The State of New Hampshire

Annual Report
of the
State Treasury

As of and for the
FISCAL YEAR ENDED JUNE 30, 2010

Catherine A. Provencher
State Treasurer
Concord, New Hampshire
2010

TABLE OF CONTENTS

Letter of Transmittal	3
New Hampshire State Officials	4
Overview of the Treasury	5
Cash Management	6
Trust and Agency Accounts	7
Debt Management	8
State Guaranteed Debt	10
Abandoned Property	12
College Savings Plans	17
Seabrook Decommissioning Trust	18
Treasury Accomplishments and Initiatives	18
Exhibit 1 – Trust and Escrow Accounts	22

Catherine A. Provencher
STATE TREASURER

THE STATE OF NEW HAMPSHIRE
STATE TREASURY
25 CAPITOL STREET, ROOM 121
CONCORD, NH 03301
(603) 271-2621
FAX (603) 271-3922
EMAIL: cprovencher@treasury.state.nh.us
TDD Access: Relay NH 1-800-735-2964

November 18, 2010

To His Excellency the Governor and the Honorable Council:

Pursuant to, RSA 6:17, RSA 6:43, RSA 11:5-b and RSA 20:7, I am pleased to submit the Annual Report of the State Treasury, as of and for the fiscal year ended June 30, 2010 for your approval.

The New Hampshire Treasury is charged with executing a variety of financial management tasks. Among those responsibilities, the Treasury performs internal bank and investment management functions for the State's funds; issues the State's general obligation and revenue bonds and other debt and, pursuant to RSA 471-C, is responsible for acquiring and returning to owners all financial property that qualifies as abandoned property under the law. The Treasurer is also a member of various boards and commissions and acts as trustee and custodian of various State funds.

Please note that all the information contained in this report is unaudited and subject to change pending the audit of the State's Comprehensive Annual Financial Report.

The staff of the Treasury and I personally look forward to the challenges of the next fiscal year as we continually strive to improve the wide range of financial management services we provide to the residents of New Hampshire and to all branches of State government.

Respectfully submitted,

Catherine A. Provencher
State Treasurer

STATE OF NEW HAMPSHIRE
SELECTED STATE OFFICIALS

GOVERNOR

John H. Lynch

EXECUTIVE COUNCIL

Raymond S. Burton, District 1
John D. Shea, District 2
Beverly A. Hollingworth, District 3
Raymond J. Wieczorek, District 4
Debora B. Pignatelli, District 5

SECRETARY OF STATE

William M. Gardner

ATTORNEY GENERAL

Michael A. Delaney

COMMISSIONER OF ADMINISTRATIVE SERVICES

Linda M. Hodgdon

STATE TREASURER

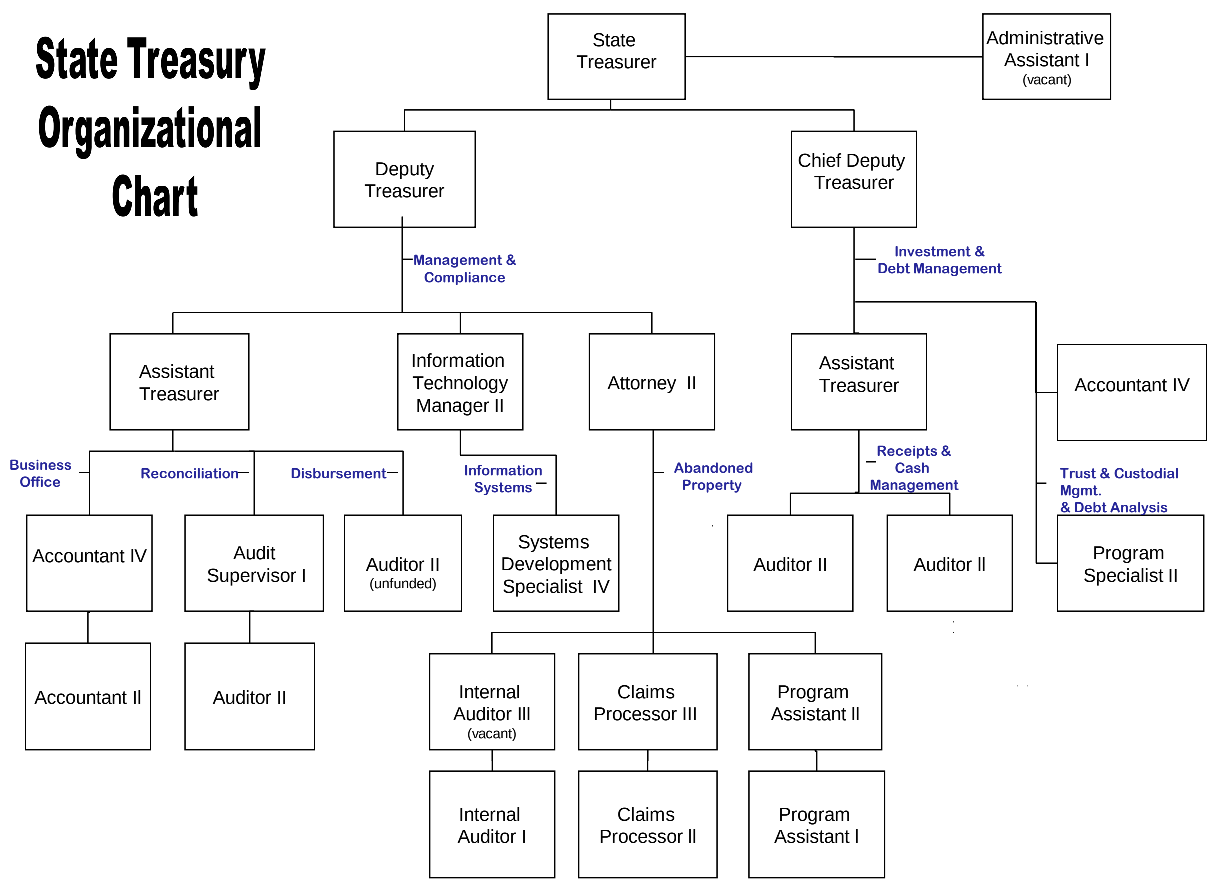
Catherine A. Provencher

OVERVIEW OF THE TREASURY

Part 2; Article 67 of the New Hampshire Constitution establishes the position of the Treasurer of the State of New Hampshire. In accordance with the Constitution, the Treasurer is elected by a joint session of the Senate and the House of Representatives (the General Court). This election takes place on the first Wednesday of December following the biennial election when the newly elected General Court meets for organizational purposes.

