NEW ISSUE **RATINGS:** See "Ratings" herein.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2009A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2009A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of the alternative minimum tax. Under existing statutes, the Series 2009A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, will be exempt from taxes directly imposed thereon by The State of New Hampshire and the municipalities and other political subdivisions of The State of New Hampshire. See "TAX MATTERS" herein.

University System of New Hampshire

$105,650,000
NEW HAMPSHIRE HEALTH AND EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, UNIVERSITY SYSTEM OF NEW HAMPSHIRE ISSUE, SERIES 2009A

Dated: Date of Delivery **Due: July 1, as shown below**

The Series 2009A Bonds (the "Series 2009A Bonds") are issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of CEDE & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Series 2009A Bonds will be made in book-entry-only form and will be made in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial interests will not receive certificates representing their interests in the Series 2009A Bonds. So long as CEDE & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean CEDE & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2009A Bonds. See "THE SERIES 2009A BONDS — Book-Entry-Only System" herein.

Principal and Redemption Price of and interest on the Series 2009A Bonds will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Bond Trustee"), so long as DTC or its nominee, CEDE & Co., is the Bondowner. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Series 2009A Bonds will bear interest from the date of delivery, payable on each January 1 and July 1, commencing on July 1, 2009. The Series 2009A Bonds are subject to optional and extraordinary redemption prior to maturity as described herein. See "THE SERIES 2009A BONDS" herein.

The Series 2009A Bonds are special obligations of the New Hampshire Health and Education Facilities Authority (the "Authority") payable solely from the revenues of the Authority derived from payments to be made to the Bond Trustee for the account of the Authority by the University System of New Hampshire (the "System") from certain System Receipts in accordance with the provisions of a Loan Agreement, and certain other funds, all as more fully described herein.

Neither the State of New Hampshire nor any municipality or political subdivision thereof shall be obligated to pay the principal of or premium, if any, or interest on the Series 2009A Bonds except from the sources described herein, and neither the faith and credit nor the taxing power of the State of New Hampshire or of any municipality or political subdivision thereof is pledged to the payment of the Series 2009A Bonds. The Authority has no taxing power.

$975,000 4.00% Term Bonds Due July 1, 2014, Yield: 3.44%
$20,630,000 5.00% Term Bonds Due July 1, 2014, Yield: 3.44%
$6,625,000 4.00% Term Bonds Due July 1, 2016, Yield: 3.84%
$18,375,000 5.00% Term Bonds Due July 1, 2016, Yield: 3.84%
$6,105,000 4.50% Term Bonds Due July 1, 2020, Yield: 4.63%
$22,940,000 5.50% Term Bonds Due July 1, 2020, Yield: 4.63%*
$10,000,000 4.75% Term Bonds Due July 1, 2023, Yield: 4.98%
$20,000,000 5.00% Term Bonds Due July 1, 2023, Yield: 4.98%*

The Series 2009A Bonds are offered subject to the approval of the legality of the Series 2009A Bonds by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its counsel, Hinckley, Allen & Snyder LLP, Concord, New Hampshire, for the System by its General Counsel, Ronald F. Rodgers, Esq., and for the Underwriters by their counsel, Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. It is expected that the Series 2009A Bonds will be available for delivery to DTC in New York, New York, or its custodial agent, on or about March 25, 2009.

Barclays Capital

J.P. Morgan **Morgan Stanley**

March 5, 2009

* Priced to first call date of July 1, 2019.

No broker, dealer, salesman or other person has been authorized by the New Hampshire Health and Education Facilities Authority (the "Authority"), the University System of New Hampshire (the "System") or the Underwriters to give any information or to make any representation other than as 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 any of the foregoing.

The information contained herein under the heading "THE AUTHORITY" has been furnished by the Authority. All other information contained herein has been obtained from the System, The Depository Trust Company and other sources which are deemed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority. 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 responsibility 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. The information and expressions of opinion herein are subject to change without notice, and 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 the affairs of the parties referred to above since the date hereof.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2009A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and 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 the matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2009A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009A BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 adequacy of this document. Any representation to the contrary is a criminal offense.

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NEW HAMPSHIRE HEALTH AND EDUCATION FACILITIES AUTHORITY

OFFICIAL STATEMENT

RELATING TO

$105,650,000
NEW HAMPSHIRE HEALTH AND EDUCATION FACILITIES AUTHORITY REVENUE BONDS
UNIVERSITY SYSTEM OF NEW HAMPSHIRE ISSUE
SERIES 2009A

INTRODUCTION

Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to set forth certain information concerning the New Hampshire Health and Education Facilities Authority (the "Authority") and its $105,650,000 Revenue Bonds, University System of New Hampshire Issue, Series 2009A (the "Series 2009A Bonds"). Certain terms used in this Official Statement have the meanings set forth in Appendix C under the heading "DEFINITIONS." The Series 2009A Bonds are being issued by the Authority pursuant to the Bond Indenture dated as of September 1, 1992, as supplemented by the First Supplement to Bond Indenture dated as of November 1, 1992, the Second Supplement to Bond Indenture dated as of March 1, 2001, the Third Supplement to Bond Indenture dated as of January 1, 2005, as amended and restated as of March 1, 2008, the Fourth Supplement to Bond Indenture dated as of August 1, 2005, as amended and restated as of March 1, 2008, the Fifth Supplement to Bond Indenture dated as of March 1, 2006, the Sixth Supplement to Bond Indenture dated as of December 1, 2007, and the Seventh Supplement to Bond Indenture dated as of March 1, 2009 (as supplemented, the "Bond Indenture"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Bond Trustee (the "Bond Trustee"), and pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, as amended (the "Act").

Use of Proceeds

The Series 2009A Bonds are being issued in order to provide funds to the University System of New Hampshire (the "System") (i) to finance certain capital improvements at all three of the System's residential campuses (collectively, the "Series 2009A Project") and to fund capitalized interest on the Series 2009A Project and (ii) to refinance certain capital improvements of the System originally financed with the proceeds of the Authority's Revenue Bonds, University System of New Hampshire Issue, Series 2006A (the "Series 2006A Bonds"), and the Authority's Revenue Bonds, University System of New Hampshire Issue, Series 2006B-1 (the "Series 2006B-1 Bonds" and collectively with the Series 2006A Bonds, the "Refunded Bonds"), through the current refunding of the Refunded Bonds. See "THE SERIES 2009A PROJECT," "PLAN OF REFUNDING" and Appendix A – "Purpose for the Series 2009A Bonds." Proceeds of the Series 2009A Bonds will also be used to pay costs of issuance thereof. The Series 2009A Bonds will be the tenth series of bonds issued pursuant to the Bond Indenture. Currently outstanding under the Bond Indenture are $52,995,000 of the Authority's Revenue Bonds, University System of New Hampshire Issue, Series 2001, $33,660,000 of its Revenue Bonds, University System of New Hampshire Issue, Series 2002 (the "Series 2002 Bonds"), $62,250,000 of its Revenue Bonds, University System of New Hampshire Issue, Series 2005A (the "Series 2005A Bonds"), $96,495,000 of its Revenue Bonds, University System of New Hampshire Issue, Series 2005B (the "Series 2005B Bonds" and collectively with the Series 2005A Bonds, the "Series 2005 Bonds"), $24,350,000 of its Series 2006A Bonds, $59,225,000 of its Series 2006B-1 Bonds, $59,225,000 of its Revenue Bonds, University System of New Hampshire Issue, Series 2006B-2 (the "Series 2006B-

2 Bonds" and collectively with the Series 2006A Bonds and the Series 2006B-1 Bonds, the "Series 2006 Bonds"), and $46,570,000 of its Taxable Revenue Bonds, University System of New Hampshire Issue, Series 2007 (the "Series 2007 Bonds"). The Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006B-2 Bonds, the Series 2007 Bonds, the Series 2009A Bonds and any Additional Bonds which may be issued under the Bond Indenture (collectively, the "Bonds") will be equally and ratably secured to the extent provided in the Bond Indenture. Additional Bonds may be issued as described herein under "SECURITY FOR THE SERIES 2009A BONDS" and in Appendix C under the heading "SUMMARY OF PRINCIPAL DOCUMENTS - Summary of the Bond Indenture - Additional Bonds."

The University System of New Hampshire

The System is a body politic and corporate established by Chapter 187-A of the New Hampshire Revised Statues Annotated, as amended, to provide a coordinated system of public higher education in the State of New Hampshire (the "State"). The System consists of the University of New Hampshire ("UNH"), Plymouth State University ("Plymouth" or "PSU"), Keene State College ("Keene" or "KSC"), Granite State College and New Hampshire Public Broadcasting. For a more complete description of the System and its components, see Appendix A.

Security for the Series 2009A Bonds

The Series 2009A Bonds will be payable from, and secured by a pledge of, the Pledged Revenues of the Authority, including amounts received from or on account of the System pursuant to a Loan Agreement dated as of September 1, 1992 among the Authority, the System, UNH, Keene and Plymouth, as supplemented by a First Supplement to Loan Agreement (the "First Supplemental Agreement") dated as of November 1, 1992, a Second Supplement to Loan Agreement (the "Second Supplemental Agreement") dated as of March 1, 2001, a Third Supplement to Loan Agreement (the "Third Supplemental Agreement") dated as of January 1, 2005, as amended and restated as of March 1, 2008, a Fourth Supplement to Loan Agreement (the "Fourth Supplemental Agreement") dated as of August 1, 2005, as amended and restated as of March 1, 2008, a Fifth Supplement to Loan Agreement (the "Fifth Supplemental Agreement") dated as of March 1, 2006, a Sixth Supplement to Loan Agreement (the "Sixth Supplemental Agreement") dated as of December 1, 2007, and a Seventh Supplement to Loan Agreement (the "Seventh Supplemental Agreement") dated as of March 1, 2009 (as supplemented by the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement, the Fourth Supplemental Agreement, the Fifth Supplemental Agreement, the Sixth Supplemental Agreement and the Seventh Supplemental Agreement, the "Agreement"). The System is obligated under the Agreement to make payments solely from its System Receipts, which are defined to include all revenues received by or on behalf of the System, UNH, Keene or Plymouth from the ownership or operation of the System Facilities, including any insurance or condemnation proceeds with respect thereto. "System Facilities" are defined to mean, collectively, the System's (i) student housing facilities; (ii) student union facilities; (iii) student dining facilities; (iv) student recreational facilities; (v) any other revenue producing facilities financed or refinanced with the proceeds of the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006 Bonds, the Series 2007 Bonds and the Series 2009A Bonds; and (vi) any extensions or additions attached to any such facilities or any replacements thereof, serving students at UNH, Keene and Plymouth. The pledge of System Receipts secures the Series 2009A Bonds on a parity with the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006B-2 Bonds, the Series 2007 Bonds and the Series 2009A Bonds. The Agreement does not constitute a full faith and credit obligation of the System, UNH, Keene or Plymouth. See "SECURITY FOR THE SERIES 2009A BONDS – Loan Agreement - Pledge of System Receipts" and Appendix C - "SUMMARY OF PRINCIPAL DOCUMENTS - Summary of the Loan Agreement."

THE SERIES 2009A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY. NEITHER THE STATE OF NEW HAMPSHIRE NOR ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009A BONDS, EXCEPT FROM THE PLEDGED REVENUES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW HAMPSHIRE OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2009A BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Series 2009A Bonds

The Series 2009A Bonds initially will be issued in the form of one registered bond for each maturity and will be delivered to CEDE & Co. as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will represent to the Authority that it will maintain a book-entry system for recording ownership interests (at $5,000 and integral multiples thereof) of its participants (the "DTC Participants") and that the ownership interest of a purchaser of a beneficial interest in the Series 2009A Bonds (the "Beneficial Owner") will be recorded through book entries on the records of the DTC Participants. Beneficial Owners will not receive any certificates representing their interest in the Series 2009A Bonds. See "THE SERIES 2009A BONDS — Book-Entry-Only System" herein.

The Series 2009A Bonds will be issued in the principal amounts, will mature on the dates and will bear interest at the rates set forth on the cover page of this Official Statement. Series 2009A Bonds issued before the first Interest Payment Date shall be dated and bear interest from their date of delivery. Series 2009A Bonds issued on or subsequent to the first Bond Payment Date shall be dated the most recent Bond Payment Date and shall bear interest from such date or the most recent Interest Payment Date on which interest on the Series 2009A Bonds has been paid in full or duly provided for. An "Interest Payment Date" for the Series 2009A Bonds will occur on each January 1 and July 1, commencing July 1, 2009.

The Series 2009A Bonds will be subject to optional and extraordinary redemption prior to maturity as described herein.

THE AUTHORITY

The Authority has been created as a public body corporate and agency of the State of New Hampshire for the purpose of exercising the powers conferred on it by virtue of the Act. The purpose of the Authority is essentially to assist certain New Hampshire nonprofit educational institutions and nonprofit health care institutions in the construction, financing and refinancing of projects to be undertaken in relation to educational and health care and related facilities, and to assist qualified entities in the financing of student loan programs. The Authority achieves these purposes by the issuance of its bonds and by making available through its Capital Loan Program monies to its qualified borrowers at below-market rates of interest.

Authority Membership and Organization

The Act provides that the Authority shall be comprised of a Board of Directors consisting of seven members who shall be appointed by the Governor and Council of the State. All members of the Authority's Board of Directors serve without compensation but are entitled to reimbursement for necessary expenses incurred in the performance of their duties under the Act. The Authority annually elects one member to serve as Chairman. There is currently one vacant seat on the Board of Directors.

The Board of Directors of the Authority is as follows:

PETER F. IMSE, Chairman; term expires June 30, 2011. Mr. Imse, a resident of Bow, is a member of the law firm of Sulloway & Hollis, P.L.L.C., Concord, New Hampshire. Mr. Imse has been a member of the Board of the Authority since 1981. Mr. Imse's practice includes business and non-profit organizations, commercial financing, and the clients of Sulloway & Hollis include the New Hampshire Higher Education Assistance Foundation and Granite State Management & Resources, as well as numerous health care institutions and health care providers.

RICHARD N. CUNNINGHAM, Vice Chairman; term expires June 30, 2011. Mr. Cunningham, a resident of Alton, is a former state government administrator, a retired banker, and one of the founders and past President of the New Hampshire Easter Seal Society. In addition, he is a Director of the New Hampshire Brain Injury Association, a Director of the New Hampshire Association for the Blind, a former member and Vice Chairman of the New Hampshire Technical Institute Advisory Board, a former member and Vice Chairman of the New Hampshire Job Training Council, and a former member and Chairman of the Hillsborough County (NH) Private Industry Council.

BRUCE R. BURNS, term expires June 30, 2009. Mr. Burns, a resident of Hopkinton, is the Senior Vice President of Finance, Chief Financial Officer and Treasurer for Concord Hospital and its parent corporation, Capital Region Healthcare and sits on various Boards of Hospital-affiliated joint ventures. Prior to joining the Hospital in 1993, Mr. Burns held various positions at Danbury Hospital, Danbury, Connecticut, including as Director of Finance, Director of Accounting, Assistant Controller and Assistant Director, Operations. Mr. Burns is a Fellow in the Healthcare Financial Management Association, a Finance Committee member of Riverbend Community Mental Health Center, the former Treasurer and a Board member of Capitol Center for the Arts in Concord and the Finance Chair and a Board member of Franklin Pierce Law Center.

THOMAS R. HORGAN; term expires June 30, 2010. Mr. Horgan, a resident of Amherst, is the President and Chief Executive Officer of the New Hampshire College and University Council, a statewide consortium of sixteen public and private colleges and universities. He is also a member of the Board of Directors of Granite State Management & Resources, a member of the Board of the National Association for Consortium Leadership, a founding Board Member of the Campus Compact for New Hampshire, a member of the Unique College Savings Plan and a New Hampshire Commissioner to the National Education Commission of the States.

DEANNA S. HOWARD; term expires June 30, 2010. Ms. Howard, a resident of Etna, is the Vice President of Regional Development for Dartmouth-Hitchcock, Lebanon, New Hampshire. Additionally, Ms. Howard is the past Chairman of the New Hampshire Hospital Association, a member of the Board of Directors of the Endowment for Health, Inc., a member of the Board of New Hampshire Public Radio and the former Chief Executive Officer of Upper Connecticut Valley Hospital, Colebrook, New Hampshire.

MICHAEL K. MASSEY; term expires June 30, 2013. Mr. Massey, a resident of Bedford, is Founder, President and Chief Executive Officer of Market Street Settlement Group, Inc., Manchester, New Hampshire, a Director of the Manchester, New Hampshire Chapter of the American Red Cross, a Director of the Better Business Bureau of New Hampshire, a past President of the Mortgage Bankers Association of New Hampshire and a past President of the Goffstown Rotary Club.

MARY W. MCLAUGHLIN[*]; term expires June 30, 2012. Ms. McLaughlin, a resident of Bedford, is Senior Vice President and Senior Commercial Lender for the Capitol Region of TD Bank, N.A. Additionally, she is a Co-founder and Past President of the New Hampshire International Trade Association, the Secretary and a member of the Board of Directors of the Greater Concord Chamber of Commerce, the Chair and a member of the Board of Directors of the Capitol Center for the Arts, the Vice Chair of the New Hampshire Community Loan Fund Loan Review Committee, an Advisory Board Member of the New Hampshire Small Business Development Center, and the Board Chair of the New Hampshire Institute of Furniture Making.

Senior management of the Authority is as follows:

DAVID C. BLISS is the Executive Director and Secretary of the Authority and is responsible for the general management of the Authority's affairs. Mr. Bliss worked for two large New Hampshire trust departments prior to joining the Authority. Mr. Bliss is also a member of the bars of New Hampshire and Massachusetts.

LORRAINE M. GRACIANO is the Chief Financial Officer for the Authority. Ms. Graciano was a corporate trust officer in a major New Hampshire trust department and a Certified Corporate Trust Specialist prior to joining the Authority.

Hinckley, Allen & Snyder LLP, Concord, New Hampshire, are serving as general counsel to the Authority. Hawkins Delafield & Wood LLP, New York, New York, are serving as Bond Counsel to the Authority. The Act provides that the Authority may employ such other consulting engineers, architects, attorneys, accountants,

[*] Ms. McLaughlin did not participate in the Authority's proceedings with respect to the System due to the banking relationship between the System and TD Bank, N.A.

construction and financial experts, superintendents, managers and such other employees and agents as are necessary in its judgment and fix their compensation.

Powers of the Authority

Under the Act, the Authority is authorized and empowered, among other things: to issue bonds, bond anticipation notes and other obligations and to refund the same; to charge and collect rates, rents, fees and charges for the use of projects or for services furnished by a project; to construct, reconstruct, maintain, repair, operate, lease or regulate projects for participating educational institutions and participating health care institutions; to enter into contracts for the management or operation of projects; to establish rules and regulations for the use of projects; to receive, in relation to projects, loans or grants from any public agency or other source; to make loans to participating educational institutions and participating health care institutions for the cost of projects, including the refinancing of existing indebtedness incurred for projects; to mortgage any projects for the benefit of the holders of bonds issued to finance such projects; to provide working capital loans to participating institutions; and to do all things necessary or convenient to carry out the purposes of the Act.

Procedure Before Issuance of Bonds

The Act provides that the Authority is not empowered to undertake any projects unless, prior to the issuance of any bonds, the Governor and Council of the State, or their designee, after public hearing, has found, among other things, that: (a) such project will be owned by a financially responsible participating institution, (b) adequate provision has been made for the payments of the cost of such project and all costs of its operation, maintenance and upkeep so that in no circumstances will the State be obligated, directly or indirectly, for such costs, (c) the construction of such project and its financing are within the authority conferred by the Act, and (d) such construction serves a need presently not fulfilled in providing health care or educational facilities in the State and is of public use and benefit. The Act provides further that, in the case of refinancing of existing indebtedness, it must be found that such refinancing will assist in reducing the cost of providing such facilities within the State or is in connection with a project being provided by the participating institution. The hearing as required under the Act with respect to the Series 2009A Bonds was held on January 29, 2009, and the findings as required by the Act were made. Such findings were ratified by the Governor and Council at a meeting held on February 18, 2009.

In addition, Authority financings on behalf of the System require the approval of the Governor and the Capital Budget Overview Committee of the New Hampshire Legislature. The Governor gave his approval with respect to the Series 2009A Bonds on February 18, 2009 and the Capital Budget Overview Committee gave its approval on February 3, 2009.

Bond Financing Program of the Authority

The Authority has heretofore authorized and issued various series of its revenue bonds for nonprofit colleges, universities, hospitals and other qualified entities in the State. As of December 31, 2008, the Authority had issued 366 different series of bonds and notes in the aggregate principal amount of $6,567,086,255. As of December 31, 2008, bonds and notes had been issued on behalf of 24 hospitals, 12 nursing homes, 1 health maintenance organization, 3 home health care providers, 2 ambulatory care clinics, 13 colleges and universities, 13 secondary schools, 4 student loan programs, 8 institutions providing educational programs and 7 institutions providing healthcare programs.

The Authority intends to enter into separate agreements in the future with educational institutions, health care institutions and qualified entities in the State for the purpose of financing additional projects or student loan programs for such institutions or entities through the issuance of other series of bonds and notes. Each such series of bonds and notes, other than the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006 Bonds, the Series 2007 Bonds, the Series 2009A Bonds and any Additional Bonds issued under the Bond Indenture, have been and will be issued and secured pursuant to resolutions, indentures and agreements separate and apart from the Bond Indenture and the Loan Agreement.

THE SERIES 2009A BONDS

Description of the Series 2009A Bonds

The Series 2009A Bonds will be issued in the principal amounts, will mature on the dates and will bear interest at the rates set forth on the cover page of this Official Statement and shall be dated and bear interest from their date of delivery. Interest on the Series 2009A Bonds will be payable on each January 1 and July 1, commencing July 1, 2009.

The Series 2009A Bonds initially will be issued as one fully registered bond for each maturity, in the aggregate principal amount of such maturity, and shall be delivered to and registered in the name of CEDE & Co., as registered owner and nominee for DTC. The principal of and interest on the Series 2009A Bonds will be paid by the Bond Trustee. As long as DTC or its nominee, CEDE & Co., is the registered owner of the Series 2009A Bonds, such payments will be made directly to CEDE & Co. See "Book-Entry-Only System" below.

Redemption

Optional Redemption. All or any number of the Series 2009A Bonds maturing after July 1, 2019 are subject to redemption at the option of the System prior to maturity on and after July 1, 2019, as a whole or in part on any date. Any such redemption of any Series 2009A Bonds will be made at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption. All or any number of the Series 2009A Bonds are also subject to redemption prior to maturity at the option of the System in whole or in part on any date, in the event of damage to or destruction or condemnation of the System Facilities or any part thereof, from insurance proceeds or condemnation awards with respect to casualty losses or condemnation awards relating to all or a portion of the System Facilities. Extraordinary optional redemptions shall be made at a redemption price equal to the principal amount of the Series 2009A Bonds to be redeemed, plus accrued interest to the redemption date, without premium. Extraordinary optional redemption of Series 2009A Bonds may be made from proceeds of insurance or condemnation awards if (i) such proceeds are sufficient to redeem all Outstanding Series 2009A Bonds, or (ii) the System furnishes a certificate stating that (a) the portion of the System Facilities damaged or condemned is not essential to the System's use or occupancy of the System Facilities or (b) the damaged or condemned System Facilities have been restored to a condition substantially equivalent to their previous condition.

Redemption Conditional; Selection of Series 2009A Bonds to be Redeemed. The Bond Indenture provides that any optional redemption is conditioned upon the Bond Trustee's receipt of funds sufficient to pay the redemption price of the Series 2009A Bonds to be redeemed on or prior to the redemption date. The Series 2009A Bonds, or applicable portions thereof, may be redeemed only in $5,000 principal amounts or integral multiples thereof. If less than all of the Series 2009A Bonds of a maturity shall be called for redemption under any provision of the Bond Indenture permitting such partial redemption, the particular portions of Series 2009A Bonds to be redeemed shall be selected by lot in such manner as the Bond Trustee may determine; provided, however, that so long as DTC or its nominee is the only Bondowner, if less than all of the Series 2009A Bonds of a maturity are to be called for redemption, the particular beneficial ownership interests to be redeemed shall be selected by DTC in such manner as DTC may determine.

Notice of Redemption. If Series 2009A Bonds are called for redemption, the Bond Trustee shall mail a copy of a notice of redemption, postage prepaid, not more than 45 days nor less than 30 days prior to the redemption date, to the Bondowners of all Series 2009A Bonds which are to be redeemed, at their addresses appearing on the registration books maintained by the Bond Trustee. Notice having been given in accordance with the Bond Indenture, failure of a Bondowner to receive any such notice or any defect in a redemption notice shall not affect the redemption or the validity of the proceedings for the redemption of any of the Series 2009A Bonds including those to which such failure or defect relates. So long as CEDE & Co., as nominee of DTC, is the registered owner of the Series 2009A Bonds, all notices of redemption will be sent only to CEDE & Co. and delivery of notice of redemption to the DTC Participants, if any, is solely the responsibility of DTC (see "THE SERIES 2009A BONDS — Book-Entry-Only System"). Interest will cease to accrue on the Series 2009A Bonds called for redemption from and after the redemption date if sufficient money shall be held by the Bond Trustee to pay the principal of and interest on the Series 2009A Bonds to be redeemed to the redemption date.

Effect of Redemption. If the Series 2009A Bonds have been duly called for redemption and notice of the redemption thereof has been duly given or provided for and if monies for the payment of the Series 2009A Bonds (or the principal amount thereof to be redeemed) and the premium, if any, and interest thereon to the date fixed for redemption are held by the Bond Trustee, then the Series 2009A Bonds (or the principal amount of the Series 2009A Bonds called for redemption) will on the redemption date become due and payable and interest on the Series 2009A Bonds (or the principal amount thereof to be redeemed) will cease to accrue from the redemption date and the registered owner thereof shall thereafter have no rights under the Bond Indenture as the registered owner of such Series 2009A Bonds (or the principal amount thereof to be redeemed) except to receive the principal amount thereof and premium, if any, and interest thereon to the redemption date.

Undelivered Series 2009A Bonds

Any Series 2009A Bond to be redeemed, to the extent that there are on deposit with the Bond Trustee on or before the redemption date, amounts sufficient to pay the redemption price of such Series 2009A Bonds (or portions thereof, as the case may be), shall cease to constitute or represent a right to payment of principal or interest thereon and will represent only the right to payment of the redemption price payable on such date upon presentation and surrender of such Bonds in the manner provided in the Bond Indenture.

Book-Entry-Only System

Unless otherwise noted, the description which follows of the procedures and record-keeping with respect to beneficial ownership interests in the Series 2009A Bonds, payment of interest and other payments on the Series 2009A Bonds to DTC Participants or Beneficial Owners Of the Series 2009A Bonds, confirmation and transfer of beneficial ownership interests in the Series 2009A Bonds and other bond-related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Series 2009A Bonds is based solely on information furnished by DTC to the Authority for inclusion in this Official Statement. Accordingly, the Authority, the System, the Bond Trustee and the Bond Trustee do not and cannot make any representations concerning these matters.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2009A Bonds. The Series 2009A 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 Series 2009A Bond certificate will be issued for each maturity of the Series 2009A Bonds in the aggregate principal amount of such bonds, and will be deposited with the Bond Trustee as custodian for 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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 and www.dtc.org.

Purchases of Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009A Bond ("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 Series 2009A 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 Series 2009A Bonds, except in the event that use of the book-entry system for the Series 2009A Bonds is discontinued.

To facilitate subsequent transfers, the Series 2009A 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 the Series 2009A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A 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. Beneficial Owners of the Series 2009A Bonds may wish to take certain steps to augment the transmissions to them of notices of significant events with respect to the Series 2009A Bonds, such as redemptions, defaults and proposed amendments to the principal financing documents. For example, Beneficial Owners of the Series 2009A Bonds may wish to ascertain that the nominee holding the Series 2009A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2009A Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the System 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 the Series 2009A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal (including sinking fund installments), redemption premium, if any, and interest payments on the Series 2009A 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 issuers or agents, on payment dates 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 Participants and not of DTC or the Bond Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority, the System or the Bond 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 securities depository with respect to the Series 2009A Bonds at any time by giving reasonable notice to the System, the Authority or the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009A Bond certificates are required to be printed and delivered.

The Authority, at the direction of the System, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009A 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 System believes to be reliable, but the Authority and the System take no responsibility for the accuracy thereof.

The Authority, the System and the Bond Trustee cannot and do not give any assurances that Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2009A Bonds (i) payments of principal of, or interest and premium, if any, on the Series 2009A Bonds, (ii) confirmation of their ownership interests in the Series 2009A Bonds or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2009A Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

NONE OF THE AUTHORITY, THE SYSTEM, THE BOND TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2009A BONDS; (3) THE DELIVERY BY ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THE BOND INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2009A BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Acceleration

If an Event of Default occurs under the Bond Indenture, including an Event of Default resulting from a payment default on the part of the System under the Agreement, the principal of the Series 2009A Bonds may be accelerated and become immediately due and payable, at par, with interest payable thereon to the accelerated payment date. For a description of the Events of Default under the Bond Indenture and the remedies thereunder, see Appendix C – "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of the Bond Indenture."

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Debt Service Requirements

Principal, interest and mandatory redemption requirements (rounded to the nearest dollar) on the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006B-2 Bonds, the Series 2007 Bonds and the Series 2009A Bonds, together with the total debt service requirements relating to the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006B-2 Bonds, the Series 2007 Bonds and the Series 2009A Bonds, are shown below:

Year ending	Combined Series 2001, 2002, 2005, 2006B-2 & 2007 Bonds		Series 2009A Bonds		Combined
July 1	Principal	Interest*	Principal	Interest	Debt Service
2009	$9,290,000	$14,867,238	$0	$1,404,180	$25,561,418
2010	9,485,000	14,490,258	0	5,265,675	29,240,933
2011	10,055,000	14,098,176	0	5,265,675	29,418,851
2012	10,220,000	13,676,869	0	5,265,675	29,162,544
2013	10,890,000	13,241,915	0	5,265,675	29,397,590
2014	11,165,000	12,778,516	21,605,000	5,265,675	50,814,191
2015	11,830,000	12,296,964	0	4,195,175	28,322,139
2016	12,170,000	11,788,795	25,000,000	4,195,175	53,153,970
2017	12,880,000	11,266,591	0	3,011,425	27,158,016
2018	59,985,000	10,715,096	0	3,011,425	73,711,521
2019	13,835,000	7,822,043	0	3,011,425	24,668,468
2020	14,595,000	7,232,820	29,045,000	3,011,425	53,884,245
2021	11,175,000	6,611,137	0	1,475,000	19,261,137
2022	11,865,000	6,176,002	0	1,475,000	19,516,002
2023	12,115,000	5,713,887	30,000,000	1,475,000	49,303,887
2024	12,720,000	5,238,140			17,958,140
2025	9,410,000	4,738,191			14,148,191
2026	9,615,000	4,362,586			13,977,586
2027	10,185,000	3,978,007			14,163,007
2028	10,475,000	3,570,514			14,045,514
2029	10,985,000	3,150,590			14,135,590
2030	11,320,000	2,710,129			14,030,129
2031	11,870,000	2,255,163			14,125,163
2032	12,325,000	1,777,841			14,102,841
2033	12,835,000	1,281,499			14,116,499
2034	6,750,000	764,185			7,514,185
2035	7,025,000	476,035			7,501,035
2036	3,525,000	176,250			3,701,250

* Represents interest on the Series 2005A Bonds calculated at the fixed rate of 3.59% per annum which represents the fixed rate payable under the hedge agreement entered into in connection with the Series 2005A Bonds. Represents interest on the Series 2005B Bonds calculated at the fixed rate of 3.1199% per annum which represents the fixed rate payable under the hedge agreement entered into in connection with the Series 2005B Bonds.

SECURITY FOR THE SERIES 2009A BONDS

The following is a brief description of the security provided for the payment of the Series 2009A Bonds. For more complete descriptions of the Agreement and the Bond Indenture, see Appendix C - "SUMMARY OF PRINCIPAL DOCUMENTS." Certain capitalized terms used hereinbelow and not otherwise defined are defined in Appendix C.

Loan Agreement

Limited Obligation. The payment obligations of the System under the Agreement are limited obligations of the System payable solely from System Receipts. The System is required to make payments, but only from System Receipts, to the Bond Trustee equal to maturing principal of, and interest and redemption premium, if any, on the Series 2009A Bonds when due. Except for the pledge of System Receipts described herein, the Agreement does not provide for any pledge of or grant of a lien or mortgage on any property of the System, UNH, Keene or Plymouth to secure the payment of the Series 2009A Bonds. The Agreement is to remain in full force and effect until all Bonds have been fully paid or otherwise discharged.

Pledge of System Receipts. Under the terms of the Agreement, the System, UNH, Keene and Plymouth jointly and severally grant to the Authority a security interest in the System Receipts as security for the making of the payments thereunder, including the payments of principal of, premium, if any, and interest on the Series 2009A Bonds on a parity basis. The Agreement defines the System Receipts pledged thereunder to include all revenues received by or on behalf of the System, UNH, Keene or Plymouth from the ownership or operation of the System Facilities, including all rights to receive the same regardless of form, and the proceeds of such rights. Under the Bond Indenture, the definition of System Facilities includes, collectively, all of the System's student housing facilities, student dining facilities, student union facilities, student recreational facilities, any other revenue producing facilities financed or refinanced with the proceeds of the Series 2001 Bonds, Series 2002 Bonds, Series 2005 Bonds, Series 2006 Bonds and Series 2007 Bonds, the facilities financed with the proceeds of the Series 2009A Bonds and any extensions or additions attached to the existing System Facilities or any replacements of such facilities, serving students at UNH, Keene and Plymouth. The security interest in System Receipts is subject to and may be limited by the laws of the United States and the State of New Hampshire with respect to bankruptcy, insolvency and creditors' rights generally. Under the Agreement, the System may grant a parity security interest in its System Receipts to secure other Long-Term Indebtedness of the System. For a description of the terms and conditions under which parity Long-Term Indebtedness may be incurred, see Appendix C - "SUMMARY OF PRINCIPAL DOCUMENTS - Summary of the Loan Agreement - Particular Covenants - Alternate Debt." The security interest in System Receipts granted by the System under the Agreement to secure the Series 2009A Bonds is on a parity with the security interest granted by the System to secure its payment obligations on the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006B-2 Bonds and the Series 2007 Bonds. Under certain circumstances, the types of facilities that may be financed or refinanced with proceeds of Bonds, and the definition of System Facilities under the Bond Indenture, may be amended to add any or all facilities owned or operated by the System, UNH, Keene or Plymouth, whether or not such facilities are revenue producing or self-supporting. In addition, under certain circumstances, the definition of System Receipts may be amended to include any or all revenues from any or all facilities owned or operated by the System, UNH, Keene or Plymouth. It should be noted that although the Bond Indenture permits the System to add non-revenue producing facilities to the definition of System Facilities, State law currently does not permit such additions; a change in State law would be required to permit the inclusion of non-revenue producing facilities as System Facilities. See Appendix C – "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of the Loan Agreement – Amendments – Amendments to Reflect Future Legislative Changes" and "- Effectiveness of Amendments."

Bond Indenture

Assignment. Under the terms of the Bond Indenture, the Authority has assigned the payments received under the Agreement and all other rights (other than rights concerning consents, waivers and notice) of the Authority under the Agreement to the Bond Trustee. The Bond Indenture also provides for the assignment and pledge by the Authority of the right and title of the Authority in the System Receipts and the amounts on deposit in the funds and accounts (except the Rebate Fund) established pursuant to the Bond Indenture, including any earnings thereon, subject to the terms and conditions of the Bond Indenture.

Additional Bonds. One or more series of Additional Bonds may be issued under the Bond Indenture in order to complete or make additions or improvements to a Project (including the Series 2009A Project), to provide extensions, additions, improvements or repairs to a Project (including the Series 2009A Project) or any System Facilities, to refund one or more series of Outstanding Bonds or to provide funds for the Reserve Fund created under the Bond Indenture. The Series 2009A Bonds are being issued as Additional Bonds under the Bond Indenture. The Reserve Fund was not funded in connection with the issuance of the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006 Bonds and the Series 2007 Bonds and is not being funded in connection with the issuance of the Series 2009A Bonds and, if subsequently funded in connection with the issuance of Additional Bonds, may be pledged to secure such Additional Bonds without being pledged to the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006B-2 Bonds, the Series 2007 Bonds or the Series 2009A Bonds. Additional Bonds will be ratably and equally secured with the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006B-2 Bonds, the Series 2007 Bonds and the Series 2009A Bonds (except to the extent that a series of Additional Bonds may be secured by funds in the Reserve Fund). Prior to the issuance of any Additional Bonds under the Bond Indenture, the System is required to enter into a supplemental agreement with the Authority to provide that payments under the Agreement will be increased to include all payment obligations of the System required by the Agreement including payments in connection with the Additional Bonds. For a description of the terms and conditions under which Additional Bonds may be issued under the Bond Indenture, see Appendix C - "SUMMARY OF PRINCIPAL DOCUMENTS -Summary of the Bond Indenture - Additional Bonds."

Enforcement of any claims for payment of principal of, redemption premium, if any, and interest on the Series 2009A Bonds, as well as the enforceability of the Agreement and the Bond Indenture would be subject to, and may be limited by, bankruptcy, insolvency, and other laws heretofore or hereafter enacted affecting creditors' rights generally and to the exercise of judicial discretion in accordance with equitable principles, including principles of equitable subordination.

THE SERIES 2009A PROJECT

A portion of the Series 2009A Bond proceeds will be used for: (i) the cost of a new ice arena for PSU, renovations to Huntress Hall at Keene, and renovations to various revenue-producing facilities at the University of New Hampshire; (ii) payment of capitalized interest with respect to the Series 2009A Project; and (iii) payment of the costs of issuance of the Series 2009A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and Appendix A - "Purpose for the Series 2009A Bonds."

PLAN OF REFUNDING

The Refunded Bonds were originally issued in and are currently outstanding in the aggregate principal amount of $84,400,000. The proceeds of the Refunded Bonds were used to finance certain student residences and student dining facilities on the System's campuses in Durham, Keene and Plymouth, New Hampshire.

