

**STATE OF NEW HAMPSHIRE'S
ANNUAL REPORT
with respect to
STATE OF NEW HAMPSHIRE
TURNPIKE SYSTEM REVENUE BONDS
February 23, 2007**

This Annual Report dated February 23, 2007 (the "Annual Report") of the State of New Hampshire (the "State") is prepared and submitted in accordance with the requirements of the Continuing Disclosure Certificates, dated February 11, 1999, January 3, 2002, August 7, 2003 and August 24, 2006 (collectively, the "Continuing Disclosure Certificates") executed by the State for the benefit of the owners of the \$96,770,000 State of New Hampshire Turnpike System Revenue Bonds, 1999 Series A and 1999 Refunding Series B, \$84,865,000 State of New Hampshire Turnpike System Revenue Bonds, 2002 Refunding Series, \$94,125,000 State of New Hampshire Turnpike System Revenue Bonds, 2003 Refunding Series, and \$39,425,000 State of New Hampshire Turnpike System Revenue Bonds, 2006 Refunding Series (collectively, the "Bonds"). Exhibit A hereto, sets forth the State's audited financial statements pertaining to its Turnpike System for the Fiscal Year ended June 30, 2006, prepared in accordance with generally accepted accounting principles.

Questions may be directed to Thomas Martin, Director of Finance at the State of New Hampshire Department of Transportation at (603) 271-2531.

Annual Report

This Annual Report is submitted pursuant to the Continuing Disclosure Certificates and updates certain information contained in both the State's most recent Official Statement dated November 23, 2005 (the "2005 Official Statement") as supplemented by the Supplement to 2005 Official Statement, dated August 18, 2006 (the "Supplement" and collectively with the 2005 Official Statement, the "Official Statement"), which contains certain information pertaining to the State's Turnpike System. This Annual Report does not constitute an offer to sell or the solicitation of an offer to buy the Bonds.

Pursuant to the Continuing Disclosure Certificates, the State hereby updates the information requested in Section 4 of the Continuing Disclosure Certificates as follows (the headings and page numbers refer to the applicable portions of the Official Statement):

- THE TURNPIKE SYSTEM – General Description, with respect to the first paragraph on page 25:

No changes from the Official Statement.

- THE TURNPIKE SYSTEM – Maintenance of the Turnpike System, with respect to the first paragraph on page 27:

Since 1986, the Bureau of Turnpikes has resurfaced an average of approximately 10% of the total lane miles of the Turnpike System each year (with the exception of Fiscal Years 2005 and 2006 during which less resurfacing was performed), repaired and planned for the rehabilitation of at least one bridge each year, updated and repaired the heating systems and emergency generators at all facilities, and performed other repairs as needed. In Fiscal Year 2007, the Bureau expects to resume resurfacing approximately 10% of its lane miles annually in order to continue a full re-pavement cycle of the entire Turnpike System every ten years. R&R expenditures for Fiscal Year 2007 are anticipated to be roughly \$9.9 million.

- THE TURNPIKE SYSTEM – Maintenance of the Turnpike System, with respect to the table captioned “Renewal and Replacement Expenditures” on page 28:

See Attachment A and discussion of independent engineer on following page.

- THE TURNPIKE SYSTEM – Toll Collection, Rates and Schedules, with respect to the table captioned “Current Toll Rate Schedule” on page 35:

See Attachment B and discussion of independent engineer on following page.

- THE TURNPIKE SYSTEM – Turnpike System – Historical Revenues and Expenditures, with respect to the table captioned “Statement of Revenues, Expenses and Changes in Retained Earnings” on page 36:

See Attachment C.

- THE TURNPIKE SYSTEM – Management Discussion of Historical Revenues and Expenditures (only with respect to the preceding Fiscal Year) on page 37:

Fiscal Year 2006

Gross revenues available for operating expenses, debt service, reserves and improvement projects totaled \$83.4 million, a 22.8% increase from Fiscal Year 2005. The major factor behind this revenue growth was the change in the discount rate brought on under the E-ZPass program. The E-ZPass program’s 30% discount for passenger vehicles and 10% discount for commercial vehicles replaced the 50% passenger vehicle discount and the 30% commercial vehicle discount previously in place. Operating revenue in this period, which included E-ZPass transponder revenue, was \$80.8 million, an increase of 21.3% from 2005. Interest income also increased by \$1.3 million, of which \$0.5 million was due to an unrealized gain brought on by a fair market value adjustment.

