



2007 Annual Report  
Montana Family Education Savings Program  
College Savings Bank - Pacific Life Funds  
May 31, 2008



College  
Savings Bank®

1-800-888-2723

[ddavenport@collegesavings.com](mailto:ddavenport@collegesavings.com)



**PACIFIC LIFE FUNDS**

## **Montana Family Education Savings Program**

### Executive Summary

In 2007, College Savings Bank (“CSB”) completed its 10th year as Program Manager of the Montana Family Education Savings Program (“MFESP”). Throughout the past year, CSB has taken on new challenges, new products and new accounts, as well as maintained strong relationships with our existing customers through continuous service. Along with Pacific Life Funds (“PLF”), it has been CSB’s goal to build upon the success we’ve had with the MFESP over the past decade and provide the best possible college saving tools for the program. 2007 marked new accomplishments for the Bank and started us on a journey in a new direction, which will only continue and improve throughout 2008.

Our mission statement has played an extremely important role in the way which things have been produced and executed in 2007. Our pledge to our customers is a pledge of reliability and trust that their investments will be safe and provide the truly irreplaceable gift of a higher education to their children.

“College Savings Bank is a partner to parents who are preparing their children for higher education. We are in the financial business, but as a partner, we treat all of our beneficiaries like family members — and in such, bring products and services to the market that we would want as parents ourselves.”

Everyone at CSB is committed to fulfilling this mission on behalf of the MFESP and to the benefit of our account holders and beneficiaries. CSB plans even more progress through 2008, building upon that great year which was 2007.

## **Montana Family Education Savings Program**

### Executive Summary (cont'd.)

As of December 31, 2007, CSB had a total of 7,719 MFESP accounts and held \$116 million in assets, and PLF had a total of 11,371 MFESP accounts and held \$122.4 million in plan assets. In 2007 alone, PLF opened 5,675 new MT 529 accounts, which was a 750% increase from the prior year. PLF also saw the assets under management increase by 125% from \$54.3 million to \$122.4 million. The success of PLF 529 efforts were partially due to rollover accounts from the Arizona 529 Plan where PLF was previously a program manager. The rollover brought 1,934 new accounts and \$23.2 million dollars to the Montana plan. Excluding the Arizona 529 rollover accounts and assets, PLF still recorded a vigorous 500% increase in opened accounts and an 83% increase in assets under management.

Since inception, CSB and PLF have combined to establish over 20,000 accounts with over \$240 million in funds for the MFESP. Together, CSB and PLF helped to guide the MFESP to another successful year.

## **Montana Family Education Savings Program**

### Program Overview

During 2007, by request of the Oversight Committee, College Savings Bank introduced an equity indexed certificate of deposit (“InvestorSure CD”) sold without fees and linked to the Standard and Poor’s 500 Composite Stock Index (“S&P 500”). The InvestorSure CD features FDIC insurance and principal protection. The new product was introduced in December 2007 and the first CD was issued on February 1, 2008. Year to date College Savings Bank has accepted over \$3 million in deposits in the InvestorSure CD which represents 327 beneficiaries.

Further, during 2007 College Savings Bank added two customer service representatives within the Bank, dedicated to working with our existing account holders. These individuals are focused on maximizing the consumer benefit of the MFESP, and delivering upon the first class experience we pledge to the State of Montana. In July 2007, the Bank also issued its first customer service survey and received good results. The 2008 survey will be issued this July and the expectation is improvement upon already excellent feedback from our loyal customer base.

Another measure of customer satisfaction the Bank evaluates is early withdrawals and rollovers to another 529 plan. Our goal is to maintain a 99% retention rate year over year. In 2007, we achieved retention rates of 98% of our account holders and 98% of our total deposits.

## **Montana Family Education Savings Program**

### Program Overview (cont'd.)

To work with prospects more efficiently, the Bank also added an external call center in 2007. Through research, we have learned that prospects who requested information from College Savings Bank, generally evaluated three 529 programs prior to making a decision. This process took up to six-weeks from the first point of contact. It was our belief, now supported by results, that the organization that maintained contact and provided the best customer service would be rewarded by that customer. We employed our call center to make three calls:

- 1) upon receipt of the request to acknowledge the contact and advise them that information was being delivered that day;
- 2) to follow up in a week and confirm the information was received, as well as to address any questions;
- 3) to follow up again in 3 weeks to answer questions and close the sale.

Lastly, the Bank is obligated to invest at least \$300,000 in marketing each year (note: Pacific Life is committed to investing an additional \$300,000 within the MFESP). However, during 2007 the Bank doubled that minimum investment in order to grow awareness of the MFESP, generate in-state accounts and deposits, and successfully launch the InvestorSure CD. 2007 marked many areas for growth and opportunity, and so it made good business sense to expand the marketing expenditures. The Bank's marketing expenditure for 2008 is budgeted at \$650,000.

## **Montana Family Education Savings Program**

### Program Overview (cont'd.)

#### **Tax Rules and Reporting**

For the 2007 tax year, CSB filed 1,395 1099Q forms with the IRS. The Bank also reported, to the Montana Department of Revenue, 2,533 mostly tax-deductible contributions and 715 withdrawals from accounts owned by Montana residents.

#### **Pacific Life Funds Developments**

Significant contributors to the success of PLF in 2007 included: receiving a 4<sup>1/2</sup> in state cap rating from Joe Hurley's website, Savingforcollege.com, reaching a 3 year track record and Morningstar star ratings, lowering of fund expenses, a rebranding of our fund name and allocation models, simplification of investment options, and the departure of PLF from the Arizona 529 plan.

2007 marked the 3 year anniversary of the Portfolio Optimization Funds which entitled them to Morningstar star rankings on a 1-5 scale, (5 being the best). As of 12/31/07 the conservative fund earned a 3 star rating, and the four other funds (Moderate-Conservative, Moderate, Moderate - Aggressive, and Aggressive) each earned a 4 star rating.

PLF also lowered the fund expenses for all class A shareholders by 0.25%, which was on top of a 0.15% expense reduction two months prior. The lowering of expenses demonstrates PLF commitment to provide a competitive and cost effective mutual fund investment.

## **Montana Family Education Savings Program**

### Program Overview (cont'd.)

This past year marked the rebranding of the funds from Pacific Funds to Pacific Life Funds. The slight change in the name is designed to provide more brand awareness and leverage the correlation of our corporate image and national advertising campaigns.

As previously mentioned, the departure of PLF from the Arizona 529 was a victory for the MFESP, as it not only benefited from rollover accounts and assets, it also brought with it a distribution focus from PLF and its nation wide network of broker dealers and financial professionals. The impact of this change significantly spurred the growth in 2007.

Portfolio Optimization Funds and the Pacific Life Money Market fund were available as investment options for customers in 2007; however, individuals who owned the individual funds before the cut off date will be permitted to continue their normal fund activity.

PLF believes that asset allocation is what differentiates them from most funds and this is the added value that PLF can deliver to the MFESP. PLF believes that asset allocation funds are an ideal fit for 529 accounts, because the different model options provide alternatives for investors of all ages and time horizons, unlike age based portfolios that assume risk based on age. PLF models also minimize risk in a declining market, which is typically not the case with funds tied to an index.

