430,778 | 430,778 |
| Special Revenue Fund | | 594,187 | 594,187 |
| Total Fund Balances | <u>206,904</u> | <u>1,024,965</u> | <u>1,231,869</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,123,529</u> | <u>\$ 1,024,965</u> | <u>\$ 3,148,494</u> |

(1) Extracted from annual audit.

**TOWN OF WARNER, NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003 (1)**

| | General Fund | Special Revenue | Capital Projects | Trust and Agency | General Fixed Assets | General Long-Term Debt | Total Governmental Funds |
|---|---------------------|--------------------|---------------------|---------------------|----------------------------|------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and Tempory Inestments | \$ 1,347,331 | \$ 170,561 | \$ 433,033 | \$ | \$ | \$ | \$ 1,950,925 |
| Uncollected Taxes | 307,931 | | | | | | 307,931 |
| Unredeemed Taxes | 63,258 | | | | | | 63,258 |
| Accounts Receivable - Other | 5,496 | | | | | | 5,496 |
| Due from Other Funds | 4,947 | | | | | | 4,947 |
| Accrued Income on Investments | | | | | | | |
| Investments at Fair Market Value | | | | 282,766 | | | |
| Property, Plant and Equipment (Net) | | | | | 8,704,581 | | 8,704,581 |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | | | | - |
| Total Assets and Other Credits | <u>\$ 1,728,963</u> | <u>\$ 170,561</u> | <u>\$ 433,033</u> | <u>\$ 282,766</u> | <u>\$ 8,704,581</u> | <u>\$ -</u> | <u>11,319,904</u> |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS | | | | | | | |
| Acconts Payable - KRSD | \$ 1,086,510 | \$ | \$ | \$ | \$ | \$ | \$ 1,086,510 |
| Due to Other Funds | | | | 4,947 | | | 4,947 |
| Unexpended balance of Special Appropriations | 24,631 | | | | | | 24,631 |
| General Obligation Bonds Payable | | | | | | | |
| Total Liabilities | <u>1,111,141</u> | <u>-</u> | <u>-</u> | <u>4,947</u> | <u>-</u> | <u>-</u> | <u>1,116,088</u> |
| FUND EQUITY AND OTHER CREDITS | | | | | | | |
| Investment in General Fixed Assets | \$ | \$ | \$ | \$ | \$ 8,704,581 | \$ | \$ 8,704,581 |
| Fund Blanaces: | | | | | | | |
| Reserved for Encumbrances | | | | | | | |
| Donor Restrictaed - Trust and Agency | | | | 277,819 | | | 277,819 |
| Designated as Special Revenues | | 170,561 | | | | | 170,561 |
| Designated for Capital Projects | | | 433,033 | | | | 433,033 |
| Undesignated fund balance | 617,822 | | | | | | 617,822 |
| Total Fund Equity and Other Credits | <u>617,822</u> | <u>170,561</u> | <u>433,033</u> | <u>277,819</u> | <u>8,704,581</u> | <u>-</u> | <u>10,203,816</u> |
| Total Liabilities, Fund Equity, and other Credits | <u>\$ 1,728,963</u> | <u>\$ 170,561</u> | <u>\$ 433,033</u> | <u>\$ 282,766</u> | <u>\$ 8,704,581</u> | <u>\$ -</u> | <u>\$ 11,319,904</u> |

(1) Extracted from annual audit.

**TOWN OF WARNER, NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2002 (1)**

| | Governmental Fund Types | | | Fiduciary Fund Type | Account Groups | | Total (Memorandum Only) |
|---|-------------------------|--------------------|---------------------|------------------------|-------------------------|------------------------------|-------------------------------|
| | General Fund | Special Revenue | Capital Projects | Trust and Agency | General Fixed Assets | General Long-Term Debt | |
| ASSETS | | | | | | | |
| Cash and Temporary Investments | \$ 1,048,727 | \$ 196,609 | \$ 303,864 | \$ | \$ | \$ | \$ 1,549,200 |
| Uncollected Taxes | 259,693 | | | | | | 259,693 |
| Unredeemed Taxes | 68,630 | | | | | | 68,630 |
| Accounts Receivable - Other | 4,049 | | | | | | 4,049 |
| Due from Other Funds | 50,045 | | | | | | 50,045 |
| Accrued Income on Investment | | | | 3,096 | | | 3,096 |
| Investments at Fair Market Value | | | | 269,842 | | | 269,842 |
| Property, Plant and Equipment (Net) | | | | | 7,937,233 | | 7,937,233 |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | | | 17,500 | 17,500 |
| Total Assets and Other Debits | <u>\$ 1,431,144</u> | <u>\$ 196,609</u> | <u>\$ 303,864</u> | <u>\$ 272,938</u> | <u>\$ 7,937,233</u> | <u>\$ 17,500</u> | <u>\$ 10,159,288</u> |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS | | | | | | | |
| Accounts Payable - KRSD | 778,470 | | | | | | 778,470 |
| Due to Other Funds | | | 50,045 | | | | 50,045 |
| Unexpended Balance of Special Appropriations | 73,179 | | | | | | 73,179 |
| General Obligation Bonds Payable | | | | | | 17,500 | 17,500 |
| Total Liabilities | <u>851,649</u> | <u>-</u> | <u>50,045</u> | <u>-</u> | <u>-</u> | <u>17,500</u> | <u>919,194</u> |
| Fund Equity and Other Credits | | | | | | | |
| Investment in General Fixed Assets | | | | | 7,937,233 | | 7,937,233 |
| Fund Balances: | | | | | | | |
| Reserved for Encumbrances | | | | | | | |
| Donor Restricted - Trust and Agency | | | | 272,938 | | | 272,938 |
| Designated as Special Revenue | | 196,609 | | | | | 196,609 |
| Designated for Capital Projects | | | 253,819 | | | | 253,819 |
| Undesignated Fund Balances | 579,495 | | | | | | 579,495 |
| Total Fund Balances | <u>579,495</u> | <u>196,609</u> | <u>253,819</u> | <u>272,938</u> | <u>7,937,233</u> | <u>-</u> | <u>9,240,094</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,431,144</u> | <u>\$ 196,609</u> | <u>\$ 303,864</u> | <u>\$ 272,938</u> | <u>\$ 7,937,233</u> | <u>\$ 17,500</u> | <u>\$ 10,159,288</u> |

(1) Extracted from annual audit.

TOWN OF WARNER, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004 (1)

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Taxes | \$ 4,465,423 | \$ 53,014 | \$ 4,518,437 |
| Licenses and Permits | 432,614 | | 432,614 |
| Intergovernmental | 153,341 | 39,177 | 192,518 |
| Charges for Services | 86,707 | | 86,707 |
| Miscellaneous | 103,532 | 50,610 | 154,142 |
| TOTAL REVENUES | <u>5,241,617</u> | <u>142,801</u> | <u>5,384,418</u> |
| EXPENDITURES | | | |
| General Government | \$ 638,463 | \$ 3,100 | \$ 641,563 |
| Public Safety | 519,432 | 5,222 | 524,654 |
| Highway and Streets | 686,592 | 500 | 687,092 |
| Health and Welfare | 293,731 | 378 | 294,109 |
| Culture and Recreation | 175,686 | 76,274 | 251,960 |
| Capital Outlay | 261,882 | 8,915 | 270,797 |
| | <u>2,575,786</u> | <u>94,389</u> | <u>2,670,175</u> |
| Intergovernmental | | | |
| Kearsarge Regional School District | \$ 2,382,544 | \$ | \$ 2,382,544 |
| County of Merrimack | 480,415 | | 480,415 |
| Warner Village Water District | 53,209 | | 53,209 |
| Total Expenditures | <u>\$ 5,491,954</u> | <u>\$ 94,389</u> | <u>\$ 5,586,343</u> |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (250,337) | \$ 48,412 | \$ (201,925) |
| Other Financing Sources (Uses) | | | |
| Balance of \$500,000 Note | \$ (263,118) | \$ 263,118 | \$ |
| Transfers in | 32,301 | 142,142 | 174,443 |
| Transfers out | (142,142) | (32,301) | (174,443) |
| Total Other Financing Sources (Uses) | <u>\$ (372,959)</u> | <u>\$ 372,959</u> | <u>\$</u> |
| Net Change in Fund Balances | 623,296 | 421,371 | 1,044,667 |
| Fund Balances - Beginning | 617,882 | 603,594 | 1,221,476 |
| Fund Balances - Ending | <u>\$ (5,414)</u> | <u>\$ 1,024,965</u> | <u>\$ 1,019,551</u> |

(1) Extracted from annual audit.

Town of Warner
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
December 31, 2003 (1)

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|--------------------------|----------------------------|-----------------------------|---|
| Revenues | | | | |
| Property taxes, including penalties and interest | \$ 4,400,642 | \$ 42,382 | \$ | \$ 4,443,024 |
| Licenses and permits | 416,228 | | | 416,228 |
| Intergovernmental | 235,651 | | | 235,651 |
| Fees and services | 59,136 | | | 59,136 |
| Miscellaneous | 61,112 | 27,617 | 54,206 | 142,935 |
| Total Revenues | <u>\$ 5,172,769</u> | <u>\$ 69,999</u> | <u>\$ 54,206</u> | <u>\$ 5,296,974</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | \$ 461,078 | \$ 14,557 | \$ | \$ 475,635 |
| Public safety | 405,265 | 65 | | 405,330 |
| Highways and streets | 635,295 | 4,032 | | 639,327 |
| Health and welfare | 245,500 | | | 245,500 |
| Culture and recreation | 94,517 | | | 94,517 |
| Capital outlay | 184,087 | 133,393 | | 317,480 |
| Debt service | | | | |
| Principal retirement | 17,500 | | | 17,500 |
| Interest | 875 | | | 875 |
| Payments to other governmental operating units | 2,909,257 | | | 2,909,257 |
| Total Expenditures | <u>\$ 4,953,374</u> | <u>\$ 152,047</u> | <u>\$</u> | <u>\$ 5,105,421</u> |
| Excess (deficiencies) of revenues over expenditures | <u>\$ 219,395</u> | <u>\$ (82,048)</u> | <u>\$ 54,206</u> | <u>\$ 191,553</u> |
| Other Sources (Uses) | | | | |
| Operating transfers in | \$ 44,992 | \$ 56,000 | \$ 220,000 | \$ 320,992 |
| Operating transfers out | (226,000) | | (94,992) | (320,992) |
| Total Other Sources (Uses) | <u>\$ (181,008)</u> | <u>\$ 56,000</u> | <u>\$ 125,008</u> | <u>\$ -</u> |
| Excess of revenues and other sources over expenditures and other uses | <u>\$ 38,387</u> | <u>\$ (26,048)</u> | <u>\$ 179,214</u> | <u>\$ 191,553</u> |
| Fund Balance, Beginning of Year | <u>579,495</u> | <u>196,609</u> | <u>253,819</u> | <u>1,029,923</u> |
| Fund Balance, End of Year | <u><u>\$ 617,882</u></u> | <u><u>\$ 170,561</u></u> | <u><u>\$ 433,033</u></u> | <u><u>\$ 1,221,476</u></u> |

(1) Extracted from audited financial statements.

