

**\$39,425,000**  
**STATE OF NEW HAMPSHIRE**  
**Turnpike System Revenue Bonds**  
**2006 Refunding Series**  
**(Delayed Delivery)**

**SUPPLEMENT DATED AUGUST 18, 2006 TO**  
**OFFICIAL STATEMENT DATED NOVEMBER 23, 2005**

*Supplement to Official Statement.* The following information is provided by the State of New Hampshire (the "State") to supplement the Official Statement dated November 23, 2005 (the "November, 2005 Official Statement") issued by the State in connection with the sale by the State of its Turnpike System Revenue Bonds, 2006 Refunding Series (Delayed Delivery), in the aggregate principal amount of \$39,425,000 (the "2006 Series Bonds"). The November, 2005 Official Statement and this Supplement (the "Supplement") are available on the New Hampshire Treasury Department website and may be found at the following website address - <http://www.nh.gov/treasury/Divisions/DM/DMdocs.htm>. The headings set forth below correspond to the same headings in the November, 2005 Official Statement. This Supplement only sets forth additional information concerning the matters described below as of the date of this Supplement and is subject to change without notice. The November, 2005 Official Statement and this Supplement are referred to hereinafter as the "Official Statement".

**SECURITY FOR THE BONDS**

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**Bond Insurance**

*The following updated information has been furnished by the Bond Insurer for use in this Supplement. Reference is also made to Appendix E of the November, 2005 Official Statement for a specimen of the Bond Insurance Policy.*

*The Bond Insurer*

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2006 Series Bonds effective as of the date of issuance of the 2006 Series Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 2006 Series Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the State (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such

principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2006 Series Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2006 Series Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2006 Series Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding 2006 Series Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2006 Series Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the State). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Bond Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on any of the 2006 Series Bonds which has become Due for Payment and which is made to a Holder by or on behalf of the State has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of 2006 Series Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2006 Series Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2006 Series Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such 2006 Series Bonds and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$9,599,000,000** (unaudited) and statutory capital of **\$6,000,000,000** (unaudited) as of **June 30, 2006**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the State of the 2006 Series Bonds.

Ambac Assurance makes no representation regarding the 2006 Series Bonds or the advisability of investing in the 2006 Series Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement and this Supplement other than the information supplied by Ambac Assurance and presented under the heading "Bond Insurance".

#### *Available Information*

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

*Incorporation of Certain Documents by Reference*

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;
2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006;
4. The Company's Current Report on Form 8-K dated July 25, 2006 and filed on July 26, 2006;
5. The Company's Current Report on Form 8-K dated and filed on July 26, 2006; and
6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2006 and filed on August 9, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "**Available Information**".

**THE TURNPIKE SYSTEM**

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**Maintenance of the Turnpike System**

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The following table indicates the funds expended on a cash basis since Fiscal Year 1994 and projected expenditures for the Renewal and Replacement Program for the Turnpike System through Fiscal Year 2010.

**RENEWAL AND REPLACEMENT EXPENDITURES  
FISCAL YEARS 1994 THROUGH 2010**

<u>Fiscal Year</u>	
1994	\$ 2,290,192
1995	2,196,658
1996	2,434,944
1997	2,707,344
1998	3,325,686
1999	4,403,242
2000	4,520,448
2001	6,124,109
2002	6,207,690
2003	7,279,741
2004	5,106,611
2005	3,114,000
2006	4,859,000*
2007	6,047,000**
2008	6,200,000***
2009	6,400,000***
2010	6,600,000***

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\* The amount for Fiscal Year 2006 is unaudited.

\*\* The amount for Fiscal Year 2007 is the budgeted amount. An additional \$5.5 million has been carried forward from Fiscal Year 2006 as an encumbrance.

\*\*\* Estimated to increase \$200,000 per year. The Department is currently reviewing the future Renewal and Replacement funding requirements with an outside engineering consultant.

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### **Turnpike System Revenue and Traffic Trends**

As of June 30, 2005, toll revenue comprised five components: cash toll receipts, charge account payments, charge account interest, token sales revenue and miscellaneous income. Beginning in July, 2005, the Department began the implementation of the E-ZPass electronic toll collection program, which has replaced tokens and charge card programs. The Commercial charge program concluded on September 30, 2005. Tokens were discontinued on December 31, 2005. See “Toll Collection, Rates and Schedules”.

Rates of growth in toll revenues may differ from growth in toll transactions due primarily to (i) changes in toll rates, (ii) changes in amounts and utilization of the Turnpike System discount token, commercial charge and E-ZPass programs and (iii) a changing mix of vehicle classes. The last system-wide toll increase was instituted in October 1989.

Passenger vehicles traveling the Turnpike System comprise approximately 94% of the total traffic, with commercial vehicles at 6%. Until December 31, 2005, passenger vehicles had been able to use Turnpike System tokens, which provided a 50% toll discount. Until September 30, 2005, commercial vehicles participating in the Turnpike System commercial charge program had received a 30% discount. See “Toll Collection, Rates and Schedules.” The token and commercial charge discount programs were highly popular, with approximately 60% of

passenger traffic using tokens and approximately 50% of commercial traffic using the commercial charge discount program during the twelve months ended June 30, 2005. As discussed in “Toll Collection, Rates and Schedules”, these discount programs have been terminated and replaced by E-ZPass electronic toll collection program, which offers a 30% discount for New Hampshire individual accounts (passenger vehicles) and a 10% discount for New Hampshire business accounts (including commercial vehicles).

The table below shows annual toll transaction and revenue trends for the Turnpike System during the period beginning with Fiscal Year 1995 and ending with Fiscal Year 2006, with toll revenue presented on a cash basis. Fiscal Year 2006 information is unaudited.

**ANNUAL TRAFFIC AND TOLL REVENUE TRENDS**  
**New Hampshire Turnpike System**  
**For the Years Ending June 30**

Fiscal Year	Annual Toll Transactions	Percent Change from Prior Year	Annual Toll Revenues*	Percent Change from Prior Year
1995	78,485,353	4.8%	\$48,030,704	2.6%
1996	81,406,469	3.7	49,237,337	2.5
1997	85,020,788	4.4	51,869,711	5.3
1998	88,987,246	4.7	54,298,452	4.7
1999	94,017,638	5.7	57,080,882	5.1
2000	99,363,028	5.7	60,166,815	5.4
2001	103,583,561	4.3	61,536,675	2.3
2002	107,729,932	4.0	64,371,208	4.6
2003	109,978,691	2.1	64,367,301	(0.0)
2004**	110,573,506	0.5	65,780,607	2.2
2005**	110,040,272	(0.5)	66,626,343	1.3
2006	114,562,787	4.1	77,843,000	16.3

\* Excludes charge account interest and miscellaneous income.