The State Treasury is responsible for a variety of financial management activities including cash and investment management, debt management, and the unclaimed and abandoned property program. The Treasurer is a member of many boards and commissions including but not limited to the New Hampshire Retirement System, the New Hampshire Municipal Bond Bank, the New Hampshire Business Finance Authority, the Nuclear Decommissioning Finance Committee and the College Tuition Savings Plan Advisory Commission. The Treasurer is also the trustee of, or has administrative responsibilities for many trust, custodial, escrow and other funds.

The authorized staffing of the Treasury for the 2010/2011 biennium is 24 positions, however two of these positions are vacant and a third position is unfunded due to budget constraints. The organizational chart below illustrates the authorized positions for each functional area.



CASH MANAGEMENT

The Treasury is responsible for a broad array of cash management activities related to its role as the State's "bank". It is the Treasury's responsibility to have the right amount of cash, when and where needed to finance the operating and capital budgets. This responsibility is accomplished in several ways including cash flow forecasting, collecting and concentrating funds, making disbursements, and investing available daily cash balances.

In fiscal year 2010, the Treasury managed over $5.8 billion in receipts and approximately $5.6 billion in disbursements. A list of receipts and disbursements for the past three fiscal years follows:

COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS
(Unaudited)

	For the Year Ended June 30		
	2010	2009	2008
BEGINNING BALANCE	$357,858,295	545,664,611	$582,741,939
TOTAL RECEIPTS	$5,840,678,918	5,094,045,637	$5,024,425,882
TOTAL DISBURSEMENTS	($5,618,726,740)	($5,281,851,953)	($5,061,503,210)
ENDING BALANCE	$579,810,473	357,858,295	$545,664,611

At June 30, 2010, the State's total cash and investment balance, exclusive of trust and agency accounts, was nearly $580 million. On a year over year basis, the State's total cash and investment balances increased by $222 million, or approximately 62 percent. Pursuant to RSA 6:7-a, investment income is reported net of banking service fees. As described in the Contractual Advancements section for Banking Processes & Products on page 20, a compensating balances methodology has been implemented with the state's banking partners due to the uniquely low interest rate environment. The state maintains incrementally higher operating balances as the means of paying for bank services. This approach replaces the traditional arrangement of paying for banking services out of investment earnings and will remain in effect until Treasury management and the state's financial advisors determine that yields on investments will be sufficient to support the cost of banking. A list of cash balances by category follows:

STATEMENT OF CASH BALANCES
(Unaudited)

CATEGORY	As of June 30 2010
CASH & CASH EQUIVALENTS	$272,130,331
TURNPIKE	180,732,521
STATE REVOLVING FUNDS	126,947,621
TOTAL	$579,810,473

TRUST AND AGENCY ACCOUNTS

Pursuant to RSA 11:1, the State Treasurer acts as the custodian of "…all trust funds left to and accepted by the state…" As of June 30, 2010, the fair market value of the forty-five (45) trust and agency funds was approximately $54 million, with a maximum individual fund value of over $15.7 million and investment objectives ranging from short-term liquidity to maximum capital gain.

These funds originated from a variety of sources and serve a wide array of beneficiaries. A list of these trust and agency funds, along with activity and balances for fiscal year 2010, is included in this report as Exhibit 1.

DEBT MANAGEMENT

General Obligation Bonds

General obligation debt is paid from the State's taxes and other revenues. As of June 30, 2010 total outstanding general obligation debt was $822.5 million. Please note this figure excludes $0.58 million of general obligation debt of the Turnpike system which is presented under the Turnpike section on page 10. The following table shows the outstanding general obligation debt (excluding that of the Turnpike system) organized on the basis of the major categories from which it is paid. The majority of this debt is repaid from the general fund while the remaining balance is paid from a variety of dedicated user fees and fines.

On August 17, 2009, the Treasury issued a $1.8 million general obligation bond though a private placement sale to the NH Municipal Bond Bank (NHMBB) to use as an investment in its Debt Service Reserve Fund. The bond pays a 5% coupon, matures on August 15, 2029 and yielded a $81,363 premium which is additional funding for State capital projects, resulting in a true interest cost of 4.45% for the State. Similarly, on January 19, 2010, the Treasury issued a $2.4 million general obligation capital improvement bond through a private placement sale to the NHMBB for use as an investment in its debt service reserve fund. The bond pays a 4% coupon, matures on January 15, 2030, and resulted in a true interest cost of 3.98% for the State and a $5,868.20 discount. Both of these issues pay interest only until maturity in 20 years, thereby serving as a steady reserve investment for the NHMBB. Due to this structure, the true interest costs are higher than the state's typical serial bond structures sold during the same relative timeframe.

In December 2009, the Treasury issued $125 million in capital improvement bonds through the sale of $50 million tax-exempt general obligation bonds and $75 million in federally taxable general obligation Build America Bonds, resulting in premiums of $6,195,575 and $869,125 respectively and true interest costs of 1.67% and 3.23% (net of federal subsidy) respectively. Taken together, the amortization schedule mirrors the State's historical 20 year repayment structure with 60% of the principal paid in the first 10 years and the remaining 40% over the last 10 years. The proceeds of the bonds provide financing for $40 million of school building aid grants and a variety of capital projects previously authorized by the legislature.

Finally, in April 2010, taking advantage of the low interest rate environment, Treasury issued $153.3 million general obligation refunding bonds at a true interest cost of 3.5%, replacing $153.4 million in outstanding bonds issued previously at higher interest rates on average. The transaction resulted in savings of $6.5 million on a cash basis over the next 15 years.

SCHEDULE OF FUTURE DEBT SERVICE PAYMENTS
(In Thousands)

Fiscal	General Fund		Highway Fund		Self-Supporting		Totals	
Year (s)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 61,099	$ 33,743	$ 7,522	$ 5,342	$ 9,906	$ 4,690	$ 78,527	$ 43,775
2012	55,156	30,587	7,163	4,169	9,887	4,290	72,206	39,046
2013	50,993	25,110	6,879	3,882	9,731	3,880	67,604	32,873
2014	47,902	22,248	6,726	3,455	6,610	3,543	61,239	29,246
2015	44,099	24,970	6,677	3,249	6,310	3,328	57,086	31,547
2016-20	198,774	69,092	30,895	11,033	29,076	10,962	258,745	91,087
2021-25	131,054	23,791	21,666	4,913	19,565	4,909	172,285	33,613
2026-30	35,966	4,185	9,554	922	9,281	1,161	54,800	6,268
	$ 625,043	$ 233,728	$ 97,081	$ 36,966	$ 100,367	$ 36,761	$ 822,491	$ 307,455

Notes:

General Fund - Includes debt service paid from Unrestricted General Fund Revenues.

Highway Fund - Includes debt service paid from Unrestricted Highway Fund Revenues and separate funds within the Highway Fund.

