

**NEW ISSUE – Book Entry Only**

**Ratings: Fitch Ratings: AA  
Moody's: Aa2  
Standard & Poor's: AA  
(See "RATINGS")**

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

**STATE OF NEW HAMPSHIRE**



**\$56,320,000  
GENERAL OBLIGATION REFUNDING BONDS  
2008 SERIES A**

**AND**

**\$30,000,000  
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS  
2008 SERIES B**

**Dated: Date of Delivery**

**Due: as shown on the inside cover hereof**

The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. (See "THE BONDS--Book-Entry Only System" herein.)

Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2008, until maturity or redemption prior to maturity. The Bonds are subject to redemption prior to maturity as provided herein.

*The Bonds are offered subject to the final approving opinions of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, and to certain other conditions referred to in the Notice of Sale. Public Resources Advisory Group has acted as Financial Advisor to the State with respect to the Bonds. Delivery of the Bonds to DTC or its custodial agent is expected on or about March 19, 2008.*

March 12, 2008

**\$56,320,000**  
**STATE OF NEW HAMPSHIRE**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**2008 SERIES A**

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>644682<sup>†</sup></u>	<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>644682<sup>†</sup></u>
2016	\$5,635,000	5.00%	3.50%	YC4	2021*	\$5,630,000	5.00%	4.21%	YH3
2017	5,635,000	5.00	3.67	YD2	2022*	5,630,000	5.00	4.33	YJ9
2018	5,635,000	5.00	3.85	YE0	2023*	5,630,000	5.00	4.44	YK6
2019*	5,635,000	5.00	3.98	YF7	2024*	5,630,000	5.00	4.54	YL4
2020*	5,630,000	5.00	4.09	YG5	2025*	5,630,000	5.00	4.63	YM2

**\$30,000,000**  
**STATE OF NEW HAMPSHIRE**  
**GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS**  
**2008 SERIES B**

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>644682<sup>†</sup></u>	<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>644682<sup>†</sup></u>
2009	\$1,800,000	4.00%	2.15%	YN0	2019*	\$1,200,000	4.25%	3.98%	YY6
2010	1,800,000	4.00	2.32	YP5	2020	1,200,000	4.00	4.08	YZ3
2011	1,800,000	4.00	2.57	YQ3	2021	1,200,000	4.00	4.22	ZA7
2012	1,800,000	4.00	2.85	YR1	2022	1,200,000	4.25	4.36	ZB5
2013	1,800,000	4.00	3.03	YS9	2023	1,200,000	4.25	4.50	ZC3
2014	1,800,000	4.00	3.16	YT7	2024	1,200,000	4.50	4.60	ZD1
2015	1,800,000	4.25	3.40	YU4	2025	1,200,000	4.50	4.69	ZE9
2016	1,800,000	4.25	3.52	YV2	2026	1,200,000	4.50	4.77	ZF6
2017	1,800,000	4.25	3.69	YW0	2027	1,200,000	4.75	4.83	ZG4
2018	1,800,000	4.25	3.85	YX8	2028	1,200,000	4.75	4.88	ZH2

<sup>†</sup> Copyright 2008, American Bankers Association.

\* Priced at the stated yield to the March 1, 2018 optional redemption date at a price of 100%. See "THE BONDS – Redemption Provisions" herein.

No dealer, broker, salesperson or other person has been authorized by the State of New Hampshire to give any information or to make any representations with respect to the State or the Bonds, 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 the State of New Hampshire.

This Official Statement is not to be construed as a contract or agreement between the State of New Hampshire and the purchasers or owners of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

This Official Statement is provided only in connection with the sale of the Bonds by the State of New Hampshire pursuant to the Notice of Sale dated March 5, 2008 and may not be reproduced or used in whole or in part for any other purpose without the express written consent of the State Treasurer. Reference is made to the Notice of Sale for a description of the terms and conditions of the sale of the Bonds to the original purchasers thereof.

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**PART II. STATE OF NEW HAMPSHIRE INFORMATION STATEMENT DATED JANUARY 10, 2008, AS SUPPLEMENTED BY THE INFORMATION STATEMENT SUPPLEMENT DATED MARCH 12, 2008.**

**STATEMENT PURSUANT TO NEW HAMPSHIRE REVISED STATUTES ANNOTATED 421-B:20:**

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**STATE OF NEW HAMPSHIRE**

**GOVERNOR**  
JOHN H. LYNCH

**EXECUTIVE COUNCIL**  
RAYMOND S. BURTON  
BEVERLY A. HOLLINGWORTH  
DEBORA B. PIGNATELLI  
JOHN D. SHEA  
RAYMOND J. WIECZOREK

**STATE TREASURER**  
CATHERINE A. PROVENCHER

**SECRETARY OF STATE**  
WILLIAM M. GARDNER

**ATTORNEY GENERAL**  
KELLY A. AYOTTE

**COMMISSIONER OF ADMINISTRATIVE SERVICES**  
LINDA M. HODGDON

**BOND COUNSEL**  
Edwards Angell Palmer & Dodge LLP  
111 Huntington Avenue at Prudential Center  
Boston, Massachusetts 02199-7613

**FINANCIAL ADVISOR**  
Public Resources Advisory Group  
40 Rector Street  
New York, New York 10006

**OFFICIAL STATEMENT**  
**OF**  
**THE STATE OF NEW HAMPSHIRE**  
  
**pertaining to its**  
  
**\$56,320,000**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**2008 SERIES A**  
  
**and**  
  
**\$30,000,000**  
**GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS**  
**2008 SERIES B**

**PART I: INFORMATION CONCERNING THE BONDS**

This Official Statement, including the cover page, is provided for the purpose of presenting certain information relating to the State of New Hampshire (the "State") in connection with the sale of \$56,320,000 aggregate principal amount of its General Obligation Refunding Bonds, 2008 Series A, dated their date of delivery (the "Series A Bonds") and \$30,000,000 aggregate principal amount of its General Obligation Capital Improvement Bonds, 2008 Series B, dated their date of delivery (the "Series B Bonds" and collectively with the Series A Bonds, the "Bonds").

This Official Statement consists of two parts: Part I (including the cover and Appendices A, B, and C) and Part II, the State's Information Statement dated January 10, 2008 (the "January Information Statement") (incorporated herein by reference), as supplemented by the Information Statement Supplement dated March 12, 2008 (the "Supplement" and collectively, the "Information Statement"). The January Information Statement has been provided to the nationally recognized municipal securities information repositories ("NRMSIRs") currently recognized by the Securities and Exchange Commission for purposes of Rule 15c2-12. The January Information Statement includes as Exhibit A the State's audited financial statements for fiscal year 2007. KPMG LLP, the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report referenced in the Information Statement, any procedures on the financial statements addressed in that report. KPMG LLP has also not performed any procedures relating to this Official Statement, including the Information Statement. See "STATE FINANCES - General" in the Information Statement.

**THE BONDS**

**Description of the Bonds**

The Bonds will be dated their date of delivery and will bear interest payable semiannually on March 1 and September 1 of each year, commencing September 1, 2008, until maturity or redemption prior to maturity. The record date with respect to each payment of interest shall be the fifteenth day of the month preceding such interest payment date. The Bonds will mature in the years and in the principal amounts and bear interest at the rates shown on the inside cover page of this Official Statement. The Bonds are subject to redemption prior to maturity as described below.

The Bonds are being issued only as fully registered Bonds and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in

book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondowner, payments of principal and interest will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. (See “Book-Entry Only System” herein.)

## **Redemption Provisions**

### *Optional Redemption*

#### Series A Bonds

The Series A Bonds maturing on and before March 1, 2018 are not subject to redemption prior to maturity. The Series A Bonds maturing after March 1, 2018 are subject to redemption at the option of the State on and after March 1, 2018 in whole or in part at any time, with maturities to be designated by the State (and by lot within any maturity), at par, plus accrued interest to the redemption date.

If less than all of the Series A Bonds are called for redemption, the Series A Bonds to be redeemed shall be selected in such manner as may be determined by the State Treasurer to be in the best interests of the State.

#### Series B Bonds

The Series B Bonds maturing on and before March 1, 2018 are not subject to redemption prior to maturity. The Series B Bonds maturing after March 1, 2018 are subject to redemption at the option of the State on and after March 1, 2018, in whole or in part at any time, with maturities to be designated by the State (and by lot within any maturity), at par, plus accrued interest to the redemption date.

If less than all of the Series B Bonds are called for redemption, the Series B Bonds to be redeemed shall be selected in such manner as may be determined by the State Treasurer to be in the best interests of the State.

### *Notice of Redemption*

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed to DTC 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 of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption. Following proper notice of the redemption of any Bonds, if sufficient moneys are deposited with U.S. Bank National Association as Paying Agent (the “Paying Agent”) for redemption, interest thereon ceases to accrue as of the redemption date.

## **Security for the Bonds**

In the opinion of Bond Counsel, the Bonds when duly issued will constitute valid general obligations of the State and the full faith and credit of the State will be pledged for the punctual payment of the principal of and interest on the Bonds.

