PACIFIC FUNDS

529 COLLEGE SAVINGS PLAN (MONTANA)

PLAN DESCRIPTION **HANDBOOK**

The Pacific Funds 529 Plan (MT) was created under the Montana Family Education Savings Program (Program). To implement the Program, the state of Montana established the Montana Family Education Savings Trust (Trust). The Montana Board of Regents of Higher Education serves as sole trustee of the Trust, administers the Trust, and is authorized to implement the Program. The Program was established under Montana law and is intended to qualify for treatment as a qualified tuition program.

No bank guarantee	Not a deposit	May lose value	Not FDIC/NCUA insured	Not insured or guaranteed by any federal government agency or the state of Montana

MONTANA FAMILY EDUCATION SAVINGS PROGRAM
PACIFIC FUNDS 529 COLLEGE SAVINGS PLAN (MONTANA)
PLAN DESCRIPTION HANDBOOK (10/1/05)

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Note: Performance and other detailed information on the investment options, including investment objectives, strategies, risks, fees, and fund managers, is included in the Pacific Funds prospectus. The Pacific Funds prospectus is considered part of the offering materials for the Pacific Funds 529 College Savings Plan (MT) and should be read in conjunction with this Plan Description Handbook before investing.

IMPORTANT NOTICES

- **This Plan Description Handbook includes important information for you to consider before making a decision to contribute to the Pacific Funds 529 College Savings Plan (MT) (the Plan), a college savings plan within the Montana Family Education Savings Program (MFESP) (the Program). This document should be preceded or accompanied by a current prospectus with more complete information about Pacific Funds, including charges, limitations and expenses. You should read both the Plan Description Handbook and Pacific Funds prospectus before investing.**
- **Montana residents have the option of opening a Pacific Funds 529 Plan (MT) account directly from Pacific Funds (without the assistance of an investment professional), without paying the applicable front-end sales charges and the annual account maintenance fee.**
- **The state tax treatment or other benefits offered by the State of Montana with regard to the Pacific Funds 529 Plan (MT) are available only to the taxpayers or residents of the State of Montana. Section 529 Plans offered by other states may provide state tax or other benefits to taxpayers or residents of those states that are not available through an investment in the Pacific Funds 529 Plan (MT). Taxpayers or residents of other states should consider such tax treatment and other benefits before making an investment decision.**
- **The label "designated beneficiary" does not give an individual any rights with respect to an account except to the extent that the designated beneficiary becomes the account owner.**
- **There is no guarantee that amounts saved pursuant to the Program or the Plan will be sufficient to cover the qualified higher education expenses at any specific college or university for the designated beneficiary.**
- **State of Montana residency will not be established for the designated beneficiary, nor will the designated beneficiary be treated as a Montana resident for purposes of admission to and charges at a Montana state college or university merely because the individual is a designated beneficiary under the Plan.**
- **Participation in the Program or the Plan does not guarantee that a designated beneficiary will be admitted to an eligible educational institution or be allowed to continue enrollment at or graduate from an eligible educational institution located in Montana or elsewhere.**
- **A contributor, account owner or designated beneficiary may not pledge their interest in an account (if any) or use an interest in an account as security for a loan.**
- **The discussions of tax law contained in this Plan Description Handbook were not intended or written by College Savings Bank, the state of Montana Board of Regents of Higher Education (BOR), the Montana Family Education Savings Trust, Pacific Funds, Pacific Life or any of their lawyers or advisers, to be used, and the tax discussions cannot be used, by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service. The discussions of tax law were written to support the promotion or marketing of interests in the Montana Family Education Savings Trust. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax adviser.**

RISK FACTORS

Before investing in the Pacific Funds 529 Plan (MT) you should consider the following risks:

- **Neither the account nor the principal nor the investment return of the Pacific Funds 529 Plan (MT) is guaranteed or insured by the State of Montana, Pacific Funds, or College Savings Bank.**
- **Account owners participating in the Plan are subject to investment risk. Account values will fluctuate and when redeemed, may be worth more or less than your original investment. *Refer to the Pacific Funds prospectus for a description of the principal investment risks associated with investing in the underlying funds.***
- **Changes enacted under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) are due to expire in 2010. If Congress does not act to extend the provisions, among other things, all withdrawals and other distributions from 529 plans after 2010 will be subject to tax. The expiration would adversely affect 529 plans funded both before and after 2011. In addition, Congress may choose to modify or restrict the tax-free treatment and/or make other changes at any time.**
- **The U.S. Treasury has not issued final regulations under Section 529. The issuance and adoption of such regulations and/or other guidance by the U.S. Treasury, BOR and/or the Montana State**

Legislature could modify or restrict the benefits of 529 plans and could also necessitate changes and/or restrictions in the Program and the Plan.

- **Contributions to 529 plans may adversely affect the eligibility of the designated beneficiary or the account owner for financial aid or other benefits. Refer to *Account Balances* for additional information.**

For more information about the Pacific Funds 529 Plan (MT), call (800) 722-2333 or access the website at www.collegesavings.PacificLife.com.

INTRODUCTION AND KEY FEATURES

The Montana Family Education Savings Program offers TWO ways to save for your child's future education! Choose from the CollegeSure® Certificate of Deposit (CD) or the Pacific Funds 529 College Savings Plan (MT), or use both to fund your child's future education. This handbook provides an overview of the Pacific Funds 529 Plan (MT). For more information about the CollegeSure® CD, call (800) 888-2723.

The Pacific Funds 529 College Savings Plan (MT) provides a way to save and invest on a tax-favored basis for the future college education of a child or other beneficiary. Some of the key features of the Pacific Funds 529 College Savings Plan (MT) include:

- Withdrawals used to pay for the qualified higher education expenses of the designated beneficiary are not subject to federal, and may not be subject to Montana state income tax. (The state tax treatment or other benefits offered by the State of Montana with regard to the Pacific Funds 529 Plan (MT) are available only to the taxpayers or residents of the State of Montana. Section 529 Plans offered by other states may provide state tax or other benefits to taxpayers or residents of those states that are not available through an investment in the Pacific Funds 529 Plan (MT). Taxpayers or residents of other states should consider such tax treatment and other benefits before making an investment decision.)
- Each individual can contribute up to $55,000 per beneficiary in a single year without federal gift tax assessment ($110,000 by a husband and wife). This includes the annual $11,000 limit for the current year, plus $11,000 for each of the four successive years, as long as no additional gifts are made to the beneficiary during that time and the contributor lives for the five-year period.
- Assets can be used to attend any eligible educational institution in the U.S. as well as certain eligible institutions abroad.
- Choose from a diversified investment selection of investment options including 5 asset allocation investment options – the Portfolio Optimization Funds, and 14 individual investment options – the individual Pacific Funds. (Fund availability may change over time.)
- For Montana residents, contributions to the Montana Family Education Savings Program up to $3,000 can be deducted annually from Montana adjusted gross income ($6,000 if married, filing jointly).
- Contributions may be made to an account for a designated beneficiary unless the contribution would cause the balance of the account and all other section 529 plan accounts for the same designated beneficiary to exceed a specified account balance limit. The limit is currently $289,000 and will change as the cost of college fluctuates.
- There are no income limits to open an account or age limits to be a beneficiary.
- Account owners can access account information through the Internet, Voice Response Unit (VRU) and customer service support. ***Montana residents can open a Pacific Funds 529 Plan (MT) account directly from Pacific Funds (without the assistance of an investment professional) without paying the applicable front-end sales charges and annual account maintenance fee.***

The Montana Family Education Savings Program (the Program) has been established, pursuant to the "Family Education Savings Act," Ch. 540, L. 1997, as amended (the Act). The Montana State Legislature enacted the Program to make possible the attainment of accessible, affordable post-secondary education by the greatest number of citizens through a qualified college savings program.

The Act authorizes the BOR to implement the Program and creates an Oversight Committee (Committee) under the authority of the BOR to assist in the implementation and administration of the Program. The Committee is comprised of representatives of several Montana state agencies and other Montana individuals as appointed by the governor of Montana. Members of the Committee include the Commissioner of Insurance (or a designee), the State Treasurer (or a designee), the BOR presiding officer (or a designee), and four representatives of the general public, each of whom possesses knowledge, skill, and experience in accounting, risk management, or investment management, or as an actuary. The Committee meets periodically and reports to the BOR. In accordance with the public disclosure laws of Montana, public notices of Committee and BOR meetings are posted on the Montana internet website at www.montana.edu/wwwbor.

The BOR and the Montana Legislature reserve the right to modify the Program policies, procedures and rules. Existing rules are found in BOR Policy #950.2, as amended, which is available at www.montana.edu/wochelp/borpol/bor900/9502.htm. Generally, significant changes in Program policies, procedures and rules will be communicated to all account owners.

The BOR has contracted with College Savings Bank (CSB) to serve as program manager of the Program. CSB has contracted with Pacific Funds to serve as investment manager (Investment Manager). The State of Montana has authorized the establishment of the family education savings trust that provides that participating trusts will be established for each person who wishes to open a Pacific Funds 529 College Savings Plan (MT) account. Each such account will be held in trust for the benefit of the account owner and the state of Montana. These 529 plan accounts are considered municipal fund securities and have not been registered under the Securities Act of 1933 or with any state in reliance upon an exemption from registration available for obligations issued by a public instrumentality of a state.