## **Montana Family Education Savings Program**

### Marketing

2007 played host to both opportunities and challenges for the MFESP. College Savings Bank opened approximately 574 accounts in 2007, roughly the same number of accounts as the previous year. The Bank, however, accepted \$21 million in deposits. A 33% increase from 2006.

In 2007, CSB mailed Information Kits to roughly 3,241 prospects, up year over year from 2,451 prospects in 2006. Additionally, website visitor traffic increased 11% during the noted time frame.

College Savings Bank and Pacific Life Funds are committed to providing account owners ongoing access to educational materials and tools in an effort to increase visibility of the MFESP. All enrollment and educational materials are available on the CSB and Pacific Life Funds' Websites, providing ease and flexibility for individuals wanting to open a MFESP account. Individuals can also contact CSB and Pacific Life Funds' customer service directly to request an enrollment kit.

In 2007, CSB faced challenges due to the overall economic environment, success of the equity market and an outdated sales process at CSB. CSB found that throughout this year, prospect to customer conversion rates were a disappointment, existing deposit levels remained flat, and average initial deposit levels as well as early withdrawals were off budget. The Bank did however, seek solutions to these

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

downtrends, as new leadership was brought in within the sales department, an in-house customer service department was added and a call center was commissioned to help the Bank improve both service and conversions in 2008.

Further, in 2007 CSB introduced the InvestorSure CD to combat sales challenges in strong equity markets, as the CollegeSure CD is most effective in slower equity markets. The Bank also added and enhanced institutional relationships during the year, signing agreements with MEA MFT, D.A. Davidson, The Montana Hospital Association and The Montana Chamber of Commerce. CSB added a full-time Institutional Sales Manager to develop future relationships with Broker/Dealers and other distribution outlets as well.

Through this momentum generated, 2007 represents a new benchmark for the MFESP. The expectations for 2008 are considerably loftier with regard to accounts opened and dollars deposited. While turning a ship is very difficult, once moving it the right direction it's hard to stop. To our advantage, our course is now on the horizon and we are already making steam.

PLF added 85 Broker/Dealers to its distribution universe, of which 52 have a presence in Montana, as well as continued to perform the annual maintenance required to keep the product and materials up to date. For example, PLF updated its client

## **Montana Family Education Savings Program**

### **Marketing (cont'd.)**

guides, plan disclosure documents, applications, forms and website content. A new marketing brochure titled “Montana 529 Plan graduates to 4 caps” was created to promote the Montana 529 Plan and highlight that PLF was awarded a 4 cap rating (out of 5) by savingforcollege.com.

In the sales department, PLF through 2007 had a network of 122 Field Wholesalers nationwide who support registered representatives within various financial institutions. As of December 31, 2007, over 1,800 financial representatives have clients invested in the Montana 529 plan.

In 2007, PLF also had a dedicated Customer Service team to support inbound 529 calls from both registered representatives and Montana residents between the hours of 6:00 am to 5:00 pm, Monday through Friday, PST. In 2007, PLF Customer Service received approximately 7,700 calls in support of the PLF Montana 529 Plan.

### **Electronic Marketing and Online**

A marketing strategy of combined techniques was used throughout the 2007 calendar year. With the Internet playing a large role in electronic marketing, CSB has taken steps forward in effort to generate accounts both within the State of Montana and nationally through our host of websites.

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

The Montana website was completely revamped and enriched with new content and information about the MFESP. The site allows existing customers as well as prospective customers to learn about the program and the benefits, including product information about the CollegeSure CD and the InvestorSure CD.

The Montana website has been a strong area of concentration for the Bank and has been given updates regularly in order to continue with this positive direction. CSB plans to drive users to enroll online and navigate the site in the most efficient manner.

In 2007, CSB also continued to maximize our website ranking in natural search through search engine optimization tactics and pay-per-click advertising on Google, Yahoo and SavingForCollege.com. A complete list of pay-per-click media outlets includes:

- [www.savingforcollege.com](http://www.savingforcollege.com)
- [www.CompuServe.com](http://www.CompuServe.com)
- [www.AT&TWorldnet.com](http://www.AT&TWorldnet.com)
- [www.Sympatico.com](http://www.Sympatico.com)
- [www.Macworld.com.com](http://www.Macworld.com.com)
- [www.LinuxWorld.com](http://www.LinuxWorld.com)
- [www.Infospace.com](http://www.Infospace.com)
- [www.CNN.com](http://www.CNN.com)
- [www.Yahoo.com](http://www.Yahoo.com)
- [www.AmericaOnline.com](http://www.AmericaOnline.com)
- [www.Netscape.com](http://www.Netscape.com)
- [www.EarthLink.com](http://www.EarthLink.com)
- [www.NYPost.com](http://www.NYPost.com)
- [www.JavaWorld.com](http://www.JavaWorld.com)
- [www.HowStuffWorks.com](http://www.HowStuffWorks.com)
- [www.AltaVista.com](http://www.AltaVista.com)
- [www.Disney.com](http://www.Disney.com)

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

Interactive materials have also been included on the website, such as calculators, FAQs, enrollment forms and request form fields. These features will allow for an interesting and dynamic site that customers will want to return to. Further, the Bank has created a 'live chat' function allowing site visitors to speak directly with our College Savings Advisers.

The Web not only provides CSB with an outlet for product and program information, but also allows us to develop an e-mail database of existing and prospective customers. During the fourth quarter of 2007, the Bank added an HTML e-mail software allowing us to reach site content through the Web and into consumer inboxes.

As a result of this concentration on the internet, CSB has tracked an 11% jump in site traffic and gaining approximately 90 percent of new business through our website (<http://montana.collegesavings.com>). Further, the improved site content was accompanied by an improved user flow and overall experience. Online enrollments increased 57% in 2007.

PLF hosts a dedicated College Savings section on its website ([www.pacificlife.com](http://www.pacificlife.com)). The section provides 529 plan information, PLF product information, forms, and a 529 College Savings Calculator to assist users with their 529 invest-

## **Montana Family Education Savings Program**

### **Marketing (cont'd.)**

ment. The site also offers account owners the ability to securely view their account online and inquire about their general account information, account balance, historical transactions, and quarterly statements.

In 2007, Pacific Life Funds had approximately 4,728 total page views for the Pacific Life Funds MT 529 College Savings Plan. Of these, 1,746 total page views were for the Montana 529 Plan resident site and 2,982 total page views were for the Montana 529 plan non-resident (financial representative) site.

### **Advertising**

CSB executed a comprehensive advertising, direct mail and media relations campaign in Montana to build awareness for the MFESP, promote the state income tax deduction and also introduce the new InvestorSure CD through the MFESP.