Each Bond when duly issued and paid for will constitute a contract between the State and the owner of the Bond. While the doctrine of sovereign immunity (the sovereign right of a state not to be sued without its consent) applies to the State, the Legislature has conferred jurisdiction on the Superior Court to enter judgment against the State founded upon any express or implied contract. The Supreme Court of New Hampshire has stated that that statutory provision constitutes a waiver of the State’s right of sovereign immunity in such a case. Although a bond of the State constitutes a contract with the owner of the bond, the State Supreme Court has not considered the issue of sovereign immunity in a case expressly involving the enforceability of a bond. Under State law, the Attorney General of the State is directed to present any claim founded upon a judgment against the State to the department or

agency which entered into the contract for payment from available appropriations or, if such appropriations are insufficient, to present the claim to the Legislature. Payment of a claim against the State for which available appropriated funds are insufficient would require appropriation by the Legislature. Enforcement of a claim for payment of principal of or interest on the Bonds may also be subject to the provisions of federal or State statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as those provisions may be constitutionally applied.

The State Constitution provides that the public charges of government may be raised by taxation upon polls, estates and other classes of property including franchises and property when passing by will or inheritance, and authorizes the Legislature to impose and levy proportional and reasonable assessments, rates and taxes upon all the inhabitants of, and residents within, the State and upon all property within the State.

### **Authorization and Purpose**

The Bonds are being issued pursuant to a vote of the Governor and Council under Chapter 6-A of the New Hampshire Revised Statutes Annotated (“RSA”) and various other laws. Proceeds from the sale of the Series A Bonds are expected to be used to provide for the current refunding of the State’s \$30,000,000 General Obligation Capital Improvement Bonds, 2004 Series A (the “Series A Refunded Bonds”) and \$30,000,000 General Obligation Capital Improvement Bonds, 2004 Series B (the “Series B Refunded Bonds”, and collectively with the Series A Refunded Bonds, the “Refunded Bonds”), each dated December 21, 2004 and due April 1, 2025, and to pay issuance costs. Proceeds from the sale of the Series B Bonds are to be used to fund various capital improvement projects of the State and to pay issuance costs.

### **Plan of Refunding**

Upon delivery of the Series A Bonds, the State will enter into a Refunding Trust Agreement with Deutsche Bank Trust Company Americas, or its successor, as Trustee (the “Refunding Trustee”), to provide for the refunding of the Refunded Bonds. A portion of the proceeds of the Series A Bonds, as set forth below, will be deposited with the Refunding Trustee and invested in direct obligations of the United States of America (State and Local Government Securities) or in noncallable obligations directly and unconditionally guaranteed by the United States of America (collectively, “Government Obligations”) and used to pay upon redemption the outstanding principal of the Refunded Bonds. The Series A Refunded Bonds are expected to be redeemed at par on April 4, 2008 and the Series B Refunded Bonds are expected to be redeemed at par on April 9, 2008. The State will pay the interest due on the Series A Refunded Bonds on and prior to the respective redemption date from other available funds of the State. On the redemption date for the Series A Refunded Bonds, the Trustee will pay the redemption price of the Series A Refunded Bonds from the proceeds of a partial redemption of the Government Obligations in an amount sufficient to make such payment. On the redemption date for Series B Refunded Bonds, the Trustee will pay the redemption price of the Series B Refunded Bonds from the proceeds of the Government Obligations redeemed on such date, and the interest earnings on the Government Obligations redeemed on such date will be used to pay all or a portion of the interest due on the Series B Refunded Bonds. The State will pay the balance of such interest due, if any, from other available funds of the State. To the extent the interest earnings on the Government Obligations exceeds the amount of interest payable on the Series B Refunded Bonds on such redemption date, such excess interest earnings will be paid to the State pursuant to the Refunding Trust Agreement. The Refunding Trust Fund, including the interest earnings on the Government Obligations, is pledged solely for the benefit of the owners of the Refunded Bonds and is not available to pay the Bonds offered hereby.

## Sources and Uses of Funds

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

### Sources

Par Amount of the Series A Bonds.....	\$56,320,000.00
Par Amount of the Series B Bonds.....	30,000,000.00
Plus/Minus Net Original Issue Premium/Discount.....	<u>4,398,557.70</u>
Total Sources of Funds .....	<u>\$90,718,557.70</u>

### Uses

Deposit to Refunding Trust Fund .....	\$60,000,000.00
Capital Projects Fund .....	30,000,000.00
Underwriters' Discount .....	160,946.28
Costs of Issuance.....	168,543.00
Deposit to General Fund.....	<u>389,068.42</u>
Total Uses of Funds .....	<u>\$90,718,557.70</u>

## Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered Bond certificate will be issued for each maturity of each series of the Bonds, 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 issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, 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. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of each security ("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 securities 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 Bonds, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities; 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 the Bonds within a maturity are 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 any other DTC nominee) will consent to vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the 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 State or the 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 State or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

#### **TAX EXEMPTION**

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

regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel expresses no opinion regarding any other New Hampshire tax consequences arising with respect to the Bonds. Bond Counsel also has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than New Hampshire. Complete copies of the proposed forms of opinion of Bond Counsel are set forth in Appendix A hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Beneficial Owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Prospective Beneficial Owners should also be aware that the statutory framework on which the exemption from the New Hampshire personal income tax on interest and dividends described above is similar to that at issue in *Department of Revenue of Kentucky v. Davis*, 197 S.W. 3d 557 (Ky. App. 2006), cert. granted (May 21, 2007), in which the Kentucky court held that a statute that provided more favorable income tax treatment for holders of bonds issued by Kentucky issuers than for holders of out-of-state municipal bonds violated the commerce clause of the United States Constitution. Should the United States Supreme Court affirm the holding of the Kentucky court,

subsequent New Hampshire judicial decisions or statutory enactments intended to ensure the constitutionality of New Hampshire tax law could, among other alternatives, adversely affect the New Hampshire tax exemption of outstanding municipal bonds, including the Bonds, to the extent constitutionally permissible, or result in the exemption from the New Hampshire personal income tax on interest and dividends of interest on non-New Hampshire municipal bonds, either of which could adversely affect the market price of the Bonds.

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

### **LEGAL MATTERS**

Legal matters incident to the authorization and sale of the Bonds are subject to the approval of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. The proposed forms of the approving opinions of Edwards Angell Palmer & Dodge LLP are set forth in Appendix A. The opinions will be dated the date of the issuance of the Bonds and will speak only as of that date.

### **FINANCIAL ADVISOR**

Public Resources Advisory Group has acted as financial advisor to the State with respect to the issuance of the Bonds.

### **RATINGS**

Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's have assigned the Bonds the ratings of AA, Aa2, and AA, respectively. An explanation of the significance of each such rating may be obtained from the rating agency furnishing the same. There is no assurance that those ratings will be maintained for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, or any of them, if in their or its judgment circumstances so warrant. Any such downward change in or withdrawal of any of the ratings may have an adverse effect on the market price of the Bonds.

### **COMPETITIVE SALE OF BONDS**

After competitive bidding on March 12, 2008, the Bonds were awarded to Merrill Lynch & Co. (the "Underwriter"). The Underwriter has supplied the information as to the public offering yields or prices of the Bonds set forth on the inside cover hereof. The Underwriter has informed the State that if all of the Bonds are resold to the public at those yields or prices, they anticipate the total underwriter's compensation to be \$160,946.28. The Underwriter may change the public offering yields or prices from time to time.

## CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the State will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the State (the "Annual Report"), by not later than 270 days after the end of each fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix B. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. Except as described below with respect to fiscal years 2005 and 2006, the State has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material events in accordance with the Rule. The State did not include audited financial statements for fiscal year 2005 in its Annual Report for fiscal year 2005 or the Annual Report for the State's Turnpike System Revenue Bonds for fiscal year 2005. The Turnpike System filed audited financial statements for fiscal year 2005 in March, 2006, and the State's audited financial statements for fiscal year 2005 were filed in May, 2006. The State had undertaken pursuant to the Rule to provide its draft financial statements or audited financial statements for fiscal year 2006 to each NRMSIR by March 27, 2007, and on March 29, 2007, the State filed a notice of its failure to file such statements by the required date. The State's audited financial statements for fiscal year 2006 were filed on April 20, 2007. See "FINANCIAL STATEMENTS" in the Information Statement included as Part II of this Official Statement.