The Program was designed to comply with section 529 of the Internal Revenue Code in order to offer participants favorable tax treatment. Federal and state tax codes change from time to time, so it is recommended that participants seek the advice of their tax advisers regarding their particular circumstances and participation.

The tax-free treatment of withdrawals used for qualified higher educational expenses and certain other rules discussed throughout this document were enacted by Congress effective January 1, 2002. Such tax-free treatment and other changes are currently scheduled to expire at the end of 2010 unless extended or made permanent by a new act of Congress. In addition, Congress may choose to modify or restrict the tax-free treatment and/or make other changes at any time. The U.S. Treasury has not issued final regulations under Section 529. The issuance and adoption of such regulations and/or other guidance by the U.S. Treasury, the BOR and/or the Montana legislature could modify or restrict the benefits of 529 plans and could also necessitate changes and/or restrictions in the Pacific Funds 529 Plan (MT). Refer to **Federal and State Tax Considerations** ***for more information.***

OPENING AN ACCOUNT

Who can open an account?

Generally any person may open and/or own an account. There are no age or income restrictions to open an account, except that a custodian must be appointed if the account owner is a minor, as explained below.

- An account may be opened and owned jointly by spouses.
- A qualified individual in his or her capacity as a custodian under a Uniform Gifts or Uniform Transfers to Minors Act (UGMA/UTMA) may open an account for a minor and designate the minor as the account owner and beneficiary. The UGMA/UTMA custodian will control the account until the beneficiary reaches the age of majority under the applicable UGMA/UTMA statute, at which time, the beneficiary will take control of the account. The UGMA/UTMA custodian will not be permitted to change the beneficiary.
- A scholarship account may be opened only by a state or local government, or a charitable organization qualifying under section 501(c)(3) of the Internal Revenue Code. A designated beneficiary does not need to be named when a scholarship account is opened.

The account owner is the person (or entity) designated at the time an account is opened as having the authority to make changes to the account, revoke the account and withdraw assets from the account.

Special Note for Montana Residents: Anyone can invest in a Pacific Funds 529 Plan (MT) through an investment professional. However, Montana residents can also open a Pacific Funds 529 Plan (MT) plan account directly from Pacific Funds (without the assistance of an investment professional) without paying the applicable front-end sales charges and annual account maintenance fee.

Who can be designated as the beneficiary on the account?
The account owner must designate an individual as the beneficiary, whose qualified higher educational expenses are expected to be paid from the account.

- The designated beneficiary may be the account owner or any other individual. (The designated beneficiary must be an individual.)
- There is no requirement that the account owner and designated beneficiary be related.
- A designated beneficiary does not need to be named when a scholarship account is opened.
- Only one designated beneficiary can be named on an account at one time.

Can multiple accounts be opened?
Yes. An account owner can open multiple accounts and an individual may be the designated beneficiary of more than one account. Balances in multiple Program accounts with the same designated beneficiary are aggregated for purposes of monitoring the maximum account balance limit. Refer to *Contributions* for more information on the account balance limit.

Are there any residency requirements for investment in a Pacific Funds 529 College Savings Plan (MT) account?
No. The Program recognizes that the general welfare and well-being of the State of Montana is directly related to the educational levels and skills of its citizens, some of whom may move to Montana and become residents after obtaining a higher education. Consequently, the Program does not limit participation to Montana residents. Interested parties residing in other states may open an account for any college-bound person. In addition, there are no in-state use requirements. The proceeds may be used for qualified higher education expenses for the enrollment or attendance of a designated beneficiary at any eligible educational institution in the U.S. or certain eligible institutions abroad.

The state income tax treatment of, and state tax benefits associated with the Program may differ depending on the state residency of the account owner or beneficiary. Your state of residency may only offer favorable tax treatment for investments in a 529 program offered by that state. You should consult your tax adviser regarding benefits provided by your state of residence that may not be available by participating in the Pacific Funds 529 Plan (MT), and consider such tax treatment and other benefits before making an investment decision.

How do I enroll?
To participate in the Program, complete the Pacific Funds 529 Plan (MT) Account Application, name a designated beneficiary and make contributions to the account on behalf of the designated beneficiary. Carefully read and understand this Plan Description Handbook, Trust Agreement, and the Pacific Funds prospectus before opening an account and/or making contributions. Each account owner in the Pacific Funds 529 Plan (MT) is subject to the provisions of the Participating Trust Agreement included in this document, and by signing the application, the prospective account owner agrees to the terms of such Participating Trust Agreement.

CONTRIBUTIONS

How can I contribute to my account?
Contributions may be made by check, automatic withdrawal from a bank account (a preauthorized investment plan) or payroll deduction.

By check: Anyone can open an account with a minimum initial investment of $500 per investment option. Mail the payment with the application to the Pacific Funds 529 Plan (MT) at the address provided on the application. See Pacific Funds prospectus for more detailed information on acceptable forms of payment by check.

Through a Preauthorized Investment Plan: You can authorize automatic withdrawals from your checking or savings account to be contributed to a Pacific Funds 529 Plan (MT) account each month (the initial minimum investment of $500 is waived). These deductions will be made through the Automatic Clearing House electronic funds transfer system used by financial institutions. To initiate this method, select the Preauthorized Investment Plan and complete the Financial Institution Information on the application. The financial institution and account number to be debited must be identified. Automatic investments can be $50 or more per investment option per month and can be transferred on any day of the month. (If the specified day falls on a holiday or weekend, the debit will be processed the next business day.) If a preauthorized investment plan is not setup when the account is opened, it can be established later by completing an Account Maintenance form and sending it to the Pacific Funds 529 Plan (MT) at the address provided on the form. Any preauthorized investment plan will remain in effect until Pacific Funds is notified of its termination.

Through Payroll Deduction: Contributions can also be made through payroll deduction if your employer offers this service (the initial minimum investment of $500 is waived). Employers interested in offering payroll deduction services should call (800) 722-2333 for more information. Complete a Payroll Deduction form and return a copy to the Pacific Funds 529 Plan (MT), along with the application, for account activation; provide a copy of the form to your employer to initiate the payroll deduction; and keep a copy for your records. Through payroll deduction, a minimum of $50 can be deducted from your paycheck each month and deposited into a Pacific Funds 529 Plan (MT) account. If payroll deduction is not set up when the account is opened, it can be established later by completing a Payroll Deduction form and sending it to the Pacific Funds 529 Plan (MT) at the address provided on the form.

Each time a contribution is made to an account by check – whether by the account owner or by another individual – a confirmation notice will be sent to the account owner. This confirms the receipt of the contribution and details the investment options selected. At the bottom of each confirmation notice is a contribution slip for making subsequent contributions by mail. (There is also a postage-paid envelope for your convenience.) Subsequent contributions must be at least $50 per investment option. Preauthorized investment plans and payroll deductions will not receive confirmation notices for the automated contributions. However, the contributions will be included on quarterly statements.

What is the maximum amount I can contribute?
The Program is required to set a maximum account balance limit. No contribution may be made to an account if it would cause the sum of all section 529 accounts for the same designated beneficiary to exceed the lesser of the balance limit, currently set at $289,000, or the cost in current dollars of the qualified higher education expenses that the account owner reasonably anticipates the designated beneficiary will incur. Pacific Funds will reject or return a contribution to an account if it would cause the sum of the value of all Program accounts for the same designated beneficiary to exceed the balance limit. The balance limit is set by the BOR and adjusted from time to time. You should check the website at www.collegesavings.PacificLife.com for current account balance limits.

Under BOR Policy #950.2, as amended, the BOR sets the balance limit equal to 7 times the enrollment weighted average of one year’s undergraduate tuition, fees, room and board at the ten independent 4-year higher education institutions included in the College Board’s Independent College 500® Index that have the largest total direct charges. The BOR may set a lower balance limit if it determines that a lower limit is required for the Program to qualify under section 529 of the Internal Revenue Code.

If the Investment Manager determines that the balance limit has been exceeded for the designated beneficiary due to excess contributions to the Program, it shall notify the account owners of all accounts for the designated beneficiary. The account owners shall have 60 days after receipt of such notice to reduce the balances of the accounts for the designated beneficiary through distributions and/or changes in designated beneficiaries. If no such action is taken, the Investment Manager will liquidate the accounts in reverse order of their opening until the balance limit ceases to be exceeded. The earnings portion of such liquidated accounts would be subject to tax and a 10% federal tax penalty.

Can I change my ongoing contribution amounts?
Yes. The amount or frequency of contributions can be changed at any time. Investment instructions must accompany each additional contribution informing Pacific Funds how to allocate the contribution among the investment options available. Changes in payroll deduction should be made by completing a new Payroll Deduction form. Changes in a preauthorized investment plan should be made by completing an Account Maintenance form and sending it to the Pacific Funds 529 Plan (MT) at the address provided on the form.

When are contributions posted to my account?
Contributions will be posted to the account as of the end of the same day they are received in good order by Pacific Funds (if received before 4:00 pm Eastern time; thereafter, they will be posted as of the end of the next business day).

Can other people contribute to my account once it is established?
Yes. A person does not need to be the account owner to contribute to an account. However, a contributor who is not the account owner will have no rights with respect to the assets deposited into the account.