The Authority will currently refund the Refunded Bonds with a portion of the proceeds of the Series 2009A Bonds in accordance with the Bond Indenture. The moneys so provided will be deposited in the Redemption Account of the Bond Fund established under the Bond Indenture, and will be sufficient to pay when due (i) interest on the Series 2006A Bonds to March 26, 2009; (ii) interest on the Series 2006B-1 Bonds to March 30, 2009; (iii) the redemption price of 100% on March 26, 2009 of all of the Outstanding Series 2006A Bonds; and (iv) the redemption price of 100% on March 30, 2009 of all of the Outstanding Series 2006B-1 Bonds. The Refunded Bonds will remain Outstanding until their respective redemption dates. The estimated amounts required to implement this refunding plan are detailed in the following table of Estimated Sources and Uses of Funds.

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2009A Bonds and the estimated uses of such funds are shown below (rounded to the nearest dollar):

Sources:

Series 2009A Bonds	$105,650,000
Net premium	4,309,992
Total	$109,959,992

Uses:

Deposit to Construction Fund	$24,445,268
Deposit to Redemption Account of Bond Fund	83,761,892
Deposit to Interest Account for Capitalized Interest	931,779
Issuance Expenses (including Underwriters' Discount and other costs of issuance)	821,053
Total	$109,959,992

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2009A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2009A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of the alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the System and others in connection with the Series 2009A Bonds, and Bond Counsel had assumed compliance by the Authority and the System with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2009A Bonds from gross income under Section 103 of the Code. The provisions of the American Recovery and Reinvestment Act of 2009 relating to the treatment of interest on certain tax-exempt bonds apply to the Series 2009A Bonds.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, the Series 2009A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, are exempt from taxes directly imposed thereon by The State of New Hampshire and the municipalities and other political subdivisions of The State of New Hampshire.

The form of Bond Counsel's opinion in connection with the issuance of the Series 2009A Bonds is attached hereto as Appendix D.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2009A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2009A Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2009A Bonds in order that interest on the Series 2009A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2009A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2009A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the System have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2009A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2009A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2009A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2009A Bonds.

Prospective owners of the Series 2009A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2009A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2009A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2009A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2009A Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2009A Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2009A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2009A Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2009A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2009A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2009A Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Series 2009A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2009A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2009A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2009A Bonds under federal or state law and could affect the market price or marketability of the Series 2009A Bonds.

Prospective purchasers of the Series 2009A Bonds should consult their own tax advisors regarding the foregoing matters.

LEGALITY OF SERIES 2009A BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that bonds of the Authority are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, trust companies, banking associations, credit unions, building and loan associations, investment companies, executors, administrators, trustees and other fiduciaries, pension, profit-sharing and retirement funds may properly invest funds, including capital in their control or belonging to them. The Act further provides that bonds of the Authority are securities which may properly be deposited with and received by any State or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

Notwithstanding the foregoing provisions of the Act, other provisions of New Hampshire law limit permissible investments by certain investors, including some or all of the persons, organizations and entities listed in the preceding paragraph, to eligible investments for savings banks. New Hampshire statutes currently provide that bonds of the Authority rated in the four highest rating categories by a nationally recognized bond rating service are eligible investments for New Hampshire savings banks.

STATE NOT LIABLE ON SERIES 2009A BONDS

The State is not liable for the payment of the principal of or premium, if any, or interest on the Series 2009A Bonds, or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Authority, and none of the Series 2009A Bonds nor any of the Authority's agreements or obligations shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provision whatsoever, nor shall the Series 2009A Bonds directly or indirectly or contingently obligate the State or any municipality or political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

COVENANT BY THE STATE

Under the Act, the State pledges and agrees with the holders of any obligations of the Authority that the State will not limit or alter the rights vested in the Authority until such obligations, together with the interest thereon, are fully met and discharged, provided that nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2009A Bonds and the Authority will not provide any such information. The System has undertaken through an agreement with the Bond Trustee all responsibilities for any continuing disclosure to Bondowners as described below, and the Authority shall have no liability to the Bondowners or any other person with respect to such disclosures.

The System has covenanted with the Bond Trustee for the benefit of Bondowners to provide certain financial information and operating data relating to the System by not later than 180 days following the end of the System's fiscal year beginning with the fiscal year ending June 30, 2009 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the System to be material. The Annual Report will be filed on behalf of the System 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 System 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 E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission. To date the System has complied in all material respects with its previous continuing disclosure agreements entered into with respect to the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2006 Bonds and the Series 2007 Bonds.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2009A Bonds by the Authority are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, whose approving opinion, in substantially the form attached hereto as Appendix D, will be delivered with the Series 2009A Bonds. Certain legal matters are subject to the approval of Hinckley, Allen & Snyder LLP, Concord, New Hampshire, counsel to the Authority, and Ronald F. Rodgers, Esq., General Counsel to the System. Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, counsel to the Underwriters, will pass upon certain legal matters for the Underwriters.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "A1" to the Series 2009A Bonds, and Standard & Poor's Rating Service, a Division of the McGraw-Hill Companies, Inc. ("S&P"), has assigned a rating of "A+" to the Series 2009A Bonds. The ratings express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Moody's and S&P, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of ratings on the Series 2009A Bonds may have an effect on the market price thereof.

UNDERWRITING

Pursuant to a Contract of Purchase (the "Contract of Purchase") among the Authority, the System and the underwriters named on the cover page of this Official Statement (the "Underwriters"), the Underwriters jointly and severally will agree to purchase the Series 2009A Bonds at a purchase price of $109,474,623.93. The Underwriters intend to make an initial public offering of the Series 2009A Bonds not in excess of the public offering prices set forth on the cover page of this Official Statement. Under the Contract of Purchase, the System will agree to indemnify the Underwriters and the Authority against certain liabilities relating to this Official Statement. The Underwriters may offer and sell the Series 2009A Bonds to certain dealers (including dealers depositing Series 2009A Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof.

The following two sentences have been provided by J.P. Morgan Securities Inc., a co-managing underwriter for the Series 2009A Bonds. J.P. Morgan Securities Inc., one of the Underwriters of the Series 2009A Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009A Bonds with UBS Financial Services Inc.

ABSENCE OF MATERIAL LITIGATION

To the knowledge of the Authority and the System, there is no litigation pending or threatened seeking to restrain or enjoin the issuance or delivery of the Series 2009A Bonds or questioning or affecting the validity of the Series 2009A Bonds or the proceedings and authority under which they are to be issued or which in any manner questions the right of the Authority to finance the Series 2009A Project in accordance with the provisions of the Act, the Agreement, the Bond Indenture and the Continuing Disclosure Agreement. Neither the creation, organization or existence of the Authority, nor the title of the present members or other officers of the Authority to their respective offices, is being contested.

Neither the creation, organization or existence of the System, nor the title of the present members, trustees or other officers of the System to their respective offices, is being contested. To the knowledge of the System, no litigation is pending or threatened which in any manner questions the right of the System to engage in the transactions relating to the Series 2009A Bonds or the execution and delivery of the Agreement or which would materially adversely affect the System's financial condition or its operations.

INDEPENDENT ACCOUNTANTS

The financial statements as of June 30, 2008 and 2007 and for the years then ended, included in this Official Statement as Appendix B, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

MISCELLANEOUS

The references herein and in the appendices hereto to the Series 2009A Bonds, the Act, the Agreement and the Bond Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such statute and documents for full and complete statements therein. The agreements of the Authority with the holders of the Series 2009A Bonds are fully set forth in the Bond Indenture, and neither any advertisement of the Series 2009A Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2009A Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the office of the Bond Trustee.

Information relating to DTC and the book-entry system described under the heading "THE SERIES 2009A BONDS - Book-Entry Only System" has been furnished by DTC and is believed to be reliable, but none of the Authority, the System or the Underwriters makes any representations or warranties whatsoever with respect to such information.

Appendix A – "INFORMATION CONCERNING THE UNIVERSITY SYSTEM OF NEW HAMPSHIRE" has been prepared by the System. Appendix B – "Financial Statements of the University System of New Hampshire" contains the audited financial statements of the System as of June 30, 2008 and 2007 and for the years then ended. Appendix C – "SUMMARY OF PRINCIPAL DOCUMENTS" has been prepared by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Appendix D – "FORM OF BOND COUNSEL'S OPINION" has been prepared by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Appendix E – "FORM OF CONTINUING DISCLOSURE AGREEMENT" has been prepared by Edwards Angell Palmer & Dodge LLP, counsel to the Underwriters. All of the Appendices hereto are incorporated as an integral part of this Official Statement.

The Authority has participated only in the section captioned "THE AUTHORITY" and those statements which relate to the Authority in "ABSENCE OF MATERIAL LITIGATION."

The execution and delivery of this Official Statement has been duly authorized by the Authority.

NEW HAMPSHIRE HEALTH AND EDUCATION
FACILITIES AUTHORITY

By: /s/ David C. Bliss
Executive Director

Dated: March 5, 2009

New Hampshire Health and Education Facilities Authority
Concord, New Hampshire 03302

Ladies and Gentlemen:

We are pleased to submit the following information with respect to the University System of New Hampshire ("USNH" or the "System") in connection with the issuance by the New Hampshire Health and Education Facilities Authority ("NHHEFA") of its Revenue Bonds, University System of New Hampshire Issue, Series 2009A (the "Series 2009A Bonds"). As used hereinafter, and unless otherwise indicated by the context, all financial and other data for, or references to, any year refer to the fiscal year ending June 30, and defined terms used in the forepart of this Official Statement have the same meanings when used in this Appendix A.

History and Description of the University System of New Hampshire

The System administers and coordinates the public higher education system in the State of New Hampshire (the "State" or "New Hampshire"). Created in 1963 as a body politic and corporate of the State, USNH presently consists of three institutions (individually, an "Institution" and collectively, the "Institutions"), each of which is a body politic and corporate of the State: the University of New Hampshire ("UNH"), with campuses in Durham ("UNHD") and Manchester ("UNHM"); Keene State College ("KSC"); and Plymouth State University ("PSU"). In addition, USNH operates Granite State College ("GSC"), a four-year non-residential institution, and the State's only public television station, New Hampshire Public Broadcasting ("WENH-TV").

UNH. The University of New Hampshire was founded in 1866 as the New Hampshire College of Agriculture and the Mechanical Arts, a land-grant institution located in Hanover in connection with Dartmouth College. It moved to its present location in Durham in 1893 and in 1923 was granted a new charter as the University of New Hampshire. The Graduate School was added in 1928 and Doctor of Philosophy degree programs were instituted in 1954.

Also included on the Durham campus of UNH are the New England Conference Center (a hotel/restaurant/conference center) and the University of New Hampshire Foundation, Inc. ("UNHF"). UNHF was incorporated in 1989 to solicit, collect, invest and disburse funds for the sole benefit of the University of New Hampshire. UNHF is governed by its own Board of Directors, the membership of which includes the President of UNH and at least three other members of the USNH Board of Trustees, and is included as a blended component unit in USNH's financial statements.

UNH presently offers associate degrees in eight disciplines; baccalaureate degrees in 84 major fields; masters degrees in 60 fields; and doctorate degrees in 21 fields. UNH administration believes that its programs with particular competitive strength include marine biology, environmental engineering, natural resources, ocean engineering, space science, American history, journalism, and computer science. The most popular majors for undergraduates are business administration, English, communication, psychology, biological sciences, and kinesiology.

As described above, UNH was founded as a land-grant university and, in the past 25 years, has also been accorded status as a sea-grant and space-grant university. UNH is the center of graduate education and research at USNH. The administration believes that, in addition to its attractive rural setting close to the ocean and accessible to Boston and the lakes and mountains of New Hampshire and Maine, the source of UNH's competitive strength is its balance between undergraduate education and externally funded research programs. This balance allows UNH students to benefit from both outstanding teaching (as befits a small liberal arts college) and opportunities to engage in cutting edge research, consistent with the resources of a major research enterprise.

UNHM is the urban, non-residential college of UNH. Its principal purpose is to extend the programs and resources of UNH to residents of the most densely populated region of the State. UNHM was founded in 1968 as Merrimack Valley College and became a full-standing college of UNH in 1985.

KSC. Keene State College, located in Keene, was incorporated as Keene Normal School in 1909, offering programs in secondary education, industrial arts and home economics. In 1926 it was authorized to offer a Bachelor of Education degree; in 1939 it was renamed Keene Teachers College by which time all of its curricula had been expanded to four-year programs; and in 1951 it granted its first Master of Education degree. KSC adopted its present name in 1963.

KSC is New Hampshire's public liberal arts college and is a founding member of the Council of Public Liberal Arts Colleges. KSC offers 40 majors leading to a baccalaureate degree, associate degrees in four areas and a Master of Education degree. A new Integrative Studies Program has added new vitality and purpose to the undergraduate general education program. A new honors program attracted 19 new first time students in fall 2008. In addition to KSC's traditional strength in teacher education, KSC attracts distinction from programs in the Media Arts, Safety Studies, Sciences, Fine and Performing Arts, Holocaust and Genocide Studies, Management, Architecture and accredited programs in Nutrition and Athletic Training.

PSU. Plymouth State University, located in Plymouth, was founded in 1808 as Holmes Plymouth Academy and became the Plymouth Normal School in 1871. It began offering four-year baccalaureate degrees in 1928, and its first graduate program was instituted in 1948. The school was renamed Plymouth Teachers College in 1939 and Plymouth State College in 1963. It was renamed Plymouth State University in 2003 to reflect its expanding mission as a regional comprehensive university that has a special commitment to the North Country and Lakes Regions of New Hampshire.

PSU presently offers baccalaureate degrees in nearly 50 major fields and advanced degrees, including Master of Business Administration, Master of Education, Master of Science, Master of Arts in Teaching, the Certificate of Advanced Graduate Study, and the Doctor of Education in Learning, Leadership and Community. Plymouth State University has a particularly strong reputation for its programs in areas of education, business, criminal justice, meteorology, music, theater and dance, and health and human performance.

GSC. Granite State College was established in 1972 as the School of Continuing Studies, became the School for Lifelong Learning in 1979, became the College for Lifelong Learning in 1993, and adopted its present name in 2005. GSC provides undergraduate degree and non-degree programs to New Hampshire nontraditional learners seeking an alternative to traditional campus-based programs. GSC maintains a network of nine educational centers located throughout the State, in addition to providing an increasing number of online courses and programs for learners.

Accreditations

UNH, KSC, PSU and GSC are accredited by the Commission on Institutions of Higher Education of the New England Association of Schools and Colleges, Inc. In addition, each Institution is accredited by several discipline-specific accrediting agencies. For example, UNH is accredited by the Association to Advance Collegiate Schools of Business (business administration), the Accreditation Board for Engineering and Technology (engineering), and the Commission on Collegiate Nursing Education (nursing), among others. PSU has accreditations by the National Council for Accreditation for Teacher Education, Council for Accreditation of Counseling and Related Educational Programs, the Association of Collegiate Business Schools and Programs, and Accreditation Board for Engineering and Technology (computer science), to name a few.

Affiliations

Each Institution is a member of the New Hampshire College and University Council, a consortium of colleges and universities in New Hampshire which shares resources to increase the range of opportunities for students and to improve operating efficiencies. Additionally, the Institutions participate in the New England Board of Higher Education, a compact among public and private institutions of higher education in New England which operates the Regional Student Program. This program enables students to enroll at participating institutions in certain specialized programs not available in their home state public institutions at special tuition rates. The Institutions also have international exchange programs and study abroad opportunities with a number of institutions, including such highly regarded schools as Utrecht University (Netherlands), Kansai Gaidai University (Japan), Lancaster University and Regents College (UK), and the University of Granada (Spain). In addition, UNH directly provides study abroad programs in Guatemala, Italy and New Zealand. UNH has domestic student exchange programs with the University of California at Santa Cruz and the University of California at San Diego, among others. PSU provides a first year study abroad program at the University of Limerick (Ireland); numerous study abroad opportunities through affiliated partner providers in over 50 countries; and direct affiliations with schools such as the University of Winchester (UK), LaTrobe University (Australia) and Roehampton University (UK); exchange programs with Bishop’s University (Quebec, Canada) and Middlesex University (UK). In addition, PSU is a member of the National Student Exchange program, a domestic study away option with 200 member campuses.

Governance

The System is governed by a Board of Trustees (the "Board") whose membership consists of 27 individuals: eight ex-officio members (the Governor of the State of New Hampshire, the Commissioner of Agriculture, the Commissioner of Education, the Chancellor of USNH, the President of UNH, the President of KSC, the President of PSU and the President of GSC); 11 members appointed by the Governor with the advice and consent of the Executive Council (an elected State Council); two members who are students enrolled at and elected annually on a rotating basis by the student bodies of UNH, KSC and PSU; four members elected by the alumni of UNH; one member elected by the alumni of KSC; and one member elected by the alumni of PSU. Terms of the elected and appointed members are for four years, with the exception of the student-elected trustees, who serve for one year. Alumni trustees may serve no more than two consecutive terms; all other Trustees may serve an unlimited number of terms. The Board annually elects its own officers, including a Chairperson, Vice Chairperson and Secretary.

The standing committees of the Board include the Executive Committee, the Audit Committee, the Financial Affairs Committee, the Finance Committee for Investments, the External Affairs Committee, the Programs and Services Committee, and the Student Affairs Committee. The Executive Committee is empowered to act on behalf of and in the name of the Board in all matters requiring Board action between regular Board meetings.

The current members of the Board of Trustees of USNH, the year they were first elected or appointed and their principal affiliation are as follows:

Trustee	Year Appointed	Affiliation
Edward C. Dupont* (Chair of the Board)	2003	President of The Dupont Group Ltd and former President of the New Hampshire Senate
George Epstein* (Vice Chair of the Board)	2002	Co-founder and CEO of Echo Management Group
Edwinna C. Vanderzanden* (Secretary of the Board)	2001	Attorney with Getman, Stacey, Schulthess and Steere, P.A. and former President of UNH Alumni Association Board
William J. Ardinger	2008	Attorney, Treasurer and shareholder of Rath, Young and Pignatelli, P.C. of Concord
Richard E. Ashooh*	2004	Vice President of Government Relations, BAE Systems
Nicholas C. Benson	2008	Student, University of New Hampshire

Judith E. Blake	2008	Member of the UNH Alumni Association Board of Directors (2006-present)
John D. Crosier	1998	Retired: Former President, New Hampshire Business & Industry Association
Pamela Diamantis	2008	Principal of Curbstone Financial Management Corporation
Helen Giles-Gee	ex-officio	President, Keene State College
Larry W. Haynes	2007	President and CEO of the Grappone Automotive Group
Elizabeth K. Hoadley*	2006	Former President of UNH Alumni Association Board and former New Hampshire State Representative
Chester E. Homer, III	2008	Owner, Shawnee Peak Ski Area and former Chairman, Ocean National Bank
Mark W. Huddleston	ex-officio	President, University of New Hampshire
Karol A. LaCroix	ex-officio	President, Granite State College
Peter F. Lamb*	2003	Senior Philanthropic Advisor, New Hampshire Charitable Foundation and former Vice President of the UNH Foundation
The Honorable John H. Lynch	ex-officio	Governor, State of New Hampshire, and former Chairman of the Board of the University System of New Hampshire
Eugene P. Martin, Jr.	2008	Student, Plymouth State University
John H. Moody*	2003	Retired: Former Superintendent, Derry, New Hampshire public schools
Carol S. Perkins	2008	Partner in Longview Farm and founder and director of the Plymouth Community Farmers' Market
Stephen J. Reno	ex-officio	Chancellor, University System of New Hampshire
Merle W. Schotanus*	1998	Retired: Colonel, U.S. Army and former New Hampshire State Representative

Administration

The administration of USNH and the Presidents and the Chief Financial Officers of UNH, KSC and PSU are described below.

USNH

Stephen J. Reno, age 65, was appointed as Chancellor (Chief Executive Officer) of USNH in 2000. Prior thereto, Dr. Reno was President of Southern Oregon University (1994 – 2000) and Provost and Dean of Faculty there (1989 – 1994). He received a B.A. degree from St. John's College and M.A. and Ph.D. degrees from the University of California at Santa Barbara. Dr. Reno has announced his retirement effective June 30, 2009 and will be replaced by Dr. MacKay (below).

Edward R. MacKay, age 61, has been Vice Chancellor and Treasurer of USNH since 2001. Prior to that Dr. MacKay had been Vice Chancellor for Planning and Budget since 1987 and associated with USNH in various capacities since 1976. Dr. MacKay received a B.A. degree from Bloomsburg University, an M.A. degree from Lehigh University and an Ed.D. degree from Vanderbilt University. He was Chairman of the Board of the National Association of College and University Business Officers ("NACUBO") from 1998-1999. Dr. MacKay was appointed the next Chancellor of the System by the USNH Board of Trustees at its meeting on October 23, 2008 and will move into that position on July 1, 2009.

Joan Tambling, age 60, has been Director of Human Resources of USNH since 1989 and has served in other capacities with USNH since 1977. Ms. Tambling received a B.A. degree from Benedictine College and an M.B.A. degree from Plymouth State University. She has served on the national and regional Boards of Directors of the College and University Professional Association for Human Resources.

Kenneth B. Cody, age 53, has been Chief Financial Officer since 2006, after serving USNH as Associate Vice Chancellor for Finance since 2001, Corporate Controller since 1988 and in other capacities since 1983. Mr. Cody, a Certified Public Accountant, received a B.S. degree from Plymouth State University and an M.S. Finance degree from Bentley University. He currently serves on the Board and executive committee of the Eastern Association of College and University Business Officers and has been appointed to the NACUBO Board of Directors effective August 2009.

Ronald F. Rodgers, age 51, has been General Counsel of USNH since 1987 and Secretary of USNH since 1999. Mr. Rodgers received a B.A. degree from the University of Delaware and a J.D. degree from Harvard University.

UNH

Mark W. Huddleston, age 58, began his tenure as the 19th president of the University of New Hampshire in July 2007. Dr. Huddleston earlier served as President of Ohio Wesleyan University (2004-07) and Dean of the College of Arts and Sciences at the University of Delaware (2001-04), where he had been a member of the faculty since 1980. Dr. Huddleston received his B.A. degree from the State University of New York at Buffalo and his M.A. and Ph.D. degrees from the University of Wisconsin-Madison.

Richard J. Cannon, age 64, has been Vice President for Finance and Administration at UNH in 2006. Mr. Cannon received B.S. and M.B.A. degrees from Boston College. Prior to joining UNH, his experience included five years as partner of Cambridge Hill Partners, and 11 years as Dean for Administration at Harvard University's School of Public Health.

KSC

Helen Giles-Gee, age 58, has been President of KSC since 2005. Dr. Giles-Gee received B.A., M.S. and Ph.D. degrees from the University of Pennsylvania and an M.S. degree from Rutgers University. She was formerly Professor and Provost at Rowan University in Glassboro, New Jersey. She is co-director, New Hampshire Charitable Foundation; treasurer, New Hampshire College and University Council and Campus Compact; commissioner, New Hampshire Postsecondary Education Commission; member, Board of Directors, American Association of Colleges and Universities; president, Commission on Global Education, American Association of State Colleges and Universities.

Jay V. Kahn, age 58, has been Vice President for Finance and Planning of KSC since 1988. Dr. Kahn received a B.A. degree from Northern Illinois University, and M.A. and Ph.D. degrees from the University of Illinois. He is on the Boards and executive committees of NH Workforce Opportunity Council (Governor's appointee) and Cheshire Medical Center.

PSU

Sara Jayne Steen, age 59, has been President of PSU since 2006. Dr. Steen received B.S. and Ph.D. degrees from Bowling Green State University and an M.A. degree from the Ohio State University. She was formerly Dean of the College of Letters and Science at Montana State University and an ACE Fellow at the University of Delaware. She serves on the boards of the

New Hampshire Music Festival; Speare Memorial Hospital Association; Plymouth Regional Clinic; White Mountain Gateway Economic Development Corporation; and New Hampshire College and University Council. She is a commissioner on the New Hampshire Postsecondary Education Commission and on the American Council of Education's Commission on Effective Leadership.

Stephen J. Taksar, age 53, has been Vice President for Finance and Administration of PSU since August 2008. Mr. Taksar received a B.A. degree from Central Connecticut State University, an M.Ed degree from Northeastern University and an M.B.A. degree from Providence College. Prior to joining PSU, he was Vice Chancellor of Finance and Administration at Indiana University Southeast.

Student Enrollment

Fall 2008 full-time equivalent ("FTE") credit enrollments were 13,925 at UNHD, 4,979 at KSC, and 5,677 at PSU, increasing by a combined total of 1,989 FTE or 8.8% since fall 2004. Credit enrollments comprise two distinct groups of students: New Hampshire residents ("in-state") and non-New Hampshire residents ("out-of-state"). Of the 24,581 total FTE credit enrollments for the three USNH residential campuses in the fall of 2008, 57.7% were in-state residents and 42.3% were out-of-state. In addition to the FTE credit enrollments above, there were also 1,904 FTE credit enrollments among the UNHM and GSC campuses, and 1,655 non-credit (head count) enrollees across all campuses. The following table shows the undergraduate, graduate and continuing education credit enrollments at the three residential campuses during the 2008-09 academic year and each of the prior four academic years as measured by fall term enrollment in FTE units.

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University System of New Hampshire
Fall Full-Time Equivalent (FTE) Credit Enrollment
(for residential campuses only)

	2004	2005	2006	2007	2008
UNIVERSITY OF NEW HAMPSHIRE AT DURHAM					
All Two-Year Programs	447	414	399	413	424
All Four-Year Programs	10,358	10,538	11,027	11,100	11,308
All Graduate Programs	1,834	1,868	1,857	1,887	1,820
Continuing Education	527	513	458	456	373
Total FTE Credit Enrollment	13,166	13,333	13,741	13,856	13,925
In-State Credit Enrollment	7,705	7,835	7,991	8,393	8,147
Out-of-State Credit Enrollment	5,461	5,498	5,750	5,463	5,778
KEENE STATE COLLEGE					
All Two-Year Programs	3	6	6	1	1
All Four-Year Programs	4,248	4,260	4,293	4,571	4,791
All Graduate Programs	70	62	99	72	45
Continuing Education	184	150	152	171	142
Total FTE Credit Enrollment	4,505	4,478	4,550	4,815	4,979
In-State Credit Enrollment	2,454	2,407	2,480	2,637	2,659
Out-of-State Credit Enrollment	2,051	2,071	2,070	2,178	2,320
PLYMOUTH STATE UNIVERSITY *					
All Two-Year Programs	1	-	-	1	-
All Four-Year Programs	3,967	4,028	4,127	4,154	4,153
All Graduate Programs	444	571	595	701	598
Continuing Education	509	667	600	698	926
Total FTE Credit Enrollment	4,921	5,266	5,322	5,554	5,677
In-State Credit Enrollment	3,126	3,514	3,488	3,558	3,378
Out-of-State Credit Enrollment	1,795	1,752	1,834	1,996	2,299
USNH 3-CAMPUS TOTAL					
All Two-Year Programs	451	420	405	415	425
All Four Year Programs	18,573	18,826	19,447	19,825	20,252
All Graduate Programs	2,348	2,501	2,551	2,660	2,463
Continuing Education	1,220	1,330	1,210	1,325	1,441
Total FTE Credit Enrollment	22,592	23,077	23,613	24,225	24,581
In-State Credit Enrollment	13,285	13,756	13,959	14,588	14,184
Out-of-State Credit Enrollment	9,307	9,321	9,654	9,637	10,397

* historical data restated to reflect trimester enrollments

Student Applications

Combined applications from both in-state and out-of-state students to the three residential campuses of USNH have increased each year for the last four years. For the USNH residential campuses combined, there were 9,915 in-state applications for fall 2008 which is 1,321 higher than the number of applications for fall 2004, representing a 15.4% increase. There were 18,545 out-of-state applications for fall 2008 which is 4,763 higher than the number of out-of-state applications for fall 2004, representing a 34.6% increase. The increasing number of applications has allowed all three USNH institutions to become more selective. Based on projections from the National Center for Education Statistics, the number of high school graduates in New Hampshire and the Northeast states from which USNH currently draws the majority of its out-of-state students is expected to gradually decline beginning in 2009 until reaching 2002 levels by the year 2016.

As of the date of this Official Statement, student demand is high, as represented by applications for admission received through January 15, 2009. The System is unable to predict, however, what impact, if any, the current economic circumstances will have on undergraduate and graduate applications, enrollment and retention in the future.

For the fall semesters of years 2004 through 2008, the following table sets forth the number of undergraduate in-state, out-of-state and total completed applications, the number of applicants admitted, the number of applicants enrolled, and the computed acceptance rates and yield rates for UNHD, KSC and PSU.

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University System of New Hampshire
Fall Undergraduate Admissions Trends
(for residential campuses only)

	2004	2005	2006	2007	2008
UNIVERSITY OF NEW HAMPSHIRE AT DURHAM					
In-State Applications	4,911	5,119	5,464	5,840	5,676
Out-of-State Applications	8,556	9,077	9,996	10,970	12,184
Total Applied	13,467	14,196	15,460	16,810	17,860
Admitted	9,221	10,206	10,326	10,074	11,767
Enrolled	3,236	3,431	3,701	3,409	3,412
Acceptance Rate	68.5%	71.9%	66.8%	59.9%	65.9%
Yield Rate	35.1%	33.6%	35.8%	33.8%	29.0%
KEENE STATE COLLEGE					
In-State Applications	1,828	1,598	1,758	1,925	2,148
Out-of-State Applications	2,928	2,456	2,894	3,239	3,415
Total Applied	4,756	4,054	4,652	5,164	5,563
Admitted	3,588	3,107	3,495	3,762	3,967
Enrolled	1,321	1,266	1,379	1,521	1,503
Acceptance Rate	75.4%	76.6%	75.1%	72.9%	71.3%
Yield Rate	36.8%	40.7%	39.5%	40.4%	37.9%
PLYMOUTH STATE UNIVERSITY					
In-State Applications	1,855	1,896	1,958	2,137	2,091
Out-of-State Applications	2,298	2,270	2,340	2,636	2,946
Total Applied	4,153	4,166	4,298	4,773	5,037
Admitted	3,194	3,198	3,040	3,146	3,523
Enrolled	1,321	1,245	1,213	1,212	1,314
Acceptance Rate	76.9%	76.8%	70.7%	65.9%	69.9%
Yield Rate	41.4%	38.9%	39.9%	38.5%	37.3%
USNH 3-CAMPUS TOTAL					
In-State Applications	8,594	8,613	9,180	9,902	9,915
Out-of-State Applications	13,782	13,803	15,230	16,845	18,545
Total Applied	22,376	22,416	24,410	26,747	28,460
Admitted	16,003	16,511	16,861	16,982	19,257
Enrolled	5,878	5,942	6,293	6,142	6,229
Acceptance Rate	71.5%	73.7%	69.1%	63.5%	67.7%
Yield Rate	36.7%	36.0%	37.3%	36.2%	32.3%

Student Academic Achievement Measurements

The mean Scholastic Aptitude Test ("SAT") scores of new students have remained nearly constant over the past ten years, fluctuating within 14, 23, and 5 points at UNHD, KSC, and PSU, respectively, showing no significant long-term change. Likewise, the percentage of UNHD new students from the top 20% of their high school class has varied between 47% and 54% over the past ten years, while KSC and PSU have remained fairly stable in the 10% to 15% range during the same period. The following table sets forth the mean combined SAT scores for new students and the percentage of new students ranked in the top 20% of their high school class for UNHD, KSC and PSU for the fall semesters of the years 2004 through 2008.

University System of New Hampshire
Fall New Student Scholastic Aptitude Test (SAT)
and High School Rank (HSR) Characteristics
(for residential campuses only)

	2004	2005	2006	2007	2008
UNIVERSITY OF NEW HAMPSHIRE AT DURHAM					
Combined SAT	1,111	1,118	1,104	1,110	1,115
In Top 20% of High School Rank	48%	47%	47%	52%	54%
KEENE STATE COLLEGE					
Combined SAT	997	1,007	993	984	993
In Top 20% of High School Rank	14%	11%	12%	14%	15%
PLYMOUTH STATE UNIVERSITY					
Combined SAT	969	970	966	967	965
In Top 20% of High School Rank	14%	12%	10%	12%	12%

Tuition, Fees and Room and Board Charges

The USNH Board of Trustees has full authority to set tuition and fees and to use the revenues in ways it believes will best meet the objectives of USNH, without restriction from the State. Assuring positive operating results and accomplishing USNH's mission of accessibility are prominent factors that are taken into consideration by the Board of Trustees in its tuition pricing policy, as well as competitive marketing strategies. Out-of-state tuition rates will equal or exceed the cost of education whereas in-state tuition rates will be adjusted in accordance with changes in State appropriation support and increases in operating costs. The following table sets forth the annual tuition, mandatory fees, room and board charges (based on the average charge for a double room and a seven-day meal plan) and total charges for in-state and out-of-state students at each of the Institutions in the current year and four prior years.

University System of New Hampshire
Fall Tuition, Mandatory Fees, and Room & Board Charges
(for residential campuses only)

	2004	2005	2006	2007	2008
UNIVERSITY OF NEW HAMPSHIRE AT DURHAM					
In-State Tuition	$ 7,210	7,710	8,240	8,810	9,420
Out-of-State Tuition	18,240	19,430	20,690	21,770	22,900
Mandatory Fees	2,016	2,068	2,161	2,260	2,336
Room & Board Charges	6,612	7,032	7,584	8,168	8,596
Total In-State Costs	15,838	16,810	17,985	19,238	20,352
Total Out-of-State Costs	26,868	28,530	30,435	32,198	33,832
KEENE STATE COLLEGE					
In-State Tuition	5,060	5,410	5,780	6,180	6,600
Out-of-State Tuition	11,500	12,250	13,050	13,730	14,450
Mandatory Fees	1,849	1,932	2,032	2,108	2,168
Room & Board Charges	5,966	6,484	7,023	7,460	7,796
Total In-State Costs	12,875	13,826	14,835	15,748	16,564
Total Out-of-State Costs	19,315	20,666	22,105	23,298	24,414
PLYMOUTH STATE UNIVERSITY					
In-State Tuition	5,060	5,410	5,780	6,180	6,600
Out-of-State Tuition	11,500	12,250	13,050	13,730	14,450
Mandatory Fees	1,558	1,618	1,676	1,764	1,824
Room & Board Charges	6,322	6,690	6,980	7,630	8,150
Total In-State Costs	12,940	13,718	14,436	15,574	16,574
Total Out-of-State Costs	19,380	20,558	21,706	23,124	24,424

Financial Aid

Financial aid is awarded through scholarships, grants, loans, and work programs. Each year 85% to 90% of undergraduate degree-seeking students receive some form of financial aid through institutional sources or through government scholarship and loan programs. All USNH Institutions admit students without regard to their ability to pay and have been able to offer financial aid to every admitted student with a demonstrated need.

In 2008, student financial assistance (excluding student loans, work-study compensation, and amounts received by students directly from sources other than USNH) totaled $84.2 million, up from $75.2 million in 2007. The 2008 total includes $60.6 million from USNH unrestricted sources, $15.0 million from federal grants, $4.7 million from USNH endowment returns and restricted gifts earmarked for scholarships, $2.1 million of federal funds for graduate research assistantship tuition waivers, and $1.8 million from New

Hampshire and other state grants and scholarships. The System is unable to predict what impact, if any, current economic circumstances will have on the need for financial aid in the future.

Faculty and Staff

Approximately 95% of the full-time faculty have an earned doctorate or other terminal professional degree. Tenure is granted by the USNH Board of Trustees upon recommendation of the USNH Chancellor and the President of the Institution with which the faculty member is affiliated.

As of October 2008, USNH and its Institutions employed 4,345 benefits-eligible faculty and staff. In addition, USNH typically employs 7,000 to 8,000 nonbenefits-eligible employees, including temporary, part-time, graduate students and other students. There are four collective bargaining units at USNH. The University of New Hampshire Chapter of the American Association of University Professors is the collective bargaining representative for all full-time academic, tenure-track faculty members employed by UNH. The UNH police officers are represented by the Teamsters Union. The faculty at KSC is represented by the Keene State College Education Association, an affiliate of the National Education Association. Adjunct faculty at KSC are represented by the National Education Association. All four collective bargaining contracts expire on June 30, 2009. No other employees at USNH Institutions are subject to collective bargaining. There has never been a work stoppage at any Institution, and USNH administration believes that its relations with all employees, both organized and otherwise, are good.

Facilities and Capital Expenditures

The main campus of UNHD comprises approximately 1,100 acres with 205 buildings aggregating approximately 5.6 million gross square feet. UNH owns another approximately 1,350 acres of fields, farms and woodlands within a five mile radius, and an additional 2,200 acres across the rest of the State. KSC is situated on a campus of approximately 175 acres encompassing 76 buildings with approximately 1.6 million gross square feet. PSU's campus is sited on approximately 176 acres and encompasses 47 buildings with approximately 1.4 million gross square feet. In addition to the three residential USNH campuses (UNHD, KSC and PSU), USNH owns property in downtown Manchester used as the campus of UNHM. It also owns and leases facilities elsewhere in New Hampshire, including those that are used for GSC, PSU College of Graduate Studies, USNH administrative offices, and outreach programs administered by USNH Institutions. USNH also owns farm and recreational property throughout the State and region. Each of the residential campuses has, within the last several years, completed significant renovations and expansions of libraries, academic science buildings, student unions, student housing and dining facilities, and student recreational facilities.

Capital funding for new academic and administrative facilities is predominantly from the State, while capital funding for new auxiliary enterprise facilities (student housing, dining, union, recreation and other revenue-producing activities) facilities is primarily from NHHEFA bonds or budgeted operating surpluses. In addition, significant additional funding for academic and research buildings has been received from the federal government and private gifts in recent years. An alumnus of UNH, Peter T. Paul, has recently pledged a $25 million challenge gift to build a new $50 million facility to house the UNH school of business and economics.

Two multi-year capital appropriations have recently been funded by the State as part of a major public awareness campaign called "KEEP-NH" (an acronym for the Knowledge Economy Education Plan for New Hampshire). KEEP-NH funds from the total $209.5 million appropriations remaining to be requested from the State totaled $81.1 million at June 30, 2008. In addition to other capital projects, KEEP-NH funded several science and technology facilities. UNHD completed construction in the summer of 2007 of a $56 million expansion and renovation of Kingsbury Hall, and in the fall of 2008, occupied the newly constructed DeMeritt Hall at a cost of approximately $21 million. Both of these facilities, as well as UNHD's James Hall (approximately $35 million, currently under construction to be completed December 2009) and building renovations/expansions at KSC and PSU costing $24 million and $19 million completed in 2005 and 2004, respectively, are state-of-the-art academic buildings devoted to the sciences and are funded primarily by State capital appropriations under the KEEP-NH program.

