NEW ISSUE - BOOK ENTRY ONLY **Ratings: See "RATINGS" herein**

In the opinion of Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, the interest on the 2003 Series Bonds (including any accrued original issue discount properly allocable thereto) is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended and is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals or corporations. Interest on the 2003 Series Bonds is taken into account, however, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The interest on the 2003 Series Bonds is also exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2003 Series Bonds. (See "TAX EXEMPTION" and Appendix C herein.)

$94,125,000
STATE OF NEW HAMPSHIRE
Turnpike System Revenue Bonds
2003 Refunding Series

Dated: Date of Delivery **Due:** As shown on the inside cover

The 2003 Series Bonds will be issued as fully registered bonds, and when issued will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. So long as Cede & Co. is the registered owner of the 2003 Series Bonds, principal and semiannual interest (payable February 1 and August 1, commencing February 1, 2004) are payable by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co., as nominee for DTC. (See "BOOK-ENTRY BONDS" herein.) Purchasers shall acquire beneficial ownership interests in the 2003 Series Bonds in the denominations of $5,000 or integral multiples thereof. The 2003 Series Bonds are subject to redemption prior to maturity as described herein.

The 2003 Series Bonds are being issued for the purposes of refunding a portion of the outstanding Turnpike System Revenue Bonds, 1994 Series and paying costs of issuance.

The 2003 Series Bonds are limited obligations of the State payable solely out of net revenues of the State of New Hampshire Turnpike System and are not general obligations of the State of New Hampshire or any political subdivision thereof, and neither the full faith and credit nor the taxing power of the State of New Hampshire or any political subdivision is pledged for the payment of the 2003 Series Bonds. (See "SECURITY FOR THE BONDS" herein.)

Payment of the principal of and interest on the 2003 Series Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 2003 Series Bonds. See "SECURITY FOR THE BONDS - Bond Insurance."

Ambac

MATURITY SCHEDULE - See Inside Cover

The 2003 Series Bonds are offered when, as and if issued and accepted by the Underwriters subject to the final approving opinion of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the Underwriters by their counsel, Devine, Millimet & Branch, Professional Association, Manchester, New Hampshire. Delivery of the 2003 Series Bonds to DTC is expected on or about August 7, 2003.

A.G. Edwards & Sons, Inc.

Merrill Lynch & Co. **Morgan Keegan & Company, Inc.**

July 10, 2003

MATURITY SCHEDULE
$94,125,000
STATE OF NEW HAMPSHIRE
TURNPIKE SYSTEM REVENUE BONDS

2003 Refunding Series

Due February 1	Principal Amount	Interest Rate	Yield	Due February 1	Principal Amount	Interest Rate	Yield
2004	$ 190,000	2.00%	0.95%	2015	$ 55,000	3.65%	3.71%
2005	2,065,000	2.00	1.30	2015	10,130,000	5.00	3.71*
2006	1,995,000	2.00	1.61	2016	50,000	3.80	3.87
2007	2,175,000	2.00	2.00	2016	7,080,000	5.00	3.87*
2008	1,110,000	2.25	2.34	2017	14,990,000	5.00	3.97*
2008	920,000	4.00	2.34	2018	310,000	4.00	4.07
2009	1,005,000	2.60	2.62	2018	4,940,000	5.00	4.07*
2009	1,350,000	5.00	2.62	2019	25,000	4.10	4.15
2010	285,000	2.90	2.96	2019	3,620,000	5.00	4.15*
2010	1,800,000	5.00	2.96	2020	200,000	4.25	4.32
2011	340,000	3.15	3.20	2020	6,240,000	4.75	4.32*
2011	2,345,000	5.00	3.20	2021	3,045,000	4.75	4.42*
2012	150,000	3.30	3.35	2022	2,225,000	4.40	4.49
2012	1,935,000	5.00	3.35	2022	5,685,000	4.75	4.49*
2013	515,000	3.40	3.48	2023	350,000	4.50	4.55
2013	2,795,000	5.00	3.48	2023	2,230,000	4.25	4.55
2014	325,000	3.50	3.58	2024	3,585,000	4.50	4.61
2014	1,425,000	5.00	3.58*	2024	6,640,000	4.75	4.61*

* Priced to the call date of February 1, 2013 assuming redemption at par.

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

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

STATE OF NEW HAMPSHIRE

Governor
Craig R. Benson

Executive Council
Raymond S. Burton
Peter J. Spaulding
Ruth L. Griffin
Raymond J. Wieczorek
David K. Wheeler

State Treasurer
Michael A. Ablowich

Secretary Of State
William M. Gardner

Attorney General
Peter W. Heed

NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION

Commissioner
Carol A. Murray, P.E.

Division Of Operations

Lyle Knowlton, P.E.
Director

Bureau Of Turnpikes

Harvey S. Goodwin, P.E.
Administrator

Jonathan Hanson
Assistant Administrator

Margaret S. Blacker
Business Administrator

Michael O'Malley
Project Designer

James M. Crummey
Maintenance Superintendent

Albert R. Almasy
Toll Manager

Bond Counsel

Palmer & Dodge LLP
Boston, Massachusetts

Financial Advisor

Public Resources Advisory Group
New York, New York

No dealer, broker, salesperson or other person has been authorized by the State of New Hampshire or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the State of New Hampshire (the "State") or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2003 Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Other than with respect to information concerning Ambac Assurance Corporation (the "Bond Insurer" or "Ambac Assurance") contained under the caption "Bond Insurance" and in the specimen "Financial Guaranty Insurance Policy" attached hereto as Appendix E, none of the information in this Official Statement has been supplied or verified by the Bond Insurer, and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

This Official Statement contains forecasts, projections and estimates that are based on current expectations. In light of the important factors that may materially affect the financial condition of the New Hampshire Turnpike System generally and other economic and financial matters, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the State or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances affecting the New Hampshire Turnpike System, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this Official Statement. The State disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the State's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact.

IN CONNECTION WITH AN OFFERING OF THE 2003 SERIES BONDS THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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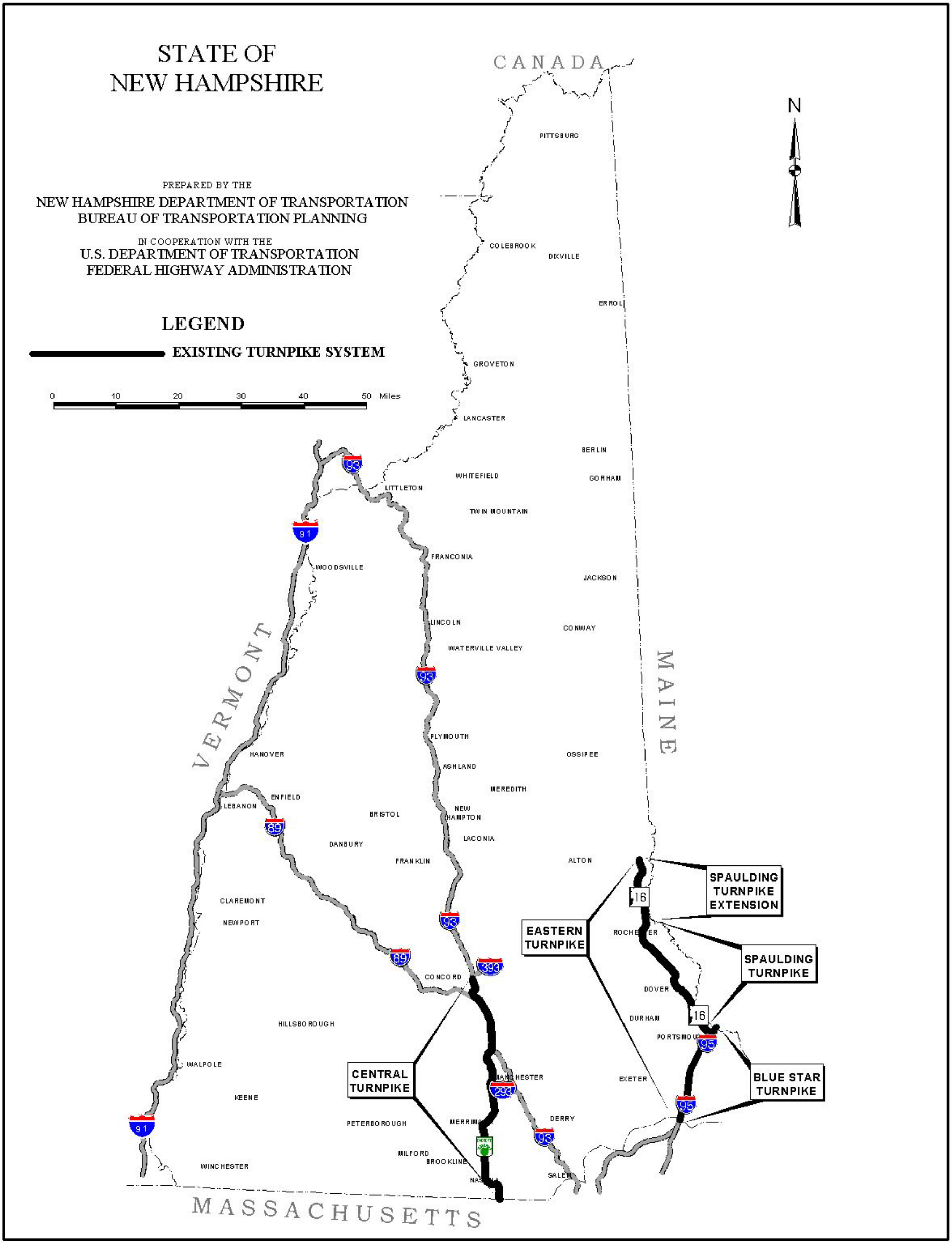
STATE OF
NEW HAMPSHIRE
PREPARED BY THE
NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION
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IN COOPERATION WITH THE
U.S. DEPARTMENT OF TRANSPORTATION
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EASTERN TURNPIKE
SPAULDING TURNPIKE
BLUE STAR TURNPIKE
CENTRAL TURNPIKE

OFFICIAL STATEMENT

OF

THE STATE OF NEW HAMPSHIRE

$94,125,000

TURNPIKE SYSTEM REVENUE BONDS
2003 Refunding Series

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto, is being distributed by the State of New Hampshire (the "State") in order to furnish information in connection with the sale by the State of its Turnpike System Revenue Bonds, 2003 Refunding Series, in the aggregate principal amount of $94,125,000 (the "2003 Series Bonds").

The 2003 Series Bonds are authorized to be issued pursuant to Chapter 237-A of the New Hampshire Revised Statutes Annotated, as amended (the "Act"), and a general bond resolution (the "Bond Resolution") of the State adopted by the Governor and Executive Council of the State ("Governor and Council") on November 9, 1987, as amended and supplemented and as further amended and supplemented by a Supplemental Resolution adopted by the Governor and Council on June 25, 2003 (the "2003 Series Supplemental Resolution"). The State has authorized an aggregate of $586,050,000 in Turnpike System Revenue Bonds to be issued under the Act (excluding Bonds issued for the purpose of refunding Outstanding Bonds) of which $395,000,000 have been issued.

The 2003 Series Bonds are being issued for the purpose of advance refunding $94,500,000 of the Outstanding 1994 Series Bonds as further described below under the heading "PLAN OF REFUNDING" in order to provide debt service savings to the State and paying the costs of issuance of the 2003 Series Bonds. See "PLAN OF REFUNDING."

Following the refunding of the Refunded Bonds, the 2003 Series Bonds will be on a parity with the then Outstanding Turnpike System Revenue Bonds, as follows:

Series	Principal Amount Outstanding
1991 Refunding Series	$53,715,000
1994 Series	1,680,000*
1999 Series A	83,770,000
2002 Refunding Series	84,785,000
Total	$223,950,000

* To be paid at maturity on February 1, 2004.

As used herein, the term "Bonds" refers to all Bonds then Outstanding under the Bond Resolution. The term "Outstanding" excludes Bonds which have been refunded through the issuance of Refunding Bonds as described under "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Refunding Bonds."

The New Hampshire Turnpike System (the "Turnpike System") as shown on the map on page iv presently consists of approximately 93 miles of limited access highway, 36 miles of which are part of the U.S. Interstate Highway System. The Turnpike System comprises three limited access highways: the Blue Star Turnpike (I-95) and the Spaulding Turnpike, which together are referred to as the Eastern Turnpike, and the Central Turnpike (also known as the F.E. Everett Turnpike). The major cities located in the central and southern sections of the State are primarily served by the Turnpike System. The Blue Star segment of the Turnpike System is 15.0 miles in length and constitutes a portion of U.S. Interstate Highway 95. It extends from the Massachusetts state line in Seabrook, New Hampshire to the Portsmouth traffic circle in Portsmouth, New Hampshire. The Spaulding segment of the Turnpike System extends from Portsmouth, New Hampshire to Milton, New Hampshire. It is 33.2 miles in length and is the major artery for north-south travel in the eastern corridor of the State. The Central Turnpike extends for 44.7 miles from the Massachusetts state line in Nashua, New Hampshire to Exit 14 in Concord, New Hampshire. It constitutes a portion of U.S. Interstate Highways 93 and 293.

The "Capital Improvement Program" is a multi-year program originally authorized by the New Hampshire Legislature in 1986 to improve and expand the Turnpike System. The expansion and improvement projects in the Capital Improvement Program are designed to provide safety improvements to the existing Turnpike System and increase the Turnpike System's capacity. See "THE TURNPIKE SYSTEM" and "CAPITAL IMPROVEMENT PROGRAM.") Through April 30, 2003 a total of $414 million of Bond proceeds, investment earnings and available toll revenues had been expended on Capital Improvement Program projects. The State currently estimates that the total cost of the Capital Improvement Program, including expenditures to date, is approximately $630 million through Fiscal Year 2015.

The 2003 Series Bonds are limited obligations of the State and, under the terms of the Bond Resolution, are payable solely from the net revenues generated by the Turnpike System and from other funds specifically available therefor. See "SECURITY FOR THE BONDS."

The 2003 Series Bonds are not general obligations of the State or any political subdivision thereof and neither the full faith and credit nor the taxing power of the State or any political subdivision thereof is pledged for the payment of the 2003 Series Bonds. Additional Bonds ranking on a parity with or subordinate to the 2003 Series Bonds may be issued from time to time under the Bond Resolution upon satisfaction of certain conditions set forth therein. See "SECURITY FOR THE BONDS—Additional Indebtedness."

Ambac Assurance Corporation (the "Bond Insurer" or "Ambac Assurance") will simultaneously with the issuance of the 2003 Series Bonds issue its financial guaranty insurance policy (the "Bond Insurance Policy") guaranteeing the payment of the principal of, and interest on, the 2003 Series Bonds when due. See "SECURITY FOR THE BONDS–Bond Insurance."

Capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Bond Resolution, and summary definitions of certain capitalized terms used herein are defined in the Glossary of Terms, attached hereto as Appendix D. Statements made herein with respect to the Act, the Bond Resolution and the 2003 Series Bonds are qualified in their entirety by a reference to such documents, copies of which are available upon request from the State Treasurer. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."

THE 2003 SERIES BONDS

Description of the 2003 Series Bonds

The 2003 Series Bonds will bear interest and mature on the dates and in the amounts shown on the inside front cover of this Official Statement. The 2003 Series Bonds will be dated their date of issuance. Interest on the 2003 Series Bonds will be paid on February 1 and August 1 of each year, commencing February 1, 2004. The record date for the payment of interest shall be the fifteenth day of the calendar month preceding each interest payment date.

The 2003 Series Bonds are being issued only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2003 Series Bonds. Purchases of beneficial interests in the 2003 Series Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in 2003 Series Bonds purchased. So long as DTC or its nominee, Cede & Co., is Bondholder, payments of the principal of and interest on the 2003 Series Bonds will be made directly to such Bondholder. Disbursement of such payments to the DTC Participants (hereinafter defined) is the responsibility of DTC and disbursement of such payments to Beneficial Owners (hereinafter defined) is the responsibility of the DTC Participants and the Indirect Participants (hereinafter defined). See "BOOK-ENTRY BONDS."

Redemption Provisions

Optional Redemption

The 2003 Series Bonds maturing on or after February 1, 2014 are subject to optional redemption by the State prior to maturity beginning on February 1, 2013, at the option of the State, as a whole or in part at any time at 100% of their principal amount plus accrued interest thereon to the redemption date.

Partial Redemption

In the event of a partial redemption of any maturity of the 2003 Series Bonds, the identity of the beneficial owners whose beneficial interests in the 2003 Series Bonds will be redeemed and the amount of any such redemption will be determined by DTC and its participants by lot in such manner as DTC and its participants deem appropriate.

Notice of Redemption

Notice of any redemption will be mailed to the registered owners of the 2003 Series Bonds selected for redemption not more than sixty days nor less than thirty days prior to the date set for redemption. Notice will also be mailed to two national services that disseminate redemption notices at least 35 days prior to the redemption date. The redemption of any 2003 Series Bond will not be affected by failure to mail such notice, or any defect in the notice, to the national services or to the registered owner of any other 2003 Series Bond. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2003 Series Bonds, all notices of any redemption will be made only to DTC or its nominee, Cede & Co. See "BOOK-ENTRY BONDS." Following proper notice of the redemption of any 2003 Series Bonds, if sufficient moneys are deposited with the Trustee for redemption, interest thereon ceases to accrue as of the redemption date.

PLAN OF REFUNDING

Upon delivery of the 2003 Series Bonds, the State will enter into a Refunding Trust Agreement with U.S. Bank National Association, as Trustee (the "Refunding Trustee"), to provide for the advance refunding of the following 1994 Series Bonds: (i) $53,055,000 aggregate principal amount of the 1994 Series A Bonds dated February 1, 1994 and maturing on February 1 in the years 2005 through 2014, inclusive, and 2019 and $10,245,000 aggregate principal amount of the 1994 Series A Bonds dated February 17, 1994 and maturing on February 1, 2015 (collectively, the "Series A Refunded Bonds"); (ii) $15,600,000 aggregate principal amount of the 1994 Series B Bonds dated February 17, 1994 and maturing on February 1, 2024 (the "Series B Refunded Bonds"); and (iii) $15,600,000 aggregate principal amount of the 1994 Series C Bonds dated February 17, 1994 and maturing on February 1, 2024 (the "Series C Refunded Bonds" and collectively with the Series A Refunded Bonds and the Series B Refunded Bonds, the "Refunded Bonds"). Upon receipt of the requisite proceeds of the 2003 Series Bonds and other available funds under the Bond Resolution, the Refunding Trustee will deposit irrevocably in the Refunding Trust Fund established under the Refunding Trust Agreement the amount which will be invested in direct obligations of the United States of America ("Government Obligations") maturing in amounts and bearing interest at the rates sufficient to pay, when due, the interest on, and upon redemption, the outstanding principal of and redemption premium on the Refunded Bonds. The Refunding Trust Fund, including the interest earnings on Government Obligations, is pledged solely for the benefit of the holders of the Refunded Bonds and is not available to pay any other Bonds. The Series A Refunded Bonds will be redeemed on February 1, 2004 at a redemption price of 102%. The Series B Refunded Bonds and the Series C Refunded Bonds will be redeemed on February 10, 2004 at a redemption price of 100% and 104%, respectively. Upon issuance of the 2003 Series Bonds and the deposit of funds into the Refunding Trust Fund, the Refunded Bonds will be defeased and no longer Outstanding under the Bond Resolution.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2003 Series Bonds are expected to be applied as follows:

Sources	
Par Amount of 2003 Series Bonds	$ 94,125,000.00
Plus Net Original Issue Premium	5,257,534.45
Available Funds of the Turnpike System[(1)]	505,683.68
Total Sources of Funds	$ 99,888,218.13
Uses	
Deposit to Refunding Trust Fund	$ 98,517,974.97
Underwriters' Discount	543,128.00
Costs of Issuance and Bond Insurance[(2)]	827,115.16
Total Uses of Funds	$ 99,888,218.13

(1) The available funds from the Turnpike System consist of funds or investments in the Debt Service Account held for the payment of interest on the Refunded Bonds and funds released from the Debt Service Reserve Account.

(2) Includes bond insurance premium, legal, financial advisory and other fees as well as printing and other costs.

SECURITY FOR THE BONDS

Pledge of Revenues

The 2003 Series Bonds are limited obligations of the State. The principal of, redemption premium, if any, and interest on the 2003 Series Bonds are payable solely from and are equally and ratably secured by a pledge of Revenues (hereinafter defined), subject only to the payment of Operating Expenses (hereinafter defined), and monies and securities on deposit from time to time in all accounts and subaccounts established by the Bond Resolution (except the Rebate Account) on the terms and in the manner provided in the Bond Resolution. **Revenues** means all tolls, rates, rents, fees, charges, receipts or other income derived or to be derived by the State from the ownership or operation of the Turnpike System, and all rights to receive the same. Proceeds of Bonds issued under the Act and of certain notes issued in anticipation of the receipt of Revenues are included in Revenues, but, unless otherwise provided by a Supplemental Resolution, Revenues do not include the proceeds of other borrowings by the State, or the proceeds of grants for limited purposes or of the disposition of property financed by such grants. **Operating Expenses** means the ordinary costs and expenses of the State for the operation, maintenance and repair of the Turnpike System, including working capital as provided in the Bond Resolution. Operating Expenses do not include the principal of and interest on bonds, notes or other evidences of indebtedness issued by the State for the purposes of the Turnpike System, Renewal and Replacement Costs (hereinafter defined) and depreciation.

All Bonds issued and outstanding under the Bond Resolution will be secured, equally and ratably without preference of any Bond over any other Bond, by the pledge created by the Bond Resolution and the covenants of the State made in the Bond Resolution. The State expects to issue additional bonds under the Bond Resolution on a parity with the 2003 Series Bonds, the 2002 Refunding Series Bonds, the 1999 Series A Bonds, the 1994 Series Bonds and the 1991

Refunding Series Bonds to finance the Capital Improvement Program. See "SECURITY FOR THE BONDS-Additional Indebtedness" and "CAPITAL IMPROVEMENT PROGRAM."

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION IS PLEDGED FOR THE PAYMENT OF THE BONDS.