Operating expenses in Fiscal Year 2006 were \$59.6 million, an increase of 36.4% over the prior year. This was the first full year of the E-ZPass program and

its associated costs, such as E-ZPass processing fees of approximately \$4.0 million and transponder expenses of \$5.5 million, were the main factors behind this increase.

During Fiscal Year 2006, Capital Improvement Program expenditures totaled \$29.2 million, including \$16.1 million from State and Federal highway sources and \$13.1 million from Turnpike sources.

July 1, 2006 to Present

In order to maintain continued compliance with all of the requirements of the General Bond Resolution, including, in particular Section 4.1, pertaining to the adequacy of tolls and charges, and Section 4.4, pertaining to operation, maintenance, and improvement of the system, the State hired independent engineers to conduct studies and both reports have been completed.

- HNTB Corporation was retained to examine the condition of the Turnpike System's infrastructure and to aid in the planning of future Renewal and Replacement expenditures. They found that the level of Renewal and Replacement expenditures has been sufficient to appropriately maintain the facilities of the Turnpike System, however, due to recent delays in Renewal and Replacement expenditures and the rising costs of materials, they recommended Renewal and Replacement expenditures going forward at a level greater than that which was previously planned.
- Vollmer Associates was engaged to confirm the sufficiency of the toll rate schedule and to assist in capital planning and developing bonding scenarios. Their analysis concluded that sufficient revenues will be generated over the near term future to meet the bond resolution's minimum debt service requirements and to fund the proposed limited capital plan. See also Attachment D for the revised capital plan.

Restricted assets at estimated fair value are segregated into the following accounts as of June 30, 2006

(In thousands of dollars)

	<u>2006</u>
Revenue Bond Interest Debt Service Account	\$ 4,249
Revenue Bond Principal Debt Service Account	6,857
Revenue Bond Debt Service Reserve Account	26,491
Revenue Bond Insurance Reserve Account	3,000
Revenue Bond General Reserve Account	<u>2,000</u>
Total	\$ <u>42,497</u>

- TURNPIKE SYSTEM INDEBTEDNESS, with respect to the table captioned “Turnpike System Debt Service” on page 41:

No changes from the Official Statement.

- CAPITAL IMPROVEMENT PROGRAM, with respect to the table captioned “Project Descriptions” on pages 44 and 45, inclusive:

The major recent proposed changes to the capital improvement plan as compared to the Official Statement are as follows:

- Delay of the construction on Exits 13-16 on the Spaulding Turnpike (B10)
- Delay of the engineering, right-of-way acquisition, and construction on the US Route 3 bridge and widening of F.E. Everett Turnpike (Central) from Merrimack to Bedford (A20)
- Addition of engineering, right-of-way acquisition, and construction for the Taylor River bridge on the Blue Star Turnpike (C4)
- Delay of the construction on the Souhegan River bridge on the Central Turnpike (A18)
- Addition of federal funds for the construction of the Little Bay Bridges on the Spaulding Turnpike (B11)

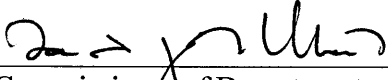
See also Attachment D for the revised Capital Improvement Program.

- CAPITAL IMPROVEMENT PROGRAM, with respect to the table captioned “Capital Improvement Program Expenditures” on page 46:

See Attachment E.

This Annual Report has been executed and delivered on behalf of the State pursuant to the Continuing Disclosure Certificates.

