

UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of April 28, 2003

The forty-sixth meeting of the NH College Savings Plan Advisory Commission was called to order at 10:00 AM by Dick Gustafson, Vice Chairman. The meeting was held at the offices of the New Hampshire Higher Education Assistance Foundation. Present were:

Ingrid Lemaire	Senior Director, Research and State Relations, NH Higher Education Assistance Foundation
Michael Ablowich	State Treasurer
Larry Elliott	State Representative from Hillsborough
Richard Leone	State Representative from Sunapee
Martha Gooze	Public Member from Durham
Ann Weddleton	Grants Coordinator, representing the Community Technical College System
Edward MacKay	Vice Chancellor, representing the University System of New Hampshire
Richard Gustafson	President, Southern New Hampshire University, representing the College and University Council
Michael Cryans	Public Member from Hanover
Andrew Peterson	Senator from Peterborough

Absent were:

Sylvia Larsen	State Senator from Concord
Father Jonathan DeFelice	President, Saint Anselm, representing the Post Secondary Education Commission
A representative from Governor Benson's office	

Also present were Ed Nigro, Eric Nottonson, David Pearlman, Meredith Mell, Mary Connors, Bob Corcoran, and Jonathan Shelon from Fidelity.

On motion of Ms. Lemaire and seconded by Rep. Leone, the minutes of the February 3, 2003 meeting were approved. The motion carried unanimously.

Mr. Ablowich updated the Commission on the status of procuring items to recognize the service of former members of the Commission. He indicated that items would be available at the July meeting for presentation.

Mr. Ablowich reviewed the status of the Endowment Fund. In the first quarter of calendar year 2003 there was nearly \$525,000 added to the endowment and the market value of the endowment decreased by \$60,000 due to market conditions. At the end of April there was just over \$3.3 million in the endowment which included over \$570,000 in fee income that was added in the first week of April.

Mr. Ablowich discussed one of the largest costs to the Commission which is paid from the endowment – the annual audit. The state Office of the Legislative Budget Assistant (LBA), the state auditor, contracts with PricewaterhouseCoopers to perform the annual audit. The audit for fiscal year 2002, which was completed and paid for in fiscal year 2003 cost over \$110,000. The LBA has been negotiating with PricewaterhouseCoopers and expects that the fiscal year 2003 audit will cost \$103,000, fiscal year 2004 – \$108,125 and fiscal year 2005 – \$113,000, plus expenses. This estimate is a considerable savings compared to the expected future costs estimated by the LBA in the fall of 2002.

Mr. Ablowich reported that there had been hearings in both the house and senate on Senate Bill 138, which was sponsored by Senator Larsen, which would provide equal tax treatment for New Hampshire residents who participate in a qualified 529 plan whether or not it was one of New Hampshire's two plans. The bill had passed the Senate and had just had a public hearing in the House of Representatives.

Ms. Judy Knapp of the Post Secondary Education Commission reviewed the scholarship process for the committee as well as some demographic information. There was some discussion concerning how much of the scholarship funds were used by students attending 2-year versus 4-year schools and if the amount was sufficient to have a large enough financial impact to address the students' needs.

As part of an outstanding issue, under "old business" Jonathan Shelon discussed the addition of the Dividend Growth fund to selected age-based portfolios. His recommendation was a result of a discussion at the February 3, 2002 meeting. Originally Dividend Growth was not considered for inclusion in the age-based portfolios because it was a relatively new fund with a limited track record. It is expected that this fund will improve portfolio diversification, improve the risk exposure and overall integrity of the portfolios' and will offer another approach to outperform the benchmark. Investments in the fund will be phased in over time. On the motion of Mr. Cryans and seconded by Ms. Gooze, Dividend Growth fund was added to both the Unique and Fidelity Advisor 529 plans.

Mr. Nottonson presented an overview of the UNIQUE Plan business results for the past quarter. As of March 31, 2003, UNIQUE had over \$1.3 billion under management and over 183,000 accounts. Cash inflows to the UNIQUE Plan are predominantly dedicated to existing accounts. New accounts continue to be opened although at a slower pace than in prior periods. Mr. Nottonson pointed out that new cash flows to all types of mutual fund products across the industry were quite slow given the poor performance of the equity market over the past two years. Despite this industry

trend cash flows to 529 Plans remain good. Within the UNIQUE Plan cash flows to the age based portfolios remain good.

Mr. Nottonson then discussed the February launch of our new partnership with MBNA. This new co-branded MasterCard allows cardholders to receive two percent back on all eligible purchases with no limit to the rewards points they can earn. The dollars (reward points) are then directed to any one of the three Fidelity-managed 529 plans. Inquiries about and sales of the cards are exceeding expectations.