STATE OF NEW HAMPSHIRE

By: /s/ Catherine A. Provencher  
*State Treasurer*

March 12, 2008

PROPOSED FORM OF OPINION OF BOND COUNSEL - SERIES A BONDS

EDWARDS ANGELL PALMER & DODGE LLP  
111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

The Honorable Catherine A. Provencher  
State Treasurer  
State House Annex  
Concord, New Hampshire 03301

\$56,320,000  
State of New Hampshire  
General Obligation Refunding Bonds, 2008 Series A  
Dated Date of Delivery

We have acted as Bond Counsel to the State of New Hampshire (the "State") in connection with the issuance by the State of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on this examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the State, and the full faith and credit of the State are pledged for the punctual payment of the principal of and interest on the Bonds.
2. The interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends. We express no opinion regarding any other New Hampshire tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than New Hampshire.
3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS ANGELL PALMER & DODGE LLP

**PROPOSED FORM OF OPINION OF BOND COUNSEL – SERIES B BONDS**

**EDWARDS ANGELL PALMER & DODGE** LLP  
111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

The Honorable Catherine A. Provencher  
State Treasurer  
State House Annex  
Concord, New Hampshire 03301

\$30,000,000  
State of New Hampshire  
General Obligation Capital Improvement Bonds, 2008 Series B  
Dated Date of Delivery

We have acted as Bond Counsel to the State of New Hampshire (the “State”) in connection with the issuance by the State of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on this examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the State, and the full faith and credit of the State are pledged for the punctual payment of the principal of and interest on the Bonds.
2. The interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends. We express no opinion regarding any other New Hampshire tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than New Hampshire.
3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS ANGELL PALMER & DODGE LLP



**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the State of New Hampshire (the “Issuer”) in connection with the issuance of its \$56,320,000 General Obligation Refunding Bonds, 2008 Series A (the “Series A Bonds”), dated their date of delivery, and \$30,000,000 General Obligation Capital Improvement Bonds, 2008 Series B (the “Series B Bonds,” and together with the Series A Bonds, the “Bonds”), dated their date of delivery. The State covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State 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 State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“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 Repository. The current Transmission Agent is listed on Exhibit A attached hereto.

SECTION 3. Provision of Annual Reports.

(a) The State shall, not later than 270 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 State may be submitted when available separately from the balance of the Annual Report.

(b) If the State is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the State shall send a notice to the Repositories in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The State'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 State's Information Statement dated January 10, 2008 regarding (i) the revenues and expenditures of the State relating to its General Fund and Education Fund, (ii) capital expenditures, (iii) fund balances, (iv) revenue information, (v) indebtedness of the State, and (vi) pension obligations of the State, and
- (b) the most recently available audited financial statements of the State, 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.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements for debt issues of the State 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 State shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The State shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.
8. Bond calls.
9. Defeasance of the Bonds or any portion thereof.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

As of the date of this Disclosure Certificate events of the types listed in paragraphs 2, 3, and 10 above are not applicable to the Bonds.

(b) Whenever the State obtains knowledge of the occurrence of a Listed Event, the State shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the State shall promptly file a notice of such occurrence with the Repositories.

SECTION 6. Alternative Methods for Reporting. The State may satisfy its obligations to make a filing with each Repository hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the SEC, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each Repository is an undertaking described in the Rule.

SECTION 7. Termination of Reporting Obligation. The State's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may also include bond counsel to the State), 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 State 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 9. Default. In the event of a failure of the State to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the State 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 State to comply with this Disclosure Certificate shall be an action for specific performance of the State's obligations hereunder and not for money damages in any amount.

SECTION 10. 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.

Date: March \_\_, 2008

STATE OF NEW HAMPSHIRE

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

\_\_\_\_\_  
Governor

[EXHIBIT A: List of National Repositories and Transmission Agent – to be attached]

[EXHIBIT B: Form of Notice of Failure to File Annual Report – to be attached]

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NOTICE OF SALE

STATE OF NEW HAMPSHIRE

**\$59,715,000\***  
**GENERAL OBLIGATION REFUNDING BONDS**  
**2008 SERIES A**

AND

**\$30,000,000**  
**GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS**  
**2008 SERIES B**

Notice is hereby given that electronic bids will be received until 11:00 a.m. (local Concord, New Hampshire time) on Wednesday, March 12, 2008, by Catherine A. Provencher, State Treasurer of the State of New Hampshire, for the purchase of \$59,715,000\* State of New Hampshire General Obligation Refunding Bonds, 2008 Series A (the "Series A Bonds") and \$30,000,000 State of New Hampshire General Obligation Capital Improvement Bonds, 2008 Series B (the "Series B Bonds" and collectively with the Series A Bonds, the "Bonds").

**Description of the Bonds**

The Bonds will be issued only as fully registered bonds in book-entry form. The Bonds will be dated their date of delivery and will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on a 30/360 day basis and will be payable semi-annually on March 1 and September 1, commencing September 1, 2008.

Principal on the Series A Bonds will be paid (subject to prior redemption) on March 1 in the following years and amounts:

<u>Year</u>	<u>Principal Amount</u> <sup>(1), (2)</sup>	<u>Year</u>	<u>Principal Amount</u> <sup>(1), (2)</sup>
2016	\$5,975,000	2021	\$5,970,000
2017	5,975,000	2022	5,970,000
2018	5,975,000	2023	5,970,000
2019	5,970,000	2024	5,970,000
2020	5,970,000	2025	5,970,000

- (1) May represent mandatory sinking fund redemption amount or portion of stated maturity if Term Bonds (as defined herein) are specified.  
 (2) Preliminary, subject to change as provided herein.

\* Preliminary, subject to change.

Principal on the Series B Bonds will be paid (subject to prior redemption if any term bonds are designated by the successful bidder) on March 1 in the following years and amounts:

<u>Year</u>	<u>Principal Amount</u> <sup>(1)</sup>	<u>Year</u>	<u>Principal Amount</u> <sup>(1)</sup>
2009	\$1,800,000	2019	\$1,200,000
2010	1,800,000	2020	1,200,000
2011	1,800,000	2021	1,200,000
2012	1,800,000	2022	1,200,000
2013	1,800,000	2023	1,200,000
2014	1,800,000	2024	1,200,000
2015	1,800,000	2025	1,200,000
2016	1,800,000	2026	1,200,000
2017	1,800,000	2027	1,200,000
2018	1,800,000	2028	1,200,000

(1) May represent mandatory sinking fund redemption amount or portion of stated maturity if Term Bonds (as defined herein) are specified.

### **Authorization and Security**

The Bonds will be general obligations of the State of New Hampshire and the full faith and credit of the State will be pledged for the punctual payment of the principal and interest on the Bonds. The Bonds are being issued pursuant to a vote of the Governor and Council under Chapter 6-A of the New Hampshire Revised Statutes Annotated and various other laws.

### **Optional Redemption**

Bonds maturing on and before March 1, 2018 are not subject to redemption prior to maturity. Bonds maturing after March 1, 2018 are subject to redemption at the option of the State on and after March 1, 2018 in whole or in part at any time, with maturities or mandatory redemption installments to be designated by the State, at par plus accrued interest to the redemption date.

### **Mandatory Redemption**

If the successful bidder designates principal amounts of the Bonds to be combined into one or more term bonds each such term bond shall be subject to mandatory redemption commencing on March 1 of the first year which has been combined to form such term bond and continuing on March 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for such year set forth in the foregoing maturity schedule for such series of Bonds. Bonds to be redeemed in any year by mandatory redemption shall be redeemed at par and selected by lot from among the Bonds of the same maturity. The State Treasurer may credit against any mandatory redemption requirement term bonds of the maturity then subject to redemption which have been purchased and canceled by the State or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

### **Notice of Redemption**

Whenever Bonds are to be redeemed, the State Treasurer shall cause notice of the call for redemption to be sent by registered or certified mail not less than 30 nor more than 60 days before the redemption date, to the registered owner of any Bond to be redeemed. If less than all of the Bonds are called for redemption, the Bonds to be redeemed shall be selected in such manner as may be determined by the State Treasurer to be in the best interests of the State. If less than all of the Bonds of a single maturity are called for redemption, the Bonds to be redeemed shall be selected by lot. During the period that DTC or its nominee is registered owner of the Bonds, the State Treasurer shall not be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners.

## **Book-Entry Only**

Initially, one bond certificate for each maturity of each series will be issued to The Depository Trust Company, New York, New York ("DTC") or its nominee, which will be designated as the securities depository for the Bonds. So long as DTC is acting as securities depository for the Bonds, a book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 and multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal of and interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Principal of and interest on the Bonds will be payable in lawful money of the United States of America by U.S. Bank National Association, as Paying Agent. Transfers of principal and interest payments to beneficial owners (the "Beneficial Owners") will be the responsibility of such participants and other nominees of the Beneficial Owners. The State will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, (b) the State determines that DTC is incapable of discharging its duties or that continuation with DTC as securities depository is not in the best interests of the State or (c) the State determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds is not in the best interests of the State or the Beneficial Owners, the State will discontinue the book-entry system with DTC. If the State fails to identify another qualified securities depository to replace DTC, the State will cause the execution and delivery of replacement bonds in the form of fully registered certificates.

## **Electronic Bidding Procedures**

Proposals to purchase bonds (all or none) must be submitted electronically via *PARITY*. Bids will be communicated electronically to the State at 11:00 a.m., local Concord, New Hampshire time, on Wednesday, March 12, 2008. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via *PARITY*, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via *PARITY* to the State, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on *PARITY* shall constitute the official time. The State will not accept bids by any means other than electronically via *PARITY*.

## **Disclaimer**

Each prospective bidder shall be solely responsible to submit its bid via *PARITY* as described above. Each prospective bidder shall be solely responsible to make necessary arrangements to access *PARITY* for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the State nor *PARITY* shall have any duty or obligation to provide or assure access to *PARITY* to any prospective bidder, and neither the State nor *PARITY* shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*. The State is using *PARITY* as a communication mechanism, and not as the State's agent, to conduct the electronic bidding for the Bonds. The State is not bound by any advice and determination of *PARITY* to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via *PARITY* are the sole responsibility of the bidders; and the State is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, the bidder should telephone *PARITY* at i-Deal (212) 404-8102 and notify the State's Financial Advisor, Public Resources Advisory Group, by facsimile at (212) 566-7816. 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 *PARITY* at i-Deal (212) 404-8102.