The enforceability of the 2003 Series Bonds and the Bond Resolution may be limited by the exercise of judicial discretion in accordance with general equitable principles and by bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally enforceable.

The rights and remedies of Bondholders under the Resolution and other matters are summarized under "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."

Toll Rate Covenant

The State has covenanted in the Bond Resolution that it will establish and collect tolls and charges for the use of the Turnpike System adequate at all times, with other available funds, to provide for the proper operation and maintenance of the Turnpike System and for the timely payment of the principal of and interest on all Bonds, notes or other evidences of indebtedness payable from the Revenues and all other required payments in connection with the Turnpike System.

Without limiting the generality of the foregoing, the State has covenanted that it will establish and collect tolls and charges sufficient so that in each Fiscal Year its Net Revenues (defined below) will be at least equal to the greater of: (a) 120% of Debt Service (as defined below); or (b) 100% of Debt Service plus the total amount of principal of and interest on all general obligation or other bonds, notes or other evidences of indebtedness (excluding principal of bond anticipation notes paid or to be paid from proceeds of bonds maturing after the end of the Fiscal Year) payable from Revenues during the Fiscal Year, and the additional amount, if any, required to be paid from the General Reserve Account to satisfy the Renewal and Replacement Requirement (hereinafter defined) for the Fiscal Year. **Net Revenues** means the Revenues (excluding (i) proceeds of Bonds and notes issued in anticipation of Bonds or of Revenues and (ii) proceeds of the sale or other disposition of all or any part of the Turnpike System, proceeds of insurance and condemnation awards received with respect to the Turnpike System (other than proceeds of use and occupancy insurance or any other insurance against loss of Revenues) and other items of an extraordinary and nonrecurrent nature) after deducting Operating Expenses. **Debt Service** means with respect to each Fiscal Year the aggregate of the amounts to be set aside (or estimated to be required to be set aside) in the Debt Service Account in the Fiscal Year for the payment of the principal and sinking fund installments of and interest on Bonds, excluding debt service paid or to be paid from Bond proceeds or from any subsidy from the United States of America for the purpose. A failure to generate Net Revenues in accordance with the covenant described in this paragraph will not be considered a default by the State if the State is taking timely corrective action under the provisions described in the following paragraph.

The State has covenanted in the Bond Resolution that it will review the adequacy of its tolls and charges as soon as practicable after the end of each Fiscal Year. If this review indicates that the tolls and charges are, or will be, insufficient to meet the requirements described in the two preceding paragraphs or if it appears at any time that the tolls and charges are or will be insufficient, the State has covenanted that it will forthwith cause an independent engineer (the “Independent Engineer”) to make a study and to recommend within 90 days after the beginning of the then current Fiscal Year a schedule of tolls and charges which will provide Revenues sufficient to comply with the requirements described in the two preceding paragraphs in the following Fiscal Year and to restore any deficiency at the earliest practicable time, unless the Independent Engineer certifies that such a schedule of tolls and charges is impracticable at that time and the State therefore cannot comply with such requirements and recommends instead a schedule of tolls and charges to comply as nearly as practicable with the requirements. If the tolls and charges are or will be insufficient, the State will place the schedule of tolls and charges recommended by the Independent Engineer in effect not later than 180 days after the beginning of the then current Fiscal Year.

Debt Service Reserve Account Requirement

The Bond Resolution establishes a Debt Service Reserve Account Requirement for the Bonds. The **Debt Service Reserve Account Requirement** is, as of any date of calculation, an amount equal to the maximum annual Debt Service during the then current or any future Fiscal Year on Outstanding Bonds; provided that in computing such requirement any Option Bonds Outstanding during such Fiscal Year shall be assumed to mature on their stated dates of maturity.

Under the Bond Resolution, the State may deposit a surety bond, insurance policy or letter of credit into the Debt Service Reserve Account to meet all or a part of the Debt Service Reserve Account Requirement.

Flow of Funds

The Bond Resolution establishes certain accounts and subaccounts. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.” The State has covenanted in the Bond Resolution to deposit promptly all Revenues into the Revenue Account (other than the Revenues expressly required or permitted by the Bond Resolution to be credited to or deposited in any other account). The moneys in the Revenue Account are to be applied first to the payment of Operating Expenses and then to payments required by the Bond Resolution to be paid from the Revenue Account into the following accounts in the following order:

(1) Debt Service Account, Interest Subaccount;

(2) Debt Service Account, Principal Subaccount;

(3) Rebate Account;

(4) Debt Service Reserve Account;

(5) Insurance Reserve Account;

(6) Special Redemption Account; and

(7) General Reserve Account.

The Bond Resolution also establishes a Construction Account.

Renewal and Replacement Requirement

The Bond Resolution establishes a Renewal and Replacement Requirement with respect to each Fiscal Year, which Renewal and Replacement Requirement shall be an amount to be set forth in the Annual Budget, as determined by the State in its discretion, for Renewal and Replacement Costs for that Fiscal Year. **Renewal and Replacement Costs** are costs associated with major reconstruction, rehabilitation, renewals, replacements and extraordinary repairs necessary to the sound operation of the Turnpike System or to prevent loss of Revenues, but not costs associated with new construction, additions or extensions.

Additional Indebtedness

Additional Parity Bonds

Under the Bond Resolution the State may issue additional Bonds ("Additional Bonds") on a parity with the then Outstanding Bonds to pay Project Costs or to refund Bonds or other obligations issued for the purpose of paying Project Costs. With the exceptions provided below, the issuance of each series of Additional Bonds shall be subject to the following conditions:

(1) If Bonds are being issued to pay Project Costs:

(A) An Authorized Officer must certify as to the estimated completion date and Project Costs of the Project or Projects for which Additional Bonds are being issued; and

(B) The Independent Engineer must state whether, to the best of its knowledge, the construction, improvement or acquisition of any highway or other facility is being projected or planned which may be materially competitive with any part of the Turnpike System, and the estimated date of completion of such highway or other facility; and

(C) An Authorized Officer must establish that the Net Revenues for any period of 12 consecutive calendar months out of the 24 calendar months next preceding the issuance of the Additional Bonds equal or exceed the Net Revenue Requirement for such 12 calendar months; provided that if any adjustment of toll rates shall have been placed in effect during such 12-month period, such Net Revenues may reflect the Revenues which the Authorized Officer estimates would have resulted had such toll rate adjustment been in effect for the entire 12-month period; and

(D) The Independent Engineer must certify for the then current and each future Fiscal Year to and including the fifth full Fiscal Year after the estimated Completion Date of the Project, an estimate of Revenues and a review of Operating Expenses as projected by an

Authorized Officer, giving effect, among other factors, to any adjustment of toll rates which shall have been placed in effect subsequent to the beginning of the current Fiscal Year, as if such toll rate adjustment had been in effect from the beginning of the Fiscal Year until the effective date of any subsequent adjustment, and any adjustment of toll rates provided by an Authorized Officer to the Independent Engineer which, in the opinion of the Authorized Officer, would be necessary to comply with the toll rate covenant, as if such adjustment were to be in effect from its effective date as assumed by the Authorizing Officer; and

(E) An Authorized Officer must determine, on the basis of the certificate described in paragraph (1)(D), that (i) the estimated Net Revenues for the then current and each future Fiscal Year to and including the fifth full Fiscal Year after the estimated Completion Date of the Project equal or exceed the Net Revenue Requirement for each such Fiscal Year, and (ii) that the estimated Net Revenues for said fifth full Fiscal Year (I) equal or exceed one hundred twenty percent (120%) of the amount payable in the Maximum Annual Debt Service Year (as defined below) in respect of principal and sinking fund installments of and interest on the Series of Additional Bonds and all other Bonds Outstanding on the date of issuance of the Series of Additional Bonds, and (II) equal or exceed one hundred percent (100%) of the sum of (a) the amount payable in the Maximum Annual Debt Service Year in respect of principal and sinking fund installments of and interest on the Series of Additional Bonds and all other Bonds Outstanding on the date of issuance of the Series of Additional Bonds, (b) debt service on all general obligation or other bonds, notes or other evidences of indebtedness (excluding principal of bond anticipation notes to the extent they are to be paid from proceeds of bonds or other obligations maturing after the end of the Maximum Annual Debt Service Year) payable from Revenues during the Maximum Annual Debt Service Year, and (c) the additional amount, if any, required to be paid from the General Reserve Account to satisfy the Renewal and Replacement Requirement for said fifth Fiscal Year. In computing the Net Revenue Requirement and the amount described in subclause (ii) under this Clause, Variable Rate Bonds are deemed to bear interest at all times to the maturity thereof at a constant rate of interest equal to the Maximum Interest Rate, provided that to the extent that Variable Rate Bonds issued or to be issued include related select auction variable rate securities and residual interest bonds or other related issues which, taken together, are the equivalent of a fixed rate obligation of the State, such issues shall be aggregated and treated as a single issue of fixed rate Bonds. "**Maximum Annual Debt Service Year**" means the Fiscal Year, commencing with said fifth full Fiscal Year, in which the aggregate amount payable in respect of principal and sinking funds installments of and interest on (a) the Series of Additional Bonds and (b) all other Bonds Outstanding on the date of issuance of the Series of Additional Bonds is the greatest.

(2)(A) An Authorized Officer must certify that to the best of his or her knowledge and belief no Event of Default exists under the Bond Resolution and (B) the Trustee must certify that there is no Event of Default of which it has knowledge;

(3) Delivery to the Trustee of a certified copy of the Supplemental Resolution providing for the issuance of the Additional Bonds; and

(4) Delivery to the Trustee of an opinion of nationally recognized bond counsel, selected by the State and satisfactory to the Trustee, that the conditions precedent to the issuance of the Additional Bonds have been satisfied.

In connection with the issuance of Bonds to refund Bonds, the certificates described in paragraph (1) above are not required if any Authorized Officer certifies as to the Debt Service for each Fiscal Year in which Bonds are or will be Outstanding (a) with respect to the Bonds Outstanding immediately prior to the issuance of such refunding Bonds and (b) with respect to the Bonds to be Outstanding immediately thereafter, and demonstrates that the Debt Service computed for each Fiscal Year pursuant to clause (b) will not be greater than the Debt Service computed for that Fiscal Year pursuant to clause (a). The certificates described in paragraph (1) above shall be required in the case of Bonds issued to refund obligations other than Bonds (including the issuance of Bonds to retire notes issued in anticipation of Bonds) as if the Bonds were being issued for the Projects financed by the prior obligations.

The certificates described in paragraphs (1)(B), (1)(C), (1)(D) and (1)(E) above are not required for Bonds being issued to complete the payment of Project Costs of a Project for which Bonds have previously been issued, if (a) an Authorized Officer certifies that the aggregate Project Costs of the Project to be paid by the issuance of such Bonds (together with Project Costs paid from proceeds of any other Bonds issued for the Project pursuant to this provision) do not exceed ten percent (10%) of the total estimated Project Costs of the Project, and (b) the Independent Engineer certifies that estimated Net Revenues of the Turnpike System with the completed Project will exceed estimated Net Revenues of the Turnpike System without completion of the Project.

The certificates described in paragraphs (1)(B), (1)(C), (1)(D) and (1)(E) above are not required for Bonds being issued to pay Project Costs of a Project consisting of extraordinary repair, reconstruction or replacement of facilities of the Turnpike System that have been damaged, destroyed or lost in whole or in part, if the Independent Engineer certifies (a) that all available moneys in the Insurance Reserve Account have been or will be expended to meet such Project Costs and (b) that, after giving effect to the application of all available moneys in the Insurance Reserve Account, the issuance of the Bonds is necessary to repair, reconstruct or replace the damaged, destroyed or lost property to the extent reasonably necessary for the proper conduct of the operations of the Turnpike System.

Subordinated Obligations

The State may also issue bonds, notes or other evidences of indebtedness for the purposes of the Turnpike System payable from the General Reserve Account and Revenues subordinate to the deposits and credits required to be made under the Bond Resolution and to the payments required for Operating Expenses, and may secure the bonds, notes or evidences of indebtedness by a pledge of the Revenues inferior to the pledge of the Revenues created by the Bond Resolution. Outstanding general obligation bonds issued for Turnpike System purposes are payable out of Revenues subject to the prior payment of amounts due and owing in respect of Outstanding Bonds.

Operation and Maintenance of System

The State has covenanted in the Bond Resolution that it will operate, maintain and make improvements to the Turnpike System in accordance with prudent practice for this type of system. The Bond Resolution imposes requirements with respect to insurance (see "Risk

Management-Insurance" below), annual budgets and the retention of Independent Engineers and also imposes restrictions on encumbrance of the Revenues and properties of the Turnpike System, all as summarized under "SECURITY FOR THE BONDS" and "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."

Risk Management-Insurance

Pursuant to the Bond Resolution, the State is requited to maintain such insurance through insurance reserves or policies, as it deems prudent or necessary to protect the interests of the State and the Bondholders. The Bond Resolution requires the State to establish an account of the State (the Insurance Reserve Account) to be held and administered by the Treasurer which is currently funded at a level of $3,000,000. In the event of any loss or damage to property of the Turnpike System, the State shall apply monies in the Insurance Reserve Account, to the extent monies are not available from a commercial insurance policy, as soon as practicable to repair and reconstruct or replace the damaged or lost property to the extent necessary for the proper operation of the Turnpike System.

The State is also required by the Bond Resolution to review on an annual basis the risks to the Turnpike System and the kind and amount of insurance in force and the amount on deposit in the Insurance Reserve Account. A report issued by the Commissioner of Insurance of the State describing the results of this study and providing for an adjustment to the required level in the Insurance Reserve Account for the ensuing Fiscal Year shall be delivered to the Treasurer within 60 days of the end of the prior Fiscal Year. At no time shall the Insurance Reserve Account requirement be less than $3,000,000. Most recently, in July, 2002, the Insurance Commissioner certified that the $3,000,000 reserve requirement remains adequate. If the State determines to cover certain risks to the Turnpike System by additional policies of insurance, such policies shall be in addition to the amount from time to time in the Insurance Reserve Account.

The State may issue Bonds pursuant to the Bond Resolution for the purpose of paying the costs, in excess of any amount in the Insurance Reserve Account plus any amounts available under insurance policies, for extraordinary repair, replacement or construction of certain facilities constituting a part of the Turnpike System which are damaged, destroyed or lost in whole or in part due to accident, act of God or the like, provided that the conditions as set forth in the Bond Resolution are met. See "SECURITY FOR THE BONDS–Additional Indebtedness-Additional Parity Bonds."

State law provides that claims in tort for damages to persons or property brought against the State or any agency, including the Turnpike System, are limited to the greater of the proceeds of any insurance policy procured by the State or the sum of $250,000 per claimant and $2,000,000 per incident.

The State currently maintains liability insurance for all Turnpike System vehicles and boiler insurance for specified building locations. No other insurance is currently in force.

The State has experienced no material casualty loss to the Turnpike System facilities since the Turnpike System's inception in 1950.

Bond Insurance

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

Payment Pursuant to Bond Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2003 Series Bonds effective as of the date of issuance of the 2003 Series Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 2003 Series Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (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 2003 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 2003 Series Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2003 Series Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding 2003 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 2003 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.

In the event the Trustee has notice that any payment of principal of or interest on a 2003 Series Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor 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 , Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of 2003 Series Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2003 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 Obligation, appurtenant coupon, if any, or right to payment of principal or interest on such Obligation and will be fully subrogated to the surrendering Holder's rights to payment.

The Bond Insurer

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 **$6,362,000,000** (unaudited) and statutory capital of approximately **$3,945,000,000** (unaudited) as of **March 31, 2003.** 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, Inc. 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 Obligor of the 2003 Series Bonds.

Ambac Assurance makes no representation regarding the 2003 Series Bonds or the advisability of investing in the 2003 Series Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "SECURITY FOR THE BONDS - The Bond Insurer".

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 450 Fifth Street, N.W., 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 Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;

2. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;

3. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;

4. The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;

5. The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;

6. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;

7. The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;

8. The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003; and

9. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003.

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"*.

PROGRAM RESPONSIBILITY AND MANAGEMENT

The Act

The 2003 Series Bonds are being issued under the authority granted by the Act. The Act provides for the issuance by the State Treasurer of revenue bonds of the State for the Turnpike System in such amounts as the Governor and the five-member Executive Council (the "Council") shall determine, from time to time, subject to the current statutory limit of $586,050,000 (excluding Bonds issued for the purpose of refunding outstanding Bonds). As of the date of this Official Statement, approximately $395,000,000 of this $586,050,000 statutory limit will have been utilized. Pursuant to the Act, Bonds may be secured by a resolution, by a trust or by a security agreement in a form determined by the State Treasurer with the approval of the Governor and Council.

The Act provides that Bonds issued thereunder constitute limited obligations of the State, and that the State has not pledged its full faith and credit for repayment of the Bonds, nor are the Bonds payable out of any other funds except for such other funds as provided in the Act. The Act further provides that any debt service fund, construction fund, debt service reserve fund, or other fund established in connection with the issuance of Bonds under the Act is to be kept separate from other moneys of the State.

Under the terms of the Act, the State pledges to and agrees with the holders of Bonds issued thereunder that until such Bonds, together with interest thereon, with interest on any unpaid installment of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such holders, are fully met and discharged, or unless expressly permitted or otherwise authorized by the terms of each contract and agreement made or entered into by or on behalf of the State with or for the benefit of such holders, the State (a) will carry out and perform, or cause to be carried out and performed, each and every promise covenant, agreement or contract made or entered into by the State or on its behalf by or under the provisions of the Act and on its behalf to be performed and (b) will not issue any bonds, notes or other evidences of indebtedness, other than Bonds, having any rights secured by any pledge of or other lien or charge on the Revenues or any moneys or securities paid to or held by the State or the State Treasurer under the Act and shall not create or cause to be created any lien or charge on the Revenues or any such moneys or securities other than a lien and pledge thereon created by or pursuant to the provisions of the Act. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION." Nothing in the Act, however, prevents the State from issuing evidences of indebtedness (1) which are secured by a pledge or lien that is expressly subordinate and junior in all respects to every lien and pledge created by or pursuant to the provisions of the Act or (2) for which the full faith and credit of the State is pledged and which are not expressly secured by any specific lien or charge on Revenues or any such moneys or securities or (3) that are secured by a pledge of or lien on moneys or funds to be derived on and after such date as every pledge or lien thereon created by or pursuant to the provisions of the Act are discharged and satisfied.

Executive Officers of the State

The principal executive officers of the State are the Governor, the State Treasurer, the Secretary of State and the Council, all of whom are elected biennially. The Governor is vested with the executive power of the State and is responsible for the faithful execution of all laws enacted by the Legislature and the management of the executive departments of the State. The State Treasurer and the Secretary of State are elected by joint ballot of the House and Senate. The Council is elected by the people, one Councilor from each of five Councilor districts in the State. The Council's chief function is to provide advice and consent to the Governor in the executive function of government. The Governor and Council can negate each other both in nominations and appointments of executive officers, and a substantial portion of the executive powers of the Governor are subject to the advice and consent of the Council. All contracts, including those related to the Capital Improvement Program and toll rate changes must be approved by the Governor and Council. The State Treasurer, pursuant to the Act, is empowered to issue bonds to finance improvements to the Turnpike System upon authorization by the Governor and Council.

Budget and Appropriation Process

The Legislature meets annually but adopts its budget on a biennial basis. Prior to the beginning of each biennium, all departments of the State, including the Department of Transportation, are required by law to transmit to the Commissioner of the Department of Administrative Services requests for capital expenditures, as well as estimates of their administration, operation and maintenance expenditure requirements for each Fiscal Year of the ensuing biennium.

Capital expenditure requests are summarized by the Commissioner of the Department of Administrative Services, who submits the summary to the Governor. After holding public hearings and requesting further evaluation of selected projects by the Commissioner of the Department of Transportation, the Governor prepares a capital budget for submission to the Legislature.

In conjunction with the receipt of operating budget estimates, the Commissioner of the Department of Administrative Services prepares an estimate of the total income of the State for each Fiscal Year of the ensuing biennium. Based upon the expenditure estimates the Commissioner has received and the revenue projections the Commissioner has made, the Commissioner prepares a tentative budget for the ensuing biennium, which is transmitted to the Governor. The Governor then holds public hearings on the tentative operating budget and prepares the final budget proposal, setting forth the Governor's financial program for the following two Fiscal Years.

By February 15 of each odd-numbered year, both the capital and the operating budgets must be submitted to the Legislature for its consideration. A final budget is approved by the Legislature and presented to the Governor to be signed into law or vetoed. If the Governor vetoes the budget, it is returned to the Legislature for an override vote or further legislative action.

Once the budget becomes law, it represents the authorization for spending levels of each State department during the next two Fiscal Years. If the Governor determines that additional appropriations are necessary, the Governor may submit supplemental estimates of such appropriations to the Legislature for its approval.

In addition to the budget procedures set forth above, the State is required by the Bond Resolution to file with the Treasurer, for each fiscal year, an annual budget relating to the Turnpike System. This budget must be consistent with the biennial budget enacted by the Legislature.

The State budget for the 2004-2005 biennium passed by the New Hampshire Legislature was vetoed by the Governor on June 26, 2003. The Legislature failed to override the Governor's veto and on June 30, 2003 enacted a continuing resolution that allows the State to expend funds for the first three months of Fiscal Year 2004 at the levels not exceeding 3/12 of, and for the same purposes as, the appropriations contained in the vetoed budget bill.

Department of Transportation

The Department of Transportation is administered by a Commissioner and an Assistant Commissioner. Both the Commissioner and the Assistant Commissioner are appointed by the Governor and are confirmed by the Governor and the Council for a four year term. The Commissioner of the Department of Transportation has overall responsibility for the general supervision, control and direction on behalf of the Department of Transportation over all matters pertaining to location, alteration, construction, reconstruction and maintenance of the State's 4,234 miles of State highways and 2,045 bridges, including the Turnpike System.

