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THE STATE OF NEW HAMPSHIRE
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January 28, 2015

Her Excellency Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Pursuant to RSA 6-A:2, adoption is requested of the attached resolution permitting the State Treasurer to proceed with the sale and issuance of up to \$20 million of general obligation bonds through a private placement with the New Hampshire Municipal Bond Bank (“NHMBB”) should the NHMBB choose to proceed. This resolution will have an expiration date of July 31, 2015. RSA 6-A:2 provides that the issuance of state bonds shall be authorized by the Governor and Council.

EXPLANATION

One of the most efficient ways for the NHMBB to fund its required debt service reserve fund in the current market environment is to purchase State of NH General Obligation Bonds as an investment. In 2005, the NHMBB created a program to cover its required debt service reserve fund with AAA/Aaa rated insurance policies. However, virtually all municipal bond insurance companies have now been downgraded below triple-A levels. Before 2005, the NHMBB issued bonds to fund its debt service reserve fund and then invested those bond proceeds in US Treasury securities that yielded enough income to repay those bonds. This is no longer a viable option, in part, due to Federal tax law requirements that restrict the earnings on tax-exempt bond proceeds. However, the NHMBB can invest in State of New Hampshire debt without being subject to these Federal tax law limitations. The State benefits from the private placement because it can issue the debt without bearing the costs of a public offering, such as underwriting, disclosure, ratings, etc. The rate the State will pay on the bonds will be based on the prevailing market rates for credit similar to the State’s at the time the bonds are issued.

At June 30, 2014, the State had approximately \$224 million of authorized and unissued general obligation debt outstanding. This debt has been authorized by the legislature over the past years for a variety of capital projects. The proceeds from this private placement will finance a portion of these ongoing projects.

Respectfully submitted,

William F. Dwyer
State Treasurer

The Governor and Council hereby certify that the attached resolutions were adopted at their meeting on February 11, 2015.

Governor

Councilor

Councilor

Councilor

Councilor

Councilor

A true copy

Attest:

Resolved: that the State Treasurer is hereby authorized to issue one or more series of General Obligation Capital Improvement Bonds (the “Bonds”), subject to the following paragraph, in the aggregate principal amount not to exceed \$20,000,000, to finance new project costs, to mature on the date or dates and in the principal amounts, to bear interest at the rate or rates, and to be subject to optional or mandatory redemption, all as may as determined by the State Treasurer and which shall be determined at the date of the issuance of the Bonds, which date or dates shall also be as determined by the State Treasurer and shall not be later than July 31, 2015.

Further Resolved: that the State Treasurer is hereby authorized to issue the Bonds at one or more times, and to reduce the aggregate principal amount of Bonds to be issued if the State Treasurer determines that issuing the Bonds at different times or issuing such aggregate smaller amount of Bonds is in the best interests of the State, and the State Treasurer is authorized to designate each issue in such manner as the State Treasurer determines to be appropriate and to reduce or increase the annual principal maturities or mandatory redemption payments of the Bonds of each issue in such a manner as the State Treasurer determines is in the best interests of the State.

Further Resolved: that the sale of the Bonds shall be made on a private placement basis to the New Hampshire Municipal Bond Bank or People’s United Bank, as trustee with respect to bonds of the New Hampshire Municipal Bond Bank, or, in both cases, their designees, and that this manner of sale is hereby determined to be most advantageous to the State.

Further Resolved: that the State Treasurer is authorized to covenant on behalf of the State that the State will pay any rebate due to the United States in connection with the issuance of the Bonds, and that the State will take all lawful action necessary to 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 on the Bonds be or continue to be excluded from gross income for federal income tax purposes and it will refrain from taking any action that would cause interest on the Bonds to become included in gross income for federal income tax purposes.

Further Resolved: that the Bonds shall be issued in substantially the following form, with such changes as the State Treasurer and the Governor may deem appropriate:

R-__

\$_____

United States of America

STATE OF NEW HAMPSHIRE

GENERAL OBLIGATION CAPITAL IMPROVEMENT
BOND
2015 SERIES _

ORIGINAL ISSUE DATE: _____, 2015

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

INTEREST RATE: _____

MATURITY DATE: _____

The State of New Hampshire (the "State"), for value received, promises to pay to the Registered Owner of this bond or registered assigns the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date unless this bond is called for earlier redemption, upon presentation and surrender hereof, with interest (calculated on the basis of a 360-day year of twelve 30-day months) at the Interest Rate stated above, payable semiannually on _____ 1 and _____ 1 of each year, commencing _____ 1, 201__ (each, an "Interest Payment Date") until the Principal Amount is paid or has been duly provided for. This bond will bear interest from the most recent Interest Payment Date to which interest has been paid or, if no interest has been paid, from the Original Issue Date.