STATE OF NEW HAMPSHIRE

By: 
for Commissioner of Department of
Transportation

**RENEWAL AND REPLACEMENT EXPENDITURES
FISCAL YEARS 1994 THROUGH 2011**


Cash Basis, in thousands

<u>Fiscal Year</u>		
1994	\$	2,290
1995		2,197
1996		2,435
1997		2,707
1998		3,326
1999		4,403
2000		4,520
2001		6,124
2002		6,208
2003		7,280
2004		5,107
2005		3,273
2006		4,349
2007		9,900 *
2008		8,300 **
2009		8,700 **
2010		8,600 **
2011		8,800 **

* Represents estimated actual expenditures and also includes funds carried forward from previous years

** Planned expenditures, based on the recommendations of the Independent Engineer, HNTB

STATE OF NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION
 TURNPIKE SYSTEM TOLL RATE SCHEDULE
 Effective January 1, 2006

Plaza	Fare Type/Class												
		2 axles - single rear tires	3 axles - single rear tires	4 axles - single rear tires	5 axles - single rear tires	2 axles - dual rear tires	3 axles - dual rear tires	4 axles - dual rear tires	5 axles - dual rear tires	6 axles - dual rear tires	7 axles - dual rear tires	8 axles - dual rear tires	9 axles - dual rear tires
Hooksett Main	Cash Fare	0.75	\$ 1.00	\$ 1.25	\$ 1.50	\$ 1.50	\$ 2.00	\$ 2.50	\$ 3.00	\$ 3.50	\$ 4.00	\$ 4.50	\$ 5.00
	E-ZPass Fare	\$0.53	\$0.70	\$0.88	\$1.05	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	\$4.50
Hooksett Ramp	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50
	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05
Bedford Main	Cash Fare	0.75	1.00	1.25	1.50	1.50	2.00	2.50	3.00	3.50	4.00	4.50	5.00
	E-ZPass Fare	\$0.53	\$0.70	\$0.88	\$1.05	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	\$4.50
Bedford Road	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50
	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05
Exit 11	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50
	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05
Merrimack Industrial	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50
	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05
Hampton Main	Cash Fare	1.00	1.25	1.50	1.75	2.00	2.50	3.00	3.50	4.00	4.50	5.00	5.50
	E-ZPass Fare	\$0.70	\$0.88	\$1.05	\$1.23	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05	\$4.50	\$4.95
Hampton	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50
	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05
Dover Toll	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50
	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05
Rochester Toll	Cash Fare	0.50	0.75	1.00	1.25	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50
	E-ZPass Fare	\$0.35	\$0.53	\$0.70	\$0.88	\$0.90	\$1.35	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60	\$4.05

TOLL RATES ARE ESTABLISHED BY GOVERNOR AND EXECUTIVE COUNCIL

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

New Hampshire Turnpike System (In Thousands)

For the Fiscal Year Ended June 30th

	2005	2006
<u>OPERATING REVENUES</u>		
Toll Operating Revenue	\$ 66,626	\$ 78,242
Transponder Revenue	-	2,515
Total Operating Revenues	<u>66,626</u>	<u>80,757</u>
<u>OPERATING EXPENSES</u>		
Personnel Services	9,873	9,151
Payroll Benefits	4,406	4,855
Enforcement	4,067	4,590
Renewal & Replacement	3,114	4,567
Other Administration	1,387	5,861
Repairs	1,621	2,966
Indirect Costs	1,511	1,585
Heat, Light and Power	1,108	1,149
Bank Fees	973	1,526
Rentals	752	671
E-ZPass Processing Fees	680	3,952
Transponder Expense	1,673	5,477
Depreciation	12,559	13,289
Total Operating Expenses	<u>43,724</u>	<u>59,639</u>
Operating Income	<u>22,902</u>	<u>21,118</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment Income	1,162	2,432
Miscellaneous	78	206
Interest on Bonds	(14,628)	(15,584)
Amortization of Bond Issuance Costs	(230)	(357)
Total Non-operating Expenses	<u>(13,618)</u>	<u>(13,303)</u>
Income Before Grant Contributions	<u>9,284</u>	<u>7,815</u>
Grant Contributions	6,373	16,757
Change in Net Assets	<u>15,657</u>	<u>24,572</u>
<i>Net Assets - July 1</i>	279,971	295,628
<i>Net Assets - June 30</i>	<u>\$ 295,628</u>	<u>\$ 320,200</u>