To increase the competitive position of USNH in attracting and retaining students, USNH issued $210 million of NHHEFA bonds during 2005 and 2006 to fund new construction projects. The net proceeds of these bonds (after costs of issuance and capitalized interest) have been used to build additional student housing and dining capacity, as well as to renovate, expand and update other existing revenue-producing student facilities. PSU's newest residence hall, Langdon Woods, was opened in 2006 and is LEED gold certified, receiving a number of awards for its sustainable design.

USNH issued $46.6 million of taxable revenue bonds on February 6, 2008 (the "Series 2007 Bonds") to finance the design, engineering, construction, inspection, permitting, easements and related costs of the ECOLine landfill gas project. The ECOLine project consists of three major components: (1) a landfill gas processing facility on land provided by easement from Waste Management of New Hampshire, Inc. ("WMNH") at its Turnkey Recycling and Environmental Enterprise landfill facility in Rochester, NH; (2) a 12.6 mile pipeline that will bring the purified landfill gas to the existing cogeneration plant on the main campus of UNHD; and (3) an additional 4.6MW turbine electrical generator and needed electrical connections to an existing substation. The new generator will be housed in the existing cogeneration building at UNHD (completed in 2007 at a cost of $30 million) and will be used to generate electricity for sale to the national power grid during times when landfill gas supply exceeds the UNHD campus energy demands, primarily in the summer months.

When completed by late winter 2009, the total cost of the entire ECOLine project will be approximately $49 million, with $43.8 million financed through the Series 2007 Bonds, $4 million from campus sources and $1.2 million from WMNH. UNHD has entered into a 20-year contract with WMNH which provides for a reliable source and adequate quantity of landfill gas at a cost based on a percentage of a national index price. UNHD has entered into long-term contracts with other vendors for the operation of the processing plant and the maintenance of the pipeline and the generators. By replacing natural gas purchased commercially with processed methane gas, ECOLine is designed to enable UNHD to meet a substantial majority of its campus energy needs with a carbon-neutral, renewable source of fuel. ECOLine will permit UNHD to reduce the amount of non-renewable, fossil-based commercial natural gas it needs to run its power plant. By the summer of 2009, UNHD expects to sell renewable energy credits and sell power to the public through the power grid.

See page 20 of the 2008 USNH Annual Report in Appendix B to this Official Statement for a description of other major capital projects completed or undertaken since 2004.

Purpose for the Series 2009A Bonds

The Series 2006A and 2006B-1 Bonds were originally issued by NHHEFA in a weekly auction rate mode in March 2006 and were converted to a term rate mode in March 2008. As part of its overall debt strategy, the System continually reviews its variable rate debt outstanding and monitors the tax-exempt market for opportunities to lower its overall cost of capital and reduce risks. The Series 2009A Bonds will be used to refund the Series 2006A and 2006B-1 Bonds and will be issued in fixed rate mode.

In addition to the refunding above, USNH expects to issue an additional $25 million of new money bonds to fund student-related, revenue-producing projects at its residential campuses. The two primary projects include an ice arena at PSU (approximate cost $16.4 million) which is expected to begin construction in May 2009 and be ready for occupancy by late 2010, and renovations to the Huntress Hall student residence at KSC (approximate cost funded by the Series 2009A bonds of $2.8 million) which will begin and be completed during the summer of 2009. In addition, other miscellaneous improvement projects at the residential campuses will be undertaken as approved by the USNH Board of Trustees. The PSU ice arena is the first phase of the Active Living, Learning, and Wellness (ALLWell) Center, a state-of-the-art complex that will in later phases integrate academics, athletics and recreation on one site. Funding for the operating costs of the ALLWell ice arena will be supplemented by unrestricted gift proceeds from PSU's Imagine A Way capital campaign, currently in its silent phase.

Concurrently with the issuance of the Series 2009A Bonds and as part of the System's ongoing management of its overall debt strategy, the System is considering whether to renew the existing liquidity facilities for the Series 2005A Bonds and the Series 2005B Bonds or to provide self-liquidity for such bonds, or a combination of the two options.

The Sarbanes-Oxley Act of 2002

The National Association of College and University Business Officers ("NACUBO") published their recommendations for higher education relative to the Sarbanes-Oxley Act of 2002 (the "Act") in the NACUBO Advisory Report 2003-3. Although the Act applies to publicly-traded companies and not to institutions of higher education or other public or not-for-profit entities, the USNH Board of Trustees and management believe that the principles of auditor independence, business process controls, governance, ethics and other aspects of the Act are relevant to an entity such as USNH that seeks to meet its stewardship responsibilities and public obligations of accountability, transparency, efficiency and effectiveness. The USNH Board of Trustees voluntarily adopted many of the recommendations contained in the NACUBO Advisory Report 2003-3 that were not already long-standing policies and practices at USNH. USNH management believes risks associated with regulatory compliance, resource allocation, reputation, and financial reporting and disclosure are better identified, mitigated and managed as a result of its continued focus on the principles put forth in the Act and similar provisions of sound business practices.

Past Five Fiscal Years of Financial Operations

USNH presents its financial condition and results of operations in accordance with accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"). The report of USNH's independent auditors, together with the consolidated statements of net assets at June 30, 2008 and 2007, and the related consolidated statements of revenues, expenses and changes in net assets and cash flows for the years then ended, are included in Appendix B to the Official Statement. Also included in Appendix B are the accompanying notes, which are an integral part of the financial statements, and management's discussion and analysis, which is not a required part of the basic financial statements but is supplementary information required by the GASB.

The following table summarizes the combined financial activities of USNH for the years 2004 through 2008.

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University System of New Hampshire
Statement of Revenues, Expenses and Changes in Net Assets
($ in thousands)

		2004	2005	2006	2007	2008
OPERATING REVENUES						
Tuition and fees	$	231,352	246,330	265,428	291,967	317,554
Less: student financial aid		(61,203)	(64,255)	(64,905)	(75,179)	(84,210)
Net tuition and fees		170,149	182,075	200,523	216,788	233,344
Grants and contracts		118,920	121,792	132,837	132,348	134,251
Sales of auxiliary services		120,291	128,385	137,343	152,501	166,906
Other operating revenues		22,437	25,252	24,112	22,262	23,593
Total Operating Revenues		**431,797**	**457,504**	**494,815**	**523,899**	**558,094**
OPERATING EXPENSES						
Employee compensation and benefits		342,223	353,604	370,318	388,062	411,386
Employee separation incentives		2,384	6,033	1,127	432	4,037
Supplies and services		131,438	135,134	146,054	152,451	163,388
Utilities		15,380	17,934	23,586	24,269	24,453
Depreciation		30,910	32,672	37,920	36,594	39,683
Total Operating Expenses		**522,335**	**545,377**	**579,005**	**601,808**	**642,947**
Operating loss		(90,538)	(87,873)	(84,190)	(77,909)	(84,853)
NONOPERATING REVENUES (EXPENSES)						
State of New Hampshire general appropriations		83,090	85,583	87,450	92,250	96,000
Gifts		12,383	10,498	11,117	11,565	12,483
Operating investment income		2,043	4,846	7,460	16,851	1,248
Endowment return used for operations		6,300	8,046	9,533	10,724	11,628
Interest expense, net		(10,201)	(10,009)	(9,178)	(12,724)	(15,927)
NET INCOME (LOSS) BEFORE OTHER CHANGES IN NET ASSETS		**3,077**	**11,091**	**22,192**	**40,757**	**20,579**
OTHER CHANGES IN NET ASSETS						
State of New Hampshire capital appropriations		23,137	22,660	21,940	8,084	20,235
Plant gifts, grants, and other changes, net		73	62	1,702	6,487	8,931
Endowment gifts		7,197	9,295	10,414	8,851	16,849
Endowment return, net of amount used for operations		21,417	11,226	17,541	31,241	(27,595)
Other changes in net assets				(3,137)	-	(2,000)
TOTAL OTHER CHANGES IN NET ASSETS		**51,824**	**43,243**	**48,460**	**54,663**	**16,420**
INCREASE (DECREASE) IN NET ASSETS		**54,901**	**54,334**	**70,652**	**95,420**	**36,999**
Net assets at beginning of year		523,568	578,469	632,803	703,455	798,875
NET ASSETS AT END OF YEAR	**$**	**578,469**	**632,803**	**703,455**	**798,875**	**835,874**

USNH's growth in operating expenses of $120.6 million over the past four years has been offset by growth in operating revenues of $126.3 million. These results reflect full consideration of accrued expenses for employee early retirement and other separation incentive programs. The GASB operating measure includes depreciation expense but does not include State appropriations, gifts, operating investment income, endowment return used for operations, or interest expense, all of which are considered nonoperating under GASB accounting standards.

Unlike the GASB operating measure, USNH management and independent rating agencies generally include nonoperating revenues and expenses in the determination of operating margin, which is depicted as net income (loss) before other changes in net assets in the table above. Thus, after allowance for depreciation but before the inclusion of endowment and capital activity, USNH had surpluses of $20.6 million in 2008, $40.8 million in 2007, $22.2 million in 2006, and $11.1 million in 2005, and $3.1 million in 2004. When endowment gifts, endowment return net of amount used for operations, State capital appropriations, and plant gifts, grants and other changes are included, USNH reported an increase in total net assets of $37.0 million in 2008, and a total net increase of $312.3 million over the past five years.

The percentage of total operating and nonoperating revenues represented by net tuition and fees increased from 31.7% in 2004 to 34.3% in 2008. Sales of auxiliary services also increased from 22.5% of total operating and nonoperating revenues in 2004 to 24.6% in 2008. Grants and contracts revenues decreased from 22.2% of total 2004 operating and nonoperating revenues to 19.8% in 2008. Although State general appropriations increased 15.5% over the five year period, State general appropriations as a percentage of total operating and nonoperating revenues declined from 15.5% in 2004 to 14.1% in 2008 as other revenues outpaced the growth of State general appropriations.

Total operating expenses include an actuarially determined accrued expense for postretirement medical benefits of $4.4 million in 2008, compared to $3.9 million in 2004. Typically, public colleges and universities had recorded postretirement medical benefits on a "pay-as-you-go" basis and did not accrue this liability on their statements of net assets or accrue the expense on their statements of revenues, expenses and changes in net assets. Recently issued GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires all public institutions to record this liability and expense in 2008. There was, however, no significant impact on USNH financial statements when USNH adopted this pronouncement early (as of July 1, 2002), because USNH has been recording this liability and expense each year since the mid-1990's. For a further description of the postretirement medical benefits, see Note 7 to the financial statements set forth in Appendix B of this document.

The table on the following page presents the combined statements of net assets of USNH at June 30, 2004 through 2008.

University System of New Hampshire
Statement of Net Assets
($ in thousands)

	2004	2005	2006	2007	2008
ASSETS					
Current Assets					
Cash, cash equivalents, and operating investments	$ 152,226	182,078	174,513	194,346	218,848
Accounts receivable	23,227	27,739	21,699	24,064	22,985
Pledges receivable - current portion	1,163	1,481	1,287	1,072	1,445
Notes receivable - current portion	2,692	2,693	2,974	3,202	3,392
Prepaid expenses and other current assets	4,896	5,441	4,780	5,300	5,154
Total Current Assets	**184,204**	**219,432**	**205,253**	**227,984**	**251,824**
Noncurrent Assets					
Debt proceeds held by others for construction purposes	15,753	47,540	112,176	48,334	32,195
Long term operating investments	5,402	5,755	27,550	31,945	6,830
Endowment and similar investments - campuses	101,917	108,584	128,355	159,878	182,519
Endowment and similar investments - affiliated entities	90,947	102,644	116,231	135,205	129,760
Pledges receivable	2,934	1,939	1,012	1,053	885
Notes receivable	20,293	20,361	18,668	18,769	18,686
Property and equipment, net	533,881	587,993	693,675	781,805	854,679
Other assets	2,118	2,450	3,880	2,719	2,760
Total Noncurrent Assets	**773,245**	**877,266**	**1,101,547**	**1,179,708**	**1,228,314**
TOTAL ASSETS	**$ 957,449**	**1,096,698**	**1,306,800**	**1,407,692**	**1,480,138**
LIABILITIES					
Current Liabilities					
Accounts payable and accrued expenses	$ 32,078	42,879	36,669	38,557	29,912
Construction services payable	4,957	14,672	14,593	11,835	13,150
Deposits and deferred revenues	26,946	30,573	32,863	35,016	35,581
Accrued employee benefits - current portion	4,333	5,627	4,615	5,785	6,544
Postretirement medical benefits - current portion	3,455	4,750	5,758	5,080	5,117
Long term debt - current portion	6,166	6,510	5,042	7,164	8,583
Total Current Liabilities	**77,935**	**105,011**	**99,540**	**103,437**	**98,887**
Noncurrent Liabilities					
Obligations under life income agreements	1,557	1,634	2,706	2,799	2,664
Government advances refundable	17,359	17,355	17,218	16,732	16,805
Accrued employee benefits	27,868	27,413	28,344	27,543	29,991
Postretirement medical benefits	39,774	39,911	43,100	46,426	46,305
Long term debt	214,487	272,571	412,437	411,880	449,612
Total Noncurrent Liabilities	**301,045**	**358,884**	**503,805**	**505,380**	**545,377**
TOTAL LIABILITIES	**$ 378,980**	**463,895**	**603,345**	**608,817**	**644,264**
NET ASSETS					
Invested in capital assets, net of related debt	$ 329,223	351,628	386,119	410,534	432,454
Restricted					
Nonexpendable	117,264	126,314	136,465	145,962	162,452
Expendable	80,981	91,462	109,608	137,492	116,491
Unrestricted	51,001	63,399	71,263	104,887	124,477
TOTAL NET ASSETS	**$ 578,469**	**632,803**	**703,455**	**798,875**	**835,874**

From June 30, 2004 to June 30, 2008, the endowment and similar investments of USNH increased $119.4 million (61.9%). Net property and equipment increased $320.8 million (60.1%) during the same period. The accrued employee benefits liability (for both the current and noncurrent portions) included an actuarially determined accrual for postretirement medical benefits of $43.2 million and $51.4 million as of June 30, 2004 and 2008, respectively, as more fully described above. Total net assets increased from $578.5 million at June 30, 2004 to $835.9 million at June 30, 2008 (44.5%). Unrestricted net assets increased $73.5 million or 144.1% during the same period.

Fiscal Year 2009 Financial Operations through December 31, 2008 (Unaudited)

Operating revenues for the first six months of fiscal year 2009 have increased $13.8 million over operating revenues for the first six months of fiscal year 2008, whereas operating expenses have increased $15.8 million for the same period. After taking into consideration nonoperating revenues (expenses), net income before other changes in net assets has decreased from $26.0 million through the first six months of fiscal year 2008 to $23.0 million through the same period in fiscal year 2009. The decrease is primarily due to investment losses sustained on fixed income bond investments of operating funds during the first six months of fiscal year 2009, recorded as a net operating investment loss of $6.5 million.

The net operating investment loss of $2.5 million for the first six months of fiscal year 2008 included a write-down of unrealized depreciation of operating investments of $9.9 million due to commercial paper that was placed in receivership subsequent to purchase by USNH, as more fully described in Footnote 12 to the 2008 audited financial statements on included in Appendix B to this Official Statement. As indicated in Footnote 12, USNH expected to sell the related holdings in the fall of 2008 but, due to the prevailing market conditions, only one of the three tranches of the commercial paper holdings has been sold to date. Although the New Hampshire Bureau of Securities Regulation is currently negotiating a settlement with the securities broker on behalf of USNH, no estimate of a settlement has been recorded as income or an amount receivable in these December 31, 2008 interim financial statements.

The total change in net assets for the six months ended December 31, 2008 was a net decrease of $37.8 million in fiscal year 2009 as compared to a net increase of $31.6 million in fiscal year 2008. The decrease as of December 31, 2008 was primarily the result of investment losses sustained in the endowment for the first six months of fiscal year 2009 of approximately $71.7 million and endowment return used for operations of $6.3 million. See Endowment Investments on page A-28 for more information.

The tables on the following two pages summarize the combined statements of net assets of USNH at December 31, 2008 and 2007 and the combined financial activities for the six months then ended. The statements for such six-month periods were not audited and reflect, in the opinion of management, all adjustments (which include normal recurring adjustments) necessary to summarize fairly the results and balances for such periods. Appropriate accounting treatment has not been finalized with respect to December 31, 2008 underwater endowment valuations and USNH's expected adoption of the Uniform Prudent Management of Institutional Funds Act during fiscal year 2009. Thus, the change in endowment market valuation for restricted true endowments for the first six months of fiscal year 2009 has been fully recorded in the restricted expendable net asset category shown in the table on page A-24. The results for the six months ended December 31, 2008 and 2007 should not be considered indicative of the results for the full fiscal years. These statements should be read in conjunction with the audited financial statements of the System for the years ended June 30, 2008 and 2007, including the accompanying notes, included in Appendix B to this Official Statement.

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University System of New Hampshire
Statements of Revenues, Expenses and Changes in Net Assets
For The Six Months Ended December 31, 2008 and 2007
Unaudited
($ in thousands)

	Fiscal Year through December 31, 2008	Fiscal Year through December 31, 2007	*Change*
OPERATING REVENUES			
Tuition and fees	$ 175,254	$ 164,640	*$ 10,614*
Less: student financial aid	(44,528)	(41,445)	*(3,083)*
Net tuition and fees	130,726	123,195	*7,531*
Grants and contracts	67,149	66,600	*549*
Sales of auxiliary services	94,133	86,926	*7,207*
Other operating revenues	10,292	11,744	*(1,452)*
Total Operating Revenues	**302,300**	**288,465**	***13,835***
OPERATING EXPENSES			
Salaries and wages	157,753	151,226	*6,527*
Employee benefits	50,883	47,328	*3,555*
Postretirement medical actuarial expense	668	668	-
Supplies and services	85,383	83,538	*1,845*
Utilities	10,613	8,681	*1,932*
Depreciation	22,326	20,410	*1,916*
Total Operating Expenses	**327,626**	**311,851**	***15,775***
Operating income (loss)	(25,326)	(23,386)	*(1,940)*
NONOPERATING REVENUES (EXPENSES)			
State of New Hampshire general appropriations	50,000	48,000	*2,000*
Gifts	5,705	5,750	*(45)*
Net operating investment income (loss)	(6,485)	(2,519)	*(3,966)*
Endowment return used for operations	6,346	5,601	*745*
Interest expense, net	(7,161)	(7,485)	*324*
NET INCOME BEFORE OTHER CHANGES IN NET ASSETS	**23,079**	**25,961**	***(2,882)***
OTHER CHANGES IN NET ASSETS			
State of New Hampshire capital appropriations	13,613	6,543	*7,070*
Plant gifts, grants and other changes, net	2,075	4,002	*(1,927)*
Endowment and similar gifts	8,444	3,606	*4,838*
Endowment return, net of amount used for operations	(77,974)	(6,537)	*(71,437)*
Other changes in net assets	(7,000)	(2,000)	*(5,000)*
Total Other Changes in Net Assets	**(60,842)**	**5,614**	**(66,456)**
(DECREASE) INCREASE IN NET ASSETS	**(37,763)**	**31,575**	***(69,338)***
Net assets at beginning of year	835,874	798,875	*36,999*
NET ASSETS AT END OF YEAR	**$ 798,111**	**$ 830,450**	***$ (32,339)***

The table on the following page presents the combined statements of net assets of USNH at December 31, 2008 and 2007.

University System of New Hampshire
Statements of Net Assets
At December 31, 2008 and 2007
Unaudited
($ in thousands)

	Balance at December 31, 2008	Balance at December 31, 2007	*Change*
ASSETS			
Current Assets			
Cash, cash equivalents, and operating investments	$ 262,169	$ 243,024	*$ 19,145*
Accounts receivable	138,439	125,355	*13,084*
Notes receivable - current portion	3,397	3,202	*195*
Prepaid expenses and other current assets	4,031	3,797	*234*
Total Current Assets	**408,036**	**375,378**	***32,658***
Noncurrent Assets			
Debt proceeds held by others for construction purposes	13,647	20,724	*(7,077)*
Long-term operating investments	5,038	32,076	*(27,038)*
Endowment and similar investments - campuses	152,634	161,770	*(9,136)*
Endowment and similar investments - affiliated entities	104,026	136,451	*(32,425)*
Pledges receivable	885	1,053	*(168)*
Notes receivable	18,906	19,267	*(361)*
Property and equipment, net	888,203	815,402	*72,801*
Other assets	2,683	2,654	*29*
Total Noncurrent Assets	**1,186,022**	**1,189,397**	***(3,375)***
TOTAL ASSETS	**$ 1,594,058**	**$ 1,564,775**	***$ 29,283***
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	$ 34,229	$ 29,016	*$ 5,213*
Deposits and deferred revenues	203,465	187,521	*15,944*
Accrued employee benefits - current portion	6,444	5,535	*909*
Postretirement medical benefits - current portion	5,117	5,080	*37*
Long-term debt - current portion	8,357	6,811	*1,546*
Total Current Liabilities	**257,612**	**233,963**	***23,649***
Noncurrent Liabilities			
Obligations under life income agreements	2,623	2,756	*(133)*
Government advances refundable	16,805	16,732	*73*
Accrued employee benefits	29,991	27,543	*2,448*
Postretirement medical benefits	46,973	47,094	*(121)*
Long-term debt	441,943	406,237	*35,706*
Total Noncurrent Liabilities	**538,335**	**500,362**	***37,973***
TOTAL LIABILITIES	**$ 795,947**	**$ 734,325**	***$ 61,622***
NET ASSETS			
Invested in capital assets, net of related debt	$ 456,671	$ 429,501	*$ 27,170*
Restricted			
Nonexpendable	170,896	149,568	*21,328*
Expendable	56,999	133,900	*(76,901)*
Unrestricted	113,545	117,481	*(3,936)*
TOTAL NET ASSETS	**$ 798,111**	**$ 830,450**	***$ (32,339)***

The following table sets forth the revenues and expenses for the five years ended June 30, 2008 related to the operation of those student housing, student dining, student center, and student recreation, and renewable energy facilities whose revenues have been pledged to secure NHHEFA's Revenue Bonds, University System of New Hampshire Issue, Series 2001, 2002, 2005, 2006 and 2007. Revenues and cost savings from the ECOLine renewable energy project have been pledged to secure the Bonds. However, the ECOLine project was under construction in 2008 so neither the revenues nor the debt service are reflected in the table. Although the following table is unaudited, USNH administration believes it represents a fair statement of such revenues and expenses, including a reasonable allocation of general administrative overhead expense not specifically attributable to these activities.

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USNH Housing, Dining, Student Centers, Recreation and Renewable Energy
Revenue and Expenses (Pledged to Series 2001, 2002, 2005, 2006 and 2007 Bonds)
Unaudited
($ in thousands)

	2004	2005	2006	2007	2008
OPERATING REVENUES					
Student Housing	$ 41,707	44,973	47,767	56,982	64,155
Student Dining	21,856	28,717	31,751	35,565	39,128
Student Centers	8,250	8,625	9,035	9,184	9,553
Recreation	7,464	7,721	8,056	8,445	7,848
Total Operating Revenues	79,277	90,036	96,609	110,176	120,684
OPERATING EXPENSES					
Salaries and Benefits	16,313	16,065	15,884	17,761	19,431
Supplies and Expenses	15,856	21,472	22,501	25,009	25,997
Operations and Maintenance of Plant	18,439	19,186	23,939	26,465	28,137
Administrative Overhead Allocation	4,570	4,956	5,324	8,025	8,855
Total Operating Expenses	55,178	61,679	67,648	77,260	82,420
Excess of Operating Revenues over Operating Expenses	**24,099**	**28,357**	**28,961**	**32,916**	**38,264**
Less: Payment of Debt Service on					
Series 2001/2002/2005A/2005B/2006A&B	14,352	14,346	15,456	20,857	24,127
State Bonds	628	414	395	256	94
Excess of Operating Revenues over Operating Expenses and Debt Service	**9,119**	**13,597**	**13,110**	**11,803**	**14,043**
Other Charges:					
Capital Equipment Expenditures	220	231	178	293	454
Non-Mandatory Transfers for Repairs and Renovations	5,434	8,991	7,967	6,985	9,273
Other Non-Mandatory Transfers	3,031	2,882	2,585	641	216
Total Other Charges	8,685	12,104	10,730	7,919	9,943
NET INCREASE IN NET ASSETS	$ 434	1,493	2,380	3,884	4,100

State Appropriations

State operating appropriations received by USNH for the five years ended June 30, 2008 and appropriated for the current year are as follows:

University System of New Hampshire
Summary of State Appropriations

Fiscal Year Ending June 30,	General Operating Appropriation
2004	$ 83,090,000
2005	85,583,000
2006	87,450,000
2007	92,250,000
2008	96,000,000
2009	100,000,000

The USNH Board of Trustees receives a lump sum State appropriation annually based on the biennial budget request. The Board has authority to allocate the State appropriation among the Institutions and for any purpose it decides appropriate. The State also appropriates capital funding to USNH in a similar fashion as described above under "Capital Expenditures." During 2008 and 2009 the USNH Board of Trustees voluntarily agreed to assist the Governor with the State's budget issues by issuing a check in June of each year in the amount of $2 million and $7 million, respectively. There was no legal requirement to do this and there is no expectation of a similar voluntary payment in future years.

Fundraising and Development

Each Institution within USNH pursues its own fundraising and development efforts. Private gifts within the current funds totaled $12.5 million in 2008, approximately the same as the $12.4 million total in 2004. The "Next Horizon" Capital Campaign at UNHF was the last major capital campaign at USNH, which ran from 1999 to 2002. The campaign goal of $100 million was met three years early through gifts of cash and pledges from individuals and corporations. The UNH Foundation is currently building the nucleus fund for another capital campaign that is expected to have more than double the fundraising goal of the Next Horizon campaign. The new campaign will seek to secure financial resources for endowed faculty chairs, scholarships, specific programs of distinction and facilities needs. Smaller capital campaigns at KSC and PSU are currently in similar stages and will advance the Institutions through the creation of additional scholarships and professorships, among other campus priorities.

Endowment and Similar Funds

At June 30, 2008, endowment and similar funds of USNH, including UNHF, were approximately $312.3 million compared with $192.9 million at June 30, 2004. The increase reflects gifts and other additions to these funds, as well as realized market gains net of distributions. Pooled endowment funds totaled $292.4 million at June 30, 2008 with the balance of $19.9 million invested separately. In 2008, the endowment pools distributed for annual spending $11.0 million, representing up to 5.5% (depending on the USNH institution) of the market value of investments computed on a twelve quarter moving average. Non-pooled endowment funds distributed another $0.6 million, for total endowment return used for operations of $11.6 million for 2008 compared to $6.3 million in 2004. Endowment pool assets are invested with various independent professional investment managers. Endowment and similar funds were classified as follows at June 30, 2008:

University System of New Hampshire
Composition of Endowment and Similar Funds
at June 30, 2008
($ in thousands)

	Campuses	Affiliated Entities	USNH Total
Endowment	$ 94,104	122,824	216,928
Quasi-endowment	73,303	2,179	75,482
Held in trust by others	14,761	-	14,761
Life income, annuity & other funds	351	4,757	5,108
Total Endowment	$ 182,519	129,760	312,279

Endowment Investments

For the six months ended December 31, 2008 USNH investments have incurred losses similar to the broader markets. Total endowment and similar funds are down approximately $55.6 million during this period, resulting from approximately $8.4 million in new gifts and $14.0 million of other additions, offset by approximately $6.3 million in spending distributions and total returns estimated at (26.2%) for the USNH campuses endowment pool and (18.7%) for the UNH Foundation endowment pool, including provision for estimated valuation adjustments for alternative assets estimated as of this date.

The asset allocation of the USNH endowment investment portfolio at June 30 of the past five years and at December 31, 2008 was as follows:

University System of New Hampshire
Endowment & Similar Investments
($ in thousands)

	as of June 30					as of Dec 31
	2004	**2005**	**2006**	**2007**	**2008**	**2008**
CAMPUSES						
Mutual funds - money markets	$ 2,096	3,789	956	4,266	5,145	9,035
Mutual funds - bonds	16,917	14,697	14,280	15,744	15,865	21,239
Mutual funds - stocks	6,071	6,802	10,467	12,632	10,192	6,255
Mutual funds - real estate	3,801	4,644	2,969	5,540	2,867	1,905
Common/preferred stocks	48,826	50,506	71,302	87,682	79,973	52,325
Alternative investments*	14,892	18,813	40,158	49,455	60,546	54,824
Investments held by others	14,716	15,088	15,773	16,504	14,761	12,089
Sub-total	107,319	114,339	155,905	191,823	189,349	157,672
Operating amounts invested alongside endowment pool	(5,402)	(5,755)	(27,550)	(31,945)	(6,830)	(5,038)
Sub-total Campuses	101,917	108,584	128,355	159,878	182,519	152,634
AFFILIATES						
Mutual funds - money markets	8,751	9,370	12,436	10,847	8,316	41,883
Mutual funds - bonds	21,832	16,524	15,356	15,351	16,151	-
Mutual funds - stocks	40,488	49,533	49,002	47,378	62,077	43,887
Mutual funds - real estate	53	81	-	-	-	-
Commercial paper	-	-	-	15,587	-	-
U.S. government obligations	1,253	1,288	335	814	18,862	-
Corporate bonds and notes	-	-	424	604	421	-
Common/preferred stocks	5,540	10,539	20,105	22,470	821	-
Alternative investments*	9,734	11,765	13,720	16,526	18,355	14,450
Investments held by others	3,296	3,544	4,853	5,628	4,757	3,806
Sub-total Affiliated	90,947	102,644	116,231	135,205	129,760	104,026
Total	$ 192,864	211,228	244,586	295,083	312,279	256,660

*Alternative investments as shown above include private equity, venture capital, absolute return, hedge, natural resource and real estate funds. The estimated fair value of investments is based on quoted market prices except for certain alternative investments, for which quoted market prices are not available. The estimated fair value of certain alternative investments is based on valuations provided by external investment managers and reviewed by USNH. Because these alternative investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, but such differences are not estimated to be material.

Sponsored Projects

Government and private grants and contracts, primarily for research and primarily at UNHD, represented $134.3 million, or 19.8% of total operating revenues in 2008. In addition, USNH had unearned grants and awards for services not yet performed of $122.6 million and $133.8 million at June 30, 2008 and 2007, respectively.

The federal government is the largest single sponsor of research activity, particularly the Department of Commerce, National Aeronautics and Space Administration, National Science Foundation, and the Department of Health & Human Services. Among the many areas of active research are earth, oceans, and space; marine science; public policy; family studies; and developmental disabilities.

Grants and contracts typically provide for the direct cost of research and a portion of indirect costs that are allocable to the support of sponsored activities. Recovery of indirect costs (of facilities and administration) for federal projects is recorded at rates negotiated with the government. The facilities and administrative rate for UNHD on-campus federally sponsored research programs of 45% was negotiated in June 2005 for application to the four years from 2006 through 2009.

Retirement

Eligible faculty and staff may elect to participate in defined contribution pension plans administered by Teachers Insurance Annuity Association – College Retirement Equities Fund and Fidelity Investment Corporation. Contributions by USNH to these plans in 2008 and 2007 were $21.7 million and $20.0 million, respectively. There are no unfunded pension liabilities for USNH associated with these plans.

Operating staff employees, a category of employees subject to hourly wage laws, who elected not to participate in the defined contribution plan may have elected to participate in the Operating Staff Retirement Plan ("OSRP"), a defined benefit plan closed to new participants since the mid-1980's. At June 30, 2008 USNH had unrestricted cash and funds functioning as endowment assets for the OSRP totaling $7.0 million, which fully funds the accrued liability of the plan.

Fewer than one hundred employees participate in the federal Civil Service Retirement System. USNH contributes to both of these plans, and there is no unfunded pension liability associated with these plans.

Insurance

USNH maintains property insurance with commercial insurance carriers and deductibles of $1.0 million per occurrence; general liability insurance with limits of $1.0 million per occurrence; umbrella liability insurance in excess of the comprehensive general liability coverage in the amount of $20.0 million; non-owned and hired automobile coverage with limits of $1.0 million; and insurance against various other risks, errors and omissions.

Current Market Conditions

The recent turmoil in the global financial markets and the adverse economic conditions have affected the System. The System cannot predict what impact, if any, the current economic circumstances will have on the System in the future. The information presented in this Appendix A reflects current information about the System. Any such information is subject to change as the System continues to monitor, plan for and respond to the changing economic climate.

Litigation

To the best of the knowledge of USNH, there is no litigation pending or threatened against USNH or any of its Institutions which, in the event of an adverse result, would adversely affect the ability of USNH or any of its Institutions to meet its or their obligations under the Agreement or have a materially adverse effect on the financial condition of USNH or any of its Institutions.

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

By: /s/ Stephen J. Reno
Stephen J. Reno, Chancellor

By: /s/ Edward R. MacKay
Edward R. MacKay, Vice Chancellor and Treasurer

Dated: March 5, 2009

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APPENDIX B

FINANCIAL STATEMENTS OF
THE UNIVERSITY SYSTEM OF NEW HAMPSHIRE

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
125 High Street
Boston, MA 02110-1707
Telephone (617) 530 5000
Facsimile (617) 530 5001
www.pwc.com

Report of Independent Auditors

To the Governor, State of New Hampshire;
Legislative Fiscal Committee,
State of New Hampshire;
The Board of Trustees,
University System of New Hampshire:

In our opinion, the accompanying consolidated statements of net assets and the related consolidated statements of revenues, expenses and changes in net assets and cash flows, present fairly, in all material respects, the financial position of the University System of New Hampshire (USNH) at June 30, 2008 and 2007, and its consolidated revenues, expenses and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the USNH's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis on pages 15 through 22 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

September 19, 2008

Management's Discussion and Analysis

I. Introduction

The following unaudited Management's Discussion and Analysis includes an analysis of the financial condition and results of activities of the University System of New Hampshire (USNH) for the fiscal year ended June 30, 2008. This analysis provides a comparison of significant amounts and measures to prior periods and, where appropriate, presents management's outlook for the future.

The University System of New Hampshire is a Section 501(c)(3) corporation organized under the laws of the State of New Hampshire to serve the people of the state as the largest public provider of higher education, research and public service. USNH accomplishes its mission by operating four institutions that collectively offer a full array of higher education options for the state. These institutions include the University of New Hampshire, with campuses in Durham (UNH) and Manchester (UNHM); Plymouth State University (PSU); Keene State College (KSC); and Granite State College (GSC). Most of USNH's activities take place at the three residential campuses (UNH, PSU and KSC), the urban campus (UNHM), the nine regional sites of GSC, the state's only public television station (New Hampshire Public Television or NHPTV), and the multiple Cooperative Extension and Small Business Development Centers located throughout New Hampshire. However, USNH performs public service throughout the state and region, and conducts scholarly research on all continents of the globe, the far reaches of the universe, and the depths of the sea. The accompanying financial statements also include activities and balances for the Keene Endowment Association (KEA) and the University of New Hampshire Foundation, Inc. (UNHF), two legally separate but affiliated entities. During fiscal year 2009, NHPTV will become a wholly-owned 501(c)(3) corporation of USNH (to be known as New Hampshire Public Broadcasting) and, accordingly, will be treated as a separate affiliated entity in future year financial statements.

II. Financial Highlights and Economic Outlook

Management considers revenue diversification key to building a financially healthy institution capable of sustainable success. Chart 1 below shows revenue diversification in 2008, while Chart 2 shows these same revenues broken down by institution.

The main sources of revenue continue to show steady and sustainable growth over the long term. Net tuition and fees revenue increased 8% over 2007. Net tuition per student has grown at every USNH campus every year over the past five years. While the state operating appropriation was only 12.4% of total 2008 revenues, it is a dependable revenue source, enabling USNH to perform effective long-term strategic planning and manage resources efficiently. As shown on Chart 3 on the following page, USNH general appropriations have increased every year for the past 25 years, including a 4.1% increase in 2008. In addition, appropriations are slated to increase 4.2% in 2009.

Since the fall of 2003, credit enrollments at USNH have increased 7.4%, or 1,817 FTE students, including increases of 1,398 resident students and 419 nonresident students (see Table 1). Approximately 52% of UNH new students in the fall of 2007 ranked in the top 20% of their high school class, up from 46% in 2003. As seen in Table 2, there has been a 35% growth in annual applications to UNH over the past four years and the acceptance rate has been reduced from 70% to 59% of applications over the same period, increasing selectivity. The combined SAT scores for new UNH students averaged 1,110 in fiscal year 2008. Enrollments at the residential campuses grew approximately 3% in 2008, and are expected to remain steady for the foreseeable future as the campuses are at or near maximum capacity.