\*\* Affected by one-way tolling at Hampton toll plaza.

SOURCE: New Hampshire Department of Transportation.

Traffic and toll revenue growth began to flatten in Fiscal Year 2003, and the trend continued through Fiscal Year 2005. Many factors contributed to this slowdown in growth, including rising fuel costs, an economic slowdown in the Northeast and fewer travel trips following the terrorist attacks on September 11, 2001. This slowdown affected truck traffic in particular and was experienced on turnpikes elsewhere in the Northeast. Both transactions and toll revenues increased during Fiscal Year 2006. The increase in transactions was due, in part, to the elimination of one-way toll collection in Hampton. The increase in toll revenues was primarily the result of the lower toll discounts offered under the E-ZPass program in comparison to the former token and commercial charge programs.

Revenue growth was higher than traffic growth in Fiscal Years 2004 and 2005, due to one-way toll collection at the Hampton toll plaza during September and October 2003, and July through October 2004. During these periods, tolls at this facility were doubled in the northbound direction, but traffic was only counted northbound and not southbound.

The transition to E-ZPass and related upgrades to toll collection systems have affected the Turnpike System’s earnings and cash flows. The capital costs were largely funded using

federal funds, thus minimizing the impact to Turnpike System finances. Operating start-up costs associated with E-ZPass have been offset to some extent by the elimination of the token and commercial charge discount programs and efforts by the Turnpike System to reschedule renewal and replacement projects and to control expenses generally. In addition, the State and its independent auditors determined that transponder purchases should be expensed rather than capitalized as originally planned. Therefore, due to this accounting change and the initial transponder discount program, additional net expenses of \$1.7 million and \$3.1 million were recorded in fiscal year 2005 and fiscal year 2006, respectively.

### **Toll Collection, Rates and Schedules**

\* \* \*

The implementation of E-ZPass has represented a major change both for the Turnpike System and its patrons. The use of E-ZPass has grown significantly, constituting approximately 50% of toll transactions in Fiscal Year 2006. The Turnpike System will deploy E-ZPass lanes and attended lanes in accordance with demand. The Turnpike System is studying the extent to which exact change lanes should continue to be deployed.

\* \* \*

During Fiscal Year 2006, toll revenues were 16.3% above the Fiscal Year 2005 level due to the aforementioned discount change and due to the fact that the discount is now only offered to New Hampshire account holders. This growth rate will continue to be closely monitored as the market penetration of E-ZPass increases.

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### **Turnpike System-Historical Revenues and Expenditures**

The Turnpike System is accounted for as an enterprise fund of the State. The financial statements regarding the Turnpike System are prepared in accordance with generally accepted accounting principles ("GAAP"). Commencing with Fiscal Year 2002, the State adopted Government Accounting Standards Board Statement No. 34 ("GASB 34"). Information for Fiscal Year 2006 is preliminary, unaudited and subject to change and adjustment.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**

**New Hampshire Turnpike System (In Thousands)**

	Fiscal Year Ended June 30 <sup>th</sup>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006*</u>
<b><u>Operating Revenues:</u></b>					
Tolls	\$ 64,007	\$ 65,389	\$ 65,293	\$ 66,626	\$ 77,483
<b><u>Operating Expenses:</u></b>					
Personnel Services	9,876	8,685	9,749	9,873	9,487
Payroll Benefits	2,899	3,529	3,993	4,406	5,072
Enforcement	3,812	3,831	3,918	4,067	4,510
Renewal and Replacement	5,725	7,058	4,973	3,114	4,859
Other Administration	2,352	2,578	1,538	1,387	2,737
Repairs	751	1,251	1,506	1,621	2,877
Indirect Costs	1,695	1,602	1,789	1,511	1,586
Heat, Light, & Power	930	880	956	1,108	1,133
Bank Fees	753	805	854	973	1,691
Rentals	426	625	456	752	139
E-ZPass Processing Fees	-	-	-	680	3,668
E-ZPass Transponder Costs	-	-	-	1,673	3,143
Depreciation	10,631	11,061	11,728	12,559	12,922
Total Operating Expenses	39,850	41,905	41,460	43,724	53,824
<b><i>Operating Income</i></b>	<u>24,157</u>	<u>23,484</u>	<u>23,833</u>	<u>22,902</u>	<u>23,659</u>
<b><u>Non-Operating Income (expense)</u></b>					
Investment Income	2,223	1,196	338	1,162	2,381
Miscellaneous	284	246	60	78	134
Interest on Bonds	(15,560)	(15,915)	(15,141)	(14,628)	(13,835)
Amortization of Bond Issuance Costs	(267)	(260)	(215)	(230)	(230)
Total Non-operating Revenue (Expenses)	<u>(13,320)</u>	<u>(14,733)</u>	<u>(14,958)</u>	<u>(13,618)</u>	<u>(11,550)</u>
Income (Loss) Before Grant Contributions	<u>10,837</u>	<u>8,751</u>	<u>8,875</u>	<u>9,284</u>	<u>12,109</u>
Grant Contributions	-	-	7,338	6,373	11,753
Change in Net Assets	10,837	8,751	16,213	15,657	23,862
<b>Net Assets – July 1</b>	<u>244,170</u>	<u>255,007</u>	<u>263,758</u>	<u>279,971</u>	<u>295,628</u>
<b>Net Assets – June 30</b>	<u>\$ 255,007</u>	<u>\$ 263,758</u>	<u>\$ 279,971</u>	<u>\$ 295,628</u>	<u>319,490</u>

\* Fiscal Year 2006 is preliminary, unaudited and subject to further year-end accruals and other adjustments.



## Management Discussion of Historical Revenues and Expenditures

### *Fiscal Year 2006 (Preliminary; Unaudited)*

Fiscal Year 2006 gross revenue totaled \$79,998,000, which was a 17.2% increase over Fiscal Year 2005. Toll revenue increased to \$77,483,000, which was a 16.3% increase over Fiscal Year 2005. The increase in revenue can be attributed to the reduced discounts rates offered for E-ZPass customers (30% for passenger cars) and the elimination of tokens, which carried a 50% discount rate.