The following individuals are the principal administrators of the Department of Transportation and the Capital Improvement Program:

Carol A. Murray, P.E., Commissioner of the Department of Transportation. Ms. Murray graduated from the University of New Hampshire with a B.S. degree in Civil Engineering (1978). She has worked for the Department of Transportation ever since in a wide variety of positions that have included Administrator of the Bureaus of Right-of-Way and Transportation Planning. From 1994 to 1996, she served as Director of Administration. Ms. Murray served as Assistant Commissioner from 1996 until her appointment as Commissioner in 2001.

Lyle Knowlton, P.E., Director of Operations, Department of Transportation. The Director of Operations oversees maintenance of all State highways and bridges, and all the functions of the Bureau of Turnpikes. Mr. Knowlton graduated from Clarkson University with a B.S. degree in Civil Engineering (1972) and was awarded a Masters of Business Administration from Plymouth State College (1984). He has over 23 years of experience with the Department of Transportation including serving as the Chief of the Consultant section within the Bureau of Highway Design from 1992 to 1998. Most recently he held the position of Administrator of the Bureau of Traffic from 1998 to 2000.

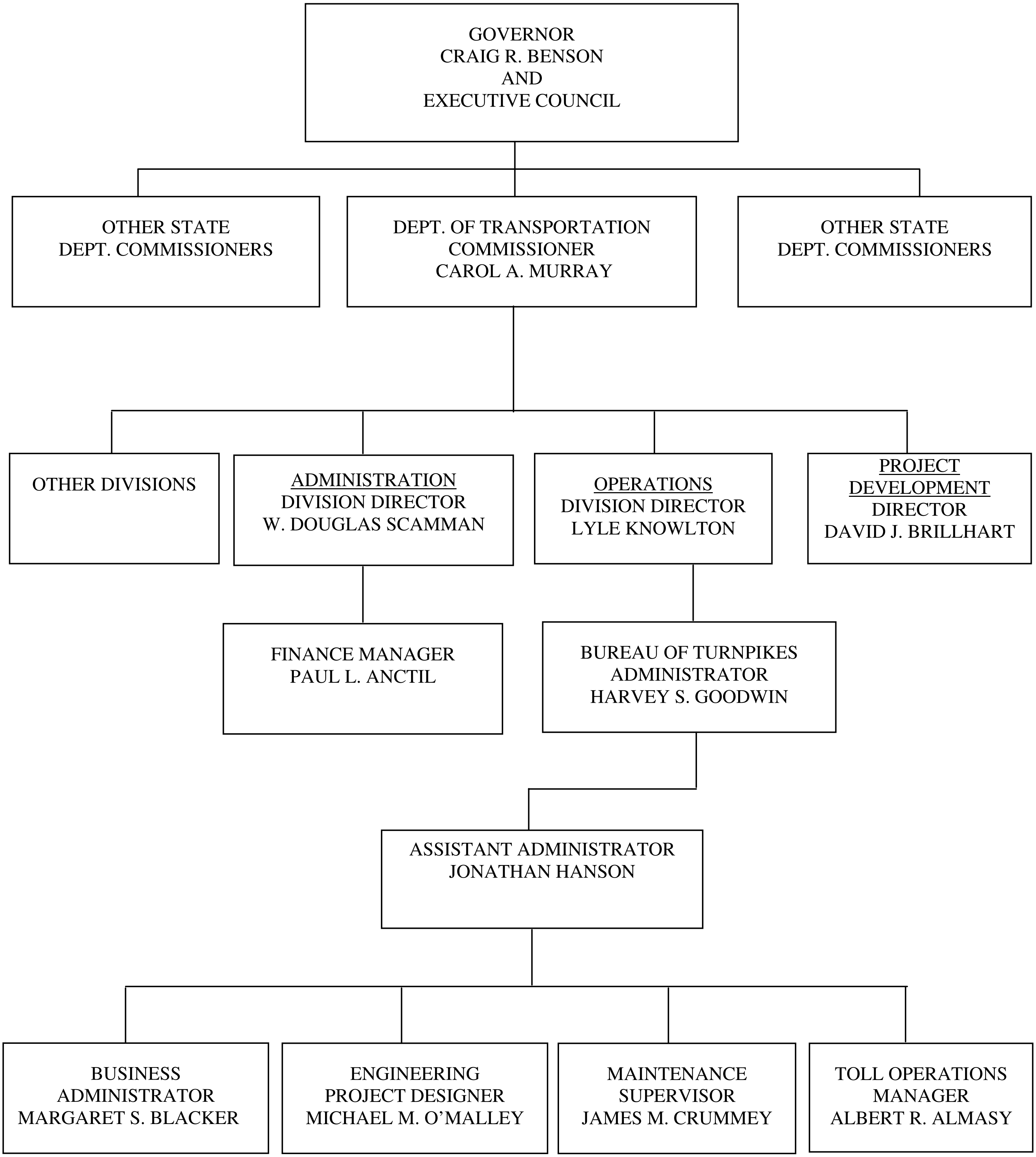
David J. Brillhart, P.E., Director of Project Development for the Department of Transportation. This Division is responsible for the design, land acquisition and construction of all State highway projects, including the Turnpike System Capital Improvement Program. Mr. Brillhart graduated from the University of New Hampshire with a B.S. degree in Civil Engineering (1978). He has been employed by the Department of Transportation since 1978 and performed various functions in the Bureaus of Bridge Design and Highway Design. He served as Assistant Director of Project Development and was appointed to Director in 2002.

Douglas Scamman, Director of Administration for the Department of Transportation. Mr. Scamman's responsibilities include overseeing the Division's services to those who design, build and maintain New Hampshire's roads, bridges and public buildings. He has a B.A. degree in Political Science from the University of New Hampshire and has worked at the Department of Transportation since December of 1996. For many years, Mr. Scamman was involved in his own businesses. From 1992 to 1996 he served as Budget Director for the Governor of New Hampshire.

Paul L. Anctil, Finance Manager, Turnpike Expansion Program. Mr. Anctil has held this position for 5 years. Prior to joining the Department of Transportation, he worked in the private sector in the financial field for over 10 years. Mr. Anctil has a B.S. degree in Business Administration from New Hampshire College and received an M.B.A. degree in 1999 from the same institution.

The following chart shows the organization of State government relating to the Turnpike System.

ORGANIZATION CHART



The Department of Transportation comprises five Divisions (Operations, Project Development, Administration, Public Works & Transportation and Aeronautics) as described below.

Operations

The Division of Operations maintains and supervises the State's transportation network and maintains the Department of Transportation's equipment.

The Bureau of Turnpikes is within the Operations Division of the Department of Transportation. The organizational structure of the Bureau of Turnpikes consists of four major sections: Toll Operations, Maintenance, Engineering and Administration. All managers of the Turnpike sections report to the Administrator of Turnpikes who, in turn, reports to the Director of Operations of the Department of Transportation. As of May 15, 2003, of the 240 permanent employees of the Bureau of Turnpikes, 139 are assigned to Toll Operations, 75 are assigned to the Maintenance section, 5 are assigned to the Engineering section and 21 are assigned to Administration. The Bureau of Turnpikes is responsible for maintenance and operation of the approximately 93-mile Turnpike System, which includes 631 lane miles, 162 bridges, 49 interchanges and 20 facilities, consisting of 10 toll, 5 maintenance and 5 welcome facilities. The Bureau of Turnpikes coordinates with the Project Development Division, which is responsible for the Capital Improvement Program Projects relating to the Turnpike System.

The following individuals are the principal administrators of the Bureau of Turnpikes:

Harvey S. Goodwin, Administrator of the Bureau of Turnpikes. Mr. Goodwin became the Administrator of the Bureau in January 1997. Prior to joining the Bureau of Turnpikes he served as the Bridge Maintenance Administrator at the Department of Transportation from October of 1990. He left the Construction Bureau in October of 1984 to assume the responsibilities of the Assistant Administrator at the Bureau of Bridge Maintenance. Mr. Goodwin began his career with the Construction Bureau in 1972 after receiving his Bachelor of Science in Engineering Technology from Wentworth College of Technology, and is a registered professional engineer in the State of New Hampshire.

Jonathan K. Hanson, Assistant Administrator of the Bureau of Turnpikes. Mr. Hanson was appointed Assistant Administrator of the Bureau of Turnpikes in March 1998. Prior to joining the Bureau of Turnpikes, he had served as the New Hampshire Department of Transportation Safety Officer for three years and as Chairman of the New Hampshire Transportation Safety Committee. Before coming to the Department of Transportation, he served as a corporate officer for the F.W. Whitcomb Construction Corporation and as the Administrative Manager from 1985 to 1995. He received his Bachelors Degree in Business Administration from the University of New Hampshire.

Margaret S. Blacker, Business Administrator of the Bureau of Turnpikes. From 1989 to 1995, Ms. Blacker worked for the Department of Transportation's Bureau of Budget and Finance and was responsible for the preparation of audit-quality financial statements for the Turnpike System. After working for the Department's Bureau of Public Works as the Business Administrator from 1995 to 1998, she began working for the Bureau of Turnpikes, where she is responsible for financial management and analysis. Ms. Blacker has a B.S. degree in Accounting from Franklin Pierce College and completed her M.B.A. program with New Hampshire College in the spring of 2000.

Michael M. O'Malley, Project Designer of the Bureau of Turnpikes. Mr. O'Malley has worked for the Bureau of Turnpikes since 1972 in coordinating and assisting in Turnpike expansion projects. Mr. O'Malley presently coordinates all renewal and replacement projects for the Bureau of Turnpikes. He received his associates degree in engineering from the University of Maine.

James M. Crummey, Maintenance Superintendent of the Bureau of Turnpikes. Mr. Crummey began his career with the Department of Transportation in 1974 as a laborer and has been involved in Turnpike maintenance activities since January 1977. He has been in his current position since August of 1998.

Albert R. Almasy, Toll Manager of the Bureau of Turnpikes. Mr. Almasy has worked for the Bureau of Turnpikes since 1979. He was promoted to his current position in 1991. He earned the title "Certified Public Manager" in 1998. He is responsible for all aspects of toll operations, which includes a work force of approximately 350 individuals.

Toll Operations Section. The Toll Operations section manages the toll collection activities at all toll plazas. Toll Operations is responsible for collecting and preparing all toll receipts for pickup by a security service. Processing of receipts is done by a banking institution. The bank counts and deposits the receipts daily in the Turnpike System account and provides data and reports to the Turnpike System.

There are presently 10 toll plazas comprised of 5 mainline plazas and 5 ramp plazas. A total of 84 lanes of toll operation on the Turnpike System are individually broken down to 42 manual lanes, 13 automatic lanes, 18 convertible (manual and/or automatic) lanes and 11 reversible lanes.

Maintenance Section. The Maintenance Section is responsible for the year-round maintenance of the entire Turnpike System and the operation of 5 rest areas, 2 of which are located in Hooksett on the F.E. Everett Turnpike and one each in Seabrook on I-95 and at Hilton Park on the Spaulding Turnpike in Dover, and a new facility on the F.E. Everett Turnpike in Nashua.

Winter maintenance of the Turnpike System is primarily concerned with the removal of snow and ice from the roadways and toll plazas. Summer maintenance involves vegetation control, the repair of property damage, litter control and small improvement projects.

The Bureau of Turnpikes owns and maintains its own fleet of vehicles for maintenance activities. The Bureau of Turnpikes operates 44 trucks, 9 payloaders and 21 mowing tractors. In addition, during winter maintenance, plow and salting trucks are hired from private contractors (on an as-needed basis) to supplement the permanent fleet and facilitate the removal of snow and ice from the highways.

There are five maintenance facilities on the Turnpike System. Each maintenance facility has a mechanic and the necessary equipment to maintain the vehicles in good condition.

Furthermore, the Bureau of Turnpikes replaces major items of equipment (i.e. trucks, cars, payloaders, tractors) in a timely manner in order to ensure that an efficient fleet of vehicles is available to maintain the Turnpike System.

Engineering Section. The Engineering section is responsible for the supervision and coordination of the renewal and replacement programs for the Turnpike System.

The section acts as an administrative liaison between the Bureau of Turnpikes and private contractors and designers. In addition, the Engineering section manages and coordinates the granting of encroachment permits on the Turnpike System.

Administration Section. The Administration section is responsible for administration and financial activities of the Bureau of Turnpikes, including budget preparation, financial reconciliation, audit functions, accounts payable, accounts receivable and payroll. It accounts for the expenditure of the Turnpike System's operating funds as authorized by the State Legislature. These data flow into the Department of Transportation's Bureau of Budget and Finance, and are processed and entered into the New Hampshire Integrated Financial System.

Other Services. Other Divisions and Bureaus in the Department of Transportation provide assistance and support to the Bureau of Turnpikes for its operations, particularly during the reconstruction and construction associated with the Capital Improvement Program, as well as programs of a continuing nature. These Divisions and Bureaus invoice the Bureau of Turnpikes for all services provided to the Bureau of Turnpikes.

A special bridge maintenance crew under the supervision of the Bridge Maintenance Engineer performs routine maintenance on the 162 bridges on the Turnpike System.

The State Police patrol the Turnpike System, and costs for this service are reimbursed from Turnpike System funds. The State Police are supervised solely by the Department of Safety, and not by the Department of Transportation.

The Bureau of Mechanical Services provides support for the maintenance of the Turnpike System motorized fleet, and occasionally repairs vehicles.

The Bureau of Traffic manufactures all signs for the Turnpike System, erects heavy signs, does pavement marking and maintains traffic signals.

Project Development

The Division of Project Development is responsible for transportation engineering including planning, design, right of way acquisition, materials research and testing, and construction administration of all transportation projects. The Division is responsible for assuring that all highway projects and programs identified by the office of the Commissioner of the Department of Transportation are implemented, and for maintaining a coordinated management effort in carrying out the State's highway transportation programs, including the Capital Improvement Program for the Turnpike System.

Administration

The Division of Administration is responsible for all departmental (including Turnpike System) accounting, purchasing and budget control, personnel management, property, contracts and grants management, data processing, assistance with departmental planning, inventory control, printing and issuance of permits, registrations and licenses. The Department of Transportation's Bureau of Budget and Finance operates a computerized general ledger system that produces financial statements.

Public Works & Transportation

The Division of Public Works & Transportation is responsible for engineering and field supervision of public works construction, maintenance, supervision and coordination of State owned and supported land and buildings and the operation of certain public works facilities.

Aeronautics

The Division of Aeronautics is responsible for the State's air navigation facilities. The Division coordinates aircraft search and rescue missions, investigates civil aircraft accidents and conducts other aeronautical activities.

Personnel

Labor Relations

A single labor organization, the State Employees Association of N.H. Inc. ("SEA"). represents all State employees. This labor organization is affiliated with the Service Employees International Union ("SEIU") as Local 1984, AFL-CIO, CLC (Canadian Labor Council). All Bureau of Turnpikes employees may join this organization. Approximately 50% of all State employees are members of SEA, including approximately 43% of the employees of the Turnpike System. Labor relations between the Bureau of Turnpikes and its employees traditionally have been satisfactory. Strikes by State employees are illegal under state law.

Every two years a new collective bargaining agreement is negotiated, which provides certain rights and procedures to protect the interests of all State employees. The two-year agreement period coincides with the State's operating budget. The term of the most recent collective bargaining agreement expired on June 30, 2003. The State and its employees are continuing to operate under the terms of the expired agreement while a new collective bargaining agreement is negotiated.

Pensions and Other Benefits

All full-time classified State employees, including all full-time permanent Bureau of Turnpikes employees, are required to become members of and make contributions to the New Hampshire Retirement System. Total assets of the combined retirement programs at June 30, 2002 were approximately $3.10 billion (market value) while the total accumulated pension benefit obligation at June 30, 2002 was approximately $3.78 billion.

In addition to retirement benefits, a deferred compensation plan and U.S. Saving Bonds are available for all interested employees. A State Employees' Credit Union provides many benefits, such as payroll deductions, personal loans, and mortgages for its members. Additional benefits provided by the State include an employee life insurance plan at a shared cost to its employees, a choice of no-cost health plans, a dental plan, and reduced fees for admission to State-owned recreational facilities such as ski areas, tourist attractions and State parks.

THE TURNPIKE SYSTEM

General Description

The Turnpike System as shown on the map on page iv presently consists of 93 miles of limited access highway, 36 miles of which are part of the U.S. Interstate Highway System, comprising a total of approximately 631 total lane miles. Since beginning operations in 1950, the Turnpike System has contributed to the development of the New Hampshire economy. It has also been a major factor in the growth of the tourist industry in the State. The Turnpike System comprises three limited access highways: the Blue Star Turnpike (I-95) and the Spaulding Turnpike, which are collectively referred to as the Eastern Turnpike, and the Central Turnpike. The major cities located in the central and southern sections of New Hampshire are primarily served by the Turnpike System. See "DEMOGRAPHIC AND ECONOMIC DATA", set forth in Appendix A hereto, for a general description of the State and its economy, including population, economic activity, employment, personal income, state and local taxation, housing, education, utilities, banking and transportation.

No food, gas or vehicle service facilities are located on the Turnpike System, with the exception of vending machines at the Hooksett and Seabrook rest areas. Motorist services are located near most interchanges on the Turnpike System and are privately operated. State operated liquor stores are located at two rest areas on the Central Turnpike and at two sites along the Blue Star Turnpike (I-95). The Bureau of Turnpikes does not receive any revenue from the liquor store operations which are under the supervision of the State's Liquor Commission, or from the vending machines which are under the supervision of the Department of Administrative Services.

The Eastern Turnpike

Blue Star Turnpike (I-95)

The Blue Star Turnpike segment of the Turnpike System extends from the Massachusetts state line in Seabrook, New Hampshire to the Portsmouth Traffic Circle in Portsmouth, New Hampshire. It is 15.0 miles in length and constitutes a portion of U.S. Interstate Highway 95. The Blue Star Turnpike serves as the major connecting road between the states of Maine and Massachusetts. It also parallels the seacoast and, as such, is the major artery for tourist traffic to the New Hampshire coast from Massachusetts and Maine. The route also connects with several major highways in New Hampshire, including Route 101, Route 4 and the Spaulding Turnpike. Two toll plazas are located in Hampton, one for main line traffic and one for vehicles entering and leaving the Turnpike System.

Hampton also has a maintenance facility and a park and ride facility to encourage car pooling. A new rest area/welcome center providing additional parking for motorists and commercial vehicles has recently been completed in Seabrook. This new facility provides a larger building than the former Seabrook rest area, allowing for increased convenience of the Turnpike System patrons.

Spaulding Turnpike

The Spaulding Turnpike segment of the Turnpike System, including the 11.2 mile Spaulding Turnpike extension, extends from Portsmouth, New Hampshire to Exit 18 in Milton, New Hampshire. It is 33.2 miles in length and is the major north-south artery in the eastern corridor of the State. This segment of the Turnpike System connects the Blue Star Turnpike (I-95) to Route 16 (the major roadway to northern New Hampshire in the eastern portion of the State), and it connects the major cities of eastern New Hampshire (Portsmouth, Dover and Rochester) as well as several major highways (Routes 4, 16 and 125, and I-95). It has two toll plazas located at Dover and at Rochester, with a maintenance facility for the Spaulding Turnpike located at Dover. Maintenance on the Spaulding Turnpike extension is provided by the Department of Transportation's Bureau of Highway Maintenance and billed to the Bureau of Turnpikes. In addition, for the convenience of the Turnpike System patrons, a rest area with rest rooms and picnic facilities is provided at Hilton Park in Dover.

The Central Turnpike (F.E. Everett)

The Central Turnpike, commonly known as the F.E. Everett, extends from the Massachusetts state line in Nashua, New Hampshire to Exit 14 in Concord, New Hampshire. Its distance is 44.7 miles and, in part, constitutes a portion of U.S. Interstate Highways 93 and 293. The Central Turnpike connects three urban centers in New Hampshire (the cities of Concord, Manchester, and Nashua). The route also connects with the major East-West roads in New Hampshire (Route 101, Route 4 and I-89). Six toll plazas are located on the Central Turnpike: two at Hooksett (main line and ramp), a main line plaza in Bedford, and ramp plazas at Bedford Road, Exit 11 and Merrimack Industrial Interchange. There are maintenance facilities at Nashua, Merrimack and Hooksett. Park and ride facilities are provided in Hooksett and Nashua. In addition, two rest areas for information and rest room facilities are provided in Hooksett for the convenience of Turnpike System patrons. A new rest area/welcome center has recently been completed at Exit 6 in Nashua. The widening of the Central Turnpike in Nashua from the Massachusetts state line to the Exit 8 interchange has recently been completed. This section of reconstructed highway includes a highway interconnect from the new Exit 2 interchange in Nashua to Route 3A in Hudson.

Maintenance of the Turnpike System

The Turnpike System (other than the Spaulding Turnpike extension) is maintained and repaired by the Bureau of Turnpikes of the State Department of Transportation. All maintenance and repair costs have been funded from turnpike operating revenues since the beginning of the Turnpike System in 1950. The Turnpike System funds Renewal and Replacement Costs from the General Reserve Account. In addition, the State's policy is to set aside $2,000,000 of its General

Reserve Account for unanticipated Renewal and Replacement Costs. The State is not obligated, however, under the Bond Resolution or otherwise, to set aside any amount for such purpose.

Since 1986, the Bureau of Turnpikes has resurfaced an average of approximately 10% of the total lane miles of the Turnpike System each year, repaired and planned for the rehabilitation of at least one bridge each year, provided needed updating and repairs of the heating systems and emergency generators at all facilities, and performed other repairs as needed. The Bureau expects to continue to resurface sufficient lane miles annually in order to complete a full repavement cycle of the entire Turnpike System every ten years.

In Fiscal Years 2001 and 2002, the Turnpike System Renewal and Replacement expenditures reflected increases of $1,603,661 and $83,581, respectively, over the prior year. For Fiscal Year 2003, the estimated Renewal and Replacement expenditures were approximately $7,100,000. For Fiscal Year 2004, the Turnpike System's estimated expenditures for Renewal and Replacement total $5,600,000, subject to budgetary approval. In addition, approximately $2,900,000 in unexpended funds for Replacement and Renewal will be carried forward from prior years. The increases have allowed the expansion or acceleration of the Renewal and Replacement program by adding the following projects in current or future years:

- Bridge rehabilitation
- Consultant design for the bridge rehabilitation program and rehabilitation of one bridge
- Contracted sign replacement program with its first contract currently under way
- Heating, ventilation and air-conditioning improvements at toll facilities
- Re-roofing of maintenance buildings to meet snow-load capacity requirements
- Signage improvements and replacements, rehabilitation to high mast lighting systems and snow fence protection on bridges
- Salt storage buildings
- Resurfacing on Central and Eastern Turnpike
- Rehabilitation of two (2) bridges
- Major sign replacements, including two overhead sign structures on the Central Turnpike
- Re-roofing of maintenance buildings to meet snow-load capacity requirements
- Paint two (2) bridges on the Blue Star Turnpike.