Town of Warner
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
December 31, 2002 (1)

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------------|-----------------------------|---|
| Revenues | | | | |
| Property taxes, including penalties and interest | \$ 4,078,384 | \$ | \$ | \$ 4,078,384 |
| Licenses and permits | 420,238 | | | 420,238 |
| Intergovernmental | 225,132 | 900 | | 226,032 |
| Fees and services | 67,143 | | | 67,143 |
| Miscellaneous | 77,290 | 45,309 | 4,418 | 127,017 |
| Total Revenues | <u>\$ 4,868,187</u> | <u>\$ 46,209</u> | <u>\$ 4,418</u> | <u>\$ 4,918,814</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | \$ 483,109 | \$ 16,086 | \$ | \$ 499,195 |
| Public safety | 397,473 | | | 397,473 |
| Highways and streets | 626,490 | | | 626,490 |
| Health and welfare | 245,745 | 1,084 | | 246,829 |
| Culture and recreation | 95,660 | 4,783 | | 100,443 |
| Capital outlay | 295,494 | | | 295,494 |
| Debt service | | | | |
| Principal retirement | 17,500 | | | 17,500 |
| Interest | 1,844 | | | 1,844 |
| Payments to other governmental operating units | 2,641,145 | | | 2,641,145 |
| Total Expenditures | <u>\$ 4,804,460</u> | <u>\$ 21,953</u> | <u>\$</u> | <u>\$ 4,826,413</u> |
| Excess (deficiencies) of revenues over expenditures | <u>\$ 63,727</u> | <u>\$ 24,256</u> | <u>\$</u> | <u>\$ 92,401</u> |
| Other Sources (Uses) | | | | |
| Operating transfers in | \$ 100,045 | \$ 30,000 | \$ 110,000 | \$ 240,045 |
| Operating transfers out | (140,000) | | (100,045) | (240,045) |
| Total Other Sources (Uses) | <u>\$ (39,955)</u> | <u>\$ 30,000</u> | <u>\$ 9,955</u> | <u>\$</u> |
| Excess of revenues and other sources over expenditures and other uses | <u>\$ 23,772</u> | <u>\$ 54,256</u> | <u>\$ 14,373</u> | <u>\$ 92,401</u> |
| Fund Balance, Beginning of Year | <u>555,723</u> | <u>142,353</u> | <u>239,446</u> | <u>937,522</u> |
| Fund Balance, End of Year | <u>\$ 579,495</u> | <u>\$ 196,609</u> | <u>\$ 253,819</u> | <u>\$ 1,029,923</u> |

(1) Extracted from audited financial statements.

TOWN OF WILMOT, NEW HAMPSHIRE

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

The Town

Wilmot has a population of about 1,150 residents. Wilmot contains 29.4 square miles of land.

Assessed Valuations

| <u>Fiscal Year</u> | <u>Local Assessed Valuation</u> |
|--------------------|---------------------------------|
| 2005 | \$ 176,440,033 |
| 2004 | 96,508,379 |
| 2003 | 92,761,894 |
| 2002 | 87,377,711 |
| 2001 | 86,025,403 |

'(1) Revaluation year.

Tax Rates, Levies and Collections

| <u>Year</u> | <u>Tax Rate</u> | <u>Net Property Tax Levy</u> | <u>Amount Uncollected at Each Year End</u> |
|-------------|-----------------|------------------------------|--|
| 2005 | \$ 14.55 | \$ 2,541,378 | \$ 152,686 |
| 2004 | 24.48 | 2,346,268 | 151,353 |
| 2003 | 24.47 | 2,263,139 | 220,729 |
| 2002 | 23.22 | 2,012,305 | 143,663 |
| 2001 | 22.86 | 1,992,132 | 382,704 |

Largest Taxpayers - 2005

| <u>Name</u> | <u>Type of Business</u> | <u>Assessed Value</u> |
|------------------|-------------------------|-----------------------|
| Eagle Pond, LLC | Conference Center | \$ 1,601,085 |
| NHEC | Residence | 1,004,905 |
| Thomas Vaughn | Residence | 874,145 |
| Richard Chase | Inn | 830,180 |
| Ragged Edge Farm | Residence | 625,835 |
| John O'Connor | Flooring/Cabinets | 575,151 |
| Carl Olson | Residence | 572,800 |
| Lee Huntoon | Residence | 446,214 |
| James Moodey | Residence | 419,077 |
| Dave Babson | Residence | 409,200 |

Largest Employers

| <u>Name</u> | <u>Type of Business</u> | <u>No. of Employees</u> |
|-----------------------|-------------------------|-------------------------|
| Eagle Pond, LLC | Conference Center | 10 |
| Town | Municipality | 12 |
| Clarke Bros. | Construction | 10 |
| New London Floorcraft | Flooring | 8 |
| Park n Go Market | Convenience Store | 5 |

Building Permits

| <u>Fiscal Year</u> | <u>Number Issued</u> | <u>Total Value</u> |
|--------------------|----------------------|--------------------|
| 2005 | 62 | \$ 4,265,779 |
| 2004 | 58 | 4,147,301 |
| 2003 | 78 | 5,875,250 |
| 2002 | 88 | N/A |
| 2001 | 23 | N/A |

Population

| <u>1970</u> | <u>1980</u> | <u>1990</u> | <u>2000</u> |
|-------------|-------------|-------------|-------------|
| 516 | 725 | 935 | 1,144 |

Unemployment Rates

| <u>Year</u> | <u>Town</u> | <u>NH</u> | <u>US</u> |
|-------------|-------------|-----------|-----------|
| 2005 | 2.7 % | 3.3 % | 4.6 % |
| 2004 | 3.2 | 3.8 | 5.5 |
| 2003 | 2.7 | 4.3 | 6.0 |

Debt

The Town has no outstanding debt.

Litigation

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

**Town of Wilmot
Balance Sheet
Governmental Funds
December 31, 2004 (1)**

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital & Noncapital Reserves</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|----------------------------|--|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 702,967 | \$ 21,354 | \$ 291,744 | \$ 1,016,065 |
| Investments | 37,975 | | | 37,975 |
| Receivables | | | | |
| Taxes | 225,223 | | | 225,223 |
| Intergovernmental | 227,312 | | | 227,312 |
| Interfund receivable | 1,026 | | | 1,026 |
| Other receivables | 380 | | | 380 |
| Total Assets | <u>\$ 1,194,883</u> | <u>\$ 21,354</u> | <u>\$ 291,744</u> | <u>\$ 1,507,981</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Interfund payable | \$ | \$ 1,026 | \$ | \$ 1,026 |
| Intergovernmental payable | 649,209 | | | 649,209 |
| Deferred revenue | 33,650 | | | 33,650 |
| Total Liabilities | <u>\$ 682,859</u> | <u>\$ 1,026</u> | <u>\$</u> | <u>\$ 683,885</u> |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | \$ 1,324 | \$ | | \$ 1,324 |
| Special purposes, reported in: | | | | |
| Special revenue funds | | 20,328 | | 20,328 |
| Expendable trust funds | | | 291,744 | 291,744 |
| Unreserved, reported in: | | | | |
| General fund | 510,700 | | | 510,700 |
| Total Fund Balances: | <u>512,024</u> | <u>20,328</u> | <u>291,744</u> | <u>824,096</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,194,883</u> | <u>\$ 21,354</u> | <u>\$ 291,744</u> | <u>\$ 1,507,981</u> |

(1) Extracted from audited financial statements.

**Town of Wilmot
Balance Sheet
Governmental Funds
December 31, 2003 (1)**

| | General Fund | Special Revenue | Total Governmental Funds |
|-------------------------------------|-------------------------|----------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 702,504 | \$ 11,327 | \$ 713,831 |
| Investments | 32,218 | 2,076 | 34,294 |
| Receivables | | | |
| Taxes | 258,556 | | 258,556 |
| Intergovernmental | 35,168 | | 35,168 |
| Interfund receivable | 1,216 | | 1,216 |
| Total Assets | \$ 1,029,662 | \$ 13,403 | \$ 1,043,065 |
| Liabilities and Equity | | | |
| Liabilities: | | | |
| Intergovernmental payable | \$ 609,762 | \$ | \$ 609,762 |
| Interfund payable | | 1,216 | 1,216 |
| Deferred revenue | 28,250 | | 28,250 |
| Capital leases payable | | | |
| Total Liabilities | \$ 638,012 | \$ 1,216 | \$ 639,228 |
| Equity: | | | |
| Investment in General Fixed Assets | | | |
| Fund Balances | \$ 14,767 | \$ | \$ 14,767 |
| Reserved for encumbrances | | | |
| Reserved for endowments | | | |
| Reserved for special purposes | | 12,187 | 12,187 |
| Unreserved | | | |
| Undesignated | 376,883 | | 376,883 |
| Total Fund Balances: | 391,650 | 12,187 | 403,837 |
| Total Liabilities and Equity | \$ 1,029,662 | \$ 13,403 | \$ 1,043,065 |

(1) Extracted from audited financial statements.

Town of Wilmot
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2004

| | General Fund | Special Revenue | Capital & Noncapital Reserves | Total Governmental Funds |
|--|-------------------------|----------------------------|--|---|
| Revenues | | | | |
| Property tax assessments | \$ 783,537 | \$ | \$ | \$ 783,537 |
| Licenses and permits | 258,116 | | | 258,116 |
| State support | 631,713 | | | 631,713 |
| Federal support | 5,404 | | | 5,404 |
| Charges for services | 2,952 | | | 2,952 |
| Other local sources | 32,229 | 14,861 | 1,012 | 48,102 |
| Total Revenues | \$ 1,713,951 | \$ 14,861 | \$ 1,012 | \$ 1,729,824 |
| Expenditures | | | | |
| General government | \$ 291,555 | \$ | \$ | \$ 291,555 |
| Public safety | 138,797 | | | 138,797 |
| Highways and streets | 418,439 | | | 418,439 |
| Sanitation | 91,263 | | | 91,263 |
| Health | 20,010 | | | 20,010 |
| Welfare | 9,744 | | | 9,744 |
| Culture and recreation | 14,029 | 27,550 | | 41,579 |
| Conservation | | 670 | | 670 |
| Capital outlay | 566,512 | | | 566,512 |
| Total Expenditures | \$ 1,550,349 | \$ 28,220 | \$ | \$ 1,578,569 |
| Excess of revenues over (under) expenditures | \$ 163,602 | \$ (13,359) | \$ 1,012 | \$ 151,255 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 130,000 | \$ 21,500 | \$ 151,728 | \$ 303,228 |
| Transfers out | (173,228) | | (130,000) | (303,228) |
| | \$ (43,228) | \$ 21,500 | \$ 21,728 | \$ |
| Net Change in Fund Balances | 120,374 | 8,141 | 22,740 | 151,255 |
| Fund Balances - January 1 | \$ 391,650 | \$ 12,187 | \$ 269,004 | \$ 672,841 |
| Fund Balances - December 31 | \$ 512,024 | \$ 20,328 | \$ 291,744 | \$ 824,096 |