## **Bid Specifications for the Bonds**

Bids must include both the Series A and Series B Bonds; no bid for other than all of the Bonds will be accepted. Bidders should state the rate or rates of interest that the Bonds are to bear, in multiples of 1/8 or 1/20 of one percent. Any number of rates may be named, except that the Series A Bonds maturing on the same date must bear interest at the same rate and the Series B Bonds maturing on the same date must bear interest at the same rate. Each bidder must specify in its bid the amount and maturities of the Series A Bonds of each rate and the amount and maturities of the Series B Bonds of each rate. No interest rate may exceed 5.50%. No bond of any maturity may be reoffered at a price less than 95% of the principal amount of such bond. For the Series A Bonds, the bid price must be no less than 99% of the par value of the Revised Aggregate Principal Amount of the Series A Bonds. For the Series B Bonds, the bid price must be for not less than 100% and not more than 103% of the par value of the aggregate principal amounts of the Series B Bonds.

## **Serial Bonds and Term Bonds**

The successful bidder may provide in its bid for all of the Bonds of a series to be issued as serial bonds or may designate consecutive annual principal amounts of the Bonds of a series to be combined into term bonds. Each such term bond shall be subject to mandatory redemption as described above under "Mandatory Redemption."

## **Bond Insurance**

The State has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the successful bidder, and any increased costs of issuance or delivery of the Bonds resulting by reason of such insurance or commitment shall be assumed by such bidder. Bids shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued, or any rating downgrade or other material event occurring relating to the issuer of any such policy or commitment, shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds.

## **Adjustments to Principal Amounts of the Series A Bonds**

The State reserves the right to revise the maturity schedule and the aggregate principal amount of the Series A Bonds as set forth in this official Notice of Sale (the "Series A Preliminary Amounts") before the receipt of electronic bids for the purchase of the Series A Bonds. ANY SUCH REVISIONS made prior to the receipt of electronic bids (the "Series A Revised Amounts") WILL BE PUBLISHED ON TM3 NOT LATER THAN 1:00 P.M. (EASTERN DAYLIGHT TIME) ON THE LAST BUSINESS DAY PRIOR TO THE DATE OF THE SALE. In the event that no such revisions are made, the Series A Preliminary Amounts will constitute the Series A Revised Amounts. Bidders shall submit bids based on the Series A Revised Amounts and the Series A Revised Amounts will be used to compare bids and select a winning bidder.

As promptly as reasonably possible after the bids are received, the State will notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the State of the initial public offering prices of each maturity of the Bonds (the "Initial Reoffering Prices") as described below under "Undertakings of the Successful Bidder." The Initial Reoffering Prices of the Series A Bonds will be used to calculate the final maturity schedule and the final aggregate principal amount of the Series A Bonds (the "Series A Final Amounts"). In determining the Series A Final Amounts, the State will not reduce or increase the revised aggregate principal amount by more than 10% from the amount bid upon. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THIS LIMIT. The dollar amount bid for principal by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the aggregate principal amount of the Series A Bonds to be issued. The Series A Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 3:00 P.M. the day following the award of the Series A Bonds.



## **Basis of Award**

The Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest interest cost to the State. The lowest interest cost shall be determined in accordance with the true interest cost (TIC) method by doubling the semi-annual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the date of the Bonds (March 19, 2008) and to the price bid, excluding interest accrued to the date of delivery. If there is more than one such proposal making said offer at the same lowest true interest cost, the Bonds will be sold to the bidder whose proposal is selected by the Treasurer by lot from among all such proposals at the same lowest true interest cost. It is requested that each bid be accompanied by a statement of the true interest cost computed at the interest rate or rates stated in such bid in accordance with the above method of calculation (computed to six decimal places) but such statement will not be considered as a part of the bid.

Bids will be accepted or rejected promptly after receipt and not later than 3:00 p.m. (E.D.T.) on the date of the sale.

The State reserves the right to reject any or all proposals and to reject any proposals not complying with the Notice of Sale. The State also reserves the right, so far as permitted by law, to waive any irregularity or informality with respect to any proposal.

## **CUSIP Numbers**

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the State; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the successful bidder.

## **Expenses**

The State will pay: (i) the cost of the preparation of the Bonds; (ii) the fees and expenses of Bond Counsel, and the Financial Advisor; (iii) the fees of the rating agencies relating to the Bonds, and (iv) the cost of preparation and printing of the Official Statement.

## **Undertakings of the Successful Bidder**

The successful bidder shall make a bona fide public offering of the Bonds and shall, within 30 minutes of being notified of the award of the Bonds, advise the State in writing (via facsimile transmission) of the initial public offering prices of each series of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the State Treasurer within 24 hours after notification of the award, furnish the following information to Bond Counsel to complete the Official Statement in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields at which the successful bidder advised the State Treasurer that the Bonds were initially offered to the public).
- B. The identity of the underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information the State Treasurer determines is necessary to complete the Official Statement in final form.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the State a certificate acceptable to Bond Counsel to the State generally to the effect that (i) as of March 12, 2008 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market

prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

### **Delivery of the Bonds**

The Bonds will be delivered on or about March 19, 2008 (unless a notice of change in the delivery date is announced on TM3 not later than 1:00 p.m. (E.D.T.) on the last business day prior to any announced date for receipt of bids) in Boston on behalf of DTC against payment of the purchase price therefor in Federal Funds.

### **Documents to be Delivered at Closing**

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that contemporaneously with or before accepting the Bonds and paying therefor, the successful bidder shall be furnished, without cost, with (a) the approving opinions of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the State, as to the validity and tax status of the Bonds, substantially in the forms provided in Appendix A to the Official Statement, referred to below; (b) a certificate of the State Treasurer and the Commissioner of the Department of Administrative Services to the effect that, to the best of their respective knowledge and belief, the Official Statement referred to below, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; (c) a certificate of the Attorney General of the State in form satisfactory to Bond Counsel, dated as of the date of delivery of the Bonds and receipt of payment therefor, to the effect that there is no litigation pending or, to his or her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Bonds, in any way affecting the validity of the Bonds or in any way contesting the power of the State Treasurer to sell the Bonds as contemplated in this Notice of Sale; and (d) a Continuing Disclosure Certificate substantially in the form described in the Preliminary Official Statement.

### **Official Statement**

The Preliminary Official Statement dated March 5, 2008 and the information contained therein have been deemed final by the State as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but is subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement").

The State, at its expense, will make available to the successful bidder up to 200 copies of the Final Official Statement, for delivery to each potential investor requesting a copy of the Final Official Statement and to each person to whom the bidder and members of its bidding group initially sell the Bonds, within seven business days of the award of the Bonds, provided that the successful bidder cooperate in providing the information required to complete the Final Official Statement.

The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

### **Continuing Disclosure**

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the State will undertake to provide annual reports and notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement.

**Right to Change the Notice of Sale and to Postpone Offering**

The State reserves the right to make changes to the Notice of Sale and also reserves the right to postpone, from time to time, the date and time established for the receipt of bids. ANY SUCH POSTPONEMENT WILL BE ANNOUNCED VIA TM3 NOT LATER THAN 9:00 A.M. (E.D.T.) ON THE ANNOUNCED DATE FOR RECEIPT OF BIDS. If any date and time fixed for the receipt of bids and the sale of the Bonds is postponed, an alternative sale date and time will be announced via TM3 at least 48 hours prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit an electronic bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale, except for the date and time of sale and except for any changes announced over TM3 at the time the sale date and time are announced.

**Additional Information**

For further information relating to the Bonds, reference is made to the Preliminary Official Statement dated March 5, 2008 prepared for and authorized by the State Treasurer. The Preliminary Official Statement may be obtained by accessing the following website: [www.MuniOS.com](http://www.MuniOS.com). For further information, please contact the undersigned at the Office of the State Treasurer, State House Annex, Concord, New Hampshire 03301 (telephone 603-271-2621; telecopy 603-271-3922) or Public Resources Advisory Group, 40 Rector Street, Suite 1600, New York, New York 10006, Attention: Monika Conley (telephone 212-566-7800; telecopy 212-566-7816).

THE STATE OF NEW HAMPSHIRE

By Catherine A. Provencher  
*State Treasurer*

Date: March 5, 2008

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**STATE OF NEW HAMPSHIRE**  
**INFORMATION STATEMENT SUPPLEMENT**  
**DATED MARCH 12, 2008**

***Information Statement Supplement.** The following information is provided by the State of New Hampshire (the “State”) to supplement the information contained in the State’s most recent Information Statement dated January 10, 2008 (the “Information Statement”). The Information Statement is available on the New Hampshire Treasury Department website as Part II of the Official Statement entitled “State of New Hampshire General Obligation Capital Improvement Bonds 2008 Series A” and may be found at the following website address - <http://www.nh.gov/treasury/Divisions/DM/DMdocs.htm>. The headings set forth in this Supplement (the “Supplement”) correspond to the same headings in the Information Statement. This Supplement sets forth additional information concerning the matters described below as of the date of this Supplement and is subject to change without notice.*

**STATE DEMOGRAPHIC AND ECONOMIC DATA**

**Unemployment**

Over the past ten years, New Hampshire’s unemployment rate was lower than the rate for New England and the United States, and was often the lowest in the nation. Monthly unemployment data for January 2008, the latest available, show that New Hampshire’s unemployment rate was below both the regional and the national level. The table below sets forth information on the civilian labor force, employment and unemployment statistics since 1997.

