

UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of January 26, 2004

The forty-ninth meeting of the NH College Savings Plan Advisory Commission was called to order at 10:00 AM by Senator Larsen, Chairperson. The meeting was held at the offices of the New Hampshire Higher Education Assistance Foundation. Present were:

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| Sylvia Larsen | State Senator from Concord |
| Ingrid Lemaire | Senior Director, Research and State Relations, NH Higher Education Assistance Foundation |
| Michael Ablowich | State Treasurer |
| Ann Weddleton | Director of System Research and Grants, representing the Community Technical College System |
| Edward MacKay | Vice Chancellor, representing the University System of New Hampshire |
| Thomas Horgan | Executive Director, New Hampshire College and University Council |
| Richard Leone | State Representative from Sunapee |

Absent were:

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| Larry Elliott | State Representative from Hillsborough |
| Martha Gooze | Public Member from Durham |
| Michael Cryans | Public Member from Hanover |
| Father Jonathan DeFelice | President, Saint Anselm, representing the Post Secondary Education Commission |
| Andrew Peterson | Senator from Peterborough |
| A representative from Governor Benson's office | |

Also present were Ed Nigro, David Pearlman, Mary Connors, Bob Corcoran, and Heidi Siegal from Fidelity.

On motion of Ed MacKay and seconded by Ingrid Lemaire, the minutes of the October 27, 2003 meeting were approved. The motion carried unanimously.

The first order of new business was the election of officers. The Commission had not elected officers since the Commission began its work in 1997. On a motion of Ed Mackay and seconded by Representative Leone, Senator Larsen was nominated as chair

of the Commission. There were no other nominations. Senator Larsen was unanimously elected chair by the members present.

On a motion of Tom Horgan and seconded by Ingrid Lemaire, Ed MacKay was nominated as vice chair of the Commission. There were no other nominations. Mr. MacKay was unanimously elected chair by the members present.

Mr. Corcoran reviewed with the Commission calendar year 2003 results for the UNIQUE Plan. Mr. Corcoran first reviewed the goals for 2003 which were to 1). Keep the product easy to use and understand. 2). Back the goals with sufficient resources to accomplish them, and 3). Expand the range of marketing options to create product awareness. Mr. Corcoran reviewed a list of accomplishments including the launch of the MBNA 529 College Rewards MasterCard, reducing the number of statements and confirmations mailed to customers, revising the web site and substantially rewriting and reformatting the Fact Kit in a more customer friendly manner.

Mr. Corcoran then reviewed the financial results for calendar year 2003. The UNIQUE Plan ended 2003 with just over \$2.1 billion in assets. The ending balance was sharply higher than the 2002 ending balance of \$1.3 billion, which was a combination of net sales of \$511.7 million and market appreciation. New accounts in 2003 increased by 41,431, growing the total account base by 26% over the prior year. As the financial markets (particularly the equity markets) have slowly improved over the past year with the last quarter being particularly strong, investments and new account openings have increased compared to the same months in 2002. Parallel to this increase in total assets from a combination of sales and market appreciation the management fee has also increased over time.

Mr. Corcoran pointed out that sales continue to remain focused on the age-based as opposed to the static portfolios, although the last quarter of the year sales of the 100% and 70% equity portfolios were also strong as the equity markets improved.

The MBNA 529 College Rewards MasterCard has been enthusiastically accepted by customers. The 2% rebate on all purchases has been extended through November 2004 however a rebate cap of \$1,500 per year per card will be initiated beginning on February 1, 2004. The 2% rebate will be continued for one year on cards established by the end of November 2004.

For 2004 Mr. Corcoran outlined 2 key areas of emphasis for Fidelity. First, to continue to focus on marketing, selling and customer service. In addition Fidelity will be looking at ways to address existing customer concerns by continuing to reduce paper and looking at ideas to phase out the \$30 annual fee.

After some discussion concerning the \$30 annual fee, Mr. MacKay motioned to authorize the Trustee to reduce the annual fee if a plan could be worked out with Fidelity. Ann Weddleton seconded the motion. After some brief discussion the motion was approved unanimously.

While still discussing the UNIQUE Plan, Mr. MacKay motioned to authorize Fidelity to add Mid-Cap Stock Fund, Low Priced Stock Fund and the New Millennium Fund to the age-based portfolios over time and in a manner to be determined by the portfolio manager. This was a motion already approved by the investment sub-committee at an earlier subcommittee meeting. The motion was seconded by Representative Leone. There was some brief discussion concerning the addition of these funds. The primary reason offer by Mr. MacKay was to allow for the manager to provide more portfolio exposure to small and medium size companies which are currently underrepresented in the age-based portfolios. After some brief discussion the motion was approved unanimously.