Because funds budgeted for Renewal and Replacement do not lapse and can be carried forward to subsequent years, any unspent money is available to be spent in future fiscal years.

For Fiscal Years 2005 through 2008, the Turnpike System's proposed budget for Renewal and Replacement currently totals $23,846,670, with major expenditures for resurfacing, bridge rehabilitation, bridge painting and major sign rehabilitation and toll plaza canopy repairs.

Historically there have been fluctuations in annual expenditures for the Renewal and Replacement program. The number of lane miles requiring resurfacing varies from year to year. Beginning in Fiscal Year 1988, a bridge rehabilitation program was initiated by the Department. The Department's bridge rehabilitation program rehabilitates and widens bridges on the Turnpike System that are approximately forty years old and are not included as part of the Capital Improvement Program. Bridges less than forty years old will receive continuing preventive maintenance and minor rehabilitation by the Turnpike Bridge Maintenance crew which is not funded as Renewal and Replacement but is part of the operating budget of the Bureau. The Department's bridge rehabilitation program for the Turnpike System will rehabilitate at least one bridge annually and the program is expected to continue to address bridge rehabilitation requirements of the Turnpike System in order to maintain a sufficiency rating on all bridges of "good," or better. Bridges not included for repairs in the current bridge rehabilitation program are either in a turnpike study area or are scheduled for replacement in the Capital Improvement Program.

Spending levels in the Renewal and Replacement program were significantly greater in Fiscal Years 2001 through 2003 due to the Department's policies for safety enhancements. As a result, the Renewal and Replacement Program reflects projects that address these enhancements. They include the establishment of a new permanent snow fence program for bridges, an accelerated guardrail replacement program, structural upgrades to meet current building codes on existing maintenance buildings, and heating, ventilating, and air conditioning replacements to improve air quality for employees in the work place. Another safety enhancement was the acceleration of the existing major sign replacement program. In addition, the severe winter of 2000/2001 caused a need for increased salt storage capacity and two new larger salt storage buildings were also programmed to allow for the storage of an entire winter supply.

The following table indicates the funds expended on a cash basis since Fiscal Year 1992 and projected expenditures for the Renewal and Replacement Program for the Turnpike System through Fiscal Year 2008.

RENEWAL AND REPLACEMENT EXPENDITURES
FISCAL YEARS 1992 THROUGH 2008

Fiscal Year	
1992	$ 2,740,042
1993	4,037,596
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	10,070,527*
2004	5,600,000**
2005	5,700,000**
2006	5,781,000**
2007	6,047,130**
2008	6,228,540**

* Budgeted funds and funds carried forward including prior year encumbrances and Performance Based Budgeting transfers. Actual expenditures may be less than shown. For Fiscal Year 2003, the Department of Transportation estimates actual expenditures were approximately $7.1 million. The balance will be carried forward to the Fiscal Year 2004 budget.

** Proposed budgeted amount.

During the legislative sessions of 1998 and 1999, the New Hampshire Legislature adopted a recommended change to the standard budget process. This change initially allowed the Bureau of Turnpikes to test a "Performance Budget" for a two-year period (Fiscal Years 2000 and 2001). Performance Based Budgeting was extended through Fiscal Year 2003 but is expected to be repealed in the budget adopted for Fiscal Years 2004 and 2005.

Management's Discussion of the Turnpike System

Condition of the Turnpike System Facilities

The Department of Transportation believes that the Turnpike System continues to receive adequate preventive maintenance, allowing for facilities to be maintained in good to excellent condition. The State continues to appropriate sufficient funds to provide for renewal and replacement of facilities as scheduled. These include such items as resurfacing of mainline roadways and interchange ramps in addition to a bridge rehabilitation program which includes bridge deck replacement and substructure repair.

The Department of Transportation believes that the current plans for operation and maintenance of the Turnpike System, together with the improvements under the Capital Improvement Program, will keep the Turnpike System operationally sound and economically viable.

All 162 bridge structures on the Turnpike System are inspected every two years and rated by the Department of Transportation's Bureau of Bridge Design in accordance with National Bridge Inspection Standards. The Department has expanded its Bridge Rehabilitation Program through Fiscal Year 2009, with 12 bridges scheduled for rehabilitation and nine scheduled for painting in Fiscal Years 2004-2008.

Funding for the repair or rehabilitation of bridges is provided through the Capital Improvement Program, the Renewal and Replacement program and Federal funding. In the judgment of the Department of Transportation, all bridge structures on the Turnpike System remain safe.

Renewal and Replacement Costs

The Department of Transportation projects that Renewal and Replacement expenditures will be sufficient to meet the needs of the Turnpike System and intends to request funding in ensuing years to adequately maintain the infrastructure of the Turnpike System.

Historic and Projected Operating Expenses

The Bureau of Turnpikes has projected Operating Expenses that are consistent with the historical expenses, and reflect a continuing commitment to cost effective management and operation. In the judgment of the Department of Transportation, the projected Operating Expenses provide a reasonable estimate of future costs.

Turnpike System Revenue and Traffic Trends

Toll revenue comprises five components: cash toll receipts, charge account payments, charge account interest, token sales revenue and miscellaneous income.

Following the recovery from the economic recession of the early 1990's, the Turnpike System experienced several years of sustained growth in both traffic and revenues. In addition to general economic conditions, the Turnpike System benefited from increased traffic generated by the Manchester Airport, the Pease International Tradeport and a major sporting facility, the New Hampshire International Speedway. Revenues increased notwithstanding increases in the utilization of discount tokens and the Turnpike System's commercial charge program. See "Toll Collection, Rates and Schedules."

During Fiscal Year 2003, overall growth in traffic and revenues has declined due to the slowdown in the general economy. Commercial vehicle traffic declined slightly (0.08%) during the first ten months of Fiscal Year 2003 from the corresponding period in Fiscal Year 2002 due to the weakened economy and higher diesel fuel prices. Passenger vehicle traffic increased by 2.06% during the same period. Changes in commercial vehicle traffic have a greater impact on revenues than passenger vehicles, since commercial vehicles generally pay higher tolls per transaction.

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 and commercial charge 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 94% of the total traffic, with commercial vehicles at 6%. Passenger vehicles may use Turnpike System tokens, which provide a 50% toll discount. Commercial vehicles participating in the Turnpike System commercial charge program receive a 30% discount. See "Toll Collection, Rates and Schedules." Utilization of the token and commercial charge discount programs has grown significantly in the past ten years, with approximately 56% of passenger traffic using tokens and approximately 63% of commercial traffic using the commercial charge discount program. With token and charge transactions now constituting over half of total transactions, the growth in utilization of these programs has begun to moderate due to the smaller pool of transactions from which to grow.

The table below shows annual toll transaction and revenue trends for the Turnpike System during the period beginning with Fiscal Year 1992 and ending with the first ten months of Fiscal Year 2003, with toll revenue presented on a cash basis.

ANNUAL TRAFFIC AND TOLL REVENUE TRENDS
New Hampshire Turnpike System
For the Year Ending June 30,

Fiscal Year	Annual Toll Transactions	Percent Change from Prior Year	Annual Toll Revenues*	Percent Change from Prior Year
1992	70,800,804	1.7%	$45,100,636	(0.2)%
1993	72,028,901	1.7	45,331,008	0.5
1994	74,876,370	4.0	46,818,308	3.3
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
2002 (through 4/30/02)	88,895,351	-	52,634,660	-
2003 (through 4/30/03)	90,616,965	1.9	53,065,188	0.8

* Excludes charge account interest and miscellaneous income.
SOURCE: New Hampshire Department of Transportation.

Toll Collection, Rates and Schedules

Collection of Tolls and Control Procedures

The Turnpike System uses an open barrier system of toll collection consisting of 10 toll plazas (5 main line and 5 ramps).

All plazas, with the exception of Hampton Main, include automatic lanes for passenger cars with exact change, as well as attended lanes for all classes of vehicles. For vehicles having no more than two axles or four tires, the Turnpike System allows the use of passenger car tokens which provide a 50% reduction in the full toll fare. The Turnpike System also provides a 30%

discount for qualified uses of a commercial charge card program. No other discounts or toll adjustments are presently provided for Turnpike System patrons.

Pursuant to New Hampshire RSA 237:12, certain motor vehicles and operators, primarily government employees and officials, are allowed toll-free passage on the Turnpike System. The State estimates that toll-free passage constitutes less than 0.6% of toll transactions on the Turnpike System.

All toll revenues are transported by a security service to a depository bank where they are sorted, processed and deposited to the Turnpike System account. This process of central cash counting only requires that the toll plazas place all toll revenues into secured money bags which are picked up by the security service. This process relieves the Turnpike System from costly equipment replacements, material purchases and personnel labor costs required for processing toll revenue.

The Bureau of Turnpikes uses internal control procedures based on vehicle classifications and axle counts to audit all toll lanes. In addition, the Bureau utilizes an Internal Auditor to review all toll attendant performance and toll operating procedures, and to conduct all tests and evaluations necessary to ensure the revenue collection system performs in accordance with policy and procedures, including the central cash operation and token inventory control.

In February 1991, the Turnpike System began a test of an honor system for toll collection at the Exit 11 Ramp Plaza on the Central Turnpike during one 8-hour shift daily. This method of collecting tolls without toll attendants has been extremely successful and has reduced operational costs. In December of 1993, the concept was expanded to Exits 10 and 12 on the Central Turnpike in Merrimack. At the same time, Exit 11 was restored to full service because of the necessity to provide for commercial charges and other transactions requiring a toll attendant. In 1995, the honor system was expanded to include the Hooksett ramp. The Department has experienced approximately a 90% compliance rate with respect to the honor system program.

In 1994, the Department of Transportation, Bureau of Turnpikes expanded the Hooksett Toll Plaza from 12 to 14 toll lanes. In 1997, the Hampton Ramp plaza was expanded from five to seven lanes. The Dover Toll plaza has recently been expanded from 6 to 8 lanes to accommodate increased traffic volumes. These toll plaza expansions were initiated as a result of the Department's ongoing monitoring of the traffic at all toll facilities to ensure that traffic volumes are processed safely through all toll plazas. The monitoring process includes attention to peak period volumes and those generated by special events.

Chapter 309 of the Laws of 2000 eliminated the three proposed toll plazas originally scheduled for completion in Nashua in July of 2001. These toll facilities had been projected to raise approximately $6 million in gross toll revenues in their first year. Even without these revenues, however, annual revenues are expected to remain sufficient to fund operation and maintenance expenses and debt service as well as the current pay-as-you-go portion of the Capital Improvement Program.

In July 2001, the Governor signed Legislation allowing the Department of Transportation to become a full member of the Interagency Group ("IAG"). The IAG is responsible for management of the E-ZPass electronic toll collection system in the northeast corridor of the United States. The Department must first replace its existing toll collection system architecture (hardware and software) before E-ZPass can be deployed on the Turnpike System. The Department anticipates that E-ZPass will be initially deployed by the Fall of 2004.

In December 2001, the Department of Transportation released a Request for Proposal (RFP) for Electronic Toll Collection. Only one proposal was received in February 2002 from a toll system vendor. As a result, the Department of Transportation chose not to award a contract at that time.

In December 2002, the Department of Transportation released a second RFP. In February 2003, the Department of Transportation received five proposals in response to this RFP. The Department of Transportation evaluated the proposals and has entered into negotiations with one vendor. The Department of Transportation anticipates contracting with a vendor by September 2003 for the implementation of a new toll collection system along with the development of E-ZPass technology. The Department of Transportation anticipates full deployment of E-ZPass by March 2005.

Electronic Toll Collection ("ETC") is a concept that permits a vehicle to pass through a toll plaza without stopping and collects the toll fare by electronic communication. Benefits include increased plaza capacity, reduced congestion, reduced vehicle emissions and improved air quality, as well as the potential for other uses, such as enhanced traffic management. During the past four years, the Bureau of Turnpikes has tested and evaluated several ETC systems.

All electronic E-ZPass transactions are processed by a Customer Service Center ("CSC"). The CSC is generally a contracted agency that performs many functions and each function has a cost associated with it. Some of typical functions are:

- Opening and closing of accounts
- Maintaining the account information database
- Distribution of transponders
- Dispute resolution
- Receiving and posting to accounts prepaid toll revenue via cash, check, or credit card
- Debiting accounts based upon toll revenue charged to account holders (transponders)
- Processing of violations encountered in agency toll lanes including administrative violations
- Marketing

The Department anticipates contracting with a CSC by the Spring of 2004 to process New Hampshire's E-ZPass transactions. When E-ZPass is deployed in New Hampshire, the Department anticipates toll revenue processing costs will increase significantly due to CSC administration costs, credit card fees and postage, even though the cash processing costs will decrease due to the volume of toll revenue being collected electronically. The cost to process toll revenue in Fiscal Year 2002 was $750,682 and for the first ten months of Fiscal Year 2003 was $668,250, as compared to $625,139 for the first ten months of Fiscal Year 2002.

The additional cost to process electronic toll revenue in Fiscal Year 2005, when E-ZPass is fully deployed in the State, is estimated to be $2.3 million. Because the annual cost to process electronic transactions increases as E-ZPass market penetration increases, it is estimated that it will rise to $5.9 million by Fiscal Year 2007 when full market penetration is achieved. The actual cost will be based upon the level of services required of the CSC and the annual volume of electronic toll transactions.

Toll Rates

The Commissioner of the Department of Transportation with the approval of the Governor and Council is authorized to establish toll rates for the Turnpike System. Tolls have been set at levels at least sufficient to meet operating expenses and maintenance costs and debt service on Bonds and general obligation bonds issued for Turnpike System purposes. State law expressly provides that a bond resolution authorizing turnpike revenue bonds may include provisions setting forth the duties of the State in relation to the fixing, revision and collection of tolls and that the State has pledged to perform all such duties as set forth in such bond resolution.

Several toll rate adjustments have been made since the commencement of the Turnpike System's operation to provide necessary revenue for expansion and improvement to and continued operation and maintenance of the Turnpike System.

On October 16, 1989, toll rate adjustments were implemented on the entire Turnpike System. These adjustments, authorized by the Governor and Council, affected all users of the Turnpike System and provided a substantial increase in toll revenues. The toll rates were adjusted to increase toll revenue to meet increased operating, maintenance and rehabilitation costs, the debt service on Bonds issued and to be issued in conjunction with the Turnpike System Capital Improvement Program and other obligations.

The October 1989 toll adjustments increased the toll rates for passenger vehicles at all toll plazas an additional $0.25 above the previous rate. Further, the adjustments included a reduction in the discount token program from 50% to 40% off the full fare. In addition, toll rates for commercial vehicles were increased significantly, and a discount was implemented for participants in the commercial charge program that provides a discount of between 5% and 30% based on the total number of monthly charge transactions. At the same time, the toll rates were also authorized by the Governor and Council for two new toll plazas (Merrimack Industrial Interchange and Bedford Road) which opened in October and November, 1990, respectively.

In July 1990, the Governor and Council voted to restore the 50% token discount, which had been in effect from the mid-1970's until the October 1989 change to 40%. Prior to implementation, the Department of Transportation had studied the financial impact of the proposed change in discount and concluded that it would not adversely affect the ability to generate the revenue required to implement the Capital Improvement Program. On November 1, 1995, the Governor and Council voted to change the commercial charge discount from variable discount rates ranging from 5% to 30% to a fixed discount rate of 30%. The present toll rates are shown in the table entitled “Toll Rate Schedule.”

To establish a more equitable toll system, the Department of Transportation adopted a new vehicle classification system in October 1989 with nine groupings (expanded to twelve in July 1990) and separate rates for each, based on type of vehicle and number of axles. The system classified as commercial vehicles, two-axle, six-tire trucks which had previously been part of the passenger car grouping.

The following table sets forth the schedule of current toll rates.

Current Toll Rate Schedule[1]

New Hampshire Turnpike System

		Eastern Turnpike				Central Turnpike					
Vehicle Class		Hampton Main	Hampton Side	Dover	Rochester	Hooksett Main	Hooksett Side	Bedford Main	Exit 11	Merrimack Industrial	Bedford Road
1	Passenger Car [2]	$1.00	$0.50	$0.50	$0.50	$0.75	$0.50	$0.75	$0.50	$0.50	$0.50
2	Class 1 Vehicle with One Axle Trailer	1.25	0.75	0.75	0.75	1.00	0.75	1.00	0.75	0.75	0.75
2A	Two Axle, Dual Wheel Motorhome/Pick	1.25	0.75	0.75	0.75	1.00	0.75	1.00	0.75	0.75	0.75
3	Class 1 Vehicle with Two Axle Trailer	1.50	1.00	1.00	1.00	1.25	1.00	1.25	1.00	1.00	1.00
3A	Three Axle, Dual Wheel Motorhome/Co	1.50	1.00	1.00	1.00	1.25	1.00	1.25	1.00	1.00	1.00
4	Class 1 Vehicle with Three Axle Trailer	1.75	1.25	1.25	1.25	1.50	1.25	1.50	1.25	1.25	1.25
4A	Four Axle, Dual Wheel Motorhome/Com	1.75	1.25	1.25	1.25	1.50	1.25	1.50	1.25	1.25	1.25
5	Dual Wheel Two Axle Vehicle	2.00	1.00	1.00	1.00	1.50	1.00	1.50	1.00	1.00	1.00
6	Dual Wheel Three Axle Vehicle	2.50	1.50	1.50	1.50	2.00	1.50	2.00	1.50	1.50	1.50
7	Dual Wheel Four Axle Vehicle	3.00	2.00	2.00	2.00	2.50	2.00	2.50	2.00	2.00	2.00
8	Dual Wheel Five Axle Vehicle	3.50	2.50	2.50	2.50	3.00	2.50	3.00	2.50	2.50	2.50
9	Dual Wheel Six Axle Vehicle	4.00	3.00	3.00	3.00	3.50	3.00	3.50	3.00	3.00	3.00

(1) The rates shown have been effective since October, 1989.

(2) Also includes motorcycles and other vehicles with a maximum of four tires.

Turnpike System-Historical Revenues and Expenditures

The Turnpike System is accounted for as an enterprise fund of the State. Since 1987, the State has prepared financial statements for the Turnpike System 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"). Presented below are the New Hampshire Turnpike System's results of operations on a GAAP basis for Fiscal Years 1998 through 2001.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
New Hampshire Turnpike System

	Fiscal Year Ended June 30[1]			
	1998	1999	2000[2]	2001
Operating Revenues:				
Tolls	$54,417,024	$57,218,196	$60,657,492	$61,731,068
Operating Expenses:				
Depreciation	8,905,063	9,263,796	10,182,156	11,861,012
Personnel Services	6,992,142	7,269,647	7,514,411	8,302,709
Enforcement	3,088,179	3,197,574	3,590,611	3,677,184
Payroll Benefits	2,218,374	2,813,357	2,623,407	3,159,009
Renewal and Replacement	3,981,529	4,049,229	5,389,719	5,927,946
Repairs	1,003,141	733,161	509,173	285,010
Other	3,727,509	3,728,162	4,827,545	5,356,283
Total Operating Expenses	29,915,937	31,054,926	34,637,022	38,569,153
Operating Income	24,501,087	26,163,270	26,020,470	23,161,915
Non-Operating Income (expense)				
Interest Income	3,051,946	1,945,618	1,376,664	3,531,829
Interest Expense	(13,644,928)	(13,013,207)	(16,417,088)	(17,168,441)
Gain (loss) on sale of land/ equipment	29,397	(16,482)	1,298,470	159,013
Decrease in fair value of investments	(473,304)	(430,784)	-	-
Miscellaneous	106,149	(287,250)	105,893	111,104
Amortization of bond issuance costs	(223,147)	(349,631)	(209,111)	(237,693)
Total Non-operating expenses, net	(11,153,887)	(12,151,736)	(13,845,172)	(13,604,188)
Net Income	13,347,200	14,011,534	12,175,298	9,557,727
Add back:				
Depreciation on fixed assets acquired by grants and entitlements externally restricted for capital acquisitions	806,761	806,761	806,761	832,948
Retained earnings at beginning of year (July 1)	157,235,373	171,389,334	186,207,629	199,189,688
Retained earnings at end of year	$171,389,334	$186,207,629	$199,189,688	$209,580,363

(1) State of New Hampshire Comprehensive Annual Financial Report, for the years ended June 30, 1998, through June 30, 2001.

(2) In the Turnpike System's financial statements for the year ended June 30, 2000 repairs were overstated by $1,277,485 and Renewal and Replacement was understated by $1,277,485. This table reflects these adjustments.

Presented below are the New Hampshire Turnpike System's results of operations on a GAAP basis for Fiscal Year 2002. The information is presented in accordance with GASB 34. The adoption of GASB 34 did not change the financial position of the Turnpike System, but does require a different presentation of that financial position. After the adoption of GASB 34, the Turnpike System's financial statements contain a statement of net assets instead of a balance sheet and the prior "fund equity" section of the balance sheet is now referred to as "net assets." Total net assets are now reported instead of contributed capital and retained earnings. GASB 34 also requires that capital assets be reported net of depreciation, a practice that the Turnpike System implemented prior to adopting GASB 34.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
New Hampshire Turnpike System - Fiscal Year Ended June 30, 2002[(1)]

Operating Revenues:	
Tolls	$ 64,006,720
Operating Expenses:	
Depreciation	10,630,992
Personnel Services	9,876,238
Enforcement	3,811,898
Payroll Benefits	2,899,497
Renewal and Replacement	5,724,656
Repairs	751,330
Other	6,155,766
Total Operating Expenses	39,850,377
Operating Income	24,156,343
Non-Operating Revenues (Expenses)	
Investment Income	2,223,273
Interest on Bonds	(15,560,409)
Gain (loss) on sale of land/equipment	117,620
Miscellaneous	167,755[(2)]
Amortization of bond issuance costs	(267,455)
Total Non-operating Revenue (Expenses)	(13,319,216)
Income (Loss) Before Operating Transfers	10,837,127
Change in Net Assets	
Net Assets – July 1, 2001	244,169,554[(3)]
Net Assets – June 30, 2002	$ 255,006,681

(1) Information is derived from State's Comprehensive Annual Financial Report for the year ended June 30, 2002 (the "2002 CAFR"). See the information pertaining to the Turnpike System in the section of the 2002 CAFR entitled "Proprietary-Enterprise Fund Financial Statements."