Operating expenses totaled \$53,824,000, which was a 23.1% increase over Fiscal Year 2005. This increase can be primarily attributed to the full year deployment of E-ZPass. E-ZPass processing fees increased to \$3,668,000, and net expenditures associated with the initial transponder discount program totaled \$3,143,000. Transponders were initially sold well below cost at \$5 each. This discount program was terminated on August 3, 2005, and transponders since have been sold at cost (approximately \$25). Bank fees increased in large part due to credit card processing fees associated with the use of credit cards by turnpike patrons to fund their E-ZPass accounts. Expenditures for renewal and replacement increased from the reduced levels in Fiscal Year 2005.

### *Fiscal Year 2005*

The completion of the audit of Fiscal Year 2005 financial statements for the Turnpike System was delayed due to the ongoing audit and investigation of the New Hampshire Retirement System as described in "TURNPIKE SYSTEM FINANCIAL STATEMENTS" in the November, 2005 Official Statement. Audited comprehensive financial statements for the State, including the Turnpike System, were issued in March, 2006. See "TURNPIKE SYSTEM FINANCIAL STATEMENTS" in this Supplement. The accompanying opinion of KPMG, LLP, the State's independent accountants ("KPMG"), reported that the audit of the New Hampshire Retirement System was not complete and that, therefore, the financial statements of the New Hampshire Retirement System were not being presented as required by GAAP. Because of this circumstance, KPMG issued a qualified opinion regarding the State's comprehensive financial statements. The delay in the issuance of audited financial statements also caused the delivery by the State to the Trustee of audited financial statements to be later than the 180-day period prescribed in the Bond Resolution.

Gross revenues available for operating expenses, debt service, reserves and improvement projects (toll revenue, interest income, and miscellaneous) totaled \$68,179,519, a 2.8% increase from Fiscal Year 2004. Toll revenues in this period were \$66,626,343, an increase of 2.0% from 2004. Interest income also increased by \$1,162,000, which includes an increase of \$504,911 in fair market value of investments.

Operating expenses (excluding depreciation and funds for renewal and replacement) in Fiscal Year 2005 were \$27,557,223, an increase of 11.3% over the prior year. This was due to the initial E-ZPass Customer Service processing fees, an increase in the employee benefits rate, an increase in cost and usage of salt and sand, and an increase in the use of outside contractors for snow removal and highway de-icing.

During Fiscal Year 2005, Capital Improvement Program expenditures totaled \$24,575,456, including \$4,071,526 from the State and Federal highway sources, \$9,508,528 from proceeds of the 2002 Series Bonds, and \$10,995,402 from Turnpike sources.

The State has reported the financial results of the Turnpike System as an enterprise fund within the State's Comprehensive Annual Financial Reports. Set forth below is information which updates items that were formerly included in the notes to the separate Turnpike System financial statements.

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenue Bond Construction Account	\$ -	\$ -	\$ 9,508,529
Revenue Bond Interest Debt Service Account	4,269,847	4,228,971	4,414,673
Revenue Bond Principal Debt Service Account	6,856,667	6,275,000	6,670,416
Revenue Bond Debt Service Reserve Account	26,529,576	26,023,958	26,516,573
Revenue Bond Insurance Reserve Account	3,000,000	3,000,000	3,000,000
Revenue Bond General Reserve Account	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Total Restricted Assets	<u>\$ 42,656,090</u>	<u>\$ 41,527,931</u>	<u>\$ 52,110,194</u>

Certain engineering and safety patrol activities have been performed by the State Highway and Safety Departments on behalf of the Turnpike System. The cost of these activities, amounting to approximately \$8.7 million and \$9.5 million for 2005 and 2004, respectively, was reimbursed by the Turnpike System.

The Turnpike System primarily retains the risk for losses, except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial for the general public. Insurance claims have not exceeded insurance coverage in any of the last three fiscal years. There have not been any significant changes in insurance coverage from the prior year. The Turnpike System provides premium-based health insurance to employees through plans in which claims are administered and paid by carriers. GASB Statement No. 10, Financial Reporting for Risk Financing and Related Insurance Issues, requires the Turnpike System to estimate and record a liability when the risk of loss to the Turnpike System is probable and the amount of loss can be reasonably estimated. Changes in the worker's compensation claims accrual recorded in the balance sheet in Fiscal Years 2005 and 2004 are presented in the following table. This liability is the Turnpike System's best estimate based on available information. Information for Fiscal Year 2006 is not yet available.

	<u>2005</u>	<u>2004</u>
Liability, beginning of year	\$2,305,717	\$1,949,011
Provisions for claims	534,470	717,307
Payments	<u>(485,331)</u>	<u>(350,601)</u>
Liability, end of year	\$2,354,856	\$2,305,717

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## **Management Letter by the State's Office of Legislative Budget Assistant**

The State's Office of Legislative Budget Assistant ("LBA") provides support to the State Legislature with regard to budget matters and the auditing of State agencies. On March 3, 2006, the LBA's Audit Division completed an audit of the financial statements of the Turnpike System for the fiscal year ended June 30, 2005. In connection with that audit, the LBA issued a management letter finding material weaknesses within the Turnpike System. The entire management letter can be found at:

[http://www.gencourt.state.nh.us/lba/PDF/DOT\\_ML\\_2005.pdf](http://www.gencourt.state.nh.us/lba/PDF/DOT_ML_2005.pdf).

The LBA management letter reported material weaknesses in several areas, including the need for the Department to improve: overall internal controls, finance and accounting staffing within the Department, highway fund reporting, cost accounting associated with federal billing and the Department's understanding of the requirements imposed on the Turnpike System by the General Bond Resolution. In addition, the LBA management letter reported other matters relating specifically to the Turnpike System, including the need to improve controls over toll revenue and to improve controls over the accounting of federal revenue for construction projects and equipment acquisitions. Several of the matters cited by the LBA are related to turnover among key employees within the Department's finance and accounting functions and the obsolescence of the Department's data processing systems, coupled with the strains on the Department associated with the implementation of E-ZPass, which was accompanied by a complete replacement of the toll collection system.