<u>Year</u>	<b>Labor Force Trends</b>			<b>Unemployment Rate<sup>1</sup></b>		
	<b>New Hampshire Labor Force</b>			<u>New Hampshire</u>	<u>New England</u>	<u>United States</u>
	<b>(In Thousands)<sup>1</sup></b>					
	<u>Civilian Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>			
1997 .....	656	635	21	3.1%	4.4%	4.9%
1998 .....	671	651	19	2.9	3.5	4.5
1999 .....	685	666	19	2.8	3.2	4.2
2000 .....	694	676	19	2.7	2.8	4.0
2001 .....	705	681	24	3.4	3.6	4.7
2002 .....	712	680	32	4.5	4.8	5.8
2003 .....	711	679	32	4.5	5.4	6.0
2004 .....	716	688	28	3.9	4.9	5.5
2005 .....	723	697	26	3.6	4.7	5.1
2006 .....	732	706	26	3.5	4.5	4.6
2007 .....	738	712	26	3.6	4.4	4.6
January, 2008.....	739	710	29	4.0	5.3	5.4

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Division.

<sup>1</sup>Not seasonally adjusted.

## STATE FINANCES

### General

Donald S. Hill, Commissioner of Administrative Services, has retired effective February 29, 2008. Linda M. Hodgdon, the Governor's Budget Director, was nominated by the Governor to succeed Commissioner Hill and was confirmed by the Executive Council on March 5, 2008.

### State Revenues

*Meals and Rooms Tax.* The fiscal year 2008 distribution to cities and towns is equal to 27.4% of the meals and rooms tax collections for fiscal year 2007.

### Fiscal Year 2008-2009 Budget

*Operating Budget.* Effective February 22, 2008, the Joint Legislative Fiscal Committee approved Executive Orders 2008-1 and 2008-2 issued by Governor Lynch requiring budget reductions to address an estimated \$50 million revenue shortfall currently projected for fiscal year 2008. The Executive Orders are available at <http://www.nh.gov/governor/orders/index.htm>. Executive Order 2008-1 includes a freeze on all General Fund hiring with the exception of direct care, custodial care and law enforcement positions and a freeze on equipment purchases and out-of-state travel for a projected savings of \$3.9 million in fiscal year 2008. Executive Order 2008-2 includes specific reductions from State agencies in the amount of \$46.4 million for the remainder of fiscal year 2008. Approximately \$22 million of the \$46.4 million reductions will come from the Department of Health and Human Services. In the Governor's letter to the Joint Legislative Fiscal Committee dated February 22, 2008, the Governor recommended additional steps which require legislation. These include a Judicial Branch reduction of \$ 1.8 million and a Legislative Branch reduction of \$1 million. This would increase the overall reductions to \$53.1 million. The Governor also requested that \$33 million, which was above and beyond the originally anticipated surplus for fiscal year 2007, be carried forward and set aside solely for emergency use only or to help cover unanticipated shortfalls in fiscal year 2008. The State budget, as enacted, assumed lapses of approximately 2.43% or \$38 million based on past history. It is possible that some of the expenditure reductions being undertaken will reduce the actual amount that will lapse to the General Fund at the end of the fiscal year. Efforts have been made to minimize that effect, including direction from the Governor to State agencies to make every effort to still lapse 2.43% of the original General Fund budget.

Additionally, the Governor's Office has started its work on a plan for fiscal year 2009, as revenue shortfalls are projected for fiscal year 2009. Revenue producing agencies have testified before the House and Senate Ways and Means Committees and projected an overall revenue reduction of approximately \$100 million for fiscal year 2009. Business taxes, which are ahead of plan to date in fiscal year 2008, are currently anticipated to be down in fiscal year 2009 because of a naturally occurring lag in those tax receipts as compared to current economic conditions.

*Year-to-Date Revenues.* The following table compares on a modified cash basis, for the eight months ended February 29, 2008, General Fund and Education Fund unrestricted revenues for the fiscal years 2007 and 2008 and a comparison to the revenue estimates for fiscal year 2008. The revenue estimates reflected in the plan are based on those revenues defined in Chapter 262, Laws of 2007, the State budget law for fiscal year 2008. Due to the combined filing of the business profits tax and business enterprise tax, it is not possible to measure accurately the individual effects of each of these taxes. They should be evaluated in their entirety. All information in this table is preliminary and unaudited.

**GENERAL FUND AND EDUCATION FUND UNRESTRICTED REVENUES  
FOR THE EIGHT MONTHS ENDED FEBRUARY 29, 2008  
(Modified Cash Basis-In Millions)**

Revenue Category	FY07	FY08	FY08	FY08 vs Plan		FY08 vs FY07	
	Actual	Actual	Plan	Variance	%Change	Variance	%Change
Business Profits Tax	\$157.0	\$188.4	\$155.3	\$33.1	21.3%	\$31.4	20.0%
Business Enterprise Tax	<u>124.1</u>	<u>123.4</u>	<u>139.3</u>	<u>(15.9)</u>	<u>(11.4)</u>	<u>(0.7)</u>	<u>(0.6)</u>
Subtotal	281.1	311.8	294.6	17.2	5.8	30.7	10.9
Meals & Rooms Tax	146.7	151.5	154.4	(2.9)	(1.9)	4.8	3.3
Tobacco Tax	95.0	115.2	123.5	(8.3)	(6.7)	20.2	21.3
Liquor Sales and Distribution	86.5	91.0	94.5	(3.5)	(3.7)	4.5	5.2
Interest & Dividends Tax	40.7	44.8	47.7	(2.9)	(6.1)	4.1	10.1
Insurance Tax <sup>(1)</sup>	48.8	12.3	10.7	1.6	15.0	(36.5)	(74.8)
Communications Tax	47.9	53.1	53.1	-	-	5.2	10.9
Real Estate Transfer Tax	99.4	84.6	97.8	(13.2)	(13.5)	(14.8)	(14.9)
Estate and Legacy Tax	0.6	0.1	-	0.1	100.0	(0.5)	(83.3)
Transfers from Lottery	48.1	46.6	50.9	(4.3)	(8.4)	(1.5)	(3.1)
Tobacco Settlement	0.4	-	-	-	-	(0.4)	(100.0)
Utility Property Tax	11.3	13.0	11.4	1.6	14.0	1.7	15.0
State Property Tax	-	-	-	-	-	-	-
Other	<u>94.6</u>	<u>96.8</u>	<u>94.9</u>	<u>1.9</u>	<u>2.0</u>	<u>2.2</u>	<u>2.3</u>
Subtotal	1,001.1	1,020.8	1,033.5	(12.7)	(1.2)	19.7	2.0
Net Medicaid Enhancement							
Revenues	75.3	91.1	90.5	0.6	0.7	15.8	21.0
Recoveries	<u>8.4</u>	<u>9.6</u>	<u>9.2</u>	<u>0.4</u>	<u>4.3</u>	<u>1.2</u>	<u>14.3</u>
Total	<u>\$1,084.8</u>	<u>\$1,121.5</u>	<u>\$1,133.2</u>	<u>\$(11.7)</u>	<u>(1.0)%</u>	<u>\$36.7</u>	<u>3.4%</u>

Revenues for the first eight months of fiscal year 2008 were \$1,121.5 million, which is \$11.7 million, or 1.0%, below plan. Year-to-date revenue is ahead of fiscal year 2007 by \$36.7 million, or 3.4%. Business tax collections year-to-date in fiscal year 2008 are down slightly with one-time audit revenue collections masking that slight downturn. The five main revenue categories that are underperformers in fiscal year 2008 are: Real Estate Transfer tax down \$13.2 million, which if annualized would be down \$18.2 million for the year; Tobacco Tax down \$8.3 million, which if annualized would be down \$12.3 million for the year; Lottery Transfers and Liquor Sales and Distribution down \$7.7 million collectively, which if annualized would be down \$12.2 million for the year; and Interest and Dividends Tax down \$2.9 million, which if annualized would be down \$7.9 million for the year. The total of these amounts of \$49.7 million is the basis for the \$50 million in budget reductions recently undertaken by the Governor. This \$50 million shortfall in revenue represents a 2.1% reduction from overall General and Education Fund budgeted revenues of \$2,414.8 million. The Real Estate Transfer tax shortfall from plan is a result of the sub-prime market challenges as well as the economic downturn. The State did impose a \$.28 increase per pack in the Tobacco Tax, effective July 1, 2007, thereby increasing the \$.80 rate to \$1.08 per pack. This tax increase accounts for the increase in Tobacco Tax revenue as compared to fiscal year 2007, although year-to-date revenues are below plan for fiscal year 2008. Liquor Sales and Distribution and Lottery revenues are believed to be down due to available consumer resources being tighter than normal in light of rising gas and fuel prices. Interest and Dividends Tax revenues are down due to lower interest rates and reduced corporate dividends.