(2) Includes $29,000 of grant contributions which, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* are reported as revenue. See the information pertaining to the Turnpike System in the section of the 2002 CAFR entitled "Statement of Cash Flows Proprietary-Enterprise Funds."

(3) Prior to adoption of GASB 34, presented as total fund equity (contributed capital, net of amortization, plus retained earnings).

Management Discussion of Historical Revenues and Expenditures

Fiscal Year 2003 (through April, 2003) (unaudited)

Gross revenues available for operating expenses, debt service, reserves and improvement projects (toll revenue, interest income and miscellaneous) totaled $54,877,181, a .47% decrease over Fiscal Year 2002.

Toll revenues in this period were $52,704,624, an increase of 1.4% over 2002. While toll revenues were higher, miscellaneous income was less by $613,554, mostly due to declining interest income.

Operating expenses (excluding depreciation and funds for renewal and replacement) during this time period were $20,160,041, a 6.8% increase over the prior year. This increase is mostly due to the extremely harsh winter. Overtime, salt usage, and plowing contractors were major contributors to the increase. Also, employee benefits rose from a rate of 33% of gross salary in Fiscal Year 2002 to a rate of 37% of gross salary in Fiscal Year 2003.

During this time period, Capital Improvement Program expenditures totaled $9,407,210 including $94,115 from the State and Federal highway sources and $9,313,095 from proceeds of the 1999 Series Bonds.

Fiscal Year 2002

Gross revenues available for operating expenses, debt service, reserves and improvement projects (toll revenue, interest income and miscellaneous) totaled $66,368,748, a 1.5% increase over Fiscal Year 2001. Toll revenues in this period were $64,006,720, an increase of 3.7% over 2001 due mostly to improved tourist traffic. While toll revenues were higher, interest income was less by $1,308,559, which includes a decrease of $263,815 in fair market value of investments.

Operating expenses (excluding depreciation and funds for renewal and replacement) in Fiscal Year 2002 were $23,494,729, a 13.1% increase over the prior year. This increase is largely attributable to membership fees to join the Interagency Group, which is responsible for management of the E-ZPass electronic toll collection system, and a one-time workers compensation award. Also, repairs increased over the prior year due to phone system improvements and a new radio repair contract.

During Fiscal Year 2002, Capital Improvement Program expenditures totaled $6,499,014 including $6,469,689 from proceeds of the 1999 Series Bonds.

For Fiscal Year 2002, the State has reported the financial results of the Turnpike System as an enterprise fund within the 2002 CAFR. 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:

	2002	2001
Revenue Bond Construction Account	$ 38,228,480	$ 37,465,255
Revenue Bond Interest Debt Service Account	4,208,163	4,687,267
Revenue Bond Principal Debt Service Account	2,412,917	2,776,250
Revenue Bond Debt Service Reserve Account	27,576,584	27,589,171
Revenue Bond Insurance Reserve Account	3,000,000	3,000,000
Revenue Bond General Reserve Account	2,000,000	2,000,000
Total restricted assets	$ 77,426,144	$ 77,517,943

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 $8.0 million for 2002 and 2001, 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 2002 and 2001 are presented in the following table. This liability is the Turnpike System's best estimate based on available information.

	2002	2001
Liability, beginning of year	$ 1,050,981	$ 762,698
Provisions for claims	1,503,997	863,888
Payments	(470,841)	(575,605)
Liability, end of year	$ 2,084,137	$ 1,050,981

Fiscal Year 2001

Gross revenues available for operating expenses, debt service, reserves and improvement projects (toll revenue, interest income and miscellaneous) totaled $65,374,001, a 5.2% increase over Fiscal Year 2000. Toll revenues in this period were $61,731,068, a slight increase of 1.8% over Fiscal Year 2000 due mostly to improved tourist traffic. Interest income was also higher by $2,155,165 which includes $1,490,372 of an increase in fair market value of investments.

Operating expenses (excluding depreciation and funds for renewal and replacement) in Fiscal Year 2001 were $20,780,195, a 9.0% increase over the prior Fiscal Year. This is due to the severity of the 2000/2001 winter causing costs of personnel overtime and subcontracting for plowing to increase. Also, benefits rose by 20% due to increased insurance costs. Operating income in Fiscal Year 2001 was $23,161,915, a decrease of 11% from the prior Fiscal Year.

During Fiscal Year 2001, Capital Improvement Program expenditures totaled $10,148,747, funded from proceeds of the 1999 Series Bonds.

Fiscal Year 2000

Gross revenues available for operating expenses, debt service, reserves and improvement projects (toll revenue, interest income and miscellaneous) totaled $62,140,049, a 5.5% increase over Fiscal Year 1999. Toll revenues in this period were $60,657,492, an increase of 6.0% over Fiscal Year 1999 due mostly to improved tourist traffic and economic conditions. While toll revenues were higher, interest income was less by $568,954 which includes a decrease of $316,912 in fair value of investments.

Operating expenses (excluding depreciation and funds for renewal and replacement) in Fiscal Year 2000 were $19,065,147, a 7.5% increase over the prior year. This increase is largely attributable to increased cost of salt and other supplies. Operating income in Fiscal Year 2000 was $26,020,470, a decrease of 0.5% from the prior Fiscal Year.

During Fiscal Year 2000, Capital Improvement Program expenditures totaled $19,839,924, including $120,757 from the State and Federal highway sources and $19,719,167 funded from proceeds of the 1999 Series Bonds.

Fiscal Year 1999

Gross revenues available for operating expenses, debt service, reserves and improvement projects (toll revenue, interest income and miscellaneous) totaled $58,876,564, a 2.3% increase from Fiscal Year 1998. Toll revenues in this period were $57,218,196, an increase of 5.1% over 1998 due mostly to improved tourist traffic generated from decreased fuel prices. While toll revenues were higher, interest income was less by $1,106,328 primarily due to the application of available revenues to fund the Capital Improvement Program.

Operating expenses (excluding depreciation and funds for renewal and replacement) in Fiscal Year 1999 were $17,741,901, a 4.2% increase over the prior year. This increase is largely attributable to both the personnel and supplies necessary to build the Nashua maintenance facility. The Nashua facility was fully stocked with salt which increased the supply cost.

Operating income in Fiscal Year 1999 was $26,163,270, an increase of 6.8% over the prior Fiscal Year.

During Fiscal Year 1999, Capital Improvement Program expenditures totaled $30,877,837 including $333,803 from the State and Federal highway sources and $30,544,034 from available toll revenue.

Fiscal Year 1998

Gross revenues available for operating expenses, debt service, reserves and improvement projects (toll revenue, interest income and miscellaneous) totaled $57,575,119, a 4.1% increase from Fiscal Year 1997. Toll revenues in this period were $54,417,024, an increase of more than 4.7% over 1997 due largely to increased tourist traffic passing through the Hampton toll facilities. Interest income declined by $368,125, reflecting the application of available toll revenues to Capital Improvement Program projects.

Operating expenses (excluding depreciation and funds for renewal and replacement) in Fiscal Year 1998 were $17,029,345, a 4.0% increase over the prior year. This increase is attributable to increases in salaries (mainly from the addition of two toll lanes in Hampton), enforcement costs and repair costs from unusually severe weather conditions in January, 1998. Operating income in Fiscal Year 1998 was $24,501,087, an increase of 1.5% over the prior Fiscal Year.

During Fiscal Year 1998, Capital Improvement Program expenditures totaled $27,386,873 including $1,126,103 from State and Federal highway sources and $26,260,770 from available toll revenues.

Debt Service Coverage

The following table shows actual debt service coverage for Fiscal Years 1998 through 2002 and estimated Net Revenues and debt service coverage for Fiscal Year 2003 (unaudited). The estimate for Fiscal Year 2003 is based on actual results (unaudited) through April 30, 2003 and projections through the end of Fiscal Year 2003.

DEBT SERVICE COVERAGE

	1998	1999	2000	2001	2002	2003 (5)
			(in thousands)			
Toll Revenues	$54,417	$57,218	$60,657	$61,731	$64,006	$65,511
Investment Income (1)	3,616	2,079	2,378	2,357	2,212	1,315
Total Revenues	58,033	59,297	63,035	64,088	66,218	66,826
Operating Expenses (2)	17,707	18,794	20,788	21,352	24,887	25,589
Net Revenues	$40,326	$40,503	$42,247	$42,736	$41,331	$41,237
Revenue Bond Debt Service	$21,678	$22,205	$26,452	$25,352	$26,452	$26,729
G.O. Bond Debt Service	6,519	6,304	5,973	5,696	5,414	5,184
Renewal and Replacement Requirement	3,982	4,049	5,390	5,928	5,725	7,100
Total All Obligations	$32,179	$32,558	$37,815	$36,976	$37,591	$39,013
Coverage Ratios						
Revenue Bond Debt Service (3)	1.86	1.82	1.60	1.69	1.56	1.54
All Obligations (4)	1.25	1.24	1.12	1.16	1.10	1.06

(1) Includes net interest income on Bond proceeds during construction, rental income and change in value of investments (2000 and 2001 only). As a result these numbers do not correspond to "Interest Income" on the prior table.
(2) 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.
(3) Net Revenues divided by Revenue Bond Debt Service.
(4) Net Revenues divided by the sum of Revenue Bond Debt Service, Renewal and Replacement Costs and general obligation bond debt service payable from Revenues.
(5) Estimated Net Revenues and debt service coverage (unaudited).

TURNPIKE SYSTEM INDEBTEDNESS

As of June 30, 2003, the Turnpike System had $318,450,000 of Turnpike System Revenue Bonds outstanding and $18,012,103 of State bonds to be paid from Turnpike System Revenues (unaudited). The following table presents Debt Service in each Fiscal Year on an accrual basis on the 2003 Series Bonds and on Outstanding Bonds and on a cash basis, the debt service paid in each Fiscal Year on the outstanding general obligation indebtedness of the State to be paid from Turnpike System Revenues. Outstanding general obligation bonds issued for Turnpike System purposes are payable from Revenues subject to the prior payment of amounts due and owing in respect of Outstanding Bonds. The table does not include debt service on Bonds that have been refunded. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."

Turnpike System Debt Service*

Fiscal Year Ending June 30,	Outstanding Revenue Bond Debt Service[1]	2003 Series Bond Debt Service	Total Revenue Bond Debt Service	General Obligation Debt Service Payable by Turnpike[2]	Total Debt Service Payable by Turnpike
2004	$ 21,548,016	$ 4,929,429	$ 26,477,445	$ 4,929,716	$ 31,407,161
2005	20,117,700	6,326,598	26,444,298	4,457,135	30,901,433
2006	20,119,379	6,320,048	26,439,427	4,218,626	30,658,053
2007	20,122,525	6,323,231	26,445,756	2,984,836	29,430,592
2008	20,119,429	6,322,950	26,442,378	1,712,536	28,154,914
2009	20,123,306	6,324,985	26,448,291	1,597,429	28,045,720
2010	20,122,512	6,321,924	26,444,436	668,851	27,113,287
2011	20,132,178	6,311,286	26,443,464	598,969	27,042,433
2012	20,101,809	6,354,684	26,456,493	0	26,456,493
2013	20,187,739	6,294,418	26,482,157	0	26,482,157
2014	17,711,638	8,772,839	26,484,476	0	26,484,476
2015	14,298,555	12,160,263	26,458,818	0	26,458,818
2016	13,243,361	13,208,258	26,451,619	0	26,451,619
2017	13,240,309	13,215,025	26,455,334	0	26,455,334
2018	13,233,589	6,319,317	19,552,906	0	19,552,906
2019	13,246,104	6,320,490	19,566,594	0	19,566,594
2020	11,161,007	6,303,100	17,464,107	0	17,464,107
2021	5,680,987	6,111,643	11,792,630	0	11,792,630
2022	5,679,156	6,491,047	12,170,203	0	12,170,203
2023	5,680,575	6,306,615	11,987,190	0	11,987,190
2024	5,679,337	6,242,673	11,922,010	0	11,922,010
2025	5,681,397	0	5,681,397	0	5,681,397
2026	5,681,159	0	5,681,159	0	5,681,159
2027	5,679,519	0	5,679,519	0	5,679,519
2028	5,682,309	0	5,682,309	0	5,682,309
2029	5,680,069	0	5,680,069	0	5,680,069
Total	$349,953,666	$153,280,818	$503,234,485	$ 21,168,098	$524,402,583

* Numbers may not add due to rounding.

(1) Excludes debt service on the Refunded Bonds.

(2) Debt service to be paid from Turnpike System Revenues.

CAPITAL IMPROVEMENT PROGRAM

In 1986, the State Legislature adopted the first ten-year capital improvement program for highways in New Hampshire**,** including specific components relating to the Turnpike System. Every two years, this long term capital improvement program is updated and revised. The Turnpike System component of the capital improvement program, as from time to time modified by the Legislature, is referred to herein as the "Capital Improvement Program." The current total estimated cost of the Capital Improvement Program, including expenditures to date, is approximately $630 million through Fiscal Year 2015, which the State has funded and intends to fund through Bond proceeds, investment earnings, available toll revenues and federal funds. As of June 30, 2002, over $404 million had been expended on the Capital Improvement Program, of which amount, approximately $336 million had been funded with proceeds of Bonds.

The Capital Improvement Program is intended to improve the safety of the Turnpike System and increase its capacity. A summary of the major projects currently underway and future projects is as follows:

Projects Underway Expected to be Financed with Remaining Proceeds of the 1999 Series Bonds:

- Engineering, right-of-way acquisition and construction of Exits 11 through 16 on the Spaulding Turnpike with two additional lanes of travel added from Exit 12 to 16 (totaling approximately 7 new lane miles) B10*
- Engineering and right-of-way acquisition of the North Segment of the Nashua Circumferential Highway project, primarily from Route 3 to 3A, including the Benson's Landfill clean up A11
- Engineering for design of Exit 10 on the Spaulding Turnpike B7
- Engineering, right-of-way acquisition and construction of the Exit 5 Granite St interchange in Manchester A15
- Engineering and construction of an F.E. Everett Turnpike bridge over the Souhegan River in Merrimack A18
- Engineering and construction of the roadway approaches including expansion of the Bedford toll plaza A19
- Engineering, right-of-way acquisition, and construction of US Rte 3 bridge over the F.E. Everett Turnpike in Bedford A20
- Engineering, right-of-way acquisition, and construction of the Turnpike ramp associated with NH 16/US 4 widening including Little Bay Bridges B11
- Engineering and construction for the widening of the roadway approaching the Hampton Main Line toll plaza C2
- Engineering and construction for the widening of the roadway approaching the Hampton Ramp toll plaza and roadway approaches C3
- Toll collection equipment including Electronic Toll System with associated signing D3

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* Letter and number at the end of each project denotes project reference under heading "Project Descriptions" hereafter.

- Deployment of Intelligent Transportation System (ITS) on the Blue Star and Spaulding Turnpikes D4
- Administrative costs and consultant studies for bond issue
- Miscellaneous costs on a variety of projects

Future Projects:

- Continued engineering, right-of-way acquisition, and construction of the Nashua Circumferential North from the F.E. Everett Turnpike to the Route 111 interchange A11
- Continued engineering, right-of-way acquisition, and construction of Exit 10 on the Spaulding Turnpike B7 and B8

The planning and scheduling of projects for the Capital Improvement Program is a dynamic process with changing priorities, requiring constant monitoring of traffic growth, anticipation of right-of-way needs for acquisition and environmental constraints regarding permitting. Another project under consideration for inclusion in the Capital Improvement Program pending legislative authorization to permit the expenditure of Bond proceeds is the widening of the F.E. Everett Turnpike from Bedford to Merrimack.

The State modifies the Capital Improvement Plan from time to time in order to address particular needs of the Turnpike System. The timing of particular projects listed above is subject to change as a result of various factors, including permitting and environmental issues that may arise, as well as other unforeseen factors.

Since 1986, the expenditure of $404,794,793 through June 2002 on the Capital Improvement Program has provided major accomplishments on the Turnpike System, including the construction of 152 lane miles of additional highway, the reconstruction of 25 existing bridges, the construction of 14 new bridges, 9 reconstructed interchanges, and 7 new interchanges, as well as 30 additional new toll facility lanes.

The following is a brief description of the projects that comprise the Capital Improvement Program for the Turnpike System, including current costs estimates (which includes monies already spent) and projected completion dates. Projected construction costs for the Capital Improvement Program were based on estimated construction costs in 2002 constant dollars with no annual inflationary factor applied. The Department considers these construction estimates reasonable.

Project Descriptions

Central Turnpike	Description	Estimated Cost (Millions)	Completion Date
Project A1	Preliminary engineering and right-of-way acquisition for Exits 8 and 11, including ramp toll facilities (Merrimack/Nashua).	$1.330	December 1989[(1)]
Project A2	Construction of new interchange at Exit 8 to relieve traffic congestion at Interchange 7 (Nashua).	$10.054	June 1988[(1)]
Project. A3	Preliminary engineering and right-of-way acquisition for Exits 1 and 2 (Nashua).	$26.135	June 2001[(1)]
Project A4	Reconstruction of Exit 11 and construction of northbound "off" and southbound "on" ramp toll facilities (Merrimack)	$11.000	July 1993[(1)]
Project A5	Engineering, right-of-way acquisition, and construction of new mainline toll plaza (Bedford).	$5.363	January 1989[(1)]
Project A6	Engineering, right-of-way acquisition, and construction of a new interchange two miles south of Exit 11 (formerly Exit 8). Merrimack Industrial Park Interchange includes "off" and southbound "on" toll facilities (Merrimack).	$21.637	October 1990[(1)]
Project A7	Engineering, right-of-way acquisition and construction of Camp Sargent Road bypass. Project will interconnect Amherst street in Nashua with the new interchange Project A6 (Merrimack).	$8.182	December 1994[(1)]
Project A8	Preliminary engineering and right-of-way acquisition for widening the Central Turnpike between Exits 3 and 7 (Nashua).	$21.704	April 2002 [(1)]
Project A10	Engineering, right-of-way acquisition, and construction of a portion of the southern segment of the circumferential highway in Nashua	$42.895	July 2001[(2)]
Project A11	Engineering and right-of-way acquisition of the northern segment of the circumferential highway including Benson's landfill clean up (Nashua/Hudson/Litchfield)	$41.060	June 2009
Project A12	Reconstruction of Exits 1 and 2 and construction of connector to the circumferential highway (Nashua).	$59.042	August 2002 [(1)]
Project A13	Widening and reconstruction of Central Turnpike between Exits 3 and 7 (Nashua).	$85.045	May 2002[(1)]
Project A14	Engineering, right-of-way acquisition, and construction of Bedford Road Interchange including toll facilities (Merrimack).	$6.856	November 1990[(1)]
Project A15	Widening of Central Turnpike in Manchester between Route 101 and the Amoskeag Bridge including construction of the Exit 5 Granite St Bridge and ramps (Bedford/Manchester).	$48.044	June 2010
Project A16	Study of feasibility of widening Central Turnpike between I-89 Interchange and Interchange I-393 (Bow/Concord).	$0.149	August 1992[(1)]
Project A17	Construction of southbound only toll facilities of Central Turnpike and southbound on-ramp at Exit 1 (Nashua).	$0.364	[(3)]
Project A18	Engineering and construction of F.E. Everett bridge over the Souhegan River in Merrimack.	$6.588	October 2010

Project A19	Engineering and construction of the roadway approaches including expansion of the Bedford toll plaza (Merrimack-Bedford).	$7.480	November 2004
Project A20	Engineering, right-of-way acquisition, and construction of US Rte 3 bridge over the F. E. Everett Turnpike in Bedford	$5.775	October 2012
Spaulding Turnpike			
Project B1	Engineering, right-of-way acquisition and reconstruction of the Gosling Rd Interchange (Newington/Portsmouth).	$13.404	November 1993[1]
Project B2	Safety improvements on the Spaulding Turnpike to include median guardrail and safety improvements (Dover/Rochester).	$6.621	June 2002[1]
Project B3	Expansion of Dover Toll Plaza (Dover).	$1.506	June 2008[4]
Project B4	Right-of-way acquisition in median of Spaulding Turnpike (Newington)	$2.657	March 1993[1]
Project B5	Engineering of by-pass around Notch Conway	$0.124	December 1990[1]
Project B6	Dover/Somersworth Weeks traffic circle	$1.000	December 1994[1]
Project B7	Engineering for design of Exit 10 on the Spaulding Turnpike (Dover).	$2.966	June 2006
Project B8	Construction of Exit 10 on the Spaulding Turnpike (Dover).	--	Future Project[5]
Project B9	Reconstruction and right-of-way acquisition for Exit 6W/US Rte 4 (Scammell Bridge) (Dover).	$1.000	November 1997[1]
Project B10	Engineering, right-of-way acquisition, and construction of Exits 11 through 16 (Rochester).	$109.912	November 2015
Project B11	Engineering, right-of-way acquisition, and construction of the Turnpike ramps associated with NH 16/US 4 widening including Little Bay Bridges (Newington/Dover).	$6.730	June 2008
Blue Star (Route I-95) Turnpike			
Project C1	Expansion of Hampton Toll Plaza (Hampton/North Hampton)	$2.379	July 1991[1]
Project C2	Engineering and Construction of roadway widening of the approaches to the Hampton Main Line toll plaza (Hampton)	$2.481	June 2003
Project C3	Engineering and construction for the widening of the Hampton ramp toll plaza and approaches (Hampton)	$3.500	November 2006
Administrative			
Project D1	Administrative	$37.306	on-going
Project D2	Consultant Studies	$0.754	on-going
Project D3	Electronic Toll Collection equipment including signs	$23.280	December 2005
Project D4	Intelligent Transportation deployment on the Blue Star and Spaulding Turnpikes	$5.050	September 2007
Total		$629.373[6]	

(1) Actual completion date. Additional expenditures may be made of up to approximately $150,000 for Project A7 and $50,000 for Project A14 for the final resolution of certain rights-of-way acquisition issues.