Can I rollover assets from another investment into my Pacific Funds 529 Plan (MT) account?
Yes, from certain investments. You can contribute to the Program by rolling over assets from another 529 plan or college savings investment, including a Coverdell Education Savings Account or a U.S. Savings Bond. The contribution must be designated as a rollover contribution. The appropriate documentation, i.e., a distribution statement issued by the previous 529 plan or financial institution, a redemption receipt or Form 1099-INT, must be provided to Pacific Funds showing the portion of the rollover that is attributable to contributions and the portion that is earnings. If the required documentation is not provided, federal tax law requires that the entire rollover be treated as a rollover of earnings for purposes of future reporting to the IRS and distributee. This could result in greater tax liability and penalties for future withdrawals.

ACCOUNT BALANCES

How will I know how much my account is worth?
You can access account information through the Internet at www.collegesavings.PacificLife.com, through the Voice Response Unit (VRU) or by speaking with one of the Pacific Funds' customer service representatives. In addition, calendar quarterly statements will be sent reflecting all account activity for the quarter. The year-end statement will include the account balance, as well as all contributions, distributions and earnings that occurred during the entire year.

If you believe an error has been made on an account statement, contact Pacific Funds in writing within 30 days from receipt of the statement on which the error occurred.

Can I use my account balance as collateral for a loan?
No. Account balances may not be pledged as security or collateral for a loan.

How will an investment in the program affect eligibility for financial aid?
Program assets generally will be considered if the student applies for state or federally sponsored financial aid or scholarships. Account balances are generally included in the assets of the account owner rather than the student. Distributions from a 529 plan account are typically considered assets of the designated beneficiary for the year the financial aid is requested. Assets owned for the sole benefit of the student (such as in a custodial account) will be treated as the student's assets for financial aid purposes. An account owner should check the applicable rules for financial aid programs and scholarship programs before withdrawing funds to pay qualified higher education expenses.

WITHDRAWALS

Only the account owner has the authority to request withdrawals from the account. Generally, each withdrawal includes two pro-rata components: (1) a return of principal and (2) earnings. The return of principal portion is never taxable, since taxes have already been paid on the contribution amount. The earnings portion may be subject to taxation and penalties, depending on whether the withdrawal is qualified or nonqualified. It is the account owner's responsibility to determine whether a withdrawal is qualified or nonqualified and whether a penalty applies.

What is a qualified withdrawal?
A qualified withdrawal is a withdrawal to pay for the qualified higher education expenses of the designated beneficiary. The earnings portion of the withdrawal is free from federal income tax. The account owner and the designated beneficiary are responsible for obtaining and retaining adequate records to substantiate a qualified withdrawal to the IRS. Consult a tax adviser with specific questions. For Montana residents, the distribution may also be subject to a Montana recapture tax on the deductible contribution amount. Refer to *Federal and State Tax Considerations* for more information about this recapture tax.

What are qualified higher education expenses?
Qualified higher education expenses include tuition, fees, textbooks, supplies and equipment that are required for the designated beneficiary to attend an eligible institution of higher education.

If the student's enrollment qualifies as at least half-time, room and board expenses are also eligible up to a specified level. Room and board expenses for students living in student housing are limited to the greater of the standard allowance for room and board (as determined by the eligible institution based on the amount most of its residents are normally assessed for room and board) or, if greater, the actual invoice charge for room and board. Room and board expenses for students living at home with parents or in off-campus housing will be the respective amounts determined by the eligible institution for purposes of determining "cost of education" for financial aid. In addition, qualified higher education expenses include expenses for special needs services in the case of a special needs beneficiary, if the expenses are incurred in connection with enrollment or attendance at an eligible educational institution. Expenses incurred before the date on which the account is opened are not eligible.

What is considered an eligible educational institution?
Eligible educational institutions include most accredited public or nonprofit colleges, universities, vocational schools and other postsecondary institutions that are eligible to participate in a student aid program administered by the U.S. Department of Education. To determine if a school is eligible, refer to the Department of Education's website at www.fafsa.ed.gov/fotw0506/fslookup.htm. If you have questions about whether the intended educational institution is considered eligible, contact Pacific Funds at (800) 722-2333 for more information.

What happens if the designated beneficiary receives a scholarship, becomes disabled or dies?
If the designated beneficiary receives a scholarship, becomes disabled or dies, the account owner can withdraw the assets in the account without incurring the 10% federal tax penalty applicable for nonqualified withdrawals. (Only assets up to the amount of the scholarship can be returned without incurring the 10% federal tax penalty.) However, the earnings portion of the withdrawal will be subject to federal income tax. Assets deposited after the designated beneficiary applied for the scholarship (and applicable earnings) or after the designated beneficiary learned that they would be awarded the scholarship do not qualify. According to IRS Publication 970, "scholarship" includes a qualified scholarship excludable from gross income, veterans' educational assistance, employer-provided educational assistance or any other nontaxable payments (other than gifts, bequests or inheritances) received for education expenses.

The account owner could also initiate a change of designated beneficiary. Refer to *Change of Designated Beneficiary* for more information.

A withdrawal due to the death, disability or receipt of scholarship of the designated beneficiary would not be subject to a contingent deferred sales charge (CDSC), if applicable (depending on the share class), if the appropriate documentation is provided to Pacific Funds. The distribution may also be subject to a Montana recapture tax on contributions that were deducted in computing Montana income. Refer to *Federal and State Tax Considerations* for more information about this recapture tax.

What is considered a nonqualified withdrawal?
A nonqualified withdrawal is any distribution that is not considered a qualified withdrawal, not made as a result of the death or disability of the designated beneficiary or due to a scholarship received by the designated beneficiary, and not a permitted change of designated beneficiary. Nonqualified withdrawals are typically subject to ordinary income tax and a 10% federal tax penalty on the earnings portion of the withdrawal. Nonqualified withdrawals may be subject to a Montana recapture tax. Refer to *Federal and State Tax Considerations* for more information about this recapture tax and the federal tax penalty on nonqualified withdrawals.

- *Graduation*: If the designated beneficiary graduated from an eligible educational institution and assets remain in the account, the account owner can:
    1) Have the remaining assets (including earnings) returned by completing a Distribution Request form and sending it to the Pacific Funds 529 Plan (MT) at the address provided on the form. The earnings included in the distribution will be subject to ordinary income tax and the 10% federal tax penalty.
    2) Authorize a change of designated beneficiary for the remaining assets. Refer to *Change of Designated Beneficiary* for more information. (This is not considered a nonqualified withdrawal.)
    3) Keep the assets in the account to pay future education expenses, such as graduate or professional school expenses of the designated beneficiary. (This is not considered a nonqualified withdrawal.)

- *Involuntary Termination*: The BOR as trustee may terminate an account at any time if it determines after due inquiry and notice that (1) the designated beneficiary of an account does not intend to attend an eligible educational institution or (2) the account owner has changed the designated student beneficiary of an account primarily to avoid or significantly defer federal or state income tax beyond what should be the normal limits.

  In addition, an account may be terminated if the account has a value less than $500 for six consecutive months (excluding accounts with preauthorized investments or payroll deduction established). Upon termination of an account, the Pacific Funds 529 Plan (MT) shall liquidate the assets in the account and distribute the balance of the account to the account owner, in what will likely constitute a nonqualified withdrawal. For Montana residents, the distribution may also be subject to a Montana recapture tax on the deductible contribution amount.

- *Lack of need:* If the designated beneficiary decides not to pursue higher education, the account owner may either close the account or authorize a change of designated beneficiary. Refer to *Change of Designated Beneficiary* for more information. (This is not considered a nonqualified withdrawal.) If the account is closed, the assets (including earnings) will be returned to the account owner, in what will likely constitute a nonqualified withdrawal. For Montana residents, the distribution may also be subject to a Montana recapture tax on the deductible contribution amount.

- *Voluntary termination:* At any time, the account owner may terminate the account by completing a Distribution Request form and sending it to the Pacific Funds 529 Plan (MT) at the address provided on the form. In such instance, the assets will be returned to the account owner, in what will likely constitute a nonqualified withdrawal. For Montana residents, the distribution may also be subject to a Montana recapture tax on the deductible contribution amount.

Refer to *Federal and State Tax Considerations* for more information on the federal tax penalty on nonqualified withdrawals and the Montana recapture tax.

How do I make a withdrawal?
To make a withdrawal from the account, the account owner must complete a Distribution Request form and send it to the Pacific Funds 529 Plan (MT) at the address provided on the form. Distribution requests by phone or the Internet are not available. If an account is jointly owned, both owners must sign the form. Distributions can be made at any time during the year.

The distribution can be made by check or wire transfer made payable to either (1) the educational institution for the benefit of the designated beneficiary, (2) the designated beneficiary for reimbursement of eligible expenses, or (3) the account owner. Depending on the share class in which the account owner invests, a contingent deferred sales charge (CDSC) may be assessed when the withdrawal occurs.

<u>CHANGE OF DESIGNATED BENEFICIARY</u>

How do I change the designated beneficiary on the account?
Section 529 of the Internal Revenue Code allows for changes of the designated beneficiary without income tax consequences, as long as the new designated beneficiary is a family member of the original designated beneficiary. If the new beneficiary is a member of a lower generation than the former beneficiary, there may be gift or generation-skipping tax consequences. Consult a tax adviser regarding specific situations. To initiate a change of designated beneficiary, complete an Account Maintenance form and send it to the Pacific Funds 529 Plan (MT) at the address provided on the form. An UGMA/UTMA custodian will not be permitted to change the designated beneficiary on an account.