The Department has responded to each of these findings and remains committed to the proper management of the fiscal affairs of the Department, including finances of the Turnpike System. The Department is moving to add personnel in the finance and accounting functions and is replacing its outmoded data processing systems. The State's independent auditors, KPMG LLP, are currently conducting an audit of the financial statements of the Turnpike System for Fiscal Year 2006. The Department anticipates that audit observations relating to E-ZPass traffic and the respective revenue reconciliations will be forthcoming. In connection with the finding regarding the General Bond Resolution, the Department has retained two independent engineering firms. Vollmer Associates, LLP has been retained to conduct a traffic and revenue study and a toll equity study. HNTB Corp. has been contracted to perform an assessment of the condition of the Turnpike's infrastructure. Vollmer Associates, LLP has also been requested to study the Department's internal control processes with respect to toll revenues. The reports by these independent engineering firms are expected to be completed in the fall and winter of 2006.

## **Debt Service Coverage**

The following table shows debt service coverage for Fiscal Years 2002 through 2006. The information for Fiscal Year 2006 is unaudited.

## DEBT SERVICE COVERAGE

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006*</u>
Toll Revenues	\$ 64,006	\$ 65,389	\$ 65,293	\$ 66,626	\$77,483
Investment Income	<u>2,212</u>	<u>1,697</u>	<u>1,170</u>	<u>1,692</u>	<u>2,290</u>
Total Revenues	66,218	67,086	66,463	68,318	79,773
Operating Expenses (1)	<u>24,887</u>	<u>24,505</u>	<u>26,568</u>	<u>30,041</u>	<u>38,027</u>
Net Revenues	<u>\$ 41,331</u>	<u>\$ 42,581</u>	<u>\$ 39,895</u>	<u>\$ 38,277</u>	<u>\$ 41,746</u>
Revenue Bond Debt Service	\$26,452	\$24,749	\$23,865	\$27,003	\$26,997
G.O. Bond Debt Service	5,414	5,184	4,843	4,246	4,247
Renewal and Replacement Requirement	5,725	7,058	4,973	3,114	4,859
Total All Obligations	<u>\$37,591</u>	<u>\$36,991</u>	<u>\$33,681</u>	<u>\$34,363</u>	<u>\$36,103</u>
Coverage Ratios					
Revenue Bond Debt Service (2)	1.56	1.72	1.67	1.42	1.55
All Obligations (3)	1.10	1.15	1.18	1.11	1.16

- (1) Excludes depreciation and Renewal and Replacement Requirement funding but does include non-bonded capital costs. As a result these numbers do not correspond with "Total Operating Expenses" on the prior table.
- (2) Net Revenues divided by Revenue Bond Debt Service.
- (3) Net Revenues divided by the sum of Revenue Bond Debt Service, Renewal and Replacement Costs and general obligation bond debt service payable from Revenues.

\*Fiscal Year 2006 is preliminary, unaudited, and subject to further year-end accruals and other adjustments.

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## CONTINUING DISCLOSURE

The State has covenanted with the Trustee for the benefit of the holders of the 2006 Series Bonds to provide certain financial information and operating data relating to the Turnpike System by not later than 240 days following the end of each Fiscal Year during which the 2006 Series Bonds are outstanding beginning with the Fiscal Year ending June 30, 2005 (the "Annual Report"), and to provide notices of certain enumerated events, if deemed by the State to be material. The Annual Report and notices of material events will be filed on behalf of the State with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State Repository, if such repository is established. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in Appendix B - "Form of Continuing Disclosure Certificate."

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## TURNPIKE SYSTEM FINANCIAL STATEMENTS

The State's financial statements for the fiscal year ended June 30, 2005, presented in accordance with generally accepted accounting principles, and the report of the State's independent auditors with respect thereto, have been filed with each Nationally Recognized Municipal Securities

Information Repository currently recognized by the Securities and Exchange Commission as part of the State of New Hampshire Comprehensive Annual Financial Report for Fiscal Year 2005 (the “2005 CAFR”). Specific reference is made to the portion of the State’s financial statements pertaining to the Turnpike System, which includes the Turnpike System’s financial statements for such period under the heading “Turnpike System” in the section of the 2005 CAFR entitled “Proprietary Fund Financial Statements.” The 2005 CAFR is available on the State of New Hampshire Department of Administrative Services website at:

<http://admin.state.nh.us/accounting/FY%2005/CAFR%20For%20web.pdf>.

See the matters regarding the ongoing audit of the New Hampshire Retirement System and the resulting qualification of the KPMG opinion with respect to the comprehensive financial statements of the State (including the financial statements of the Turnpike System) for Fiscal Year 2005) set forth in this Supplement under “THE TURNPIKE SYSTEM – Turnpike System-Historical Revenues and Expenditures.”

## **THE STATE OF NEW HAMPSHIRE**

*The following Appendix A updates and replaces Appendix A to the November, 2005 Official Statement.*

## **APPENDIX A**

### **STATE DEMOGRAPHIC AND ECONOMIC DATA**

#### **General**

New Hampshire is located in the New England census region and is bordered by the states of Maine, Massachusetts and Vermont and the Province of Quebec, Canada. The State is 9,304 square miles in area and has 18 miles of general coastline on the Atlantic Ocean and 131 miles of tidal shoreline.

#### **Population**

New Hampshire experienced a significant increase in population between 1980 and 2005, primarily as a result of net migration from neighboring states. The State's population was 1,309,940 in July 2005 according to the U.S. Census Bureau. The table below shows New Hampshire's resident population and the change in its population relative to New England and the nation.