UNH has developed into an internationally prominent research institution in recent years. The ten-year record of UNH competitively-won research and other sponsored programs shows a 65% increase in

2008 Revenues = $764 Million

(not including capital additions/deductions)
(shown here at gross amounts, not netted for student financial aid)
($ in millions)

Chart 1: Diversification of 2008 Revenues

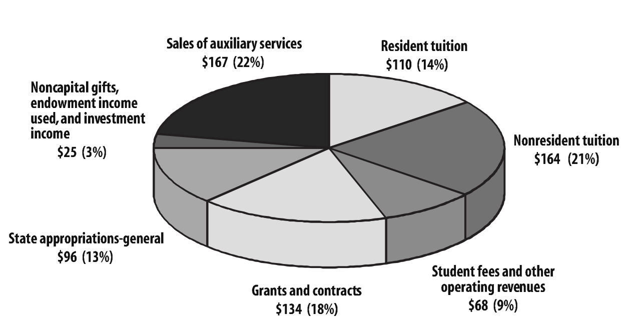
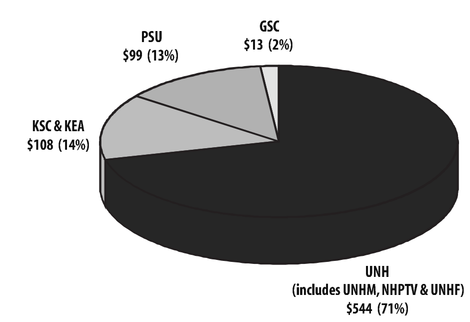


Chart 2: 2008 Revenues by Institution



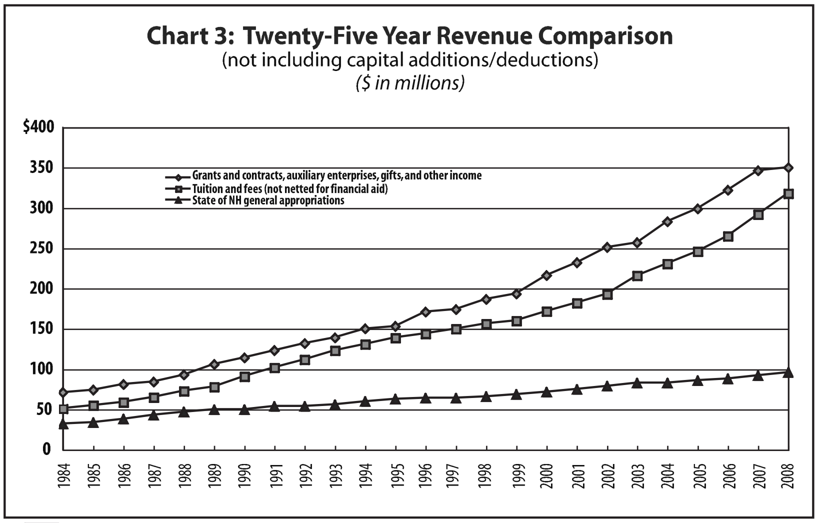


Table 1: Full-Time Equivalent (FTE) Credit Enrollment in the Fall of Each Year

	2003	2004	2005	2006	2007
UNH	13,129	13,165	13,333	13,741	13,856
PSU	4,525	4,921	5,266	5,322	5,554
KSC	4,484	4,504	4,478	4,550	4,815
UNHM	909	884	839	848	861
GSC	1,253	1,255	1,016	1,038	1,031
Total USNH FTEs	24,300	24,729	24,932	25,499	26,117
NH Resident	14,976	15,313	15,504	16,059	16,374
Nonresident	9,324	9,416	9,428	9,440	9,743
Total USNH FTEs	24,300	24,729	24,932	25,499	26,117

Table 2: Freshman Applications, Acceptances and Enrollees at UNH at Durham in the Fall of Each Year*

	2003	2004	2005	2006	2007
Freshman applications received	11,203	12,009	12,809	13,991	15,122
Freshman acceptances as % of applications (selectivity ratio)	70%	69%	72%	67%	59%
Freshman enrolled as % of acceptances (matriculation yield)	34%	31%	30%	33%	30%

*excludes transfers and readmits

awards, from $60 million in 1999 to $99 million in 2008, down from a peak of $128 million in 2006 (see Chart 4). Competition for sponsored awards has been increasingly challenging due to large infrastructure investments among the top research universities and diminished funding levels at the Federal level. Sponsors of UNH awards include the US government, the state, non-profits and the commercial sector. Management anticipates award volume to remain near the $100 million level over the foreseeable future.

Facilities and administrative cost recoveries on grants and contracts totaled approximately $20 million USNH-wide for the years ended June 30, 2008 and 2007. This is an important unrestricted revenue stream used to support USNH infrastructure. During 2009 UNH will be negotiating its Federal facilities and administrative cost rate and expects recoveries to continue near current levels for future years.

The credit crisis and other macro-economic factors impacted USNH operations during 2008 as described. The USNH endowment pool lost 4.6% in 2008 compared to gains of 17.0% in 2007. Over the past ten years, the USNH endowment pool has earned an average net return of 6.6%, paid out an average of 5.4%, and reinvested the balance of an average 1.2% each year. During this same period, inflation as measured by the higher education price index (HEPI) was 3.9%. Over the long-term, the average amount reinvested each year should be at least equal to HEPI to assure intergenerational equity. To help close this gap, management has capped the USNH endowment payout-per-unit for designated purposes in 2009 at 103% of the 2008 amount. In addition, the State of New Hampshire recently adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Among other things, UPMIFA will require USNH to institute new policies related to the nonexpendable and expendable portions of endowment investments for the campuses and our affiliated entities. Chart 5 on the following page shows the growth of USNH endowment and similar funds over the past ten years. Additional information on the components of the increase for the past three years can be found in Table 5 on page 21.

Operating investment income was also lower in 2008 than in 2007. As detailed in Note 12, certain commercial paper investments held by USNH were placed in receivership during 2008. The investments met the requirements of USNH's investment policy as described in Note 2, but were downgraded subsequent to purchase by USNH. Accordingly, USNH has adjusted the asset value as of June 30, 2008 to the estimated net realizable value which approximates fair value. The estimated unrealized depreciation of these investments is $9.9 million and has been netted with all other operating investment income, gains and losses as reflected on the Statement of Revenues, Expenses and Changes in Net Assets on page 24. USNH has filed a formal complaint with the New Hampshire Bureau of Securities Regulation related to investment broker actions and representations associated with the purchase of these investments; the complaint is currently pending resolution.

USNH saw higher interest expense in 2008 as a result of prevailing economic conditions. The interest rates on USNH's variable rate NHHEFA debt (see Note 8) escalated in the winter of 2007/2008 as the auction rate securities market experienced liquidity concerns and several mono-line bond insurers were downgraded. USNH took a number of steps to stem these increases including converting four series of bonds to different modes, removing bond insurance, and establishing self-liquidity commitments (see Note 9). While these steps were successful, management will continue to monitor markets closely and make prudent adjustments as appropriate.

Management and trustees continue to focus on controlling costs of employee benefits and utilities. Medical and dental costs net of employee cost sharing increased a total of 15.9% in 2008 and have increased an average of 10.0% per year over the past ten years. Increases for 2009 are expected to continue in the 11% range despite continuing increases in employee cost sharing. Utilities expenses in 2008 increased only 0.8% over 2007, primarily as a result of the UNH cogeneration plant savings. In addition, during 2008 USNH issued $46.6 million of bonds to finance the EcoLine Landfill Gas Pipeline Project at UNH. The project will transport cleansed landfill gas to the Durham campus to be used as the primary source of fuel for the cogeneration plant. EcoLine is expected to be online for the 2008/2009 heating season to further lower and stabilize energy costs, and will eventually supply up to 85% of the Durham campus' needs for electricity, heating and cooling. While UNH costs will remain stable, energy costs for PSU and KSC are expected to increase in 2009 due to higher heating oil prices.

USNH has a long tradition of efficient operations, tight spending controls, and balanced budgets. Fiscal year 2008 was no

Chart 4: Awards for Competitive Sponsored Programs, UNH Only

($ in millions)

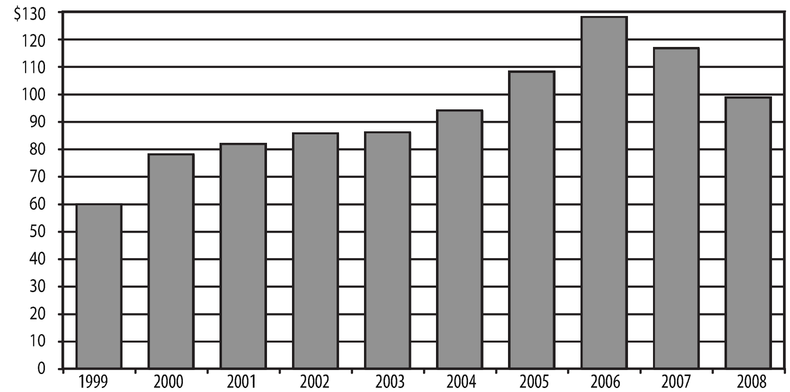


Chart 5: Total USNH Endowment & Similar Funds

(includes UNHF & KEA)

($ in millions)

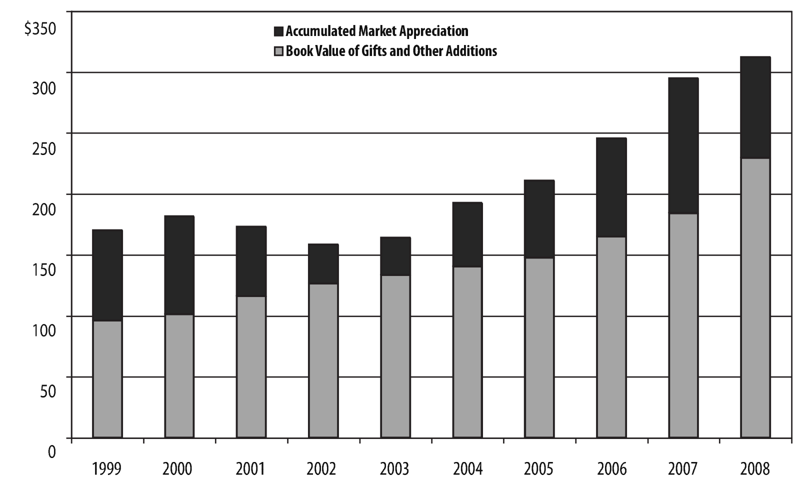
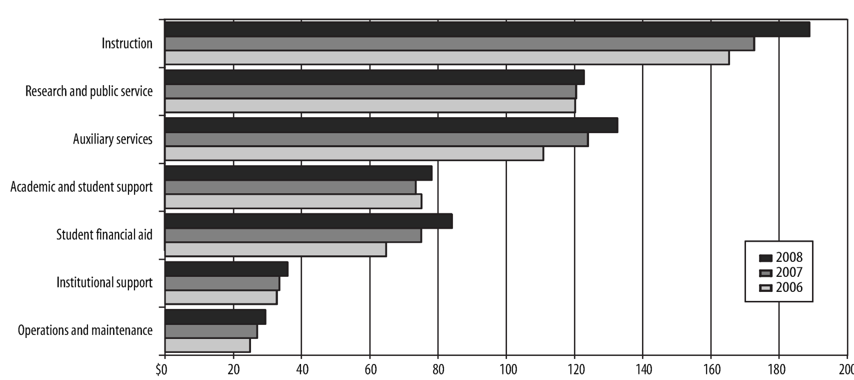


Chart 6: Current Fund Expenses by Functional Classification

($ in millions)



different and management expects to continue in this businesslike mode. While programmatic expenses and costs associated with direct services to students and customers have outpaced increases in general overhead expenses, institutional support is one of the smallest components of USNH expense and has been well-controlled as seen in Chart 6.

In 2001 the state demonstrated its commitment to USNH as an engine of economic development by authorizing the first phase ($100 million) of a two-phase capital program to expand and renovate teaching and departmental research facilities, primarily for science and engineering. This program, known as the Knowledge Economy Education Plan for New Hampshire (KEEP-NH), is expected to bolster the state's high tech job market for years to come. Funding for phase two of KEEP-NH, an additional $110 million, was approved in June 2005. Spending and commitments against the combined KEEP-NH appropriation through June 30, 2008 totaled approximately $133 million. The remaining $76 million will be expended over the next five years to renovate and expand three major science buildings at UNH-Durham and improve existing infrastructure throughout USNH. (See Note 5 for additional information on KEEP-NH spending to date.) During 2008 USNH also worked with two professional services firms to complete a full review of deferred maintenance requirements on the residential campuses. Management is beginning to work with the state on shared funding models to address the issue of deferred maintenance of academic facilities on an ongoing basis.

In addition to the EcoLine bonds noted on the previous page, USNH issued $145 million and $65 million of New Hampshire Health and Education Facilities Authority (NHHEFA) revenue bonds in 2006 and 2005, respectively. These funds have been used to build and renovate student residence and dining facilities on the three residential campuses. (See Note 8 for details on all outstanding debt issuances.) Management is currently assessing other student needs on the residential campuses and may pursue limited additional financing within the next two years.

USNH has adopted key strategic performance indicators, including financial measures, for each campus and the University System as a whole. The financial measures include targets that are designed to assist management in improving/maintaining the USNH operating margin, unrestricted financial resources (net assets), and total financial resources over the long-term, thereby ensuring a financially healthy organization capable of serving the citizens of the state indefinitely. USNH compares itself to the Moody's median for similarly rated A1 public universities and university systems.

Unrestricted net assets grew by approximately $20 million in 2008 by continuing the focus on prudent fiscal management. Strategic increases in unrestricted net assets over the past several years are one indicator of USNH's financial health, and have allowed USNH to leverage its assets via $257 million in additional debt since 2005.

Management monitors the unrestricted financial resources to total debt ratio carefully and considers it an important gauge of the financial health of USNH. This is particularly important as USNH is halfway through a 12-year $1 billion capital facility improvement plan, financed primarily through debt, operating surpluses and state KEEP-NH appropriations as detailed in Chart 9. Management expects the unrestricted financial resources to total debt ratio to trend slightly lower over the next two years if USNH incurs additional debt for the residential campus needs mentioned above. See the Capital and Debt Activities section beginning on page 19 for additional information in this regard.

Chart 7: Unrestricted Financial Resources (Net Assets) to Operations

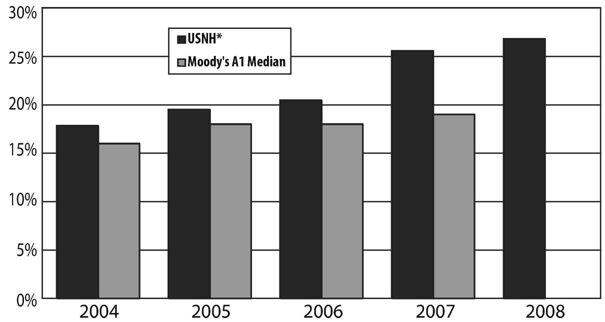
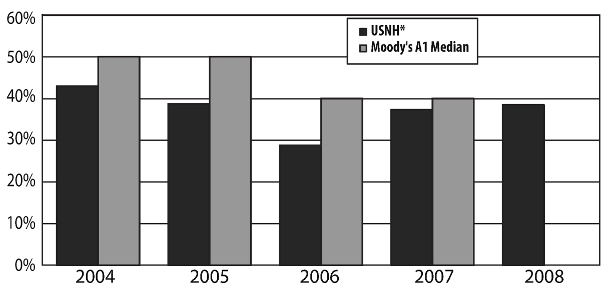
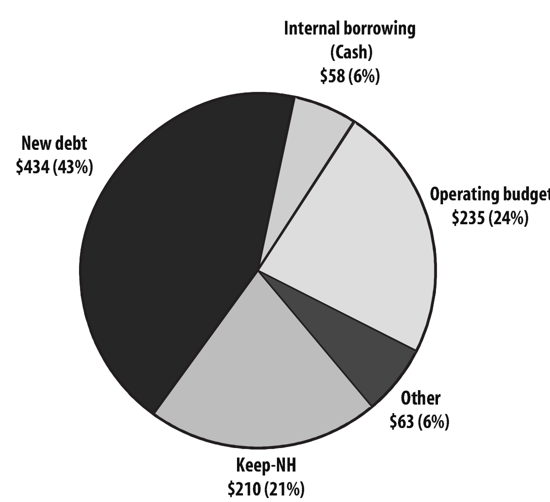


Chart 8: Unrestricted Financial Resources (Net Assets) to Total Debt



*Adjusted for postretirement medical liabilities. See Note 7 for additional information.

Chart 9: Capital Funding Sources, 2001-2013
Total = $1 Billion
($ in millions)



III. Using the Financial Statements

A. Statement of Net Assets

The Statement of Net Assets depicts the financial position of USNH at one point in time – June 30 – and includes all assets and liabilities of USNH and its component units. The Statement of Net Assets is the primary statement used to report financial condition. Assets are measured at fair value, except for property and equipment, which are shown at historical cost less accumulated depreciation. Net assets represent the residual interest in the University System's assets after liabilities are deducted. Over time, an increase in net assets is one indicator of an institution's improving financial health. Factors contributing to future financial health include the size and quality of student enrollments; quality and distinction of the faculty; growth and diversification of revenue streams; and prudent management of costs, financial assets and facilities. Table 3 below shows summary information derived from the Statement of Net Assets at June 30, for the past five years.

Total assets increased by $522 million or 55% over the past five years to approximately $1.5 billion at June 30, 2008. Total assets are categorized as either current or noncurrent. The major components of assets are cash and operating investments, endowment and similar investments, and property and equipment. Other assets include accounts and notes receivable, prepaid expenses, and debt proceeds held by others for construction purposes.

As discussed further below, endowment investments were valued at $312 million as of June 30, 2008, an increase of $17 million over 2007. The net increase in property and equipment was $73 million for 2008, compared to $88 million for 2007. These increases are primarily a result of the KEEP-NH projects and utilization of bond proceeds for construction as described below.

Liabilities are primarily comprised of accrued postretirement medical benefits and long-term debt. The long-term debt of USNH primarily consists of bonds and capital leases payable. Between 2005 and 2008, USNH issued $257 million of revenue bonds to finance new construction, as described more fully below. Other liabilities include accounts payable, deferred revenue, accrued employee benefits, and government advances refundable (amounts provided by the US Government under the Perkins Loan Program that would be refundable should USNH cease operating its revolving loan programs).

Total net assets have grown from $579 million at June 30, 2004 to $836 million at June 30, 2008, an increase of 44% in the past four years. Net assets are reported in three net asset categories. The invested in capital assets amount is the historical cost of property and equipment reduced by total accumulated depreciation and the balance of related debt outstanding. Restricted net assets include funds already expended or committed, such as loan funds and endowments and similar funds, where assets are restricted as to purpose or assets are required to be invested in perpetuity.

Net assets that are not subject to externally imposed restrictions governing their use are classified according to generally accepted accounting principles as unrestricted net assets on the Statement of Net Assets. Unrestricted net assets include not only unrestricted current fund balances, but also balances in unrestricted loan funds, unrestricted funds functioning as endowment, unexpended plant funds, and unrestricted funds held by affiliated entities. Substantially all unrestricted net assets are committed for goods and services not yet received, capital projects in various stages of planning and completion, normal working capital for departmental activities, or designated for specific future purposes. See Note 10 for further details on net asset balances.

Table 3: Summary Information Derived from the Statement of Net Assets as of June 30

($ in millions)

	2004	2005	2006	2007	2008
Cash and operating investments	$158	$ 188	$ 202	$ 226	$ 225
Endowment and similar investments	193	211	245	295	312
Property and equipment, net	534	588	694	782	855
Other assets	73	110	166	105	88
Total assets	$958	$1,097	$1,307	$1,408	$1,480
Postretirement medical benefits	$ 43	$ 45	$ 49	$ 52	$ 51
Long-term debt	221	279	418	419	458
Other liabilities	115	140	137	138	135
Total liabilities	$379	$ 464	$ 604	$ 609	$ 644
Invested in capital assets, net	$329	$ 352	$ 386	$ 411	$ 433
Restricted	199	218	246	283	279
Unrestricted	51	63	71	105	124
Total net assets	$579	$ 633	$ 703	$ 799	$ 836

Capital and Debt Activities

Expenditures for property and equipment are recorded as additions to assets on the Statement of Net Assets with the related depreciation recorded as an operating expense on the Statement of Revenues, Expenses and Changes in Net Assets. Interest expense on the related debt service (net of capitalized interest during construction and interest income earned in bond-funded construction accounts) is recorded as nonoperating expense in the Statement of Revenues, Expenses and Changes in Net Assets, whereas the principal payments required to pay down the debt are reflected as a reduction of the corresponding liability.

Major capital projects for the past four years and construction in progress as of June 30, 2008 are listed in Table 4 on the following page.

Academic Facilities

The KEEP-NH legislation signed into law in July 2001 resulted in an initial $100 million appropriation from the state to fund the renovation and expansion of teaching and research facilities, primarily for science and technology. The first KEEP-NH initiative was successfully completed with the reopening of Kingsbury Hall (home of UNH's College of Engineering and Physical Science) in the summer of 2007. All the projects using the

Table 4: Major Construction Projects

	Campus	Name of Project	Primary Purpose	Total Project Cost *($ in millions)*	Primary Sources of Funds
Fiscal year completed:					
2004	UNH	Holloway Hall	Student dining	$29	NHHEFA bonds
	UNH	Congreve Hall renovation	Student residential	16	NHHEFA bonds
	UNH	Murkland Hall renovation	Academic & research	9	State appropriations
	PSU	Boyd Hall renovation	Academic & research	19	State appropriations & gifts
2005	KSC	Science Center	Academic & research	24	State appropriations & gifts
2006	KSC	Zorn Hall	Student dining	21	NHHEFA bonds, gifts & cash
2007	UNH	Gables Apartments expansion	Student residential	37	NHHEFA bonds
	UNH	Central Heating/Cogeneration Facility	Energy infrastructure	30	Capital lease & cash
	UNH	Thompson Hall renovation	Administrative	4	Cash
	PSU	Langdon Woods	Student residential	29	NHHEFA bonds
	KSC	Butler Court	Student residential	18	NHHEFA bonds
	KSC	Media Arts Center	Academic	5	Cash
2008	UNH	Kingsbury Hall renovation and expansion	Academic & research	56	State appropriations, gifts & cash
	UNH	Southern Underpass	Infrastructure	8	State approps, fed grants & cash
	PSU	Mary Lyon Hall renovation	Student residential	16	NHHEFA bonds & cash
In progress at June 30, 2008, at budgeted amounts:					
	UNH	Southeast Residential Community	Student residential	51	NHHEFA bonds
	UNH	EcoLine Landfill Gas Project	Energy infrastructure	45	NHHEFA bonds & cash
	UNH	DeMeritt Hall	Academic & research	21	State appropriations & gifts
	UNH	Marine Pier	Infrastructure	14	Federal grants
	UNH	Fairchild Hall renovation	Student residential	9	NHHEFA bonds
	UNH	Chase Hall addition	Academic & research	3	Federal grants
	UNH	Main Street Reconstruction Project	Infrastructure	2	State grants, local grants & cash
	UNH	Philbrook Hall expansion	Academic & research	6	NHHEFA bonds & cash
	UNH	James Hall	Academic & research	35	State appropriations & gifts
	PSU	Central Campus Infrastructure improvements	Energy & other infrastructure	7	State appropriations & cash
	KSC	Pondside III Apartments	Student residential	17	NHHEFA bonds
	KSC	Central Heating Plant & Cogeneration Facility	Energy infrastructure	10	State appropriations & cash
	KSC	Fiske Hall renovation	Student residential & administrative	9	NHHEFA bonds & cash
	NHPTV	Digital Transmission Conversion	Other infrastructure	3	State appropriations

first phase of funding were completed on-time and on-budget, and set the stage for continuation of the KEEP-NH initiative detailed below.

The state approved a second appropriation of $110 million to complete the KEEP-NH plan by 2013. The first project made possible with this additional funding was the fiscal year 2007 purchase of an office condominium, the University Technology Center in Conway, NH to allow consolidation of various USNH North Country operations and expansion of GSC. Three major building projects and infrastructure improvements will be completed with the remaining funds. The building projects involve ground-up renovations/upgrades/expansion to key science buildings at UNH. The infrastructure improvements include modernization of plant utilities and updates to a wide variety of electrical, data, steam, water, sanitation, roads, parkway and waterway systems across all campuses, and completion of the digital transmission conversion for NHPTV.

Residential Life Facilities

In 2005, each of the three residential campuses housed approximately 55% of their traditional age undergraduate populations. The long-term strategic goal of each campus is to house approximately 60% of its undergraduates. To meet this goal USNH issued an additional $210 million in revenue bonds during 2005 and 2006. Projects completed so far include the Zorn Dining Hall and Butler Court Residence Halls at KSC, the Langdon Woods and Mary Lyon Residence Halls at PSU, and the Gables Apartments Expansion at UNH. Projects expected to be completed by September 2008 include the Fiske Residence Hall renovation at KSC, and the Philbrook Dining Hall, Fairchild Residence Hall renovations and new Southeast Residential Community at UNH. Once all projects are completed, management expects to reach the student housing goals of 60% for undergraduates at each residential campus.

UNH Energy Infrastructure Facilities

During 2004, USNH entered into a construction contract for replacement of the central heating plant at UNH, including an electricity cogeneration facility. The project cost totaled $30 million of which $19 million was financed by a 20-year capital lease, with the balance coming from USNH funds. The facility went online in early fiscal 2007. This facility is able to burn multiple fuels and will significantly reduce the risks and costs from volatile utility prices. Building on the success of the cogeneration facility, in August 2007 the Trustees approved EcoLine, a landfill gas project that will pipe enriched and purified gas from a landfill in Rochester, NH to the Durham campus. The project includes construction of a methane gas processing plant and underground pipeline to transport the processed gas to the cogeneration facility, as well as an additional turbine to generate electricity. The resultant renewable, carbon-neutral gas will replace commercial natural gas as the primary fuel in UNH's cogeneration plant, enabling UNH to derive 80%-85% of its energy from a renewable resource. UNH is expected to fuel its cogeneration plant with landfill gas beginning in fiscal year 2009. NHHEFA bonds were issued in 2008 to fully fund the project.

See Notes 5 and 8 for further information on capital and debt activities, respectively.

Endowment and Similar Investments

Endowment gifts are invested in various assets depending on whether the donor contributed to one of the campuses, the UNH Foundation, or the Keene Endowment Association. Most endowments are invested in one of two internally-managed investment pools as shown in Table 5 above: the USNH Consolidated Investment Pool (CIP) for the benefit of several campuses or the UNHF endowment pool for the benefit of UNH only. The investment pools are managed to provide the highest rate of return over the long term given an acceptable level of risk as determined by the responsible fiduciaries. The USNH Board of Trustees has fiduciary responsibility for the CIP, whereas the separate boards of UNHF and KEA have their own investment policies and are separately responsible for those investments. Table 5 shows summarized endowment activity for the years ended June 30, 2008, 2007 and 2006.

Table 5: Endowment Activity for the Years Ended June 30

($ in millions)

	USNH Campuses		Affiliated Entities: UNH Foundation		Affiliated Entities: KEA	
	Pooled	**Other**	**Pooled**	**Other**	**Other**	**Total**
Fair value, June 30, 2005	$ 94	$15	$ 95	$3	$4	$211
New gifts	4		5	1		10
Quasi endowment additions & other changes	6					6
Total return	14		13			27
Total distribution	(5)		(5)			(10)
Fair value, June 30, 2006	113	15	108	4	4	244
New gifts	5		4			9
Quasi endowment additions & other changes	10			1		11
Total return	20	3	18	1		42
Total distribution	(5)	(1)	(5)			(11)
Fair value, June 30, 2007	143	17	125	6	4	295
New gifts	9		8			17
Quasi endowment additions & other changes	27					27
Total return	(7)	(1)	(6)	(1)		(15)
Total distribution	(5)	(1)	(6)			(12)
Fair value, June 30, 2008	$167	$15	$121	$5	$4	$312

Endowment return used in operations from all sources, including the CIP and the UNHF pool, totaled $12 million in 2008 and $11 million in 2007. The effective rate of endowment distribution using actual dollars distributed over beginning fair values of endowment investments was 4.1% in 2008 and 4.5% in 2007. See Notes 4 and 11 for further information on endowment and similar investments, respectively.

B. Statement of Revenues, Expenses and Changes in Net Assets

The total change in USNH net assets for the year is reported in the Statement of Revenues, Expenses and Changes in Net Assets. This statement reports total operating revenues, operating expenses, other revenues and expenses, and other changes in net assets, as prescribed and defined by the Governmental Accounting Standards Board (GASB). The total net assets of USNH increased $37 million in 2008 compared to an increase of $55 million in 2004. Table 6 shows summary information derived from the Statement of Revenues, Expenses and Changes in Net Assets for the past five fiscal years ended June 30.

There are three major components which management considers separately when analyzing the change in total net assets: net income from recurring activities (also referred to as operating margin); capital appropriations and other plant changes; and endowment gifts and unutilized total returns. The net income (loss) from recurring activities is further broken down into operating revenues, operating expenses, and other revenues (expenses).

Generally, operating revenues are earned by USNH in exchange for providing goods and services. Operating expenses are defined as expenses incurred in the normal operation of the University System, including a provision for estimated depreciation on property and equipment assets. GASB reporting standards require certain significant recurring revenues to be shown as nonoperating, including state general appropriations, noncapital gifts, operating investment income, and endowment return used in operations. These diversified revenue streams are a particular strength of USNH and are critically important sources of funds used to supplement tuition and fees revenue in the delivery of USNH programs and services. In other words, the regular operating expenses of USNH are funded in part by revenues not shown as operating revenues under GASB formats. Operating revenues for 2008 were $126 million greater than four years prior whereas operating expenses increased $121 million during the same period. Other revenues (expenses) for 2008 increased by $12

Table 6: Summary Information Derived from the Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30
($ in millions)

	2004	2005	2006	2007	2008
Operating revenue	$432	$457	$495	$524	$558
Operating expenses	(522)	(545)	(579)	(602)	(643)
Other revenues (expenses), net	93	99	106	119	106
Net income from recurring activities	3	11	22	41	21
Capital appropriations and other plant changes, net	23	23	24	14	29
Endowment gifts and unutilized total returns, net	29	20	28	40	(11)
Other changes in net assets			(3)		(2)
Net increase in net assets	$ 55	$ 54	$ 71	$ 95	$ 37

million over 2004 and include state appropriations, gifts, operating investment income, endowment returns used in operations, and interest expense. Despite the writedown of commercial paper described on page 17, the result was an improvement in the operating margin from $3 million in 2004 to $20 million in 2008.

Capital appropriations and other plant changes resulted in an increase in net assets of $30 million in 2008, primarily due to KEEP-NH as described on pages 19 and 20. The endowment gifts and unutilized total return amount of ($11) million in 2008 includes new gifts of $17 million offset by losses and distributions totaling $28 million as detailed in Table 5. This compares to new gifts of $9 million and returns net of distributions of $31 million in 2007. Management continues to focus on building the endowment through three strategies: investing endowment assets to generate improved total returns while managing risk; reducing dependence on endowment returns used in operations; and working to foster philanthropic interest to support the endowment with new giving.

Table 7: Summary Information Derived from the Statement of Cash Flows for the Years Ended June 30
($ in millions)

	2004	2005	2006	2007	2008
Cash flows provided by (used in):					
Operating activities	$(45)	$(38)	$(47)	$(39)	$(52)
Noncapital financing activities	92	97	100	104	108
Capital financing activities	(35)	(3)	20	(118)	(46)
Investing activities	(37)	(35)	(71)	73	24
Increase (decrease) in cash and cash equivalents	(25)	21	2	20	34
Increase (decrease) in current and long-term operating investments	39	9	12	4	(35)
Change in cash, cash equivalents and operating investments	$ 14	$ 30	$ 14	$ 24	$ (1)

C. Statement of Cash Flows

The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal period. Table 7 shows summary information derived from the Statement of Cash Flows for the five years ended June 30, 2008.

Cash flows from operating activities will always be different from the operating loss on the Statement of Revenues, Expenses and Changes in Net Assets because of noncash items, such as depreciation expense, and because the latter statement is prepared on the accrual basis of accounting, meaning that it shows revenues when earned and expenses as incurred. The direct method of the Statement of Cash Flows, on the other hand, shows cash inflows and outflows. The primary purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments of USNH during the year. It should also help readers assess the ability of USNH to generate the future cash flows necessary to meet its obligations and evaluate its potential for additional financing.

GASB requires that receipts for State general appropriations and noncapital gifts be shown as cash flows from noncapital financing activities. Included in cash flows from capital financing activities are all plant funds and related long-term debt activities, as well as gifts to the endowment. This includes KEEP-NH and NHHEFA bond construction amounts expended. Cash flows from investing activities show all uses of cash and cash equivalents to purchase investments, and all cash and cash equivalents provided by the sale of investments and income generated from cash and investments owned. The net cash provided by investing activities is made up of bond investments sold to finance associated construction expenditures and the conversion of short-term investments into cash equivalents during the year.

University System of New Hampshire
Statement of Net Assets
($ in thousands)

	Balance at June 30, 2008	2007
ASSETS		
Current Assets		
Cash, cash equivalents, and operating investments	$ 218,848	$ 194,346
Accounts receivable	18,467	21,085
Accounts receivable - State of NH appropriations	4,518	2,979
Pledges receivable - current portion	1,445	1,072
Notes receivable - current portion	3,392	3,202
Prepaid expenses and other current assets	5,154	5,300
Total Current Assets	**251,824**	**227,984**
Noncurrent Assets		
Debt proceeds held by others for construction purposes	32,195	48,334
Long-term operating investments	6,830	31,945
Endowment and similar investments - campuses	182,519	159,878
Endowment and similar investments - affiliated entities	129,760	135,205
Pledges receivable	885	1,053
Notes receivable	18,686	18,769
Property and equipment, net	854,679	781,805
Other assets	2,760	2,719
Total Noncurrent Assets	**1,228,314**	**1,179,708**
TOTAL ASSETS	**$1,480,138**	**$1,407,692**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 29,912	$ 38,557
Construction services payable	13,150	11,835
Deposits and deferred revenues	35,581	35,016
Accrued employee benefits - current portion	6,544	5,785
Postretirement medical benefits - current portion	5,117	5,080
Long-term debt - current portion	8,583	7,164
Total Current Liabilities	**98,887**	**103,437**
Noncurrent Liabilities		
Obligations under life income agreements	2,664	2,799
Government advances refundable	16,805	16,732
Accrued employee benefits	29,991	27,543
Postretirement medical benefits	46,305	46,426
Long-term debt	449,612	411,880
Total Noncurrent Liabilities	**545,377**	**505,380**
TOTAL LIABILITIES	**$ 644,264**	**$ 608,817**
NET ASSETS (see Note 10)		
Invested in capital assets, net of related debt	$ 432,454	$ 410,520
Restricted		
Nonexpendable	162,452	145,637
Expendable	116,491	137,982
Unrestricted	124,477	104,736
TOTAL NET ASSETS	**$ 835,874**	**$ 798,875**

The accompanying notes are an integral part of these financial statements.

University System of New Hampshire
Statement of Revenues, Expenses and Changes in Net Assets
($ in thousands)

	For the year ended June 30, 2008	2007
OPERATING REVENUES		
Tuition and fees	$ 317,554	$ 291,967
Less: student financial aid	(84,210)	(75,179)
Net tuition and fees	233,344	216,788
Grants and contracts	134,251	132,348
Sales of auxiliary services	166,906	152,501
Other operating revenues	23,593	22,262
Total Operating Revenues	**558,094**	**523,899**
OPERATING EXPENSES		
Employee compensation and benefits	411,386	388,062
Employee separation incentives	4,037	432
Supplies and services	163,388	152,451
Utilities	24,453	24,269
Depreciation	39,683	36,594
Total Operating Expenses	**642,947**	**601,808**
Operating loss	(84,853)	(77,909)
NONOPERATING REVENUES (EXPENSES)		
State of New Hampshire general appropriations	96,000	92,250
Gifts	12,483	11,565
Operating investment income (see Note 12)	1,248	16,851
Endowment return used for operations	11,628	10,724
Interest expense, net	(15,927)	(12,724)
NET INCOME BEFORE OTHER CHANGES IN NET ASSETS	**20,579**	**40,757**
OTHER CHANGES IN NET ASSETS		
State of New Hampshire capital appropriations	20,235	8,084
Plant gifts, grants, and other changes, net	8,931	6,487
Endowment and similar gifts	16,849	8,851
Endowment return, net of amount used for operations	(27,595)	31,241
Other changes in net assets	(2,000)	-
Total Other Changes in Net Assets	**16,420**	**54,663**
INCREASE IN NET ASSETS	**36,999**	**95,420**
Net assets at beginning of year	798,875	703,455
NET ASSETS AT END OF YEAR	**$835,874**	**$798,875**

The accompanying notes are an integral part of these financial statements.

University System of New Hampshire
Statement of Cash Flows
($ in thousands)

	For the year ended June 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees, net	$ 232,895	$ 214,959
Grants and contracts	137,489	130,600
Sales of auxiliary services	166,972	152,981
Other operating revenues	23,275	23,709
Payments to employees	(311,617)	(294,280)
Payments for employee benefits	(108,660)	(94,048)
Payments to suppliers and services	(192,509)	(172,747)
NET CASH USED IN OPERATING ACTIVITIES	**(52,155)**	**(38,826)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State general appropriations	96,000	92,250
Gifts	12,174	11,723
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**108,174**	**103,973**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State appropriations for plant projects	18,697	8,608
Plant gifts and grants	8,931	7,603
Endowment gifts	16,741	9,162
Purchases of property, equipment, and construction services	(108,213)	(128,321)
Proceeds from sale and disposal of property and equipment	515	186
Proceeds from issuance of debt	46,519	6,789
Debt principal payments	(7,890)	(5,224)
Interest expense	(18,930)	(17,349)
Other expenses	(2,000)	-
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	**(45,630)**	**(118,546)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	466,532	718,005
Purchase of investments	(462,704)	(666,741)
Endowment investment yield	6,959	6,285
Operating investment income	11,765	11,302
Investment income on bond proceeds	1,749	4,172
NET CASH PROVIDED BY INVESTING ACTIVITIES	**24,301**	**73,023**
Increase in cash and cash equivalents	**34,690**	**19,624**
Beginning cash and cash equivalents	117,832	98,208
ENDING CASH AND CASH EQUIVALENTS	**$152,522**	**$117,832**
Ending cash and cash equivalents, as above	$ 152,522	$ 117,832
Operating investments	66,326	76,514
TOTAL CASH, CASH EQUIVALENTS, AND OPERATING INVESTMENTS	**$218,848**	**$194,346**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (84,853)	$ (77,909)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	39,683	36,594
Changes in current assets and liabilities:		
Accounts receivable	2,000	(2,370)
Pledges receivable	-	(215)
Notes receivable	(190)	(815)
Prepaid expenses and other current assets	146	(529)
Accounts payable and accrued expenses	(10,201)	1,232
Deposits and deferred revenues	501	2,170
Accrued employee benefits	759	3,016
NET CASH USED IN OPERATING ACTIVITIES	**$ (52,155)**	**$ (38,826)**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements June 30, 2008

1. Summary of significant accounting policies and presentation

The University System of New Hampshire (USNH) is a not-for-profit institution of higher education created in 1963 as a body politic and corporate under the laws of the State of New Hampshire (the state) and tax exempt under Section 501(c)(3) of the Internal Revenue Code. The accompanying financial statements include the accounts of the University of New Hampshire at Durham, the University of New Hampshire at Manchester, New Hampshire Public Television, Keene State College, Plymouth State University, Granite State College, and all wholly-owned and operated auxiliary activities. These organizations are collectively referred to in the accompanying financial statements as "campuses."

Affiliated entities

Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, requires that all controlled organizations be presented as component units of the reporting entity. Accordingly, the financial statements also include the accounts of the University of New Hampshire Foundation, Inc. (UNHF) and the Keene Endowment Association (KEA). UNHF and KEA are collectively referred to in the accompanying financial statements as "affiliated entities." In compliance with the requirements of the authoritative pronouncements noted above, the associated revenues, expenses, assets, liabilities and net assets have been blended with those of the campuses, and all associated inter-entity activity has been eliminated. The affiliated entities are further described below.

