

UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of August 2, 2004

The fifty-first 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:

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
Michael Cryans	Public Member from Hanover
Martha Gooze	Public Member from Durham
Thomas Horgan	Executive Director, New Hampshire College and University Council
Richard Leone	State Representative from Sunapee

Absent were:

Larry Elliott	State Representative from Hillsborough
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 Ren Cheng, Ed Nigro, Jeff Troutman, David Pearlman, Mary Connors, Bob Corcoran, and Heidi Siegal from Fidelity. Also attending were Kathryn Dodge and Judy Knapp of the Post Secondary Education Commission.

Mr. Nigro introduced Mr. Troutman who will be replacing Mr. Nigro as the product manager for the FA 529 Plan.

The minutes of the meeting of April 26, 2004 were reviewed. The minutes were motioned for approval by Mr. MacKay and seconded by Ms. Lemaire. The minutes were approved unanimously.

Mr. Corcoran began the meeting by reviewing the overall 529 plan industry and a variety of key issues that were common to both the FA 529 and UNIQUE Plans.

The State of New Hampshire through sponsorship of both the advisor sold and retail 529 plans continues to maintain a strong share of the overall market even as the market (as defined by invested assets) continues to climb. At the end of June 2004 the two plans combined accounted for approximately 7.8% of the market. New Hampshire surpassed Ohio to be the third largest sponsor of 529 plans after Virginia and Rhode Island.

Ms. Connors reviewed a proposal of the Municipal Securities Rulemaking Board (MSRB) to standardize the disclosures on 529 Plan advertisements. Her analysis was that most of the requirements set forth in the proposed rule amendments are already incorporated in our existing UNIQUE and FA 529 Plan advertisements.

Mr. Pearlman reviewed the voluntary disclosure principles recently adopted by the College Savings Plan Network (CSPN), which included significant input from both state sponsors and plan administrators in the 529 industry. Mr. Pearlman indicated that while UNIQUE and FA 529 both already essentially comply with these guidelines it may be worth waiting for the Securities and Exchange Commission to comment on the proposal before formally adopting the CSPN guidelines.

Mr. Corcoran reviewed a number of key messages that the State and Fidelity are trying to get into the marketplace including: 1). The 529 system is working, 2). The State Treasurer and Advisory Commission are actively engaged in plan oversight, 3). UNIQUE and FA 529 pricing is fair and reasonable, 4). UNIQUE and FA 529 disclosure to consumers is thorough, and 5). Fidelity's sales practices are ethical. Fidelity and the Treasurer are attempting to get those messages into the market by providing outreach to federal legislators and regulators, through a newspaper editorial from the Treasurer and working with CSPN on building consensus with plan sponsors and administrators to lobby together on similar issues nationwide.

Mr. Corcoran and Mr. Troutman reviewed two worksheets that compared fees of the UNIQUE Plan and FA 529 to industry peers. The conclusion of their analysis was that while fees on both products are not the absolute lowest in the industry they are also not the absolute highest. Mr. Corcoran then reviewed Fidelity's efforts to describe to the media the significant effort that Mr. Cheng goes through to manage the age-based portfolios which is unique within the 529 industry. His efforts have led to minimizing the downside of poor markets and smooth upside performance when the markets have done better in the recent past. In addition Fidelity also tries to keep customers by providing tools to keep their college savings on track including the MBNA card, automatic account builder, an easy-to-use process and affordable pricing.

Mr. Corcoran updated the Commission on the MBNA 529 Rewards Card which has shown a healthy growth every quarter since being initially offered in January of 2003.

Mr. Corcoran reviewed with the Commission business results for the 2nd quarter of calendar year 2004 for the UNIQUE Plan. At the end of the quarter the UNIQUE Plan had assets of over \$2.5 billion. New account openings and market appreciation lead to the increase of assets by over \$300 million for the quarter. The plan continues to grow but at a slower pace versus Q1 2004. This slow down in growth appears however to be seasonal as the months of May through August seem to exhibit a drop-off in new cash flow and account openings. Incidental to continued marketing efforts, the number of incoming account transfers has slowed dramatically in the second quarter compared to the first quarter of the calendar year.

Mr. Corcoran pointed out that sales continue to remain focused on the age-based as opposed to the static portfolios, although cash flows to the 100% and 70% equity portfolios have continued to be strong as the equity markets have done better. Included with Mr. Corcoran's presentation was a list of state of residence of account holders. This list indicated that New Hampshire residents were still a significant number of all account holders at 6% of the total.