**SCHOOL FUNDING**

*Litigation.* The case of *A.P. Tibbetts Trust, Donald Stevens, Linda Stevens, J.P. Nadeau, James P. Nadeau, III, Split Rock Cover Limited Partnership v. Town of Rye* and its companion case of *J.P. Nadeau, et al. v. City of*

*Portsmouth* challenged the constitutionality of the statewide education property tax as assessed against them in 2006. Petitioners were all property taxpayers in Rye and Portsmouth. They alleged that the assessing practices throughout the State are not uniform enough to ensure the constitutionally required proportionality necessary for allocating the statewide property tax between individual taxpayers in different communities. They also alleged that the statewide property tax is unconstitutional as the State did not define an adequate education resulting in the formula used to distribute State funds and assess the statewide property tax being unconstitutional. Petitioners voluntarily nonsuited. As a result, this matter is now concluded.

In 2005, the 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 was 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 includes 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 parties briefed the matter and argued it on June 22, 2006. The Supreme Court issued its decision on September 8, 2006, holding that the State failed to define an adequate education and staying all remaining issues. The Court noted in its decision that any definition of constitutional adequacy must allow for an "objective determination of costs" and that "[w]hatever the State identifies as constitutional adequacy it must pay for. None of that financial obligation can be shifted to local school districts, regardless of their relative wealth or need." The Court gave the Legislature until the end of fiscal year 2007 to enact a definition.



Petitioners also moved for attorneys' fees, without disclosing the requested amount, and the State objected. The Court denied this request at this time.

The *Nashua* case was stayed by an order of the Court based on a motion filed by the State requesting that it be stayed until the end of fiscal year 2007.

In January 2007, Governor Lynch organized a working group to draft the criteria and substantive programs for an adequate education. That draft definition was the basis for House Bill 927 ("HB 927"). HB 927 includes a detailed statement of purpose explaining its interaction with all of the State's education statutes and regulations. HB 927 defines nine essential opportunities for education from the State's school approval standards in: English/language arts, mathematics, science, social studies, art education, world languages, health education, physical education, technology education including information and communication technologies. HB 927 also adopts the State's curriculum frameworks in these essential opportunities as guides for teaching these subjects. A legislative oversight committee is also established in HB 927 to provide more direct input into modifications or additions to the State's school approval standards. A legislative costing committee is also established to determine the cost of an adequate education in accordance with HB 927's definition. HB 927 was the subject of at least seven public hearings across the State where legislators from both houses met and listened to comments from educators and the public. HB 927 passed both houses and was signed by Governor Lynch on June 29, 2007. See Chapter 270 of the Laws of 2007.

On July 20, 2007, the Supreme Court issued orders in both the *Londonderry* and *Nashua* cases requiring the parties to file a response as to whether the cases should be remanded based on the Legislature's actions. Londonderry filed a response offering to dismiss its case if the State agreed to cost and fund an adequate education and develop a new accountability system by June 30, 2008. The State declined this offer and asked that the matter either be dismissed or stayed until the end of the 2008 Legislative Session. Nashua responded that it wanted its appeal to proceed to argument and was requesting approximately \$5 million in damages plus attorneys' fees. The State argued that Nashua was not entitled to either damages or attorneys' fees and that this matter should be dismissed as moot. On September 14, 2007, the Supreme Court issued an order in *Londonderry* staying the case until July 1, 2008, but allowing any party to move "for good cause shown to lift the stay." On September 20, 2007, the Supreme Court issued an order in *Nashua* remanding the case to the Hillsborough County Superior Court for the court to determine (1) if the prior law should have been reinstated and damages awarded to Nashua for the additional monies it would have received under the prior law, and (2) if attorneys' fees should have been awarded. A structuring conference in the *Nashua* case was held on January 10, 2008, and the court set briefing deadlines on two issues: (1) whether the prior law should be reinstated, and (2) whether sovereign immunity bars Nashua's claim for money damages. The State's brief is due March 14, 2008, and a hearing on oral argument and offers of proof on the two issues is scheduled for April 21, 2008.

The legislative costing committee, established under HB 927, has been holding regular weekly meetings since August, 2007, and is taking public and expert testimony on a funding formula for an adequate education. The committee issued its report on February 1, 2008. It can be viewed in its entirety at <http://www.gencourt.state.nh.us/statstudcomm/reports/1900.pdf>. Senate Bill 539 was introduced on February 21, 2008, to implement recommendations contained in the report for the fiscal year beginning July 1, 2009.

A new challenge to the constitutionality of the statewide education property tax was recently filed. In the companion cases of *Worth Development Corp. v. Department of Revenue Administration* ("DRA"), *100 Market St. v. DRA*, *Lawrence P. McManus and Mary Elizabeth Herbert v. DRA*, *Dale W. Smith and Sharyn Smith v. DRA*, *Split Rock Cove Limited Partnership v. DRA*, *J.P. Nadeau v. DRA*, *Mirona Realty, Inc. v. DRA*, and *St. John's Masonic Assoc. v. DRA*, Petitioners appeal DRA's denial of their request for refund of all State Education Tax paid pursuant to RSA 76:3. Petitioners allege that the DRA's equalization process and the Tax and the system of assessment to determine the amount of Tax lack substantial uniformity and amount to intentional discrimination which results in the Petitioners being forced to pay an unjust, disproportionate, unconstitutional, and illegal tax. The State's appearance is due on or before April 1, 2008, and its answer is due May 1, 2008.

The State is unable to predict the outcome of these matters at this time.

## STATE INDEBTEDNESS

### Authorized But Unissued Debt

On January 17, 2008, the State issued its \$75,000,000 General Obligation Capital Improvement Bonds, 2008 Series A for the purpose financing capital improvement projects authorized under various statutes.

### Capital Budget

In the 2008-2009 capital budget, \$60 million was appropriated and general obligation bonds authorized for various transportation infrastructure programs, including municipal bridge aid, state match on federally funded highway projects, state aid to local highway projects and the betterment program. Debt service payments on the bonds authorized will be paid from the highway fund. The State expects to issue \$30 million of this authorization as its General Obligation Capital Improvement Bonds, 2008 Series B, in March 2008.

## STATE RETIREMENT SYSTEM

*Medical Subsidy.* As required for fiscal year 2007 implementation of GASB 43, the System conducted an actuarial valuation of its postemployment “medical subsidy” benefit. As of June 30, 2007, the net assets available to pay “medical subsidy” post employment benefits, at actuarial value, were reported by the System to be \$157.0 million, with a corresponding liability of \$979.2 million, resulting in an unfunded post employment benefit liability at June 30, 2007 of \$822.2 million and an overall funding ratio of 16.0%. As part of implementing GASB 43, the System underwent a compliance review of its medical subsidy program. The compliance review made multiple recommendations that were unanimously adopted by the System’s Board of Trustees in November 2007. These recommendations include: (1) seeking IRS approval to correct a series of transfers that occurred from fiscal years 1990 through 2000 by participating in the IRS voluntary correction program (if approved, a transfer of at least \$26 million would be made from the 401(h) medical subtrust to the pension reserve), (2) seeking ratification by corrective state legislation of the 33-1/3% employer contributions that were made and prospectively abide by the 25% statutory limitation, and (3) eliminating the financial reporting of the \$295 million Medical Special Account as part of the Postretirement Medical Plan and reporting the \$295 million as pension assets. At the direction of the Board and as recommended by the compliance review, these assets were transferred to the pension trust as Special Account assets to be used to fund future COLAs. This change was made as part of the actuarial valuation results described above and is also expected to be reflected in the System’s 2007 audited financial statements, when available.

Additionally, in order to comply with GASB 43, the System’s outside legal counsel has reviewed the statutory construction of the medical subsidy plan[s] to determine whether the System administers one postretirement medical plan for all eligible retirees or multiple plans for each individual retiree membership group. Counsel has concluded the System administers four medical subsidy plans: (1) Group II covering Public Safety workers, (2) Teachers, (3) Employees of Political Subdivisions and (4) Employees of the State. This opinion results in a shift in the way the medical plans have been defined, accounted for and valued in the past. A preliminary analysis indicates that contributions to the Political Subdivision Employee Group medical plan have subsidized medical benefits paid the State Employee Group by approximately \$15 million since inception. To ensure appropriate treatment of these plans, the Board of Trustees on February 12, 2008 voted to seek a second legal opinion. The full impact on the financial statements, if any, of these plan determinations and required contributions by the State, if any, is not known at this time.

The significant changes to the System’s financial statements resulting from the medical subsidy compliance review has caused a delay in the issuance of the System’s fiscal 2007 audited financial statements. It is expected that audited financial statements for the System will be available by June 30, 2008.

*Commission Report.* The legislation enacted in 2007 session also established a commission to study the System and make recommendations related to benefit structure, governance, and investments. The commission’s final report, which was released in December, 2007, includes the following priority recommendations:

- Establishment of an Investment Committee that includes non-board members who are investment professionals.