**Population Trends**  
(In Thousands)

<u>Year</u>	<u>New Hampshire</u>	<u>Change During Period</u>	<u>New England</u>	<u>Change During Period</u>	<u>United States</u>	<u>Change During Period</u>
1980.....	921	24.1%	12,348	4.0%	226,546	11.2%
1990.....	1,109	20.4	13,207	7.0	248,710	9.8
1991.....	1,108	(0.1)	13,201	(0.1)	252,137	1.4
1992.....	1,115	0.6	13,196	0.0	255,078	1.2
1993.....	1,125	0.9	13,230	0.3	257,908	1.1
1994.....	1,137	1.1	13,270	0.3	260,341	0.9
1995.....	1,148	1.0	13,312	0.3	262,755	0.9
1996.....	1,160	1.0	13,328	0.1	265,228	0.9
1997.....	1,173	1.1	13,378	0.4	267,783	1.0
1998.....	1,185	1.0	13,428	0.4	270,248	0.9
1999.....	1,201	1.4	13,495	0.5	272,691	0.9
2000.....	1,241	3.3	13,953	3.4	282,193	3.5
2001.....	1,259	1.5	14,043	0.6	285,108	1.0
2002.....	1,275	1.3	14,126	0.6	287,985	1.0
2003.....	1,288	1.0	14,194	0.5	290,850	1.0
2004.....	1,299	0.9	14,222	0.2	293,657	1.0
2005.....	1,310	0.8	14,240	0.1	296,410	0.9

Percent Change:

1980–2005.....	--	42.2	--	15.3	--	30.8
1990–2005.....	--	18.1	--	7.8	--	19.2
2000–2005.....	--	5.6	--	2.1	--	5.0

Source: U.S. Census Bureau.

**Personal Income**

The State's per capita personal income increased 84.9% between 1990 and 2005 (as contrasted with an increase of 80.2% in the per capita personal income for the United States and a 85.7% increase for the New England region). The State's rank improved from 10<sup>th</sup> in 1990 to 6<sup>th</sup> in 2005 with the State's per capita personal income 111% of the national average in that year. The State's per capita personal income in 2005 was \$38,408. The State's total personal income for 2005 was \$50.3 billion. The following table sets forth information on personal income for New Hampshire, New England and the United States since 1980.

**Comparisons of New Hampshire Personal Income  
to New England and United States, 1980-2005**

	New Hampshire Total Personal Income (In Millions)	Per Capita Personal Income			Percent Change			New Hampshire Per Capita Personal Income Ranking <sup>(1)</sup>
		New Hamp- shire	New England	United States	New Hamp- shire	New England	United States	
1980.....	\$ 9,166	\$ 9,917	\$10,705	\$10,062	--	--	--	25
1990.....	23,089	20,767	22,783	19,188	109.4%	112.8%	90.7%	10
1991.....	23,765	21,462	23,158	19,687	3.3	1.6	2.6	10
1992.....	24,881	22,438	24,253	20,631	4.1	4.7	4.8	9
1993.....	25,484	22,719	24,896	21,220	1.7	2.7	2.9	10
1994.....	27,337	24,119	25,934	22,056	6.2	4.2	3.9	9
1995.....	29,014	25,008	27,426	23,562	5.0	5.8	4.5	7
1996.....	30,633	26,042	28,820	24,651	4.4	5.1	4.8	8
1997.....	32,546	27,746	30,676	25,924	5.1	5.4	4.7	7
1998.....	34,943	29,488	32,373	27,203	5.2	6.5	4.7	7
1999.....	38,379	31,114	34,173	28,542	5.5	5.8	4.9	8
2000.....	41,429	33,396	36,118	29,845	7.3	5.7	4.6	6
2001.....	42,624	33,868	37,342	30,574	1.4	3.4	2.4	7
2002.....	43,393	34,043	37,379	30,810	0.5	0.1	0.8	6
2003.....	44,422	34,500	38,009	31,484	1.3	1.7	2.2	7
2004.....	49,570	36,616	40,260	33,050	6.1	5.9	5.0	6
2005.....	50,312	38,408	42,314	34,586	4.9	5.1	4.6	6

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>(1)</sup> Does not include the District of Columbia.

**Civilian Labor Force, Employment and Unemployment**

Employment in New Hampshire grew faster than in the region and in the nation from 1980 to 2005. The following table sets forth the level of employment in New Hampshire, the other New England states and the United States.



## Employment in New Hampshire, New England States and the United States

	<u>Employment (In Thousands)</u>			<u>Average Annual Growth</u>	
	<u>1980</u>	<u>1990</u>	<u>2005</u>	<u>1980-1990</u>	<u>1980-2005</u>
New Hampshire.....	447	508	706	1.29%	1.85%
Connecticut.....	1,507	1,624	1,728	0.75	0.55
Maine.....	468	535	677	1.35	1.49
Massachusetts.....	2,706	2,985	3,203	0.99	0.68
Rhode Island.....	437	451	541	0.32	0.86
Vermont.....	235	258	344	0.94	1.52
New England.....	5,800	6,361	7,198	0.93	0.87
United States.....	99,303	118,793	141,730	1.81	1.43

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

Throughout the 1980s, 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. For the period 1990-1992, however, unemployment increased faster in New Hampshire than in the United States as a whole and, as a result, New Hampshire's unemployment rate was greater than that of the United States during that period. Since 1993, New Hampshire's annual unemployment rate has again been lower than or equal to the regional and national rates. Monthly unemployment data for May, 2006, 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 1980.

## Labor Force Trends

### New Hampshire Labor Force

<u>Year</u>	<u>(In Thousands)<sup>1</sup></u>			<u>Unemployment Rate</u>		
	<u>Civilian Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>New Hampshire</u>	<u>New England</u>	<u>United States</u>
1980.....	469	447	22	4.7%	6.0%	7.2%
1990.....	630	595	36	5.6	5.7	5.5
1991 .....	634	589	46	7.2	8.0	6.7
1992 .....	633	586	47	7.5	8.0	7.4
1993 .....	620	579	41	6.6	6.8	6.8
1994 .....	628	599	29	4.6	5.9	6.1
1995.....	633	607	26	4.0	5.4	5.6
1996.....	624	598	26	4.2	4.8	5.4
1997.....	645	625	20	3.1	4.4	4.9
1998.....	652	633	19	2.9	3.5	4.5
1999.....	668	649	18	2.7	3.3	4.2
2000.....	695	676	19	2.7	2.8	4.0
2001 .....	705	681	24	3.4	3.6	4.7
2002 .....	714	682	32	4.5	4.8	5.8
2003 .....	718	686	32	4.4	5.4	6.0
2004.....	724	696	28	3.9	4.9	5.5
2005.....	732	706	26	3.6	4.7	5.1
May 2006.....	731	708	23	3.2	4.3	4.4

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

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

### Composition of Employment

The service sector was the largest employment sector in New Hampshire in 2005, accounting for 40.1% of nonagricultural employment, as compared to 25.2% in 1990. This sector surpassed retail and wholesale trade as the primary economic activity of New Hampshire in 1991. This upward trend in service sector employment parallels the shift in the national economy, where services was the largest employment sector, accounting for 41.6% of employment in 2005, up from 25.6% in 1990.