Self-Supporting - Includes debt service paid from a variety of funding sources including, but not limited to, Restricted General Fund revenues for School Building Aid and other debt, special user fees and fines, and unrestricted Fish & Game revenues.

This schedule is unaudited and prepared on the cash basis of accounting.

Turnpike System Bonds

In addition to coordinating the issuance of general obligation debt, the Treasury issues capital improvement revenue and refunding bonds for the Turnpike System. These bonds are repaid solely from the revenues (tolls) collected throughout the Turnpike System. Total outstanding debt (principal only) of the Turnpike System as of June 30, 2010 was $378.4 million, as reflected in the following table; $377.8 million consists of revenue bonds with final maturities in fiscal year 2040. The remaining $.6 million consists of general obligation debt with final maturities in 2011.

On November 18, 2009, the Treasury issued $67.2 million in tax-exempt refunding bonds for the Turnpike System. The bonds refunded $70.2 million outstanding Turnpike System bonds issued in 1999. The refunding transaction resulted in savings of $8.2 million on a cash basis reflecting savings of 11.75% as measured on a net present value basis.

SCHEDULE OF FUTURE TURNPIKE DEBT SERVICE PAYMENTS

(In Thousands)

Fiscal	Revenue Bonds		Gen'l Obligation Bonds		Totals	
Year (s)	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 17,150	$ 19,726	$ 584	$ 15	$ 17,734	$ 19,741
2012	17,020	18,961	0	0	17,020	18,961
2013	19,460	18,196	0	0	19,460	18,196
2014	16,460	17,262	0	0	16,460	17,262
2015	21,690	16,476	0	0	21,690	16,476
2016-20	102,890	67,021	0	0	102,890	67,021
2021-25	63,455	45,631	0	0	63,455	45,631
2026-30	50,725	28,970	0	0	50,725	28,970
2031-35	30,070	16,606	0	0	30,070	16,606
2036-40	38,925	6,023	0	0	38,925	6,023
	$ 377,845	$ 254,872	$ 584	$ 15	$ 378,429	$ 254,886

Note: This schedule is unaudited and prepared on the cash basis of accounting.

STATE GUARANTEED DEBT

The State is contingently liable for certain municipal government debt issues for water pollution control bonds, school building, and landfill bonds up to statutory limits. The State also provides certain guarantees for the debt issued by the Pease Development Authority and the Business Finance Authority. There are statutory limitations on these contingent debt guarantees:

1. The limit may be either on the total amount guaranteed or on the total amount guaranteed that remains outstanding at any time; the latter is a revolving limit, allowing additional guarantees to be awarded as guaranteed debt is retired.

2. The statutory dollar limit may represent either the total amount of principal and interest or only the total amount of principal that may be guaranteed; in the latter case interest on that principal amount may also be guaranteed but is not otherwise specifically limited.

Issuance of new debt with a State guarantee requires the approval of the Governor and Executive Council.

As of June 30, 2010 the remaining unused guarantee authorizations under the various statutory limitations were:

Purpose	Guarantee Limit	Remaining Capacity
Water Pollution Control Bonds	$ 50.0 million (1) (2)	$ 42.2 million
School Bonds	$ 95 million (1) (2)	$ 33.9 million
Superfund Site Bonds	$ 20.0 million	$ 20.0 million
Landfill and Waste Site Bonds	$ 10.0 million (1) (2)	$ 9.8 million
Business Finance Authority	$ 95.0 million (1)	$ 42.5 million
Pease Development Authority	$ 105 million	$ 48.9 million
Housing Finance Authority Child Care	$ 0.3 million	$ 0.3 million

(1) Revolving limit
(2) Limit applies to total principal and interest.

Chapter 144, Laws of 2009, increased the State guarantee for School Bonds to $95 million, effective July 1, 2009. In accordance with RSA 195-C:2 and as recommended by the School Building Authority and approved by the Governor and Executive Council, the State guaranteed $51.6 million (principal and interest) of General Obligation Qualified School Construction Bonds issued by five school districts as of June 30, 2010. These bonds are federally taxable bonds created through the American Recovery and Reinvestment Act of 2009 and issued by school districts for facility construction and/or renovation or for the purchase of land upon which a facility will be built.

The State also has an exposure for debt issued by municipalities through the Municipal Bond Bank. If any municipality that has issued through the Bond Bank fails to make scheduled debt payments and escrowed funds are not sufficient to cover missed payments, then the Bond Bank may ask the legislature for non-appropriated funds to cover any shortfall. While this exposure exists, the level of its risk is not easily quantifiable to evaluate the potential on the State's credit rating. Chapter 324, Laws of 2008, amended RSA 35-A:24 to include an intercept program where in the case of a default by a governmental unit, the treasurer shall pay the bond bank the defaulted amount from general or education trust fund appropriations that are due to the governmental unit that defaulted.