- Establishment of an Audit Committee that includes non-board members who are accounting professionals.
- Freeze the amount of the medical subsidy in 2010, subject to biennial review.
- Establish a new health care subsidy plan, separate from the pension plan, by July 1, 2009.
- Transfer \$250 million that had been earmarked for health benefits from the Special Account into the corpus of the pension trust fund. (This amount is a portion of the \$295 million transferred by the System in November 2007 from the medical subsidy special account to the pension trust as Special Account assets.)
- Establish an employee funded cost-of living-adjustment (“COLA”) program.
- Allow non-vested members to leave money in the System, credited at a rate of 2% below the assumed rate of return.

Details of these and other recommendations are included in the commission’s final report, which is available in its entirety at [www.gencourt.state.nh.us](http://www.gencourt.state.nh.us). Implementation of these recommendations will require action by the Board of Trustees of the System and, in some cases, the Legislature. House Bill 1645 introduced in session year 2008, addresses many of the recommendations made in the Commission report including the priority recommendations summarized above, except that it establishes a committee to propose a retiree health care benefits funding model with initial recommendations to be made by December 1, 2008 and final recommendations by December 1, 2009, and it eliminates the 8% annual increase on the medical subsidy after July 1, 2008. There can be no assurance that any of the recommendations or House Bill 1645 will be adopted, adopted as presented in the report or as introduced with respect to House Bill 1645, or adopted in either case with modifications.

## LITIGATION

In *New Hampshire Association of Counties, et al. v. Commissioner of Department of Health and Human Services*, some of the State’s ten Counties (the “Plaintiff Counties”) challenged the Department of Health and Human Services’ (“DHHS”) decision holding them responsible for paying a share of the cost of Medicaid payments for clients receiving Old Age Assistance (“OAA”) or Aid to the Permanently and Totally Disabled (“APTD”). Under RSA 167:18-b, the counties are liable for one-half of the State’s expenditures for OAA and APTD recipients who are “in nursing homes.” DHHS believed that RSA 167:18-b also allowed it to bill the Plaintiff Counties for nursing services that are provided to recipients who are in institutions, such as rehabilitation hospitals, that are not licensed as “nursing homes” but are certified under Medicaid as nursing facilities authorized to provide nursing level care. DHHS has been billing the Plaintiff Counties for these services since at least 2002.

The second issue raised by the Plaintiff Counties in their suit is whether DHHS exceeded the statutory cap on the total amount that the Plaintiff Counties can be billed under RSA 167:18-b in fiscal year 2004. RSA 167:18-b establishes a \$60 million cap on the total liability for the Plaintiff Counties under this section of the statute. The legal dispute in this case involves whether that figure should be interpreted as a gross amount or a net amount. In 2004, the total amount of the bills sent to the Plaintiff Counties for their share of payments under RSA 167:18-b was approximately \$62.1 million. However, DHHS gave the Plaintiff Counties approximately \$2.1 million in statutory credits, thereby bringing the total owed to \$60 million. The Plaintiff Counties refused to pay the total amount, claiming that the statute limits the total amount that can be “billed” to the Plaintiff Counties at \$60 million, and therefore the credits should have been subtracted from the \$60 million, thereby limiting their liability to \$57.9 million.

The parties filed cross-motions for summary judgment and on October 27, 2006, the Merrimack County Superior Court granted summary judgment in favor of the Plaintiff Counties on both issues. DHHS filed a notice of appeal in November, 2006.

On August 17, 2007 the Supreme Court issued an order in which it vacated the majority of the lower court’s decision, affirmed it in part, and remanded it back to the lower court for additional factual findings. Most significantly, the Supreme Court held that the term “nursing home” in RSA 167-18-b means any institution certified by the federal

Medicaid program to provide nursing facility services. The result is that the vast majority of the bills which were submitted to the Plaintiff Counties were appropriate and legal, and therefore the Plaintiff Counties will not be entitled to any reimbursement from the State of those amounts paid. In addition, the State will be able to demand payment for certain bills which the Plaintiff Counties refused to pay.

The Supreme Court also ruled that the cap provisions should be understood as limiting the Counties overall liability at \$58 million. The Supreme Court held that since there was insufficient evidence in the record as to how much the Plaintiff Counties have reimbursed the State during the relevant period, the matter would need to be sent back to the trial court for further proceedings. The matter was remanded to the Merrimack County Superior Court, and cross motions for summary judgment were filed in November, 2007. To date the parties have not received a response from the Court.

It is not possible to calculate the likely fiscal impact to the State at this time. The most recent Supreme Court ruling means that the State will most likely not suffer any financial impact going forward (i.e. the State will not be required to expend any money to reimburse the State for monies previously collected) from the Plaintiff Counties. The question that remains unanswered is the extent to which the State will be allowed to recover approximately \$5 million, which was withheld by the Plaintiff Counties in prior fiscal years.

The Plaintiff Counties filed a second lawsuit in Merrimack County Superior Court, *New Hampshire Association of Counties, et al. v. Commissioner of Department of Health and Human Services* ("NHAC II"), challenging the manner in which the State assesses the Plaintiff Counties a portion of the cost for long-term care. In this lawsuit, the Plaintiff Counties claim that the most recent budget law, Chapter 262 of the Laws of 2007 violates Article 28-a of the New Hampshire Constitution in that it constitutes an "unfunded mandate."

Chapter 262 sets out a multi-year approach to this problem. In the first year, it continues the existing relationship with the Counties with regard to the sharing of the costs of long-term care. In the subsequent years, the new law changes the relationship between the Counties and the State, shifting certain costs onto the Counties, but taking other responsibilities away from the Counties.

The Plaintiff Counties filed a petition seeking a declaratory judgment and injunctive relief. They are seeking to be excused from having to contribute to the cost of long-term care for patients on Medicaid. The Plaintiff Counties currently pay approximately \$70 million per year towards long-term care under Medicaid.

The parties filed cross-motions for summary judgment on November 7, 2007, and a hearing was held on February 13, 2008.

It is difficult to assess the likely fiscal impact to the State from this litigation. If the Plaintiff Counties were to prevail, it would result in a decrease in anticipated revenue for long-term care. This would result in the need to decrease the appropriation for long-term care, by reducing services, or increase revenue from some other source.

Two cases in the New Hampshire Supreme Court involved rates paid by the Division of Children, Youth and Families ("DCYF"). The first, *Appeals of: Chase Home for the Children, Child and Family Services; Hannah House, NFI North, Odyssey Home, Orion House, and Pine Haven Boys Center*, involves the fiscal year 2004-2005 rates paid to residential child care facilities. The Hearings Panel, established pursuant to RSA 170-G:4-a, ruled that DCYF should have set the rates in accord with certain administrative rules. The hearings officer ordered DCYF to pay the higher rates but determined that he had no authority to order DCYF to pay them retroactively. The facilities appealed the ruling regarding denial of the retroactive payments. The second case is *Petition of the Division of Children, Youth and Families*, in which DCYF is challenging a decision by the Hearing Panel ruling that DCYF is required to pay a 5% rate increase using the administrative rules rate as the base rate. And, the Hearings Panel ordered DCYF pay the higher rate retroactive to July 1, 2005. DCYF appealed so that the issues on appeal include whether the 5% rate increase should be calculated from the administrative rules rate as the base rate and whether the State may be required to pay retroactively. Both sides filed briefs and oral argument occurred in April, 2007.

In the first case, *Appeals of: Chase Home, et al.*, the Supreme Court held, on June 8, 2007, that the hearings officer had the authority to establish residential rates and determine when the rates become effective, but did not have

the authority to order DHHS to make retroactive payments at the recalculated rate levels. The Supreme Court declined to decide what further remedies are available to the facilities, such as whether the petitioners could obtain relief in a civil action in superior court. No payment by the State was ordered.

In the second case, *Petition of the Division of Children, Youth and Families*, the Supreme Court held, on June 15, 2007, that the hearing officer's decision to establish the rate at the 2005 calculated rate plus 5%, and to set the effective date of the rate at July 1, 2005, were proper, but that the hearing officer's order requiring DCYF to render payment was beyond the scope of its authority and vacated that part of the decision. The Supreme Court declined to decide what further remedies are available to the facilities, such as whether the petitioners could obtain relief in a civil action in superior court, and no payment by the State was ordered.

These cases are now concluded and no payment was ordered. However, on November 7, 2007, the seven residential childcare providers initiated a new suit in Merrimack County Superior Court against DCYF, *Chase Home et al v. DCYF*. The claims include for 1) breach of contract, 2) breach of implied covenant of good faith and fair dealing, 3) unconstitutional taking, and 4) deprivation of rights under 42 U.S.C. §1983. The petitioners seek retroactive payment of more than \$3 million as well as costs and attorneys' fees. The State intends to file a motion to dismiss on the grounds that DCYF does not have a contractual relationship with the providers. There is a structuring conference scheduled for March 2008. At this time, it is not possible to predict the outcome of these matters or the amount, if any, the DHHS will be required to pay.

*Holiday, et al v. Stephen Curry, Commissioner, NH DOC, et al.* was filed as a class action in state court against the New Hampshire Department of Corrections ("DOC.") The plaintiffs' class, made up of all inmates of the New Hampshire State Prison, brought an equity petition to enforce various settlement agreements related to a comprehensive "conditions of confinement" suit dating back to 1976. The plaintiffs' class alleged, and the court found, that the DOC materially breached certain elements of the settlement agreements relating to the provision of mental health care to inmates. In brief, the plaintiffs asserted that the DOC lacked a number of mental health programs and the staff to implement those programs. The matter was tried and the court ruled against the DOC ordering it to develop an implementation plan and that the plan be executed. In particular, the court ordered the creation of a residential treatment unit to house and treat a sub-set of the class. Full implementation will require capital improvements, the hiring of correctional and mental health staff and operating expenses to sustain the program.