Who is considered a family member?
For purposes of changing the designated beneficiary as described above, the definition of “family member” is:
- Father, mother, or grandparent;
- Stepfather or stepmother;
- Son or daughter;
- Stepson or stepdaughter;
- Brother, sister, stepbrother, stepsister;

- Grandson or granddaughter;
- Son or daughter of a sibling;
- Aunt or uncle;
- Spouse of any of the preceding;
- First cousin; or
- Spouse.

To avoid federal income tax and a 10% federal tax penalty on earnings, a change of designated beneficiary must be made to an individual listed above.

CHANGE OF ACCOUNT OWNER

Can I change the account owner on the account?
Yes. Account ownership may be changed only (1) to a designated beneficiary (or a custodian for a designated beneficiary), (2) to an ex-spouse, pursuant to a divorce, (3) at the death of the account owner, or (4) to add a spouse for joint ownership purposes.

To initiate the transfer to a designated beneficiary or to an ex-spouse, complete an Account Maintenance form and send it to the Pacific Funds 529 Plan (MT) at the address provided on the form. In the case of a transfer to an ex-spouse, appropriate proof (such as a copy of a divorce decree) is required. To transfer ownership as a result of the death of the account owner, a copy of the death certificate should accompany the Account Maintenance form.

What happens to the account if the account owner dies?
Upon the death of the account owner, the following will occur:

1) If the account was jointly owned, the surviving joint account owner will become the sole account owner.
2) If there is no joint owner and a successor owner has been designated, the designated successor will become the account owner.
3) If there is no surviving joint account owner or designated successor owner and the designated beneficiary is at the age of majority or older, account ownership will be transferred to the designated beneficiary.
4) If there is no surviving joint account owner or designated successor owner and the designated beneficiary is a minor at the time of the account owner's death, the account will be transferred to the legal guardian for the designated beneficiary as custodian under the applicable Uniform Transfers or Uniform Gifts to Minors Act. If the designated beneficiary does not have a legal guardian designated, the account owner's personal representative will be allowed to designate a custodian of the account.

TRANSFER OF ACCOUNT ASSETS TO ANOTHER 529 PLAN

What happens if I want to transfer assets from my Pacific Funds 529 College Savings Plan (MT) account to another state's 529 plan?
Under federal tax law, the assets in a qualified tuition program (529 plan) for a designated beneficiary can be transferred to another 529 plan for the same designated beneficiary without subjecting the distribution to federal income tax or federal tax penalty. Only one such transfer is permitted in any 12-month period. Transfers that involve a change in designated beneficiary (to a family member) are acceptable at any time without tax liability. Under Montana rules, the transfer would result in a recapture of any Montana tax deductions claimed by Montana income tax payers for contributions that are transferred to another 529 plan. Refer to *Federal and State Tax Considerations* for more information. In addition, depending on the share class in which the account owner invests, a CDSC may be assessed when the transfer occurs.

INVESTMENT OPTIONS AND INVESTMENT CHANGES

What are the investment options for my Pacific Funds 529 College Savings Plan (MT)?

The Program offers a diversified selection of investment options including 5 asset allocation investment options – the Portfolio Optimization Funds, and 14 individual investment options – the individual Pacific Funds. You may allocate your contributions to your account for investment in any one or more of the following investment options.

1) **Portfolio Optimization Funds** – each Portfolio Optimization Fund seeks to achieve its investment goal by investing in the other Pacific Funds (listed below), and uses asset allocation strategies to determine how much to invest in each of these other funds. The advantages of asset allocation are:
   - A diversified portfolio tailored to the account owner's chosen investment objective, risk tolerance, and time horizon.
   - Periodic updates to the target allocations of each fund help to keep the integrity of the account owner's portfolio consistent with their selected risk profile and investment time horizon.
   - Professional money management and expertise.

   The funds were developed by Pacific Life and Ibbotson Associates, based on the work of economist and 1990 Nobel laureate Dr. Harry Markowitz. The process applies investment methodology, including historical asset performance and attribution analysis, to determine a fund that is consistent with a particular level of risk. The analysis is conducted periodically to help keep the risk/return profile of the funds consistent.

   Although the funds are designed to optimize returns given the various levels of risk, there is no assurance that a Portfolio Optimization Fund will not lose money, including principal, or that investment results will not experience some volatility.

   The following are the target underlying fund allocations of each Portfolio Optimization Fund *(as of October 1, 2005)*:

PF Portfolio Optimization Model A

You are looking for relatively stable returns and require investments that generate some level of income. There may be some losses in the values of the investment as asset values fluctuate.

PF Pacific Life Money Market	9%
PF Goldman Sachs Short Duration Bond	28%
PF PIMCO Inflation Managed	15%
PF PIMCO Managed Bond	25%
PF Oppenheimer Main Street® Core*	6%
PF Salomon Brothers Large-Cap Value	3%
PF Van Kampen Comstock	4%
PF AIM Blue Chip	2%
PF Lazard Mid-Cap Value	2%
PF Lazard International Value	3%
PF MFS International Large-Cap	3%

PF Portfolio Optimization Model B

Your focus is on keeping pace with inflation. Income generating investments and capital appreciation are desired. There may be some losses in the values of the investment from year to year.

PF Pacific Life Money Market	7%
PF Goldman Sachs Short Duration Bond	17%
PF PIMCO Inflation Managed	14%
PF PIMCO Managed Bond	19%
PF Oppenheimer Main Street Core*	7%
PF Salomon Brothers Large-Cap Value	3%
PF Van Kampen Comstock	8%
PF AIM Blue Chip	3%
PF Lazard Mid-Cap Value	3%
PF Van Kampen Mid-Cap Growth	3%
PF Janus Growth LT	3%
PF Lazard International Value	7%
PF MFS International Large-Cap	6%

PF Portfolio Optimization Model C

You want the opportunity for long-term moderate growth. There will probably be some losses in the values of the underlying investments from year to year. Fluctuations in value should be less than those of the overall stock markets.

PF Pacific Life Money Market	2%
PF Goldman Sachs Short Duration Bond	9%
PF PIMCO Inflation Managed	12%
PF PIMCO Managed Bond	14%
PF Oppenheimer Main Street Core*	7%
PF Salomon Brothers Large-Cap Value	5%
PF Van Kampen Comstock	10%
PF AIM Blue Chip	3%
PF Lazard Mid-Cap Value	3%
PF Van Kampen Mid-Cap Growth	6%
PF Janus Growth LT	5%
PF NB Fasciano Small Equity	2%
PF Van Kampen Real Estate	3%
PF Lazard International Value	8%
PF MFS International Large-Cap	7%
PF Oppenheimer Emerging Markets*	4%

PF Portfolio Optimization Model D

You want an investment that is geared for growth and are willing to accept above-average risk. There will probably be some losses in the values of the underlying investments from year to year. Some of these might be large, but the overall fluctuations in asset values should be less than those of the U.S. stock market.

PF Goldman Sachs Short Duration Bond	4%
PF PIMCO Inflation Managed	7%
PF PIMCO Managed Bond	7%
PF Oppenheimer Main Street Core*	11%
PF Salomon Brothers Large-Cap Value	5%
PF Van Kampen Comstock	11%
PF AIM Blue Chip	4%
PF Lazard Mid-Cap Value	5%
PF Van Kampen Mid-Cap Growth	7%
PF Janus Growth LT	8%
PF NB Fasciano Small Equity	3%
PF Van Kampen Real Estate	4%
PF Lazard International Value	10%
PF MFS International Large-Cap	9%
PF Oppenheimer Emerging Markets*	5%

PF Portfolio Optimization Model E

You are an aggressive investor and can tolerate short-term market swings. There will probably be some losses in the values of the underlying investments from year to year. Some of these might be large, but the overall fluctuations in asset values should be less than those of the U.S. stock market.

PF PIMCO Managed Bond	2%
PF Oppenheimer Main Street Core*	11%
PF Salomon Brothers Large-Cap Value	7%
PF Van Kampen Comstock	11%
PF Lazard Mid-Cap Value	5%
PF Van Kampen Mid-Cap Growth	7%
PF Janus Growth LT	14%
PF NB Fasciano Small Equity	6%
PF Van Kampen Real Estate	5%

PF Lazard International Value	12%
PF MFS International Large-Cap	14%
PF Oppenheimer Emerging Markets*	6%

2) **Individual Pacific Funds -** the following 14 individual investment options are also available (as of October 1, 2005) for investment of your college savings assets:

- PF AIM Blue Chip
- PF Goldman Sachs Short Duration Bond
- PF Janus Growth LT
- PF Lazard Mid-Cap Value
- PF Lazard International Value
- PF MFS International Large-Cap
- PF NB Fasciano Small Equity (formerly Aggressive Growth)
- PF PIMCO Managed Bond
- PF PIMCO Inflation Managed
- PF Pacific Life Money Market
- PF Salomon Brothers Large-Cap Value
- PF Van Kampen Comstock
- PF Van Kampen Mid-Cap Growth
- PF Van Kampen Real Estate

***** The PF Oppenheimer Main Street Core and PF Oppenheimer Emerging Markets Funds are only available for investment by the Portfolio Optimization Funds.

