UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of October 22, 2001

The thirty eighth meeting of the NH College Savings Plan Advisory Commission was called to order at 10:00 am by Andrew Peterson acting as chairman in the absence of Sylvia Larsen and Richard Gustafson. Present were:

Michael Cryans	Public Member from Hanover
Martha Gooze	Public Member from Durham
Linda Hodgdon	Budget Director representing the Governor
Sylvia Larsen	Senator from Concord
Ingrid Lemaire	Director of Public Relations, NH Higher Education Assistance Foundation
Edward MacKay	Vice Chancellor, representing the University System
Andrew Peterson	Representative from Peterborough
Georgie A. Thomas	State Treasurer
Alan Thulander	Representative from Francestown
Ann Weddleton	Grants Coordinator, representing the Community Technical College System

Absent were:

Father Jonathan DeFelice	President, St Anselm's, representing the Post Secondary Education Commission
Edward Gordon	Senator from Bristol
Richard Gustafson	President, Southern New Hampshire University, representing the College and University Council

Also present were Ren Cheng, Dale Bearden, Eric Nottonson, David Pearlman and Ed Nigro from Fidelity.

Ed MacKay presented the report of the Investment Committee. As Ren Cheng had reviewed for the Committee, performance since inception has mostly exceeded the benchmark with positive absolute return, with the exception of the 2015 and 2018 portfolios which entail greater risk. In the last 12 months, the reserve, 2000 and 2003 portfolios have exceeded the benchmark while the 2006 to 2018 portfolios have underperformed. The high yield sector has significantly underperformed the market due to its large exposure to the telecommunications industry. The S & P 500 has turned in its worst performance since October 1987. The market has declined for almost 80 weeks, 400 trading days. The burst of the internet bubble combined with the telecom crash and the war makes this one of the worst bear markets in history. Venture capital investments are at a standstill with 14 initial public offerings for a total of $500 million versus 140 offerings raising $4.8 billion prior to the beginning of the downturn. There are tremendous cash reserves on the sidelines waiting for signs of an upturn.

In the context of market conditions, no changes will be made in the portfolios at this time. In response to questioning, Ren also explained that new benchmarks are created every six months to reflect the gradual rolldown of the portfolios along the risk curve.

The Endowment investments were reviewed. With the current cash flow into the fund, it was suggested that an additional fund be added, specifically the New Millenium fund. Beginning with the January distribution, this will be achieved by directing money to this fund until the fund represents no more than 10 per cent of assets. Money available after this level is reached will be directed to existing holdings. Fidelity will advise if this Fund is still accepting investors.

Discussion took place regarding the budget for fiscal 2002 including grants for the academic year 2002-2003. Georgie Thomas advised that the actual amount of grants this year (2001) was $15,000, as two students from the prior year did not remain in good standing. Subsequent to payment of the grants, one was returned to the Endowment as the student withdrew but may return to school in the spring. Discussion took place regarding increasing the number of recipients in the next fiscal year. On motion by Ed MacKay, seconded by Michael Cryans, the Commission voted to award 25 new grants in fiscal 2002 in addition to the 15 grants from 2001. The motion also included increasing audit expenses by $5000 in 2002. Motion passed unanimously.

Eric Nottonson and Ed Nigro reported on the status of UNIQUE and the Advisor College Investing Plan. Specifically UNIQUE took in $231 million in calendar 2000. Ed Nigro reported that the Advisor plan had received $22 million through October 19 and expected to reach $27 million by month end. Advisor now has 380 firms signed up with 28,000 advisors. The stable is expected to grow to 50,000 advisors including firms such as Paine Webber and John Hancock. A great deal of effort must be expended on advisor training. Alliance is viewed as the largest competitor with several channels selling the same product. Alliance has outsourced portfolio allocation to Ibbotson.

Eric Nottonson reviewed the trustee report of Sept 30 2001. Average account size for Unique has dropped to $6400 due to market action. Fidelity is reviewing the number of New Hampshire accounts and the percentage of NH conversions.

UNIQUE has reached the point in its cycle where it is necessary to add the 2021 portfolio as portfolio 2000 becomes the college portfolio. Fidelity also recommends adding a more conservative portfolio to UNIQUE and a parallel portfolio to the Advisor program, each consisting of 55 percent bonds and 45 percent cash equivalents to meet customer preference for a product of this nature. On motion by Ed MacKay, seconded by Michael Cryans, the Commission voted unanimously to add the two portfolios.

David Pearlman reviewed changes to documents which must be made to reflect the new investments and accommodate Internal Revenue Code and other changes. The changes will affect the participation agreements, the Declaration of Trust, and Administrative rules. On motion made by Georgie Thomas, seconded by Alan Thulander, the Commission voted to accept the changes and authorize the Treasurer to execute the necessary documents.

Eric Nottonson and Dale Bearden presented a proposal for an offering of a new set of portfolios to the corporate environment as an employee benefit. To be competitive the product will have to be offered at a discount from the direct retail opportunity, or 20 points versus 30. The product also will eventually offer funds other than those managed by Fidelity. In light of an estimated $20 million loss to Fidelity on the UNIQUE product since inception, Fidelity will not be able to maintain the current 30 basis point, 50/50 split on a product in the corporate arena. Fidelity proposed that the Commission be prepared to accept only 5 basis points rather than 15 for this incremental business. Discussion took place regarding timing and possible combinations for allocating the 20 basis point fees. After debate, on motion made by Andrew Peterson and seconded by Georgie Thomas, the Commission voted to offer, and Fidelity accepted, a 50/50 split or 10 basis points each, with the State foregoing its 10 basis points until January of 2007 to allow Fidelity to recover expenses and achieve profitably on this product line.

Eric Nottonson reviewed marketing and promotional materials. Fidelity will by spending $1 million in the fourth quarter of calendar 2001 on promotion including heavy instate spending on radio and print media.

Meeting dates for calendar 2002 will follow the 2001 pattern occurring in the first month following the close of the quarter. The next meeting will be on November 26, 2001 at 10 am to approve changes to the investment management agreement.