DOC has submitted its plan for the court to review. DOC also appealed parts, but not all, of the court's order asserting that the court exceeded its authority under the settlement agreements. The parties settled the matters on appeal and the appeal has been withdrawn. The trial court continues to schedule status conferences to discuss and monitor the progress of implementation. The DOC estimates that full implementation of the court's order will require approximately \$9,000,000 over this biennium.

*Bel Air Associates v. Department of Health and Human Services* was decided by the New Hampshire Supreme Court in September 2006 involving certain restrictions on the rates paid by the Department of Health and Human Services ("DHHS") to nursing home providers. The Supreme Court held that DHHS' capital costs cap and its budget neutrality factor should have been created by administrative rule. The Supreme Court further held that because they were not created as rules, they could not be applied against Bel Air Associates. The Supreme Court did not order any damages against DHHS as it did not allow a late attempt by Bel Air Associates to add a breach of contract claim. Bel Air Associates, however, filed a breach of contract claim in Merrimack County Superior Court in late November alleging approximately \$600,000 in damages. The parties filed cross-motions for summary judgment in June, 2007 and the Court granted the State's motion for summary judgment in late December, 2007. Bel Air Associates appealed the decision to the New Hampshire Supreme Court, and the parties will be filing briefs this spring. In December, 2006, DHHS also issued an emergency rule authorizing the capital costs cap and the budget neutrality factor. Those rules were made permanent in May, 2007. Various nursing homes threatened to file injunctions preventing enforcement of the emergency rule, but other than Bel Air, none have filed. At this time, it is not possible to predict the outcome of these matters or the amount, if any, that DHHS will be required to pay.

In *New Hampshire Internet Service Providers ("NHISPA") and Destek v. Department of Revenue Administration ("DRA")*, Plaintiffs claim that Verizon's and other carriers' collection of the Communications Services Tax on T-1 and T-3 services/lines is illegal as it is pre-empted by Federal law. DRA believes that collection of the tax is legitimate because DRA's right to collect the tax is grandfathered under Federal law. The lawsuit was originally

filed in Federal Court but was dismissed on jurisdictional grounds. This suit was then re-filed in State court. DRA estimates that the loss of revenue, if the tax were declared invalid or the grandfathering provision were repealed, would be between \$1.0 million and \$3.0 million in regards to the T-1 and T-3 services and other similar lines. If broadband and ISP access telephone were also included, the amount of lost revenue is estimated to be an additional \$3.0 million to \$5.5 million. The federal Internet Tax Freedom Act was extended beyond November 2007, but the grandfathering section was likewise continued. The State cannot predict the likely outcome of this case at this time.

*Carter, Celluci, and Durgin v. Department of Health and Human Services ("DHHS")* is a class action lawsuit, filed in the Federal District Court under 42 U.S.C. sec. 1983, seeking injunctive relief against DHHS for failure to make determinations relating to individuals seeking Aid To the Permanently and Totally Disabled within the 90 day time limit set by Federal regulations. The lawsuit also alleges that DHHS fails to provide a required notification for appeal if the determination is not going to be made within 90 days. The lawsuit was filed on January 30, 2007. On April 9, 2007, DHHS filed a Motion for Entry of Judgment acknowledging that it was not meeting the 90 day determination period and requesting 45 days to file a plan with the Federal Court detailing how it will comply with the Federal regulations. The cost of implementation of the plan is estimated to be less than \$300,000 annually. The parties reached agreement on a final proposed order that resolves all issues except attorney's fees and future monitoring. A hearing on final approval is scheduled for March 2008. Plaintiffs have requested approximately \$150,000 in attorneys' fees and the State has objected. At this time it is not possible to predict the amount of attorney's fees or monitoring fees, if any, that DHHS will be required to pay.

*ACF Notice of Disallowance of FFP for Title IV-E Training Costs.* On February 26, 2007, the New Hampshire Department of Health and Human Services ("DHHS") received a notice of disallowance of federal financial participation ("FFP") in the amount of \$1,761,128 from the federal Administration for Children and Families (ACF). The disallowance was based on an audit report entitled Review of Title IV-E Training Costs in NH for the Period July 2000 through June 2003 issued by the Office of Inspector General ("OIG") on or about January 25, 2007. ACF determined that DHHS did not properly allocate training costs for foster care and adoption assistance between state and federal programs. DHHS strongly disputes the asserted grounds for the disallowance and on March 28, 2007 appealed the notice of disallowance to the federal Departmental Appeals Board ("DAB"). The DAB received the appeal and issued a briefing schedule, which DHHS received on April 16, 2007. DHHS' brief was filed and on October 1, 2007, the DAB reversed the disallowance in full. This matter is now concluded.

*Cassandra Hawkins v. Commissioner of The New Hampshire Department of Health and Human Services* was filed as a class action lawsuit brought under 42 U.S.C. §1983 challenging the provision of dental services to Medicaid recipients under the age of 21. The named plaintiffs, parents of children who are eligible for Medicaid, alleged that the State had violated their rights under the federal Medicaid Act, 42 U.S.C. §1396a, the federal constitution, and state law by failing to provide their children with access to adequate dental care. The plaintiffs sought declaratory or injunctive relief requiring the State to increase the rate at which it reimbursed dental care providers and to revise its policies and procedures with regard to providing Medicaid dental benefits.

On August 28, 2003, a Consent Decree was filed with the Federal District Court for preliminary review. The Class was certified and the Decree approved and entered as a Court Order on January 26, 2004. In brief, the terms of the Consent Decree provide that, during fiscal year 2004 and 2005, the Department shall allocate \$1.2 million per year in additional state funds to the EPSDT dental program (i.e. in addition to state funds allocated in fiscal year 2002.) The Department shall invest those funds in, among other things, developing a dental safety-net and in raising the dental rates. The Department also agreed to pay plaintiffs' attorneys' fees, which was resolved in June 2005.

On January 30, 2007 the plaintiffs filed a motion seeking to enforce the consent decree, claiming that the Department was not in compliance with the terms of the decree. In particular, the plaintiffs allege that insufficient numbers of eligible children are receiving dental services. The motion does not specify any particular form of relief, but requests that the Court order the State do more to ensure that children receive dental services under Medicaid.

The Department filed an objection to the motion to enforce on March 1, 2007. On August 13, 2007 the Court issued an order in which it denied the plaintiffs' Motion to Enforce on the ground that the plaintiffs had failed to identify the legal basis for the relief that they were requesting. The Court's order left open the possibility that the

plaintiffs could file a properly supported motion to enforce at a later date. The Court urged the parties to continue to work on resolving any disagreements regarding compliance with the Decree without judicial intervention.

To date, the plaintiffs have not gone back to Court seeking further enforcement action. They requested a meeting with the State, which was held on October 11, 2007. Mediation was held on October 17, 2007. The mediation did not result in a resolution of the dispute. The plaintiffs' ultimate goal is to try to require the State to spend additional funds to improve dental services for children - either by increasing dental reimbursement rates, opening dental clinics, hiring additional staff, or providing additional services. However, until such time as the issues become more refined, it is not possible to estimate the potential fiscal impact of further litigation on this matter.

On January 23, 2008, the parties held a conference call with the mediator. The additional assistance from the mediator was not successful, and the plaintiffs' counsel indicated that they would be going back to court. On March 6, 2008, the plaintiffs filed a motion to show cause as to why the State should not be found in violation of the consent agreement.

In the case of *John A. Brooks v. Kelly A. Ayotte, William L. Wrenn, and Richard M. Gerry*, a pretrial detainee charged with a capital offense involving murder for hire, filed a civil rights action, pursuant to 42 U.S.C. § 1983, challenging his transfer from the Strafford County House of Corrections ("SCHC") to the New Hampshire State Prison ("NHSP") where he is being held in the Secure Housing Unit. The plaintiff claims violations of his substantive and procedural due process rights and his right to counsel. He seeks an injunction, money damages, and attorney's fees. Should the plaintiff prevail, the amount of his attorneys' fees could be significant. A preliminary injunction hearing was held from January 2 through 4, 2008, and the magistrate judge ruled that the plaintiff was likely to succeed on the merits of his claim that the transfer from SCHC to the NHSP was punitive in nature in violation of the Fourteenth Amendment. The magistrate recommended that an injunction issue requiring, among other things, that the detainee be returned to a general population setting. The State filed an objection to the magistrate's report and recommendation on February 5, 2008. The State is unable to predict the outcome of this matter at this time.

In eight cases, twenty-seven individual plaintiffs sued the Department of Corrections and Corrections Officer Douglas Tower alleging that Tower sexually assaulted them while they were inmates at Shea Farm, a half-way house for female inmates. The cases, generally known as the *Tower* cases, were grouped together for mediation and were settled on March 13, 2008, for a total settlement of \$1.85 million. These matters are now all resolved.

## **THE STATE OF NEW HAMPSHIRE**

MARCH 12, 2008

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