This bond is the only instrument representing an issue of \$_____ aggregate principal amount issued by the State pursuant to Chapter 6-A of the New Hampshire Revised Statutes Annotated for various capital improvements and for other public purposes.

This bond is a general obligation of the State and the full faith and credit of the State is pledged for the payment of the principal and interest on this Bond.

This bond is transferable only upon the books of the State [which shall be kept for such purpose by the Paying Agent].

[This bond is not subject to optional redemption prior to maturity.][This bond is redeemable prior to maturity at the option of the State, as a whole or in part at any time, at a price equal to the principal amount to be redeemed (without premium), plus accrued interest to the redemption date. In the event this bond or any portion thereof is called for optional redemption, notice will be sent by registered mail not more than sixty (60) days nor less than thirty (30) days prior to the redemption date to the registered owner of this bond. If less than all of the principal amount of this bond is to be redeemed, upon surrender of such bond to the

[State][Paying Agent] there will be issued to the registered owner, without charge, a new bond for the unredeemed principal sum.]

This bond shall be retired in part prior to maturity by mandatory serial redemptions in the principal amounts specified below, at a price equal to the principal amount to be redeemed (without premium) plus accrued interest to the redemption date:

<u>Date</u>	<u>Principal Amount</u>
_____, 20__	\$ _____
_____, 20__	_____
_____, 20__	_____
_____, 20__	_____
_____, 20__	_____
_____, 20__ (maturity)	_____

The State hereby covenants that it will take all lawful action necessary to comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the bond in order that interest on the bond be and continue to be excluded from gross income for federal income tax purposes and it will refrain from taking any action that would cause interest on the bond to become included in gross income for federal income tax purposes.

In connection with the offering of the bonds the State has executed a Continuing Disclosure Certificate (as it may be amended from time to time, the "Certificate"). The State hereby covenants to comply with the provisions of the Certificate, and reference is made to the Certificate for a description of the nature and extent of the obligations of the State and the rights of the owners of the bonds under the Certificate. A copy of the Certificate is available from the State Treasurer upon request.

[This bond will not be valid unless the Certificate of Paying Agent has been signed by the Paying Agent.]

STATE OF NEW HAMPSHIRE

Date of
Registration:

[____], 20[__]

By: _____
State Treasurer

Countersigned:

By: _____
Governor

Attest:

Secretary of State

[Certificate of Paying Agent

This is the bond described in the opinion attached to this bond, which is a true copy of the original opinion dated as of the date of original delivery of the bond.

[PAYING AGENT]

By: _____]
Authorized Officer

LEGAL OPINION

The following opinion is based on facts and the law existing on the date of original delivery of the bond described therein.

LOCKE LORD LLP
111 Huntington Avenue
Boston, Massachusetts

The Honorable William F. Dwyer
State Treasurer
State House Annex
Concord, New Hampshire 03301

\$ _____
General Obligation Capital Improvement Bond, 2015 Series _
Dated Date of Delivery

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

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

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

1. The Bond is a valid and binding general obligation of the State, and the full faith and credit of the State are pledged for the punctual payment of the principal of and interest on the Bond.
2. The interest on the Bond is exempt from the New Hampshire personal income tax on interest and dividends. We express no opinion as to other New Hampshire tax consequences arising with respect to the Bond.
3. Interest on the Bond is excluded from the gross income of the owner of the Bond for federal income tax purposes. In addition, interest on the Bond is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We call your attention to the fact that failure by the State to comply subsequent to the issuance of the Bond with certain requirements of the Internal Revenue Code of 1986 (the "Code") may cause interest on the Bond to become includable in the gross income of the owners of the Bond for federal income tax purposes retroactive to the date of issuance of the Bond. The

State has covenanted to take all lawful action necessary under the Code to ensure that interest on the Bond will remain excluded from the gross income of the owners of the Bond for federal income tax purposes and to refrain from taking any action which would cause interest on the Bond to become included in such gross income. We express no opinion regarding any other federal tax consequences arising with respect to the Bond.

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

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

/s/ LOCKE LORD LLP

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