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

Town of Wilmot
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES(1)
December 31, 2003

| | General Fund | Special Revenue | Total Governmental Funds |
|--|-------------------------|----------------------------|---|
| Revenues | | | |
| Taxes | \$ 630,728 | \$ | \$ 630,728 |
| Licenses and permits | 231,859 | | 231,859 |
| Intergovernmental | 127,836 | | 127,836 |
| Charges for services | 2,230 | 561 | 2,791 |
| Miscellaneous | 6,712 | 10,843 | 17,555 |
| Other Financing Sources | | | |
| Operating Transfers In | | \$ 17,500 | \$ 17,500 |
| Total Revenues | \$ 999,365 | \$ 28,904 | \$ 1,028,269 |
| Expenditures | | | |
| General government | \$ 195,504 | \$ | \$ 195,504 |
| Public safety | 122,403 | | 122,403 |
| Highways and streets | 391,885 | | 391,885 |
| Sanitation | 76,075 | | 76,075 |
| Health | 7,572 | | 7,572 |
| Welfare | 9,818 | | 9,818 |
| Culture and recreation | 9,000 | 23,999 | 32,999 |
| Debt Service | | | |
| Capital outlay | 60,223 | | 60,223 |
| Other Financing Uses | | | |
| Operating Transfers Out | \$ 98,500 | | 98,500 |
| Total Expenditures | \$ 970,980 | \$ 23,999 | \$ 994,979 |
| Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses | 28,385 | 4,905 | \$ 33,290 |
| Fund Balances - January 1 | \$ 363,265 | \$ 7,282 | \$ 370,547 |
| Fund Balances - December 31 | \$ 391,650 | \$ 12,187 | \$ 403,837 |

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



ROPES & GRAY LLP
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BOSTON NEW YORK PALO ALTO SAN FRANCISCO WASHINGTON, DC www.ropesgray.com

[Proposed Form of Legal Opinion]

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 \$53,335,000* 2006 Series A Bonds (the "Bonds") of the New Hampshire Municipal Bond Bank (herein called the "Bank"), a public body corporate and politic, constituted as an instrumentality of the State of New Hampshire (the "State").

The Bonds are dated as of July 1, 2006, 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 in each of the years, in the respective principal amounts set forth below, and bear interest payable on February 15 and August 15 in each year until maturity, commencing February 15, 2007, at the respective rates per annum, as follows:

Table with 6 columns: Year*, Principal Amount*, Interest Rate, Year*, Principal Amount*, Interest Rate. Rows list years from 2007 to 2026 with corresponding principal amounts and interest rates.

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

* Preliminary, subject to change

New Hampshire Municipal Bond Bank

[Date]

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

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

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

We are of the opinion that:

1. The Bank has been duly created and validly exists as a public body corporate and politic, constituted as an instrumentality of the State, under and pursuant to the laws of the State (including the New Hampshire Municipal Bond Bank Law, being Chapter 35-A of the New Hampshire Revised Statutes Annotated (the “Act”) as amended), with the right and power to adopt the Resolutions which have been duly and lawfully adopted by the Bank, are in full force and effect and are valid and binding upon the Bank and enforceable in accordance with their terms and no other authorization for the Resolutions is required.

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

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

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

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

New Hampshire Municipal Bond Bank

[Date]

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

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

8. The interest on the Bonds is not included in gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations and such interest is included in the measure of certain other taxes imposed on corporations and in the measure of income of certain recipients of Social Security and Railroad Retirement benefits for the purpose of determining whether such benefits shall be included in the taxable income of such recipients. We call to your attention certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") relating to the use, expenditure and investment of the proceeds of the Bonds. Failure by the Bank or the Governmental Units (as defined in the Act) to comply with such requirements subsequent to the issuance of the Bonds might cause interest on the Bonds to become subject to federal income taxation retroactive to the date of their issuance. The Bank and each Governmental Unit have covenanted to take all lawful action necessary to comply with those provisions of the Code that, except for such compliance, would affect adversely the excludability of interest on the Bonds from gross income for federal income tax purposes. We express no opinion with respect to other federal tax consequences arising with respect to the Bonds.

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

ROPES & GRAY LLP

New Hampshire Municipal Bond Bank

[Date]

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

Very truly yours,

Ropes & Gray LLP

New Hampshire Municipal Bond Bank

Basic Financial Statements
and Management's Discussion and Analysis

Year Ended June 30, 2005
With Independent Auditors' Report

NEW HAMPSHIRE MUNICIPAL BOND BANK

FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Hampshire Municipal Bond Bank

We have audited the accompanying basic financial statements, consisting of the State Guaranteed Fund Group, Non-State Guaranteed Fund Group, Pinkerton Academy Fund Group and Coe-Brown Northwood Academy Fund Group, of New Hampshire Municipal Bond Bank as of and for the year ended June 30, 2005, as listed in the accompanying table of contents. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Municipal Bond Bank at June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 – 5 is not a required part of the basic financial statements, but is supplementary information required by the 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 that 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.

Portland, Maine
August 5, 2005

Baker Newman & Noyes
Limited Liability Company

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

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, 2005. 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 \$43,919,593 for fiscal year 2005, an increase of \$9,042,981 or 25.93% over fiscal year 2004. This increase was caused primarily by the "net increase in the fair value of investments" between fiscal year 2004 and 2005. Investments are recorded at fair value to comply with GASB rules. The Bond Bank generally holds investments until maturity to pay reserve fund bonds as they become due, so fluctuations in the fair value of the investments have a minimal effect.
- Fund equity of the Bond Bank increased \$2,104,226 in fiscal year 2005. At June 30, 2005, the Bond Bank had fund equity of \$18,969,902, an increase of 12.48% over the prior year.
- The Bond Bank's bonds outstanding at June 30, 2005 of \$864,455,779 represents a net increase of \$31,929,680 from the balance at June 30, 2004. This increase was primarily due to the net result of issuing two new series of bonds and one refunding series of bonds totaling \$143,965,000, less the refunded bonds of \$31,700,000 and the scheduled 2005 debt service principal payments of \$79,778,948.
- The Bond Bank provided loans to local governmental units during fiscal year 2005 totaling \$95,248,500 which was a 43.68% decrease from the loans provided in fiscal year 2004.
- During fiscal year 2005, \$31,700,000 of bonds were refunded, resulting in an estimated present value savings of approximately \$1,500,000.

Overview of the Bond Bank

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

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

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

The Bond Bank's \$47,505,000 2005 Series D Bonds constituted the first series of bonds to be issued under the terms of the 2005 Resolution. The 2005 Series D Bonds were delivered on July 21, 2005.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

Notes to the Financial Statements

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

Financial Analysis

Fund equity may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, assets exceeded liabilities by \$18,969,902 at June 30, 2005. This represents an increase of \$2,104,226, 12.48%, above the previous fiscal year. Most of this increase is attributable to the fluctuations in the market value of investments in 2005 as compared to 2004. By far, the largest portion of the Bond Bank's fund equity is its investment in loans to governmental units plus bond proceeds remaining in trust investments, less any related debt used to acquire those assets.

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

| <u>ASSETS</u> | <u>2005</u> | <u>2004</u> | <u>Percentage Change</u> |
|--|-----------------------|-----------------------|------------------------------|
| Current assets: | | | |
| Cash | \$ 55,849 | \$ 67,061 | (16.72)% |
| Investments held by trustee, at market value | 8,420,706 | 8,295,471 | 1.51 |
| Loans receivable from governmental units | 68,796,609 | 68,489,604 | 0.45 |
| Due from other funds | 79,253 | 1,859,895 | (95.74) |
| Accrued investment income receivable | 845,386 | 600,305 | 40.83 |
| Accrued interest receivable from governmental units | 13,578,626 | 14,004,926 | (3.04) |
| Other current assets | <u>792,041</u> | <u>681,245</u> | <u>16.26</u> |
| Total current assets | 92,568,470 | 93,998,507 | (1.52) |
| Noncurrent assets: | | | |
| Investments held by trustee, at market value | 128,571,580 | 121,516,733 | 5.81 |
| Loans receivable from governmental units | 673,592,814 | 647,834,923 | 3.98 |
| Unamortized rebates to governmental units and bond issuance costs | <u>6,263,971</u> | <u>5,433,507</u> | <u>15.28</u> |
| Total noncurrent assets | <u>808,428,365</u> | <u>774,785,163</u> | <u>4.34</u> |
| Total assets | <u>\$ 900,996,835</u> | <u>\$ 868,783,670</u> | <u>3.71%</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 51,394 | \$ 42,737 | 20.26% |
| Due from other funds | 79,253 | 1,859,895 | (95.74) |
| Accrued interest payable | 14,522,689 | 14,430,733 | 0.64 |
| Accrued interest rebate payable to U.S. Government | 571,757 | 1,438,387 | (60.25) |
| Bonds payable | <u>82,162,241</u> | <u>80,119,636</u> | <u>2.55</u> |
| Total current liabilities | 97,387,334 | 97,891,388 | (0.51) |
| Noncurrent liabilities: | | | |
| Accrued interest rebate payable to U.S. Government | 2,346,061 | 1,620,143 | 44.81 |
| Bonds payable | <u>782,293,538</u> | <u>752,406,463</u> | <u>3.97</u> |
| Total noncurrent liabilities | <u>784,639,599</u> | <u>754,026,606</u> | <u>4.06</u> |
| Total liabilities | 882,026,933 | 851,917,994 | 3.53 |
| Fund equity | <u>18,969,902</u> | <u>16,865,676</u> | <u>12.48</u> |
| Total liabilities and fund equity | <u>\$ 900,996,835</u> | <u>\$ 868,783,670</u> | <u>3.71%</u> |

Total cash and investments held by trustee increased \$7,168,870, or 5.52% at June 30, 2005 compared to June 30, 2004. The Bond Bank's investment portfolio is comprised of cash and cash equivalents, U.S. Government obligations (including treasury bills, notes, and bonds), strips, agency notes and bank investment contracts. The Bond Bank's investments are carried at fair value. Unrealized gains and losses (primarily due to fluctuations in market values) are recognized in the statements of revenues, expenses and changes in fund equity.

The Bond Bank's loans receivable from governmental units increased \$26,064,896 in fiscal year 2005. The Bond Bank's total new loan originations in 2005 of \$95,248,500 were 43.68% lower than 2004 originations of \$169,055,655. Bonds payable increased \$31,929,680.