The University of New Hampshire Foundation, Inc. was incorporated in 1989 as a not-for-profit, tax-exempt organization. Its purpose is to solicit, collect, invest and disburse funds for the sole benefit of the University of New Hampshire. UNHF is governed by its own Board of Directors, the membership of which includes the President of the University of New Hampshire and at least three other members of the USNH Board of Trustees. The University of New Hampshire funds a portion of the operating expenses of UNHF.

The Keene Endowment Association was organized in 1957 as a separate charitable entity to provide financial assistance to deserving students at Keene State College. Income is distributed at the discretion of the Trustees of KEA.

New Hampshire Public Television (NHPTV) will undergo a reorganization in fiscal year 2009. NHPTV will become a wholly-owned 501(c)(3) corporation renamed "New Hampshire Public Broadcasting" and, accordingly, will be treated as an affiliated entity of USNH in future years.

New accounting standards

The USNH financial statements and notes for 2008 and 2007 as presented herein include the provisions of the following GASB pronouncements:

- GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, was adopted by most public universities as of July 1, 2007, but was early-adopted by USNH as of July 1, 2002. In addition, on June 30, 2006 GASB issued Technical Bulletin 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D.* GASB Statement No. 45 and the related technical bulletin require that USNH record estimated expenses and liabilities associated with expected future payments for postretirement benefits of existing employees and retirees in these financial statements. See Note 7 for detail of these amounts and the associated benefit programs.
- GASB Statement No. 50, *Pension Disclosures*, was adopted by most public universities as of July 1, 2007, but was early adopted by USNH as of July 1, 2006. This statement expands the footnote disclosures required for pension obligations included in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* See Note 6 for the related disclosures.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. Statement No. 49 will require USNH to record liabilities for pollution remediation when an obligating event occurs.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for periods beginning after June 15, 2009. This statement requires that certain intangible assets be identified and recorded as capital assets.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for periods beginning after June 15, 2009. Among other things, Statement No. 53 will require USNH to record the fair value of derivative investments in the financial statements.

USNH is currently evaluating the impact of these new standards on its financial statements.

The State of New Hampshire recently adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which will be effective beginning July 1, 2009. Among other things, UPMIFA will require USNH to institute new policies related to the nonexpendable and expendable portions of endowment investments for both the campuses and affiliated entities. Management is currently reviewing the impact of these requirements on the financial statements.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB using the "economic resources measurement focus" and the accrual basis of accounting. In addition to following all GASB pronouncements, USNH applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. USNH has elected not to apply FASB pronouncements issued after November 30, 1989.

USNH follows the requirements of the "business-type activities" (BTA) model as defined by GASB Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis for Public Colleges and Universities.* BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

In order to ensure observance of limitations and restrictions placed on the use of resources available, the accounts of USNH are maintained internally in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are maintained in separate funds in accordance with activities or objectives specified. However, GASB requires that general purpose external financial statements be reported on a consolidated basis and that resources be classified into the following net asset categories, as more fully detailed in Note 10:

- **Invested in capital assets, net of related debt:** Property and equipment at historical cost or fair value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition or construction of those assets.
- **Restricted Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by USNH. Such net assets include the historical gift value of restricted true endowment funds.
- **Restricted Expendable:** Net assets whose use by USNH is subject to externally imposed stipulations. Such net assets include the accumulated net gains on true endowment funds as well as the fair value of restricted funds functioning as endowment, restricted funds loaned to students, restricted gifts and endowment income, and other similarly restricted funds.
- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Substantially all unrestricted net assets are designated to support academic, research, or auxiliary enterprises; invested to function as endowment; or committed to capital construction projects.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The most significant areas that require management estimates relate to valuation of certain investments, useful lives and related depreciation of capital assets, and accruals for postretirement medical and other employee-related benefits.

Operating revenues include tuition and fees, grants and contracts, sales of auxiliary services, and other operating revenues. Tuition and fee revenues are reported net of student financial aid discounts and allowances. Operating expenses include employee compensation and benefits, supplies and services, utilities, and depreciation. Operating expenses also include early retirement and other separation incentive stipends and benefits promised to certain employees in exchange for termination of employment. All such termination benefits are accrued as of the date the termination agreement is signed, and are presented at net present value at year end. Nonoperating revenues (expenses) include all other revenues and expenses except certain changes in long-term plant, endowment and other net assets, which are reported as other changes in net assets. Operating revenues are recognized when earned and expenses are recorded when incurred. Restricted grant revenue is recognized only to the extent of applicable expenses incurred or, in the case of fixed-price contracts, when the contract terms are met or completed.

Investments are maintained with established financial institutions whose credit is evaluated by management and the respective governing boards of USNH and its affiliated entities. Highly liquid investments with a maturity of 90 days or less when purchased are recorded as cash and cash equivalents. Current operating investments have a maturity of more than 90 days when purchased, are highly liquid and are invested for purposes of satisfying current liabilities and generating investment income to support operating expenses. Long-term operating investments are unrestricted amounts invested alongside the endowment pool which are not expected to be liquidated in the next year, but which are available for operating purposes if needed. Purchases and sales of investment securities are recorded as of the trade date. Net realized and unrealized gains and losses on endowment investments, as well as interest and dividend yield, are reported as endowment return. Endowment return used for operations per application of the endowment spending policy is reported as nonoperating revenue whereas the excess (deficiency) of endowment return over that used for operations is reported as other changes in net assets.

In addition to the amounts reported as accounts receivable, USNH had unearned grants and contracts for services not yet performed of $122,609,000 and $133,834,000 at June 30, 2008 and 2007, respectively. This revenue will be reported in subsequent financial statements when earned. Government grants and contracts also generally provide for reimbursement of facilities and administrative costs. Recovery of facilities and administrative costs for the years ended June 30, 2008 and 2007 was $19,762,000 and $19,858,000, respectively, and is a component of grants and contracts revenue.

Unconditional pledges of nonendowment gifts are presented net of estimated amounts deemed uncollectible after discounting to the present value of expected future cash flows. Because of uncertainties with regard to their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met. In accordance with GASB requirements, endowment pledges totaling $8,249,000 and $7,213,000 at June 30, 2008 and 2007, respectively, which are expected to be received over the next twelve years, have not been reported in the accompanying financial statements. USNH determines on a case-by-case basis whether to first apply restricted resources when an expense is incurred where both restricted and unrestricted net assets are available.

Property and equipment are recorded at original cost for purchased assets or at fair value on the date of donation in the case of a gift. Equipment with a unit cost of $5,000 or more is capitalized. Building improvements with a cost of $25,000 or greater are also capitalized. Net interest costs incurred during the construction period for capital projects are added to the cost of the underlying asset. The cost of equipment purchased under capital leases is recorded at the present value of the minimum lease payments at the inception of the lease. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets. The cost of certain research buildings is componentized for purposes of calculating depreciation. Buildings and improvements are depreciated over useful lives ranging from 10 to 50 years. Depreciable lives for equipment range from 3 to 30 years. See Note 5 for additional information on depreciation. USNH does not record donated works of art and historical treasures that are held for exhibition, education, research and public service. Library collections are recorded as an expense in the period purchased.

Deferred revenue consists of amounts billed or received in advance of USNH providing goods or services. Advances from the US Government for Federal Perkins Loans to students are reported as government advances refundable. Future loans to students are made available from repayments of outstanding principal amounts plus accumulated interest received thereon.

Where the fair value of individual true endowment funds is less than the historic gift value, the difference is recorded as a charge to unrestricted net assets, as detailed in Note 10.

Certain amounts previously reported in the 2007 financial statements have been reclassified to be comparable to the 2008 presentation.

2. Cash, cash equivalents and operating investments

Cash, cash equivalents and operating investments are recorded at cost, which approximates fair value, except where there is a permanent impairment of value as detailed in Note 12. USNH's investment policy requires that banks in which USNH holds investments must have FDIC or FSLIC insurance. All repurchase agreements must be fully collateralized at 100% of the face value by US Government and federal agency obligations. Commercial paper must be rated at least A-2 by Moody's Investor Service (Moody's) or P-2 by Standard and Poor's Corporation (S&P) and be limited to no more than $10,000,000 invested per issuer. Money market funds and other mutual funds must be affiliated with a commercial bank or major investment advisor. The short-term and mid-term investment policies are intended to mitigate credit risk on investments individually and in the aggregate through restrictions on investment type, issuer, custodian, dollar level, maturity, and rating category.

Cash and cash equivalents:

Highly liquid investments with a maturity of 90 days or less when purchased are recorded as cash and cash equivalents. Cash and cash equivalents at June 30 consisted of the following (*$ in thousands*):

	2008	2007
Cash and repurchase agreements	$ 6,030	$ 18,752
Money market funds and other mutual funds	146,492	70,248
Commercial paper	-	28,832
Total	$152,522	$117,832

Included in the cash and repurchase agreements balances at June 30, 2008 were $3,061,000 in repurchase agreements, $9,470,000 in cash and a net cash overdraft of $6,501,000. This compares to $12,640,000 in repurchase agreements, $9,180,000 in cash and a net cash overdraft of $3,067,000 at June 30, 2007.

The commercial paper investments at June 30, 2007 had a weighted average maturity of 17 days. Repurchase agreements are limited to overnight investments only.

Operating investments:

Unlike the long-term operating investments discussed in Note 4 below, operating investments included in current assets are amounts invested to meet regular operations of USNH and include obligations of the US Government, commercial paper, money market and other mutual funds, and the current portion of debt proceeds held by others for construction purposes. Operating investments generally have an original maturity of more than 90 days when purchased, are highly liquid and are invested for purposes of satisfying current liabilities and generating investment income to support operating expenses. The components of operating investments at June 30 are summarized below (*$ in thousands*):

	2008		2007	
	Balance	Weighted Average Maturity	Balance	Weighted Average Maturity
Obligations of the US government	$31,335	3 years	$54,779	1 year
Corporate bonds and notes	7,341	4 years	5,952	4 years
Money market and other mutual funds	14,129	Not Applicable	8,904	Not Applicable
Current portion of debt proceeds held by others	6,724	Not Applicable	6,811	Not Applicable
Commerical Paper (at estimated fair value)	6,644	Not Applicable	-	
Other accounts	153	Not Applicable	68	Not Applicable
Total	$66,326		$76,514	

Operating investments in mutual funds are uninsured and uncollateralized against custodial credit risk. The investments associated with debt proceeds held by others for construction purposes are described in detail in Note 4 below.

Commercial paper held as operating investments is uninsured and uncollateralized against custodial credit risk. The commercial paper investments held at June 30, 2008 are in receivership. See Note 12 for additional information in this regard.

3. Accounts, pledges and notes receivable

Accounts receivable at June 30 consisted of the following *($ in thousands)*:

	2008	2007
Grants and contracts	$14,110	$16,991
Student and general	6,065	5,883
State of NH capital projects	4,518	2,979
Allowance for doubtful accounts	(1,708)	(1,789)
Total accounts receivable, net	$22,985	$24,064

Pledges receivable at June 30 consisted entirely of unconditional nonendowment promises to pay as follows *($ in thousands)*:

	2008	2007
Pledges receivable, net	$2,330	$2,125
Less: noncurrent portion	(885)	(1,053)
Current portion	$1,445	$1,072

Notes receivable at June 30 consisted primarily of student loan funds as follows *($ in thousands)*:

	2008	2007
Perkins loans	$22,838	$22,900
Other loans, restricted and unrestricted	888	704
Allowance for doubtful loans	(1,648)	(1,633)
Total notes receivable, net	22,078	21,971
Less: noncurrent portion	(18,686)	(18,769)
Current portion	$ 3,392	$ 3,202

4. Investments

Investments include debt proceeds held by others for construction purposes, long-term operating investments, and endowment and similar investments of the campuses and affiliated entities. Investments are monitored by management and the respective governing boards of USNH and its affiliated entities. The carrying amount of these financial instruments approximates fair value.

Debt proceeds held by others for construction purposes:

At June 30, 2008, total debt proceeds held by others included $32,195,000 of construction proceeds held by the bond trustee (see Note 8 for information on the debt related to these projects). At June 30, 2007, total debt proceeds held by others included $52,279,000 of construction proceeds held by the bond trustee for construction projects and $399,000 of capital lease proceeds for equipment purchases held in escrow.

Debt proceeds held by others for construction purposes consisted of the following investments at June 30 *($ in thousands)*:

	2008		2007	
	Balance	Weighted Average Maturity	Balance	Weighted Average Maturity
Guaranteed investment contracts	$10,782	123 days	$48,334	2 years
Money market mutual funds	28,137	Not Applicable	6,811	Not Applicable
Total debt proceeds held by others	38,919		55,145	
Less: current portion included in Note 2	(6,724)		(6,811)	
Long-term portion	$32,195		$48,334	

Long-term operating investments:

Long-term operating investments represent unrestricted amounts invested alongside the campuses' endowment pool which are not expected to be liquidated in the next year, but which are available for operations if needed. The balance of long-term operating investments at June 30, 2008 and 2007 was $6,830,000 and $31,945,000, respectively. These amounts consisted of ownership shares of the campuses' endowment pool and, therefore, the components, credit risk, and all other investment characteristics are identical to those described below.

Endowment and similar investments:

Endowment and similar investments are amounts invested primarily for long-term appreciation and consisted of the following as of June 30 *($ in thousands)*:

	Campuses		Affiliated Entities	
	2008	2007	2008	2007
Mutual funds – money markets	$ 5,145	$ 4,266	$ 8,316	$ 10,847
Mutual funds – bonds	15,865	15,744	16,151	15,351
Mutual funds – stocks	10,192	12,632	44,621	47,378
Mutual funds – real estate	2,867	5,540		
Commercial paper				15,587
US government obligations			18,862	814
Corporate bonds and notes			421	604
Common/preferred stocks	79,973	87,682	18,277	22,470
Alternative investments	60,546	49,455	18,355	16,526
Investments held by others	14,761	16,504	4,757	5,628
Subtotal	189,349	191,823	129,760	135,205
Operating amounts invested alongside endowment pool	(6,830)	(31,945)		
Total	$182,519	$159,878	$129,760	$135,205

Alternative investments as shown above include private equity, venture capital, absolute return, hedge, natural resource and real estate funds. The estimated fair value of investments is based on quoted market prices except for certain alternative investments, for which quoted market prices are not available. The estimated fair value of certain alternative investments is based on valuations provided by external investment managers and reviewed by USNH. Because these alternative investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, but such differences are not estimated to be material.

Mutual funds, common stocks, and alternative investments are uninsured and uncollateralized against custodial credit risk. The endowment investment policies of the governing boards of USNH and its affiliated entities mitigate the risk associated with uninsured and uncollateralized investments collectively through diversification, target asset allocations, and ongoing investment review.

The endowment and similar investment components as of June 30 are summarized below *($ in thousands)*:

	Campuses		Affiliated Entities	
	2008	2007	2008	2007
Pooled endowments:				
Campuses	$167,407	$142,938		
UNHF			$120,628	$125,306
KEA			4,375	4,271
Life income and annuity funds	351	436	4,757	5,628
Funds held in trust	14,761	16,504		
Total	$182,519	$159,878	$129,760	$135,205

Commitments with various private equity and similar alternative investment funds which have not yet been called totaled $15,098,000 for the campuses and $5,877,000 for UNHF at June 30, 2008. This compares to $18,345,000 and $5,897,000, respectively, at June 30, 2007. See Note 11 for discussion of endowment return used for operations.

5. Property and equipment

Property and equipment activity for the years ended June 30, 2008 and 2007 is summarized as follows *($ in thousands)*:

	Balance June 30, 2006	2007 Additions and other changes	2007 Retirements	Balance June 30, 2007	2008 Additions and other changes	2008 Retirements	Balance June 30, 2008
Land	$ 10,518	$ 191		$ 10,709	$ 1,058		$ 11,767
Buildings and improvements	827,397	136,052	$(1,709)	961,740	131,187	$ (590)	1,092,337
Equipment	117,291	10,293	(5,697)	121,887	7,146	(7,582)	121,451
Construction in progress, net	184,048	(20,521)	-	163,527	(26,090)	-	137,437
Total property and equipment	1,139,254	126,015	(7,406)	1,257,863	113,301	(8,172)	1,362,992
Less: accumulated depreciation	(445,579)	(36,593)	6,114	(476,058)	(39,683)	7,428	(508,313)
Property and equipment, net	$ 693,675	$ 89,422	$(1,292)	$ 781,805	$ 73,618	$ (744)	$ 854,679

As of June 30, 2008, USNH has four construction projects in progress utilizing funds received from proceeds of recent bond issues. Outstanding contractual obligations for these projects totaled $14,748,000 at June 30, 2008. This compares to $28,445,000 of obligations for the nine construction projects in process at June 30, 2007. See Note 8 for information on the related debt.

In addition, the state is providing funding for academic and research facility renovation and expansion projects under the Knowledge Economy Education Plan for New Hampshire (KEEP-NH). Contractual obligations for construction related to KEEP-NH projects totaled $6,330,000 and $17,940,000 at June 30, 2008 and 2007, respectively. The state provides funding to USNH for all such amounts expended under the KEEP-NH program, up to the authorized total of $209,500,000. KEEP-NH funds remaining after expenditures and obligations totaled $75,961,000 and $87,208,000 at June 30, 2008 and 2007, respectively. See Note 8 for further description of state-funded plant facilities.

6. Accrued employee benefits

Accrued employee benefits at June 30 were as follows (*$ in thousands*):

	Balance June 30, 2006	2007 Payments to/on behalf of participants	2007 Accrued expenses & other changes	Balance June 30, 2007	2008 Payments to/on behalf of participants	2008 Accrued expenses & other changes	Balance June 30, 2008	Current portion
Operating staff retirement plan	$ 7,745	$ (825)	$ 221	$ 7,141	$ (829)	$ 674	$ 6,986	$ 829
Additional retirement contribution	2,745	(63)	(285)	2,397	(188)	302	2,511	251
Early retirement and employee separation incentives	3,381	(1,036)	189	2,534	(3,168)	4,037	3,403	1,242
Medical benefits for the long-term disabled	2,291	(437)	583	2,437	(523)	1,026	2,940	523
Workers' compensation	1,962	(1,026)	1,126	2,062	(1,430)	1,870	2,502	1,206
Compensated absences	14,755	(2,177)	2,826	15,404	(1,311)	2,356	16,449	869
Other	80	(80)	1,353	1,353	(250)	641	1,744	1,624
Total	$32,959	$(5,644)	$6,013	$33,328	$(7,699)	$10,906	$36,535	$6,544

The operating staff retirement plan is a defined benefit plan closed to new participants since 1987. At June 30, 2008 there were approximately 248 current annuitants and 115 participants with deferred benefits, all fully vested. This compares to 265 current annuitants and 121 participants as of June 30, 2007 with deferred benefits, all fully vested. USNH has cash and unrestricted funds functioning as endowment assets of $6,951,000 and $8,072,000 at June 30, 2008 and 2007, respectively, designated to fund the third-party actuarially determined obligations of the plan. The investment return assumption (discount rate) used in determining the accrued pension benefit obligation was 8.5% for both years.

The accumulated operating staff retirement plan benefit obligation and funded status at June 30 consisted of the following (*$ in thousands*):

	2008	2007
Retired participants and beneficiaries	$4,773	$4,903
Active participants	1,058	1,380
Other participants	1,155	858
Accrued pension benefit obligation	6,986	7,141
Less: funds functioning as endowment assets available for benefits	(6,951)	(8,072)
(Over) Under funded plan balance	$ 35	$ (931)

USNH's additional retirement contribution program is mandatory for all newly-hired employees but was optional for employees hired before July 1, 1994. Employees covered under this plan have an additional 1% of their salary contributed to their defined contribution retirement plan (see below) by USNH in lieu of postretirement medical benefits. In addition, employees meeting certain service guidelines prior to July 1, 1994 are eligible for a guaranteed minimum retirement contribution. There were 843 and 1,088 employees meeting these requirements as of June 30, 2008 and 2007, respectively. Based on third-party actuarial calculations, USNH has accrued $2,511,000 and $2,395,000 at June 30, 2008 and 2007, respectively, for the related obligations. USNH has designated cash assets of $2,745,000 for these obligations as of June 30, 2008 and 2007 which fully funds the plan. The most recent actuarial valuations for both the operating staff retirement plan and the additional retirement contribution program were performed as of June 30, 2007. The figures above reflect the results of this review.

Early retirement and employee separation incentive programs were provided to various faculty and staff during 2008 and 2007. Incentives include stipends, as well as medical, educational and other termination benefits. The present value of future costs associated with these incentive options is accrued as of the date of acceptance into the program. The balances at June 30, 2008 and 2007 represent accruals for 140 and 122 participants, respectively.

USNH sponsors other benefit programs for its employees, including long-term disability, workers' compensation, and compensated absences. Long-term disability payments are provided through an independent insurer; the associated medical benefits are accrued and paid by USNH until age 65, at which point the postretirement medical plan takes over, if applicable. Workers' compensation accruals include amounts for medical costs and annual stipends. A small number of chronic workers' compensation cases will require stipends and regular employee medical benefits for life. Coverage for such claims is provided through an independent insurer. USNH also accrues amounts for compensated absences as earned. These accrued balances at June 30 represent vacation and earned time amounts payable to employees upon termination of employment.

In addition, eligible employees may elect to participate in defined contribution retirement plans administered by others. Contributions by USNH under these plans in 2008 and 2007 amounted to $21,690,000 and $20,022,000, respectively.

7. Postretirement medical benefits

The postretirement medical plans are single-employer plans administered by USNH. Total annual other postemployment benefit (OPEB) cost for the years ended June 30, 2008 and 2007, and the liability as of June 30, 2008 and 2007 included the following components (*$ in thousands*).

	2008	2007
Annual required contribution	$ 6,755	$ 6,755
Interest on net OPEB obligation	4,378	4,191
Adjustment to annual required contribution	(6,717)	(5,005)
Annual OPEB cost	4,416	5,941
Contributions made	(4,500)	(3,293)
(Decrease) increase in net OPEB obligation	(84)	2,648
Net OPEB obligation at beginning of year	51,506	48,858
Net OPEB obligation at end of year	$51,422	$51,506
Current portion	$ 5,117	$ 5,080

The primary defined benefit postretirement medical plan, the University System of New Hampshire Medicare Complementary Plan, was optional for all full-time status employees hired before July 1, 1994 and their dependents. At June 30, 2008 and 2007, there were approximately 516 and 582 active employees who may eventually be eligible to receive benefits under this program. The eligibility requirements state that retired employees must have completed at least 10 years of service after age 52, participated in the active retirement plans during their last 10 years of service, and participated in USNH's active medical plan at the time of retirement. Retired employees are not required to contribute to the plan.

For measurement purposes, annual rates of increase of 9-10% in the per capita cost of covered healthcare services, and 13% for prescriptions are assumed for 2009 for the primary plan. These rates are assumed to decrease gradually to 5.5% by 2017 and remain at that level thereafter. The healthcare cost trend and discount rate assumption have a significant effect on the amounts reported. The discount rate used in determining the accumulated postretirement obligation was 8.5% for both 2008 and 2007.

Third party actuaries are used to determine the postretirement benefit obligation and annual expense amounts. The actuarially determined postretirement benefit expense for the primary plan was $4,416,000 for 2008 and $5,941,000 for 2007. The plan is funded on a pay-as-you-go basis with benefits paid when due. Actuarial calculations reflect a long-term perspective. By definition such calculations involve estimates and, accordingly, are subject to revision. These calculations are based on the benefits provided by the plan at the time of the last biennial plan valuation, June 30, 2007, and were developed using the Projected Unit Credit Cost Method.

8. Long-term debt

Long-term debt activity for the year ended June 30, 2008 and 2007 was as follows *($ in thousands)*:

	Balance June 30, 2006	2007 Additions and other changes	2007 Retirements	Balance June 30, 2007	2008 Additions and other changes	2008 Retirements	Balance June 30, 2008	Current portion
Auxiliary bonds	$ 2,206		$ (833)	$ 1,373		$ (718)	$ 655	$ 377
NHHEFA bonds								
Series 2001*	56,640	$ 2,713	(1,227)	58,126		(1,270)	56,856	1,210
Series 2002	39,809		(1,826)	37,983		(1,917)	36,066	1,980
Series 2005A	64,736	9	(300)	64,445	$ 9	(1,100)	63,354	1,350
Series 2005B	86,694	410		87,104	410		87,514	865
Series 2006A	24,260	4		24,264	4		24,268	
Series 2006B	120,235	(59,985)		60,250	13	(600)	59,663	825
Series 2006B-2		63,907		63,907		(715)	63,192	800
Series 2007					46,418		46,418	
Capital leases	22,899	29	(1,336)	21,592		(1,383)	20,209	1,176
Total	$417,479	$ 7,087	$(5,522)	$419,044	$46,854	$(7,703)	$458,195	$8,583

*includes interest rate swaption amount as noted below

State of NH Auxiliary bonds

Bonds issued by the state to finance auxiliary enterprise buildings and improvements require remittance of semi-annual principal and interest payments from revenues associated with the specific auxiliary activities. Due dates range from July 2009 to July 2010 at variable effective rates of 4.5% to 6.5% as of June 30, 2008. State statute requires these bonds to be repaid entirely by USNH and accordingly, these bonds are recorded as USNH debt.

New Hampshire Health and Education Facilities Authority (NHHEFA) Bonds and interest rate swaps

NHHEFA is a public body corporate and an agency of the State of New Hampshire whose primary purpose is to assist New Hampshire not-for-profit educational and health care institutions in the construction and financing (or refinancing) of related facilities. NHHEFA achieves this purpose primarily through the issuance of bonds. Since 1989 all USNH bonds have been issued through NHHEFA. None of USNH's NHHEFA bonds provide for a lien or mortgage on any property. USNH is obligated under the terms of the NHHEFA bonds to make payments from revenues received from certain housing, dining, union, recreational, and other related revenue generating facilities. The state is not liable for the payment of principal or interest on the NHHEFA bonds, nor is the state directly, indirectly or contingently obligated to levy or pledge any form of taxation whatsoever or to make any appropriation for their payment. USNH is in compliance with all covenants specified in the NHHEFA bonds, the most restrictive of which is maintenance of a debt-service coverage ratio, as defined of at least 1.1 to 1. A description of each NHHEFA bond issuance and all related interest rate swaps follows:

Series 2001 Bonds and interest rate swaption

On March 1, 2001 NHHEFA issued $151,210,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2001 (2001 Bonds). A portion of the 2001 Bonds was refunded by the Series 2005B Bonds described below. The remaining face value of the 2001 Bonds is $54,205,000, and is shown above net of unamortized original issue discount. Interest is due semi-annually at fixed effective rates of 3.6% to 5.1%. Principal is due annually through July, 2033.

USNH entered into a swaption agreement on December 15, 2006 that gives the counterparty the option to require USNH to enter into a swap agreement 60 days before the call date of the 2001 Bonds, July 1, 2011. If executed, the notional amount of the swap would be tied to the then-outstanding balance of the 2001 Bonds (expected to be $42,570,000), and USNH will be required to pay the counterparty a fixed rate of 4.5% while receiving a floating rate of 67% of one month LIBOR from the counterparty, and USNH would plan to issue variable rate debt to replace the 2001 fixed rate bonds. The unrestricted swaption proceeds ($2,948,000) are invested as funds functioning as endowment. The remaining swaption liability ($2,512,000) is a component of long-term debt and is being amortized to interest income over the remaining term of the underlying bonds.

Series 2002 Bonds

On April 2, 2002 NHHEFA issued $42,715,000 of Refunding Revenue Bonds, University System of New Hampshire Issue, Series 2002 (2002 Bonds), shown above net of unamortized original issue premium. Proceeds from the 2002 Bonds were used to complete an advance refunding in the form of an "in-substance defeasance" of bonds originally issued in 1992. Interest is due semi-annually at fixed effective rates of 5.1% to 5.3%. Principal is due annually through July 1, 2020. The bonds are callable on July 1, 2012.

Series 2005A Bonds and interest rate swap

On January 20, 2005 NHHEFA issued $65,000,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2005A (2005A Bonds), shown above net of unamortized original issue discount. Proceeds from the 2005A Bonds were used to partially finance construction of student fee-supported facilities on USNH campuses at Durham, Keene and Plymouth. The 2005A Bonds are multi-modal, were initially issued in 35 day variable auction rate mode, were converted to seven day variable auction rate mode in January, 2006, and were subsequently converted to daily variable rate demand bonds in March, 2008. In conjunction with the 2008 conversion, USNH terminated its bond insurance contract and entered into a standby bond purchase agreement. The associated variable interest rates at June 30, 2008 and 2007 were 1.7% and 3.6%, respectively. Principal is due annually through July 1, 2035.

In connection with the issuance of the 2005A Bonds, USNH entered into a floating-to-fixed interest rate swap agreement with a notional amount tied to the outstanding balance of the bonds. The purpose of the swap agreement was to effectively convert the floating variable rate on the 2005A Bonds to an estimated all-in synthetic fixed rate of 3.9% through July 2035, the final maturity date of the underlying bonds. Under the terms of the swap, USNH makes fixed rate interest payments to the swap counterparty and receives a variable rate payment based on 67% of one month LIBOR. The counterparty to this swap agreement filed for bankruptcy in September, 2008. This is a "termination event" under the terms of the agreement which management believes will have no material impact on the financial statements.

Series 2005B Bonds and interest rate swap
On August 1, 2005 NHHEFA issued $97,360,000 of Refunding Revenue Bonds, University System of New Hampshire Issue, Series 2005B (2005B Bonds), shown above net of unamortized original issue discount. Proceeds from the 2005B Bonds were used to complete an advance refunding in the form of an "in-substance defeasance" of $87,480,000 of the 2001 Bonds. The proceeds of the 2005B Bonds were placed in an escrow fund and invested in government obligations with scheduled maturities which, when combined with interest thereon, will be used to make required interest and principal payments until the redemption date of the refinanced bonds on July 1, 2011. The 2005B Bonds are multi-modal, were initially issued as seven day variable rate demand bonds, and were subsequently converted to daily variable rate demand bonds in April, 2008. In conjunction with the conversion, USNH terminated its bond insurance contract and entered into a new standby bond purchase agreement. The associated variable interest rates at June 30, 2008 and 2007 were 2.9% and 3.7%, respectively. Principal is due annually through July 1, 2033.

In connection with the issuance of the Series 2005B Bonds, USNH entered into a forward floating-to-fixed interest rate swap agreement with a notional amount tied to the outstanding balance of the bonds. The purpose of the swap agreement was to effectively convert the floating variable rate on the 2005B Bonds to an estimated all-in synthetic fixed rate of 3.5%. USNH makes fixed rate interest payments to the swap counterparty and receives a variable rate payment based on 63% of one month LIBOR plus 29 basis points.

Series 2006A Bonds
On March 2, 2006 NHHEFA issued $24,350,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2006A (2006A Bonds), shown above net of unamortized original issue discount. Proceeds from the 2006A Bonds are being used to finance the completion of construction of student fee-supported facilities on USNH campuses at Durham, Keene and Plymouth begun with the 2005A Bonds. The 2006A Bonds are multi-modal, were initially issued in seven day variable auction rate mode, and were converted in March, 2008 to a term rate mode at a fixed rate of 3.0% for an initial period of one year. The mode and terms for subsequent periods will be determined based on prevailing market conditions, at the discretion of USNH. The associated variable interest rate at June 30, 2007 was 3.6%. Principal is due annually through July 1, 2036.

Series 2006B Bonds
On March 2, 2006 NHHEFA issued $120,650,000 of Revenue Bonds, University System of New Hampshire Issue, Series 2006B (2006B Bonds). Proceeds from the 2006B Bonds are being used to finance the completion of construction of student fee-supported facilities on USNH campuses at Durham, Keene and Plymouth begun with the 2005A Bonds. Part of these bonds were remarketed as fixed rate bonds in 2007, and are now known as the Series 2006B-2 Bonds as noted below. The remaining face value of the 2006B Bonds, $60,050,000, is shown above net of unamortized original issue discount. The 2006B Bonds are multi-modal, were initially issued in seven day variable auction rate mode, and were converted in March, 2008 to a term rate mode at a fixed rate of 3.0% for an initial period of one year. The mode and terms for subsequent periods will be determined based on prevailing market conditions at the discretion of USNH. The associated interest rate at June 30, 2007 was 3.6%. Principal is due annually through July 1, 2036.

Series 2006B-2 Bonds
On January 26, 2007 NHHEFA remarketed $60,000,000 of University System of New Hampshire Issue, Series 2006B Bonds as the University System of New Hampshire Issue, Series 2006B-2 Bonds (2006B-2 Bonds), changing the variable rate to an all-in fixed rate of 4.1%. The remarketing generated a premium of $4,046,000, which was a component of debt proceeds held by others for construction purposes at June 30, 2007, and fully expended by June 30, 2008. The premium will be amortized to interest income over the remaining term of the bonds. Principal is due annually through July 1, 2036, with a call date of July 1, 2016.

Series 2007 Bonds
On February 6, 2008 NHHEFA issued $46,570,000 of Taxable Revenue Bonds, University System of New Hampshire, Series 2007 (2007 Bonds), shown above net of original issue discount. Proceeds from the 2007 Bonds are being used to finance EcoLine, the landfill gas pipeline project designed to provide up to 85% of the UNH Durham campus' heating, cooling and electricity needs with renewable energy. Interest is due semi-annually at a fixed rate of approximately 5.0%. All principal is due upon expiration of the bonds on July 1, 2018.

Capital leases
On April 30, 2004, USNH entered into a capital lease agreement to finance $18,387,000 of equipment for UNH's utility cogeneration facility. The related lease principal and interest payments are due quarterly through June, 2025 at a fixed interest rate of 4.5%. Other leases relate to various property and capital equipment acquisitions. Terms range from monthly to annual payments over 3 to 20 years, with fixed interest rates between 4.0% and 7.0%.

Long-term debt obligations are scheduled to mature as follows using the associated fixed, estimated synthetic fixed, and expected variable rates in effect as of June 30, 2008 over the remaining term of individual issuances (*$ in thousands*):

Fiscal Year	Principal	Interest	Total
2009	$ 8,575	$ 17,823	$ 26,398
2010	12,344	19,433	31,777
2011	12,449	18,672	31,121
2012	13,138	18,335	31,473
2013	13,628	17,538	31,166
2014-2018	73,911	79,083	152,994
2019-2023	130,013	52,979	182,992
2024-2028	72,447	34,205	106,652
2029-2033	76,525	19,913	96,438
2034-2038	49,035	4,699	53,734)
	462,065	282,680	744,745
Less: unamortized deferred loss, discount/premium, net	(3,870)	-	(3,870)
Total	$458,195	$282,680	$740,875

Valuation of swaps
The estimated fair value of the interest rate swaps and swaptions associated with the Series 2005B, Series 2005A, and Series 2001 Bonds discussed above was a net liability of $7,264,000 at June 30, 2008 and a net asset of $4,057,000 at June 30, 2007. This represents the estimated value of the swap agreements if terminated by USNH, taking into account interest rates at the close of business on June 30, 2008 and 2007. In accordance with governmental accounting standards, this amount is not recorded in the accompanying financial statements.

State of NH general obligation bonds
The state, through acts of its legislature, provides funding for certain major plant facilities on USNH campuses. The state obtains its funds for these construction projects from general obligation bonds, which it issues from time to time. Debt service is funded by the general fund of the state, which is in the custody of the State Treasurer. The state is responsible for all repayments of these bonds in accordance with bond indentures. USNH facilities are not pledged as collateral for these bonds and creditors have no recourse to USNH. Accordingly, the state's debt obligation attributable to USNH's educational and general facilities is not reported as debt of USNH. As construction expenditures are incurred by USNH on state-funded educational and general facilities, amounts are billed to the state and recorded as State of New Hampshire capital appropriations.

9. Commitments and contingencies

USNH is self-insured for a portion of certain risks, including workers' compensation, employee long-term disability, and certain student health insurance claims. The related liabilities recorded in the financial statements are developed by management based upon historical claim data, and in the opinion of management are expected to be sufficient to cover the actual claims incurred. General liability insurance, property insurance, and other insurance coverages provide for large claims incurred. Settlements below the relevant deductible amounts are funded from unrestricted net assets.

USNH makes expenditures in connection with restricted government grants and contracts, which are subject to final audit by government agencies. Management is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position, results of operations, or cash flows of USNH.

USNH is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that the eventual liability, if any, will not have a material effect on USNH's financial position, results of operations or cash flows.

As detailed in Note 8 above, the terms for USNH Series 2006A and 2006B Bonds are not yet determined for periods beyond March 2009. USNH has committed to having same-day available funds of $83,575,000 on April 1, 2009 to meet bond self-liquidity requirements unless remarketing of the bonds is completed before that date.

10. Net assets

The table below details USNH net assets as of June 30, 2008 and 2007 *($ in thousands)*:

	2008	2007
Invested in capital assets, net of related debt	$432,454	$410,520
Restricted		
Nonexpendable		
Historic gift value of endowment-campuses	63,216	54,031
Historic gift value of endowment-affiliated entities	99,236	91,606
Total restricted nonexpendable net assets	162,452	145,637
Expendable		
Held by campuses:		
Accumulated net gains on endowment	45,833	55,504
Fair value of funds functioning as endowment	13,465	14,449
Gifts, grants and contracts	19,936	18,147
Life income and annuity funds	203	285
Loan funds	6,332	6,197
Held by affiliated entities:		
Accumulated net gains on endowment	24,088	35,762
Other	6,634	7,638
Total restricted expendable net assets	116,491	137,982
Unrestricted		
Held by campuses:		
Current funds		
Educational and general reserves	24,782	27,764
Auxiliary enterprises	24,868	22,726
Internally designated	24,458	24,721
Unrestricted loan funds	1,287	1,283
Unexpended plant funds	60,464	53,167
Fair value of funds functioning as endowment	38,519	25,110
Underwater true endowment funding	(183)	
Unrestricted net assets held by campuses, before postretirement medical liability	174,195	154,771
Unfunded postretirement medical liability	(51,075)	(51,398)
Held by affiliated entities:		
Unrestricted funds functioning as endowment	212	162
Underwater true endowment funding	(500)	
Internally designated	1,645	1,201
Total unrestricted net assets	124,477	104,736
Total net assets	$835,874	$798,875

11. Endowment return used for operations

As detailed in Note 4, the majority of endowment funds are invested in one of two investment pools using the unit share method. According to the current laws of the State of New Hampshire, the governing boards of USNH and its affiliated entities may appropriate for expenditure for the uses and purposes for which an endowment fund is established so much of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment fund over the historic dollar value of the fund as is prudent. The return appropriated for spending and administration from the USNH endowment pool was 5.4% and 5.7% of the twelve-quarter moving average of the investments' market value per unit for 2008 and 2007, respectively; and the return appropriated for spending and administration from the UNHF endowment pool was 5.5% and 5.7% of the twelve-quarter moving average of the investments' market value per unit for 2008 and 2007, respectively. Where individual pooled endowment investments had fair values less than the historic gift value as of the beginning of the fiscal year, the distribution was limited to a maximum of the estimated yield (dividends and interest) on the invested assets.