Pacific Funds offers investors Class A, Class B, and Class C shares of each investment option, except for the PF Pacific Life Money Market Fund, which only offers Class A shares (as of July 1, 2005). Class A shares of the PF Pacific Life Money Market Fund can be owned in conjunction with Class A, Class B, and Class C shares of the other Pacific Funds available through the Pacific Funds 529 Plan (MT). Montana residents can open a Pacific Funds 529 Plan (MT) account directly from Pacific Funds without paying the applicable Class A front-end sales charges and annual account maintenance fee. Each share class is subject to different types and levels of sales charges, and bears different levels of expenses. The class of shares that is best suited for you depends upon several factors. When choosing among share classes, you should consider the following questions:

- How long do I plan to hold the shares?
- How much money do I intend to invest?
- Will I be purchasing more shares in the future?
- What expenses will I pay for each class?
- Do I qualify for any sales charge discounts?

You should understand how the various fees, expenses and charges will affect your investment over time. Once you understand the differences in the share classes, you can then make an informed decision and select a share class that matches your needs, resources and investment timeline. Refer to *Fees and Expenses* for more information regarding the fees applicable for each investment option and share class.

Could the investment options change?
Yes. The BOR has the right to change the investment options available in the Program at any time. In the event Pacific Funds determines to close, merge or otherwise terminate a fund so that an investment option is no longer available, your assets from that investment option will be automatically transferred to the money market investment option, or such other investment option as the BOR may designate. In addition, the BOR has the right to change the program manager and/or Investment Manager at the end of each renewable contract period. In the event the BOR selects a different program manager and/or Investment Manager, the investment options could be replaced by the BOR with investment options and funds offered or sponsored by other financial institutions.

Are there limitations on changing the investments in my account?
Federal law prohibits contributors, account owners and designated beneficiaries from directly or indirectly managing the investments in a program account (including earnings). However, the IRS has issued a notice indicating that a program will not violate this prohibition on investment direction if it permits a change in the investment strategy selected for a section 529 plan account once per calendar year. It also permits a change in the investment strategy upon a change in the designated beneficiary of the account. For purposes of the investment change rule, all accounts maintained for the same designated beneficiary will be aggregated.
To initiate a change in investment strategy, the account owner must complete an Account Maintenance form. Investment changes by telephone and Internet are not available.

Although it is believed that the procedures for changing investments comply with the above IRS notice, certain aspects of the notice are uncertain and final regulations or other IRS guidance may necessitate restrictions or other changes in the ability to change investment options.

INVESTMENT RISK AND PERFORMANCE

Where can I find additional information about the investment options, including their risks and performance history?
For more detailed information on each investment option, such as investment objective, strategy, risks, applicable fees, fund managers and performance, refer to the current Pacific Funds prospectus, including any supplements thereto. Please note that the performance included in the prospectus does not take into consideration the $25 annual account maintenance fee. However, this $25 annual account maintenance fee should not have a material effect on the performance included in the prospectus.

Account values fluctuate and when redeemed, may be worth more or less than the original investment. Past performance does not guarantee future results.

FEES AND EXPENSES

What are the expenses associated with the Pacific Funds 529 College Savings Plan (MT)?
A $25 annual account maintenance fee will be assessed on all accounts on the last Friday in April. The fee is waived for (1) accounts with balances greater than $25,000, (2) accounts with a current preauthorized investment plan or payroll deduction established, or (3) accounts that can purchase the funds at Net Asset Value (NAV) (without payment of front-end sales charges) – this includes Montana residents that purchase the 529 plan directly from Pacific Funds. Pacific Life pays this fee to the BOR to help pay for the costs of administering the Program. In addition, you will pay the costs associated with investing in the underlying Pacific Funds, which will vary depending on the share class and investment options selected, as well as the amount invested.

Direct Purchases by Montana Residents (Class A shares):

Montana residents can open a Pacific Funds 529 Plan (MT) directly from Pacific Funds without paying the applicable front-end sales charges and annual account maintenance fee. The following table reflects the estimated net operating expenses for Class A shares of each investment option available in the direct Pacific Funds 529 Plan (MT). Refer to the Pacific Funds current prospectus, and any supplements thereto, for more details. Note that fees and expenses are not guaranteed and may increase.

DIRECT PURCHASE FEE STRUCTURE							
	Annual Asset-based Fees						Additional Investor Expenses[3]
Investment Options	**Estimated Underlying Fund Expenses[1]**	**Program Manager Fee**	**State Fee**	**Misc. Fee**	**Annual Distribution Fee**	**Total Annual Asset-based Fees[2]**	**Annual Account Maintenance Fee[4]**
PF Portfolio Optimization							
Model A	1.57%	N/A	N/A	N/A	N/A	1.57%	N/A
Model B	1.63%	N/A	N/A	N/A	N/A	1.63%	N/A
Model C	1.73%	N/A	N/A	N/A	N/A	1.73%	N/A
Model D	1.78%	N/A	N/A	N/A	N/A	1.78%	N/A
Model E	1.83%	N/A	N/A	N/A	N/A	1.83%	N/A
PF AIM Blue Chip	1.90%	N/A	N/A	N/A	N/A	1.90%	N/A
PF Goldman Sachs Short Duration Bond	1.55%	N/A	N/A	N/A	N/A	1.55%	N/A
PF Janus Growth LT	1.70%	N/A	N/A	N/A	N/A	1.70%	N/A
PF Lazard International Value	1.80%	N/A	N/A	N/A	N/A	1.80%	N/A
PF Lazard Mid-Cap Value	1.80%	N/A	N/A	N/A	N/A	1.80%	N/A
PF MFS International Large-Cap	2.00%	N/A	N/A	N/A	N/A	2.00%	N/A
PF NB Fasciano Small Equity (formerly called Aggressive Growth)	1.95%	N/A	N/A	N/A	N/A	1.95%	N/A
PF PIMCO Inflation Managed	1.55%	N/A	N/A	N/A	N/A	1.55%	N/A
PF PIMCO Managed Bond	1.55%	N/A	N/A	N/A	N/A	1.55%	N/A
PF Pacific Life Money Market	1.10%	N/A	N/A	N/A	N/A	1.10%	N/A
PF Sal. Bros. Large-Cap Value	1.80%	N/A	N/A	N/A	N/A	1.80%	N/A
PF Van Kampen Comstock	1.90%	N/A	N/A	N/A	N/A	1.90%	N/A
PF Van Kampen Mid-Cap Growth	1.85%	N/A	N/A	N/A	N/A	1.85%	N/A
PF Van Kampen Real Estate	2.05%	N/A	N/A	N/A	N/A	2.05%	N/A

1 Estimated Underlying Fund Expenses include advisory fees (or a blend of advisory fees in the case of the Portfolio Optimization Funds); distribution and service fees; and other expenses, including the fee paid to Pacific Life for providing or procuring for the funds' administrative services, transfer agency services, and shareholder services; plus custodial, legal, accounting and miscellaneous support services. Expenses are based on the most recent fiscal year as reported in the Pacific Funds' most recent prospectus, in the absence of a change that would materially affect the information. Expenses include reimbursements and fee waivers currently in place between Pacific Life and the funds. There is no guarantee that these reimbursements and fee waivers will continue in the future. For more information, refer to the Pacific Funds current prospectus and any supplements thereto.

2 There are no additional Program Manager, State, Miscellaneous, or Annual Distribution fees beyond those already charged by the underlying funds, as provided in the first column under Estimated Underlying Fund Expenses. The Total Annual Asset-based Fee is assessed against assets over the course of the year and does not include sales charges or the annual account maintenance fee. Refer to the Cost Tables that show the total assumed investment cost over 1-, 3-, 5- and 10-year periods.

3 Montana residents who open a Pacific Funds 529 Plan (MT) account directly from Pacific Funds (without the help of an investment professional) do not pay Front-end Sales Charges.

4 Montana residents who open a Pacific Funds 529 Plan (MT) account directly from Pacific Funds do not pay an annual account maintenance fee.

Purchases through an Investment Professional:

Anyone can invest in a Pacific Funds 529 Plan (MT) through an investment professional. The Pacific Funds 529 Plan (MT) offers investors Class A, Class B and Class C shares of each investment option, except for the PF Pacific Life Money Market Fund, which only offers Class A shares. Class A shares of the PF Pacific Life Money Market Fund can be owned in conjunction with Class A, Class B, and Class C shares of the other Pacific Funds available through the Pacific Funds 529 Plan (MT).

Class A shares:

Class A shares are typically subject to a front-end sales charge. The maximum front-end sales charge you pay will differ depending on the amount you invest and will be deducted directly from your investment. You will pay a lower charge as the size of your investment increases to certain levels, which are called breakpoints. You can reduce the front-end sales charge of Class A shares by combining multiple purchases to take advantage of these breakpoints. This includes purchases of both Pacific Funds' 529 plans and regular Pacific Funds accounts by both you and your immediate family members. Refer to the Pacific Funds current prospectus and any supplements thereto for more information. The following Breakpoint Table shows the sales charges you will pay depending on the amount you invest.

Breakpoint Table:

Investment Amount	Front-end Sales Charge
Less than $50,000	5.50%
$50,000-$99,999	4.75%
$100,000-$249,999	3.75%
$250,000-$499,999	3.00%
$500,000-$999,999	2.10%
$1,000,000 or more	0.00%

Following are the estimated net operating expenses for Class A shares of each investment option available in the Pacific Funds 529 Plan (MT). Refer to the Pacific Funds current prospectus, and any supplements thereto, for more details. Note that the fees and expenses are not guaranteed and may increase.