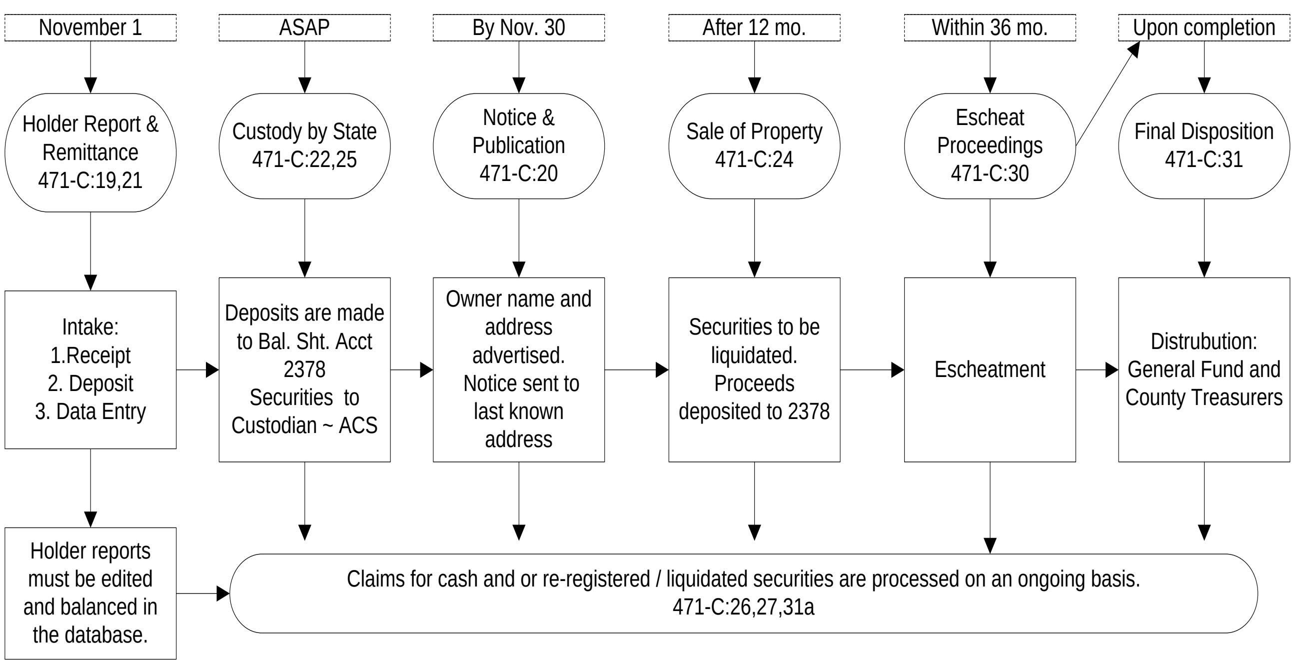
ABANDONED PROPERTY

Overview

Pursuant to the provisions of NH RSA Chapter 471-C, Treasury's Abandoned Property Division is charged with the task of receiving and returning intangible properties to the rightful owner or heir. Typically, such properties are in the form of cash from dormant accounts but may also include securities such as stock or mutual funds in share form. These properties are reported and remitted by the "holders" of such property. By and large, holders are entities such as banks, credit unions, corporations, utilities, insurance companies, retailers, as well as government agencies and municipalities.

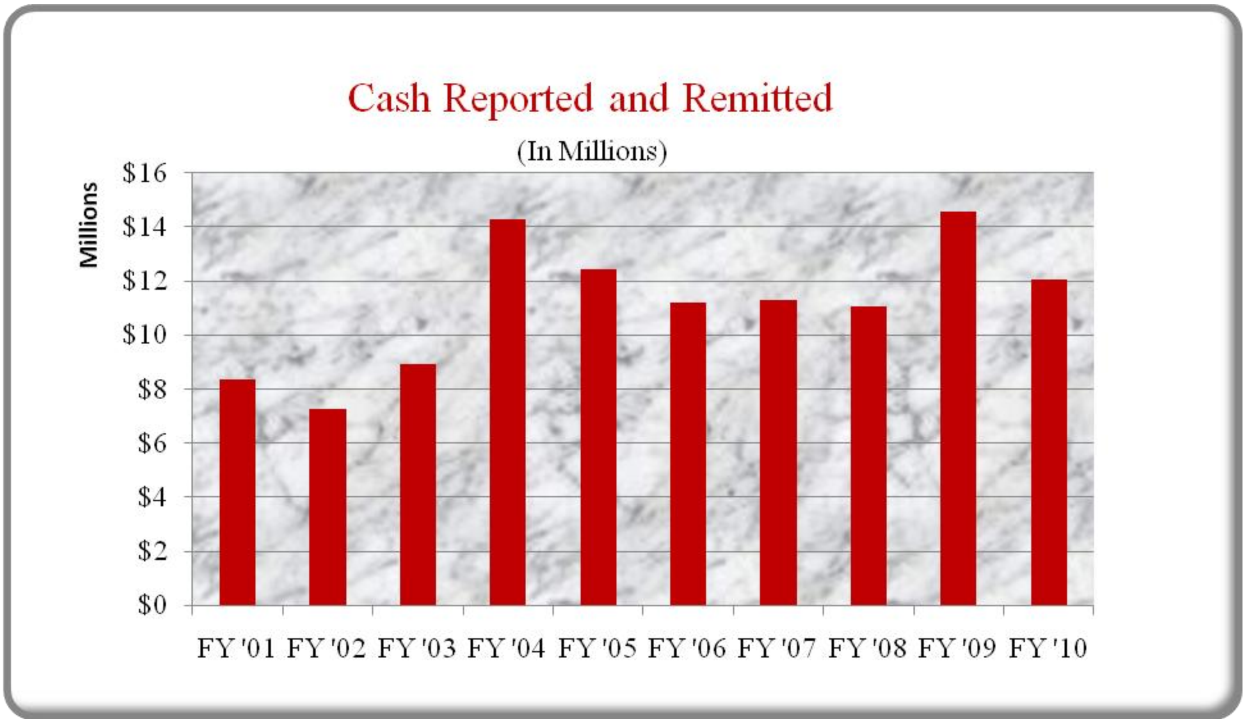
In accordance with statutory requirements, efforts are made to ensure that the property owners are made aware their property has been reported and remitted to the Division. An annual advertisement listing all names reported during the prior year and their last known address is published in a statewide newspaper. Additionally, a mailing in the form of a post card notification is sent to the last known address of each reported owner. Further, the Division participates in MissingMoney.com, a multi-state database of unclaimed property owner information, and also maintains an internet web page affording ready access to any citizen inquiring about a lost or abandoned account.

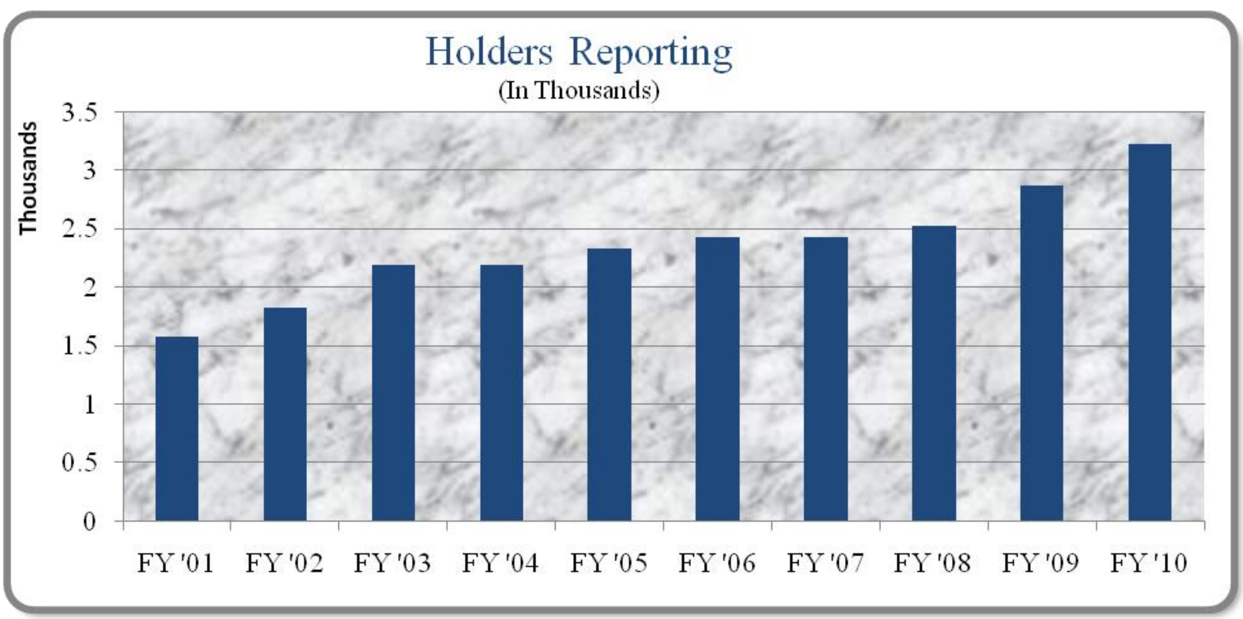
In summary, the Division's statutory obligation and annual production cycle requires receipt and deposit of unclaimed funds and shares; maintenance of a database of the properties; sending notice to, and advertisement of, the name and last known address of the reported owner; processing claims; and escheating unclaimed funds to the State's general fund. The general timeline below provides an overview of the annual workflow.