As has become customary, the Bank focused the majority of its media dollars around the active fourth quarter. The Bank utilized a mix of media outlets, including newspaper, magazine, trade publications and outdoor advertising in order to gain the most attention and brand awareness as possible. Specific placements include the following:

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

#### Magazine Ads:

- Montanian (Annual Placement)
- Montana Chamber of Commerce Newsletter (Annual Placement)

#### Full Page Newspaper Ads:

- Great Falls Tribune
- Kalispell Daily Interlake
- Butte Montana Standard
- Missoulian
- Bozeman Chronicle
- Billings Gazette
- Helena Independent Record
- Hamilton Ravalli Republic

#### Billboards:

- Butte
- Helena
- Bozeman
- Missoula
- Great Falls
- Kalispell
- Billings

#### Small Space Newspaper Ads:

- Anaconda: Anaconda Leader
- Belgrade: Belgrade News
- Big Sandy: The Mountaineer
- Big Sky: Big Sky Weekly
- Billings: Billings Gazette
- Billings: Billings Times
- Bozeman: Bozeman Daily Chronicle
- Broadus: Powder River Examiner
- Butte: The Montana Standard
- Cascade: Cascade Courier
- Baker: Fallon County Times
- Bigfork: Bigfork Eagle
- Big Sky: Lone Peak Lookout
- Big Timber: Big Timber Pioneer
- Billings: Billings Outpost
- Boulder: Boulder Monitor
- Bozeman: The Sun
- Browning: Glacier-Reporter
- Butte: Butte Weekly
- Chester: Liberty County Times

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

#### Small Space Newspaper Ads (cont.):

- Chinook: Blaine County Journal
- Circle: Circle Banner
- Columbia Falls: Hungry Horse News
- Conrad: Independent Observer
- Cut Bank: Cut Bank Pioneer Press
- Dillon: Dillon Tribune
- Ennis: The Madisionian
- Fairfield: Sun Times
- Fort Benton: The River Press
- Glendive: Ranger-Review
- Hamilton: Ravalli Republic
- Harlowton: The Times-Clarion
- Helena: Independent Record
- Huntley: Yellowstone County News
- Jordan: Jordan Tribune
- Laurel: Laurel Outlook
- Libby: The Montanian
- Livingston: Livingston Enterprise
- Miles City: Miles City Star
- Missoula: The Missoula Independent
- Philipsburg: The Philipsburg Mail
- Choteau: The Choteau Acantha
- Clancy: Jefferson County Courier
- Columbus: Stillwater County News
- Culbertson: The Searchlight
- Deer Lodge: Silver State Post
- Ekalaka: The Ekalaka Eagle
- Eureka: Tobacco Valley News
- Forsyth: The Independent Press
- Glasgow: Glasgow Courier
- Great Falls: Great Falls Tribune
- Hardin: Big Horn County News
- Havre: Havre Daily News
- Helena: Queen City News
- Hysham: Hysham Echo
- Kalispell: The Daily Inter Lake
- Lewistown: Lewistown News-Argus
- Libby: The Western News
- Malta: Phillips County News
- Missoula: The Missoulia
- Pablo: Char-Koosta News
- Plains: Valley Press

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

#### Small Space Newspaper Ads (cont.):

- Plentywood: Sheridan County News
- Red Lodge: Carbon County News
- Roundup: Roundup Record
- Seeley Lake: Seeley-Swan Pathfinder
- Sidney: Sidney Herald
- Stanford: Judith Basin Press
- Superior: Clark Fork Chronicle
- Superior: Mineral Independent
- Thompson Falls: Sanders County Ledger
- Townsend: The Townsend Star
- West Yellowstone: News
- Whitefish: Whitefish Pilot
- White Sulphur Springs: The Meagher County News
- Wibaux: The Wibaux Pioneer-Gazette
- Polson: Lake County Leader
- Ronan: Valley Journal
- Scobey: Daniels County Leader
- Shelby: Shelby Promoter
- Sidney: The Roundup
- Stevensville: The Bitterroot Star
- Superior: Clark Fork Chronicle
- Terry: The Terry Tribune
- Three Forks: Three Forks Herald
- Valier: The Valierian
- Whitefish: Whitefish Free Press
- Whitehall: Whitehall Ledger
- Wolf Point: The Herald-News

In addition to this, a joint effort between CSB and PLF included an in-state post-card series reaching 50,000 residents three times and a 1/2 page newspaper advertisement title "Time Flies" was run in the Sunday (12/9/07) Billings Gazette (5 region distribution) as a friendly reminder of the benefits of a 529 Plan account, including the state income tax benefits.

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

#### **Direct Mail**

In addition to a 'year end' push, College Savings Bank employed a series of quarterly mailings during 2007 to generate accounts and build brand awareness. Direct mail complimented our media placements by utilizing advertising and direct mail piggybacking. This system has proven to be effective because the direct mail pieces provide more detailed information while working side by side with the advertisements. This piggybacking technique also helps to increase the frequency in which prospects are reached.

During 2007, CSB mailed more than 300,000 direct mail pieces within the State of Montana and an additional 150,000 nationally. The direct mail pieces targeted both parents and grandparents, and included both letter and dimensional mailers. The direct mail pieces mentioned the benefits of the MFESP, as well as the tax advantages, while bringing awareness to the importance of opening a college savings account.

In addition, CSB responded to 3,241 requests for information by mailing kits about the MFESP. This is in addition to information that customers can receive online.

4 deposit slip mailings were completed in 2007 to existing MFESP customers, allowing them to be reminded of making contributions to their accounts and providing them with a convenient way of doing so.

## **Montana Family Education Savings Program**

### **Marketing (cont'd.)**

#### **Media and Public Relations**

As an important piece of our marketing strategy, CSB has strongly promoted the MFESP through media relations tactics such as press releases, which are distributed throughout the State of Montana, to trade publications and to national publications. The press releases have covered topics ranging from the income tax deductions, tax advantages and the benefits of the MFESP.

Additionally, CSB released two issues of the CollegeSure Investor Newsletter in 2007. The newsletter reached existing customers as well as prospects, and features articles about account updates, news about the college saving industry, happenings at College Savings Bank, college saving tips and education related information. The newsletter is another way in which CSB strives to make a personal relationship with their existing customers while providing a prompt to make additional deposits or enroll in a savings account.

The efforts of our media relations tactics during 2007 can also be measured by our website's link popularity, which measures online awareness and visibility. In simple terms, the measurement indicates the number of sites on the Internet utilizing content prepared for and published to <http://montana.collegesavings.com>.

## **Montana Family Education Savings Program**

### **Marketing (cont'd.)**

In January 2007 the number was roughly 600, and at the close of December 2007 the measurement reached 1,600. A 600 score equates to a limited Internet presence, and a 1,600 is an average presence. Our family of sites, including <http://montana.collegesavings.com>, measure an above average presence online.

### **Marketing Collateral**

Following in the pattern of years prior, the Bank enhanced all of the marketing collateral that supports the MFESP as well as relevant forms, customer letters and account maintenance documents during 2007.

CSB spent \$600,000 marketing the Montana 529 plan in 2007. With this budget we believe CSB has provided continual and comprehensive results. All of these activities were designed to provide MFESP customers with the widest array of tools to help them manage the rising costs of higher education. 2007 marked opportunity for growth within the MFESP and CSB utilized each dollar to that effort.

### **Customer Retention**

CSB has continued to manage and strengthen its current customer relationship philosophy. By focusing on the development of a long-term, sustainable relationship with our consumer, CSB has been able to treat each consumer as an individual market segment, with unique goals, challenges and resources.