Mr. Corcoran also described a number of recent and pending marketing initiatives as well as a number of recent and pending product and service enhancements.

Mr. Troutman presented an overview of the FA 529 Plan business results for the second quarter of calendar year 2004. The second quarter of 2004 saw sales continue to increase sharply over the prior year. The FA 529 Plan ended the quarter with nearly \$860 million in assets. Cash flows to the age-based portfolios continue to be strong as is the case with UNIQUE. Rollover activity has also increased substantially over the past year but has slowed in the second quarter compared to the first quarter of 2004.

Mr. Troutman described a number of marketing and promotional activities all designed to build awareness of the product and features, including assembling and publishing research on parent and teens attitudes toward saving for college. In addition Fidelity will be conducting focus groups with investment professionals and participants to get feedback on how to make offering materials easier for customers and advisors to read and understand. Mr. Cheng has also been touring a number of cities across the country talking with advisors about the technical aspects of Fidelity's age-based investing style with regard to the age-based portfolios, the most popular investment choice for investors.

Mr. Troutman presented a proposal to the Commission regarding "Rights of Accumulation", "Letters of Intent" and "Breakpoints".

Breakpoints allow a participant in the FA 529 Plan to purchase Class A units of FA 529 at a reduced cost or shares of any other Fidelity Advisor Funds, if they make a large dollar purchase. Under current rules a participant can only include FA 529 Plan assets in the calculation of whether they qualify for a breakpoint. Under the proposal participants could use assets in both a FA 529 Plan account and other Fidelity Advisor products to reach sufficient assets such that on their next investment they could qualify

for a reduced fee. This is known as Rights of Accumulation and by expanding it to include both types of assets it will reduce overall costs to customers.

Letters of Intent allow a participant to purchase Class A shares of Fidelity Advisor Funds and FA 529 Plan portfolios at a reduced sales charge based on a pre-agreed upon purchase commitment. If a participant agrees to make a purchase sufficient to reach the next breakpoint level they will qualify for this reduced fee so long as they follow through with the commitment within 13 months of the initial purchase.

Mr. Troutman described for the Commission some examples of how these changes would affect customers. After some discussion Rep. Leone motioned to approve the expanded rights of accumulation to FA 529 Plan customers. Ms. Gooze seconded the motion. The motion was approved unanimously. Mr. MacKay motioned to approve letters of intent to allow for customers to get lower pricing after agreeing to make purchases sufficient to qualify for that pricing. The motion was seconded by Mr. Cryans. The motion passed unanimously.

Mr. Nigro described a change to the redemption fee policy for several portfolios investing in single underlying Fidelity Advisor mutual funds. Plan participants who invest in a portfolio investing in a single underlying fund that imposes a redemption fee will be subject to a short term redemption fee structured the same as the fee imposed by the underlying fund. Short term redemption fees are intended to benefit fund shareholders who do not engage in short term trading.

Mr. Nigro explained that because of the long-term nature of 529 plan investments, and the tax law limit of one exchange per calendar year, it is expected that few participants would be subject to the fee.

This change was presented for ratification by the Commission. After some discussion, Mr. MacKay motioned to approve the imposition of redemption fees on those Advisor Funds used in the FA 529 Plan where Fidelity has already imposed such fees. Mr. Cryans seconded the motion. The motion was approved unanimously.

Mr. Nigro also presented changes to the maximum daily investment amount permissible for Class B units. The changes were made to improve consistency between the FA 529 Plan and the Class B policy of the Fidelity Advisor mutual funds. After some discussion Mr. MacKay motioned to lower the maximum daily purchase amount of Class B shares of any FA 529 Plan Investment Option from \$249,999 to \$49,999. Mr. Cryans seconded the motion. The motion was approved unanimously.

Mr. Pearlman reviewed the regulatory environment for the mutual fund industry and 529 Plans. Fidelity continues to cooperate with the SEC on providing documentation and information as needed, but to this point has not been accused of or charged with any wrongdoing.

Mr. Ablowich then reviewed the status of the Endowment Fund. He reviewed the final transactions for fiscal year 2004.

The meeting adjourned at 12:00 P.M. The next meeting will be October 25, 2004 at 10 A.M. The meeting will take place at the New Hampshire Higher Education Assistance Foundation.