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

(3) The Legislative authority to build the Nashua toll facilities was repealed in Fiscal Year 2001.
(4) Removed from the Departments 10-year Highway Improvement Program.
(5) The project has been placed "on hold" until further notice.
(6) Numbers may not add due to rounding.

Set forth below is a table of Capital Improvement Program expenditures on an unaudited cash basis for Fiscal Years 1986 through 2002 and on a forecasted basis for Fiscal Years 2003 through 2007. The timing and amounts of capital expenditures are subject to change. Currently, the State expects to issue approximately $50,000,000 of Additional Bonds in 2005.

CAPITAL IMPROVEMENT PROGRAM EXPENDITURES
FISCAL YEARS 1986 THROUGH 2007

Fiscal Year Ending June 30,	Capital Expenditures
1986	$ 3,703,014
1987	12,846,330
1988	15,092,609
1989	34,183,782
1990	31,457,483
1991	25,308,194
1992	29,988,101
1993	33,941,502
1994	30,665,402
1995	40,452,057
1996	29,198,433
1997	24,917,835
1998	26,260,770
1999	30,544,034
2000	19,719,168
2001	10,148,747
2002	6,496,646
2003	18,890,000*
2004	26,110,000**
2005	27,220,000**
2006	27,520,000**
2007	26,320,000**
Total	$530,984,107

* Budgeted.
** Estimated.

Contingencies

Delays in obtaining the many necessary permits, licenses and approvals to commence construction are not unusual occurrences with major highway projects. It has been and continues to be the policy of the Department of Transportation that it will not award contracts for construction projects unless the requisite permits, licenses and approvals have been obtained.

Certain delays and cost increases have been experienced with some of the projects in the Capital Improvement Program. It is possible that ongoing and future projects in the Capital

Improvement Program may experience similar delays or cost increases or that other unforeseen circumstances may arise. As a result, the estimated cost of completing projects within the Capital Improvement Program could increase, requiring the State to modify the Capital Improvement Program or take other action to address such increased cost. Changes in the Capital Improvement Program or other actions may also be required in the event that revenues are below projections.

In addition, completion of the Capital Improvement Program may require additional appropriations by the State Legislature. The Capital Improvement Program may be expanded, contracted or otherwise changed by legislation in the future.

Increases in toll rates at existing facilities and the location and configuration of new toll facilities are matters that can be the subject of controversy. The State intends to pursue resolution of any such issues in a timely manner so that the assumed toll revenue sources will be in place as projected. If any of the assumed additional revenue sources is not available as projected, alternatives would need to be pursued. Available alternatives would include, among other things, (i) implementing alternative revenue increases at existing toll facilities, (ii) funding Capital Improvement Program projects through other sources or (iii) curtailing expenditures on the Capital Improvement Program.

There are various bills pending before the State Legislature now and from time to time which relate to the Turnpike System covering subjects including changes in Turnpike System construction projects and the Turnpike System toll structure. Pursuant to RSA 237-A the State is obligated to perform the covenants made by it in the Bond Resolution, including, without limitation, the obligations regarding the establishment and collection of tolls as described under "SECURITY FOR THE BONDS - Toll Rate Covenant". In the opinion of Bond Counsel, any legislation would be subject to the provisions of Article 1, Section 10 of the United States Constitution prohibiting any law impairing the obligation of contracts and therefore could not unconstitutionally impair the obligations of the State under the Bonds and the Bond Resolution, including its obligation under those covenants. The State does not believe that any legislation having this effect is likely to be enacted.

OTHER PLANNED CONSTRUCTION PROJECTS

The Department of Transportation may construct new feeder roads to portions of the Turnpike System, and it maintains an ongoing program of maintenance and improvement for existing feeder roads.

However, the Department's ten-year plan does not include plans to construct competing roads that would (a) provide an alternative to travel on the Turnpike System or (b) have a material adverse impact on traffic on or revenue from the Turnpike System.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains terms and conditions relating to the issuance and sale of Bonds under it, including various covenants and security provisions, certain of which are summarized below. Certain provisions of the Resolution are described under the caption "SECURITY FOR THE BONDS." This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the State Treasurer and the Trustee. This summary uses various terms defined in the Bond Resolution. Summaries of certain capitalized terms used herein are defined in the Glossary of Terms, attached hereto as Appendix D.

Bonds Authorized

Under the Bond Resolution the State may issue Bonds which bear a fixed rate of interest ("Fixed Rate Bonds"), Bonds which provide for a variable interest rate ("Variable Rate Bonds"). Bonds which provide for mandatory redemption at the option of the registered owner ("Option Bonds"), or deep discount Bonds ("Original Issue Discount Bonds"). At the time of the issuance of the 2003 Series Bonds, the only other Bonds then Outstanding will be $53,715,000 of the 1991 Refunding Series Bonds, $1,680,000 of the 1994 Series Bonds and $83,770,000 of the 1999 Series Bonds and $84,785,000 of the 2002 Refunding Series Bonds. As used herein, the term "Bonds" refers to all Bonds then Outstanding under the Bond Resolution. The term "Outstanding" excludes Bonds which have been refunded through the issuance of Refunding Bonds as described under "Refunding Bonds" below.

Bond Resolution to Constitute Contract

The Bond Resolution constitutes a contract between the State and the Bondholders. The pledge made in the Bond Resolution with respect to the Bonds and the covenants and agreements therein are for the equal benefit and security of the holders of all Bonds, all of which, regardless of their time of issue or maturity, rank equally without preference, priority or distinction of any Bond over any other, except as expressly provided in the Bond Resolution.

Pledge of Bond Resolution

The Bond Resolution pledges for the payment of the principal of, redemption premium, if any, and interest on the Bonds, the proceeds of the sale of such Bonds, the Revenues and all moneys and securities in all accounts and subaccounts established by or pursuant to the Bond Resolution, other than the Rebate Account, subject only to the application of Revenues for the payment of Operating Expenses in accordance with the terms of the Bond Resolution.

The Bonds are limited obligations of the State. Neither the full faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the Bonds. See "SECURITY FOR THE BONDS-Pledge of Revenues".

Additional Bonds

The Bond Resolution authorizes the issuance of Bonds in one or more series without limitation as to amount except as limited by law (current statutory limit of $586,050,000 excluding refunding Bonds) and the terms of the Bond Resolution. The Bond Resolution permits the issuance of Additional Bonds on a parity with all other then Outstanding Bonds for the purposes of paying Project Costs and refunding (directly or indirectly) Bonds or other obligations issued for the purpose of paying Project Costs. Additional Bonds may be issued by the State only upon the filing with the Trustee of the certificates, opinions and documents described under the caption "SECURITY FOR THE BONDS-Additional Indebtedness-Additional Parity Bonds".

Refunding Bonds

The Bond Resolution permits the issue of one or more series of Bonds ("Refunding Bonds") for the purpose of refunding Bonds. The 2003 Series Bonds are being issued pursuant to the Bond Resolution provisions relating to Refunding Bonds. Refunding Bonds may be issued by the State only upon certifying that the Debt Service for each Fiscal Year in which Bonds are or will be Outstanding will not be increased as a result of the issuance of Refunding Bonds; provided that, in lieu of such certification, the State may file with the Trustee the certificates described in paragraphs (1)(A) through (1)(E) under the caption "SECURITY FOR THE BONDS-Additional Indebtedness-Additional Parity Bonds."

The above-described certificates shall be required in the case of Bonds issued to refund other obligations issued for the purpose of paying Project Costs as if the Bonds were being issued for the Projects financed by such other obligations.

Additional Security

The Bond Resolution provides that in connection with the initial issuance of any Series of Bonds, the State may obtain letters of credit, lines of credit, insurance or similar obligations, agreements or instruments ("Additional Security") securing or providing for the purchase of such Series of Bonds by the issuer of such Additional Security. The State may enter into agreements with the issuer of such Additional Security with respect to the adjustments of the interest rates or other provisions of the Series of Bonds secured thereby. The State may also agree to directly reimburse the issuers of Additional Security for amounts paid thereunder ("Reimbursement Obligations") and such Reimbursement Obligations may be deemed to be Additional Bonds under the Bond Resolution and entitled to the same security as the Bonds upon payments of amounts thereunder.

Establishment of Accounts and Subaccounts

The Bond Resolution establishes the following accounts and subaccounts all of which shall be held by the Treasurer, except as noted below:

(1) Construction Account

(2) Revenue Account

(3) Debt Service Account, containing an Interest Subaccount and a Principal Subaccount (to be held by the Trustee)

(4) Rebate Account (to be held by the Trustee)

(5) Special Redemption Account (to be held by the Trustee)

(6) Debt Service Reserve Account (to be held by the Trustee)

(7) Insurance Reserve Account

(8) General Reserve Account

Application of Bond Proceeds

The application of the proceeds of each Series of Bonds is governed by the provisions of the applicable Supplemental Resolution providing for their issue. For a description of the application of proceeds of the 2003 Series Bonds and other funds, see "SOURCES AND USES OF FUNDS". Each supplemental resolution shall designate the Bonds to be issued thereunder by an appropriate series designation and shall also specify: (a) the authorized principal amount of the Series of Bonds; (b) the purpose or purposes for which the Series of Bonds is being issued, and if the Bonds are being issued to pay Project Costs, the Project or Projects for which the Bonds are being issued; (c) the date of the Bonds; (d) the provisions for the sale of the Bonds; and (e) any other provisions required to be inserted by other provisions of the Bond Resolution.

Subordinate Lien Obligations

Notwithstanding anything to the contrary in the Bond Resolution, the State may issue bonds, notes or other evidences of indebtedness for the purposes of the Turnpike System payable from the General Reserve Account and the Revenues, subordinate to the deposits and credits required to be made under the Bond Resolution and to the payments required for Operating Expenses, and may secure the bonds, notes or evidences of indebtedness by a pledge of the Revenues inferior to the pledge of the Revenues created by the Bond Resolution. The proceeds of the inferior obligations may be pledged as security for the inferior obligations free and clear of the lien of the Bond Resolution.

Revenue Account

The State shall deposit all of the Revenues into the Revenue Account as promptly as practicable after receipt (other than the Revenues expressly required or permitted by the Bond Resolution to be credited to or deposited in any other account). Moneys in the Revenue Account shall be applied first to the payment of Operating Expenses and then, not later than the twentieth day of each month, except as described below, to the following purposes and in the following order:

(1) for deposit in the Interest Subaccount of the Debt Service Account, an amount equal to one-sixth of the installment of interest next coming due plus, at any time, any amount required to pay interest on overdue principal;

(2) for deposit in the Principal Subaccount of the Debt Service Account, an amount equal to one-twelfth of the installment of principal or sinking fund installment next coming due plus, at any time, any amount required to pay principal of Bonds which has been accelerated;

(3) for deposit in the Rebate Account, such amounts and at such times as are required by supplemental resolution;

(4) for deposit in the Debt Service Reserve Account, an amount, which together with other amounts on deposit in such Account, will equal the Debt Service Reserve Account Requirement;

(5) for deposit in the Insurance Reserve Account from time to time, an amount, which together with other amounts on deposit in such Account, will equal the Insurance Reserve Requirement;

(6) for deposit in the Special Redemption Account from time to time, such amounts as are required to pay accrued interest on the purchase or redemption of Bonds or to reimburse such Account for accrued interest already paid; and

(7) for deposit in the General Reserve Account, the balance, if any, remaining after making the deposits required by paragraphs (1) through (6) above.

Application of Funds and Accounts

The Bond Resolution provides that the proceeds of Bonds, Revenues and other moneys deposited in the various accounts and subaccounts under the Bond Resolution shall be applied as follows:

Construction Account. Amounts on deposit in the Construction Account shall be applied to the payment of the Project Costs of the respective Projects for which the Bonds are issued. Any balance in the Construction Account not required to pay Project Costs of a Project shall be deposited in the Debt Service Reserve Account to the extent necessary to cause the amount in such Account to equal the Debt Service Reserve Account Requirement and, as the State shall determine, the balance shall be transferred to the Special Redemption Account or be retained in the Construction Account for the purpose of paying Project Costs of other Projects.

Debt Service Account. Amounts on deposit in the Debt Service Account will be applied to the payment of principal (including sinking fund installments) of and interest on the Bonds.

The State may purchase Bonds from available funds and credit them against an installment of principal or sinking fund installment applicable to them at the applicable principal amount or sinking fund redemption price by delivering them to the Trustee for cancellation at least sixty (60) days before the principal due date or sinking fund installment date.

Special Redemption Account. The State may deposit in the Special Redemption Account any moneys not otherwise required by the Bond Resolution to be deposited or applied, including excess proceeds after the completion of a Project and proceeds of insurance or condemnation or other disposition of Turnpike System assets. Amounts in the Special Redemption Account may be applied by the Trustee at the direction of the

Treasurer to the redemption of Bonds or to the purchase of Bonds at prices not exceeding the earliest available redemption price (excluding accrued interest).

Debt Service Reserve Account. If at any time the amount on deposit and available therefor in the Debt Service Account is insufficient to pay an installment of interest or principal or a sinking fund installment when due, amounts in the Debt Service Reserve Account will be applied to the deficiency. If on the twentieth day of any month the amount on deposit in the Debt Service Reserve Account is in excess of the Debt Service Reserve Account Requirement, the excess shall be deposited in the Revenue Account unless the excess accrued prior to the Completion Date of a Project from the investment of proceeds of Bonds issued to finance or refinance the Project, in which case the excess shall be deposited in the Construction Account unless otherwise provided by a Supplemental Resolution. In lieu of any or all of the required deposits into the Debt Service Reserve Account, the State may cause to be deposited therein a surety bond, an insurance policy or a letter of credit in an amount equal to the difference between the Debt Service Reserve Account Requirement and the sums then on deposit in such Account, if any.

General Reserve Account. Amounts on deposit in the General Reserve Account shall be applied in the following order of priority: (1) to make up any deficiencies in payments from the Revenue Account required by the Bond Resolution; (2) to provide funds to pay Renewal and Replacement Costs to the extent necessary to meet the Renewal and Replacement Requirement for the then current Fiscal Year; (3) to pay general obligation bonds issued by the State for purposes of the Turnpike System; and (4) subject to the terms of any pledge securing any subordinate lien obligations issued in accordance with the Bond Resolution, for any other lawful purpose of the Turnpike System.

Insurance Reserve Account. The State has deposited the sum of $3,000,000 into the Insurance Reserve Account, which amount will be available to insure against risks that would otherwise be covered by policies of insurance. The State will maintain the Insurance Reserve Account at the Insurance Reserve Requirement, which Requirement shall at all times be no less than $3,000,000. If there is a deficiency in the amounts available in the Debt Service Account to pay an installment of interest or principal or a sinking fund installment when due, after first taking account of any transfers from the Debt Service Reserve Account and the General Reserve Account, the State shall make up the deficiency by transfer from the Insurance Reserve Account and the State shall reimburse the Insurance Reserve Account from the next available moneys in the Revenue Account after payment of Operating Expenses and after any required payments into the Debt Service Account, Rebate Account and Debt Service Reserve Account.

Rebate Account. There is to be established within the Rebate Account a subaccount to be known as the 2003 Refunding Series Bonds Rebate Subaccount into which the sum of (i) any excess of (A) the aggregate amount earned on all Nonpurpose Investments (as defined in Section 148 of the Internal Revenue Code of 1986, as amended), acquired with any Gross Proceeds (as defined in the Internal Revenue Code of 1986, as amended), over (B) the amount which would have been earned if all Nonpurpose

Investments in such accounts were invested at a rate equal to the yield on the 2003 Series Bonds, plus (ii) any income attributable to the investment of any excess described in clause (i) above or this clause (ii) to be deposited. Within 45 days after the close of each bond year, the Treasurer shall compute and certify the amount of such excess, if any, for such bond year, and the Treasurer shall deposit such amount into the 2003 Refunding Series Bonds Rebate Subaccount from the Revenue Fund.

If at the close of any bond year the amount in the 2003 Series Bonds Rebate Subaccount exceeds the amount that would be required to be paid to the United States if the 2003 Series Bonds were no longer Outstanding, upon certification thereof by the Treasurer, such excess shall promptly be paid to the Treasurer for deposit in the Revenue Account.

Within 60 days after the close of the fifth twelve-month period from the date of issuance of the 2003 Series Bonds and at least once in each five-year period thereafter, the Treasurer shall cause to be paid to the United States the full amount then required to be paid under the rebate provisions of the Internal Revenue Code of 1986, as amended. Within 60 days after the 2003 Series Bonds are no longer Outstanding, the Treasurer shall cause to be paid to the United States the full amount then required to be paid under the rebate provisions of such Code as calculated by the Treasurer. If the amount in the 2003 Refunding Series Bonds Rebate Subaccount is insufficient to pay the amount required to be paid, the Treasurer shall be liable to make up that deficiency from the Revenue Account no later than 15 days prior to each date on which a rebate payment is due.

The provisions described above shall be complied with by the State in order to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code") such that interest on the 2003 Series Bonds shall be and remain excludable from the gross income of the recipients thereof for federal income tax purposes; provided, however, that the State shall not be required to comply with any such provision with respect to the 2003 Series Bonds in the event the State receives an opinion of nationally recognized bond counsel that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision described above will satisfy said requirements in which case compliance with such other provision specified in such opinion shall constitute compliance with provisions described above.

Investment of Accounts

Moneys in the Revenue Account and the General Reserve Account not needed for immediate disbursement may be invested by the Treasurer as permitted by law. Other moneys held by the Treasurer or by the Trustee under the Bond Resolution which are not needed for immediate disbursement shall, to the extent practicable and reasonable, be invested in Permitted Investments (as defined below) by the Treasurer in the case of accounts held by the Treasurer, or by the Trustee as directed by the Treasurer (or in the discretion of the Trustee if no direction is received from the Treasurer) in the case of other accounts, subject to the following:

(1) The Permitted Investments must mature or be redeemable at the option of the holder at or before the time when the moneys are expected to be needed;

(2) In the case of the Debt Service Reserve Account, the only Permitted Investments are direct and general obligations of, or obligations unconditionally guaranteed by the United States of America;

(3) Moneys in several accounts may be invested in undivided interests in the same Permitted Investments if they are otherwise eligible for each of the several funds. Permitted Investments may be transferred in kind at fair market value from one account to another when transfers are required if they are eligible for the transferee account; and

(4) In the event that invested moneys in an account are required for expenditure or transfer, the investments shall be sold or redeemed to the extent necessary, subject to the notice provisions of the Uniform Commercial Code to the extent applicable. Permitted Investments may be sold by one account to another if eligible for investment by the latter.

The term "**Permitted Investments**" means the following, to the extent permitted by New Hampshire Revised Statutes Annotated 6:7 and 8 as amended from time to time:

(a) Defeasance Obligations;

(b) bonds, notes or other evidences of indebtedness issued or guaranteed by the Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Bank System, Federal Land Banks, Farmers Home Administration, Student Loan Marketing Association, Federal National Mortgage Association or Government National Mortgage Association;

(c) direct and general obligations of any state of the United States for the payment of the principal of and interest on which the full faith and credit of the state is pledged, provided that at the time of their purchase, such obligations are rated in either of the two highest rating categories by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(d) interest-bearing deposit accounts, certificates of deposit or similar banking arrangements maturing within one year, which are either (i) fully insured by the Federal Deposit Insurance Corporation, or (ii) fully secured at all times by Defeasance Obligations, or (iii) with a bank or trust company that is rated in either of the two highest rating categories by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(e) repurchase agreements, with a term of not more than one year or due on demand, relating to and fully secured by Defeasance Obligations with a bank or trust company, or with a government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; provided that the market value of such securities is marked-to-market weekly and maintained at one hundred four percent (104%) of the repurchase price plus accrued interest specified in the agreement and that such securities are segregated from the unencumbered assets of such bank or trust company or government bond dealer; and provided further that the agreement shall expressly authorize the Trustee to liquidate the purchased securities in the event of the insolvency of the party required to repurchase such securities or the commencement against such party of a case under the federal Bankruptcy Code or the appointment of or taking possession by a trustee or custodian in a case against such party under the Bankruptcy Code; and

(f) investment agreements with a bank or bank holding company which is rated at their time of purchase in either of the two highest rating categories by Moody's Investors Service. Inc. and Standard & Poor's Corporation, which agreements have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction.

Permitted Investments may be purchased from or through the Trustee.

Except as set forth below or as otherwise provided in the supplemental resolution providing for the issuance of a Series of Bonds, all income from investments in any account established under the Bond Resolution (including net profit from the sale of any investment) shall accrue to and be held in the account. Income from investment of the Special Redemption Account shall be transferred to the Debt Service Account and credited against the amounts otherwise required to be deposited in the Debt Service Account. For the period until the Completion Date of a Project financed by Bonds (or until the Project is discontinued pursuant to the Bond Resolution) income accruing from investment of the proceeds of Bonds issued to finance or refinance the Project which have been deposited in the Debt Service Account, the Construction Account, and the Debt Service Reserve Account, shall be deposited in the Construction Account, or as otherwise provided by the supplemental resolution under which the Bonds are issued for the Project. The 1990 Series Supplemental Resolution provides that all such income accruing from investments in the Debt Service Account and the Debt Service Reserve Account shall be deposited in the Revenue Account. Any loss from investment of a fund or account shall be charged to the account but, unless otherwise made up, shall be set off against income from investment of the account which would otherwise be deposited in another account.

Except as otherwise provided in the Supplemental Resolution providing for the issuance of a Series of Bonds, investments shall be valued at cost (plus amortized discount or minus amortized premium but excluding accrued interest to the date of purchase) plus accrued interest to the date as of which they are valued unless the Treasurer or the Trustee determines that a lower valuation is necessary by reason of uncertainty of payment or anticipated loss on sale prior to maturity.