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

The Bank has established tools and college saving information in an effort to fit each of our customer's individual needs and to manage their savings for higher education. By expanding our communication activities and customer service, the strong relationship between the Bank and our customers has been improved through 2007, allowing for the maximization of contributions in existing accounts and increasing national awareness of the MFESP.

### Existing Communications

- Inaugurating Yearly Satisfaction Surveys
- Semi-annual CollegeSure Newsletter
- Establishing a Gift Card and Refer a Friend Program
- Distributing Quarterly Deposit Slips
- Sending Beneficiary Birthday Cards
- Providing Customers a Yearly Portfolio Analysis
- A Special Incentive to Help Promote the Bank's Direct Deposit Program
- Quarterly Statements

CSB believes that through these communication techniques and with our Customer Service Center, existing customers receive outstanding service. The communications allow for customer retention, as well as reminders for additional future deposits.

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

#### **Customer Service**

In 2007, the Bank added ways for our existing customers to have all of their questions answered, both efficiently and promptly. Hired in 2007, the Bank has a dedicated customer service department working directly with customers over the phone, and online. With the newly revamped website, communication between the Bank and customers has been even more efficient. The “live chat” feature enables customers to quickly and easily receive information through the website. In addition, our frequent mailings to customers keeps them updated on their accounts and what’s new at CSB.

The clearest measure of the Bank’s customer satisfaction is prevalent through our retention rates. In 2007, CSB maintained 98% of their account holders and 98% of their total deposits. The Bank conducted its first annual customer satisfaction survey (results below); however, our primary customer satisfaction goal is simple - to achieve customer retention rates of 99%.

Further supporting the Bank’s customer service record is our policy on customer complaints. All customer contact is initially routed through the Bank’s in-house customer service department. Any customer issues are managed first at this level. If a resolution cannot be reached, the customer is transferred to the Bank’s

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

Sales and Service Manager. Customer complaints that are irresolvable through the Sales and Service Manager are documented and brought to the attention of Bank Senior Management as well as the Board of Directors. During 2007 Bank Senior Management was not advised of a single unresolved customer complaint. Zero unresolved customer complaints are a goal of our service department.

Lastly, the Bank's first annual customer satisfaction survey was issued on July 31, 2007. Every CSB account holder was asked a series of questions about the Bank, the Bank's service level, and the Bank's products. The following documents the findings from respondents of the survey.

Of those customers that responded, the following opinions were expressed:

- 92% believe the CollegeSure CD is an easy way to save for college.
- 98% believe the CollegeSure CD is a safe way to save for college.
- 96% are attracted to the tax benefits of our state sponsored 529 plans.
- 86% are satisfied with the service level at College Savings Bank.
- 85% believe the CollegeSure CD is an affordable investment with many deposit options.

## **Montana Family Education Savings Program**

### Marketing (cont'd.)

As the first survey conducted, clearly the Bank's mission is to improve upon those percentages, as well as the number of respondents year-over-year. This being said however, we are very pleased with the feedback received by our customers – especially when considering an unhappy customer is much more likely to respond to a satisfaction survey than a content one.

## **Montana Family Education Savings Program**

### **Business Development**

College Saving Bank believes it is important to continue building and strengthening relationships with businesses in the State of Montana, as well as nationally. This task not only represents a good business decision, it is a mandated goal within or agreement with the state.

During 2007, we continued to develop traditional relationships with Broker/Dealers, and supported our Payroll Savings Plan. Also during the year, we sought relationships with trade organizations and established retail institutions for further promotion of the MFESP. The Bank believes this innovative approach will lead to a means of further presence in the State, a wider reach to prospective customers, and a positive brand image and awareness. Through financial planners and the use of new products, CSB believes we will be able to speak to families not easily reached through a cluttered mixed media which surrounds households today.

## **Montana Family Education Savings Program**

### **Business Development**

Other established relationships through the year were with the Montana Teachers Association, the Montana Hospital Association and the Montana Chamber of Commerce. Further, College Savings Bank began discussions with the Student Assistance Foundation and Montana Bankers Association. Emphasizing the importance of these relationships, College Savings Bank hired an Institutional Sales Manager during 2007 to 1) Service existing relationships and 2) Develop new relationships. During the year, we strengthened our Broker/Dealer relationships, conducted co-op marketing campaigns, attended trade shows and hosted college savings seminars within the State of Montana.

A complete list of active sales agreements is below:

- D.A. Davidson & Company
- Cohler Financial Associates
- Marty Klotovich
- Fintegra LLC
- DFS&A Insurance Agency, Inc.
- KMS Financial Services Inc.
- Michael A Langlois
- Summit Financial Advisors
- Bel Air Planning Association
- Berthel Fisher & Co Financial Services
- Brian Greenberg
- Laser Tax
- Commonwealth Financial Network
- GEMBA
- Ruby Valley National Bank
- Independence Capital Company Inc.
- Grennen Financial

## **Montana Family Education Savings Program**

### **Business Development**

#### **Active Sales Agreements (cont'd)**

- Larry Goldberg, CPA
- Sunset Financial
- Maine Securities Corporation
- Metlife Securities
- 529 Solutions
- Mutual Service Corporation
- New England Securities
- NFP Securities
- Paul Feinberg & Associates
- Principal Financial Group
- Provenance Wealth Advisors
- Purshe Kaplan Sterling Investment
- Paul Laude CFP
- Raymond James Financial Services, Inc.
- Security Assurance Services, Inc.
- Steven Schneider
- Marc S. Standig
- Walnut Street Securities
- Steve Cohn
- Securian Financial Services Inc.

## **Montana Family Education Savings Program**

### **Business Development**

#### **Payroll Plan**

Our payroll savings plan are an important contributor to deposits made annually. CSB works to build strong and lasting relationships with companies interested in the plan and those already involved. As of the date of this report, the Bank has more than 130 companies participating in our payroll savings plan.

Several are highlighted below:

- State of Montana
- Bayonne Med Center
- City of Billings
- Butte - Silver Bow
- Hunderdon Medical Center
- University of MT
- Polson Schools
- St. Francis
- St. James Healthcare
- Deaconess Billings Clinic
- Blue Cross Blue Shield
- Sun Chemical
- AT&T
- Bayshore Comm Hospital
- Cascade Public Schools
- Community Med. Center
- Liz Claiborne, Inc.
- Kimball Medical Center
- Montana Tech
- Meridian Hospital
- Billings Clinic
- MSU-Bozeman
- MSU-Billings
- Kraft Foods
- Penske Truck

## **Montana Family Education Savings Program**

### **Business Development**

#### **Payroll Companies (cont'd)**

- Montana Rail
- Pacific Life
- Country Wide
- Lockheed Martin
- State of Montana
- Berkshire Hathaw
- Honda Of America
- Miami Township
- Nissan
- PPL Montana
- Macy's
- Match.com
- Boeing

## **Montana Family Education Savings Program**

### **Business Development**

Within PLF, 55 employers had signed agreements to offer the Pacific Life Funds 529 College Savings Plan to their employees of which 23 employers were from the state of Montana as of December 31, 2007.