	Annual Asset-Based Fees						Additional Investor Expenses	
Investment Options	**Estimated Underlying Fund Expenses[1]**	**Program Manager Fee**	**State Fee**	**Misc. Fee**	**Annual Distribution Fee**	**Total Annual Asset-based Fees[2]**	**Maximum Initial Sales Charge[3]**	**Annual Account Maintenance Fee**
PF Portfolio Optimization								
Model A	1.57%	N/A	N/A	N/A	N/A	1.57%	5.50%	$25
Model B	1.63%	N/A	N/A	N/A	N/A	1.63%	5.50%	$25
Model C	1.73%	N/A	N/A	N/A	N/A	1.73%	5.50%	$25
Model D	1.78%	N/A	N/A	N/A	N/A	1.78%	5.50%	$25
Model E	1.83%	N/A	N/A	N/A	N/A	1.83%	5.50%	$25
PF AIM Blue Chip	1.90%	N/A	N/A	N/A	N/A	1.90%	5.50%	$25
PF Goldman Sachs Short Duration Bond	1.55%	N/A	N/A	N/A	N/A	1.55%	5.50%	$25
PF Janus Growth LT	1.70%	N/A	N/A	N/A	N/A	1.70%	5.50%	$25
PF Lazard International Value	1.80%	N/A	N/A	N/A	N/A	1.80%	5.50%	$25
PF Lazard Mid-Cap Value	1.80%	N/A	N/A	N/A	N/A	1.80%	5.50%	$25
PF MFS International Large-Cap	2.00%	N/A	N/A	N/A	N/A	2.00%	5.50%	$25
PF NB Fasciano Small Equity (formerly called Aggressive Growth)	1.95%	N/A	N/A	N/A	N/A	1.95%	5.50%	$25
PF PIMCO Inflation Managed	1.55%	N/A	N/A	N/A	N/A	1.55%	5.50%	$25
PF PIMCO Managed Bond	1.55%	N/A	N/A	N/A	N/A	1.55%	5.50%	$25
PF Pacific Life Money Market	1.10%	N/A	N/A	N/A	N/A	1.10%	N/A	$25
PF Sal. Bros. Large-Cap Value	1.80%	N/A	N/A	N/A	N/A	1.80%	5.50%	$25
PF Van Kampen Comstock	1.90%	N/A	N/A	N/A	N/A	1.90%	5.50%	$25
PF Van Kampen Mid-Cap Growth	1.85%	N/A	N/A	N/A	N/A	1.85%	5.50%	$25
PF Van Kampen Real Estate	2.05%	N/A	N/A	N/A	N/A	2.05%	5.50%	$25

1. Estimated Underlying Fund Expenses include advisory fees (or a blend of advisory fees in the case of the Portfolio Optimization Funds); distribution and service fees; and other expenses, including the fee paid to Pacific Life for providing or procuring for the funds' administrative services, transfer agency services, and shareholder services; plus custodial, legal, accounting and miscellaneous support services. Expenses are based on the most recent fiscal year as reported in the Pacific Funds' most recent prospectus, in the absence of a change that would materially affect the information. Expenses include reimbursements and fee waivers currently in place between Pacific Life and the funds. There is no guarantee that these reimbursements and fee waivers will continue in the future. For more information, refer to the current Pacific Funds prospectus and any supplements thereto.
2. There are no additional Program Manager, State, Miscellaneous, or Annual Distribution fees beyond those already charged by the underlying funds, as provided in the first column under Estimated Underlying Fund Expenses. The Total Annual Asset-based Fee is assessed against assets over the course of the year and does not include sales charges or the annual account maintenance fee. Refer to the Cost Tables that show the total assumed investment cost over 1-, 3-, 5- and 10-year periods.
3. Refer to the Breakpoint Table above for actual front-end sales charges incurred for various investment amounts. The sales charges do not apply to Montana residents who open a Pacific Funds 529 Plan (MT) account directly from Pacific Funds (without the help of an investment professional). Class A shares of the money market fund are sold without a front-end sales charge.
4. There is a $25 annual account maintenance fee for open accounts. This fee is waived for accounts with balances greater than $25,000, accounts with a systematic investment plan, or accounts opened directly from Pacific Funds by Montana residents, without the assistance of an investment professional.

Class B shares:

When investing in Class B shares, you do not pay a front-end sales charge. However, if you sell your shares within 7 years of purchase, a contingent deferred sales charge (CDSC) will be deducted from your withdrawal, as shown in the CDSC Table below. CDSC is applicable for all withdrawals from your 529 plan account, except for withdrawals due to the death, disability or receipt of scholarship of the designated beneficiary. Refer to the current Pacific Funds prospectus, and any supplements thereto, for more information.

CDSC Table:

B Shares Sold Within Year	Contingent Deferred Sales Charge
1	5.00%
2	4.00%
3	4.00%
4	3.00%
5	2.00%
6	2.00%
7	1.00%
8	0.00%

In the beginning of the 9th year, the shares will be converted to Class A shares, reducing future annual expenses.

Following are the estimated net operating expenses for Class B shares of each investment option available in the Pacific Funds 529 Plan (MT). Refer to the Pacific Funds prospectus for more details. Note that the fees and expenses are not guaranteed and may increase.

	Annual Asset-Based Fees						Additional Investor Expenses	
Investment Options	**Estimated Underlying Fund Expenses[1]**	**Program Manager Fee**	**State Fee**	**Misc. Fee**	**Annual Distribution Fee**	**Total Annual Asset-based Fee[2]**	**Maximum. Deferred Sales Charge[3]**	**Annual Account. Maintenance Fee**
PF Portfolio Optimization								
Model A	2.07%	N/A	N/A	N/A	N/A	2.07%	5.00%	$25
Model B	2.13%	N/A	N/A	N/A	N/A	2.13%	5.00%	$25
Model C	2.23%	N/A	N/A	N/A	N/A	2.23%	5.00%	$25
Model D	2.28%	N/A	N/A	N/A	N/A	2.28%	5.00%	$25
Model E	2.33%	N/A	N/A	N/A	N/A	2.33%	5.00%	$25
PF AIM Blue Chip	2.40%	N/A	N/A	N/A	N/A	2.40%	5.00%	$25
PF Goldman Sachs Short Duration Bond	2.05%	N/A	N/A	N/A	N/A	2.05%	5.00%	$25
PF Janus Growth LT	2.20%	N/A	N/A	N/A	N/A	2.20%	5.00%	$25
PF Lazard International Value	2.30%	N/A	N/A	N/A	N/A	2.30%	5.00%	$25
PF Lazard Mid-Cap Value	2.30%	N/A	N/A	N/A	N/A	2.30%	5.00%	$25
PF MFS International Large-Cap	2.50%	N/A	N/A	N/A	N/A	2.50%	5.00%	$25
PF NB Fasciano Small Equity (formerly called Aggressive Growth)	2.45%	N/A	N/A	N/A	N/A	2.45%	5.00%	$25
PF PIMCO Inflation Managed	2.05%	N/A	N/A	N/A	N/A	2.05%	5.00%	$25
PF PIMCO Managed Bond	2.05%	N/A	N/A	N/A	N/A	2.05%	5.00%	$25
PF Pacific Life Money Market	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PF Sal. Bros. Large-Cap Value	2.30%	N/A	N/A	N/A	N/A	2.30%	5.00%	$25
PF Van Kampen Comstock	2.40%	N/A	N/A	N/A	N/A	2.40%	5.00%	$25
PF Van Kampen Mid-Cap Growth	2.35%	N/A	N/A	N/A	N/A	2.35%	5.00%	$25
PF Van Kampen Real Estate	2.55%	N/A	N/A	N/A	N/A	2.55%	5.00%	$25

1 Estimated Underlying Fund Expenses include advisory fees (or a blend of advisory fees in the case of the Portfolio Optimization Funds); distribution and service fees; and other expenses, including the fee paid to Pacific Life for providing or procuring for the funds' administrative services, transfer agency services, and shareholder services; plus custodial, legal, accounting and miscellaneous support services. Expenses are based on the most recent fiscal year as reported in the Pacific Funds' most recent prospectus, in the absence of a change that would materially affect the information. Expenses include reimbursements and fee waivers currently in place between Pacific Life and the funds. There is no guarantee that these reimbursements and fee waivers will continue in the future. For more information, refer to the current Pacific Funds prospectus and any supplements thereto.

2 There are no additional Program Manager, State, Miscellaneous, or Annual Distribution fees beyond those already charged by the underlying funds, as provided in the first column under Estimated Underlying Fund Expenses. The Total Annual Asset-based Fee is assessed against assets over the course of the year and does not include sales charges or the annual account maintenance fee. Refer to the Cost Tables that show the total assumed investment cost over 1-, 3-, 5- and 10-year periods.

3 Refer to the contingent deferred sales charge (CDSC) table above.

4 There is a $25 annual account maintenance fee for open accounts. This fee is waived for accounts with balances greater than $25,000 or accounts with a systematic investment plan.

Class C shares:

When investing in Class C shares, you do not pay a front-end sales charge. However, if you sell your shares within 1 year of purchase, a contingent deferred sales charge (CDSC) of 1% will be deducted from your withdrawal. The CDSC is applicable for all withdrawals from your 529 plan account, except for withdrawals due to the death, disability or receipt of scholarship of the beneficiary. Refer to the current Pacific Funds prospectus, and any supplements thereto, for more information.

Following are the estimated net operating expenses for Class C shares of each investment option available in the Pacific Funds 529 Plan (MT). Refer to the Pacific Funds prospectus for more details. Note that the fees and expenses are not guaranteed and may increase.