The annual spending formula for endowment return used for operations is designed to provide sustainable continued future support for ongoing programs at current levels assuming moderate inflation. To the extent that endowment yield is insufficient in any one year to meet the required spending distribution, accumulated net gains are utilized to fund the distribution.

The components of endowment return used for operations for 2008 and 2007 are summarized below (*$ in thousands*):

	2008	2007
Pooled endowment yield - campuses	$ 2,775	$ 2,986
Pooled endowment yield - affiliates	3,198	2,640
Trusts, life income and annuities yield	988	557
Other endowment income, net	-	291
Accumulated gains utilized to fund distribution	4,667	4,250
Endowment return used for operations	$11,628	$10,724

12. Unrealized depreciation of operating investments

As part of its ongoing cash management practices, USNH purchased commercial paper investments with the highest possible ratings from Moody's and S&P with a total par value of $16,605,000 in early August, 2007. The investments were purchased for $16,544,000 with 30 to 40 days to maturity, and were scheduled to mature on or before September 17, 2007. These commercial paper investments met the requirements of USNH's short-term investment policy as detailed in Note 2. Both investments were downgraded subsequent to purchase by USNH and were placed in receivership. Management has filed a formal complaint against the securities broker with the State of New Hampshire's Bureau of Security Regulation in this regard which is pending resolution.

The underlying assets of both commercial paper issues are primarily sub-prime US mortgages. Under the terms of the respective receiverships, the underlying assets are expected to be sold in the Fall of 2008. Senior creditors, including USNH, are expected to be able to liquidate their holdings for cash or take back a long-term note receivable at terms that have not yet been determined. Management will decide on an appropriate course of action when the full terms and conditions are known.

USNH has applied certain valuation techniques based on publicly available information on the underlying assets. As a result of these calculations USNH has recorded unrealized depreciation of operating investments on the Statement of Revenues, Expenses and Changes in Net Assets of $9,900,000. This adjustment reduced the investment balance to the estimated fair value of $6,644,000 at June 30, 2008. These assets are recorded as operating investments since liquidation is expected within the next 12 months.

13. Operating expenses by function

The following table details USNH operating expenses by functional classification *($ in thousands)*:

	Employee compensation and benefits	Supplies and services	Utilities	Internal allocations	Depreciation	2008 Total	2007 Total
Campuses – current funds							
Instruction	$167,201	$ 21,144	$ 91	$ 565)		$189,001	$172,777
Research & sponsored programs	67,517	35,250	30			102,797	101,598
Public service	12,224	5,314	278	2,291		20,107	18,866
Academic support	37,097	14,399	3	(3,776)		47,723	45,265
Student services	20,254	10,174	7	)		30,435	28,377
Institutional support	35,954	12,497	27	(12,445)		36,033	33,587
Operations & maintenance	24,977	13,676	23,909	(33,049)		29,513	27,207
Auxiliary student services	46,984	39,174	77	46,414		132,649	124,048
Subtotal-current funds	412,208	151,628	24,422	-	-	588,258	551,725
Campuses – other funds	375	10,840	31		$39,683	50,929	47,113
Affiliated entities	2,840	920				3,760	2,970
Total	$415,423	$163,388	$24,453	$ -	$39,683	$642,947	$601,808

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APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

The following are definitions of certain words and terms used in this Official Statement and summaries of the Bond Indenture and the Loan Agreement. These summaries do not purport to set forth all of the provisions of said documents to which reference is made for the complete and actual terms thereof. Words and terms used herein that are not defined herein shall have the same meanings as set forth in the Bond Indenture and the Loan Agreement as the case may be.

In addition, this Summary of the Bond Indenture and the Loan Agreement does not reflect certain additional and more restrictive covenant requirements imposed by the Bond Insurer insuring certain outstanding bonds previously issued on behalf of the System. Such additional covenant requirements relating to such bonds are enforceable only by such Bond Insurer, may be waived in the sole discretion of such Bond Insurer and may be eliminated or amended at any time or may remain in effect while the Bonds are outstanding.

DEFINITIONS

"Accountant" shall mean PricewaterhouseCoopers LLP or any other firm of nationally recognized independent certified public accountants to whom neither the Bond Trustee nor the Authority makes any reasonable objection.

"Act" shall mean the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D, New Hampshire Revised States Annotated, as amended.

"Additional Bonds" shall mean the bonds or notes issued by the Authority pursuant to Section 2.13 of the Original Bond Indenture.

"Additional Indebtedness" shall mean any Indebtedness incurred by the System, Keene State College, Plymouth State University, or the University of New Hampshire subsequent to the issuance of the initial series of Notes.

"Additional Notes" shall mean the notes issued by the System pursuant to Section 3.05 of the Original Agreement to secure Additional Bonds issued by the Authority pursuant to Section 2.13 of the Original Bond Indenture.

"Advance - Refunded Municipal Bonds" shall mean non-callable obligations that are exempt from Federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by non-callable Government Obligations held in trust for the payment thereof.

"Agreement" shall mean the Original Agreement, as amended and supplemented through and including the Seventh Supplemental Agreement, and when further amended or supplemented, the Agreement, as further amended or supplemented.

"Agreement Event of Default" shall mean any one or more of those events set forth in Section 6.01 of the Original Agreement.

"Alternate Debt" shall mean Indebtedness of the System, Keene State College, Plymouth State University, or the University of New Hampshire permitted by Section 5.17 of the Original Agreement.

"Annual Administrative Fee" shall mean the annual fee for the general administrative services of the Authority which for each Bond Year shall be an amount equal to that shown on the prevailing fee schedule of the Authority.

"Annual Debt Service" shall mean the Long-Term Debt Service Requirement for the Fiscal Year in question for the Bonds and for any Alternate Debt.

"Architect" shall mean any Architect or firm of Architects appointed by the System and not objected to by the Authority.

"Authority" shall mean the New Hampshire Health and Education Facilities Authority, previously known as the New Hampshire Higher Educational and Health Facilities Authority, a public body corporate and agency of the State of New Hampshire.

"Authority Representative" shall mean the Chairman, Vice Chairman, Executive Director or Secretary of the Authority or such other person as the Authority may designate to act on its behalf by written certificate furnished to the System and the Bond Trustee containing the specimen signature of such person and signed on behalf of the Authority by the Chairman, Vice Chairman, Executive Director or Secretary.

"Balloon Indebtedness" shall mean (i) Indebtedness, twenty-five percent (25%) or more of the initial principal amount of which matures (or is payable at the option of the holder) in any twelve month period, if such twenty-five percent (25%) or more is not to be amortized to below twenty-five percent (25%) by mandatory redemption prior to such twelve month period, or (ii) any portion of an issue of Indebtedness which, if treated as a separate issue of Indebtedness would meet the test set forth in clause (i) of this definition and which Indebtedness is designated as Balloon Indebtedness in an Officer's Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

"Board" shall mean the directors of the Authority.

"Bond" or "Bonds" shall mean the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005A Bonds, the Series 2005B Bonds, the Series 2006 Bonds, the Series 2007 Bonds, the Series 2009A Bonds and any Additional Bonds issued under the Bond Indenture.

"Bond Counsel" shall mean an attorney or firm of attorneys of national recognition experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds selected or employed by the Authority and acceptable to the Bond Trustee.

"Bond Fund" shall mean the fund designated as such and created pursuant to the Bond Indenture.

"Bond Indenture" shall mean the Original Bond Indenture, as amended and supplemented through and including the Seventh Supplemental Indenture, and when further amended or supplemented, the Bond Indenture, as further amended or supplemented.

"Bond Indenture Event of Default" shall mean any one or more of those events set forth in Section 7.01 of the Original Bond Indenture.

"Bond Index" shall mean (i) in the case of tax-exempt obligations, the 30-year Revenue Bond Index published by the Bond Buyer, or a comparable index if such Revenue Bond Index is not so published, or (ii) in all other cases, the interest rate or interest index as may be certified to the Authority and the Bond Trustee as appropriate to the situation by a firm of nationally recognized investment bankers or a financial advisory firm experienced in such field.

"Bond Insurance Policy" shall mean, with respect to each series of the Series 2001 Bonds, the Series 2002 Bonds and the Series 2006 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer insuring the scheduled payment when due of principal and interest, respectively, on the Series 2001 Bonds, the Series 2002 Bonds and the Series 2006 Bonds, as provided therein.

"Bond Insurer" shall mean, with respect to each series of the Series 2001 Bonds, the Series 2002 Bonds and the Series 2006 Bonds, Ambac Assurance Corporation, a Wisconsin stock insurance company, or any successor thereto.

"Bond Payment Date" shall mean each date on which interest or both principal and interest shall be payable on any of the Bonds according to their respective terms so long as any Bonds are Outstanding.

"Bond Trustee" shall mean The Bank of New York Mellon Trust Company, N.A., of Boston, Massachusetts, as successor to TD Banknorth, National Association, Banknorth, National Association, The Stratevest Group, N.A., Bank of New Hampshire and Bank of New Hampshire, N.A., and any successor to its duties under the Bond Indenture.

"Bond Year" shall mean the period commencing July 2 of each year and ending July 1 of the next year.

"Book - Entry Bonds" shall mean the Bonds held by DTC as the registered owner thereof pursuant to the terms and provisions of the Bond Indenture.

"Business Day" shall mean any day of the week other than Saturday, Sunday or a day which shall be in the State of New Hampshire or in the jurisdiction of the Bond Trustee or the Registrar a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close.

"Capitalized Interest" shall mean that portion of the proceeds of any Indebtedness or any other funds (other than Debt Reserves) that are held in trust and are restricted to be used to pay interest due or to become due on Indebtedness.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Construction Fund" shall mean the fund designated as such and created pursuant to the Bond Indenture.

"Consultant" shall mean a person or firm selected by the System which is not, and no member, majority stockholder, director, officer or employee of which is, an officer of the System and which is a nationally recognized professional management consultant or Accountant (which may be the System's external auditing firm) in the area of higher education finance not reasonably objected to by the Authority or the Bond Trustee and having the skill and experience necessary to render the particular opinion, certificate or report required by the provisions of the Bond Indenture or the Agreement in which such requirement appears.

"Debt Reserves" shall mean that portion of the proceeds of any Indebtedness or any other funds (other than Capitalized Interest) that are held in trust and are restricted to be used to pay principal or principal and interest due or to become due on Indebtedness.

"Disclosure Agreement" shall mean the Continuing Disclosure Agreement, relating to the Series 2009A Bonds, by and between the System and the Bond Trustee.

"Discount Indebtedness" shall mean Indebtedness sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

"DTC" shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Earnings Fund" shall mean the fund designated as such and created pursuant to the Bond Indenture.

"Fiscal Year" shall mean the fiscal year of the System, initially, July 1 to June 30 and in the future any other fiscal year designated from time to time in writing by the System to the Authority and the Bond Trustee.

"Fixed Rate Indebtedness" shall mean Indebtedness that bears interest at a fixed rate.

"Future Test Period" shall mean the two full fiscal years immediately following the computation then being made, or, if such computation is then being made in order to provide funds for capital improvements, following the completion of the capital improvements then being financed.

"Governing Body" shall mean, when used with respect to the System, Keene State College, Plymouth State University or the University of New Hampshire, the board of trustees of the System.

"Government Obligations" shall mean direct general obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Guaranty" shall mean all obligations of the System, Keene State College, Plymouth State University or the University of New Hampshire guaranteeing in any manner, whether directly or indirectly, any obligation of any other person which would, if such other person were the System, Keene State College, Plymouth State University or the University of New Hampshire, constitute Indebtedness under the Agreement, unless the obligation of such other person is other than for the payment of a sum reasonably ascertainable.

"Historic Test Period" shall mean the most recent period of twelve (12) full consecutive calendar months for which the financial statements of the System have been reported upon by an Accountant.

"Holder" or "Bondholder" shall mean the registered owner of any Bond including DTC as the sole registered owner of Book - Entry Bonds.

"Income Available for Debt Service" shall mean, with respect to the System, as to any period of time, the excess of System Receipts over System Expenses as determined in accordance with generally accepted accounting principles as in effect on the date of issuance of the Bonds consistently applied; provided, that (i) the obligation, if any, of the System to transfer funds to the State to reimburse the State for debt service on the State's general obligation bonds issued to finance System Facilities shall not be deemed System Expenses, (ii) no determination thereof shall take into account any revenue or expense of any person which is not the System or any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not in the ordinary course of business, and (iii) if the System or its Accountant are unable to use generally accepted accounting principles as in effect on the date of issuance of the Bonds, then the System may use generally accepted accounting principles then in effect.

"Indebtedness" shall mean all obligations incurred or assumed by the System, Keene State College, Plymouth State University or the University of New Hampshire, including Guaranties, or any other obligation for payments of principal and interest with respect to money borrowed; provided, however, that interest rate exchange agreements shall not be deemed Indebtedness under the Bond Indenture or the Agreement.

"Insurance Consultant" shall mean an organization, firm or person appointed by the System and not reasonably objected to by the Authority or the Bond Trustee, qualified to survey risks and to recommend insurance coverage for educational facilities and organizations engaged in like operations, who may be a broker or agent with whom the System transacts business, but who shall have no interest, direct or indirect, in the System and shall not be a member, director, trustee or employee of either the System or the Authority.

"Interest Account" shall mean the account of the Bond Fund designated as such and created pursuant to the Bond Indenture.

“Keene State College” shall mean the public body politic and corporate organized and existing under the laws of the State of New Hampshire, operating higher educational facilities located in Keene, New Hampshire, the corporate name of which is Keene State College, and its successors.

“Long-Term Debt Service Coverage Ratio” shall mean the ratio for the period in question of Income Available for Debt Service to Maximum Annual Debt Service for the Bonds and for any Alternate Debt.

“Long-Term Debt Service Requirement” shall mean, for any period of time, the aggregate of the payments to be made (other than amounts irrevocably deposited with the Bond Trustee or a lender for purposes of such payments) in respect of principal and interest on Outstanding Bonds and Alternate Debt during such period, also taking into account (i) with respect to Bonds or Alternate Debt that constitute Balloon Indebtedness, the provisions of Section 5.22 of the Original Agreement, (ii) with respect to Bonds or Alternate Debt that constitute Variable Rate Indebtedness, the provisions of Section 5.23 of the Original Agreement, (iii) with respect to Bonds or Alternate Debt that constitute Discount Indebtedness, the provisions of Section 5.24 of the Original Agreement, (iv) with respect to Debt Reserves, the provisions of Section 5.25 of the Original Agreement, (v) with respect to Capitalized Interest, the provisions of Section 5.26 of the Original Agreement, and (vi) with respect to Alternate Debt that constitutes a Guaranty of obligations of a person which is not the System, the provisions of Section 5.27 of the Original Agreement.

“Long-Term Indebtedness” shall mean all Indebtedness for any of the following:

(i) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of longer than one year;

(ii) Payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year; and

(iii) Payments under installment purchase contracts having an original term in excess of one year.

“Maximum Annual Debt Service” shall mean, at the time of computation, the greatest Long-Term Debt Service Requirement for the then current or any future Fiscal Year.

“Note” shall mean any Note issued, authenticated and delivered under the Agreement.

“Note Payments” shall mean all payments to be made by the System under the Notes.

“Officer’s Certificate” shall mean a certificate signed by the chairman of the Governing Body, or the chancellor, chief executive officer, or the vice chancellor for financial affairs of the System.

“Opinion of Bond Counsel” shall mean an opinion in writing signed by Bond Counsel.

“Opinion of Counsel” shall mean a written opinion of an attorney or firm of attorneys acceptable to the Bond Trustee and the System and, to the extent the Authority is asked to take action in reliance thereon, the Authority, and who (except as otherwise expressly provided in the Agreement or in the Bond Indenture) may be either counsel for the System or for the Bond Trustee.

“Original Agreement” shall mean the Loan Agreement, dated as of September 1, 1992, by and among the Authority, the System, the University of New Hampshire, Keene State College and Plymouth State University.

“Original Bond Indenture” shall mean the Bond Indenture, dated as of September 1, 1992, by and between the Authority and the Bond Trustee.

"Outstanding," when used with reference to the Bonds, shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except: (i) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation; (ii) Bonds which are deemed paid and no longer Outstanding as provided in the Bond Indenture; (iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Bond Indenture relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Trustee has been received that any such Bond is held by a bona fide purchaser; and (iv) for purposes of any consent or other action to be taken hereunder or under the Bond Indenture by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Authority, the System, or any person controlling, controlled by, or under common control with, either of them.

"Outstanding", when used with reference to Notes, Guaranties and all other Indebtedness, shall mean, as of any date of determination, all Notes, Guaranties and all other Indebtedness theretofore issued or incurred and not paid and discharged except (i) Notes theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation; (ii) Notes or Guaranties deemed paid and no longer Outstanding as provided in the Agreement; (iii) Notes for which provision for payment has been made in the manner provided in the Agreement; (iv) Notes in lieu of which other Notes have been authenticated and delivered or have been paid unless proof satisfactory to the Bond Trustee has been received that any such Note is held by a bona fide purchaser; and (v) Indebtedness not represented by Notes or Guaranties which has been cancelled, paid in full, discharged in full by the obligee or defeased.

"Paying Agent" shall mean the banks or trust companies and their successors designated as the paying agencies or places of payment for the Bonds.

"Permitted Debt" shall mean Indebtedness of the System, Keene State College, Plymouth State University, or the University of New Hampshire permitted by Section 5.16 of the Original Agreement.

"Permitted Dispositions" shall mean dispositions of System Facilities permitted by Section 5.15 of the Original Agreement.

"Permitted Encumbrances" shall mean encumbrances on System Facilities or System Receipts permitted by Section 5.14 of the Original Agreement.

"Permitted Investments" shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Authority's money:

(a) Government Obligations;

(b) Receipts, certificates or other similar documents evidencing ownership of future principal or interest payments due on Government Obligations which are held in a custody or trust account by a commercial bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $20,000,000 and is acceptable to the Bond Trustee;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Banks; Federal Home Loan Mortgage Corporation (including participation certificates); Federal National Mortgage Association; Government National Mortgage Association; United States Export - Import Bank; Farmers Home Administration; Federal Financing Bank; Federal Housing Administration (debentures only); General Services Administration; United States Maritime Administration; New Communities (debentures only); United States Public Housing (bonds and notes); or United States Department of Housing and Urban Development; or direct obligations of any agency or instrumentality of the United States (except for Federal Farm Credit System obligations) and obligations on which the timely payment of principal and interest is fully guaranteed by any such agency or instrumentality;

(d) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including the Bond Trustee), provided that such deposits, certificates, and other arrangements are (i) fully insured by the Federal

Deposit Insurance Corporation or (ii) in or with a bank, trust company, national banking association or other savings institution which (or the parent or holding company of which) is rated A2 or better by Moody's Investors Service and A or better by Standard & Poor's Corporation, and provided further that any such obligations are held by the Bond Trustee or a bank, trust company or national banking association satisfactory to the Authority (other than the issuer of such obligations) during the term of such contract;

(e) Repurchase agreements with a registered broker/dealer subject to the Securities Investors' Protection Corporation, or with a commercial bank, broker/dealer or bank whose unsecured indebtedness is rated A2 or better by Moody's Investors Service and A or better by Standard & Poor's Corporation, or which is the lead bank of a parent bank holding company whose unsecured indebtedness is rated A2 or better by Moody's Investors Service and A or better by Standard & Poor's Corporation or which broker or dealer is a dealer in government bonds which reports to, trades with, and is recognized as, a primary dealer by the Federal Reserve Bank, which repurchase agreement shall provide that: (A) the repurchase obligation of the registered broker/dealer or the bank is collateralized by Government Obligations or bonds, debentures, notes or other evidence of indebtedness backed by the full faith and credit of the United States of America issued by: United States Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration (debentures only), General Services Administration, Government National Mortgage Association, United States Maritime Administration, New Communities (debentures only), United States Public Housing (bonds and notes) or the United States Department of Housing and Urban Development, which shall be held by the Bond Trustee (unless the Bond Trustee is obligated under the repurchase agreement) or third party which is a Federal Reserve Bank or a commercial bank with capital, surplus and undivided profits of not less than $50,000,000 and the Bond Trustee shall have received written confirmation from said third party that it holds said securities free of any lien, as agent for the Bond Trustee; (B) a perfected security interest in favor of the Bond Trustee in the securities has been created under the Uniform Commercial Code or pursuant to the book entry procedures described in 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq.; (C) the securities on the date of execution of the repurchase agreement have a fair market value of at least 100% of the amount of the repurchase obligation, including both principal and interest; (D) the repurchase obligation is to be performed within 30 days of the date described in (C) above, or throughout the term of the repurchase agreement the securities have a fair market value equal to at least 102% of the amount of the repurchase obligation; provided that any such repurchase obligation shall have a term to maturity of 30 days or less or, if not, that the Bond Trustee shall value the collateral securities not less frequently than weekly and shall liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation; (E) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to a debt service payment date; and (F) a specific written agreement governs the transaction;

(f) Commercial paper rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation;

(g) Advance-Refunded Municipal Bonds; and

(h) Investment agreements or other similar arrangements with financial institutions which are approved by the Bond Insurer.

"Person" shall include an individual, association, unincorporated organization, corporation, partnership, joint venture, or government or agency or political subdivision thereof.

"Pledged Revenues" shall mean all revenues, proceeds and receipts of the Authority derived from the Note Payments, and the proceeds of the Bonds pending their application in accordance with the Bond Indenture.

"Plymouth State University" shall mean the public body politic and corporate organized and existing under the laws of the State of New Hampshire, operating higher educational facilities located in Plymouth, New Hampshire, the corporate name of which is Plymouth State University, and its successors.

"Principal Account" shall mean the account of the Bond Fund designated as such and created pursuant to the Bond Indenture.

"Project" shall mean any project or projects relating to System Facilities of the System, including, but not limited to, the Series 2009A Project, to be financed or refinanced from the proceeds of the Bonds or Alternate Debt.

"Rebate Fund" shall mean the fund designated as such and created pursuant to the Bond Indenture.

"Record Date" shall mean, with respect to the Series 2009A Bonds such dates as are set forth in the Seventh Supplemental Indenture.

"Redemption Account" shall mean the account of the Bond Fund designated as such and created pursuant to the Bond Indenture.

"Redemption Price" shall mean, when used with respect to a Bond or portion thereof to be redeemed, the principal amount of such Bond or portion thereof plus the applicable premium, if any, payable upon redemption thereof.

"Registrar" shall mean the Bond Trustee.

"Renewal Fund" shall mean the fund designated as such and created pursuant to the Bond Indenture.

"Representation Letter" shall mean the Representation Letter from the Authority and the Bond Trustee to DTC with respect to the Bonds.

"Reserve Fund" shall mean the fund designated as such and created pursuant to the Bond Indenture.

"Reserve Fund Requirement" shall mean the Reserve Fund Requirement, if any, for a particular series of Additional Bonds as may be established by the Authority in the Supplement entered into for such series of Additional Bonds. The Reserve Fund Requirement for the Series 2001 Bonds, the Series 2002 Bonds, the Series 2005A Bonds, the Series 2005B Bonds, the Series 2006 Bonds, the Series 2007 Bonds and the Series 2009A Bonds shall be zero.

"Reserve Fund Value" shall mean the current market value of moneys and investments credited to the Reserve Fund (taking into account straight line amortizations and accretions of premiums and discounts).

"Serial Bonds" shall mean the Bonds which are so designated in the Bond Indenture and are stated to mature in annual installments.

"Series 2001 Bonds" shall mean the bonds designated New Hampshire Health and Education Facilities Authority, Revenue Bonds, University System of New Hampshire Issue, Series 2001, dated March 1, 2001 and issued pursuant to the Bond Indenture.

"Series 2002 Bonds" shall mean the bonds designated New Hampshire Health and Education Facilities Authority, Revenue Bonds, University System of New Hampshire Issue, Series 2002, dated April 2, 2002 and issued pursuant to the Bond Indenture.

"Series 2005A Bonds" shall mean the bonds designated New Hampshire Health and Education Facilities Authority, Revenue Bonds, University System of New Hampshire Issue, Series 2005A, dated January 20, 2005 and issued pursuant to the Bond Indenture.

"Series 2005B Bonds" shall mean bonds designated New Hampshire Health and Education Facilities Authority, Revenue Bonds, University System of New Hampshire Issue, Series 2005B, dated August 1, 2005 and issued pursuant to the Bond Indenture

"Series 2006 Bonds" shall mean the bonds designated New Hampshire Health and Education Facilities Authority Revenue Bonds, University System of New Hampshire Issue, Series 2006B-2, dated January 26, 2007 and issued pursuant to the Bond Indenture.

"Series 2007 Bonds" shall mean the bonds designated New Hampshire Health and Education Facilities Authority Revenue Bonds, University System of New Hampshire Issue, Series 2007, dated March 6, 2008 and issued pursuant to the Bond Indenture.

"Series 2009A Bonds" shall mean the bonds designated New Hampshire Health and Education Facilities Authority Revenue Bonds, University System of New Hampshire Issue, Series 2009A, consisting of $105,650,000 aggregate principal amount, to be issued pursuant to the Bond Indenture to finance and refinance the costs of the Series 2009A Project.

"Series 2006 Note" shall mean the Series 2006 Note created and issued pursuant to the Agreement, issued to the Authority by the System pursuant to the Agreement to evidence the loan to the System from the Authority of the proceeds of the Series 2006 Bonds, in substantially the form set forth in Schedule B to the Fifth Supplemental Agreement.

"Series 2001 Note" shall mean the Series 2001 Note created and issued pursuant to the Agreement to evidence the loan to the System from the Authority of the proceeds of the Series 2001 Bonds.

"Series 2002 Note" shall mean the Series 2002 Note created and issued pursuant to the Agreement to evidence the loan to the System from the Authority of the proceeds of the Series 2002 Bonds.

"Series 2005A Note" shall mean the Series 2005A Note created and issued pursuant to the Agreement to evidence the loan to the System from the Authority of the proceeds of the Series 2005A Bonds.

"Series 2005B Note" shall mean the Series 2005B Note created and issued pursuant to the Agreement to evidence the loan to the System from the Authority of the proceeds of the Series 2005B Bonds.

"Series 2006 Note" shall mean the Series 2006 Note created and issued pursuant to the Agreement to evidence the loan to the System from the Authority of the proceeds of the Series 2006 Bonds.

"Series 2007 Note" shall mean the Series 2007 Note created and issued pursuant to the Agreement to evidence the loan to the System from the Authority of the proceeds of the Series 2007 Bonds.

"Series 2009A Note" shall mean the Series 2009A Note created and issued pursuant to the Agreement, issued to the Authority by the System pursuant to the Agreement to evidence the loan to the System from the Authority of the proceeds of the Series 2009A Bonds, in substantially the form set forth in Schedule B to the Seventh Supplemental Agreement.

"Series 2009A Project" shall mean the acquisition, construction, renovation, improvement, installation and equipping of the System Facilities described in Schedule A to the Seventh Supplemental Agreement to be financed and refinanced from the proceeds of the Series 2009A Bonds.

"Seventh Supplemental Agreement" shall mean the Seventh Supplement to Loan Agreement, dated as of March 1, 2009, by and among the Authority, the System, the University of New Hampshire, Keene State College and Plymouth State University.

"Seventh Supplemental Indenture" shall mean the Seventh Supplement to Bond Indenture, dated as of March 1, 2009, by and between the Authority and the Bond Trustee.

"Sinking Fund Account" shall mean the account of the Bond Fund designated as such and created pursuant to the Bond Indenture.

"Sinking Fund Account Requirement" shall mean, as to Term Bonds having the same stated maturity date, the aggregate principal amount of such Bonds required to be retired on or before the corresponding Sinking Fund Account Retirement Date.

"Sinking Fund Account Retirement Date" shall mean, as to Term Bonds having the same stated maturity date, the date on or before which such Term Bonds are required to be retired in an amount equal to the Sinking Fund Account Requirement for such date.

"State" shall mean the State of New Hampshire.

"Supplement" shall mean an indenture supplementing or modifying the provisions of the Bond Indenture entered into by the Authority and the Bond Trustee in accordance with the Bond Indenture.

"System" shall mean the public body politic and corporate organized and existing under the laws of the State of New Hampshire, operating higher educational facilities located in, among other places, Durham, Keene and Plymouth, New Hampshire, the corporate name of which is the University System of New Hampshire, and its successors.

"System Expenses" shall mean, for any period, the aggregate of all expenses of, by or on behalf of, or properly allocable to, the System, the University of New Hampshire, Keene State College or Plymouth State University, from or relating to the ownership or operation of the System Facilities, such expenses to be calculated on a full accrual basis under generally accepted accounting principles ("GAAP") in effect through and including Governmental Accounting Standards Board Statement Number 35 ("GASB 35"), including without limitation, any taxes incurred during such period, minus (a) interest on Long-Term Indebtedness incurred with respect to the System Facilities, (b) depreciation and amortization with respect to property, plant and equipment used in the operation of the System Facilities, and (c) extraordinary expenses (including without limitation losses on the sale of assets allocable to the System Facilities other than in the ordinary course of business and losses on the extinguishment of debt allocable to the System Facilities), and specifically excluding such expenses currently recorded in the audited financial statements of the System which are not required by GAAP through and including GASB 35, including but not limited to the accrued expense for postretirement medical benefits.

"System Facilities" shall mean the facilities initially or in the future listed in Schedule D to the Agreement, which constitute any or all of the following types of facilities: dormitories, student housing facilities, student residences, dining halls or other food service facilities, student union facilities, bookstore facilities or other revenue producing facilities of the System and any extensions or additions attached to existing System Facilities or any replacements thereof serving students at the University of New Hampshire, at Keene State College, and at Plymouth State University, and any other facilities that the System elects to add to the System Facilities by written notice to the Authority and the Bond Trustee.

"System Receipts" shall mean all revenues received by or on behalf of the System, the University of New Hampshire, Keene State College or Plymouth State University, from the ownership or operation of the System Facilities, including insurance and condemnation proceeds with respect to the System Facilities or any portion thereof, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence.

"System Representative" shall mean the person at the time designated to act on behalf of the System by written certificate furnished to the Authority and the Bond Trustee, containing the specimen signature of such person and signed on behalf of the System by its chairman, its chancellor or chief executive officer, or its vice chancellor for financial affairs. Such certificate may designate an alternate or alternates who shall have the same authority, duties and powers as such System Representative.

"Tax Regulatory Agreement" shall mean, the Tax Regulatory Agreement, dated the date of delivery of the Series 2009A Bonds, and by and between the Authority and the System.

"Term Bonds" shall mean the Bonds designated as Term Bonds in the Bond Indenture.

"Transaction Test" shall mean the Authority and the Bond Trustee shall have received an Officer's Certificate (or, if required by the last clause of this definition, a Consultant's opinion or report) demonstrating any one of the following:

(A) that the Long-Term Debt Service Coverage Ratio for the Historic Test Period was not less than 1.25, or

(B) that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be not less than 1.25, or

(C) that the ratio of Income Available for Debt Service for the Historic Test Period to Maximum Annual Debt Service for the Future Test Period is projected to be not less than 1.25, or

(D) that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be greater than such ratio would have been had the then proposed transaction not taken place,

Provided, however, that demonstrations of the projected ratios set forth in clauses (B),(C) or (D) above shall be made by a Consultant's opinion or report if so requested by the Authority in its sole discretion, unless the System provides the Authority and the Bond Trustee an Officer's Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be not less than 1.50; and provided further, however, that in computations for a Future Test Period, Income Available for Debt Service during such Future Test Period shall be adjusted to reflect increases in applicable student fees approved by the Governing Body and scheduled to take effect during such Future Test Period.

"University of New Hampshire" shall mean the public body politic and corporate organized and existing under the laws of the State of New Hampshire, operating higher educational facilities located in Durham, New Hampshire, the corporate name of which is University of New Hampshire, and its successors.

"Variable Rate Indebtedness" shall mean Indebtedness that bears interest at a variable, adjustable or floating rate.

SUMMARY OF THE BOND INDENTURE

In consideration of the factors stated in the Bond Indenture, the Authority has executed the Bond Indenture and grants a security interest in, releases, assigns, transfers, pledges and grants and conveys unto the Bond Trustee and its successors and assigns forever the following described property:

(A) All rights and interests of the Authority in, under and pursuant to the Agreement, including, but not limited to, the Notes and the present and continuing right (i) to make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring acts and proceedings thereunder or for the enforcement thereof and (iii) to do any and all things which the Authority is or may become entitled to do under the Agreement; provided that the assignment described by this clause shall not include any assignment of any obligation of the Authority under the Agreement or any right of the Authority thereunder to grant approvals, consents or waivers, to receive notices, or for indemnification or reimbursement of costs and expenses.

(B) The right and title of the Authority in the System Receipts, now or hereafter received, any of which may from time to time be subject to the security interest in the System Receipts granted by the System to the Authority pursuant to the Agreement.

(C) Amounts on deposit from time to time in the funds and accounts created pursuant to the Bond Indenture, including the earnings thereon, subject to the provisions of the Bond Indenture permitting the application thereof for the purpose and on the terms and conditions set forth therein; provided, however, that there is expressly excluded from any pledge, assignment, lien or security interest created by the Bond Indenture any amount set apart and transferred to the Rebate Fund.

(D) Any and all other real or personal property of any kind from time to time by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under the Bond Indenture for the Bonds, by the Authority or by anyone in its behalf or with its written consent, or by the System, in favor of the Bond Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms the Bond Indenture. (Original Bond Indenture, Granting Clauses)

Authorization and Terms

Additional Bonds. One or more series of Additional Bonds may be authenticated and delivered by the Bond Trustee upon original issuance from time to time pursuant to the Bond Indenture (i) to complete or make additions or improvements to a Project, (ii) to provide extensions, additions, improvements or repairs to a Project or any System Facilities, (iii) to refund any or all Outstanding Bonds issued under the Bond Indenture, or (iv) to provide additional funds for the Reserve Fund created under the Bond Indenture. The proceeds of any Additional Bonds shall be applied as provided in the Supplement authorizing such Additional Bonds.

(a) The Authority shall not issue any Additional Bonds under the Bond Indenture unless at or prior to the delivery to the Bond Trustee of an order from the Authority to authenticate and deliver such Additional Bonds there shall be filed with the Bond Trustee (in addition to all other documents required by the Bond Indenture):

(1) a certificate of an Authority Representative, stating that the Authority is not then in default on any Bonds Outstanding or in the performance of any of the covenants, conditions, agreements or provisions contained in the Bond Indenture or the Agreement;

(2) a certificate of a System Representative, stating that the System, Keene State College, Plymouth State University and the University of New Hampshire are not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement;

(b) The Authority shall not issue any Additional Bonds for the purpose of additions, improvements, extensions or repairs to a Project or System Facilities unless at or prior to the delivery of such Additional Bonds there shall be filed with the Bond Trustee and the Authority, in addition to the certificates described by subsection (a) above, evidence that the provisions in either (i) both clauses (A) and (B) or (ii) clause (C) of the definition of Transaction Test shall have been satisfied.

(c) The Authority may issue and the Bond Trustee may authenticate and deliver one or more series of refunding bonds as Additional Bonds to refund one or more series, or portions of series, of Outstanding Bonds issued by the Authority; provided the Authority shall not issue and the Bond Trustee shall not authenticate and deliver refunding bonds as Additional Bonds to refund less than all Outstanding Bonds unless the requirements described in subsection (b) above have been satisfied; and provided, further, however, that Additional Bonds may be issued, without regard to the provisions of subsection (b) above, in order to refund all or a portion of the Outstanding Bonds so long as (i) Maximum Annual Debt Service on the proposed Additional Bonds is not greater than Maximum Annual Debt Service on the Bonds to be refunded; and (ii) the final maturity date of the proposed Additional Bonds is not later than the final maturity date of the Bonds to be refunded.

(d) Prior to the issuance of any Additional Bonds under the Bond Indenture, the Authority and the System, Keene State College, Plymouth State University and the University of New Hampshire shall enter into an amendment to the Agreement or a supplemental agreement which shall provide, among other things, that the payments under the Agreement shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. An executed counterpart of such amendment to the Agreement or supplemental agreement shall be delivered to the Bond Trustee prior to the authentication and delivery of such Additional Bonds. Nothing contained in the Bond Indenture shall be construed as prohibiting the Authority from issuing refunding bonds as other than Additional Bonds pursuant to its corporate powers under a separate resolution or indenture for the purpose of refunding all or a portion of the Outstanding Bonds without complying with the conditions described in subsection (c) above. (Original Bond Indenture, Section 2.13, as amended)

Revenues and Funds

Flow of Funds. The revenues received pursuant to the Agreement shall be applied, subject to the limitations of the Bond Indenture, in the following manner and order of priority upon receipt thereof:

(a) On or before the last day of June and December to the Interest Account the amount necessary to cause the amount then being credited to the Interest Account, together with investment earnings, to be not less than the amount of interest to be paid on Outstanding Bonds on the next Bond Payment Date. Moneys in the Interest Account shall be used to pay interest on Bonds as it becomes due, subject to appropriate adjustment for accrued and capitalized interest on deposit therein and for the initial Bond Payment Date if the period prior to such Bond Payment Date is other than six full months.

(b) On or before the last day of June to the Principal Account the amount necessary to cause the amount then being credited to the Principal Account, together with investment earnings, to be not less than the principal amount of Serial Bonds Outstanding which will mature on the last day of such Bond Year, subject to appropriate adjustment for the initial Serial Bond maturity if the period prior to such date is other than twelve full months. Moneys in the Principal Account shall be used to retire Serial Bonds by payment at their scheduled maturity.