Holder Reporting and Remittances

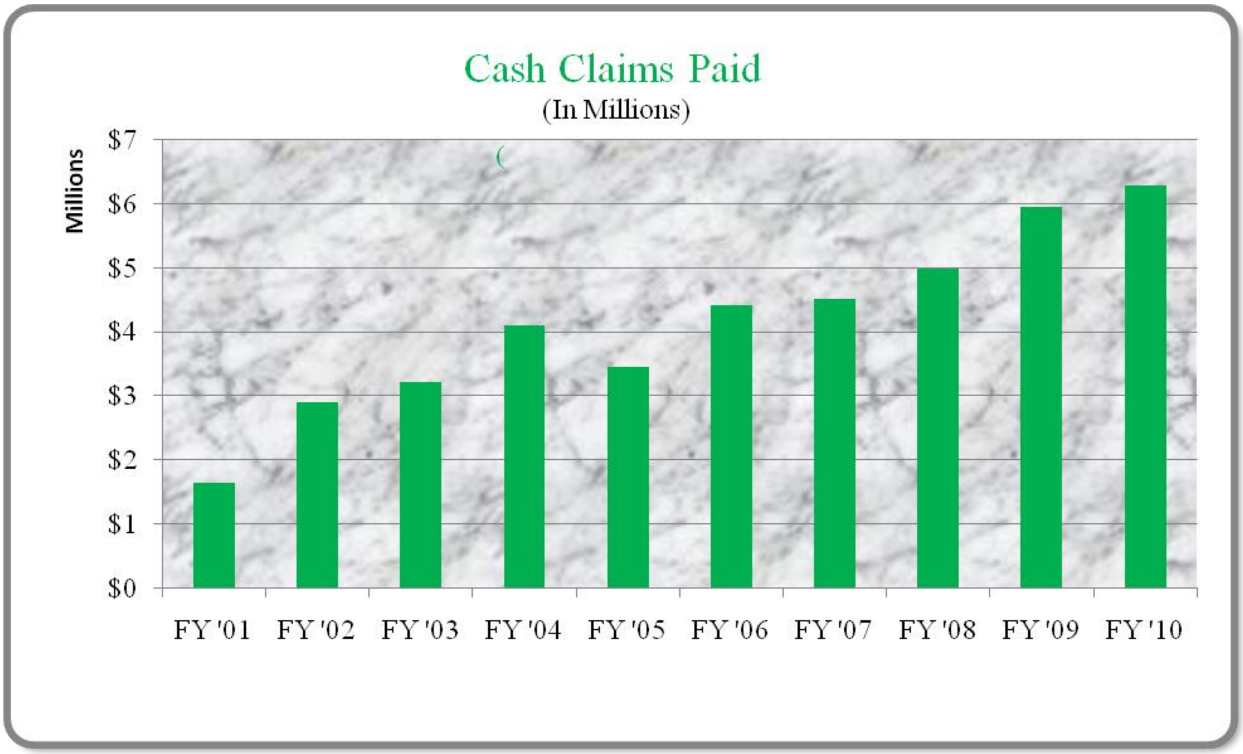
In fiscal year 2010, over 3,200 holders of property reported and remitted cash in excess of $12 million and delivered more than 1.6 million shares of stock and/or mutual funds to the State's custodial account. Over the past ten (10) fiscal years, the Division has taken in just over $111 million from holders averaging approximately $11.1 million annually.

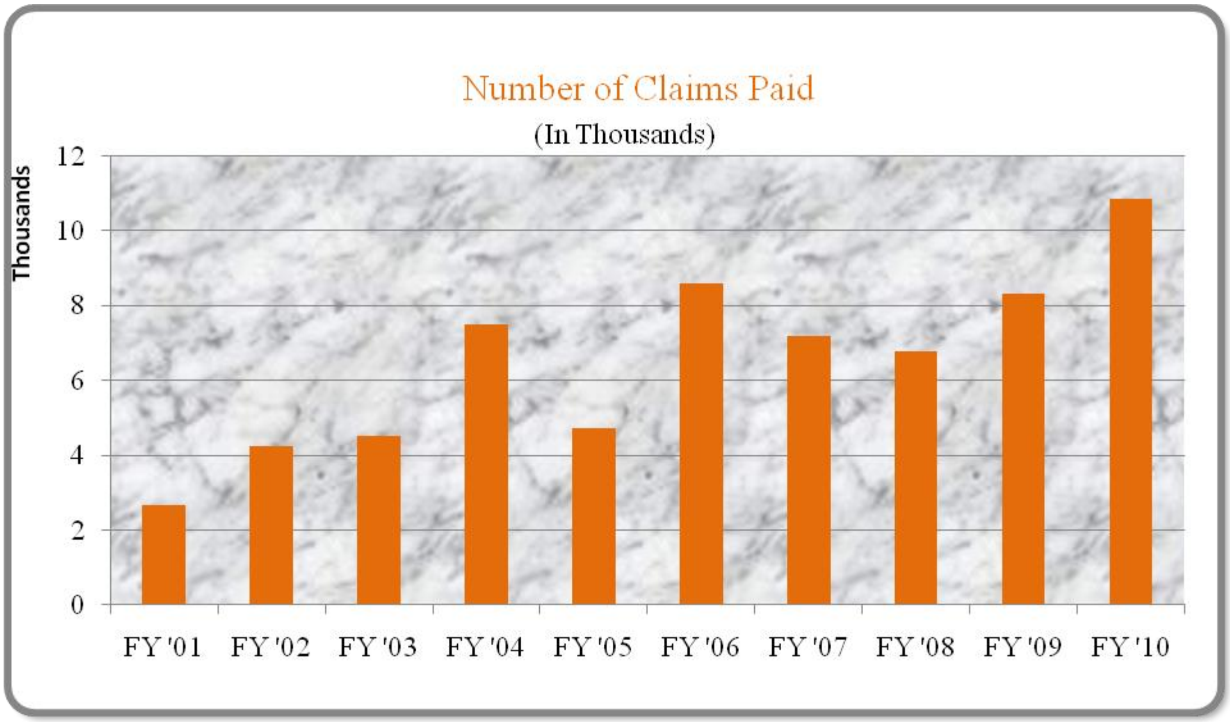




Owner Claims Processed

During fiscal year 2010, the Division returned $6.3 million dollars to citizens presenting more than 10,800 claims. The average claim paid was $580 and the largest individual claim was $100,000. In the past ten (10) fiscal years, $41.4 million has been returned to owners with an average more than $4.1 million returned each year.