Covenants

Tolls and Charges. See "SECURITY FOR THE BONDS-Toll Rate Covenant."

Annual Budget. For each Fiscal Year the State shall file with the Treasurer an annual budget relating to the Turnpike System, which annual budget shall be consistent with the then current biennial budget enacted by the State Legislature. The State may at any time adopt and file with the Treasurer an amended or supplemental annual budget for the Fiscal Year then in progress. The annual budget shall show projected Operating Expenses, Debt Service, Renewal and Replacement Costs and other payments from the Revenue Account and the General Reserve Account and the Revenues to be available to pay the same.

Independent Engineer. The State shall retain one or more independent consulting engineers or engineering firms, having a national reputation for knowledge and experience in analyzing the operations of this type of system, to perform the duties of the Independent Engineer under the Bond Resolution.

Operation, Maintenance and Improvement of the System. The State shall operate and maintain the Turnpike System and make improvements to the same in accordance with prudent practice for this type of system.

Insurance. The State shall at all times maintain such insurance with respect to the Turnpike System, either through insurance reserves or through insurance policies, as it determines is prudent or necessary to protect the interests of the State and the bondholders. In the event of loss or damage to property covered by the insurance, the State shall repair and reconstruct or replace the damaged or lost property as soon as practicable and to the extent necessary for the proper conduct of its operations and shall apply the proceeds of the insurance for that purpose to the extent needed. Any excess proceeds from property insurance shall be paid to the Trustee for deposit in the Debt Service Reserve Account to the extent necessary to cause the amount in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement and the balance shall be deposited, as the State shall determine, in the Construction Account (for the purpose of paying Project Costs of Projects designated by the State) or the Special Redemption Account.

The State, acting through its Department of Insurance, shall annually review the kinds and amounts of insurance policies and self-insurance maintained by the State with respect to the Turnpike System and no later than sixty days after the end of each Fiscal Year shall deliver to the Treasurer a report describing the insurance then in effect and a certificate from the Commissioner of Insurance of the State setting forth the Insurance Reserve Requirement for the next Fiscal Year or any portion thereof. If at any time the Insurance Reserve Requirement shall be increased as described above or if as of the last business day of a Fiscal Year the balance in the Insurance Reserve Account shall be less than the Insurance Reserve Requirement for that Fiscal Year, the certificate required by the foregoing sentence shall also specify the dates and amounts of deposits to the Insurance Reserve Account during the next succeeding Fiscal Year so that no later than the last day of such next succeeding Fiscal Year the balance in the Insurance Reserve Account shall equal the Insurance Reserve Requirement as of that date.

No Encumbrance or Disposition of the Revenues or Properties of the Turnpike System. The State shall not sell, mortgage, lease or otherwise dispose of or encumber the Revenues or any properties of the Turnpike System, except that:

(1) the State may sell, lease, or otherwise dispose of for fair market value any portion of the properties of the Turnpike System which in the reasonable judgment of the State has become obsolete or worn out, or no longer used or useful, or which is to be or has been replaced by other property; and

(2) except as provided in paragraph (1), the State may also sell, lease, or otherwise dispose of for fair market value any portion of the properties of the Turnpike System upon filing with the Trustee a certificate (a) of the Independent Engineer stating

that the sale, lease or other disposition is in accordance with prudent practice for this type of system and containing the statements required by paragraph (1)(D) under the caption "SECURITY FOR THE BONDS-Additional Indebtedness-Additional Parity Bonds", and (b) of an Authorized Officer containing the statements required by paragraph (1)(E) thereunder, as if the date of the sale, lease or other disposition were a date of issuance of Bonds.

If any portion of the properties of the Turnpike System is taken by eminent domain, any moneys received by the State as a result shall be paid to the Trustee for deposit in the Debt Service Reserve Account to the extent necessary to cause the amount in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement, and any balance shall be paid into the Revenue Account if the balance is not in excess of one percent (1%) of the principal amount of the Outstanding Bonds. If the balance exceeds that sum, it shall be deposited, as the State shall determine, in the Construction Account (for the purpose of paying Project Costs of Projects designated by the State) or the Special Redemption Account.

Books of Account; Annual Audit. The State shall keep proper books and accounts relating to the Turnpike System. Within one hundred eighty days after the end of each Fiscal Year, the State shall file with the Trustee an annual financial statement, certified by an independent certified or registered public accountant or an independent firm of certified or registered public accountants. The report of the auditor shall state whether there has come to the attention of the auditor in the course of its examination any Default under the Bond Resolution and, if so, the nature of the Default.

Carrying Out Projects. The State shall proceed with due diligence to carry out and complete the Projects financed by the issuance of Bonds. The State may, however, discontinue a Project prior to its completion by written notice to the Treasurer and the Trustee, with a certificate of an Authorized Officer stating that, by reason of change of circumstance not reasonably expected at the time of issuance of the Bonds, completion of the Project is no longer consistent with prudent practice for this type of system.

Federal Income Tax. Except as otherwise provided as to a Series of Bonds in the Supplemental Resolution providing for their issuance, the State shall not make any use of Bond proceeds or take any other action that would cause the interest on a Series of Bonds to become included in gross income for federal income tax purposes, and shall not fail to take any other lawful action necessary for interest on a Series of Bonds to be or continue to be excluded from gross income for federal income tax purposes.

Events of Default; Acceleration of Maturities

An "**Event of Default**" under the Bond Resolution means any one of the following events:

(1) The State fails to make any payment of principal or redemption price of any of the Bonds when due, whether at maturity or by proceedings for redemption or otherwise.

(2) The State fails to make any payment of interest on any of the Bonds when due and the failure continues for thirty (30) days.

(3) The State fails to make any payment required to be made into any account held by the Trustee under the Bond Resolution and the failure continues for thirty (30) days.

(4) The State sells, mortgages, leases or otherwise disposes of or encumbers the Revenues or any properties of the Turnpike System in violation of the Bond Resolution, or makes an agreement to do so.

(5) Any part of the Turnpike System shall be damaged or destroyed to the extent of impairing its efficient operation and having a material adverse effect on Revenues and shall not be promptly repaired, replaced or reconstructed.

(6) The State fails to perform any other covenant or agreement contained in the Bond Resolution and the failure continues for sixty (60) days after written notice to the State by the Trustee or to the State and the Trustee by the owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds.

Upon the occurrence of an Event of Default and so long as the default is not cured, either the Trustee or the holders of 25% in principal amount of the Outstanding Bonds, in addition to their otter remedies under the Bond Resolution, may (by written notice to the State and the Trustee) declare the principal of all Outstanding Bonds, and the interest accrued thereon, to be due and payable immediately.

Payment of Funds to the Trustee; Application of Funds

If an Event of Default occurs and has not been cured, the Treasurer, upon demand of the Trustee, will pay over to the Trustee the funds and investments in the Construction Account, and the Treasurer, upon demand of the Trustee, will pay over to the Trustee all Revenues on hand and all moneys and investments then held by the Treasurer in any funds and accounts held by it under this Bond Resolution and shall transfer to the Trustee, as received and in the form received, all subsequent Revenues. After a transfer of the moneys and investments in an account pursuant to the preceding sentence, the Trustee shall administer the account until all Events of Default have been cured.

If at any time the available funds are insufficient for the payment of the principal or redemption price and interest then due on the Bonds, the following accounts (other than funds held in trust for the payment or redemption of particular Bonds) shall be used in the following order:

Debt Service Account

Debt Service Reserve Account

General Reserve Account

Insurance Reserve Account

Construction Account

Special Redemption Account

and the State shall promptly restore from the Revenue Account any amount taken for this purpose from any account other than the Debt Service Account. The moneys shall be applied in the following order of priority:

First, to the payment of all unpaid interest then due on Bonds (including any interest on overdue principal and, to the extent permitted by law, interest on overdue interest at the same rate) in the order in which the same becomes due, and, if the amount available is sufficient to pay the unpaid interest which became due on any date in part but not in full, then to the payment of that interest ratably; and

Second, to the payment of the unpaid principal or redemption price of Bonds then due ratably without regard to when the same became due.

Other Remedies

The Trustee may pursue any available remedy at law or in equity to collect the payment of principal or redemption price of and interest on the Bonds or to enforce the performance of any provisions of the Bonds or the Bond Resolution. The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce them in the proceeding.

The owners of a majority in principal amount of Outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, but the Trustee may refuse to follow any direction that conflicts with law or the Bond Resolution, is unduly prejudicial to the rights of any bondholder, or would involve the Trustee in liability from its own funds.

Limitation on Suits

A bondholder may bring an action at law to recover the principal or redemption price or interest due or overdue on its Bond or Bonds. A bondholder may pursue any other remedy at law or in equity with respect to the Bond Resolution or the Bonds only if:

(a) the bondholder gives the Trustee written notice of a continuing Event of Default;

(b) the owners of at least twenty-five percent (25%) in principal amount of Outstanding Bonds make a written request to the Trustee to pursue the remedy;

(c) the bondholders making the request offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within sixty (60) days after receipt of the request and the offer of indemnity; and

(e) during the sixty (60) day period the owners of a majority in principal amount of Outstanding Bonds do not give the Trustee a direction inconsistent with the request.

Defeasance

The obligations, pledge, covenants and agreements of the State under the Bond Resolution (other than the covenant with respect to Federal Income Tax and its obligations with respect to defeasance) shall be discharged and satisfied as to any Bond for which there have been irrevocably set aside with the Trustee sufficient funds, or Defeasance Obligations certified by an independent public accounting firm of national reputation to be in such principal amounts, bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal or redemption price and interest when due on the Bond, and when all proper fees and expenses of the Trustee pertaining to the Bond have been paid or provided for to the satisfaction of the Trustee. An escrow account held by the Trustee as contemplated by this paragraph may be restructured to provide substitute Defeasance Obligations meeting the criteria set forth in the Bond Resolution, to the extent and as provided in the agreement establishing such escrow account.

Notwithstanding the foregoing, in the case of Bonds which are to be redeemed prior to their stated maturities, no deposit in accordance with the preceding paragraph shall operate as a discharge and satisfaction until the Bonds have been irrevocably called or designated for redemption and proper notice of the redemption has been given or provision satisfactory to the Trustee has been irrevocably made for doing so.

Amending the Bond Resolution

Without Consent of Bondholders. The State, acting through the Governor and Council, may from time to time, with the written concurrence of the Trustee but without the consent of any bondholder, adopt Supplemental Resolutions (a) to provide for the issuance of Additional Bonds; (b) to make changes in the Bond Resolution which may be required to permit the Bond Resolution to be qualified under the Trust Indenture Act of 1939, as amended; and (c) for any one or more of the following purposes:

(1) to cure or correct any ambiguity, defect or inconsistency in the Bond Resolution;

(2) to add additional covenants and agreements of the State for the purpose of further securing the payment of the Bonds;

(3) to limit or surrender any right, power or privilege reserved to or conferred upon the State by the Bond Resolution;

(4) to confirm any lien or pledge created or intended to be created by the Bond Resolution;

(5) to confer upon the bondholders additional rights or remedies or to confer upon the Trustee for the benefit of the bondholders additional rights, duties, remedies or powers; and

(6) to modify the Bond Resolution in any other respect, provided that the modification shall not be effective until after the Outstanding Bonds affected by the modification cease to be Outstanding.

With Consent of Bondholders. With the written concurrence of the Trustee and the consent of the owners of not less than sixty-six and two thirds percent (66 2/3%) in principal amount of the Outstanding Bonds, the State may from time to time adopt Supplemental Resolutions for the purpose of making other changes in the Bond Resolution; provided, however, that without the consent of the owner of each Bond affected, no Supplemental Resolution shall:

(1) change the maturity date for the payment of the principal of any Bond or the dates for the payment of interest on any Bond or the terms of the redemption of any Bond, or reduce the principal amount of any Bond or the rate of interest on any Bond or the redemption price of any Bond;

(2) reduce the requirement of consents under this proviso for a Supplemental Resolution; or

(3) give to any Bond preference over any other Bond.

It shall not be necessary that the consents of the bondholders approve the particular wording of the proposed Supplemental Resolution if the consents approve the substance. After the owners of the required percentage of Bonds have filed their consents with the Trustee, the Trustee shall mail notice to the bondholders. No action or proceeding to invalidate the Supplemental Resolution shall be instituted or maintained unless it is commenced within sixty (60) days after the Trustee has notified the State that it has mailed the notice to the bondholders.

Bond Insurance

For so long as the Bond Insurance Policy shall be in full force and effect and provided that the Bond Insurer shall not have defaulted on its payment obligations under the Bond Insurance Policy, (i) for all purposes of Article VII of the Bond Resolution (relating to defaults and remedies except the giving of notice of any Event of Default to Bondholders) and Article VIII of the Bond Resolution (relating to amending or supplementing the Bond Resolution), the Bond Insurer shall be deemed to be the sole Bondholder of the 2003 Series Bonds and (ii) the Bond Insurer shall be entitled to (A) notify the Trustee of the occurrence of any Event of Default with respect to the 2003 Series Bonds and (B) request that the Trustee intervene in any judicial proceedings that affect the 2003 Series Bonds or the security therefor, subject, however, to the rights of the Trustee in certain circumstances specified in the Bond Resolution to decline to take such action.

No resignation or removal of the Trustee shall become effective until a successor has been appointed and has accepted the duties of Trustee, and for so long as the Policy shall be in full force and effect, the State shall furnish the Bond Insurer with written notice of the resignation or removal of the Trustee and the appointment of any successor thereto. The State has also agreed in the 2003 Series Supplemental Resolution to provide the Bond Insurer with information and notices regarding the Bonds and the Turnpike System.

BOOK-ENTRY BONDS

General

The information provided under this caption "BOOK-ENTRY SYSTEM-General" has been provided by DTC. No representation is made by any of the State, the Trustee or the Underwriters as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

The 2003 Series Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the 2003 Series Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2003 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Series Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2003 Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2003 Series Bonds, except in the event that use of the book-entry system for the 2003 Series Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Series Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2003 Series Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2003 Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2003 Series Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2003 Series Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2003 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, premium and interest payments on, or the redemption price of the 2003 Series Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2003 Series Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2003 Series Bond certificates will be printed and delivered.

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

Limitations

For so long as the 2003 Series Bonds are registered in the name of DTC or its nominee, Cede & Co., the State and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered Owner of such 2003 Series Bonds for all purposes, including payments, notices and voting.

Because DTC is treated as the Owner of the 2003 Series Bonds for substantially all purposes under the Resolution, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the State, to DTC and to the Trustee, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the 2003 Series Bonds that may be transmitted by or through DTC.

Neither the State nor the Trustee shall have any responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any 2003 Series Bonds;

(ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than a registered Owner, as shown in the Bond Register, of any notice with respect to any 2003 Series Bond including, without limitation, any notice of redemption with respect to any 2003 Series Bond;

(iii) the payment to any DTC Participant or Indirect Participant or any other Person, other than a registered Owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, interest on, or redemption price of, any 2003 Series Bond;

(iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the 2003 Series Bonds; or

(v) any consent given or other action taken by DTC as registered Owner.

Prior to any discontinuation of the book-entry system with respect to the 2003 Series Bonds as hereinabove described, the State and the Trustee may treat DTC as, and deem DTC to be, the absolute Owner of the 2003 Series Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of principal of, premium, if any, and interest on the 2003 Series Bonds;

(ii) giving notices of redemption and other matters with respect to the 2003 Series Bonds;

(iii) registering transfers with respect to the 2003 Series Bonds; and

(iv) the selection of 2003 Series Bonds for redemption.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase from the State the 2003 Series Bonds described on the cover page of this Official Statement at a purchase price, exclusive of accrued interest, of $98,839,406.45 (reflecting net original issue premium of $5,257,534.45 and an Underwriters' discount of $543,128.00), and to reoffer the 2003 Series Bonds at no greater than the initial public offering price or prices set forth on the inside cover page hereof. The 2003 Series Bonds may be offered and sold to certain dealers (including dealers depositing the 2003 Series Bonds into investment trusts) at prices lower than such public offering prices, and such prices may be changed from time to time, by the Underwriters. The Underwriters will be obligated to purchase all 2003 Series Bonds if any such 2003 Series Bonds are purchased.

TAX EXEMPTION

In the opinion of Palmer & Dodge LLP, Bond Counsel to the State ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance by the State with certain covenants, interest on the 2003 Series Bonds is excluded from gross income for federal income tax purposes under the Internal

Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the 2003 Series Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the 2003 Series Bonds will be taken into account, however, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bond Counsel is also of the opinion that, under existing law, interest on the 2003 Series Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel has not opined as to the taxability of the 2003 Series Bonds or the income therefrom under the laws of any state other than New Hampshire. The proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the 2003 Series Bonds is less than the amount to be paid at maturity of such 2003 Series Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2003 Series Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2003 Series Bonds which is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends. For this purpose, the issue price of a particular maturity of the 2003 Series Bonds is the first price at which a substantial amount of such maturity of the 2003 Series Bonds is sold to the public (excluding underwriters and other intermediaries). The original issue discount with respect to any maturity of the 2003 Series Bonds accrues daily over the term to maturity of such 2003 Series Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2003 Series Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2003 Series Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of 2003 Series Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2003 Series Bonds in the original offering to the public at the first price at which a substantial amount of such 2003 Series Bonds is sold to the public.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2003 Series Bonds. The State has covenanted to comply with certain restrictions designed to ensure that interest on the 2003 Series Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2003 Series Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2003 Series Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2003 Series Bonds may adversely affect the value of, or the tax status of interest on, the 2003 Series Bonds. Further, no assurance can be given that any legislation, including amendments to the Code, if enacted into law subsequent to the date of issuance of the 2003 Series Bonds, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the 2003 Series Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to such matters.

Although Bond Counsel is of the opinion that interest on the 2003 Series Bonds is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends, the ownership or disposition of, or the accrual or receipt of interest on, the 2003 Series Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2003 Series Bonds, or in any way contesting or affecting the validity of the 2003 Series Bonds or any proceedings of the State taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2003 Series Bonds, or the existence or powers of the State with respect to the Turnpike System.

The State is not a party to any litigation or other proceeding pending or, to the knowledge of the State, threatened in any court, agency or other administrative body (either state or federal) which, if decided adversely to the State, would have a material effect on the financial condition of the Turnpike System.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's will assign the 2003 Series Bonds ratings of "AAA", "Aaa" and "AAA", respectively, based upon the issuance of the Bond Insurance Policy for the 2003 Series Bonds. See "SECURITY FOR THE BONDS - Bond Insurance." Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's have assigned underlying ratings for the 2003 Series Bonds of "A", "A1" and "A", respectively.

The above ratings are not recommendations to buy, sell or hold the 2003 Series Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2003 Series Bonds.

LEGALITY FOR INVESTMENT

Under the laws of the State, the 2003 Series Bonds are authorized investments for fiduciaries and may be legally deposited as security for public funds in the State.

CONTINUING DISCLOSURE

The State has covenanted with the Trustee for the benefit of the holders of the 2003 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 2003 Series Bonds are outstanding beginning with the Fiscal Year ending June 30, 2003 (the "Annual Report"), and to provide notices of certain enumerated events, if deemed by the State to be material. The Annual Report 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 notices of material events will be filed on behalf of the State with the Municipal Securities Rulemaking Board. 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."

LEGAL MATTERS

Legal matters incident to the authorization and sale of the 2003 Series Bonds are subject to the approval of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, whose opinion will be dated the date of the issuance of the Bonds and will speak only as of that date. A form of the approving opinion of Palmer & Dodge LLP is set forth in Appendix C hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Devine, Millimet & Branch, Professional Association, Manchester, New Hampshire.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by Public Resources Advisory Group and A.G. Edwards & Sons, Inc. on behalf of the State relating to the computation of anticipated receipts of principal and interest on the Government Obligations and the anticipated payments of principal and interest to redeem the Refunded Bonds was verified by The Arbitrage Group, LLC. Such computations were based solely upon assumptions and information supplied by Public Resources Advisory Group and A.G. Edwards & Sons, Inc. on behalf of the State. The Arbitrage Group, LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

TURNPIKE SYSTEM FINANCIAL STATEMENTS

The State's financial statements for the fiscal year ended June 30, 2002, 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 2002 (the "2002 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 2002 CAFR entitled "Proprietary - Enterprise Fund Financial Statements." The 2002 CAFR is available on the State of New Hampshire Department of Administrative Services website at: www.admin.state.nh.us/accounting/reports.htm#PAFR>.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the State's records and other sources which are believed to be reliable. However, no assurance can be given that any of the assumptions or estimates contained herein will be realized.

Neither this Official Statement nor any advertisement of the 2003 Series Bonds is to be construed as a contract with the holders of the 2003 Series Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so identified, are intended merely as such and not as representations of fact.

Additional information concerning the State or the Turnpike System may be obtained upon written request to the Office of the State Treasurer, State House Annex, Concord, New Hampshire 03301, or by calling (603) 271-2621.

State of New Hampshire

By: /s/ Michael A. Ablowich
State Treasurer

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STATE DEMOGRAPHIC AND ECONOMIC DATA

The 2003 Series Bonds are limited obligations of the State payable solely out of net revenues of the State of New Hampshire Turnpike System and are not general obligations of the State of New Hampshire or any political subdivision thereof, and neither the full faith and credit nor the taxing power of the State of New Hampshire or any political subdivision is pledged for the payment of the 2003 Series Bonds.

The following is a brief, general description of certain limited demographic and economic characteristics of the State.

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 1970 and 2002, primarily as a result of net migration from neighboring states. The State's population was 1,275,056 in July 2002 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)

Year	New Hampshire	Change During Period	New England	Change During Period	United States	Change During Period
1970	742	21.8%	11,878	12.8%	203,799	13.3%
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	1,235	2.8	13,922	3.2	281,421	3.2
2001	1,259	1.9	14,022	0.7	284,797	1.2
2002	1,275	1.3	14,145	0.9	288,369	1.3
Percent Change:						
1970–2002	--	71.8	--	19.1	--	41.5
1980–2002	--	38.4	--	14.6	--	27.3
1990–2002	--	15.0	--	7.1	--	15.9

Source: U.S. Census Bureau.