Fund equity increased 12.48% in fiscal year 2005. 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>2005</u> | <u>2004</u> | <u>Percentage Change</u> |
|--|--------------------------|--------------------------|------------------------------|
| Interest on loans receivable from governmental units | \$ 36,763,581 | \$ 35,657,067 | 3.10% |
| Interest income from investments | 5,667,832 | 5,393,519 | 5.09 |
| Net increase (decrease) in the fair value of investments | 966,414 | (7,161,517) | 113.49 |
| Other income | <u>521,766</u> | <u>987,543</u> | <u>(47.17)</u> |
| Total operating revenues | 43,919,593 | 34,876,612 | 25.93 |
| Interest expense | 41,141,848 | 39,139,120 | 5.12 |
| Operating expenses | 434,540 | 446,219 | (2.62) |
| Other expense | <u>238,979</u> | <u>367,993</u> | <u>(35.06)</u> |
| Total operating expenses | <u>41,815,367</u> | <u>39,953,332</u> | <u>4.66</u> |
| Operating income | 2,104,226 | (5,076,720) | (141.45) |
| Fund equity, beginning of year | <u>16,865,676</u> | <u>21,942,396</u> | <u>(23.14)</u> |
| Fund equity, end of year | <u>\$ 18,969,902</u> | <u>\$ 16,865,676</u> | <u>12.48%</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 2005 increased 5.09% from 2004. This increase was the result of an increasing interest rate environment and larger amounts of reserve fund bonds outstanding.

Operating expenses decreased \$11,679 in fiscal year 2005 from 2004, which was a 2.62% decrease.

The net increase in the fair value of investments in 2005 of \$966,414 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.

Requests for Information

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

NEW HAMPSHIRE MUNICIPAL BOND BANK

BALANCE SHEETS

June 30, 2005

| | <u>Municipal Division</u> | |
|---|--|--|
| | <u>State</u> <u>Guaranteed</u> <u>Fund Group</u> | <u>Non-State</u> <u>Guaranteed</u> <u>Fund Group</u> |
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash (note 3) | \$ - | \$ 10,044 |
| Investments held by trustee, at market value (note 3): | | |
| Cash equivalents | 2,682,078 | 5,738,628 |
| Loans receivable from governmental units | 7,448,109 | 59,453,500 |
| Due from other funds | - | 79,253 |
| Accrued investment income receivable | 8,248 | 837,138 |
| Accrued interest receivable from governmental units | 1,271,432 | 12,212,055 |
| Unamortized rebates to governmental units and bond issuance costs | <u>147,014</u> | <u>645,027</u> |
| Total current assets | 11,556,881 | 78,975,645 |
| Noncurrent assets: | | |
| Reserve Fund investments held by trustee, at market value (note 3): | | |
| Cash equivalents | 1,676,460 | 4,240,966 |
| U.S. Government obligations | 10,866,921 | 111,787,233 |
| Loans receivable from governmental units | 36,579,814 | 615,903,000 |
| Unamortized rebates to governmental units and bond issuance costs | <u>722,366</u> | <u>5,541,605</u> |
| Total noncurrent assets | <u>49,845,561</u> | <u>737,472,804</u> |
| Total assets | <u>\$ 61,402,442</u> | <u>\$ 816,448,449</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ - | \$ 51,394 |
| Due to other funds | 79,253 | - |
| Accrued interest payable | 976,998 | 13,450,552 |
| Accrued interest rebate payable to U.S. Government | 95,979 | 475,778 |
| Bonds payable (note 4) | <u>8,760,057</u> | <u>71,507,184</u> |
| Total current liabilities | 9,912,287 | 85,484,908 |
| Noncurrent liabilities: | | |
| Accrued interest rebate payable to U.S. Government | 479,757 | 1,866,304 |
| Bonds payable (note 4) | <u>44,885,077</u> | <u>716,298,461</u> |
| Total noncurrent liabilities | <u>45,364,834</u> | <u>718,164,765</u> |
| Total liabilities | 55,277,121 | 803,649,673 |
| Fund equity | <u>6,125,321</u> | <u>12,798,776</u> |
| Total liabilities and fund equity | <u>\$ 61,402,442</u> | <u>\$ 816,448,449</u> |

See accompanying notes to the financial statements.

Educational Institutions Division

| <u>Pinkerton Academy</u> <u>Fund Group</u> | <u>Coe-Brown Northwood</u> <u>Academy Fund Group</u> | <u>Total</u> |
|---|---|-----------------------|
| \$ 23,537 | \$ 22,268 | \$ 55,849 |
| - | - | 8,420,706 |
| 1,675,000 | 220,000 | 68,796,609 |
| - | - | 79,253 |
| - | - | 845,386 |
| 75,866 | 19,273 | 13,578,626 |
| <u>-</u> | <u>-</u> | <u>792,041</u> |
| 1,774,403 | 261,541 | 92,568,470 |
| - | - | 5,917,426 |
| - | - | 122,654,154 |
| 18,935,000 | 2,175,000 | 673,592,814 |
| <u>-</u> | <u>-</u> | <u>6,263,971</u> |
| <u>18,935,000</u> | <u>2,175,000</u> | <u>808,428,365</u> |
| <u>\$ 20,709,403</u> | <u>\$ 2,436,541</u> | <u>\$ 900,996,835</u> |
| | | |
| \$ - | \$ - | \$ 51,394 |
| - | - | 79,253 |
| 75,866 | 19,273 | 14,522,689 |
| - | - | 571,757 |
| <u>1,675,000</u> | <u>220,000</u> | <u>82,162,241</u> |
| 1,750,866 | 239,273 | 97,387,334 |
| - | - | 2,346,061 |
| <u>18,935,000</u> | <u>2,175,000</u> | <u>782,293,538</u> |
| <u>18,935,000</u> | <u>2,175,000</u> | <u>784,639,599</u> |
| 20,685,866 | 2,414,273 | 882,026,933 |
| <u>23,537</u> | <u>22,268</u> | <u>18,969,902</u> |
| <u>\$ 20,709,403</u> | <u>\$ 2,436,541</u> | <u>\$ 900,996,835</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY

For the Year Ended June 30, 2005

| | <u>Municipal Division</u> | |
|--|--|--|
| | <u>State Guaranteed Fund Group</u> | <u>Non-State Guaranteed Fund Group</u> |
| Operating revenues: | | |
| Interest on loans receivable from governmental units | \$ 2,906,259 | \$ 32,741,639 |
| Interest income from investments | 598,147 | 5,068,926 |
| Net increase (decrease) in the fair value of investments | (139,322) | 1,105,736 |
| Other income | <u>99</u> | <u>514,667</u> |
| Total operating revenues | 3,365,183 | 39,430,968 |
| Operating expenses: | | |
| Interest expense | 2,922,051 | 37,104,114 |
| Operating expenses | 103,722 | 323,578 |
| Other expense | <u>—</u> | <u>238,979</u> |
| Total operating expenses | <u>3,025,773</u> | <u>37,666,671</u> |
| Operating income | 339,410 | 1,764,297 |
| Fund equity, beginning of year | <u>5,785,911</u> | <u>11,034,479</u> |
| Fund equity, end of year | <u>\$ 6,125,321</u> | <u>\$ 12,798,776</u> |

See accompanying notes to the financial statements.

Educational Institutions Division

| <u>Pinkerton Academy</u> <u>Fund Group</u> | <u>Coe-Brown Northwood</u> <u>Academy Fund Group</u> | <u>Total</u> |
|---|---|----------------------|
| \$ 989,513 | \$126,170 | \$ 36,763,581 |
| 683 | 76 | 5,667,832 |
| - | - | 966,414 |
| <u>6,000</u> | <u>1,000</u> | <u>521,766</u> |
| 996,196 | 127,246 | 43,919,593 |
| 989,513 | 126,170 | 41,141,848 |
| 6,516 | 724 | 434,540 |
| <u>-</u> | <u>-</u> | <u>238,979</u> |
| <u>996,029</u> | <u>126,894</u> | <u>41,815,367</u> |
| 167 | 352 | 2,104,226 |
| <u>23,370</u> | <u>21,916</u> | <u>16,865,676</u> |
| <u>\$ 23,537</u> | <u>\$ 22,268</u> | <u>\$ 18,969,902</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2005

| | <u>Municipal Division</u> | |
|---|-----------------------------------|---------------------------------------|
| | State Guaranteed Fund Group | Non-State Guaranteed Fund Group |
| Operating activities: | | |
| Cash received from governmental units | \$ 8,083,576 | \$ 95,344,766 |
| Cash received from (paid to) other funds | 1,780,642 | (1,780,642) |
| Cash payments to governmental units | — | (95,248,500) |
| Cash received from other income | 99 | 514,667 |
| Cash payments for operating expenses | (103,722) | (314,921) |
| Cash payments for bond issuance costs | — | (238,979) |
| Cash received (paid) for other assets | <u>146,816</u> | <u>(1,088,076)</u> |
| Net cash provided (used) by operating activities | 9,907,411 | (2,811,685) |
| Investing activities: | | |
| Purchases of investments | — | (15,631,145) |
| Proceeds from sale and maturities of investments | 1,207,131 | 7,881,038 |
| Interest received on investments | 593,066 | 5,845,887 |
| Interest rebate paid to U.S. Government | <u>(7,028)</u> | <u>(1,150,645)</u> |
| Net cash provided (used) by investing activities | 1,793,169 | (3,054,865) |
| Noncapital financing activities: | | |
| Proceeds from bonds payable | — | 145,266,070 |
| Deposit to refunding escrow | — | (34,350,000) |
| Principal paid on bonds payable | (10,983,948) | (66,970,000) |
| Interest paid on bonds payable | <u>(2,725,930)</u> | <u>(36,411,261)</u> |
| Net cash provided (used) by noncapital financing activities | (13,709,878) | 7,534,809 |
| Increase (decrease) in cash and cash equivalents | (2,009,298) | 1,668,259 |
| Cash and cash equivalents, beginning of year | <u>6,367,836</u> | <u>8,321,379</u> |
| Cash and cash equivalents, end of year | \$ <u>4,358,538</u> | \$ <u>9,989,638</u> |
| Balance sheet classification: | | |
| Cash | \$ — | \$ 10,044 |
| Cash equivalents – investments held by trustee | 2,682,078 | 5,738,628 |
| Cash equivalents – reserve fund investments held by trustee | <u>1,676,460</u> | <u>4,240,966</u> |
| | \$ <u>4,358,538</u> | \$ <u>9,989,638</u> |