Project Descriptions *(changes from the Official Statement noted in italics)*

<u>Central Turnpike</u>	<u>Description</u>	<u>Estimated Cost (Millions)</u>	<u>Completion Date</u>
Project A1	Preliminary engineering and right-of-way acquisition for Exits 8 and 11, including ramp toll facilities (Merrimack/Nashua).	\$1.330	December 1989 ⁽¹⁾
Project A2	Construction of new interchange at Exit 8 to relieve traffic congestion at Interchange 7 (Nashua).	\$10.054	June 1988 ⁽¹⁾
Project. A3	Preliminary engineering and right-of-way acquisition for Exits 1 and 2 (Nashua).	\$26.181	June 2001 ⁽¹⁾
Project A4	Reconstruction of Exit 11 and construction of northbound "off" and southbound "on" ramp toll facilities (Merrimack).	\$11.000	July 1993 ⁽¹⁾
Project A5	Engineering, right-of-way acquisition, and construction of new mainline toll plaza (Bedford).	\$5.363	January 1989 ⁽¹⁾
Project A6	Engineering, right-of-way acquisition, and construction of a new interchange two miles south of Exit 11 (formerly Exit 8). Merrimack Industrial Park Interchange includes "off" and southbound "on" toll facilities (Merrimack).	\$21.637	October 1990 ⁽¹⁾
Project A7	Engineering, right-of-way acquisition and construction of Camp Sargent Road bypass. Project will interconnect Amherst Street in Nashua with the new interchange Project A6 (Merrimack).	\$8.182	December 1994 ⁽¹⁾
Project A8	Preliminary engineering and right-of-way acquisition for widening the Central Turnpike between Exits 3 and 7 (Nashua).	\$22.818	April 2002 ⁽¹⁾
Project A10	Engineering, right-of-way acquisition, and construction of a portion of the southern segment of the circumferential highway in Nashua.	\$42.301	July 2001 ⁽²⁾
Project A11	Engineering and right-of-way acquisition of the northern segment of the circumferential highway (Nashua/Hudson/Litchfield).	\$37.927	June 2013 ⁽¹⁾
Project A12	Reconstruction of Exits 1 and 2 and construction of connector to the circumferential highway (Nashua).	\$59.418	August 2002 ⁽¹⁾
Project A13	Widening and reconstruction of Central Turnpike between Exits 3 and 7 (Nashua).	\$84.720	May 2002 ⁽¹⁾
Project A14	Engineering, right-of-way acquisition, and construction of Bedford Road Interchange including toll facilities (Merrimack).	\$6.856	November 1990 ⁽¹⁾
Project A15	Widening of Central Turnpike in Manchester between Route 101 and the Amoskeag Bridge including construction of the Exit 5 Granite St Bridge and ramps (Bedford/Manchester).	\$22.835	June 2008
Project A16	Study of feasibility of widening Central Turnpike between I-89 Interchange and Interchange I-393 (Bow/Concord).	\$0.149	August 1992 ⁽¹⁾
Project A17	Construction of southbound only toll facilities of Central Turnpike and southbound on-ramp at Exit 1 (Nashua).	\$0.364	⁽³⁾
Project A18	<i>Engineering, right-of-way, and construction of F.E. Everett bridge over the Souhegan River in Merrimack. This project was originally planned for completion in June 2007.</i>	\$7.500	June 2012

Project A19	Engineering and construction of the roadway approaches including expansion of the Bedford toll plaza (Merrimack-Bedford).	\$7.358	December 2004
Project A20	Engineering, right-of-way acquisition, and construction of US Rte 3 bridge over the F. E. Everett Turnpike in Bedford including widening from Merrimack to Bedford.	--	<i>Future Project</i> ⁽⁵⁾