The following 23 Montana employers have established an employer-sponsored program:

- Brady Public School
- First Interstate
- Montana Professional Assistance
- St. Labre Indian School
- City of Missoula
- Nement Telephone Coop
- Keil Lawfirm PC
- Scenic City Trucking
- St. Vincent Health Care
- Culver Insurance
- Ravalli County
- St. Luke Community Healthcare
- East Bench Irrigation District
- Montana Family Practice
- Newland & Co.
- St. Patrick Hospital
- Whitewater School
- MSE Inc.
- CTA Architects
- Brelek & Young Advisors, Inc.
- Glasgow School District 1A
- Billings Public Schools
- Frenchtown School District

## **Montana Family Education Savings Program**

### **Business Development**

32 employers from outside the state have signed agreements with PLF to offer the MFESP Payroll Savings Plan to employees:

- Pacific Life
- Santa Rosa County Schools
- Classic Party Rental
- The Bohren Groups
- Fire King International Inc.
- Brasseler USA
- Hat Trick Bakeries
- Iteration Software
- Isaacson and Raymond
- River Road ISD
- City of Greenwood
- KVC Behavioral Health
- Modesto City School
- Nephrology & Internal Medicine
- Costaff
- Patriot Fire Protection
- Heritage Homes
- St. Mary Mercy Hospital
- Liberty Candy USA, Inc.
- Bonham ISD
- Anna ISD
- Fehr & Peers Associates
- DSM Desotech
- Town of Apple Valley
- Information Systems
- Tetra Tech EM, Inc.
- Good News Church
- Monsanto
- Scibal Associates
- Bomi Institute
- Flint Genesee Economy
- Deft, Inc.

## **Montana Family Education Savings Program**

### **Business Development**

#### **Financial Planners**

Montana residents have the ability to purchase directly from Pacific Life Funds at Net Asset Value. In addition, the plan is accessible to individuals across the country by investing through an investment professional. As of 12/31/07, the PLF distribution network included 631 broker/dealers. The list of active MT Broker Dealers with offices in MT includes:

- 1st Global Capital
- Allstate Financial Services LLC
- Capital Financial Services
- Financial Network Invest Corp
- FSC Securities Corp.
- ING Financial Partners
- Investacorp Inc
- KMS Financial Services Inc
- MML Investor Services
- Mutual Securities Inc
- Next Financial Group Inc
- Prospera Financial Services
- Intersecurities Inc
- Investment Centers of America
- Securities America Inc
- The ON Equity Sales Company
- Wells Fargo Investments LLC
- World Group Securities Inc
- AIG Financial Advisors
- American General Securities
- Citigroup Financial Markets
- First Clearing Corporation
- H.D. Vest Financial Services
- Linso/Private Ledger

## **Montana Family Education Savings Program**

### **Business Development**

#### **Financial Planners (cont'd)**

- National Financial Services LLC
- Pacific West Securities
- Questar Capital Corporation
- Royal Alliance Associates Inc
- Sigma Financial Corporation
- Transamerica Financial Svcs
- US Bancorp Investments
- AIG Retirement Advisors Inc
- Brecek & Young Advisors
- D.A. Davidson
- First Command Financial Planning Inc.
- IFMG Securities, Inc
- Invest Financial Corporation
- Investors Capital Inc.
- MetLife Securities Inc.
- Mutual of Omaha Investor Svcs
- New England Securities Corp
- PrimeVest Financials Services
- Raymond James Financial
- S G Long & Company
- Summit Brokerage Services
- UBS Financial Services
- Woodbury Financial Services Inc
- RBC Dain Rauscher
- Morgan Stanley Dean Witter

## **Montana Family Education Savings Program**

### **Business Development**

#### **New Products:**

On February 1, 2008, the new, equity based product, the InvestorSure CD (“ISCD”) was launched within the Montana Family Education Savings Program. Already the ISCD has seen promising numbers within its short time period of availability.

For the first offering (February 1, 2008), CSB generated over \$1 million in deposits and 159 accounts in less than 6 weeks. The second offering (May 1, 2008) generated over \$2 million in deposits and 168 accounts. The ISCD provides much of the same benefits as the CollegeSure CD. It is offered without fees or management charges and is FDIC insured to at least \$100,000 per depositor. Unlike the CollegeSure CD, however, investors will receive between 85 and 100% of the average increase in the S&P 500 from purchase date through maturity. Based upon our preliminary success, it should be noted that the AFCSP approved the ISCD for sales within the Arizona 529 plan and CSB has been contacted by several other states inquiring about the product.

#### **Fee Generation**

College Savings Bank did not charge any fees in 2007 to its customers; Pacific Life Funds collects a \$25 annual maintenance fee (pro-rated for accounts less than 1 year old) on the last Friday of each April. The fee is waived for accounts with balances greater than \$25,000, accounts with an active preauthorized investment plan or payroll deduction, and accounts that are opened at Net Asset Value, which includes accounts opened by Montana residents purchasing the 529 plan directly from Pacific Life Funds. In 2007, the cumulative fee collected by Pacific Life Funds on behalf of Montana was \$58,805, which was wired in its entirety to Montana’s Office of the Commissioner of Higher Education in May of 2007.

## **Montana Family Education Savings Program**

### **Lead Generation**

		1999	2000	2001	2002	2003	2004	2005	2006	2007	
Region	ZIP	CSB	CSB	CSB	CSB	CSB	CSB	CSB	CSB	CSB	CSB Total
Kalispell	599	236	162	192	58	53	63	24	131	287	1,206
Missoula	598	499	515	388	175	110	104	49	267	399	2,506
Butte	597	482	294	433	168	100	105	44	263	467	1,889
Helena	596	320	260	346	107	77	79	45	214	278	1,448
Great Falls	594	394	256	305	95	59	60	39	191	248	1,399
Havre	595	89	74	62	33	7	13	6	44	63	328
Billings	590/591	563	452	450	142	105	111	76	188	495	2,087
Wolf Point	592	69	56	56	19	7	8	11	33	72	259
Miles City	593	103	68	45	13	21	13	9	57	83	323
CSB Leads MT		2,755	2,137	2,277	810	539	556	303	1,482	2,392	10,859
CSB LEADS NAT'L		5,133	3,302	6,248	7,216	3,239	2,250	1,680	969	849	30,037
CSB TOTAL LEADS		7,888	5,439	8,525	8,026	3,778	2,806	1,983	2,451	3,241	40,896
PLF LEADS MT					2,290	2,709	234	328	197	214	5,758
PLF LEADS NATL					21,817	13,102	1,726	2,072	6,903	13,747	45,620
PLF TOTAL LEADS					24,107	15,811	1,960	2,400	7,100	13,961	51,378
MFESP TOTAL LEADS		7,888	5,439	8,525	32,133	19,589	4,766	4,383	9,551	17,202	92,274

\* Pacific Life Funds uses print fulfillment quantities as leads.