Educational Institutions Division

| <u>Pinkerton Academy</u> <u>Fund Group</u> | <u>Coe-Brown Northwood</u> <u>Academy Fund Group</u> | <u>Total</u> |
|---|---|----------------------|
| \$ 2,597,293 | \$ 347,850 | \$ 106,373,485 |
| - | - | - |
| - | - | (95,248,500) |
| 6,000 | 1,000 | 521,766 |
| (6,516) | (724) | (425,883) |
| - | - | (238,979) |
| - | - | <u>(941,260)</u> |
| 2,596,777 | 348,126 | 10,040,629 |
| - | - | (15,631,145) |
| - | - | 9,088,169 |
| 683 | 76 | 6,439,712 |
| - | - | <u>(1,157,673)</u> |
| 683 | 76 | (1,260,937) |
| - | - | 145,266,070 |
| - | - | (34,350,000) |
| (1,605,000) | (220,000) | (79,778,948) |
| <u>(992,293)</u> | <u>(127,850)</u> | <u>(40,257,334)</u> |
| <u>(2,597,293)</u> | <u>(347,850)</u> | <u>(9,120,212)</u> |
| 167 | 352 | (340,520) |
| <u>23,370</u> | <u>21,916</u> | <u>14,734,501</u> |
| <u>\$ 23,537</u> | <u>\$ 22,268</u> | <u>\$ 14,393,981</u> |
| \$ 23,537 | \$ 22,268 | \$ 55,849 |
| - | - | 8,420,706 |
| - | - | <u>5,917,426</u> |
| <u>\$ 23,537</u> | <u>\$ 22,268</u> | <u>\$ 14,393,981</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2005

| | <u>Municipal Division</u> | |
|--|--|--|
| | <u>State Guaranteed Fund Group</u> | <u>Non-State Guaranteed Fund Group</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | |
| Operating income | \$ 339,410 | \$ 1,764,297 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Interest income from investments | (598,147) | (5,068,926) |
| Net (increase) decrease in the fair value of investments | 139,322 | (1,105,736) |
| Amortization of rebates to governmental units and bond issuance costs | 146,816 | 562,286 |
| Interest expense on bonds payable | 2,922,051 | 37,104,114 |
| Change in assets and liabilities: | | |
| Loans receivable from governmental units | 8,582,949 | (36,472,845) |
| Accrued interest receivable from governmental units | 155,652 | 266,188 |
| Unamortized rebates to governmental units and bond issuance costs | - | (1,650,362) |
| Due (to) from other funds | (1,780,642) | 1,780,642 |
| Accounts payable and accrued liabilities | <u>-</u> | <u>8,657</u> |
| Net cash provided (used) by operating activities | <u>\$ 9,907,411</u> | <u>\$ (2,811,685)</u> |

See accompanying notes to the financial statements.

Educational Institutions Division

| <u>Pinkerton Academy</u> <u>Fund Group</u> | <u>Coe-Brown Northwood</u> <u>Academy Fund Group</u> | <u>Total</u> |
|---|---|----------------------|
| \$ 167 | \$ 352 | \$ 2,104,226 |
| (683) | (76) | (5,667,832) |
| — | — | (966,414) |
| — | — | 709,102 |
| 989,513 | 126,170 | 41,141,848 |
| 1,605,000 | 220,000 | (26,064,896) |
| 2,780 | 1,680 | 426,300 |
| — | — | (1,650,362) |
| — | — | — |
| — | — | <u>8,657</u> |
| <u>\$2,596,777</u> | <u>\$348,126</u> | <u>\$ 10,040,629</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. Organization

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

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

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

Municipal Division

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

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

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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

2. Significant Accounting Policies

Proprietary Fund Accounting

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

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

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

Federal Income Taxes

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

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2005 was \$272,854 and \$883,277 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

Cash and Cash Equivalents

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

Investments

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

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

2. Significant Accounting Policies (Continued)

Bond Discounts, Premiums and Issuance Costs

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

Advanced Refundings

All advanced refundings completed subsequent to July 1, 1993 within the Bond Bank's municipal division are accounted for in accordance with the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter, using the straight-line method. The unamortized portion of the deferred amount is reported as a reduction of the face amount of the bonds payable (note 4). Amortization for the year ended June 30, 2005 was \$536,435 and \$1,969,200 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

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

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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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 \$55,849 as of June 30, 2005.

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

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

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

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

Investments of the Bond Bank consist of short-term money market funds and other investments which are 100% collateralized by government securities. At June 30, 2005, investments are categorized as follows:

| | <u>Fair Value</u> | |
|---|-----------------------------|--|
| | <u>Cash Equivalents</u> | <u>U.S. Government Obligations</u> |
| Investments held by trustee: | | |
| State Guaranteed Fund Group | \$ 2,682,078 | \$ - |
| Non-State Guaranteed Fund Group | <u>5,738,628</u> | <u>-</u> |
| | 8,420,706 | - |
| Reserve fund investments held by trustee: | | |
| State Guaranteed Fund Group | 1,676,460 | 10,866,921 |
| Non-State Guaranteed Fund Group | <u>4,240,966</u> | <u>111,787,233</u> |
| | <u>\$ 14,338,132</u> | <u>\$ 122,654,154</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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 investment in U.S. government obligations as of June 30, 2005:

| <u>Maturities</u> | State <u>Guaranteed</u> <u>Fund Group</u> | <u>% of</u> <u>Total</u> | Non-State <u>Guaranteed</u> <u>Fund Group</u> | <u>% of</u> <u>Total</u> |
|---------------------|---|-----------------------------|---|-----------------------------|
| Less than one year | \$ 1,479,153 | 13.61% | \$ 4,142,304 | 3.71% |
| One to five years | 5,293,558 | 48.71% | 29,819,191 | 26.67% |
| Six to ten years | 3,834,425 | 35.29% | 44,120,074 | 39.47% |
| More than ten years | <u>259,785</u> | <u>2.39%</u> | <u>33,705,664</u> | <u>30.15%</u> |
| | <u>\$10,866,921</u> | <u>100.00%</u> | <u>\$111,787,233</u> | <u>100.00%</u> |

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Bond Bank will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Bond Bank's investments are held by Flagship Bank, a state-chartered and publicly traded commercial bank which is a wholly owned subsidiary of Chittenden Corporation. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at Flagship Bank at June 30, 2005.

4. Bonds Payable

Bonds payable at June 30, 2005, by program, are as follows:

| | |
|------------------------------------|-----------------------|
| Municipal Division: | |
| State Guaranteed | \$ 53,645,134 |
| Non-State Guaranteed | 787,805,645 |
| Educational Institutions Division: | |
| Pinkerton Academy | 20,610,000 |
| Coe-Brown Northwood Academy | <u>2,395,000</u> |
| | <u>\$ 864,455,779</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

4. Bonds Payable (Continued)

Following is a comprehensive summary of bonds payable by program at June 30, 2005:

Municipal Division – State Guaranteed

Bonds payable consist of the following at June 30, 2005:

| | |
|---|----------------------|
| Series 1992 D Bonds, maturing January 15, 1994 to January 15, 2007, with interest ranging from 5.25% to 5.8% | \$ 210,000 |
| Series 1993 B Refunding Bonds, maturing August 15, 1993 to November 15, 2005, with interest ranging from 2.8% to 5.3% | 990,000 |
| Series 1994 D Bonds, maturing August 15, 1995 to August 15, 2014, with interest ranging from 4.25% to 6.45% | 959,923 |
| Series 1994 E Bonds, maturing August 15, 2001 to August 15, 2014, with interest ranging from 5.25% to 6.25% | 275,000 |
| Series 1996 B Refunding Bonds, maturing July 15, 1997 to July 15, 2006, with interest ranging from 4% to 5% | 2,470,000 |
| Series 1997 B Bonds, maturing August 15, 1998 to August 15, 2017, with interest ranging from 4.6% to 5.2% | 7,300,000 |
| Series 1997 D Bonds, maturing January 15, 1999 to January 15, 2013, with interest ranging from 4.15% to 4.9% | 3,620,000 |
| Series 1998 B Refunding Bonds, maturing February 15, 1999 to August 15, 2014, with interest ranging from 3.75% to 4.75% | 3,555,000 |
| Series 2003 B Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5% | 31,130,000 |
| Series 2003 G Refunding Bonds, maturing February 15, 2004 to August 15, 2012, with interest ranging from 2% to 4% | <u>4,490,000</u> |
| | 54,999,923 |
| Net unamortized original issue premium on Series 1993 B, 1993 F, 1996 B, 1998 B, 2003 B and 2003 G Refunding Bonds | 1,389,009 |
| Unamortized deferred loss on Series 1993 B, 1993 F, 1996 B, 1998 B, 2003 B and 2003 G advance refundings | <u>(2,743,798)</u> |
| Bonds payable | 53,645,134 |
| Current portion | <u>8,760,057</u> |
| Noncurrent portion | <u>\$ 44,885,077</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

4. Bonds Payable (Continued)

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

| <u>Fiscal year</u> <u>Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------------|
| 2006 | \$ 9,099,109 | \$ 2,313,125 | \$ 11,412,234 |
| 2007 | 8,199,667 | 1,987,771 | 10,187,438 |
| 2008 | 8,345,636 | 1,643,245 | 9,988,881 |
| 2009 | 6,881,196 | 1,330,531 | 8,211,727 |
| 2010 | 7,318,108 | 1,068,318 | 8,386,426 |
| 2011 – 2015 | 13,801,207 | 2,402,598 | 16,203,805 |
| 2016 – 2019 | <u>1,355,000</u> | <u>122,590</u> | <u>1,477,590</u> |
| | <u>\$ 54,999,923</u> | <u>\$ 10,868,178</u> | <u>\$ 65,868,101</u> |

Municipal Division – Non-State Guaranteed

Bonds payable consist of the following at June 30, 2005:

| | |
|--|--------------|
| Series 1993 A Refunding Bonds, maturing August 15, 1993 to November 15, 2005, with interest ranging from 2.9% to 5.4% | \$ 1,280,000 |
| Series 1994 A Bonds, maturing November 1, 1994 to November 1, 2006, with interest ranging from 2.9% to 4.95% | 4,715,000 |
| Series 1994 B Bonds, maturing August 15, 1995 to August 15, 2005, with interest ranging from 4.7% to 5.6% | 915,000 |
| Series 1994 F Bonds, maturing January 15, 1996 to January 15, 2006, with interest ranging from 5.4% to 6% | 250,000 |
| Series 1995 A Bonds, maturing August 15, 1996 to August 15, 2015, with interest ranging from 5.25% to 5.625% | 4,810,000 |
| Series 1995 B Bonds, maturing January 15, 1997 to January 15, 2016, with interest ranging from 4.6% to 5.65% | 515,000 |
| Series 1996 A Refunding Bonds, maturing August 15, 1996 to January 15, 2008, with interest ranging from 3.75% to 5.75% | 9,300,000 |
| Series 1996 C Bonds, maturing August 15, 1997 to August 15, 2016, with interest ranging from 5.625% to 5.75% | 17,915,000 |
| Series 1996 D Bonds, maturing January 15, 1998 to January 15, 2017, with interest ranging from 5.4% to 5.5% | 2,135,000 |
| Series 1997 A Bonds, maturing August 15, 1998 to August 15, 2017, with interest ranging from 4.7% to 5.3% | 2,430,000 |
| Series 1997 C Bonds, maturing January 15, 1999 to January 15, 2013, with interest ranging from 4.3% to 4.95% | 950,000 |
| Series 1998 A Refunding Bonds, maturing February 15, 1999 to August 15, 2018, with interest ranging from 3.9% to 5% | 18,510,000 |
| Series 1999 A Bonds, maturing January 15, 2000 to January 15, 2029, with interest ranging from 4% to 4.9% | 13,825,000 |