	Annual Asset-Based Fees						Additional Investor Expenses	
Investment Options	**Estimated Underlying Fund Expenses[1]**	**Program Manager Fee**	**State Fee**	**Misc. Fee**	**Annual Distribution Fee**	**Total Annual Asset-based Fee[2]**	**Maximum Deferred Sales Charge[3]**	**Annual Account Maintenance Fee**
PF Portfolio Optimization								
Model A	2.07%	N/A	N/A	N/A	N/A	2.07%	1.00%	$25
Model B	2.13%	N/A	N/A	N/A	N/A	2.13%	1.00%	$25
Model C	2.23%	N/A	N/A	N/A	N/A	2.23%	1.00%	$25
Model D	2.28%	N/A	N/A	N/A	N/A	2.28%	1.00%	$25
Model E	2.33%	N/A	N/A	N/A	N/A	2.33%	1.00%	$25
PF AIM Blue Chip	2.40%	N/A	N/A	N/A	N/A	2.40%	1.00%	$25
PF Goldman Sachs Short Duration Bond	2.05%	N/A	N/A	N/A	N/A	2.05%	1.00%	$25
PF Janus Growth LT	2.20%	N/A	N/A	N/A	N/A	2.20%	1.00%	$25
PF Lazard International Value	2.30%	N/A	N/A	N/A	N/A	2.30%	1.00%	$25
PF Lazard Mid-Cap Value	2.30%	N/A	N/A	N/A	N/A	2.30%	1.00%	$25
PF MFS International Large-Cap	2.50%	N/A	N/A	N/A	N/A	2.50%	1.00%	$25
PF NB Fasciano Small Equity (formerly called Aggressive Growth)	2.45%	N/A	N/A	N/A	N/A	2.45%	1.00%	$25
PF PIMCO Inflation Managed	2.05%	N/A	N/A	N/A	N/A	2.05%	1.00%	$25
PF PIMCO Managed Bond	2.05%	N/A	N/A	N/A	N/A	2.05%	1.00%	$25
PF Pacific Life Money Market	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PF Sal. Bros. Large-Cap Value	2.30%	N/A	N/A	N/A	N/A	2.30%	1.00%	$25
PF Van Kampen Comstock	2.40%	N/A	N/A	N/A	N/A	2.40%	1.00%	$25
PF Van Kampen Mid-Cap Growth	2.35%	N/A	N/A	N/A	N/A	2.35%	1.00%	$25
PF Van Kampen Real Estate	2.55%	N/A	N/A	N/A	N/A	2.55%	1.00%	$25

1 Estimated Underlying Fund Expenses include advisory fees (or a blend of advisory fees in the case of the Portfolio Optimization Funds); distribution and service fees; and other expenses, including the fee paid to Pacific Life for providing or procuring for the funds' administrative services, transfer agency services, and shareholder services; plus custodial, legal, accounting and miscellaneous support services. Expenses are based on the most recent fiscal year as reported in the Pacific Funds' most recent prospectus, in the absence of a change that would materially affect the information. Expenses include reimbursements and fee waivers currently in place between Pacific Life and the funds. There is no guarantee that these reimbursements and fee waivers will continue in the future. For more information, refer to the current Pacific Funds prospectus and any supplements thereto.

2 There are no additional Program Manager, State, Miscellaneous, or Annual Distribution fees beyond those already charged by the underlying funds, as provided in the first column under Estimated Underlying Fund Expenses. The Total Annual Asset-based Fee is assessed against assets over the course of the year and does not include sales charges or the annual account maintenance fee. Refer to the Cost Tables that show the total assumed investment cost over 1-, 3-, 5- and 10-year periods.

3 The CDSC of 1% is applicable on sales of shares within 1 year of purchase.

4 There is a $25 annual account maintenance fee for open accounts. This fee is waived for accounts with balances greater than $25,000 or accounts with a systematic investment plan.

Additional Fees:

There are no additional fees, including cancellation, change of beneficiary, change in account owner, change of investment option, etc., beyond those already indicated in the Fee Tables above.

Investment Cost Chart for Direct Purchases by Montana Residents:

If you purchase the Pacific Funds 529 Plan (MT) directly from Pacific Funds, without the assistance of an investment professional, the following table provides the approximate cost of each investment option over different periods of time. Your actual cost may be higher or lower. The table is based on the following assumptions:

- You invest $10,000 for the time periods shown.
- Your investment has an annually compounded rate of return of 5% on the net amount invested throughout the period.
- All shares are redeemed at the end of the period shown for qualified higher education expenses (the table does not consider the impact of potential state or federal taxes on the withdrawal).
- The examples reflect the Total Annual Asset-based Fees shown in the Fee Tables, taking into consideration the contractual expense waivers currently in place for the funds through 6/30/06. Refer to the Pacific Funds current prospectus, and any supplements thereto, for additional information on the expense waivers.

Approximate Cost of $10,000 Investment

Investment Option	1 Year	3 Years	5 Years	10 years
PF Portfolio Optimization				
Model A	208	928	1,670	3,629
Model B	209	896	1,607	3,494
Model C	217	904	1,614	3,500
Model D	225	935	1,668	3,606
Model E	237	1,013	1,808	3,887
PF AIM Blue Chip	205	706	1,234	2,680
PF Goldman Sachs Short Duration Bond	171	614	1,083	2,380
PF Janus Growth LT	194	731	1,295	2,829
PF Lazard International Value	200	717	1,262	2,750
PF Lazard Mid-Cap Value[1]	208	798	-	-
PF MFS International Large-Cap	237	937	1,659	3,573
PF NB Fasciano Small Equity (formerly called Aggressive Growth)	235	940	1,669	3,596
PF PIMCO Inflation Managed	170	604	1,065	2,340
PF PIMCO Managed Bond	175	646	1,144	2,516
PF Pacific Life Money Market	130	516	926	2,074
PF Salomon Brothers Large-Cap Value	195	678	1,188	2,588
PF Van Kampen Comstock	213	782	1,377	2,989
PF Van Kampen Mid-Cap Growth	203	716	1,257	2,734
PF Van Kampen Real Estate[1]	230	841	-	-

[1] Only 1-year and 3-year examples are shown for the PF Lazard Mid-Cap Value and PF Van Kampen Real Estate Funds since these funds are new and do not yet have a full fiscal year of expenses. These funds will have expenses beyond year three.

Investment Cost Chart for Purchases through an Investment Professional:

If you purchase the Pacific Funds 529 Plan (MT) through an investment professional, the following table is intended to help you compare the cost of investing in Class A, Class B and Class C shares of each investment option over different periods of time. Your actual cost may be higher or lower. The table is based on the following assumptions:

- You invest $10,000 in the noted class of shares for the time periods shown.
- Your investment has an annually compounded rate of return of 5% on the net amount invested throughout the period.
- All shares are redeemed at the end of the period shown for qualified higher education expenses (the table does not consider the impact of potential state or federal taxes on the withdrawal).
- The examples reflect the Total Annual Asset-based Fees shown in the Fee Tables, taking into consideration the contractual expense waivers currently in place for the funds through 6/30/06. Refer to the Pacific Funds current prospectus, and any supplements thereto, for additional information on the expense waivers.
- The investor pays the applicable maximum initial sales charge (without regard to possible breakpoints) for Class A shares (as indicated in Fee Structure A) and any CDSC applicable to shares invested for the applicable periods for Class B and C shares (as indicated in Fee Structures B and C).
- The calculations do not take into consideration the $25 annual account maintenance fee.
- In the case of the 10-year investment period, the annual costs shown for Class B shares assume shares are converted to Class A shares in the beginning of the 9th year.

Approximate Cost of $10,000 Investment

	1 Year					3 Years				
Fee Structure/Share Class	**A**	**B[1]**	**B[2]**	**C[1]**	**C[2]**	**A**	**B[1]**	**B[2]**	**C[1]**	**C[2]**
Investment Options										
PF Portfolio Optimization										
Model A	747	759	259	359	259	1,427	1,474	1,074	1,074	1,074
Model B	747	759	259	359	259	1,397	1,443	1,043	1,043	1,043
Model C	755	767	267	367	267	1,404	1,451	1,051	1,051	1,051
Model D	763	775	275	375	275	1,434	1,482	1,082	1,082	1,082
Model E	774	787	287	387	287	1,507	1,558	1,158	1,158	1,158
PF AIM Blue Chip	744	755	255	355	255	1,217	1,256	856	856	856
PF Goldman Sachs Short Duration Bond	712	722	222	322	222	1,130	1,165	765	765	765
PF Janus Growth LT	734	745	245	345	245	1,241	1,281	881	881	881
PF Lazard International Value	739	750	250	350	250	1,228	1,267	867	867	867
PF Lazard Mid-Cap Value	747	759	259	359	259	1,304	1,346	946	946	946
PF MFS International Large-Cap	774	787	287	387	287	1,435	1,483	1,083	1,083	1,083
PF AIM Aggressive Growth	772	785	285	385	285	1,438	1,486	1,086	1,086	1,086
PF PIMCO Inflation Managed	711	721	221	321	221	1,121	1,156	756	756	756
PF PIMCO Managed Bond	715	725	225	325	225	1,161	1,197	797	797	797
PF Pacific Life Money Market	130	N/A	N/A	N/A	N/A	516	N/A	N/A	N/A	N/A
PF Sal. Bros. Large-Cap Value	734	745	245	345	245	1,191	1,228	828	828	828
PF Van Kampen Comstock	752	763	263	363	263	1,289	1,331	931	931	931
PF Van Kampen Mid-Cap Growth	742	753	253	353	253	1,227	1,266	866	866	866
PF Van Kampen Real Estate	767	780	280	380	280	1,344	1,388	988	988	988