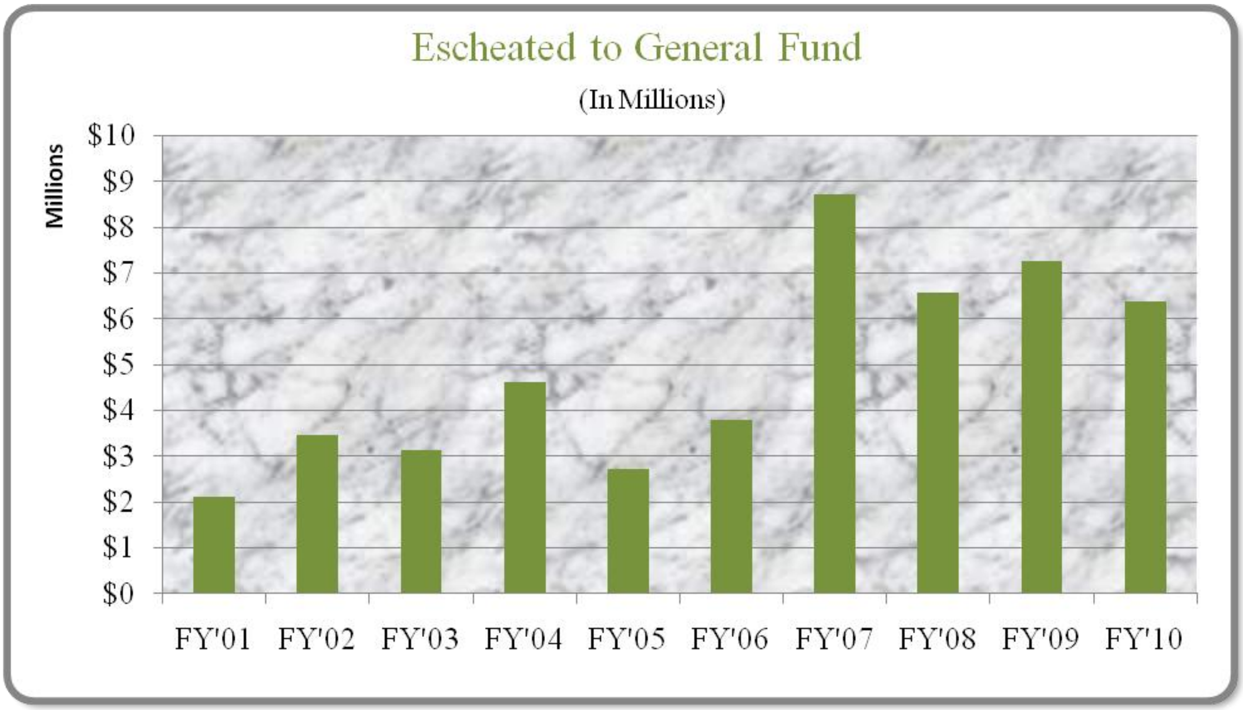




Escheatment (NH RSA Chapter 471-C: 30, 31)

The Division delivered almost $6.4 million to the General Fund during fiscal year 2010. Over the past ten (10) fiscal years, almost $49 million has been escheated to the General Fund. On average a transfer of funds of nearly $4.9 million has taken place each year, although by statute, owners of unclaimed property are permitted to claim their property in perpetuity. A noteworthy increase in funds transferred in FY'07 was the result of a significant, one-time recovery of demutualization proceeds from life insurance companies.

The following graph excludes the impact of the liquidation of securities.



Securities Liquidation (NH RSA Chapter 471-C: 30, 31)

Treasury practices, with respect to liquidation of unclaimed securities, have been modified in an effort to recover and deliver proceeds to owners' accounts and the General Fund on a more timely basis. Essentially, proceeds from liquidated securities are transferred in the same fiscal year they are sold (after holding in security form for 3 years). The result of this change is an increase in recent year escheatment dollars with significant additional monies being delivered to the General Fund in conjunction with, and in addition to, the annual escheatment dollars. Liquidation proceeds delivered to the General Fund during fiscal years 2007, 2008 and 2009 were $16.1 million, $2.9 million and $6.3 million respectively. In fiscal year 2010, $1.2 million was similarly delivered.

COLLEGE SAVINGS PLAN

As the fiscal year closed, Treasury and the College Tuition Savings Plan Advisory Commission ("Advisory Commission") had completed twelve years of sponsoring the UNIQUE College Investing Plan and eight years of sponsoring the Fidelity Advisor 529 Plan, pursuant to RSA 195-H. Both plans are managed by Fidelity Investments, under contract to the State through calendar year-end 2018. The combined net assets for the two plans approximated $8.4 billion at the end of the fiscal year. The New Hampshire Plans ranked third of all state plans in the market value of net assets. Plan assets were held by 606,000 participants throughout the country. The average account balance as of the end of the fiscal year approximated $16,000, indicating that this is a college savings vehicle for largely middle and lower income families.

Both plans are very flexible and withdrawals can be used for a wide range of qualified higher education expenses such as books, required supplies, equipment, room and board, and tuition at accredited postsecondary schools, anywhere in the United States and at several international institutions. There are no income limits on participation and participation is open to anyone, regardless of state of residence. The UNIQUE College Investing Plan is sold directly to retail investors, while the Fidelity Advisor 529 Plan is sold through financial intermediaries, such as financial planners, on a fee (commission) basis. Participants in these Plans have a total of 50 investment portfolio options from which to choose and include age-based, static investment and individual fund portfolios representing both actively managed and index funds. The portfolios are largely funds of funds and range from aggressive 100% equity funds to highly conservative money market funds. Changes to investment portfolios are continually reviewed for enhancements to benefit the plan participants.