The second largest employment sector in New Hampshire during 2005 was wholesale and retail trade, accounting for 19.7% of total employment as compared to 15.8% nationally. In 1990, wholesale and retail trade accounted for 25.5% of total employment in New Hampshire.

Manufacturing remains an important economic activity in New Hampshire. Manufacturing accounted for 12.5% of nonagricultural employment in 2005, down from 20.8%

in 1990. For the United States as a whole, manufacturing accounted for 10.7% of nonagricultural employment in 2005, versus 17.3% in 1990. The following table sets out the composition of nonagricultural employment in the State and the United States.

**Composition of Nonagricultural Employment in  
New Hampshire and the United States**

	<u>New Hampshire</u>			<u>United States</u>		
	<u>1980</u>	<u>1990</u>	<u>2005</u>	<u>1980</u>	<u>1990</u>	<u>2005</u>
Manufacturing .....	30.3%	20.8%	12.5%	22.4%	17.3%	10.7%
Durable Goods.....	19.3	14.5	9.5	13.5	10.1	6.7
Nondurable Goods.....	11.0	5.5	3.0	9.0	7.2	4.0
Nonmanufacturing.....	69.7	79.2	87.5	77.5	82.7	89.3
Construction & Mining .....	5.1	4.5	4.8	5.9	5.3	5.9
Wholesale & Retail Trade.....	22.2	25.5	19.7	22.5	23.7	15.8
Service Industries .....	18.8	25.2	40.1	19.8	25.6	41.6
Government .....	14.9	14.4	14.2	18.0	16.6	16.3
Finance, Insurance & Real Estate .....	5.1	6.2	6.2	5.7	6.2	6.1
Transportation & Public Utilities.....	3.6	3.4	2.5	5.7	5.3	3.6

Source: U.S. Department of Labor, Bureau of Labor Statistics.

**Largest Employers**

The following table lists the twenty-two largest private employers in the State and their approximate number of employees as of December, 2005.

**Largest Employers  
(Excluding Federal, State and Local Governments)**

<u>Company</u>	<u>Employees</u>	<u>Primary New Hampshire Site</u>	<u>Principal Product</u>
1. Wal-Mart Stores, Inc. ....	8,659	Bedford	Retail Department Stores
2. Dartmouth Hitchcock Medical Center	7,100	Lebanon	Acute Care Hospital
3. DeMoulas & Market Basket.....	6,600	Nashua	Supermarkets
4. Hannaford Brothers-Shop 'N Save	5,374	Manchester	Supermarkets
5. Fidelity Investments .....	4,859	Merrimack	Financial Services
6. Shaw Supermarkets Inc.....	4,600	Stratham	Supermarkets
7. Dartmouth College .....	4,246	Hanover	Private College
8. BAE Systems .....	4,100	Nashua	Communications
9. Liberty Mutual .....	4,000	Bedford	Insurance
10. Home Depot .....	3,000	Manchester	Hardware Store
11. Elliot Hospital .....	2,821	Manchester	Hospital
12. Concord Hospital .....	2,757	Concord	Hospital

13. Osram Sylvania Inc.....	1,750	Hillsboro	Light Sources
14. Catholic Medical Center.....	1,700	Manchester	Healthcare Providers
15. Verizon Communications.....	1,650	Manchester	Telecommunications
16. Freudenberg-NOK.....	1,541	Bristol	Custom-Molded Products
17. Hewlett-Packard Co.	1,500	Nashua	Computer Company
New Hampshire International Speedway	1,500	Loudon	Motorsports Facility
Sears at Fox Run Mall .....	1,500	Newington	Home and Automotive Products
18. Exeter Hospital Inc.....	1,257	Exeter	Hospital
19. Southern New Hampshire Medical Center .....	1,254	Nashua	Healthcare Providers
20. Public Service of New Hampshire .	1,250	Manchester	Electric Utility

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Source: *New Hampshire Business Review*, December, 2005.

Pease Air Force Base in the Portsmouth area closed on April 1, 1991. In 1989, the facility had a military population of approximately 3,600 and approximately 1,180 civilian employees. Under State legislation, the Pease Development Authority was established to prepare a comprehensive plan and to implement all aspects of the plan including taking title to the property, marketing, and developing the property. As of January, 2003, the Pease International Tradeport had 3.8 million square feet of new or renovated office/R&D/manufacturing space with over 165 companies employing over 5,000 people. The Portsmouth Naval Shipyard, located on the border of New Hampshire and Maine, currently provides direct employment for approximately 3,300 workers, somewhat fewer than half of whom are New Hampshire residents. On May 13, 2005, the Pentagon proposed closing and realigning military bases throughout the United States, including the Portsmouth Naval Shipyard. The proposed cut would have resulted in the loss of approximately 4,510 civilian and military positions within New Hampshire and Maine. The proposed list was further reviewed by the Base Realignment and Closure Commission (“BRAC”), which recommended that the Portsmouth Naval Shipyard remain open. The final list was then submitted to the President on September 8, 2005. The President concurred with the BRAC recommendation and sent the report to the United States Congress on September 15, 2005 for legislative review. The Congress failed to adopt a joint resolution disapproving the recommendation for closure or realignment, and the Department of Defense is now authorized to proceed with the closings and realignments as submitted.

### **State and Local Taxation**

The State finances its operations through a combination of specialized taxes, user charges and revenues received from the State liquor sales and distribution system. The most important taxes are the business profits tax and a meals and rooms tax. The State does not levy any personal earned income tax or general sales tax. The State believes its tax structure has played an important role in the State’s economic growth. According to the U.S. Bureau of the Census, in 2005, individual income and general sales taxes represented 3.3% of the State’s total government taxes. New Hampshire’s per capita state taxes of \$1,544 in 2005 were among the third lowest in the nation.

New Hampshire has generally been the highest among all states in local property tax collections per \$1,000 of personal income, because local property taxes were traditionally the

principal source of funding for primary and secondary education. See “SCHOOL FUNDING” below for a description of the State’s current statutory system of financing operation of elementary and secondary public schools.