(c) On or before the last day of June to the Sinking Fund Account the amount necessary to cause the amount then being credited to the Sinking Fund Account, together with investment earnings, to be not less than the unsatisfied Sinking Fund Account Requirements to be satisfied on or before the last day of such Bond Year, subject to appropriate adjustment for the initial Sinking Fund Account Retirement Date if the period prior to such date is other than twelve full months. Moneys in the Sinking Fund Account shall be used to retire Term Bonds by purchase, by mandatory redemption or by payment at their scheduled maturity.

The Bond Trustee shall not so purchase any Bond at a price or cost (including any brokerage fees or commissions or other charges) which exceeds the principal amount thereof plus interest accrued to the date of purchase. Such accrued interest shall be paid from the Interest Account. All Bonds so purchased shall be cancelled.

(d) When moneys in the Bond Fund are insufficient to pay principal of or interest on the particular Series of Bonds (for which a Reserve Fund Requirement has been established) when due, moneys in the Reserve Fund shall be used to augment payments due for principal or interest on the Bonds of such series. When moneys in the Reserve Fund are so used, the Bond Trustee shall forthwith give notice to the Authority. If at any time the Reserve Fund Value exceeds one hundred percent (100%) of the Reserve Fund Requirement, such excess may be transferred, at the direction of the System, and subject to applicable provisions of the Bond Indenture, to the System for application to costs of System Facilities. The Bond Trustee is directed to make such deposits into the Reserve Fund as are required to be made under the Bond Indenture. The Bond Trustee shall give prompt notice to the Authority in the event of any draw upon the Reserve Fund.

(e) If the System makes an optional prepayment of any installment on the Notes, the amount so paid shall be credited to the Redemption Account and applied promptly by the Bond Trustee, first, to cause the amounts credited to the Interest Account, the Principal Account or the Sinking Fund Account of the Bond Fund, or the Reserve Fund, in that order, to be not less than the amounts then required to be credited thereto and, then to retire Bonds by purchase, redemption or both purchase and redemption in accordance with the System's directions. Any such purchase shall be made at the best price obtainable with reasonable diligence and no Bond shall be so purchased at a cost or price (including brokerage fees or commissions or other charges) which exceeds the Redemption Price at which such Bond could be redeemed on the date of purchase or on the next succeeding date upon which such Bond is subject to optional redemption plus accrued interest to the date or purchase. Any such redemption shall be of Bonds then subject to optional redemption at the Redemption Price then applicable for optional redemption of such Bonds.

The principal amount of any Term Bonds so purchased or redeemed shall be credited against the unsatisfied balance of Sinking Fund Account Requirements for such maturity in order of Sinking Fund Account Retirement Dates.

Upon receipt by the Bond Trustee of moneys accompanied by a certificate of a System Representative stating that such moneys are insurance proceeds with respect to casualty losses or condemnation awards, that such moneys are to be applied to redeem Bonds in accordance with the Bond Indenture and specifying the amount and maturities of Bonds to be redeemed, the Bond Trustee shall credit such moneys to the Redemption Account and shall apply such moneys to redeem Bonds in accordance with the Bond Indenture.

Any balance remaining in the Redemption Account after the purchase or redemption of Bonds in accordance with the System's directions, or in any event on the day following the Bond Payment Date next succeeding the prepayment by the System, shall be transferred to the Interest Account. (Original Bond Indenture, Section 5.03, as amended)

Investment of Moneys Held by the Bond Trustee. (a) Moneys in all Funds and Accounts held by the Bond Trustee shall be invested by the Bond Trustee, as soon as possible upon receipt in Permitted Investments as directed, in writing or by telephonic or other means, by the System, or as selected by the Bond Trustee in the absence of direction by the System; provided that (A) the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates in which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof, (B) moneys in the Reserve Fund may be invested only in obligations described in paragraphs (a), (b) and (g) of the definition of Permitted Investments, or in such obligations under repurchase agreements entered into with an institution described in clause (ii) of paragraph (c) of such definition, and (C) subject to subsection (f) below, the Bond Trustee shall select, in the absence of direction from the System, such Permitted Investments in accordance with prudent investment standards reasonably expected to maximize investment yield to the extent permitted by law and the Tax Regulatory Agreement.

For purposes of the paragraph above, moneys in the Funds or Accounts held by the Bond Trustee shall be invested in Permitted Investments maturing or redeemable at the option of the Bond Trustee not later or no less frequently than the respective following dates or periods of time: (A) Reserve Fund, the day preceding the last stated maturity date of the Bonds; (B) Principal Account and Sinking Fund Account, the day preceding the last day of each Bond Year; (C) Interest Account, the day preceding the next Bond Payment Date; and (D) Redemption Account, the day preceding the next date on which Bonds are to be redeemed or are expected to be purchased.

(b) Amounts credited to a Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions described in subsection (a) above as they apply to each Fund or Account for which the joint investment is made and (ii) the Bond Trustee maintains separate records for each Fund and Account and such investments are accurately reflected therein.

(c) The Bond Trustee may make any investment described by this section, through or with its own commercial banking or investment departments unless otherwise directed by the System.

(d) Except as otherwise specifically provided in the Bond Indenture, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein (taking into account straight line amortizations and accretions of premiums and discounts) shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder, in either event inclusive of accrued interest. The Reserve Fund Value, however, shall be valued at the current market value of moneys and investments credited to the Reserve Fund.

(e) The Bond Trustee shall sell at the best price obtainable, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made.

(f) Neither the Bond Trustee nor the Authority shall knowingly use or direct or permit the use of any moneys of the Authority in its possession or control in any manner which would cause any Bond to be an "arbitrage bond" within the meaning ascribed to such term in Section 148(f) of the Code, or any successor section of the Code.

(g) Notwithstanding any provision of the Bond Indenture, the Authority and the Bond Trustee shall observe their covenants and agreements contained in the Tax Regulatory Agreement, to the extent that and for so long as such covenants and agreements are required by law. (Original Bond Indenture, Section 5.05)

Investment Income; Earnings Fund. All investment income or interest earnings on all Funds and Accounts shall be credited by ledger entry upon receipt by the Bond Trustee to the Earnings Fund. The Bond Trustee shall keep accounts of all amounts credited by ledger entry to the Earnings Fund to indicate the Fund or Account source of the income or earnings. The Bond Trustee shall bill the System or withdraw from any Fund or Account with money available therefor that amount as is set forth as the Rebate Amount (as defined in the Tax Regulatory Agreement) in a written certificate delivered by the System to the Bond Trustee pursuant to the Tax Regulatory Agreement, and deposit such amount in the Rebate Fund as described in the Tax Regulatory Agreement. Such certificate shall be delivered by the System not less frequently than annually on the first anniversary of the date of issuance and delivery of the initial series of Bonds and annually thereafter; provided, that the System, at its option, may file such certificate more than once every year, and provided, further, the System shall deliver such certificate more frequently if there is money available (after any required transfer to the Rebate Fund) to pay debt service on the Bonds and such available money would avoid a withdrawal from the Reserve Fund. Any amounts credited to the Earnings Fund will be dealt with as described in the Bond Indenture. (Original Bond Indenture, Section 5.07)

Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Bond Trustee or any owner of a Bond, but shall be held by the Bond Trustee as trustee for the benefit of the United States. For purposes described by this section only, the term Bond Year with respect to a series of Bonds shall have the meaning set forth in the Tax Regulatory Agreement.

The Bond Trustee, upon the receipt of a certification of the Rebate Amount from a System Representative, shall deposit in the Rebate Fund an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of the prior Bond Year in accordance with the Tax Regulatory Agreement. If there has been delivered to the Bond Trustee a certification of the Rebate Amount in conjunction with the completion of a Project or the restoration of a Project from the Renewal Fund, at any time during a Bond Year the Bond Trustee shall deposit in the Rebate Fund at that time an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated at the completion of a Project or of the restoration of a Project as aforesaid. The amount deposited in the Rebate Fund pursuant to the previous sentences shall be withdrawn from the Earnings Fund to the extent moneys are available. In the event that amounts in the Earnings Fund (or in other Funds or Accounts available therefor) are insufficient to pay the Rebate Amount, payment of the Rebate Amount shall continue to be an obligation of the System.

In the event that on the first day of any Bond Year the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Bond Trustee, upon the receipt of written instructions from a System Representative specifying the amount of the excess, shall withdraw such excess amount and deposit it in the Construction Fund prior to the completion of a Project, or, after the completion of a Project, deposit it in the Redemption Account of the Bond Fund.

The Bond Trustee, upon the receipt of written instructions from a System Representative with respect to each payment to be made to the United States pursuant to such instructions in accordance with the Tax Regulatory Agreement setting forth the amount of such payment, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of the Bonds, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Bonds to the computation date) with respect to the Bonds as of the date of such payment and (ii) notwithstanding the provisions of the Bond Indenture, not later than sixty (60) days after the date on which all Bonds have been paid in full, all of the Rebate Amount as of the date of payment.

Notwithstanding any provisions of the Bond Indenture, the obligation to remit the Rebate Amount to the United States and to comply with all other requirements described by this section and of the Tax Regulatory Agreement shall survive the defeasance or payment in full of the Bonds, to the extent that and for so long as such covenants and agreements are required by law. (Original Bond Indenture, Section 5.08)

Renewal Fund. The net proceeds of insurance with respect to casualty losses or of condemnation awards related to any Project shall be deposited into the Renewal Fund or into the Redemption Account of the Bond Fund, at the option of the System. The Bond Trustee shall promptly notify the Authority of any deposit into the Renewal Fund. Amounts on deposit in the Renewal Fund shall be subject to the Tax Regulatory Agreement, but otherwise may be spent by the System for any of its corporate purposes, after making any transfer to the Rebate Fund as required by the Tax Regulatory Agreement. (Original Bond Indenture, Section 5.09)

Default and Remedies

Bond Indenture Events of Default. Each of the following is a "Bond Indenture Event of Default":

(a) If payment by the Authority in respect of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;

(b) If payment by the Authority in respect of the principal of or redemption premium, if any, on any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise;

(c) The Authority shall fail duly to observe or perform any covenant or agreement on its part under the Bond Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Authority and the System by the Bond Trustee, or to the Authority, the System, and the Bond Trustee by the holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding. If the breach of covenant or agreement is one which cannot be completely remedied within the thirty (30) days after written notice has been given, it shall not be a Bond Indenture Event of Default as long as the Authority has taken active steps within the thirty (30) days after written notice has been given to remedy the failure and is diligently pursuing such remedy;

(d) The entry of a decree or order by a court having jurisdiction in the premises adjudging the Authority a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Authority under the Federal Bankruptcy Code or any other applicable Federal or state law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Authority or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days;

(e) The institution by the Authority of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Authority or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due; and

(f) If there occurs an Agreement Event of Default pursuant to Section 6.01(a) of the Original Agreement and such Event of Default shall continue for two (2) days or if there occurs an Agreement Event of Default pursuant to Section 6.01(b), (c), (d) or (e) of the Original Agreement. (Original Bond Indenture, Section 7.01)

Acceleration; Annulment of Acceleration. (a) Upon the occurrence of a Bond Indenture Event of Default, and if the Notes have been declared by the Bond Trustee to be immediately due and payable, then, without any further action, all Bonds Outstanding shall become and be immediately due and payable, anything in the Bonds or the Bond Indenture to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which accrues to the date of payment. The Bond Trustee shall give written notice of such acceleration to the Authority, the Registrar, and the System, and the Registrar shall give notice to the Bondholders in the same manner as for a notice of redemption under the Bond Indenture stating the accelerated date on which the Notes and the Bonds shall be due and payable.

(b) At any time after the principal of the Notes and the Bonds shall have been so declared to be due and payable, if the declaration that the Notes are immediately due and payable is annulled, the declaration that the Bonds are immediately due and payable shall also, without further action, be annulled and the Registrar shall promptly give notice of such annulment in the same manner as described in subsection (a) above for giving notice of acceleration. No such annulment shall extend to or affect any subsequent Bond Indenture Event of Default or impair any right consequent thereon. (Original Bond Indenture, Section 7.02)

Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Bond Indenture Event of Default, the Bond Trustee may or upon the written request of the Holders of not less than 25% in an aggregate principal amount of the Bonds Outstanding, together with indemnification of the Bond Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the

Bondholders under the Bond Indenture and under the Act and the Bonds by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Civil action to recover money or damages due and owing;

(ii) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Bonds;

(iii) Enforcement of any other right of the Bondholders conferred by law or by the Bond Indenture; and

(iv) Enforcement of any other right conferred by the Agreement.

(b) Regardless of the happening of a Bond Indenture Event of Default, the Bond Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding, shall upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Bond Indenture by any acts which may be unlawful or in violation of the Bond Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions of the Bond Indenture and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of the Holders of Bonds not making such request. (Original Bond Indenture, Section 7.04)

Application of Revenues and Other Moneys After Default. During the continuance of a Bond Indenture Event of Default all moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of the Bond Indenture shall, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Bond Trustee and the Authority with respect thereto, be deposited in the Bond Fund, and all amounts held by the Bond Trustee under the Bond Indenture shall be applied as follows:

(a) Unless the principal of all Outstanding Bonds shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the person entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal amounts or Redemption Price of any Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Bond Indenture), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amounts or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal amounts of all Outstanding Bonds shall have become or have been declared due and payable, to the payment of the principal amounts and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amounts and interest, to the persons entitled thereto without any discrimination or preference.

(c) If the principal amounts of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Bond Indenture, then, subject to the provisions described by paragraph (b) above in the event that the principal amounts of all Outstanding Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions described in the Bond Indenture, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys, it shall fix the date (which shall be a Bond Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the principal amounts to be paid on such dates shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid as described by this section and all expenses and charges of the Bond Trustee have been paid, any balance remaining shall be paid to the person entitled to receive the same; if no other person shall be entitled thereto, then the balance shall be paid to the System or as a court of competent jurisdiction may direct. (Original Bond Indenture, Section 7.05)

Bondholders' Control of Proceedings. If a Bond Indenture Event of Default shall have occurred and be continuing, notwithstanding anything in the Bond Indenture to the contrary, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Bond Trustee to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, provided that such direction is in accordance with law and the provisions of the Bond Indenture (including indemnity to the Bond Trustee as provided therein) and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of Bondholders not joining in such direction and provided further that nothing described in this section shall impair the right of the Bond Trustee in its discretion to take any other action under the Bond Indenture which it may deem proper and which is not inconsistent with such direction by Bondholders. (Original Bond Indenture, Section 7.08)

Individual Bondholder Action Restricted. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Indenture or for the execution of any trust under the Bond Indenture or for any remedy under the Bond Indenture unless:

(i) A Bond Indenture Event of Default has occurred (A) with respect to any installment payment of interest, principal or redemption premium on any Bond is not made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise of which the Bond Trustee is deemed to have notice, or (B) under Section 7.01(c), (d) or (e) of the Original Bond Indenture as to which the Bond Trustee has actual knowledge or as to which the Bond Trustee has been notified in writing;

(ii) the Holders of at least 25% in aggregate principal amount of Bonds Outstanding shall have made written request to the Bond Trustee to proceed to exercise the powers granted in the Bond Indenture or to institute such action, suit or proceeding in its own name;

(iii) such Bondholders shall have offered the Bond Trustee indemnity as provided in the Bond Indenture;

(iv) the Bond Trustee shall have failed or refused to exercise the powers granted in the Bond Indenture or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity; and

(v) during such 60 day period no direction inconsistent with such written request has been delivered to the Bond Trustee by the Holders of a majority in aggregate principal amount of Bonds then Outstanding in accordance with the Bond Indenture.

(b) No one or more Holders of Bonds have any right in any manner whatsoever to affect, disturb or prejudice the security of the Bond Indenture or to enforce any right under the Bond Indenture except in the manner provided therein and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained in the Bond Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged in the Bond Indenture for the equal and ratable benefit of all Holders of Bonds. (Original Bond Indenture, Section 7.09)

Waiver of Bond Indenture Event of Default. (a) No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Bond Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Bond Indenture Event of Default or an acquiescence therein. Every power and remedy given by the Bond Indenture to the Bond Trustee and the Holders of Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Bond Trustee may waive any Bond Indenture Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Bond Indenture, or before the completion of the enforcement of any other remedy under the Bond Indenture.

(c) Notwithstanding anything contained in the Bond Indenture to the contrary, the Bond Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding, shall waive any Bond Indenture Event of Default under the Bond Indenture and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 7.02 of the Original Bond Indenture, a default in the payment of the principal amount of, premium, if any, or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding; and provided further, however, that no waiver of any Bond Indenture Event of Default shall be effective unless consented to in writing by the Bond Insurer.

(d) In case of any waiver by the Bond Trustee of a Bond Indenture Event of Default under the Bond Indenture, the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights under the Bond Indenture, respectively, but no such waiver shall extend to any subsequent or other Bond Indenture Event of Default or impair any right consequent thereon. The Bond Trustee shall not be responsible to any one for waiving or refraining from waiving any Bond Indenture Event of Default in accordance with the Bond Indenture. (Original Bond Indenture, Section 7.11)

Limitation of the Authority's Liability. No agreements or provisions contained in the Bond Indenture nor any agreement, covenant or undertaking by the Authority contained in any document executed by the Authority in connection with any Project or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Authority or a charge against its general credit, or shall obligate the Authority financially in any way, except with respect to the Pledged Revenues and their application as provided in the Bond Indenture. No failure of the Authority to comply with any term, covenant or agreement stated in the Bond Indenture or in any document executed by the Authority in connection with any Project, shall subject the Authority to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the Pledged Revenues. Nothing in the Bond Indenture shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Authority for any failure to comply with any term, condition, covenant or agreement stated in the Bond Indenture; provided, that no costs, expenses or other monetary relief shall be recoverable from the Authority except as may be payable from the Pledged Revenues. (Original Bond Indenture, Section 7.13)

Limitations on Remedies It is the purpose and intention of the Bond Indenture to provide rights and remedies to the Bond Trustee and Bondholders which may be lawfully granted under the provisions of the Act, but should any right or remedy granted in the Bond Indenture be held to be unlawful, the Bond Trustee and the Bondholders are entitled as described above, to every other right and remedy provided in the Bond Indenture and by law. (Original Bond Indenture, Section 7.14)

The Bond Trustee

Removal and Resignation of the Bond Trustee. The Bond Trustee may resign or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Bonds then Outstanding. Written notice of such resignation or removal shall be given to the Authority and the System and such resignation or removal shall take effect upon the appointment and qualification of a successor Bond Trustee. In the event a successor Bond Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Bond Trustee, the Authority or the System may apply to any court of competent jurisdiction for the appointment of a successor Bond Trustee to act until such time as a successor is appointed as described in this section.

In addition, the Bond Trustee may be removed at any time by Supplement to the Bond Indenture signed by the Authority so long as (i) no Agreement Event of Default or Indenture Event of Default shall have occurred and be continuing and (ii) the Authority determines, in such Supplement, that the removal of the Bond Trustee shall not have an adverse effect upon the rights or interests of the Bondholders; provided, however, that the System may direct the Authority to remove the Bond Trustee, but only for cause and upon satisfaction of clauses (i) and (ii) of this paragraph.

In the event of the resignation or removal of the Bond Trustee or in the event the Bond Trustee is dissolved or otherwise becomes incapable to act as the Bond Trustee, the Authority shall be entitled to appoint a successor Bond Trustee as provided in the Bond Indenture after consultation with the System. (Original Bond Indenture, Section 8.06)

Supplements

Supplements Not Requiring Consent of Bondholders. The Authority and the Bond Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following the purposes: (a) to cure any ambiguity or formal defect or omission in the Bond Indenture; (b) to correct or supplement any provision of the Bond Indenture which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Bond Indenture which shall not materially adversely affect the interests of the Holders; (c) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them; (d) to secure additional revenues (including revenues from other than System Facilities or other than System Receipts) or provide additional security (including adding facilities to the list of System Facilities) or reserves for payment of the Bonds; (e) to preserve the exemption of the interest income borne on the Bonds from federal income taxes; (f) to authorize the issuance of Additional Bonds under the Bond Indenture; (g) to remove the Bond Trustee in accordance with the Bond Indenture; and (h) to authorize the use of proceeds of Bonds to be on deposit in the Construction Fund for costs related to any facilities of the System (in addition to revenue-producing facilities) if in the future the Act is amended to permit such application. (Original Bond Indenture, Section 9.01, as amended)

Supplements Requiring Consent of Bondholders. (a) Subject to the terms and provisions and limitations contained in the Bond Indenture and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Bond Indenture to the contrary notwithstanding, and only with the prior written consent of the Bond Insurer (which consent shall not be unreasonably withheld), to consent to and approve the execution by the Authority and the Bond Trustee of such Supplements as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture; provided, however, nothing shall permit or be construed as permitting a Supplement which would: (i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond; (ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or (iii) reduce the aggregate principal amount of Bonds then

Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority shall request the Bond Trustee to enter into a Supplement described by this section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplement to be mailed by first class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the registration books provided for in the Bond Indenture. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice described by this section, and any such failure shall not affect the validity of such Supplement when consented to and approved as described in this section. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the office of the Bond Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding three years, as shall be prescribed by the System, following the giving of such notice, the Bond Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Bonds specified above for the Supplement in question which instrument or instruments shall refer to the proposed Supplement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Bond Trustee, thereupon, but not otherwise, the Bond Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Bond Trustee, prior to the execution by the Bond Trustee of such Supplement, such revocation. At any time after the Holders of the required principal amount or number of Bonds shall have filed their consents to the Supplement, the Bond Trustee shall make and file with the Authority a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required principal amount or number of the Bonds Outstanding shall have consented to and approved the execution of such Supplement as provided in the Bond Indenture, no Holder of any Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. (Original Bond Indenture, Section 9.02)

Amendments to Agreement not Requiring Consent of Bondholders. The Authority and the Bond Trustee may without the consent of or notice to any of the Holders, consent to and join in the execution and delivery of any amendment, change or modification of the Agreement as may be required (i) by the provisions of the Bond Indenture or of the Agreement; (ii) to cure any ambiguity or formal defect or omission therein; (iii) to preserve the exemption of the interest borne on the Bonds from federal income taxes; or (iv) in connection with any other change therein as to which there is filed with the Bond Trustee and the Authority an Opinion of Counsel stating that the proposed change will not adversely affect the interests of the Holders, and which in the opinion of the Bond Trustee will not adversely affect the interests of the Holders or the Bond Trustee. (Original Bond Indenture, Section 9.04)

Amendments to Agreement Requiring Consent of Bondholders. (a) Except for amendments, changes or modifications to the Agreement described by the preceding section, the Authority and the Bond Trustee may consent to and join in the execution and delivery of any amendment, change or modification to the Agreement only upon the consent of the Bond Insurer (which consent shall not be unreasonably withheld) and of not less than a majority in aggregate principal amount of Bonds then Outstanding given as described in this section, provided, however, no such amendment, change or modification may affect the obligation of the System to make payments under the Notes or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority and the System shall request the consent of the Bond Trustee to any such amendment, change or modification to the Agreement the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 9.02 of the Original Bond Indenture with respect to Supplements to the Bond Indenture. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the office of the Bond Trustee for inspection by all Bondholders.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount or number of Bonds specified in subsection (a) within the time and in the manner as provided by the Bond Indenture with respect to Supplements thereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in the Bond Indenture with respect to Supplements thereto. (Original Bond Indenture, Section 9.05).

<u>Satisfaction and Discharge</u>

<u>Discharge</u>. If payment of all principal of, premium, if any, and interest on the Bonds in accordance with their terms and as provided in the Bond Indenture is made, or is provided for in accordance with the Bond Indenture, and if all other sums payable by the Authority thereunder shall be paid or provided for, then the liens, estates and security interests granted by the Bond Indenture shall cease. Thereupon, upon the request of the Authority, and upon receipt by the Bond Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of the lien of the Bond Indenture have been satisfied, the Bond Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Bond Indenture and the Bond Trustee shall transfer all property held by it under the Bond Indenture, other than moneys or obligations held by the Bond Trustee for payment of amounts due or to become due on the Bonds, to the Authority, the System or such other person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Bond Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection therewith.

The Authority or the System may at any time surrender to the Bond Trustee for cancellation any Bonds previously authenticated and delivered which the Authority or the System may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired. (Original Bond Indenture, Section 10.01)

<u>Providing for Payment of Bonds</u>. Payment of all of the Bonds may be provided for by the deposit with the Bond Trustee of moneys, non-callable Government Obligations, instruments identified in paragraph (b) of the definition of Permitted Investments, or Advance-Refunded Municipal Bonds, or any combination thereof. The moneys and the maturing principal and interest income on such Government Obligations, instruments identified in paragraph (b) of the definition of Permitted Investments, or Advance-Refunded Municipal Bonds, if any, shall be sufficient, without reinvestment, to pay when due the principal or Redemption Price of and interest on such Bonds. The moneys, Government Obligations, instruments identified in paragraph (b) of the definition of Permitted Investments, and Advance-Refunded Municipal Bonds shall be held by the Bond Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal or Redemption Price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Bond Trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities.

If payment of the Bonds is so provided for, the Bond Trustee shall mail a notice so stating to each Holder of a Bond.

Bonds the payment of which has been provided for as described by this section shall no longer be deemed Outstanding under the Bond Indenture or secured by the Bond Indenture. The obligation of the Authority in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys, Government Obligations, instruments identified in paragraph (b) of the definition of Permitted Investments, or Advance-Refunded Municipal Bonds deposited with the Bond Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond is made subject to federal income taxes. The Bond Trustee may rely upon an Opinion of Bond Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions described in paragraph will not be breached by so providing for the payment of any Bonds. (Original Bond Indenture, Section 10.02)

SUMMARY OF THE LOAN AGREEMENT

Loan Agreement; Issuance of Series 2009A Bonds and Series 2009A Note

Loan Agreement; Issuance of Series 2009A Bonds and Application of Proceeds. The Authority hereby agrees to loan, and hereby loans, to the System, the amount of $105,650,000 from proceeds of the Series 2009A Bonds to provide funds to finance and refinance the Series 2009A Project upon the terms and conditions set forth or referred to in the Agreement. The System agrees to borrow and hereby borrows, and agrees to repay, the amount of $105,650,000 with respect to the Series 2009A Bonds, upon the terms and conditions set forth or referred to in the Agreement. THE AGREEMENT SHALL CONSTITUTE AN OBLIGATION OF THE SYSTEM, THE UNIVERSITY OF NEW HAMPSHIRE, KEENE STATE COLLEGE AND PLYMOUTH STATE UNIVERSITY, PAYMENT ON WHICH IS LIMITED TO SYSTEM RECEIPTS, AND THE AGREEMENT SHALL NOT CONSTITUTE A FULL FAITH AND CREDIT OBLIGATION OF THE SYSTEM, OF THE UNIVERSITY OF NEW HAMPSHIRE, OF KEENE STATE COLLEGE OR OF PLYMOUTH STATE UNIVERSITY. To provide funds to finance and refinance the Series 2009A Project, the Authority agrees to use its best efforts to issue the Series 2009A Bonds in accordance with the Bond Indenture and to cause the proceeds thereof to be paid to the Bond Trustee as provided in the Bond Indenture. The System agrees that the proceeds of the Series 2009A Bonds to be made available to finance and refinance the Series 2009A Project shall be deposited with the Bond Trustee and applied as provided in the Bond Indenture. The System acknowledges and agrees that it shall have no interest in the proceeds of the Series 2009A Bonds equal to or greater than that of the Holders who shall have a first and prior beneficial interest in such money until applied in accordance herewith and with the Bond Indenture. (Seventh Supplemental Agreement, Section 3.01).

Additional Note. The System may issue Additional Note, on a parity with the Series 2001 Note, the Series 2002 Note, the Series 2005A Note, the Series 2005B Note, the Series 2006 Note, the Series 2007 Note, the Series 2009A and any other Outstanding Note, but only to secure Additional Bonds issued in accordance with the Bond Indenture. (Original Agreement, Section 3.05, as supplemented)

Security for Bonds. The System agrees that the principal and Redemption Price of and the interest on the Bonds shall be payable in accordance with the Bond Indenture and the right, title and interest of the Authority under the Agreement and in and to the Notes currently Outstanding, the Series 2001 Note, the Series 2002 Note, the Series 2005A Note, the Series 2005B Note, the Series 2006 Note, the Series 2007 Note, the Series 2009A Note and any Additional Notes issued to secure Additional Bonds, the Note Payments and other amounts paid or payable by the System under the Agreement, other than fees and expenses payable or reimbursable to the Authority, shall be assigned and pledged by the Authority to the Bond Trustee to secure the payment of the Bonds. The System, the University of New Hampshire, Keene State College and Plymouth State University agree that all of the rights accruing to or vested in the Authority with respect to the Notes or the Agreement may be exercised, protected and enforced by the Bond Trustee for or on behalf of the Holders in accordance with the provisions of the Agreement and of the Bond Indenture. (Original Agreement, Section 3.06, as supplemented)

Payments

Payments of Principal, Premium and Interest. The System covenants that it will duly and punctually pay the principal of and interest and any premium on the Notes at the dates and in the places and manner mentioned therein and in the Agreement. Notwithstanding any schedule of payments to be made on the Notes set forth therein or in the Agreement, the System agrees to make payments upon the Notes and be liable therefor at the times and in the amounts equal to the amounts to be paid as principal or Redemption Price of or interest on the Bonds from time to time Outstanding under the Bond Indenture as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

All amounts payable with respect to the Notes or under the Agreement by the System to the Authority, except as otherwise expressly provided in the Agreement, shall be paid to the Bond Trustee for the account of the Authority so long as any Bonds remain Outstanding.

The System agrees and represents that it has received fair consideration in return for the obligations undertaken and to be undertaken by the System resulting from each Note issued or to be issued by the System under the Agreement. (Original Agreement, Section 4.01, Seventh Supplemental Agreement, Section 4.01)

Note Payments. (a) The Note Payments with respect to the Series 2009A Note shall include the amount, if any, necessary to cause the amount credited to the Interest Account together with available moneys and investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before the next Bond Payment Date as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than the amount of interest to be paid on Outstanding Series 2009A Bonds on such Bond Payment Date. The Note Payments with respect to interest on the Series 2009A Note shall be made not later than each June 1 and December 1, commencing on June 1, 2009.

(b) The Note Payments with respect to the Series 2009A Note shall include (after credit for any investment earnings in such Account that have not previously been credited), during each Bond Year ending on a date on which Series 2009A Bonds mature, the amount necessary to cause the amount credited to the Principal Account, together with the available moneys and investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than the principal amount of Series 2009A Bonds Outstanding that will mature on the last day of the Bond Year. The Note Payments relating to principal on the Series 2009A Note shall be made not later than each June 1, commencing June 1, 2014.

(c) The Note Payments with respect to the Series 2009A Note shall include (after credit for any investment earnings in such Account that have not previously been credited), during each Bond Year ending on a date which is a Sinking Fund Account Retirement Date, the amount, if any, necessary to cause the amount credited to the Sinking Fund Account, together with available moneys and investment earnings on investments then on deposit in the Sinking Fund Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than the unsatisfied Sinking Fund Account Requirements, if any, on the Series 2009A Bonds to be satisfied on or before the last day of the Bond Year.

(d) The Note Payments with respect to the Series 2009A Note to be made pursuant to paragraph (a) of this Section 4.02 shall be appropriately adjusted to reflect the date of issuance of the Series 2009A Bonds and any accrued or capitalized interest deposited in the Interest Account with respect to the Series 2009A Bonds. (Seventh Supplemental Agreement, Section 4.02)

Obligations Unconditional. The Agreement is a limited obligation of the System, payable from System Receipts, and the obligations of the System to make payments pursuant to the Agreement and pursuant to the Notes and the obligations of the System, the University of New Hampshire, Keene State College and Plymouth State University to perform and observe all agreements on their respective parts contained in the Agreement shall be absolute and unconditional. Until the Agreement is terminated or payment in full of all Bonds is made or is provided for in accordance with the Bond Indenture, the System (i) will not suspend or discontinue any payments under the Agreement or neglect to perform any of its duties required under the Agreement; (ii) will perform and observe all of its obligations set forth in the Agreement; and (iii) except as provided in the Agreement, will not terminate the Agreement for any cause. (Original Agreement, Section 4.06)

Particular Covenants

Covenants as to Corporate Existence, Maintenance of Property, Etc. The System, the University of New Hampshire, Keene State College and Plymouth State University, in order to assure that there will not be a material adverse effect on the System Facilities, the System Receipts, the tax exempt status of the Bonds or the security for the Bonds (provided, however, that a failure to comply with any of the covenants set forth in this section shall not constitute an Agreement Event of Default if such failure does not have a material adverse effect on the System Facilities, the System Receipts, the tax exempt status of the Bonds or the security for the Bonds), each individually hereby covenants:

(a) Except as otherwise expressly provided in the Agreement, to preserve its corporate existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where its ownership of property or the conduct of its business requires such qualifications; provided, however, that nothing contained in the Agreement shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or useful in the conduct of its business.

(b) At all times to cause its business to be carried on and conducted and its property to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in the Agreement shall be construed (i) to prevent it from ceasing to operate any portion of its property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by the Governing Body) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same in accordance with the provisions of the Agreement and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any property, leases, rights, privileges or licenses no longer used or useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof and to duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its property; provided, nevertheless, that nothing contained in the Agreement shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith; provided, however, that no such contest shall subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that it shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(d) Promptly to pay all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof; provided, however, that no such contest shall subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that it shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(e) Promptly to pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Notes issued and Outstanding under the Agreement) whose validity, amount or collectibility is being contested in good faith; provided, however, that no such contest shall subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that it shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(f) At all times to comply with all terms, covenants and provisions of any liens at such time existing upon its property (including, but not limited to, the System Facilities) or any part thereof or securing any of its Indebtedness; provided, however, that it shall have the right to contest in good faith any such terms, covenants or provisions and pending such contest may delay or defer compliance therewith; provided, however, that no such contest shall subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that it shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its higher educational facilities.

(h) To take no action or suffer any action to be taken by others under its control which would result in the interest on any Bond becoming subject to federal income taxes.

(i) To consent to the jurisdiction of the courts of the State for causes of action arising solely under the terms of the Agreement.

(j) That all action taken by it prior to and following the execution of the Agreement to operate and maintain its property, and all actions taken by the Authority following the execution of the Agreement to maintain such property upon the recommendation or request of any officer, employee or agent of it have been and will be in full compliance with the Bond Indenture, the Tax Regulatory Agreement, the Agreement and in all material respects with all pertinent laws, ordinances, rules, regulations and orders applicable to it or the Authority; and in connection with the operation, maintenance, repair and replacement of its property, that it shall comply in all material respects with all applicable ordinances, laws, rules, regulations and orders of the United States of America or of the State.

(k) That its property has been and will be in compliance in all material respects with all applicable zoning, subdivision, building, land use, environmental and similar laws and ordinances; and that it shall not take any action or request the Authority to take any action which would cause such property or any part thereof to be in violation of such laws or ordinances. It acknowledges that any review of any such actions taken by the staff or counsel of the Authority prior to and following the execution of the Agreement has been or will be solely for the protection of the Authority.

(l) To hold and use the System Facilities for educational purposes so long as the principal of and interest on the Bonds have not been fully paid and retired and all other conditions of the Bond Indenture and the Agreement have not been satisfied and the lien and security interests created under the Bond Indenture and the Agreement have not been released in accordance with the provisions of the Agreement.

(m) The Project shall be used only for the purposes permitted by the Act and no part of the Project shall be used for any purpose which would cause the Authority's financing and refinancing of the Project to constitute a violation of the First Amendment of the United States Constitution; and, in particular, that no part of the Project, so long as it is owned or controlled by the System, shall be used for any sectarian instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; and any proceeds of any sale, lease, taking by eminent domain of the Project or other disposition thereof shall not be used for, or to provide a place for, such instruction, worship or program. The provisions of the foregoing sentence shall, to the extent required by law, survive termination of the Agreement. (Original Agreement, Section 5.01; Seventh Supplemental Agreement, Section 5.01)

<u>Tax Covenants</u>. The System, the University of New Hampshire, Keene State College and Plymouth State University each individually particularly covenant and agree with the Holders of the Bonds (i) that no part of the proceeds of the Bonds or any other funds of it shall at any time be used directly or indirectly to acquire securities or obligations the acquisition of which would cause any Bond to be an arbitrage bond as defined in subsection (b)(2) of Section 103 of the Code and any applicable regulations issued thereunder; (ii) that it shall at all times do and perform all acts and things necessary or desirable and within its control in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation; (iii) that it will never use Bond proceeds, nor take nor omit to take any action, so as to cause the interest paid on the Bonds to cease to be excludable from the gross income of the recipients thereof for the purposes of federal income taxation; (iv) that it will file with the Internal Revenue Service of the United States Department of the Treasury or any other authorized governmental agency any and all statements or other instruments required under Section 103 of the Code and the regulations thereunder; and (v) that it will comply with the provisions of the Tax Regulatory Agreement applicable to it. (Original Agreement, Section 5.02)

<u>Financial Statements</u>. The System agrees that it will submit, at least semiannually during each Fiscal Year of the System during the period when any of the Bonds are Outstanding, to the Authority and the Bond Trustee, copies of the interim financial statements of the System furnished to its Governing Body. Such interim financial statements will not be required to be audited but may be prepared by the staff of the System. (Original Agreement, Section 5.11)

<u>Permitted Encumbrances</u>. (a) The System, the University of New Hampshire, Keene State College and Plymouth State University, jointly and severally covenant pursuant to the terms of the Agreement that, except for Permitted Encumbrances described in paragraph (b) below, they shall not create, permit to be created, or suffer to be created, any lien upon any of the System Facilities or upon any of the System Receipts.