Spaulding Turnpike

Project B1	Engineering, right-of-way acquisition and reconstruction of the Gosling Rd Interchange (Newington/Portsmouth).	\$13.404	November 1993 ⁽¹⁾
Project B2	Safety improvements on the Spaulding Turnpike to include median guardrail and safety improvements (Dover/Rochester).	\$6.595	June 2002 ⁽¹⁾
Project B3	Expansion of Dover toll plaza (Dover).	\$1.502	⁽⁴⁾
Project B4	Right-of-way acquisition in median of Spaulding Turnpike (Newington).	\$2.657	March 1993 ⁽¹⁾
Project B5	Engineering of by-pass around North Conway.	\$0.124	December 1990 ⁽¹⁾
Project B6	Dover/Somersworth Weeks traffic circle.	\$1.000	December 1994 ⁽¹⁾
Project B7	Engineering for design of Exit 10 on the Spaulding Turnpike (Dover). This project was originally planned for completion in June 2006.	\$4.078	<i>September 2007</i>
Project B8	Construction of Exit 10 on the Spaulding Turnpike (Dover).	--	<i>Future Project</i> ⁽⁵⁾
Project B9	Reconstruction and right-of-way acquisition for Exit 6W/US Rte 4 (Scammell Bridge) (Dover).	\$1.000	November 1997 ⁽¹⁾
Project B10	<i>Engineering and right-of-way acquisition for Exits 11-16 and construction of Exits 11 through 12 (Rochester). Construction of Exits 13 – 16 has been delayed.</i>	\$52.725	<i>June 2010</i>
Project B11	<i>Engineering, right-of-way acquisition, and construction of the Turnpike ramps at Exit 4 associated with NH 16/US (Newington/Dover).</i>	\$13.076	<i>June 2015</i>

Blue Star Turnpike (Route I-95)

Project C1	Expansion of Hampton toll plaza (Hampton/North Hampton).	\$2.379	July 1991 ⁽¹⁾
Project C2	Engineering and Construction of roadway widening of the approaches to the Hampton Main Line toll plaza (Hampton).	\$2.544	June 2003
Project C3	Engineering and Construction for the widening of the Hampton ramp toll plaza and approaches (Hampton).	\$7.105	June 2007
<i>Project C4</i>	<i>Engineering, right-of-way acquisition, and construction of the Taylor River bridge (Hampton Falls)</i>	<i>\$6.660</i>	<i>June 2011</i>
Project D1	Administrative.	\$37.144	on-going
Project D2	Consultant Studies.	\$3.380	on-going
Project D3	Electronic Toll Collection equipment including signs.	\$25.253	December 2005
Project D4	Intelligent Transportation deployment on the Eastern, Blue Star and Spaulding Turnpikes.	\$3.445	<i>June 2011</i>

Total \$560.064

⁽¹⁾ Actual completion date

⁽²⁾ The segment between Route 3A and the Central Turnpike is complete; the portion from Route 3A to Route 111 has been deferred

⁽³⁾ The Legislative authority to build the Nashua toll facilities was repealed in Fiscal Year 2001

⁽⁴⁾ Removed from the State's 10-year Highway Improvement Plan

⁽⁵⁾ The project is delayed pending completion of preliminary design phase and future funding capacity

Set forth below is a table of Capital Improvement Program expenditures on an unaudited cash basis for Fiscal Years 1986 through 2006 and on a forecasted basis for Fiscal Years 2007 through 2011. The timing and amounts of capital expenditures are subject to change.

**CAPITAL IMPROVEMENT PROGRAM EXPENDITURES
FISCAL YEARS 1986 THROUGH 2011**

(in thousands)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Capital</u> <u>Expenditures</u>
1986	\$ 3,703
1987	12,846
1988	15,093
1989	34,184
1990	31,457
1991	25,308
1992	29,988
1993	33,942
1994	30,665
1995	40,452
1996	29,198
1997	24,918
1998	26,261
1999	30,544
2000	19,719
2001	10,149
2002	6,470
2003	10,243
2004	19,438
2005	20,504
2006	13,141
2007*	9,200
2008*	14,200
2009*	16,100
2010*	19,600
2011*	6,500
Total	<u>\$ 533,823</u>

* Estimated.