The New Hampshire Excellence in Higher Education Fund (the "Trust Fund") was established pursuant to RSA 6:38 and is funded by an administrative fee generated from the two plans. The purpose of the Trust Fund is to pay for administrative costs incurred by the Advisory Commission and, more importantly, provides scholarships to financially needy New Hampshire students attending New Hampshire postsecondary education institutions, under the guidance of the Advisory Commission. Two scholarship programs, implemented in mid-2006, are:

1. UNIQUE Annual Allocation Program (Annual Program) that provides annual scholarships to New Hampshire students attending the University System of New Hampshire, the Community College System of New Hampshire and eleven other eligible and participating New Hampshire postsecondary education institutions.

2. UNIQUE Endowment Allocation Program (Endowment Program) that provides monthly funding to restricted endowment funds established and managed by the University System of New Hampshire, the Community College System of New Hampshire and eight other eligible and participating New Hampshire postsecondary education institutions. With these institutions providing scholarships from the earnings of their growing endowment fund, it is intended that future UNIQUE scholarships will be available to New Hampshire students in perpetuity.

Criteria for both scholarship programs were developed by the Advisory Commission, are established in administrative rules and are reviewed at least annually.

The Trust Fund, administered by Treasury, has provided scholarship funding of $49 million through the end of fiscal 2010 as follows (in thousands of dollars):

	2010 Fiscal Year	From Inception
Annual Program	$4,407	$9,236
Endowment Program	$7,632	$37,887

As of the end of fiscal year 2010, the Trust Fund had a market value of nearly $15.8 million.

SEABROOK NUCLEAR DECOMMISSIONING

As of June 30, 2010, the Seabrook Decommissioning Trust fund had assets with a market value of $351.1 million, which is a gain of 12.7%, after taxes, for the fiscal year due to improving investment market returns during the 2010 fiscal year. The trust represents the cumulative contributions made by the owners of the Seabrook Nuclear Power Project for the cost of future decommissioning and investment earnings on those contributions, net of appropriate taxes and certain administrative expenses. The trust is invested on the basis of elections made by each individual owner, subject to an investment policy approved by the State Treasurer, and influenced by the tax status of each individual owner. The trust fund is invested in a mix of equities (stocks), fixed income securities (bonds) and cash. The allocation of the fund at the end of the fiscal year was approximately 56% stocks and 44% bonds and cash. In addition, $22.5 million was being held in separate escrow accounts at June 30, 2010 on behalf of the owners.

The Seabrook Decommissioning Trust is not in the custody of the State Treasurer, nor does the Treasurer serve as the trustee. It is held in trust by Mellon Bank for the owners of the Seabrook Nuclear Power Plant for the sole purpose of covering decommissioning costs when the plant shuts down. Although the Treasurer serves on the Nuclear Decommissioning Financing Committee, pursuant to RSA 162-F, and fulfills certain other administrative roles, Treasury provides no direct financial management or custodial services to the Trust.

TREASURY ACCOMPLISHMENTS AND INITIATIVES

Treasury had a number of accomplishments over the past year and continues with a number of initiatives which started during the fiscal year and are ongoing. As a service provider to other State agencies, these important changes could not have taken place without the full and enthusiastic cooperation of the Treasury staff, a variety of State agencies, the Legislature and private sector financial services firms.

NH FIRST

As planned, the state launched a new integrated financial system (known as "NHFirst") with all state agencies, including Treasury, switching over to the new platform on July 6, 2009. As a central service agency (along with its own agency-specific business), Treasury, acting as the state 'banker', had responsibility for reconciling all bank and investment accounts within NHFirst. As with the adoption of any new system after using one with modest functionality for over twenty years, the transition was quite an undertaking. In fact, significant process review and redesign continues and undoubtedly will be a large part of our collective efforts for some time. With all that we have learned and will continue to learn, Treasury is committed to finding ways to improve both our own as well as statewide processes to gain efficiencies, enhance reporting, and develop better and better methods of analysis.

Whereas significant Treasury resources were needed throughout the fiscal year to maintain operations (transaction processing of receipts and disbursements including reconciliations), additional development work on both a capital project/bond issue tracking, as well as Treasury reporting planned to support monitoring needs under the federal Cash Management Improvement Act ("CMIA"), are important management priorities for the current fiscal year.

Legislative Activity

Treasury continued to work with legislators seeking to make needed changes to statutes. During the 2010 legislative session, Treasury worked with many of the legislative committees and study committees providing research and testimony on a variety of issues. Significant efforts during this session were focused on a variety of debt-related issues.

Debt Management System

Treasury continued development work of its in-house debt management system. Many enhancements were made to existing reports and key functionality. These reports provide information such as agency's aggregate debt service outstanding, statewide direct and contingent debt balances, as well as exhibits used in the production of our official statements associated with bond sales and year end reporting. Treasury has plans to add additional reports in the new fiscal year, as well as refining and improving the user interface.

Physical Office Security Enhancements

Treasury has continued to monitor the physical security of the Treasury office spaces during off-hours. All off-hours accesses to Treasury are required to utilize doors which require electronic key cards. Such access has been restricted from over 100 State employees to only Treasury staff, limited housekeeping personnel, security and emergency services. All such accesses are reported to Treasury and continue to be reviewed on a weekly basis. Additional physical security enhancements have been identified and will be implemented as resources permit.

Contractual Advancements

Banking Processes & Products

In order to reduce the state's cost of banking, Treasury undertook a Request For Quotes (RFQ) process and invited five qualified banks to submit competitive pricing bids for specific commoditized banking services, as well as a qualitative overview of their services, including technology and business continuity capabilities. Four of the banks submitted responses and were evaluated based on affordability, operational soundness, quality of IT systems and applications, ease of transition from a previous vendor bank, and business continuity capabilities. After a comprehensive review and evaluation, Treasury retained its current banking partners and anticipates cost savings of nearly $500,000 annually over the next three years (the period for which the pricing is binding).

Due to the historically low interest rate environment, Treasury also entered into a compensating balance arrangement with all of its banking vendors during the year. This approach allows Treasury to pay for the state's banking services by maintaining targeted balances sufficient to compensate the banks for services provided. Under this arrangement, the state incurs a hard dollar service charge only to the extent the actual balance falls short of the balance required to support these services. As a result of the RFQ combined with the compensating balances approach, Treasury is able to optimize the balances it maintains with its banking vendors and deploy excess cash for financial operations or investment elsewhere.

Lastly, Treasury is collaborating with its banking partners to both enhance the operational efficiency of certain banking applications utilized and to design or improve specific business continuity processes that will facilitate banking operations in the event of an interruption in normal service delivery.