(b) Permitted Encumbrances shall include only the following:

(1) the security interest to the Authority created upon the System Receipts by the Agreement;

(2) a lien upon System Facilities only if and to the extent that such System Facilities could have been disposed of as a Permitted Disposition under the Agreement;

(3) a lien arising by reason of good faith deposits with the System in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the System to secure public or statutory obligations, or to secure, or given in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(4) a lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the System to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(5) a lien in the form of a judgment lien or notice of pending action against the System so long as such judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleadings has not lapsed;

(6) a choate or inchoate lien in the form of (A) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any System Facilities, to (1) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such System Facilities or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, such System Facilities; (B) any liens on any System Facilities for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such System Facilities, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen and laborers, have been due for less than ninety (90) days; (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any System Facilities which do not materially impair the use of such System Facilities or materially and adversely affect the value thereof; and (D) rights reserved to or vested in any municipality or public authority to control or regulate any System Facilities or use such System Facilities in any manner, which rights do not materially impair the use of such System Facilities or materially and adversely affect the value thereof;

(7) a lien described in Schedule C to the Agreement (Pre-Existing Permitted Encumbrances), including renewals thereof, provided that no such lien may be extended or modified to apply to any System Facilities not subject to such lien on such date, unless such lien as so extended or modified otherwise qualifies as a Permitted Encumbrance under the Agreement;

(8) a lien on System Facilities if, prior to the creation of such lien or the acquisition of System Facilities subject to such lien, an Officer's Certificate is delivered to the Authority and the Bond Trustee stating that (A) after giving effect to the lien, the book value of all of the System Facilities which are subject to such liens will not exceed ten percent (10%) of the book value of the System Facilities as of the end of the Historic Test Period; and (B) the creation of the proposed lien will not adversely affect the repayment of any Notes issued under the Agreement;

(9) a lien on System Receipts in favor of the holder or holders of Alternate Debt on a parity basis with the lien in favor of the Authority created by the Agreement;

(10) a lien representing rights of setoff and banker's liens with respect to funds on deposit in a financial institution in the ordinary course of business;

(11) any equipment lien or purchase money lien given in the ordinary course of business;

(12) a lien on System Receipts given to secure Indebtedness that is by its terms specifically junior and subordinate to the security interest in the System Receipts granted pursuant to this Agreement to secure any Notes or granted to secure any Alternate Debt;

(13) a lien upon System Receipts or System Facilities in favor of the holder of any Alternate Debt so long as such lien, or a lien at least on a parity therewith, is effectively granted in favor of the holders of all Notes and Alternate Debt then Outstanding;

(14) any other lien approved in writing by the Authority and the Bond Insurer.

(c) Permitted Encumbrances described in paragraph (b) clause (1), (2) (but only to the extent that the applicable provisions of Section 5.15(b) of the Original Agreement do not require consent) (3), (4), (5), (6), (7), (9), (10) (11) or (12) may be created without the consent of the Authority or the Bond Trustee. Permitted Encumbrances described in paragraph (b) clause (2) (but only to the extent that the applicable provisions of Section 5.15(b) of the Original Agreement require consent), (8), (13) or (14) may be created only with the prior written consent of the Authority, which consent shall not be unreasonably withheld. (Original Agreement, Section 5.14)

Permitted Dispositions. (a) The System, the University of New Hampshire, Keene State College and Plymouth State University, jointly and severally covenant pursuant to the terms of the Agreement that, except for Permitted Dispositions described in paragraph (b) below, they shall not sell, lease, remove, transfer, assign, convey or otherwise dispose of any of the System Facilities.

(b) Permitted Dispositions shall include only the following:

(1) the disposition of System Facilities if there is delivered to the Authority and the Bond Trustee a certificate of the System to the effect that (i) such disposition will not have a material adverse effect on the System's ability to satisfy the rate covenant set forth in Section 5.18 of the Original Agreement, and (ii) the aggregate System Facilities disposed of in that Fiscal Year generated less than five percent (5%) of the total System Receipts generated by the System Facilities in the immediately preceding Fiscal Year, without limitation;

(2) the disposition of System Facilities if there is delivered to the Authority and the Bond Trustee a Consultant's opinion or report to the effect that such disposition will not have a material adverse effect on the System's ability to satisfy the rate covenant set forth in Section 5.18 of the Original Agreement, and if the aggregate System Facilities disposed of in that Fiscal Year generated five percent (5%) or more of the total System Receipts generated by the System Facilities in the immediately preceding Fiscal Year; but only if (i) the System certifies to the Authority and the Bond Trustee that such disposal shall not decrease the scope of the System Facilities so that the adequacy of the System Facilities for the requirements of the System or the Authority is materially adversely affected as a result thereof, (ii) the proceeds of such disposition (in excess of the amount received under paragraph (b)(1) above) are utilized by the System to purchase or obtain replacement System Facilities of similar value to the disposed System Facilities or are transferred to the Redemption Account and used for the redemption of Bonds, and (iii) the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be at least equal to 1.20, as shown by an Officer's Certificate;

(3) the disposition of System Facilities in the case of any proposed or potential condemnation or taking for public or quasi-public use of the System Facilities or any portion thereof, provided that the proceeds of any such condemnation, taking or disposition shall be applied in the manner set forth in Section 5.21 of the Original Agreement;

(4) the disposition of System Facilities to any person if prior to the sale, lease, removal or other disposition there is delivered to the Authority and the Bond Trustee an Officer's Certificate stating that in the judgment of the signer such System Facilities have, or within the next succeeding twenty-four (24) calendar months are reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining System Facilities;

(5) the disposition of System Facilities in the ordinary course of business;

(6) the disposition of System Facilities if such System Facilities are replaced promptly by other System Facilities of comparable utility;

(7) the disposition of System Facilities if the System receives fair market value therefor and the proceeds of such disposition are applied to the purchase, construction or renovation of additional System Facilities or are applied to the defeasance, discharge, redemption or retirement of Bonds;

(8) the disposition of System Facilities to any person, provided that prior to the sale, lease, removal or other disposition the Transaction Test shall have been satisfied; provided, that in calculating the Transaction Test, income or other revenues derived from the System Facilities to be sold, leased, removed or otherwise disposed of shall not be included;

(9) any other disposition approved in writing by the Authority.

(c) Permitted Dispositions described in paragraph (b) clause (1), (3), (5), (6), (7) or (8) (to the extent that either clauses (A) and (B) or clause (C) of the definition of Transaction Test are utilized) may be made without the consent of the Authority or the Bond Trustee, provided, however, that upon a Permitted Disposition described in paragraph (b), clause (3), prompt notice thereof shall be given to the Authority and the Bond Trustee. Permitted Dispositions described in paragraph (b) clause (2), (4), (8) (to the extent that clauses (A), (B) or (D) of the definition of Transaction Test are independently utilized) or (9) may be created only with the prior written consent of the Authority, which consent shall not be unreasonably withheld. (Original Agreement, Section 5.15)

<u>Permitted Debt</u>. (a) The System, the University of New Hampshire, Keene State College and Plymouth State University, jointly and severally covenant pursuant to the terms of the Agreement that, except for Permitted Debt described in paragraph (b) below, they shall not incur Additional Indebtedness, directly, indirectly or contingently.

(b) Permitted Debt shall include only the following:

(1) Alternate Debt;

(2) Additional Indebtedness owed to the Authority incurred by the System to secure Bonds of the Authority;

(3) Any Indebtedness which is either unsecured or secured other than by System Facilities and payable from other than System Receipts;

(4) Any Indebtedness which is either unsecured or secured by System Facilities on a basis that is subordinated by its terms to the Notes and any Alternate Debt;

(5) Any Indebtedness secured by System Receipts on a basis that is subordinated by its terms to the Notes and any Alternate Debt;

(6) Any Indebtedness incurred in conjunction with, and as secured by, a lien given in accordance with Section 5.14(b)(11) of the Original Agreement;

(7) Any other Indebtedness approved in writing by the Authority.

(c) Permitted Debt described in paragraph (b), clause (1) (but only if the aggregate principal amount of all the then outstanding Alternate Debt, including the proposed Alternate Debt, is less than two percent (2%) of the total System Receipts generated by the System Facilities in the immediately preceding Fiscal Year), (3), (4), (5) or (6) may be incurred without the consent of the Authority or the Bond Trustee. Permitted Debt described in paragraph (b) clause (1) (other than as described in the preceding sentence), (2) or (7) may be incurred only with the prior written consent of the Authority, which consent shall not be unreasonably withheld. (Original Agreement, Section 5.16)

Alternate Debt. (a) The System, the University of New Hampshire, Keene State College or Plymouth State University, with the prior written consent of the Authority to the extent required by Section 5.16(c) of the Original Agreement (which consent may, but is not required to, be given if all of the conditions of this Section are met) may incur Alternate Debt for System Facilities purposes by borrowing money from lenders (institutional or otherwise) other than through the Authority under the Agreement or by assuming debt owing to others, but only as described by this section. Holders of Alternate Debt shall be entitled to a parity position with the Authority as to, and only as to, the security interest created by this Agreement in the System Receipts. Any security given by the System to holders of Alternate Debt shall also be granted, on a parity, to the Authority as further security for the Bonds.

(b) The System, the University of New Hampshire, Keene State College or Plymouth State University, may incur Alternate Debt only after certifying to the Bond Trustee and the Authority that the conditions precedent to the incurring of such Alternate Debt have been satisfied as required by the Agreement. Alternate Debt may be incurred from time to time as described by this section for the purpose of (i) paying the costs of completing, making additions to, or improving a Project; (ii) providing extensions, additions, improvements or repairs to a Project or the System Facilities; (iii) providing additional funds for the Reserve Fund created under the Bond Indenture; or (iv) refinancing any outstanding Alternate Debt or Outstanding Bonds. Whenever the System, the University of New Hampshire, Keene State College or Plymouth State University desires to incur Alternate Debt it shall cause to be prepared and filed with the Bond Trustee and the Authority an Officer's Certificate stating that it is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement.

(c) No Alternate Debt may be incurred for the purposes described in clauses(b) (i) or (ii) above unless at or prior to the incurrence of such Alternate Debt there shall be filed with the Authority and the Bond Trustee, in addition to the certificates required by subsection (b) above, evidence that the provisions in either (i) both clauses (A) and (B) or (ii) clause (C) of the definition of Transaction Test shall have been satisfied. (Original Agreement, Section 5.17)

Rate Covenant. The System shall maintain for each Fiscal Year the ratio of Income Available for Debt Service, including for the purposes described by this section, at the option of the System, any other revenues that were originally derived from System Facilities and are then legally available and pledged to pay actual annual debt service or expenses of the System Facilities, to annual debt service on the Bonds and on any Alternate Debt at least at a level sufficient to provide for the payment of such annual debt service on the Bonds and on any Alternate Debt. (Original Agreement, Section 5.18, as amended)

Insurance. The System agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate under the provisions of Section 5.20(d) of the Original Agreement) covering such risks and in such amounts as, in its reasonable judgment, is adequate to protect the System Facilities. The insurance required to be maintained pursuant to the Agreement shall be subject to the review of an Insurance Consultant upon the reasonable request of the Authority, and the System agrees that it will follow any recommendations of the Insurance Consultant as to reasonable levels of coverage in the public higher education industry. The System agrees that it will deliver or cause to be delivered to the Authority and the Bond Trustee at or prior to the delivery of the Bonds, and thereafter annually within thirty (30) days after the beginning of the next succeeding Fiscal Year, an Officer's Certificate setting forth a description of the insurance maintained, or caused to be maintained, by the System pursuant to this section and then in effect and stating whether such insurance and the manner of providing such insurance and any reductions or eliminations of the amount of any insurance coverage during the annual period covered by such report materially comply with the requirements described by this section and Section 5.20 of the Original Agreement and in his opinion adequately protect the System Facilities. In the event that the System fails to materially comply with any insurance requirements as described by this Section, the Authority may, after giving prior written notice to the System, procure and maintain such insurance at reasonable levels of coverage at the expense of the System. (Original Agreement, Section 5.19)

Reduction and Modification of Insurance Coverage. (a) If the System has or subsequent to the execution of the Agreement obtains any of the following types of insurance, it must secure the concurrence of the Authority before it may reduce or eliminate (other than in the ordinary course of business) the amount of its insurance coverage for the following types of insurance: (i) comprehensive general public liability insurance, including product liability, blanket contractual liability and automobile insurance including owned, non-owned and hired automobiles (excluding collision and comprehensive coverage thereon), (ii) fire, flood, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke and uniform standard coverage and vandalism and malicious mischief endorsements and business interruption insurance covering such perils, (iii) professional liability insurance, (iv) worker's compensation insurance, (v) boiler insurance, and (vi) business interruption insurance. If there is a material reduction or elimination in insurance coverage not in the ordinary course of business, the System shall give prior written notice thereof to the Authority and the Bond Trustee at least 30 days before such reduction or elimination.

(b) In making its decision whether to concur in such reductions or eliminations the Authority may engage an Insurance Consultant, at the expense of the System, and may take into account whether the System has established an adequate self-insurance program with respect to the risk involved in accordance with subsection (d) below.

(c) Insurance required under the Agreement may be in the form of a blanket insurance policy or policies and in the case of all policies may include additional names of insureds. Required limits of coverage may be provided by so-called "umbrella" coverages.

(d) In lieu of obtaining third-party coverage for the foregoing risks, the System may self-insure any of the required coverages (or a portion thereof) except for the coverages described in subsection (a)(ii) and (v) above, provided, that if such self-insurance is other than in the ordinary course of business, it delivers to the Authority and the Bond Trustee a report of an Insurance Consultant stating that the System's decision to self-insure such risks is consistent with proper management and insurance practices.

(e) The System may also arrange insurance coverage through a captive insurance company provided an Insurance Consultant's report indicates that such insurance is consistent with proper management and insurance practices.

(f) In the event that the insurance required by the Agreement is not commercially available and the System has chosen not to self-insure against such losses, the System shall employ an Insurance Consultant acceptable to the Authority and the Bond Trustee, who shall review the insurance coverage of the System Facilities and make recommendations on the types, amounts and provisions of insurance that should be carried. Insurance requirements shall be modified to conform with the recommendations of the Insurance Consultant except as the Authority and the Bond Trustee may authorize deviations from such recommendations. (Original Agreement, Section 5.20)

Insurance and Condemnation Proceeds. Amounts received by the System as insurance proceeds with respect to any casualty loss or as condemnation awards derived from any System Facilities may be used in such manner as the System may determine, including, without limitation, applying such moneys to the payment or prepayment of any Note or Notes in accordance with the terms thereof, subject to compliance with the provisions of the Agreement; provided that if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds ten percent (10%) of the book value of the System Facilities, the System agrees that it will promptly remit such proceeds or awards to the Bond Trustee, and the System may elect to direct the Bond Trustee to cause such funds to be applied either (i) to the repair, reconstruction, restoration or replacement of the damaged or condemned System Facilities or (ii) to the prepayment of Notes issued and Outstanding, pro-rata among all such Notes. If the System elects clause (i) above, any remaining balance of such funds after such repair, reconstruction, restoration or replacement shall be paid to the System. (Original Agreement, Section 5.21)

Debt Service on Balloon Indebtedness. For purposes of the computation of the Long-Term Debt Service Requirement or Annual Debt Service, whether historic or projected, Balloon Indebtedness shall, at the election of the System, be deemed to be Indebtedness which, at the later of the date of its original incurrence or the date of calculation, was payable over (I) twenty-five (25) years, or (II) the term of the refinancing if such Indebtedness is subject to a binding commitment for the refinancing of such Indebtedness, in each case with level annual debt service, at a rate of interest equal to that derived from the Bond Index, as determined by an Officer's Certificate. (Original Agreement, Section 5.22)

Debt Service on Variable Rate Indebtedness. For purposes of the computation of the projected (but not historic) Long-Term Debt Service Requirement or Annual Debt Service, Variable Rate Indebtedness shall be deemed Indebtedness which bears interest at a rate equal to that derived from the Bond Index, or such other methodology or standard approved in writing by the Authority and the Bond Insurer. (Original Agreement, Section 5.23)

Debt Service on Discount Indebtedness. For purposes of the computation of the Long-Term Debt Service Requirement or Annual Debt Service, whether historic or projected, the amount of principal represented by Discount Indebtedness shall be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity, or such other methodology or standard approved in writing by the Authority and the Bond Insurer. (Original Agreement, Section 5.24)

Credit for Debt Reserves. For purposes of the computation of the Long-Term Service Requirements or Annual Debt Service, whether historic or projected, the System may, at the election of the System, subtract from principal due on Indebtedness any Debt Reserves which are available and are actually to be applied to make such principal payment in the year such Indebtedness or is redeemed or otherwise retired, at the time of such computation for the period in question, for the payment of such principal on such Indebtedness. (Original Agreement, Section 5.25)

Credit for Capitalized Interest. For purposes of the computation of the Long-Term Debt Service Requirement or Annual Debt Service, whether historic or projected, the System may, at the election of the System, subtract from interest due on Indebtedness any Capitalized Interest which is available and is to be applied to make such interest payment in the year such interest comes due, at the time of such computation for the period in question, for the payment of such interest on such Indebtedness. (Original Agreement, Section 5.26)

Debt Service on Guaranties. For purposes of the computation of the Long-Term Debt Service Requirement or Annual Debt Service, whether historic or projected, the aggregate annual principal and interest payments on, and the principal amount of, any indebtedness of a person which is the subject of a Guaranty and which would, if such obligation were incurred by the System, the University of New Hampshire, Keene State College, or Plymouth State University, constitute Long-Term Indebtedness, shall be deemed equivalent to twenty percent (20) of the actual Annual Debt Service on, and principal amount of, such indebtedness (assuming that the definitions of the Agreement apply to such Indebtedness), so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, provided, however, that the Annual Debt Service on, and principal amount of, any Long-Term Indebtedness represented by a Guaranty shall be deemed equivalent to all of the actual Annual Debt Service, and principal amount of, such Indebtedness, if a payment has been made by the System, the University of New Hampshire, Keene State College, or Plymouth State University, on such Guaranty (assuming that the definitions of the Agreement apply to such Indebtedness). Also for purposes of any covenants or computations provided for in the Agreement, the aggregate annual principal and interest payments on, and principal amount of, any Indebtedness (other than Long-Term Indebtedness) represented by a Guaranty of obligations of a person shall be deemed equivalent to the actual principal and interest payments on the Indebtedness which is the subject of the

Guaranty (assuming that the definitions of the Agreement apply to such Indebtedness). (Original Agreement, Section 5.27)

System Receipts Pledge. As security for the obligation to make the Note Payments required under the Agreement, the System, Keene State College, Plymouth State University and the University of New Hampshire grant to the Authority a security interest in all System Receipts, but the existence of such security interest shall not prevent the expenditure, deposit or commingling of System Receipts by the System, Keene State College, Plymouth State University and the University of New Hampshire so long as no Event of Default exists under the Agreement and all required Note Payments are made when due. Without limiting the generality of the foregoing, this security interest shall apply to all rights to receive System Receipts whether in the form of accounts, accounts receivable, contract rights or other rights, and to the proceeds of such rights. This security interest shall apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the System, Keene State College, Plymouth State University and the University of New Hampshire. If an Event of Default exists and any required Note Payment is not made when due, any System Receipts subject to this security interest which are then on hand and any such System Receipts thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred to the Bond Trustee (giving recognition to proration for any parity security interests in System Receipts granted in accordance herewith) for deposit into the Bond Fund to the extent needed to make the amount on deposit in the Bond Fund at least equal to the requirements of the Bond Fund.

The System, Keene State College, Plymouth State University and the University of New Hampshire hereby represent that as of the date of the delivery of the Agreement they have granted no security interest in System Receipts prior to or equal to the security interest described by this section, other than as security for the Bonds. In addition, the System, Keene State College, Plymouth State University and the University of New Hampshire covenant that so long as any Bonds are Outstanding, they will not grant a security interest in System Receipts senior and prior to the security interest described by this section. (Original Agreement, Section 5.28)

Events of Default and Remedies

Agreement Events of Default. Each of the following events constitutes "Agreement Event of Default" under the Agreement:

(a) The System shall fail to make, within twenty (20) days of the due date thereof, any payment of the principal of, the premium, if any, and interest on any Note Payment when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof.

(b) The System, the University of New Hampshire, Keene State College or Plymouth State University shall fail duly to observe or perform any covenant or agreement on its part under the Agreement for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the System by the Authority or the Bond Trustee, or to the System, the Authority and the Bond Trustee by the holders of at least twenty-five percent (25%) in aggregate principal amount of the Notes then Outstanding. If the breach of covenant or agreement is one which cannot be completely remedied within the thirty (30) days after written notice has been given, it shall not be an Agreement Event of Default as long as the System, the University of New Hampshire, Keene State College or Plymouth State University has taken active steps within the thirty (30) days after written notice has been given to remedy the failure and is diligently pursuing such remedy.

(c) The System, the University of New Hampshire, Keene State College or Plymouth State University shall default in the payment of any Indebtedness for borrowed moneys in a principal outstanding amount in excess of five percent (5%) of the total revenues of the System generated in the immediately preceding Fiscal Year, whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired where the effect of such default is to accelerate the maturity of such Indebtedness or to permit the holders thereof (or a trustee on behalf of such holders) to cause such Indebtedness to become due prior to its stated maturity, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur, provided, however, that such default shall not constitute an

Agreement Event of Default within the meaning of Section 6.01 of the Agreement if within thirty (30) days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, whichever is longer, (i) the System, the University of New Hampshire, Keene State College, or Plymouth State University, as the case may be, in good faith commence proceedings to contest the existence or payment of such Indebtedness, and (ii) in the opinion of the Authority the security for the Bonds will not be materially adversely effected.

(d) The entry of a decree or order by a court having jurisdiction in the premises adjudging the System, the University of New Hampshire, Keene State College or Plymouth State University, a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the System, the University of New Hampshire, Keene State College or Plymouth State University, as the case may be, under the Federal Bankruptcy Code or any other applicable federal or State law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the System, the University of New Hampshire, Keene State College or Plymouth State University, as the case may be, or of any substantial part of their property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days.

(e) The institution by the System, the University of New Hampshire, Keene State College or Plymouth State University, of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other similar applicable federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the System, the University of New Hampshire, Keene State College or Plymouth State University, as the case may be, or of any substantial part of their property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

Upon having actual notice of the existence of an Agreement Event of Default, the Bond Trustee shall serve written notice thereof upon the System unless the System has expressly acknowledged the existence of such Agreement Event of Default in a writing delivered by the System to the Bond Trustee or filed by the System in any court. The System and the Authority agree to promptly inform the other and the Bond Trustee in writing upon knowledge of the existence of an Agreement Event of Default. (Original Agreement, Section 6.01, as amended)

<u>Remedies in General</u>. Upon the occurrence and during the continuance of any Agreement Event of Default, the Bond Trustee on behalf of the Authority, at its option, may take such action as it deems necessary or appropriate to collect amounts due under the Agreement, to enforce performance and observance of any obligation or agreement of the System, the University of New Hampshire, Keene State College, or Plymouth State University under the Agreement or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given by the Agreement or available thereunder or given by or available under any other instrument of any kind securing performance under the Agreement.

(b) Take any action at law or in equity to collect the Note Payments then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant under the Agreement.

(c) To apply to a court of competent jurisdiction for the appointment of a receiver (but only in the case of an Agreement Event of Default described in Section 6.01(a), (d), (e) and (f) of the Agreement) of any or all of the property of the System, the University of New Hampshire, Keene State College, or Plymouth State University, such receiver to have such powers as the court making such appointment may confer. The System, the University of New Hampshire, Keene State College and Plymouth State University pursuant to the terms of the Agreement consent and agree, and will if requested by the Bond Trustee consent and agree at the time of application by the Bond Trustee for appointment of a receiver, to the appointment of such receiver and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such property and the revenues, profits and proceeds therefrom, with like effect as the System, the University of New Hampshire, Keene State College, or Plymouth State University, could do so, and to borrow money and issue evidences of indebtedness as such receiver.

All rights and remedies given or granted to the Authority under the Agreement are cumulative, non-exclusive and in addition to any and all rights and remedies that the Authority may have or be given by reason of any law, statute, ordinance or otherwise. Without limiting the generality of the foregoing, the Authority shall have all rights and remedies of a secured party under the New Hampshire Uniform Commercial Code with respect to the System Receipts. The Authority may deal with such as collateral under said Code. Notice in accordance with the Agreement mailed to the System at least fifteen (15) days before any proposed realization upon such collateral shall constitute reasonable notification of such event under said Code. (Original Agreement, Section 6.02)

Amendments

Amendments to Reflect Future Legislative Changes. In the event that the laws of the State of New Hampshire, including but not limited to the Act, are in the future amended to so permit, and at the direction of the System and with the approval of the Authority, any one or more of the following amendments to the Original Agreement and the Original Bond Indenture may be implemented:

(a) The Indebtedness represented by the Agreement or by any Note may be augmented from a limited obligation of the System, the University of New Hampshire, Keene State College and Plymouth State University, to a general obligation of the System, the University of New Hampshire, Keene State College and Plymouth State University.

(b) The types of facilities that may be financed and/or refinanced with proceeds of Bonds, and the definition of System Facilities set forth in Section 1.01 of the Original Bond Indenture, may be amended to include any and all facilities to be owned and/or operated by the System, the University of New Hampshire, Keene State College or Plymouth State University, or any components thereof, whether or not revenue producing or self-supporting, including, but not limited to, the facilities described as permitted projects for participating educational institutions pursuant to Section 195-D:3(II) of the Act.

(c) The definition of System Receipts set forth in Section 1.01 of the Original Bond Indenture may be amended to add any or all revenues from any or all facilities owned and/or operated by the System, the University of New Hampshire, Keene State College or Plymouth State University.

(d) The System, the University of New Hampshire, Keene State College and/or Plymouth State University may issue Bonds or Alternate Debt directly, rather than through the Authority, pursuant to the Bond Indenture or otherwise, which Bonds and Alternate Debt shall be and shall be deemed to be on a parity with any and all Bonds issued by the Authority pursuant to the Bond Indenture. (Seventh Supplemental Agreement, Section 6.01)

Effectiveness of Amendments. The amendments described above, having already been consented to by the Holders of a majority of the Bonds at the time Outstanding, are and shall become effective (State law permitting, and upon the direction of the System and the approval of the Authority, with respect to Section 6.01 above). (Seventh Supplemental Agreement, Section 6.02)

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Hawkins Delafield & Wood LLP

March 25, 2009

ONE CHASE MANHATTAN PLAZA
NEW YORK, NY 10005
WWW.HAWKINS.COM

New Hampshire Health and Education
Facilities Authority
54 South State Street
Concord, New Hampshire 03301

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $105,650,000 Revenue Bonds, University System of New Hampshire Issue, Series 2009A (the "Bonds"), of the New Hampshire Health and Education Facilities Authority (the "Authority"), a public body corporate and agency of the State of New Hampshire.

The Bonds are issued under and pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, as amended (the "Act"), and under and pursuant to a bond resolution of the Authority adopted on January 15, 2009 (the "Bond Resolution") and a Bond Indenture dated as of September 1, 1992 (as supplemented through and including the Seventh Supplement to Bond Indenture dated as of March 1, 2009, the "Bond Indenture") by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Bond Trustee (the "Bond Trustee").

The Bonds are dated their date of delivery and shall bear interest from their date of delivery at the rates per annum (payable on each January 1 and July 1, commencing July 1, 2009), and shall mature on July 1, in the years and in the respective principal amounts as follows:

Year	Amount	Interest Rate
2014	$975,000	4.00%
2014	20,630,000	5.00
2016	6,625,000	4.00
2016	18,375,000	5.00
2020	6,105,000	4.50
2020	22,940,000	5.50
2023	10,000,000	4.75
2023	20,000,000	5.00

The Bonds are subject to redemption prior to maturity upon the terms and conditions provided therein, in the Bond Resolution and in the Bond Indenture. The Bonds are in the form of fully-registered bonds, in the denomination of $5,000 and integral multiples thereof, and are numbered separately from 09A-R-1 upward in order of issuance.

We have also examined an executed copy of the Loan Agreement dated as of September 1, 1992 (as supplemented through and including the Seventh Supplement to Loan Agreement dated as of March 1, 2009, the

“Agreement”) among the Authority, the University System of New Hampshire (the “System”), and the University of New Hampshire, Keene State College and Plymouth State University (the “System Affiliates”). Pursuant to the Agreement, in order to secure the financing and refinancing of certain higher educational facilities, the System has granted to the Authority a security interest in the System Receipts (as defined in the Bond Indenture) of the System and the System Affiliates. The System and the System Affiliates have agreed in the Agreement, among other things, to make payments to the Authority in amounts and at the times stated therein which will be applied to pay the principal of, redemption premium, if any, and interest on the Bonds when due.

The Authority reserves the right to issue additional bonds on the terms and conditions and for the purposes stated in the Bond Indenture. Except as otherwise provided in the Bond Indenture, all such bonds will rank equally as to security with the Bonds.

We are of the opinion that:

1. The Authority is duly created and validly existing under the provisions of the Act and has good right and lawful authority to utilize proceeds of the Bonds to assist the System and the System Affiliates in the financing and refinancing of the Series 2009 Project (as defined in the Bond Indenture), and to establish and maintain payments, fees or charges in respect thereof and collect revenues therefrom and to perform all obligations of the Authority under the Bond Resolution and the Bond Indenture in those respects.

2. The Authority has the right and power under the Act to adopt the Bond Resolution, and the Bond Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Bond Resolution is required. The Bond Resolution and the Bond Indenture create the valid pledge which they purport to create of the Pledged Revenues (as defined in the Bond Indenture) and all income and receipts earned on funds held or set aside under the Bond Indenture, subject only to the application thereof to the purposes and on the conditions permitted by the Bond Indenture.

3. The Authority is duly authorized and entitled to issue the Bonds and the same have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State of New Hampshire, including the Act, the Bond Resolution and the Bond Indenture, and constitute valid, binding, special obligations of the Authority, enforceable in accordance with their terms and the terms of the Bond Resolution and the Bond Indenture and are entitled to the benefits of the Act, the Bond Resolution and the Bond Indenture.

4. The Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the System and the System Affiliates, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

5. The Bond Indenture has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Bond Trustee, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

6. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the System, and others in connection with the Bonds, and we have assumed compliance by the Authority and the System with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the Authority and the System will execute a Tax Regulatory Agreement (the “Tax Regulatory Agreement”) containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the Authority and the System covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the System with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

7. Under existing statutes, the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall at all times be exempt from taxes directly imposed thereon by The State of New Hampshire and the municipalities and other political subdivisions of The State of New Hampshire.

Except as stated in paragraphs 6 and 7 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

The foregoing opinions are qualified only to the extent that the enforceability of the Bonds, the Bond Resolution, the Bond Indenture, the Tax Regulatory Agreement and the Agreement may be limited by bankruptcy, insolvency, and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

We have examined an executed Bond, and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the University System of New Hampshire (the "System") and The Bank of New York Mellon Trust Company, N.A. (as successor to TD Banknorth, National Association) (the "Trustee") in connection with the issuance of $105,650,000 aggregate principal amount of New Hampshire Health and Education Facilities Authority Revenue Bonds, University System of New Hampshire Issue, Series 2009A (the "Bonds"). The Bonds are being issued pursuant to a Bond Indenture dated as of September 1, 1992, as supplemented by the First Supplement to Bond Indenture dated as of November 1, 1992, each by and between the New Hampshire Higher Educational and Health Facilities Authority, n/k/a New Hampshire Health and Education Facilities Authority (the "Issuer"), and Banknorth, National Association, as successor trustee, as further supplemented by the Second Supplement to Bond Indenture dated as of March 1, 2001, the Third Supplement to Bond Indenture dated as of January 1, 2005, the Fourth Supplement to Bond Indenture dated as of August 1, 2005 and the Fifth Supplement to Bond Indenture dated as of March 1, 2006 by and between the Issuer and TD Banknorth, National Association, as successor trustee, the Sixth Supplement to Bond Indenture dated as of December 1, 2007 by and between the Issuer and The Bank of New York Trust Company, N.A., as successor trustee, and as further supplemented by the Seventh Supplement to Bond Indenture dated as of March 1, 2009 (as so supplemented, the "Bond Indenture") by and between the Issuer and the Trustee, and the proceeds thereof loaned to the System pursuant to the Loan Agreement dated as of September 1, 1992, as supplemented by a First Supplement to Loan Agreement dated as of November 1, 1992, a Second Supplement to Loan Agreement dated as of March 1, 2001, a Third Supplement to Loan Agreement dated as of January 1, 2005, a Fourth Supplement to Loan Agreement dated as of August 1, 2005, a Fifth Supplement to Loan Agreement dated as of March 1, 2006, a Sixth Supplement to Loan Agreement dated as of December 1, 2007 and a Seventh Supplement to Loan Agreement dated as of March 1, 2009, each by and between the System and the Issuer (as supplemented, the "Loan Agreement"). The System and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the System and the Trustee for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule. The System and the Trustee acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any owner of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the System pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Disclosure Representative" shall mean the Treasurer of the System or his or her designee, or such other person as the System shall designate in writing to the Trustee from time to time

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the System and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“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 the offering of the Bonds.

“Repository” shall mean each National Repository and each State Depository.

“Rule” shall mean Rule 15c2-12(b)(5) 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 Agreement, there is no State Depository.

“Transmission Agent” shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under the Rule for submission to each Repository. The current Transmission Agents are listed on Exhibit A attached hereto.

SECTION 3. Provision of Annual Reports.

(a) The System shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of each of the System’s fiscal years, commencing with fiscal year 2009, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) business days prior to said date, the System shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In each case, 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 Agreement; provided that the audited financial statements of the System may be submitted, when available, separately from the balance of the Annual Report. If audited financial statements 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 and the System shall provide the audited financial statements as soon as practicable after the audited financial statements become available.

(b) If by fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the System and request the System to confirm to the Dissemination Agent that the System is in compliance with subsection (a).

(c) If the Trustee does not within fifteen (15) days of such request to the System receive confirmation from the System that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Trustee on behalf of the System shall send a notice to each Repository in substantially the form attached as Exhibit B.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Depository, if any; and

(ii) file a report with the System, the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The System's Annual Report shall contain or incorporate by reference the following:

(a) To the extent not otherwise contained in the System's audited financial statements provided under paragraph (b), quantitative information for the preceding fiscal year of the type presented in Appendix A to the Issuer's Official Statement dated March 5, 2009 relating to the Bonds under the tables captioned "Fall Full-Time Equivalent (FTE) Credit Enrollment," "Fall Undergraduate Admissions Trends," "Fall New Student Scholastic Aptitude Test (SAT) and High School Rank (HSR) Characteristics," "Fall Tuition, Mandatory Fees, and Room & Board Charges," "Statement of Revenues, Expenses and Changes in Net Assets," "Statement of Net Assets," "USNH Housing, Dining, Student Centers, Recreation and Renewable Energy Revenue and Expenses (Pledged to the Series 2001, 2002, 2005 and 2007 Bonds) Unaudited," "Composition of Endowment and Similar Funds," and "Endowment & Similar Investments" (as of June 30).

(b) The most recently available audited financial statements of the System, prepared in accordance with generally accepted accounting principles.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the System is an "obligated person" (as defined by the Rule), which have been filed with 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 System shall clearly identify each such other document so incorporated by reference.

Neither the Trustee nor the Dissemination Agent shall be under any obligation to verify the content or correctness of, and shall not be responsible for, the sufficiency of the Annula Report or for the compliance of the contents of any Annual Report with the Rule or this Disclosure Agreement.

SECTION 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, to the extent known by the System or Trustee as applicable:

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. Receipt by the Issuer of an adverse tax opinion or the occurrence of an event 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) The Trustee shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the System promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (e).

(c) Whenever the System obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, if such Listed Event is material under applicable federal securities laws, the System shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (e).

(d) If such Listed Event is not material the System shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (e).

(e) If the Trustee has been instructed by the System to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Repositories with a copy to the System.

(f) The Trustee shall have no duty to file a notice of any event described hereunder unless it is directed in writing to do so by the System, and shall have no responsibility for verifying any of the information in any such notice or for determining the materiality of the event described in such notice.

SECTION 6. Alternative Methods for Reporting. The System may satisfy its obligation to make a filing with each Repository hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each Repository is an undertaking described in the Rule.

SECTION 7. Termination of Reporting Obligation. The System's obligations under this Disclosure Agreement shall terminate upon the legal defeasance in accordance with the terms of the Bond Indenture, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The System may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent may resign by providing thirty (30) days written notice to the System and the Trustee.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the System and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the System and which does not adversely affect the rights, duties, obligations or remedies of the Trustee or Dissemination Agent) and any provision of this Disclosure Agreement 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 Issuer, to the effect that such amendment or waiver would not cause the Disclosure Agreement to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Agreement 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 pertains to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall include 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 System 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 10. Default. In the event of a failure of the System or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Owner of Bonds may seek a court order for specific performance by the System or Trustee of its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Indenture or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the System or Trustee to comply with this Disclosure Agreement shall be an action for specific performance of the defaulting party's obligations hereunder and not for money damages in any amount.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Bond Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Bond Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. The System agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or wilful misconduct. The obligations of the Bonds under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the System, the Trustee, the Dissemination Agent, and the Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14. Notices. Unless otherwise expressly provided, all notices to the Issuer, the System, the Trustee, and the Dissemination Agent shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered during a Business Day to such parties at the address specified in Section 11.07 of the Bond Indenture or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice.

SECTION 15. Governing Law. This instrument shall be governed by the laws of the State of New Hampshire.

IN WITNESS WHEREOF, the parties have caused this Disclosure Agreement to be duly executed under seal all as of the date hereof.

Date: March 25, 2009

University System of New Hampshire

By: ___________________________________
Title:

The Bank of New York Mellon Trust Company, N.A., as Trustee and Dissemination Agent

By: ___________________________________
Title:

EXHIBIT A

NATIONAL REPOSITORIES

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
PH: (609) 279-3225
FAX: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
Email: MUNIS@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
PH: (201) 346-0701
FAX: (201) 947-0107
http://www.muniFILINGS.com
Email: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
PH: (212) 771-6999; (800) 689-8466
FAX: (212) 771-7390
http://www.interactivedata-prd.com
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
PH: (212) 438-4595
FAX: (212) 438-3975
http://www.disclosuredirectory.standardandpoors.com
Email: nrmsir_repository@sandp.com

TRANSMISSION AGENTS

www.DisclosureUSA.org
Disclosure USA
P.O. Box 684667
Austin, Texas 87868-4667

Digital Assurance Certification, L.L.C.
390 North Orange Avenue, Suite 1750
Orlando, Florida 32801
Phone: (407) 515-1100
Fax: (407) 515-6513
www.dacbond.com

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: New Hampshire Health and Education Facilities Authority

Name of Issue: Revenue Bonds, University System of New Hampshire Issue, Series 2009A

Date of Issuance: March 25, 2009

NOTICE IS HEREBY GIVEN that the System has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated March 25, 2009 between the System and the Trustee. The System anticipates that the Annual Report will be filed by ___________________.

Dated: ________________

The Bank of New York Mellon Trust Company, N.A. on behalf of the System

[cc: System]

NEW HAMPSHIRE HEALTH AND EDUCATION FACILITIES AUTHORITY • REVENUE BONDS, UNIVERSITY SYSTEM OF NEW HAMPSHIRE ISSUE, SERIES 2009A

University System
of New Hampshire

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
FSC
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