Mr. Nottonson reviewed a handout containing information concerning the performance of our 529 plan with those of four other states. In general the performance of selected portfolios in the UNIQUE Plan was quite favorable compared to portfolios in the other states' plans (Nevada, Utah, New York, and Illinois) with similar investment practices and/or objectives.

Mr. Nigro presented an overview of the Fidelity Advisor 529 Plan (FA 529 Plan) business results for the first quarter of calendar year 2003. As of March 31, 2003, the FA 529 Plan over \$290 million under management and over 38,000 accounts. As with the UNIQUE Plan and the mutual fund industry, cash flows are slow but steady to the FA 529 Plan. The FA 529 plan will begin service enhancements shortly including on-line account access and daily unit values posted on-line. In the fall of 2003 the receipt of statements and confirmations via email will be available as will on-line new account openings.

Mr. Nigro updated the Commission on the "Investment Only" business. In this case other state's 529 Plans include Fidelity's mutual funds as part of their offerings, either as a stand alone offering or as part of an age based portfolio. The state of New Mexico has included the Mid-Cap, Diversified International and Treasury Inflation Protected Securities (TIPS) Fund and Indiana, through Bank One, will offer the TIPS Fund in their 529 plan.

Mr. Nigro discussed a number of events within Fidelity during the month of May to generate interest and enthusiasm about the 529 product distributed through the advisor sold channel.

Mr. Nigro outlined Fidelity's formal proposal to offer new enhancements to the current FA 529 Plan pricing. He described the following enhancements:

- 1. Revised pricing structure, including load waiver provisions.** This proposal allows the Trustee as needed to adopt reductions in sales loads as specified in the Fact Kit, and to the extent such reductions result in reduced charges to Participants, the fees payable to Fidelity automatically decrease by the same amounts. A practical effect of this change is to allow Fidelity to offer reduced fees to customers who make large purchases of units in FA 529 Plan.

2. Availability of "Class D" Units in Individual Fund Portfolios and Availability of "Class C Units" in Age-Based and Static Portfolios. Class D Units will be added to the eleven Individual Fund Portfolios and will be available only to Accounts established before June 25, 2003. Class D Units are not subject to a sales charge at the time of purchase but are subject to a daily charge at an annualized rate of 0.50%. Class C Units will be added to the eight Age-Based Portfolios and two Static Allocation Portfolios and will be available to all Accounts, regardless of the date opened. Class C Units carry traditional (industry standard) Class C pricing characteristics.

3. Availability to Tax-Exempt Participants (including charities). Fidelity proposes to modify the Participation Agreement to permit tax-exempt organizations to become Participants in order to fund scholarship programs they establish. Such Participants will be able to utilize a single account to fund the entire scholarship program until the time of distribution, so the maximum investment limits will not apply to such accounts. No scholarship recipient will be permitted to receive more than the maximum investment limit then in place at the time of the scholarship distribution.

4. Dollar Cost Averaging. Fidelity proposes to allow Participants to have a dollar cost averaging feature. Previously, Participants could only move among Portfolios on one day each calendar year. As revised, Participants can give instructions concerning money movement one day each calendar year. Those instructions may be to move among specified Portfolios in specified amounts on a monthly, quarterly, semi-annual or annual basis.

After Mr. Nigro's proposal there was some discussion of the new pricing and its impact on the competitiveness of the FA 529 Plan. Mr. MacKay motioned that the changes be approved subject to further review and approval of the implementing language by the Trustee and the Attorney General's Office. The motion was seconded by Mr. Cryans. The motion was approved unanimously. Upon review and approval of this proposal the three controlling documents related to the trust (the investment management agreement, the management and administrative services agreement and the trust agreement) will be amended and restated to include this proposal and incorporate past amendments to the documents.

Mr. Ablowich proposed a budget for fiscal year 2004 as indicated in his memorandum of April 28, 2003 to the Commission. The budget estimates receipts of \$2.7 million, operating expenses of \$128,000, including \$115,000 for the annual audit and scholarships of \$57,000. After some discussion about the funding level for scholarships Mr. Cryans motioned to increase the scholarship level to \$75,000, which was seconded by Mr. MacKay. The motion passed unanimously. On a motion of Mr. Cryans and seconded by Representative Elliott the budget for 2004 was recommended. The motion passed unanimously.

Mr. Ablowich presented a letter to the commission requesting reimbursement of up to \$1,100 from the trust to his attendance at the annual meeting of the College Savings Plan Network from May 3 – 5th. Ms. Lemaire motioned to approve the request which was seconded by Ms. Gooze. The motion was approved unanimously.

The meeting adjourned at 12:15 PM. The next meeting will be July 28, 2003 at 10AM. At 9AM on July 28th there will be an investment committee meeting prior to the regular quarterly meeting. The meeting will take place at the New Hampshire Higher Education Assistance Foundation. The following quarterly meeting is scheduled for October 27, 2003 at the New Hampshire Higher Education Assistance Foundation.