## **Montana Family Education Savings Program**

### **Customer Acquisition**

		1998*	1999*	2000*	2001*	2002*	2003*	2004*	2005*	2006	2007	
Region	ZIP	CSB	CSB	CSB	CSB	CSB	CSB	CSB	CSB	CSB	CSB	CSB Total
Kalispell	599	45	45	22	51	86	12	34	25	35	36	391
Missoula	598	152	110	139	157	165	89	68	26	65	92	1,063
Butte	597	85	115	98	149	151	113	47	23	102	107	990
Helena	596	79	87	78	136	149	48	62	3	52	71	765
Great Falls	594	82	64	67	89	80	69	13	4	33	57	558
Havre	595	17	11	27	26	22	1	8	3	9	2	126
Billings	590/591	102	80	93	181	169	123	71	15	85	93	1,012
Wolf Point	592	7	5	7	10	12	11	9	4	7	8	80
Miles City	593	15	14	3	16	11	12	6	4	17	8	106
CSB ACCOUNTS MT		584	531	534	815	845	478	318	107	405	474	5,091
CSB ACCOUNTS NAT'L		312	325	240	516	1,168	510	155	160	152	100	3,638
CSB TOTAL ACCOUNTS		896	856	774	1,331	2,013	988	473	267	557	574	8,729
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Region	Zip	PLF	PLF	PLF	PLF	PLF	PLF	PLF	PLF	PLF	PLF	PLF Total
Kalispell	599					34	131	91	94	105	127	582
Missoula	598					90	186	131	130	99	203	839
Butte	597					92	134	108	140	135	168	777
Helena	596					68	86	97	77	79	127	534
Great Falls	594					56	104	69	97	86	106	518
Havre	595					1	22	10	22	29	18	102
Billings	590/591					146	316	208	198	183	279	1330
Wolf Point	592					14	13	35	21	15	16	114
Miles City	593					22	25	43	26	4	50	170
PLF ACCOUNTS MT						523	1,017	792	805	735	1,094	4,966
PLF ACCOUNTS NATL						624	1,110	65	9	16	4,581	6,405
PLF TOTAL ACCOUNTS						1,147	2,127	857	814	751	5,675	11,371
MFESP TOTAL ACCTS		896	856	774	1,331	3,160	3,115	1,330	1,081	1,308	6,249	20,100

\* Number of CSB accounts is net of all accounts closed as a result of full withdrawal.

## Montana Family Education Savings Program Contributions

In-State vs. Out-of-State Deposits							
YEAR	CSB	CSB	CSB	PLF	PLF	PLF	Combined
	Mt Res	Out-of-State	Total	Mt Res	Out-of-State	Total	Total
1998	\$1,446,497	\$3,470,444	\$4,916,941	n/a	n/a	n/a	\$4,916,941
1999	2,158,118	4,079,840	6,237,958	n/a	n/a	n/a	6,237,958
2000	2,938,644	3,146,945	6,085,589	n/a	n/a	n/a	6,085,589
2001	4,759,226	8,639,973	13,399,199	n/a	n/a	n/a	13,399,199
2002	6,842,784	21,394,871	28,237,655	\$1,761,540	\$4,898,203	\$6,659,743	34,897,398
2003	7,670,921	14,081,688	21,752,609	5,376,019	9,013,201	14,389,220	36,141,829
2004	11,277,217	11,960,612	23,237,829	10,988,669	5,012,800	16,001,469	39,239,298
2005	4,412,959	8,726,121	13,139,080	6,719,397	2,418,256	9,137,652	22,276,732
2006	7,169,873	6,937,157	14,107,030	8,604,638	6,249,691	14,854,329	28,961,359
2007	10,807,351	10,055,516	20,862,867	9,742,475	18,242,931	27,985,406*	48,848,273
Total	\$59,483,590	\$92,493,167	\$151,976,757	\$43,192,738	\$45,835,082	\$89,027,819	
Grand Total							241,004,576

\*PLF chart contributions exclude rollovers from Arizona plan

**Montana Family Education Savings Program**  
**College Savings Bank Deposit Totals by Maturity**

College Savings Bank - Dollars on Deposit					
Year	Mt Res	Out-of-State	Year	Mt Res	Out-of-State
Savings	\$2,054,283	\$2,208,703	2018	\$1,524,561	\$2,849,369
			2019	1,310,111	2,415,156
2008	7,680,766	11,696,912	2020	1,357,984	2,116,928
2009	4,544,282	9,599,581	2021	922,292	1,384,865
2010	3,701,557	7,904,433	2022	690,228	960,663
2011	4,160,416	6,764,203	2023	581,183	521,888
2012	2,577,923	5,619,495	2024	367,706	317,388
2013	2,214,906	5,274,396	2025	260,608	146,880
2014	2,093,897	4,574,973	2026	43,279	61,527
2015	1,953,344	4,138,830	2027	19,973	31,301
2016	1,676,396	3,531,330	2028	5,392	5,019
2017	1,595,013	3,435,791	2029	0	0
Total Mt Residents				\$41,336,100	
				Total Non-Mt Residents	\$75,559,631

**Montana Family Education Savings Program**  
**Pacific Life Funds Investments by Month**

Pacific Funds - Investment by Month							
Mo/Yr	Mt Res	Out-of-State	Total	Mo/Yr	Mt Res	Out-of-State	Total
1/06	\$1,203,436	\$189,406	\$1,392,842	1/07	\$2,161,246	\$1,220,564	\$3,381,809
2/06	433,328	544,110	977,438	2/07	513,752	959,409	1,473,161
3/06	756,339	202,059	958,398	3/07	799,037	792,530	1,591,568
4/06	646,455	248,335	894,790	4/07	560,143	1,100,545	1,660,688
5/06	434,452	192,145	626,597	5/07	492,105	1,450,276	1,942,381
6/06	604,588	118,437	723,025	6/07	581,373	1,767,565	2,348,938
7/06	478,294	171,838	650,132	7/07	613,040	2,562,405	3,175,445
8/06	453,263	1,000,229	1,453,492	8/07	608,615	1,780,676	2,389,291
9/06	434,932	1,137,501	1,572,433	9/07	543,106	1,392,008	1,935,114
10/06	537,798	997,555	1,535,353	10/07	611,331	1,224,273	1,835,604
11/06	841,019	699,987	1,541,006	11/07	607,359	1,629,101	2,236,460
12/06	1,780,734	748,089	2,528,823	12/07	1,651,367	2,363,579	4,014,947
Inception through 12/05					19,881,339	19,560,183	39,441,522
Total					\$38,228,451	\$44,052,805	\$82,281,257

## **Montana Family Education Savings Program Withdrawals**

Year	CSB	Amount	PLF	Amount
1998	3	\$14,133	n/a	n/a
1999	33	163,942	n/a	n/a
2000	62	269,245	n/a	n/a
2001	113	512,327	n/a	n/a
2002	313	1,244,926	2	\$1,881
2003	476	2,199,500	63	531,173
2004	785	4,342,881	164	1,384,427
2005	1,116	7,434,791	700	2,133,449
2006	1,257	11,486,257	273	4,397,756
2007	1,712	14,151,976	472	4,961,953
<b>Total</b>	<b>5,870*</b>	<b>\$41,820,233*</b>	<b>1,674</b>	<b>\$13,410,639</b>
<b>Combined Total</b>				<b>\$55,230,872</b>

\* Excludes 102 transferred accounts (\$568,893) to the Pacific Life Funds 529 Plan since inception.