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed

| | |
|---|-------------------|
| Series 1999 B Bonds, maturing August 15, 2000 to August 15, 2019, with interest ranging from 4.5% to 5.25% | \$ 29,065,000 |
| Series 1999 C Bonds, maturing January 15, 2001 to January 15, 2020, with interest ranging from 5.375% to 5.75% | 9,955,000 |
| Series 2000 A Bonds, maturing August 15, 2001 to August 15, 2020, with interest ranging from 5.125% to 5.5% | 11,060,000 |
| Series 2000 B Bonds, maturing January 15, 2002 to January 15, 2021, with interest ranging from 4.75% to 5.25% | 3,520,000 |
| Series 2001 A Bonds, maturing August 15, 2002 to August 15, 2021, with interest ranging from 4.125% to 5% | 36,265,000 |
| Series 2002 A Bonds, maturing June 15, 2003 to June 15, 2022, with interest ranging from 3.5% to 4.75% | 4,920,000 |
| Series 2002 B Bonds, maturing August 15, 2003 to August 15, 2022, with interest ranging from 3% to 5% | 66,405,000 |
| Series 2002 C Bonds, maturing August 15, 2003 to August 15, 2022, with interest ranging from 3% to 4.75% | 21,570,000 |
| Series 2002 D Refunding Bonds, maturing August 15, 2003 to August 15, 2016, with interest ranging from 2% to 5% | 84,900,000 |
| Series 2002 E Bonds, maturing January 15, 2004 to January 15, 2023, with interest ranging from 4.25% to 4.9% | 11,885,000 |
| Series 2002 F Refunding Bonds, maturing August 15, 2003 to August 15, 2008, with interest ranging from 2% to 3.2% | 2,850,000 |
| Series 2003 A Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5% | 27,930,000 |
| Series 2003 C Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 3% to 6% | 74,405,000 |
| Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5% | 13,300,000 |
| Series 2003 E Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 3.5% to 5.25% | 43,205,000 |
| Series 2003 F Bonds, maturing January 15, 2005 to January 15, 2024, with interest ranging from 4% to 5% | 52,025,000 |
| Series 2004 A Refunding Bonds, maturing August 15, 2005 to February 15, 2020, with interest ranging from 2% to 5% | 74,095,000 |
| Series 2004 B Bonds, maturing August 15, 2005 to August 15, 2024 with interest ranging from 3% to 5% | 104,090,000 |
| Series 2004 C Bonds, maturing January 15, 2006 to January 15, 2025 with interest ranging from 3.75% to 5% | 5,840,000 |
| Series 2005 A Refunding Bonds, maturing August 15, 2009 to August 15, 2020 with interest ranging from 3% to 5% | <u>34,035,000</u> |
| | 788,870,000 |

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

4. Bonds Payable (Continued)

| | |
|---|-----------------------|
| Net unamortized original issue premium on Series 1993 A and E, 1996 A, 1998 A, 2002 D, 2002 F, 2003 A, 2004 A and 2005 A Refunding Bonds | \$ 17,657,428 |
| Unamortized deferred loss on Series 1993 A and E, 1996 A, 1998 A, 2002 D and F, 2003 A, 2004 A and 2005 A advance refundings | <u>(18,721,783)</u> |
| Bonds payable | 787,805,645 |
| Current portion | <u>71,507,184</u> |
| Noncurrent portion | <u>\$ 716,298,461</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> |
|--|-----------------------|-----------------------|------------------------|
| 2006 | \$ 68,025,000 | \$ 34,651,500 | \$ 102,676,500 |
| 2007 | 63,725,000 | 32,205,670 | 95,930,670 |
| 2008 | 58,645,000 | 29,589,904 | 88,234,904 |
| 2009 | 56,300,000 | 27,038,434 | 83,338,434 |
| 2010 | 54,795,000 | 24,438,303 | 79,233,303 |
| 2011 – 2015 | 230,495,000 | 88,084,476 | 318,579,476 |
| 2016 – 2020 | 153,920,000 | 42,795,787 | 196,715,787 |
| 2021 – 2025 | 101,480,000 | 12,099,844 | 113,579,844 |
| 2026 – 2030 | <u>1,485,000</u> | <u>208,985</u> | <u>1,693,985</u> |
| | <u>\$ 788,870,000</u> | <u>\$ 291,112,903</u> | <u>\$1,079,982,903</u> |

Educational Institutions Division – Pinkerton Academy

Bonds payable at June 30, 2005 consist of the following:

| | |
|---|----------------------|
| 1993 Pinkerton Academy Project Refunding Revenue Bonds, maturing June 1, 1993 to June 1, 2007, with interest ranging from 2.4% to 5.25% | \$ 1,265,000 |
| 2001 A Pinkerton Academy Project Refunding Revenue Bonds, maturing June 1, 2003 to June 1, 2021, with interest ranging from 4% to 5% | 17,355,000 |
| 2001 B Pinkerton Academy Project Refunding Revenue Bonds, maturing June 1, 2002 to June 1, 2011, with variable interest rate (2.39% at June 30, 2005) | <u>1,990,000</u> |
| Bonds payable | 20,610,000 |
| Current portion | <u>1,675,000</u> |
| Noncurrent portion | <u>\$ 18,935,000</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

4. Bonds Payable (Continued)

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

| <u>Fiscal year</u> <u>Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|----------------------|--------------------|----------------------|
| 2006 | \$ 1,675,000 | \$ 938,104 | \$ 2,613,104 |
| 2007 | 1,760,000 | 866,654 | 2,626,654 |
| 2008 | 1,155,000 | 791,212 | 1,946,212 |
| 2009 | 1,200,000 | 746,095 | 1,946,095 |
| 2010 | 1,250,000 | 701,326 | 1,951,326 |
| 2011 – 2015 | 5,515,000 | 2,789,211 | 8,304,211 |
| 2016 – 2020 | 6,545,000 | 1,391,000 | 7,936,000 |
| 2021 – 2022 | <u>1,510,000</u> | <u>75,500</u> | <u>1,585,500</u> |
| | <u>\$ 20,610,000</u> | <u>\$8,299,102</u> | <u>\$ 28,909,102</u> |

Educational Institutions Division – Coe-Brown Northwood Academy

Bonds payable at June 30, 2005 consist of the following:

| | |
|--|--------------------|
| 1994 Coe-Brown Northwood Academy Revenue Bonds, maturing May 1, 1995 to May 1, 2009, with interest ranging from 7.25% to 7.38%, payable semiannually | \$ 390,000 |
| 2003 Coe-Brown Northwood Academy Revenue Bonds, maturing May 1, 2004 to May 1, 2018, with interest ranging from 2% to 5%, payable semiannually | <u>2,005,000</u> |
| Bonds payable | 2,395,000 |
| Current portion | <u>220,000</u> |
| Noncurrent portion | <u>\$2,175,000</u> |

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

| <u>Fiscal year</u> <u>Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|--------------------|-------------------|--------------------|
| 2006 | \$ 220,000 | \$ 117,600 | \$ 337,600 |
| 2007 | 225,000 | 107,350 | 332,350 |
| 2008 | 230,000 | 96,350 | 326,350 |
| 2009 | 220,000 | 84,550 | 304,550 |
| 2010 | 140,000 | 72,825 | 212,825 |
| 2011 – 2015 | 790,000 | 262,525 | 1,052,525 |
| 2016 – 2019 | <u>570,000</u> | <u>58,000</u> | <u>628,000</u> |
| | <u>\$2,395,000</u> | <u>\$ 799,200</u> | <u>\$3,194,200</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

4. Bonds Payable (Continued)

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

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, 2005, defeased bonds payable by irrevocable trusts were approximately \$157,535,000.

On June 16, 2005, the Bond Bank issued \$34,035,000 in Non-State Guaranteed Fund Group bonds with an average interest rate of 4.75% to advance refund \$31,700,000 of various outstanding maturities of the 1997C, 1998A, 1999B, 2000A and 2000B series bonds with an average interest rate of 5.12%. The net proceeds of approximately \$34,733,000, including a bond premium of approximately \$698,000 and after payment of approximately \$383,000 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 \$2.1 million in the year ended June 30, 2005, the Bond Bank in effect reduced its aggregate debt service payments by approximately \$1.6 million over the next fifteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately \$1.5 million.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2005:

| | State Guaranteed <u>Fund Group</u> | Non-State Guaranteed <u>Fund Group</u> | Pinkerton Academy <u>Fund Group</u> | Coe-Brown Northwood Academy <u>Fund Group</u> |
|--|--|--|---|--|
| Balance, beginning of year | \$ 64,290,030 | \$ 743,406,069 | \$ 22,215,000 | \$2,615,000 |
| Issuances | — | 143,965,000 | — | — |
| Redemptions | (10,983,948) | (66,970,000) | (1,605,000) | (220,000) |
| Refunded bonds | — | (31,700,000) | — | — |
| Capitalized premiums and deferred losses, net | — | (1,348,930) | — | — |
| Amortization of premiums and deferred losses, net | <u>339,052</u> | <u>453,506</u> | <u>—</u> | <u>—</u> |
| Balance, end of year | \$ <u>53,645,134</u> | \$ <u>787,805,645</u> | \$ <u>20,610,000</u> | \$ <u>2,395,000</u> |

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

5. Subsequent Events

On July 21, 2005, the Bond Bank issued \$135,970,000 in Non-State Guaranteed bonds. At June 30, 2005, the Bond Bank had committed approximately \$126,890,900 of the proceeds to governmental unit loans.

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 \$53,335,000* 2006 Series A Bonds dated as of July 1, 2006 (the “Bonds”) and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the “Rule”), the Bank hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Bank reserves the right to incorporate by reference its Official Statement relating to the Bonds in any future disclosure provided hereunder.

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

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

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

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

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

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults;

* Preliminary, subject to change

- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- g. Modifications to the rights of securities holders;
- h. Bond calls;
- i. Defeasances;
- j. The release, substitution, or sale of property securing repayment of the Bonds; or
- k. Rating changes.

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

3. The Bank will provide, in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board and to the SID, if any, notice of a failure to satisfy the requirements of Paragraph 1 herein.

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

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

be an action for the specific performance of the Bank's obligations hereunder and not for money damages in any amount. Any failure by the Bank to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.

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

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

8. The Bedford and Kearsarge School Districts (collectively, the "Districts"), are the only obligated persons with respect to the Bonds. The form of the continuing disclosure undertaking that will be provided to the Bank by the Districts is attached hereto as Exhibit B. In addition, the loan agreements between the Bank and the Districts to be executed in connection with the issuance of the Bonds require that so long as the Districts remain obligated persons with respect to the Bonds, the Districts each agree to provide the Bank with the information necessary to enable the Bank to comply with the rule as in effect from time to time.