Bond Paying Agent & Trustee

In an effort to achieve both cost savings and operational improvements, the Treasury issued a Request For Proposal (RFP) to six banks qualified to serve as the State's paying agent and trustee for Turnpike System Revenue Bonds and General Obligation Bonds. The qualifications included: 1) being organized in, doing business in, and being authorized to exercise corporate trust powers under United States law, or the laws of any state or territory, including the District of Columbia; 2) having combined capital of at least $100,000,000; and 3) in the capacity of bond registrar, being registered as a transfer agent with the Securities and Exchange Commission. Following the issuance of the RFP, six banks submitted proposals. All six responses met the eligibility requirements of the RFP and were reviewed by Treasury staff, with Bank of New York Mellon Trust Company being awarded a five-year contract due to its selection as the best value for the Treasury in providing these professional services with highly-regarded industry expertise and at the lowest cost. The contract was approved by Governor and Executive Council on September 22, 2010 and is scheduled to take effect November 1, 2010.

Financial Advisor

On March 17, 2010, the Treasury issued a request for proposal (RFP) to five firms to serve as the State's debt-related financial advisor. Following an analysis of 30 firms registered as financial advisors in The Bond Buyer's Municipal Marketplace and associated with the highest volume of debt issues, these five firms were selected due to their experience with public entity financing (including transportation), their independence from underwriters, dealers and investors in public debt, their stability in the public debt marketplace (same relative level of annual debt issues) and their physical presence in the northeast United States. Two responses meeting the eligibility requirements of the RFP were received and reviewed by a Selection Committee with Public Resources Advisory Group (PRAG) being selected as the best value for the Treasury as the provider of these professional services and with the lowest cost. After receiving approval from Governor and Executive Council on May 26, 2010, Treasury entered into a five-year contract with PRAG beginning on July 10.

Treasury Policy Development

To enhance professionalism, strengthen personal ethics and to develop teamwork, Treasury implemented a formal Code of Conduct policy and a Fraud Policy and Procedure which are applicable to each staff member. A comprehensive Fraud Risk Assessment was also initiated and will continue into fiscal year 2011 in order to improve the safeguards over State cash and investments. The assessment reviews Treasury's role in the overall internal control process of the State, reviewing confidential data flowing into and out of Treasury to other agencies or to our banking partners, as well as analyze detailed processes and procedures internal to Treasury. Additional fraud risk assessments and the implementation of recommendations for data security improvements will continue as budgeted resources permit.

Exhibit 1

TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER

Fiscal Year 2010

Fund Name	Beginning Market Value	Annual Earnings	Net Annual Transactions	Net Market Value Change	Ending Market Value
Health & Human Services					
- Laconia State School	$153,045	$482	$0	($0)	$153,527
- New Hampshire Hospital	4,935,569	159,638	(220,061)	246,338	5,121,484
- Youth Development Center	61,338	186	(7,210)	0	54,315
- Matthew Elliott Memorial Trust Fund	4,634	15	0	(0)	4,649
- Catastrophic Illness Fund	184,286	4,622	0	24,842	213,749
- State v. Bardsley Et Al Escrow	0	21	30,000	0	30,021
New Hampshire Veterans' Home					
- Benefit Fund	432,442	12,263	0	56,382	501,087
- Members' Administrative Account	232,952	734	0	0	233,686
- Guy Thompson Account	15,405	48	(138)	0	15,316
Dept of Agriculture, Markets & Foods					
- Agriculture, Markets & Foods	17,467	55	0	0	17,522
Department of Education					
- John Nesmith	233,693	6,543	(1,699)	31,026	269,563
- Special Teachers Competence	160,058	4,623	(2,400)	20,895	183,176
- Hattie Livesey	12,600	336	0	1,689	14,625
- Harriet Huntress	25,123	698	0	3,311	29,133
University of New Hampshire					
- Sam Whidden Trust	108,494	440	(515)	17,498	125,918
- Ben Thompson Trust	1,261,778	38,973	(48,001)	152,524	1,405,274
Department of Fish & Game					
- Lifetime License Fund	1,094,755	29,866	(59,492)	161,327	1,226,457
Dept of Resources & Economic Dev.					
- Caroline A. Fox Fund	142,708	505	34,675	0	177,887
-Tip-Top House Fund	23,972	76	0	0	24,047
Office of Energy and Planning					
- Land Conservation Monitoring Endow.	2,274,132	58,419	(66,204)	260,236	2,526,583
Department of Labor					
- Special Fund for Active Cases	74,567	0	(52,379)	0	22,188
- Special Fund For Second Injuries	666,372	9,923	2,408,920	0	3,085,215
Department of Safety					
- Financial Responsibility	111,694	329	(36,092)	0	75,931
- Road Toll Bonds	827,143	2,617	10,000	0	839,760

Exhibit 1
(Cont.)

TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER

Fiscal Year 2010

Fund Name	Beginning Market Value	Annual Earnings	Net Annual Transactions	Net Market Value Change	Ending Market Value
Department of Environmental Services					
- Piscataquog	67,964	214	(7,000)	0	61,178
- Mascoma	121,928	384	0	0	122,312
- Winnipesaukee	138,685	437	0	0	139,122
- Connecticut-Coos	2,115,225	6,664	0	0	2,121,889
- Squam Lake	58,633	185	0	(0)	58,817
- Newfound	79,716	251	0	0	79,967
- Sugar River	27,608	87	(6,000)	0	21,695
Pari-Mutuel Commission					
- Pari-Mutuel Licensee Escrow	549,772	1,582	(113,447)	0	437,906
Post Secondary Education					
- PEC Care Med	32,817	83	(32,900)	0	0
- PEC First Choice	32,008	100	(4,103)	0	28,006
- PEC Erasmus	0	16	9,986	0	10,002
- PEC National Seminars Group	0	1	25,000	0	25,001
Public Utilities Commission					
- Electric Assistance Program	5,019	376	342,437	0	347,831
State Treasury					
- Unclaimed and Abandoned Property (1)	7,314,018	244,640	5,372,983	6,792	12,938,432
- Japanese Charitable Fund	63,100	2,298	0	7,855	73,254
- College Savings Plan Trust	15,504,721	375,501	(1,771,473)	1,649,193	15,757,943
- Foreign Escheated Estates	259,998	819	0	0	260,817
Other					
- Community Conservation Endowment	1,594,323	5,228	138,013	0	1,737,563
- Connecticut Lakes Headwaters					
- Tract Monitoring Endowment	1,328,258	4,183	(9,788)	0	1,322,653
- Natural Areas Stewardship	1,186,821	3,787	14,074	0	1,204,682
- Tract Road Maintenance	1,368,000	4,309	(57,835)	0	1,314,474
Total Trust & Escrow Accounts	**$44,902,840**	**$982,560**	**$5,889,351**	**$2,639,908**	**$54,414,658**

"Net Change in Market Value" includes realized and unrealized gains and losses.
(1) This includes only the securities held by ACS Unclaimed Property Clearinghouse.
Columns and rows may not foot due to rounding.