## **Montana Family Education Savings Program Expenditures**

College Savings Bank Expenditures				Pacific Funds Expenditures			
Year	Expenditure	Year	Expenditure	Year	Expenditure	Year	Expenditure
1998	\$317,183	2003	317,058	1998	n/a	2003	\$32,262
1999	394,242	2004	300,924	1999	n/a	2004	23,344
2000	398,902	2005	398,917	2000	n/a	2005	97,900
2001	391,026	2006	460,933	2001	n/a	2006	16,970
2002	376,048	2007	804,148	2002	\$241,532	2007	1,096,781
			Total				Total
			\$4,159,381				\$1,508,789
						Grand Total	\$5,668,170

## **Montana Family Education Savings Program**

### **Expenditures**

#### **College Savings Bank**

##### **CSB Legal Services**

Legal and Compliance	\$41,048
Trademark Registration and Maintenance	

##### **CSB Customer Service Support**

Phone System, Internet Access and Online Chat Capabilities	35,445
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##### **CSB Print Fulfillment Printed or Reprinted**

(Estimates below are printing costs only. Costs do not take into account legal/compliance costs, planning, postage, creative writing, design, pre-production, typesetting costs or salaries unless noted.)

Marketing Collateral, Existing Customer Communication and Business Documents/Forms	136,763
5,593	

##### **CSB Direct Mail**

Print Production, mail shop services and list services	140,999
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##### **CSB Media**

Magazines	
Newspaper	
Banner Ads	
Search Engine Key Words	
Outdoor	79,766

##### **CSB Internet**

Hosting & Maintenance	12,710
Creative/Updates/Services/Maintenance	5,164

##### **CSB Public Relations**

News Release Services, PSAs and Press Release Mailings	3,243
Clipping Service	5,593

##### **CSB Overhead, Operations and Fulfillment**

Fulfillment Processing and Postage*	148,827
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##### **CSB Deposit Processing**

187,189	187,189
Visa/MC charge fees	7,401

<b>CSB TOTAL</b>	<b>\$804,148<sup>††</sup></b>
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\* Includes inbound postage from business reply envelopes.

<sup>††</sup> Expenditures do not include account representative training and salaries, creative department salaries and costs such as copywriting, planning, design and typesetting. Such expenditures are valued at \$201,715.

## **Montana Family Education Savings Program**

### **Expenditures**

#### **PLF Expenditures**

##### **Marketing Fulfillment**

Postage and Handling	\$ 90,746.50
Inventory	3,024.00

##### **Pacific Life Funds MT 529 Forms**

Maintenance	150.00
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##### **Print Expenses for MT 529**

529 Direct Postcard #1	
529 Direct Postcard #2	
529 Direct Postcard #3	
529 Enrollment guide	
529 MT Direct Kit folder	
529 MT National kit folder	
529 Smart Investor – Grandchildren	
MT 529 ABC Guide	
529 Return Envelope	
529 MT Direct CSP	
529 MT National CSP	

124,719.49

##### **Operational Support**

Annual Account Maintenance	247,446.00
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##### **Administrative Expenses**

PL Employee expense	532,146.00
Business supplies	
Business equipment	

## **Montana Family Education Savings Program**

### **Expenditures**

#### **PLF Expenditures (cont'd)**

##### **Joint Efforts with CSB**

Postcards (set of 3)	\$ 12,387.50
Billings Gazette	4,493.18

##### **Account Owner Announcements (List)**

Postage	12,884.39
Printing	48,726.43
PLF Prospectus (January)	
PLF MT 529 Plan Description Handbook	
PLF House holding announcement	
PLFA announcement	
PLF Annual Report	
PLF Prospectus (July)	
PLF Manager Change announcement	
PL Janus Growth LT announcement	
PLF Semi-annual report	
PLF Class B/C announcement	

##### **Customer Service**

Inbound Calls	23,082.00
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<b>PLF Total</b>	<b>\$ 1,096,781</b>
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<b>Grand Total for both CSB and PLF</b>	<b>\$ 1,900,929</b>
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## Montana Family Education Savings Program

### Fees

College Savings Bank								Pacific Funds				
Year	App Fee	Early Withdrawal	Non-Qual Distrib	Year	App Fee	Early Withdrawal	Non-Qual Distrib.	Year	Fee Generation	Year	Fee Generation	
1998	\$12,480	\$300	\$0	2003	0	4,300	0	1998	n/a	2003	\$6,430	
1999	10,760	3,300	166	2004	0	0	0	1999	n/a	2004	30,227	
2000	0	6,200	705	2005	0	0	0	2000	n/a	2005	40,852	
2001	0	10,400	1,838	2006	0	0	0	2001	n/a	2006	49,315	
2002	0	7,200	0	2007	0	0	0	2002	none	2007	58,805	
Total					\$23,240	\$31,700	\$2,709	Total				\$185,629
Grand Total											\$243,278	

### Board of Regents Earnings

College Savings Bank Board of Regents Earnings				Pacific Funds Board of Regents Earnings			
Year		Year		Year		Year	
1998	\$6,390	2003	4,300	1998	n/a	2003	\$6,430
1999	7,696	2004	0	1999	n/a	2004	30,227
2000	6,905	2005	0	2000	n/a	2005	40,852
2001	12,238	2006	0	2001	n/a	2006	49,315
2002	7,200	2007	0	2002	none	2007	58,805
Total			\$44,729	Total			\$185,629
Grand Total							\$230,358

\* Pacific Life Funds pays the Board of Regents the entire account maintenance fee that is deducted from applicable accounts each year..

**Montana Family Education Savings Program**  
**Pacific Life Funds and Portfolio Optimization Funds and**  
**Comparable Indices**

Pacific Life Funds and Portfolio Optimization Funds and Comparable Indices One-Year Returns as of 12/31/07 Class A Shares (without sales charges)		
Fund Name	1 Year Cumulative Return	3 Year Cumulative Return
PL Portfolio Optimization Conservative	6.27%	4.75%
PL Portfolio Optimization Moderate-Conservative	6.64%	6.28%
PL Portfolio Optimization Moderate	7.29%	8.18%
PL Portfolio Optimization Moderate-Aggressive	7.15%	9.33%
PL Portfolio Optimization Aggressive	6.54%	10.83%
Lehman Brothers Aggregate	6.97%	4.56%
ML 3 Mo T-Bill	5.00%	4.30%
MSCI EAFE	11.17%	16.83%
S&P 500	5.49%	8.61%
60% S&P 500 40% LB Agg	6.22%	7.07%