9. Capitalized terms used herein and not otherwise defined shall have the meanings as set forth in the Official Statement of the Bank, dated June 23, 2006, prepared in connection with the Bonds.

10. The Acting 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, Acting 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
Acting Executive Director

Dated: July 20, 2006

EXHIBIT A

NRMSIRs

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
PHONE: (609) 279-3225
FAX: (609) 279-5962
E-mail: MUNIS@bloomberg.com

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

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
PHONE: (212) 771-6999
FAX: (212) 771-7390
E-mail: nrmsir@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
PHONE: (212) 438-4595
FAX: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

TRANSMISSION AGENT

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

_____ **School District, New Hampshire**

Proposed Form of Continuing Disclosure Certificate

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by _____ School District, New Hampshire (the "District"), an obligated person within the meaning of the Rule (as hereinafter defined), with respect to the New Hampshire Municipal Bond Bank's \$53,335,000* 2006 Series A Bonds dated July 1, 2006 (the "Bonds"). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

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

* Preliminary, subject to change

SECTION 3. Provision of Annual Reports.

(a) The District shall, not later than 180 days after the end of each fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted when available separately from the balance of the Annual Report.

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Appendix C to the Bank's Official Statement dated June 23, 2006 relating to the Bonds regarding (i) the revenues and expenditures of the District relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) assessment or property tax information, as appropriate, (v) outstanding indebtedness and overlapping debt of the District, (vi) pension obligations of the District, and (vii) such other financial information, operating data and financial statements, including without limitation, unaudited financial statements, as may be required to comply with the Rule; and

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

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

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

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

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

waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

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

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

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

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

_____ SCHOOL DISTRICT, NEW HAMPSHIRE

By: _____
Treasurer

Date: July 20, 2006

EXHIBIT A

NATIONAL REPOSITORIES

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
PHONE: (609) 279-3225
FAX: (609) 279-5962
E-mail: MUNIS@bloomberg.com

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

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
PHONE: (212) 771-6999
FAX: (212) 771-7390
E-mail: nrmsir@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
PHONE: (212) 438-4595
FAX: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

TRANSMISSION AGENT

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

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of District: _____ School District, New Hampshire

Name of Issue: New Hampshire Municipal Bond Bank
\$53,335,000* 2006 Series A Bonds

Date of Issuance: July 20, 2006

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the District dated July 20, 2006. The District anticipates that the Annual Report will be filed by _____.

Dated: _____
_____ SCHOOL DISTRICT, NEW
HAMPSHIRE

By: _____

* Preliminary, subject to change

BOND INSURANCE

Financial Guaranty has supplied the following information for inclusion in this Official Statement. No representation is made by the issuer or the underwriter as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal (or accreted value, if applicable) of the Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Bonds is accelerated, Financial Guaranty will only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and will be fully subrogated to all of the Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure Bonds, Financial Guaranty may be granted certain rights under the Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty Insurance Company

Financial Guaranty is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. Financial Guaranty is licensed to engage in the financial guaranty insurance business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the United Kingdom.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At March 31, 2006, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each were as follows: The PMI Group, Inc. – 42%; affiliates of the Blackstone Group L.P. – 23%; and affiliates of the Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where Financial Guaranty is domiciled, including New York's comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders' surplus (known as aggregate risk limits); and establishes contingency, loss and unearned premium reserve requirements. In addition, Financial Guaranty is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At March 31, 2006, Financial Guaranty had net admitted assets of approximately \$3.603 billion, total liabilities of approximately \$2.454 billion, and total capital and policyholders' surplus of approximately \$1.149 billion, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities.

The unaudited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of U.S. generally accepted accounting principles ("GAAP"), as of March 31, 2006 and the audited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of GAAP, as of December 31, 2005 and 2004, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "BOND INSURANCE," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although Financial Guaranty prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to Financial Guaranty's audited SAP financial statements.

Copies of Financial Guaranty's most recently published GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

Financial Guaranty's Credit Ratings

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. Financial Guaranty does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "BOND INSURANCE." In addition, Financial Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds.



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond New Issue Insurance Policy

| | |
|----------------|--------------------------------|
| Issuer: | Policy Number: |
| | Control Number: 0010001 |
| Bonds: | Premium: |

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

SPECIMEN

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond New Issue Insurance Policy

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

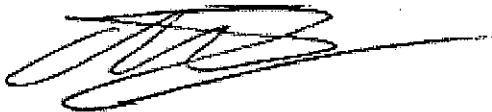


President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.



Authorized Officer



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Endorsement
 To Financial Guaranty Insurance Company
 Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

OFFICIAL NOTICE OF SALE

Relating to
New Hampshire Municipal Bond Bank

\$53,335,000* 2006 Series A

The New Hampshire Municipal Bond Bank (the "Bank") will receive sealed bids for the purchase of its \$53,335,000* 2006 Series A Bonds (the "2006 Series A Bonds" or the "Bonds") at either the New Hampshire Municipal Bond Bank, 25 Triangle Drive Suite 102, Concord, NH 03301, or First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts 02114 in the case of sealed proposals and, in the case of electronic proposals, via *Parity*, in the manner set forth in this Notice of Sale, until 11:00 A.M. (E.T.) on

Thursday, June 22, 2006

First Southwest Company will assist any bidder in entering a bid on the Bonds if such bidder mails or faxes (617-619-4411) a signed bid form in advance and telephones figures about one-half hour before the time of the sale to 617-619-4400. The Bank and First Southwest Company are not responsible for errors in bids submitted in this manner.

The following information is only a brief summary of certain provisions of the Bonds, of the security therefore, and of the other items thereof. For further information as to the Bonds, including the covenants and pledges with respect thereto, reference is hereby made to the Preliminary Official Statement dated June 14, 2006.

Bond Details

The Bonds will be issued in fully registered form without coupons, and when issued, will be registered in the name of and held by Cede & Co., as the nominee of The Depository Trust Company ("DTC"), New York, New York, an automated depository for securities and clearinghouse for securities transactions or such other nominee as may be requested by an authorized representative of DTC. Purchases of the Bonds will be made in book-entry form (without certificates), in the denomination of \$5,000 each or any whole multiple thereof. It shall be the obligation of the successful bidder(s) to furnish to DTC a completed underwriter's questionnaire not less than seventy-two hours prior to the Closing Date (as hereinafter defined) for the Bonds and to furnish to Bond Counsel not less than forty-eight hours prior to the Closing Date the respective offering prices at which a substantial amount (in no event, less than 10%) of the Bonds of each maturity were sold to the public.

The Bonds will be dated July 1, 2006 and will bear interest at the rate or rates per annum stated in the successful bid. So long as DTC or its nominee, is the registered owner of the Bonds, payments of the principal of, redemption premium, if applicable, and interest on the Bonds will be made directly to such nominee and disbursal of such payments to the Participants (as defined in the Preliminary Official Statement) is the responsibility of DTC, and disbursal of such payments to the Beneficial Owners of the Bonds is the responsibility of the Participants. Interest on the Bonds will be payable from their date of delivery. Interest on the Bonds will be payable semiannually on February 15 and August 15 of each year, commencing on February 15, 2007.

The Bonds shall mature on August 15 in the years and principal amounts as set forth on the following page. However, the Bank reserves the right to adjust such principal amount of the 2006 Series A Bonds for any year as described herein.

*Preliminary, subject to change.

MATURITY SCHEDULE

\$53,335,000* 2006 Series A Bonds

| <u>Year</u> | <u>Principal Amount*</u> | <u>Year</u> | <u>Principal Amount*</u> |
|-------------|------------------------------|-------------|------------------------------|
| 2007 | \$ 2,485,000 | 2017 | \$ 2,780,000 |
| 2008 | 2,560,000 | 2018 | 2,835,000 |
| 2009 | 2,595,000 | 2019 | 2,895,000 |
| 2010 | 2,635,000 | 2020 | 2,955,000 |
| 2011 | 2,665,000 | 2021 | 3,020,000 |
| 2012 | 2,705,000 | 2022 | 2,250,000 |
| 2013 | 2,745,000 | 2023 | 2,320,000 |
| 2014 | 2,780,000 | 2024 | 2,395,000 |
| 2015 | 2,820,000 | 2025 | 2,470,000 |
| 2016 | 2,865,000 | 2026 | 2,560,000 |

For Bonds maturing on and after August 15, 2017, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or two Term Bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on August 15 of the year or years immediately prior to the stated maturity of such Term Bonds (the particular Bond of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

If Term Bond(s) are included in this bid, they shall be subject to the restrictions and mandatory redemption requirements set forth in the Notice of Sale.

Redemption

The Bonds maturing on and before August 15, 2016 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after August 15, 2016 are subject to redemption on and after August 15, 2016, at the option of the Bank, in whole or in part at any time, and if in part, by lot within a maturity upon not less than thirty (30) nor more than sixty (60) days notice at the par amount of the Bonds to be redeemed plus accrued interest to the redemption dates.

Security

The Bonds will be secured under the provisions of the Bank's General Bond Resolution, adopted July 14, 2005, as amended and supplemented (the "2005 General Resolution"), and a 2006 Series A Resolution to be adopted on June 23, 2006. The 2005 General Resolution and the Series Resolution are sometimes collectively referred to herein as the "2005 Resolution". The Bonds will be issued in accordance with the provisions of the New Hampshire Municipal Bond Bank Law, as amended, being Chapter 35-A of the New Hampshire Revised Statutes Annotated (the "Act").

Pursuant to the provisions of the Act and under the 2005 Resolution the Bank is authorized to issue bonds for the purpose, among other purposes, of providing funds to enable the Bank to make loans to counties, cities, towns, school districts, village districts, or other public bodies within the state (the "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 bonds, notes, or other evidences of indebtedness (the "Municipal Bonds").

*Preliminary, subject to change.

Municipal Bonds purchased from the proceeds of the Bonds 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. The Bank has outstanding \$46,370,000 of Bonds under the 2005 General Resolution that will be equally secured with the 2006 Series A Bonds.

Bidding Details

Except for bids submitted electronically via *PARITY*, each bid must be submitted on the Official Bid Form. Any bid not conforming to the Official Notice of Sale may be rejected. The Bank reserves the right to waive any irregularity or informality in the Official Bid Form. The Bank reserves the right to reject any or all bids.

Except for *PARITY* bids, each bid must be enclosed in a sealed envelope and marked on the outside in substance "Proposal for Bonds". In the event there is an increase or decrease in the aggregate principal amount of the Bonds as described above, the percentage of par value bid by the successful bidder shall be applied against such increased or decreased aggregate principal amount of the Bonds.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of one-twentieth or one-eighth of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than three percent. The interest rate on any Bond on any interest payment date will be represented by a single rate, and a proposal which specifies supplemental rates, a split interest rate, or the cancellation of rates or the payment of any premium offered in anything other than bank funds will not be considered.