At this point in the meeting Senator Larsen left the meeting; before doing so she offered her proxy to vote yes on the items to be offered by Mr. Ablowich for expenditures from the trust on the agenda for the meeting and also to allow for an additional scholarship of \$1,000 from the trust. Mr. MacKay chaired the meeting in Senator Larsen's absence.

Mr. Nigro presented an overview of the Fidelity Advisor 529 Plan (FA 529 Plan) business results for calendar year 2003. Mr. Nigro first reviewed a number of accomplishments for 2003. Among these important accomplishments was to introduce on-line account set-up and maintenance, implement the new pricing enhancements, and adding American Express financial advisors as distributors of the Plan. He reviewed the current pricing that is in line with standard market pricing for comparable college savings and advisor sold investment products.

Mr. Nigro reviewed the financial results for calendar year 2003. The FA 529 Plan ended 2003 with just over \$579 million in assets. The ending balance was sharply higher than the 2002 ending balance of \$257 million, which was a combination of net sales of \$240 million and market appreciation. New accounts in 2003 increased by 28,784 growing the account base by 75% over the prior year. Similar to the experience with the UNIQUE Plan, as the financial markets (particularly the equity markets) have slowly improved over the past year with the last quarter being particularly strong, investments and new account openings have increased compared to the same months in 2002. In addition the change in pricing which was launched in the late spring also had the effect of increasing sales. A sizeable component of new accounts also has come from rollovers from other plans. As other fund companies and plans have suffered from negative press resulting from regulatory action from state and federal authorities rollover activity has increased.

Mr. Nigro discussed metrics on portfolio sales and average account size and as with the UNIQUE Plan the vast majority of customers choose the age based portfolios as their investment option. Mr. Nigro also briefly discussed the Workplace product which has not had great success.

For calendar year 2004 the focus of the FA 529 Plan will be to focus on marketing and selling and also presenting more product enhancements that should make the product easier to sell for brokers and reduce costs for shareholders.

Mr. Nigro mentioned that Fidelity was not going to bid on the request for proposal offered by the state of California to sponsor an advisor sold "529" product.

Mr. MacKay recognized Ms. Sheila Evans, a lobbyist representing the New Hampshire Women's Lobby to speak on an issue of importance to her organization. Ms. Evans updated the Commission on a bill which recently passed the legislature and became law which essentially prohibits a judge from ordering a divorced parent from paying for college costs of children. Her concern was that if parents are saving for college that they be alerted to the fact that even if they are saving through the UNIQUE or FA 529 Plan that there is no guarantee that the funds will be used for the purpose intended. Her suggestion was that there be some language in the fact kit that indicates that judges in New Hampshire do not have discretion to order payment of college costs by divorced parents.

Mr. MacKay asked Mr. Ablowich to work with Fidelity to bring back to the Commission suggested options that may address Ms. Evans' concerns.

Mr. Ablowich briefly reviewed the status of the Endowment Fund and provided a written summary of the 4th quarter transactions and performance.

Mr. Ablowich made two requests of the Commission. The first was to request the payment of \$400 for the state to be a member of the College Savings Plan Network for one year. The second was to request a payment not to exceed \$1,000 for Mr. Ablowich to attend the annual meeting of the College Savings Plan Network in May in Norfolk, Virginia. The requests were motioned to be approved by Ms. Weddleton and seconded by Ms. Lemaire. The motion was approved unanimously.

Ms. Judy Knapp of the Post Secondary Commission next addressed the Commission. She indicated that there were 2 students who qualified for scholarships from the Endowment but for whom funding did not exist. She requested \$1,000 for an additional scholarship. There were two half year scholarships being returned to the state that would provide funding for the other identified by Ms. Knapp. Representative Leone motioned to approve an additional scholarship disbursement of \$1,000, which was seconded by Ms. Weddleton. The motion was approved unanimously. The commission requested that Ms. Knapp attend the April Commission meeting and discuss statistical information about scholarship recipients and offer some suggestions about award criteria for the 2004/2005 school year.

Mr. David Pearlman updated the Commission on current regulatory activity in the mutual fund industry. Fidelity continues to be requested to provide information on various mutual fund industry investigations. Mr. Pearlman commented that there will likely be more SEC rule proposals aimed at increased disclosure of individual mutual

funds. He also suggested that redemption fees are likely to increase or become mandatory for funds to limit or discourage short-term trading and investors may also see increased controls over their personal accounts.

The meeting adjourned at 12:15 P.M. The next meeting will be April 26, 2004 at 10AM. The meeting will take place at the New Hampshire Higher Education Assistance Foundation.