## Montana Family Education Savings Program

### Pacific Life Funds Fee Comparison

Pacific Life Funds Fee Comparison					
			Low Cost Competitor	Mid Cost Competitor	High Cost Competitor
529 Plan		Montana	Utah	Indiana	Nebraska
Investment Provider		Pacific Life Funds	Vanguard Funds	JP Morgan Funds	AIM Funds
Sales Leads	Class A	5.50% maximum front-end sales load	No-Load	5.25% maximum front-end sales load	5.50% maximum front-end sales load
	Class B	No front-end sales load; 7 year CDSC starting at 5%	N/A	No front-end sales load; 6 year CDSC starting at 5%	No front-end sales load; 6 year CDSC starting at 5%
	Class C	No front-end sales load; 1% CDSC within 12 months	N/A	No front-end sales load; 1% CDSC within 12 months	No front-end sales load; 1% CDSC within 12 months
Additional Fees (included in totals)		A \$25 annual maintenance fee, waived for MT Direct accounts, accounts with payroll deduction or automated investment plan, and accounts w/ balance > \$25,000.	There is up to a \$20 annual maintenance fee, which is waived for UT residents.	Non-residents pay a \$30 annual maintenance fee; IN residents pay a \$10 annual maintenance fee. Fees for both residents and non-residents are waived for accounts with an automated investment plan, and for accounts w/ balance >\$25,000	A \$25 annual maintenance fee, waived for accounts with an automated investment plan, and for accounts w/ balance > \$25,000.
Total Fund Expenses		PL Portfolio Optimization Conservative: 1.19%-1.94% PL Portfolio Optimization Moderate-Conservative: 1.26%-2.01%	Expense Ratio Range: 0.25%-0.37%  There are nine investment options, including five age-based options	Age-Based Portfolios: 0.91%-1.17%  Lifestyle Portfolios 1.05%-1.92%	Enrollment-Based Portfolios: 1.35%-2.36%  Lifestyle Portfolios 1.44%-2.45%
		PL Portfolios Optimization Moderate: 1.33%-2.08% PL Portfolio Optimization Moderate-Aggressive: 1.38%-2.13%	(Which invest in underlying Vanguard Funds), and the UT State Treasurer's Investment Fund.		
		PL Portfolio Optimization Aggressive: 1.43%-2.18%			

## **Montana Family Education Savings Program**

### **5-Year History, CollegeSure CD**

Description	Issuance Dates	Margin	Minimum APY	Actual APYs for twelve months ended July 31,**				
				2007	2006	2005	2004	2003
Δ IC 500				6.02%	5.74%	5.62%	5.35%	5.77%
CollegeSure	7/31/88 or earlier	2.00%	4.00%	4.02	4.00	4.00	4.00	4.00
CollegeSure	8/1/88 – 10/31/97	1.50	4.00*	4.52	4.24	4.12	4.00	4.27
Plus	8/1/88 – 10/31/97	1.00	4.00*	5.02	4.74	4.62	4.35	4.77
Membership	8/1/88 – 10/31/97	1.25	4.00*	4.77	4.49	4.37	4.10	4.52
Gold	8/1/88 – 10/31/97	1.25	4.00*	4.77	4.49	4.37	4.10	4.52
Alumni	8/1/88 – 10/31/97	1.25	4.00*	4.77	4.49	4.37	4.10	4.52
Enhanced	4/1/90 – 3/31/96	0.90	5.00	5.12	5.00	5.00	5.00	5.00
CollegeSure	11/1/97 – 8/2/02	0	4.00	6.02	5.74	5.62	5.35	5.77
CollegeSure	8/3/02 – 2/28/03	1.00	3.00	5.02	4.74	4.62	4.35	4.77
CollegeSure	3/1/03 – 8/1/03	2.00	2.00	4.02	3.74	3.62	3.35	3.77
CollegeSure	8/2/03 – 1/31/06	3.00	2.00	3.02	2.74	2.62	2.35	N/A
CollegeSure	2/1/06 – 1/15/08	1.50	2.00	4.52	4.24	N/A	N/A	N/A
CollegeSure	3/16/08 or after	3.00	2.00	3.02	N/A	N/A	N/A	N/A

\* CDs purchased between 8/1/91 and 2/29/92 are subject to an annual 5.00% minimum APY.

\*\* Interest Rate: Each CollegeSure® CD pays interest on July 31 each year it remains outstanding, at an interest rate which may change, equal to the rate of college inflation, as measured by the change in the IC 500 minus a stepped-rate margin, subject to a minimum interest rate.

Given a constant level of college inflation each year's interest rate increases over the term of the CD. Consequently, the actual APYs in the above table are for CDs at the midpoint of their term to maturity.

## **Montana Family Education Savings Program**

### **10-Year History, InvestorSure CD**

InvestorSure CD			
Issue Date	Maturity Date	Upside Payment	APY
Nov 1, 2002	Nov 1, 2007	31.71%	5.66%
Aug 1, 2002	Aug 1, 2007	26.41%	4.80%
May 1, 2002	May 1, 2007	5.53%	1.08%
Feb 1, 2002	Feb 1, 2007	2.18%	0.43%
Nov 1, 2001	Nov 1, 2006	2.72%	0.54%
Aug 1, 2001	Aug 1, 2006	0.00%	0.00%
May 1, 2001	May 1, 2006	0.00%	0.00%
Feb 1, 2001	Feb 1, 2006	0.00%	0.00%
Nov 1, 2000	Nov 1, 2005	0.00%	0.00%
Aug 1, 2000	Aug 1, 2005	0.00%	0.00%
May 1, 2000	May 1, 2005	0.00%	0.00%
Feb 1, 2000	Feb 1, 2005	0.00%	0.00%
Nov 1, 1999	Nov 1, 2004	0.00%	0.00%
Aug 1, 1999	Aug 1, 2004	0.00%	0.00%
May 1, 1999	May 1, 2004	0.00%	0.00%
Feb 1, 1999	Feb 1, 2004	0.00%	0.00%
Nov 1, 1998	Nov 1, 2003	9.00%	1.74%
Aug 1, 1998	Aug 1, 2003	3.91%	0.77%
May 1, 1998	May 1, 2003	8.13%	1.58%
Feb 1, 1998	Feb 1, 2003	19.13%	3.56%
Nov 1, 1997	Nov 1, 2002	26.33%	4.79%
Aug 1, 1997	Aug 1, 2002	23.77%	4.36%
May 1, 1997	May 1, 2002	47.97%	8.15%
Feb 1, 1997	Feb 1, 2002	46.42%	7.92%
Nov 1, 1996	Nov 1, 2001	57.73%	9.54%
Aug 1, 1996	Aug 1, 2001	71.16%	11.35%
May 1, 1996	May 1, 2001	61.63%	10.08%
Feb 1, 1996	Feb 1, 2001	64.84%	10.51%
Nov 1, 1995	Nov 1, 2000	71.18%	11.35%
Aug 1, 1995	Aug 1, 2000	69.17%	11.09%
May 1, 1995	May 1, 2000	77.08%	12.11%
Feb 1, 1995	Feb 1, 2000	83.67%	12.93%
Nov 1, 1994	Nov 1, 1999	76.84%	12.08%
Aug 1, 1994	Aug 1, 1999	73.79%	11.69%
May 1, 1994	May 1, 1999	65.47%	10.60%
Feb 1, 1994	Feb 1, 1999	49.41%	8.36%
Nov 1, 1993	Nov 1, 1998	46.01%	7.86%
Aug 1, 1993	Aug 1, 1998	44.71%	7.67%
May 1, 1993	May 1, 1998	40.80%	7.08%
Feb 1, 1993	Feb 1, 1998	35.03%	6.19%