## Housing

According to the 2000 federal census, housing units in the State numbered 547,024, of which 86.8% were occupied. In 1990, housing units in the State numbered 503,904, of which 81.6% were occupied. The median purchase price of owner-occupied housing units was \$125,400 according to the 1990 census, a rise of 170% over the 1980 median value of \$48,000. The median purchase price in 2005 was \$269,900, an increase of 115.2% over 1990. The table below sets forth housing prices and rents in recent years.

### Housing Statistics

#### Median Purchase Price and Gross Rent

	Owner-Occupied Non-Condominium Housing Unit		Renter-Occupied Housing Unit	
	<u>Median Purchase Price</u>	<u>Percent Change</u>	<u>Median Gross Rent<sup>(1)</sup></u>	<u>Percent Change</u>
1990	\$125,400	(3.5)%	\$583	(1.9)%
1991	114,000	(9.1)	554	(5.0)
1992	108,000	(5.3)	560	1.1
1993	110,000	1.9	564	0.7
1994	111,000	0.9	573	1.6
1995	114,360	3.0	563	(1.7)
1996	117,500	2.7	596	5.9
1997	117,000	(0.4)	606	1.7
1998	127,000	8.5	636	5.0
1999	136,500	7.5	665	4.6
2000	152,500	11.7	697	4.8
2001	174,500	14.4	738	5.9
2002	200,880	15.1	810	9.8
2003	229,400	14.2	854	5.4
2004	252,660	10.1	896	4.9
2005	269,900	6.8	901	0.6

Source: New Hampshire Housing Finance Authority.

<sup>(1)</sup> Includes utilities.

## Building Activity

The pattern of building activity in New Hampshire in recent years, as evidenced by the issuance of residential building permits, has paralleled that of the New England region. There was

significant growth in the 1980 to 1986 period, at a level much higher than that of the nation as a whole, followed by a substantial decrease in activity in 1987 through 1991. This decrease was also at a level greater than that of the United States. The major growth in New Hampshire housing units from 1980 to 1986 was in single-family homes, which increased 233.7% over the period, versus 190.5% in New England and 51.7% in the United States.

From 1986 to 1991, however, building activity slowed each year in New Hampshire, the region and nationwide. In 1992, building activity increased for the first time since 1986 in New Hampshire, New England and the nation. The growth continued through 2002, while in 2003 there was a 7.0% decrease in the number of permits. In 2004, building permits totaled 8,653, with a value of \$1,385 million. This represents an increase of 6.9% in the number of permits and an increase of 14.7% in dollar value, over 2003. In 2005, building permits totaled 7,586, with a value of \$1,352. This represents a decrease of 12.3% in number of permits and a decrease of 2.4% in dollar value, over 2004. Set out in the following table are the number and value of building permits issued for housing units in New Hampshire, New England and the United States.

**Building Permits Issued  
By Number of Units and Value  
(Value in millions)**

	<u>1980</u>	<u>1990</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
New Hampshire							
Single Family	3,678	3,439	5,910	6,754	6,583	7,002	6,432
Multi-Family	<u>1,600</u>	<u>687</u>	<u>714</u>	<u>1,954</u>	<u>1,512</u>	<u>1,651</u>	<u>1,154</u>
Total	5,278	4,126	6,624	8,708	8,095	8,653	7,586
Value	\$198	\$361	\$950	\$1,203	\$1,208	\$1,385	\$1,352
New England							
Single Family	26,115	28,189	37,240	39,928	39,486	43,749	41,812
Multi-Family	<u>14,964</u>	<u>7,980</u>	<u>7,354</u>	<u>9,103</u>	<u>9,663</u>	<u>14,109</u>	<u>16,930</u>
Total	41,079	36,169	44,594	49,031	49,149	57,858	58,742
Value	\$1,545	\$3,079	\$6,559	\$7,268	\$7,825	\$9,312	\$9,791
United States							
Single Family	710,390	793,924	1,235,550	1,332,620	1,460,887	1,613,445	1,681,986
Multi-Family	<u>480,210</u>	<u>316,842</u>	<u>401,126</u>	<u>415,058</u>	<u>345,814</u>	<u>456,632</u>	<u>473,330</u>
Total	1,190,600	1,110,766	1,636,676	1,747,678	1,806,701	2,070,077	2,155,316
Value	\$47,156	\$86,522	\$196,243	\$219,188	\$249,693	\$292,414	\$329,254

Source: U.S. Census Bureau.

## **Transportation**

New Hampshire has more than 4,000 miles of State and federal highways. In 1986, the State Legislature enacted a highway plan to serve as a guideline for highway development in the State. A major component of the 1986 highway plan legislation as amended in 1991 provides for continued development of the State's Turnpike System.

There are twenty-four public commercial airports in the State, three of which have scheduled air service, eight private commercial airports and nine private non-commercial airports. Manchester Airport, the State's largest commercial airport, undertook a major terminal expansion and renovation project in 1992. Bonds guaranteed by the State were issued in June 1992 (and subsequently refunded and paid on January 1, 2002 with the proceeds of non-guaranteed airport revenue bonds of the City); the new terminal opened on January 1, 1994. Since that time, the airport has grown from 427,657 enplanements in fiscal year 1994 to 2,118,709 enplanements in fiscal year 2005. Manchester Airport is currently undertaking a number of additional significant expansion, improvement and renovation projects, which have been financed by the City of Manchester through the issuance of airport revenue bonds in October, 1998, April, 2000, June, 2002, and June, 2005. The projects are expected to enhance the airport's capacity for increased passenger and freight traffic. The 1998, 2000, 2002, and 2005 bonds are not guaranteed by the State.

Rail freight service is provided by twelve railroads. The Portsmouth Harbor is an important commercial shipping center that can accommodate deep-draft vessels. The State Port Authority Marine Terminal is located on Noble's Island in Portsmouth Harbor.

## **Utilities**

Approximately 70% of the electric power in the State is supplied by Public Service Company of New Hampshire ("PSNH") and the remainder by four investor-owned utilities, the New Hampshire Electric Cooperative, Inc. ("NHEC") and five municipal electric systems. Legislation was enacted in May, 1996 to provide for the restructuring of the New Hampshire electric utility industry in order to establish a competitive market for retail access to electric power and thereby reduce the State's high average electric rates. The legislation directed the Public Utilities Commission ("PUC") to produce a statewide restructuring plan no later than February 28, 1997, with provision made for determination of interim stranded cost recovery charges. On such date, the PUC issued its statewide restructuring plan and interim stranded cost recovery order, and PSNH challenged the order in court. On June 14, 1999, the Governor, the Attorney General and staff of the PUC announced that a Memorandum of Understanding (MOU) had been signed with PSNH resolving the dispute. A definitive agreement was filed with the PUC on August 2, 1999 and finally approved by the PUC in September, 2000. In January 2001, the Supreme Court of New Hampshire affirmed the settlement order.