Personal Income

The State's per capita personal income increased 65.3% between 1990 and 2002 (as contrasted with an increase of 61.3% in the per capita personal income for the United States and a 64.9% increase for the New England region). The State's rank improved from 10th in 1990 to 6th in 2002 with the State's per capita personal income 112% of the national average in that year. The State's per capita personal income in 2002 was $34,334. The State's total personal income for 2002 was $43.8 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, 1980-2001

	New Hampshire Total Personal Income (In Millions)	Per Capita Personal Income			Percent Change			New Hampshire Per Capita Personal Income Ranking[1]
		New Hamp-shire	New England	United States	New Hamp-shire	New England	United States	
1980	$ 9,166	$ 9,917	$10,705	$10,062	--	--	--	25
1985	15,839	15,891	16,474	14,448	60.2%	53.9%	43.6%	8
1990	23,089	20,767	22,783	19,188	30.7	38.3	32.8	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	41,126	33,169	35,784	29,469	6.6	4.7	3.2	6
2001	42,779	33,969	37,096	30,413	2.4	3.7	3.2	6
2002	43,778	34,334	37,575	30,941	1.1	1.3	1.7	6

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
[1] 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 2002. 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

	Employment (In Thousands)			Average Annual Growth	
	1980	1990	2002	1980-1990	1980-2002
New Hampshire	447	508	672	1.29%	1.87%
Connecticut	1,507	1,624	1,696	0.75	0.54
Maine	468	535	656	1.35	1.55
Massachusetts	2,706	2,985	3,301	0.99	0.91
Rhode Island	437	451	528	0.32	0.86
Vermont	235	258	336	0.94	1.64
New England	5,800	6,361	7,189	0.93	0.98
United States	99,303	118,793	136,485	1.81	1.46

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 2003, the latest available, show that New Hampshire's unemployment rate was below both the region 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 (In Thousands)[1]			Unemployment Rate		
Year	Civilian Labor Force	Employed	Unemployed	New Hampshire	New England	United States
1980	469	447	22	4.7%	6.0%	7.2%
1985	538	517	21	3.9	4.4	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	685	666	19	2.8	2.8	4.0
2001	689	664	24	3.5	3.7	5.8
2002	706	672	33	4.7	4.9	5.8
May 2003	710	684	27	3.7	4.9	6.1

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Division.
[1]Not seasonally adjusted.

Composition of Employment

The service sector was the largest employment sector in New Hampshire in 2002, accounting for 39.1% 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 also the largest employment sector, accounting for 40.7% of employment in 2002, up from 25.6% in 1990.

The second largest employment sector in New Hampshire during 2002 was wholesale and retail trade, accounting for 19.8% of total employment as compared to 16.3% 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 although the percentage has dropped in recent years. Manufacturing accounted for 13.8% of nonagricultural employment in 2002, down from 20.8% in 1990. For the United States as a whole, manufacturing accounted for 11.7% of nonagricultural employment in 2002, 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

	New Hampshire			United States		
	1980	1990	2002	1980	1990	2002
Manufacturing	30.3%	20.8%	13.8%	22.4%	17.3%	11.7%
Durable Goods	19.3	14.5	10.3	13.5	10.1	7.6
Nondurable Goods	11.0	5.5	3.5	9.0	7.2	4.4
Nonmanufacturing	69.7	79.2	86.2	77.5	82.7	88.3
Construction & Mining	5.1	4.5	4.6	5.9	5.3	5.6
Wholesale and Retail Trade	22.2	25.5	19.3	22.5	23.7	16.3
Service Industries	18.8	25.2	39.1	19.8	25.6	40.7
Government	14.9	14.4	14.2	18.0	16.6	16.5
Finance, Insurance & Real Estate	5.1	6.2	5.9	5.7	6.2	5.5
Transportation & Public Utilities	3.6	3.4	2.6	5.7	5.3	3.7

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

Largest Employers

The following table lists the twenty largest private employers in the State and their approximate number of employees as of December, 2002.

Largest Employers
(Excluding Federal, State and Local Governments)

Company	Employees	Primary New Hampshire Site	Principal Product
1. Wal-Mart Stores, Inc.	8,160	Multiple	Retail Department Stores
2. DeMoulas/Market Basket	5,800	Multiple	Supermarkets
3. BAE Systems	4,800	Nashua	Communications
4. Dartmouth College	4,100	Hanover	Private College
5. Shaw's Supermarket	4,071	Multiple	Supermarkets
6. Liberty Mutual	3,974	Multiple	Financial Services
7. Hannaford Brothers-Shop 'N Save	3,957	Multiple	Supermarkets
8. Fidelity Investments	3,836	Merrimack	Financial Services
9. Concord Hospital	2,570	Concord	Hospital
10. Home Depot	2,146	Manchester	Hardware Products
11. Elliot Hospital	2,014	Manchester	Acute Care Hospital
12. Genesis Eldercare	2,000	Concord	Health Care Provider
13. Verizon Communications	2,000	Multiple	Telecommunications
14. Hewlett-Packard Company	1,900	Nashua	Computer
15. Osram Sylvania Inc.	1,740	Hillsboro	Light Sources
16. Freudenberg-NOK	1,632	Bristol	Custom-molded products
17. Sears at Fox Run Mall	1,600	Newington	Home and Automotive Products
18. New Hampshire International Speedway	1,500	Loudon	Motorsports Facility
19. Catholic Medical Center	1,400	Manchester	Healthcare Providers
20. Teradyne Inc. Connection Systems Div.	1,400	Nashua	Semi-conductor

Source: *New Hampshire Business Revie*w, December, 2002.

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.

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 2002, individual income and general sales taxes represented 3.2% of the State's total government taxes. New Hampshire's per capita state taxes of $1,478 in 2002 were among the four 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.

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 2002 was $200,000, an increase of 59.5% 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 Median Purchase Price	Percent Change	Renter-Occupied Housing Unit Median Gross Rent[1]	Percent Change
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	0.1	573	1.6
1995	114,360	3.0	563	(1.7)
1996	117,500	(3.9)	596	5.9
1997	117,000	4.6	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	200,000	14.6	810	9.8

Source: New Hampshire Housing Finance Authority.
(1) 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 2000. In 2002, building permits totaled 8,708, with a value of $1,203 million. This represents an increase of 31.5% in number of permits, and an increase of 26.6% in dollar value, over 2001. 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)

	1980	1990	1996	1997	1998	1999	2000	2001	2002
New Hampshire									
Single Family	3,678	3,439	4,007	4,598	5,310	5696	6,097	5,910	6,754
Multi-Family	1,600	687	1,023	806	461	630	583	714	1,954
Total.........	5,278	4,126	5,030	5,404	5,771	6,326	6,680	6,624	8,708
Value........	$198	$361	$516	$572	$658	$782	$937	$950	$1,203
New England									
Single Family	26,115	28,189	35,575	35,838	40,772	40,666	38,670	37,240	39,928
Multi-Family	14,964	7,980	5,145	5,272	7,236	6,966	6,665	7,354	9,103
Total.........	41,079	36,169	40,720	41,110	48,008	47,632	45,335	44,594	49,031
Value........	$1,545	$3,079	$4,549	$4,738	$5,731	$6,178	$6,441	$6,559	$7,268
United States									
Single Family	710,390	793,924	1,073,324	1,062,396	1,187,602	1,246,665	1,198,067	1,235,550	1,332,620
Multi-Family	480,210	316,842	360,346	378,740	424,658	416,868	394,200	401,126	415,058
Total.........	1,190,600	1,110,766	1,433,670	1,441,136	1,612,260	1,663,533	1,592,267	1,636,676	1,747,678
Value........	$ 47,156	$ 86,522	$ 134,126	$ 141,004	$ 165,265	$ 181,246	$ 185,743	$ 196,243	$ 219,188

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 1,627,348 enplanements in fiscal year 2001. 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, and June 2002. The projects are expected to enhance the airport's capacity for increased passenger and freight traffic. The 1998, 2000, and 2002 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. PSNH and NHEC suffered adverse financial circumstances primarily as a result of each entity's ownership interest in the Seabrook nuclear power station, located at Seabrook, New Hampshire (the "Seabrook Plant"). PSNH and NHEC owned approximately 35.6% and 2.17%, respectively, of the Seabrook Plant, which commenced operation in the summer of 1990. In January, 1988, PSNH filed for protection from its creditors under Chapter 11 of the Federal Bankruptcy Code. Pursuant to a plan of reorganization confirmed by the Bankruptcy Court, PSNH emerged from bankruptcy on May 23, 1991 and was acquired by Northeast Utilities. On May 6, 1991, NHEC, which provides electric service to approximately 7% of the State's population, filed for protection from its creditors under Chapter 11 of the Federal Bankruptcy Code. Pursuant to a plan of reorganization confirmed by the Bankruptcy Court, NHEC emerged from bankruptcy on December 1, 1993.

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. In March 1997, PSNH filed suit in Federal District Court against the PUC Commissioners seeking to enjoin the application of the order to PSNH. The Federal District Court issued a temporary restraining order and subsequently a preliminary injunction staying the February 28th order. 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. 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. In April 2001, one party that unsuccessfully appealed the original settlement order to the Supreme Court of New Hampshire filed a petition for certiorari with the United States Supreme Court asking the Supreme Court to review the validity of the stranded cost recovery charge under the United States Constitution. In June 2001, the United States Supreme Court denied the petition for certiorari.

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.

PSNH has begun the process of divesting its generation assets pursuant to PUC administered competitive bid processes. During the interim period while the assets are being sold, PSNH will provide its customers with Transition Service. On November 1, 2002, PSNH sold its stake in the Seabrook Plant to a subsidiary of Florida Power and Light. PSNH expects the sale to result in an additional 6% to 7% rate reduction to customers by calendar year 2005.

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 College. 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

Level of Education	1990 New Hampshire	1990 United States	2000 New Hampshire	2000 United States
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.

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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 $94,125,000 Turnpike System Revenue Bonds, 2003 Refunding Series, 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 July 10, 2003 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).

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 the Municipal Securities Rulemaking Board and the State Depository, if any, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The 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 second paragraph on page 24, "- Maintenance of the Turnpike System" with respect to the table captioned "Renewal and Replacement Expenditures" page 28, "- Toll Collection, Rates and Schedules" with respect to the table captioned "Current Toll Rate Schedule" page 35, "- Turnpike System – Historical Revenues and Expenditures" with respect to the table captioned "Statement of Revenues, Expenses and Changes in Net Assets" page 37, "- Management Discussion of Historical Revenues and Expenditures" (only with respect to the preceding fiscal year) page 38, "TURNPIKE SYSTEM INDEBTEDNESS" with respect to the table captioned "Turnpike System Debt Service" page 43, and "CAPITAL IMPROVEMENT PROGRAM" with respect to the tables captioned "Project Descriptions" pages 46 through 48 and "Capital Improvement Program Expenditures" page 48; 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 the Municipal Securities Rulemaking Board and the State Depository, if any.

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.

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: ___________, 2003

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)

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PALMER & DODGE LLP
111 HUNTINGTON AVENUE AT PRUDENTIAL CENTER
BOSTON, MA 02199-7613

APPENDIX C

[Date of Delivery]

The Honorable Michael A. Ablowich
State Treasurer
State House Annex
Concord, New Hampshire 03301

State of New Hampshire
Turnpike System Revenue Bonds, 2003 Refunding Series

We have acted as Bond Counsel to the State of New Hampshire in connection with the issuance by the State of $94,125,000 Turnpike System Revenue Bonds, 2003 Refunding Series (the "Bonds").

The Bonds are issued pursuant to Chapter 237-A of the New Hampshire Revised Statutes Annotated (the "Act") and a General Bond Resolution of the State adopted by the Governor and Council on November 9, 1987, as heretofore supplemented and amended (the "Resolution").

The Bonds are immobilized in the custody of The Depository Trust Company, and a book entry system is being used to evidence ownership and transfer on the records of The Depository Trust Company and its participants.

We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion. On the basis of this examination, we are of the opinion, under existing law, as follows:

1. The State has the legal right and authority to adopt the Resolution and to issue the Bonds.

2. The Resolution has been duly adopted by the State and is in full force and effect and constitutes a valid and binding obligation of the State enforceable in accordance with its terms.

3. Pursuant to the Act, the Resolution provides for the benefit of the owners from time to time of the Bonds a valid and binding pledge of and lien on the Revenues (as defined in the Resolution) and moneys and securities on deposit from time to time in all accounts and subaccounts established by or pursuant to the Resolution, other than the Rebate Account, on a parity with other bonds to be issued under the Resolution, after payment of Operating Expenses (as so defined).

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4. The Bonds have been duly authorized, executed and delivered by the State, have been duly authenticated and delivered under the Resolution and constitute valid and binding special obligations of the State, enforceable in accordance with their terms.

5. The interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends.

6. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding any other tax consequences arising with respect to the Bonds.

7. The Bonds are exempt from registration under Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended.

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

Yours faithfully,

APPENDIX D

GLOSSARY OF TERMS

The following is a list of summary definitions of certain capitalized terms used in this Official Statement.

"Act" means Chapter 237-A of the New Hampshire Revised Statutes Annotated, as amended.

"Additional Bonds" means Bonds other than the Turnpike System Revenue Bonds, 1987 Series issued under the Bond Resolution.

"Annual Budget" means the annual operating budget adopted in accordance with the Bond Resolution.

"Authorized Officer" means the Commissioner or the Assistant Commissioner of the Department of Transportation of the State or their successors or delegates.

"Bondholders" means the registered owner of the Bonds from time to time as shown in the books kept by the bond registrar.

"Bond Resolution" means the general bond resolution adopted by the Governor and Executive Council of the State on November 9, 1987, as amended and supplemented by Supplemental Resolutions dated November 9, 1987, March 21, 1990, March 27, 1991, August 12, 1992, February 9, 1994, February 3, 1999, August 31, 2001, June 4, 2003 and June 25, 2003, and as further amended and supplemented from time to time by Supplemental Resolutions.

"Bonds" means the Turnpike System Revenue Bonds issued from time to time under the Bond Resolution and any Bond or Bonds issued in exchange for or replacement of a previously issued Bond.

"Capital Improvement Program" means the multi-year program authorized by the New Hampshire Legislature in 1986, as subsequently amended and supplemented.

"Completion Date" means the date on which a Project is first ready for normal continuous operation as determined by an Authorized Officer. If a Project consists of more than one portion, the Completion Date of the Project is the latest Completion Date of any portion of the Project.

"Construction Account" means the Turnpike System Revenue Bond Construction Account established by the Bond Resolution.

"Debt Service" means with respect to each Fiscal Year or other period the aggregate of the amounts to be set aside (or estimated to be required to be set aside) in the Debt Service Account pursuant to the Bond Resolution in the Fiscal Year or other period for the payment of the principal and sinking fund installments of and interest on Bonds, excluding debt service paid or to be paid from Bond proceeds or from any subsidy from the United States of America for the purpose.

"Debt Service Account" means the Turnpike System Revenue Bond Debt Service Account established by the Bond Resolution.

"Debt Service Reserve Account" means the Turnpike System Revenue Bond Debt Service Reserve Account established by the Bond Resolution.

"Debt Service Reserve Account Requirement" means, as of any date of calculation, an amount equal to the maximum annual Debt Service during the then current or any future Fiscal Year on Outstanding Bonds; provided that in computing such requirement any Option Bonds Outstanding during such Fiscal Year shall be assumed to mature on their stated dates of maturity.

"Defeasance Obligations" means (i) any direct and general obligations of, or any obligations unconditionally guaranteed by, the United States of America, (ii) any obligations of any state or political subdivision of a state (collectively, "Municipal Bonds") that are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the owners of the Municipal Bonds, and (iii) certificates of ownership of the principal of or interest on direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System.

"Default" means a Default as defined in the Bond Resolution.

"Event of Default" means an Event of Default as defined in the Bond Resolution.

"Fiscal Year" means the fiscal year of the State with respect to the Turnpike System as established from time to time. The Fiscal Year is now the twelve-month period ending June 30.

"General Reserve Account" means the Turnpike System General Reserve Account established by the Bond Resolution.

"Independent Engineer" means the engineer or engineering firm or firms retained by the State pursuant to the Bond Resolution.

"Insurance Reserve Account" means the Turnpike System Insurance Reserve Account established under the Bond Resolution.

"Insurance Reserve Requirement" means, with respect to any Fiscal Year, the amount required by the Bond Resolution to be on deposit in the Insurance Reserve Account.

"Maximum Interest Rate" shall mean, with respect to any particular Series of Variable Rate Bonds, a numerical rate of interest that shall be the maximum rate of interest that such Variable Rate Bonds may at any particular time bear, as determined under the Supplemental Resolution authorizing such Variable Rate Bonds.

"Net Revenue Requirement" means with respect to each Fiscal Year or other period an amount equal to the greater of: (a) one hundred twenty percent (120%) of Debt Service; or (b) one hundred percent (100%) of Debt Service plus the total amount of principal of and interest on all general obligation or other bonds, notes or other evidences of indebtedness (excluding principal of bond anticipation notes to the extent they are paid or to be paid from proceeds of bonds or other obligations maturing after the end of the Fiscal Year or other period) payable from Revenues during the Fiscal Year or other period and the additional amount, if any, required to be paid from the General Reserve Account to satisfy the Renewal and Replacement Requirement for the Fiscal Year or other period.

"Net Revenues" means the Revenues (excluding (a) proceeds of Bonds and notes issued in anticipation of Bonds or of Revenues and (b) the proceeds of the sale or other disposition of all or any part of the Turnpike System, proceeds of insurance and condemnation awards received with respect to the Turnpike System (other than proceeds of use and occupancy insurance or any other insurance against loss of Revenues) and other items of an extraordinary and non-recurrent nature) after deducting Operating Expenses.

"Operating Expenses" means the ordinary costs and expenses of the State for the operation, maintenance and repair of the Turnpike System, including working capital as provided in the Bond Resolution. Operating Expenses do not include the principal of and interest on bonds, notes or other evidences of indebtedness issued by the State for the purposes of the Turnpike System. Operating Expenses also do not include Renewal and Replacement Costs and depreciation.

"Option Bonds" means Bonds which by their terms may be tendered by and at the option of the Bondholder for payment by the State prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Bondholder.

"Original Issue Discount Bonds" means bonds originally reoffered to the public at a price (excluding accrued interest) of less than 98% of their principal amount.

"Outstanding", when used to modify Bonds, refers to Bonds issued under the Bond Resolution, excluding: (a) Bonds which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment or a sinking fund installment; (b) Bonds which have been paid; (c) Bonds which have been purchased by the Trustee from moneys held under the Bond Resolution; (d) Bonds which have become due and for the payment of which moneys have been duly provided; and (e) Bonds with respect to which the obligations of the State under the Bond Resolution have been discharged or otherwise defeased pursuant to the Bond Resolution.

"Project" means any construction, improvement, extension, addition, alteration, reconstruction, extraordinary repair, dismantling, equipping or reequipping of or to the Turnpike System, or any one or more of the foregoing, which is designated as a Project by Supplemental Resolution.

"Project Costs" means all costs of carrying out a Project and, without limiting the generality of the foregoing, may include (a) preliminary expenses, (b) the cost of acquiring property, franchise, easements, rights-of-way and other property rights necessary or convenient for the Project, (c) engineering architectural and legal expenses, (d) expenses for estimates of cost and revenues, (e) expenses for plans, specifications, traffic estimates, studies and surveys, (f) other expenses incident or necessary to determining the feasibility or practicability of the Project, (g) administrative expenses, (h) construction costs, (i) interest prior to the Completion Date of any Project, (j) the establishment of or contribution to such reserves as may be required by the Bond Resolution, and (k) such other expenses as may be incurred in the financing of the Project or in carrying it out and placing it in operation.

"Rebate Account" means the Turnpike System Revenue Bond Rebate Account established by the Bond Resolution.

"Renewal and Replacement Costs" means costs associated with major reconstruction, rehabilitation, renewals, replacements and extraordinary repairs necessary to the sound operation of the Turnpike System or to prevent the loss of Revenues, but not costs associated with new construction, additions or extensions.

"Renewal and Replacement Requirement" means, with respect to each Fiscal Year, an amount to be set forth in the Annual Budget for Renewal and Replacement Costs for that Fiscal Year.

"Revenue Account" means the Turnpike System Revenue Account established by the Bond Resolution.

"Revenues" means all tolls, rates, fees, charges, receipts or other income derived or to be derived by the State from the ownership or operation of the Turnpike System, and all rights to receive the same. Without limiting the generality of the foregoing, Revenues include rentals, proceeds of insurance or condemnation or other disposition of Turnpike System assets (except as provided below), proceeds of use and occupancy insurance or any other insurance against loss of Revenues, proceeds of bonds issued under the Act for the Turnpike System, proceeds of notes issued in anticipation of operating Revenues (unless set aside to pay notes of the same character), grants, loans and other contributions from any governmental unit (except as provided below) and earnings from the investment of Revenues. Unless otherwise provided by Supplemental Resolution, Revenues do not include the proceeds of other borrowings by the State or the proceeds of grants for limited purposes or of the disposition of property financed by such grants.

"Series" or **"Series of Bonds"** or **"Bonds of a Series"** means a series of Bonds authorized by the Bond Resolution.

"Special Redemption Account" means the Turnpike System Revenue Bond Special Redemption Account established by the Bond Resolution.

"State" means the State of New Hampshire.

"Supplemental Resolution" means a resolution adopted by the Governor and Executive Council under the Bond Resolution.

"Treasurer" means the Treasurer of the State.

"Trustee" means the Trustee appointed pursuant to the Bond Resolution and any successor Trustee.

"Turnpike System" means the complete turnpike system of the State as defined in Chapters 237 and 237-A of the New Hampshire Revised Statutes Annotated, as amended, together with any improvement or addition constructed or acquired after the adoption of the Bond Resolution.

"Variable Rate Bonds" means Bonds issued with a variable, adjustable, convertible or other similar rate that is not fixed in percentage for the entire term of thereof at the date of issue of the Bonds.

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APPENDIX E

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

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