Bids must be submitted either:

- (a) On the Official Bid Form, in a sealed envelope marked "Proposal for Bonds" and addressed to The New Hampshire Municipal Bond Bank, 25 Triangle Drive Suite 102, Concord, NH 03301 or c/o First Southwest Company 54 Canal Street, Suite 320, Boston, Massachusetts 02114; or
- (b) Electronically via *PARITY* in accordance with this Notice of Sale. To the extent any instructions or directions set forth in *PARITY* conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about *PARITY*, potential bidders may contact the Financial Advisor to the Bond Bank or Dalcomp at 1359 Broadway, 2nd Floor, New York, NY 10018, telephone (212) 849-5021.

Minimum Acceptable Bids

No bid for less than par plus \$235,000 plus accrued interest from July 1, 2006 to the date of delivery of the 2006 Series A Bonds, will be accepted.

Determination of Interest Cost

Interest cost for the Bonds (expressed as an annual interest rate) will be determined as being twice that factor or discount rate which when applied against each semi-annual debt service payment (interest, or principal and interest, as due) for the Bonds will equate the sum of such discounted semi-annual payments to the bid price. The true interest cost shall be calculated from the dated date of the Bonds (July 1, 2006). (Note, not a part of this Notice of Sale: the preceding calculation is sometimes referred to as the "Canadian Interest Cost Method", "effective semi-annual interest cost method", "present value method", or "actuarial method".)

Basis of Award

Unless all bids are rejected, which right is specifically reserved by the Bank, the 2006 Series A Bonds will be awarded promptly to the bidder whose bid offers to purchase the Bonds at the lowest interest cost, determined as above provided. If two or more bidders offer the same lowest interest cost, the Bonds shall be awarded in accordance with the Series Resolution to one of said bidders selected by the Bank, by lot, from among all of such bidders.

Adjustment of Principal Amounts After the Receipts of Bids

The principal amount of the 2006 Series A Bonds set forth herein and in the Bid Form reflects certain estimates with respect to the likely interest rates, and premium of the winning bid. After selecting the winning bid, the amortization schedule of the 2006 Series A Bonds may be adjusted as necessary in \$5,000 increments to reflect the actual interest rates and premium. The dollar amount bid for the 2006 Series A Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by the close of business June 22, 2006. **Underwriters should be advised that bidding with a premium over \$1,325,000 will likely result in a corresponding reduction in the par amount of the Bonds.**

Credit Enhancement

The Bond Bank has selected FGIC Insurance to provide both a debt service reserve surety policy, and municipal bond insurance on the Bonds. The cost of the surety policy will be paid for by the Bond Bank. **As a condition of bidding, the Purchaser is required to include the cost of the FGIC bond insurance, 18.6 basis points of total debt service, in its bid for the purchase of the Bonds.** Any questions relating to the FGIC insurance premium can be addressed to First Southwest Company, Financial Advisor to the Bond Bank, at 617-619-4400, or Sylvanie Henry at FGIC at 212-312-3099.

Delivery of Bonds

It is expected that delivery of the Bonds will take place at the offices of DTC in New York, New York, and that payment for the Bonds will take place at the offices of Ropes & Gray LLP, Bond Counsel, in Boston, Massachusetts. It is expected that delivery of the Bonds will take place on or about July 20, 2006 (the "Closing Date"). However, if the Bonds are not delivered within sixty (60) days of the date of sale for any reason except failure of performance on the part of the successful bidder, the successful bidder may withdraw its bid, and thereafter, its interest in and liability for the Bonds will terminate. At the time of delivery, the successful bidder shall pay the purchase price, plus accrued interest, in Federal Reserve Funds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers will be paid by the Bank.

If, before the delivery of the Bonds, the income received by private holders from bonds of the same type and character as the Bonds becomes taxable under the terms of any federal income tax law, the successful bidder for the Bonds at its election may be relieved of its obligation under the contract to purchase such Bonds.

The Bonds will be delivered, without expense to the purchaser, with the unqualified approving opinion of Ropes & Gray LLP, Boston, Massachusetts, Bond Counsel. Accompanying the delivery will be the customary closing certificates, dated as of the date of delivery of and payment for the Bonds, including a certificate of an officer or officers of the Bank to the effect that there is no litigation pending or, to the knowledge of the signer or signers, threatened, affecting the validity of the Bonds and a certificate executed by the Bank to the effect that the statements and information contained in the Official Statement, as of its date and as of the date of delivery of the Bonds, are true and correct in all material respects and do not omit to state any material fact which should be included in the Official Statement for the purpose for which the Official Statement is to be used or which is necessary to make the statements and information therein not misleading.

First Southwest Company has acted as Financial Advisor to the New Hampshire Municipal Bond Bank with respect to the issuance of the Bonds. First Southwest Company has received written authorization from the Bank to participate in bidding on the Bonds.

The Preliminary Official Statement is made available to prospective purchasers of the Bonds for review prior to bidding and is in a form deemed final by the Bank as of its date (except for permitted omissions) for purposes of paragraph (b)(1) of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), but is subject to revision, amendment and completion (as so revised, amended or completed, such document is referred to as the "Final Official Statement"). By submission of a bid for the Bonds, the winning bidder contracts for the receipt of 150 copies of the Final Official Statement within seven business days following the award of the Bonds. To complete the Final Official Statement, the successful bidder must furnish to the Bank, at the address first specified above, within 24 hours after the award of the Bonds: (a) initial offering prices (expressed as a price, exclusive of accrued interest, or yield per maturity), (b) selling compensation, (c) the identity of the underwriters if the successful bidder is a part of a group or syndicate and (d) any other material information necessary for the Final Official Statement but not known to the Bank. The Bank shall not be liable or responsible in any way for the accuracy of the information provided by such bidder or for any delay in providing Final Official Statements due to such bidder's failure to provide information within the time limit specified above.

At the time of delivery of the Bonds, the Bank will undertake in a Continuing Disclosure Certificate, for the benefit of the holders of the Bonds from time to time, to provide continuing disclosure in accordance with the requirements of S.E.C. Rule 15c2-12. See "CONTINUING DISCLOSURE" in the Bank's Preliminary Official Statement dated June 14, 2006 for a description of the undertaking.

Once the aforesaid 150 copies of the Final Official Statement have been provided to the successful bidder, the Bank assumes no further responsibility or duty to comply with any provision of the Rule regarding distribution of the Final Official Statement to investors. If additional copies of the Final Official Statement are required by the successful bidder to comply with paragraph (b)(4) of the Rule and the Rules of the Municipal Securities Rulemaking Board, they may be obtained by separate arrangement and at the expense of such bidder. In addition, the successful bidder must provide satisfactory evidence to the Bank that it has deposited the Final Official Statement with one or more nationally recognized municipal securities information repositories.

The foregoing is not intended as a complete summary of all of the provisions of the Act and the Resolution, and for further information with respect thereto reference is hereby made to the Act, the Resolution, and the Preliminary Official Statement, respectively. Copies of the Preliminary Official Statement, the Official Notice of Sale, and the Official Bid Forms may be obtained upon application to Cynthia Mc Nerney, Managing Director, First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (Telephone 617-619-4408) or to Sheila M. St. Germain, Acting Executive Director, New Hampshire Municipal Bond Bank, 25 Triangle Drive, Suite 102, Concord, New Hampshire 03301 (Telephone 603-271-2595).

NEW HAMPSHIRE MUNICIPAL BOND BANK
By: Kevin A. Clougherty
Chairman

PROPOSAL FOR THE 2006 SERIES A BONDS

\$53,335,000* 2006 Series A Bonds

June 22, 2006

New Hampshire Municipal Bond Bank
 25 Triangle Drive Suite 102
 Concord, NH 03301

Ladies and Gentlemen:

Subject to the provisions and in accordance with the terms of the Official Notice of Sale, which is hereby made a part of this bid, _____ (bidder name) hereby offers to purchase the \$53,335,000* New Hampshire Municipal Bond Bank 2006 Series A Bonds (the "Series A Bonds") to be dated July 1, 2006 as described in such Official Notice of Sale, at a price of _____ per centum (_____) % of their par value, plus accrued interest on said 2006 Series A Bonds from July 1, 2006, to their date of delivery.

No bid for less than the par amount of the Bonds plus \$235,000 plus accrued interest from July 1, 2006 to the date of delivery of the Bonds, will be accepted.

As a condition of bidding, the Purchaser is required to include the cost of the FGIC bond insurance, 18.6 basis points of total debt service, in its bid for the purchase of the Bonds.

In the event there is an increase or decrease in the aggregate principal amount of said 2006 Series A Bonds as described in such Official Notice of Sale, the percentage of par value bid by the successful bidder shall be applied against such increased or decreased aggregate principal amount of the Bonds as the purchase price therefore (exclusive of accrued interest).

\$53,335,000* Series A Bonds

| Year | Principal Amount* | Interest Rate | Price or Yield | Year | Principal Amount* | Interest Rate | Price or Yield |
|------|-------------------|---------------|----------------|------|-------------------|---------------|----------------|
| 2007 | \$ 2,485,000 | | % % | 2017 | \$ 2,780,000 | | % % |
| 2008 | 2,560,000 | | | 2018 | 2,835,000 | | |
| 2009 | 2,595,000 | | | 2019 | 2,895,000 | | |
| 2010 | 2,635,000 | | | 2020 | 2,955,000 | | |
| 2011 | 2,665,000 | | | 2021 | 3,020,000 | | |
| 2012 | 2,705,000 | | | 2022 | 2,250,000 | | |
| 2013 | 2,745,000 | | | 2023 | 2,320,000 | | |
| 2014 | 2,780,000 | | | 2024 | 2,395,000 | | |
| 2015 | 2,820,000 | | | 2025 | 2,470,000 | | |
| 2016 | 2,865,000 | | | 2026 | 2,560,000 | | |

TERM BONDS (Optional)

\$ _____ Term Bonds maturing on August 15, _____ at _____ % per annum

\$ _____ Term Bonds maturing on August 15, _____ at _____ % per annum

If Term Bond(s) are included in this bid, they shall be subject to the restrictions and mandatory redemption requirements set forth in the Notice of Sale.

The undersigned, if the successful bidder, undertakes to furnish (i) to The Depository Trust Company an underwriter's questionnaire not less than 72 hours prior to the Closing Date (as defined in the Official Notice of Sale) for the 2006 Series A Bonds, and (ii) to furnish Bond Counsel not less than 48 hours prior to the Closing Date the offering prices at which a substantial amount of the 2006 Series A Bonds of each maturity were sold to the public.

*Preliminary, subject to change.

Receipt is hereby acknowledged of a copy of the Official Notice of Sale and the Preliminary Official Statement each dated as of June 14, 2006.

Respectfully submitted,

Accepted: June , 2006

New Hampshire Municipal Bond Bank

By: _____
Chairman

By: _____

The following computations of the true interest cost and percent true interest cost, calculated in accordance with the Notice of Sale, are for informational purposes only and are subject to verification prior to award.

Percent True Interest Cost _____%
(Four Decimals)

2006 Series A