The effectiveness of the agreement with PSNH was contingent upon, among other matters, the securitization of up to \$725 million of stranded costs of PSNH. On April 25, 2001, PSNH issued \$525 million of rate reduction bonds. Effective May 1, 2001, PSNH customers received a rate reduction of approximately 10%, which was in addition to an interim 5% rate decrease that began in October, 2000. Although the State Treasurer had oversight responsibility of the terms and

conditions of such bonds, the bonds do not constitute a debt or obligation of any kind of the State or any political subdivision thereof.

## Education

New Hampshire provides a mix of public and private educational opportunities. The education function of the State is carried out through the State Board of Education, the Department of Education and the University System of New Hampshire. The State Board and the Department of Education provide curriculum guidance and administrative support to 177 public school districts ranging in grades from kindergarten through grade twelve. In addition to public education, there are numerous private preparatory schools in the State, including Phillips Exeter Academy in Exeter and St. Paul’s School in Concord.

At the university level, the State offers undergraduate and graduate programs in liberal arts and various sciences through the University System of New Hampshire, which includes the University of New Hampshire, Keene State College and Plymouth State University. The University System also operates the College for Lifelong Learning, which offers continuing education to the non-traditional student. In addition to the state-supported university system, eighteen private higher educational institutions are located in New Hampshire, including Dartmouth College in Hanover. The State also supports a network of technical colleges comprised of the New Hampshire Technical Institute in Concord and six other colleges located throughout the State. The Institute and colleges offer a two-year associates degree and a variety of certificates in approximately 100 different industrial, business and health programs. Since 1983, over 50% of New Hampshire high school graduates have continued their education beyond the high school level.

As the following table indicates, the educational level of New Hampshire residents over the age of 25 is higher than that of the nation as a whole.

### Level of Education

<u>Level of Education</u>	<u>1990</u>		<u>2000</u>	
	<u>New Hampshire</u>	<u>United States</u>	<u>New Hampshire</u>	<u>United States</u>
9-11 years.....	93.3%	89.6%	N/A	84.5%
12 years.....	82.2	75.2	88.1%	78.5
1-3 years post-secondary.....	50.5	45.2	N/A	47.5
4 or more years post-secondary.....	24.4	20.3	30.1	21.9

Source: 2000 U.S. Census of Population, Census Bureau.



*The following Appendix B updates and replaces Appendix B to the November, 2005 Official Statement.*

## **APPENDIX B**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the State of New Hampshire (the “State”) in connection with the issuance of its \$39,425,000 Turnpike System Revenue Bonds, 2006 Refunding Series (Delayed Delivery), dated their date of delivery (the “Bonds”). The Bonds are being issued pursuant to the General Bond Resolution of the State authorizing the issuance of State of New Hampshire Turnpike System Revenue Bonds, adopted November 9, 1987, as amended and supplemented to date (the “Resolution”). 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.** In addition to the definitions set forth in the Resolution which apply to any capitalized term used in 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.

“Final Official Statement” means the official statement of the State dated November 23, 2005, as supplemented by the Supplement thereto dated August 18, 2006, prepared in connection with the Bonds.

“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 240 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 each Repository 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) to the extent not included in the financial statements described in (b) below, the financial information and operating data for the preceding fiscal year of the type included in the information appearing in the Final Official Statement under the headings “THE TURNPIKE SYSTEM – General Description” with respect to the first paragraph of such section, “- Maintenance of the Turnpike System” with respect to the table captioned “Renewal and Replacement Expenditures”, “- Toll Collection, Rates and Schedules” with respect to the table captioned “NH Department of Transportation – NH Turnpike System Toll Rate Schedule”, “- Turnpike System – Historical Revenues and Expenditures” with respect to the table captioned “Statement of Revenues, Expenses and Changes in Retained Earnings”, “- Management Discussion of Historical Revenues and Expenditures” (only with respect to the preceding fiscal year), “TURNPIKE SYSTEM INDEBTEDNESS” with respect to the table captioned “Turnpike System Debt Service”, and “CAPITAL IMPROVEMENT PROGRAM” with respect to the tables captioned “Project Descriptions” and “Capital Improvement Program Expenditures”; provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports, and
- (b) the most recently available audited financial statements of the State pertaining to the Turnpike System, prepared in accordance with generally accepted accounting principles.

If audited financial statements of the State pertaining to the Turnpike System 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.

The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or date, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated State statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

#### 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.

(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 each Repository.

SECTION 6. Use of Agents. Annual financial information and operating data and notices to be provided pursuant to this Disclosure Certificate may be provided by the State or by any agents which may be employed by the State for such purpose from time to time. 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 earlier of (i) legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds, or (ii) upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the State and acceptable to the Trustee to the effect that compliance with this Disclosure Certificate no longer is required by the Rule.

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. The State acknowledges that its undertakings set forth in this Disclosure Certificate are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 3(a) of this Disclosure Certificate or five business days with respect to the undertakings set forth in Sections 3(b) and 5 of this Disclosure Certificate) from the time the State receives written notice of such failure from any beneficial owner of the Bonds. The present address of the State is State of New Hampshire, 25 Capitol Street, Room 121, Concord, New Hampshire 03301, attention: State Treasurer.

In the event the State does not cure such failure in the time specified above, the Trustee may (and, at the request of beneficial owners representing at least 25% in aggregate principal

amount of Outstanding Bonds, and upon receipt of indemnification satisfactory to the Trustee, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the State to comply with its obligations under this Disclosure Certificate. Without regard to the foregoing, any beneficial owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the State to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, 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 to compel performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Disclosure Certificate constitute an event of default with respect to the Bonds.

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: August 24, 2006

STATE OF NEW HAMPSHIRE

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

\_\_\_\_\_  
Governor

\_\_\_\_\_  
Commissioner of Department of  
Transportation

(Exhibit A: List of National Repositories)  
(Exhibit B: Form of Notice of Failure to File Annual Report)