	5 Years					10 Years				
Fee Structure/Share Class	**A**	**B[1]**	**B[2]**	**C[1]**	**C[2]**	**A**	**B[1]**	**B[2]**	**C[1]**	**C[2]**
Investment Option										
PF Portfolio Optimization										
Model A	2,128	2,108	1,908	1,908	1,908	3,979	3,962	3,962	4,070	4,070
Model B	2,068	2,046	1,846	1,846	1,846	3,852	3,833	3,833	3,942	3,942
Model C	2,075	2,053	1,853	1,853	1,853	3,857	3,838	3,838	3,947	3,947
Model D	2,127	2,106	1,906	1,906	1,906	3,958	3,940	3,940	4,048	4,048
Model E	2,259	2,243	2,043	2,043	2,043	4,224	4,210	4,210	4,314	4,314
PF AIM Blue Chip	1,716	1,683	1,483	1,483	1,483	3,083	3,052	3,052	3,170	3,170
PF Goldman Sachs Short Duration Bond	1,573	1,535	1,335	1,335	1,335	2,799	2,764	2,764	2,886	2,886
PF Janus Growth LT	1,773	1,742	1,542	1,542	1,542	3,223	3,195	3,195	3,312	3,312
PF Lazard International Value	1,743	1,710	1,510	1,510	1,510	3,149	3,119	3,119	3,237	3,237
PF Lazard Mid-Cap Value[3]	-	-	-	-	-	-	-	-	-	-
PF MFS International Large-Cap	2,118	2,097	1,897	1,897	1,897	3,926	3,908	3,908	4,016	4,016
PF AIM Aggressive Growth	2,127	2,106	1,906	1,906	1,906	3,948	3,930	3,930	4,038	4,038
PF PIMCO Inflation Managed	1,556	1,518	1,318	1,318	1,318	2,762	2,726	2,726	2,849	2,849
PF PIMCO Managed Bond	1,632	1,596	1,396	1,396	1,396	2,928	2,895	2,895	3,015	3,015
PF Pacific Life Money Market	926	N/A	N/A	N/A	N/A	2,074	N/A	N/A	N/A	N/A
PF Sal. Bros. Large-Cap Value	1,672	1,638	1,438	1,438	1,438	2,996	2,964	2,964	3,083	3,083
PF Van Kampen Comstock	1,851	1,822	1,622	1,622	1,622	3,374	3,348	3,348	3,463	3,463
PF Van Kampen Mid-Cap Growth	1,738	1,705	1,505	1,505	1,505	3,134	3,104	3,104	3,222	3,222
PF Van Kampen Real Estate[3]	-	-	-	-	-	-	-	-	-	-

[1] *Assumes redemption at the end of the period*
[2] *Assumes no redemption*
[3] Only 1-year and 3-year examples are shown for the PF Lazard Mid-Cap Value and PF Van Kampen Real Estate Funds since these funds are new and do not yet have a full fiscal year of expenses. These funds will have expenses beyond year three.

FEDERAL AND STATE TAX CONSIDERATIONS

The following discussion is intended only as a summary of certain tax aspects of the Program, and is subject to change as tax law and regulations change. Account owners should consult with their tax adviser regarding their individual circumstances.

What are the federal tax considerations associated with investing in the Pacific Funds 529 College Savings Plan (MT)?
The Program has been structured to qualify as a "qualified tuition program" described in section 529 of the Internal Revenue Code. Section 529 includes special tax treatment of amounts held in and withdrawn from accounts established under qualified tuition programs. Neither the Pacific Funds 529 Plan (MT) nor the BOR has sought a ruling that the Program is a "qualified tuition program" and neither the BOR (nor the state of

Montana nor any instrumentality thereof), nor Pacific Funds, Pacific Life, CSB nor the Program can make any warranty that the Program is a "qualified tuition program." The description of tax considerations below assumes that the Program is a qualified tuition program. The U.S. Treasury has not issued final regulations under section 529. The issuance and adoption of such regulations and/or other guidance by the U.S. Treasury, the BOR and/or the Montana legislature could modify or restrict the benefits of 529 plans and could also necessitate changes and/or restrictions in the Pacific Funds 529 Plan (MT).

Federal Income Tax on Account Earnings and Withdrawals: Earnings on accounts will not be subject to federal income tax upon withdrawal if they are (1) used to pay the qualified higher education expenses of the designated beneficiary, (2) transferred (within 60 days of withdrawal) to an account under the Program or another qualified tuition program for the benefit of another designated beneficiary who is a member of the family of the initial designated beneficiary, or (3) transferred to another qualified tuition program for the benefit of the same designated beneficiary (this transfer exception is available only once in any 12-month period with respect to a designated beneficiary). Account owners and designated beneficiaries will need to maintain adequate records to support claims that distributions were used to pay qualified higher education expenses. The earnings portion of other withdrawals will be included in the gross income of the distributee (either the account owner or the designated beneficiary) and taxed at ordinary income tax rates. Generally, if you receive a taxable distribution, you must also pay an additional 10% federal tax on the amount included in income. This additional tax does not apply to distributions: (1) paid to a designated beneficiary (or the estate of the designated beneficiary) on or after the death of the designated beneficiary; (2) made because the designated beneficiary is disabled; (3) made because the designated beneficiary received a qualified scholarship excludable from gross income, veterans' educational assistance, employer-provided educational assistance, or any other nontaxable payments (other than gifts, bequests or inheritances) received for educational expenses, but in each case only to the extent that the distribution is not more than the scholarship, allowance or payment; (4) the earnings on which are included in income only because the qualified education expenses were taken into account in determining the Hope or Lifetime Learning Credit; or (5) taken as a result of the designated beneficiary attending a military academy (subject to any limitations set forth in the Internal Revenue Code of 1986, as amended).

Sunset Provision: The exclusion from income for the earnings portion of qualified withdrawals and certain rollovers and the 10% federal tax expire at the end of 2010. If these provisions are not extended and section 529 of the Code is not otherwise amended, the earnings portion of qualified withdrawals will be included in the distributee's income for federal tax purposes.

Contributions – Federal Gift Tax and Generation-skipping Transfer Tax: For federal gift tax purposes, a contribution to an account is treated as a gift to the designated beneficiary. Accordingly, the gift is eligible for the annual $11,000 exclusion amount (as adjusted for inflation) for gifts by each donor to each designated beneficiary. If a contributor gives more than $11,000 ($22,000 for married couples) to an account for any designated beneficiary, the donor may elect to average the contribution and treat it as a gift made ratably over the 5-year period beginning with the year of the contribution. Up to $55,000 can be contributed per beneficiary in a single year without federal gift tax ($110,000 if married, filing jointly). Contributions in excess of the annual exclusion amounts will be applied against the contributor's lifetime exclusion from the estate and gift tax before resulting in gift tax. In applying the $11,000 exclusion, other gifts from the donor to the designated beneficiary during the year must also be taken into account. Contributions to accounts for grandchildren in excess of the annual exclusion amounts will be subject to the generation-skipping transfer tax, but each individual is entitled to a $1,100,000 exemption (as adjusted for inflation) from such tax. If a contributor makes the 5-year averaging election and dies before the end of the 5-year period, amounts that would have been ratably allocated to the period after the donor's death will be included in the donor's taxable estate. A change of designated beneficiary will constitute a gift from the former designated beneficiary only if the new beneficiary is a generation below the former designated beneficiary.

Federal Estate Tax: For purposes of the federal estate tax, the value of an account will not be treated as part of the taxable estate of an account owner who is not a designated beneficiary. If amounts are distributed as a result of the death of the designated beneficiary, the amounts distributed will be included in the estate of the designated beneficiary. Generation-skipping tax may apply if the new designated beneficiary is two or more generations below the former designated beneficiary. If a contributor makes the 5-year averaging election and dies before the end of the 5-year period, amounts that would have been ratably allocated to the period after the donor's death will be included in the donor's taxable estate.

What are the state income tax considerations associated with investing in the Pacific Funds 529 College Savings Plan (MT)?

Residents of all states are eligible to participate in the Pacific Funds 529 Plan (MT). For Montana residents, Montana state income tax rules follow the federal income tax rules with respect to the Plan. In addition, up to $3,000 of contributions to the Program can be deducted annually from Montana adjusted gross income ($6,000 if married, filing jointly). The tax considerations of participation in the Program vary from state to state. If you live or have taxable income in another state other than Montana and your state has implemented a qualified tuition program under section 529 of the Internal Revenue Code, favorable state tax or other benefits may be available if you invest in your state's plan. The benefits may not be available to you if you invest in the Pacific Funds 529 Plan (MT). You should consider such tax treatment or other benefits before making an investment decision, and consult your tax adviser or tax preparer to determine the state tax considerations of participation in the Program.

In general, if a state's income tax law conforms with the federal income tax law, (1) an account owner who is a resident of the state should not recognize income on account earnings that are not distributed and (2) the account owner or designated beneficiary should be required to include distributed earnings in income to the extent they are included in federal taxable income.

If a state's definition of taxable income or adjusted gross income does not conform to the federal definition and the state does not have an explicit provision addressing the tax considerations of qualified tuition programs, the tax considerations to an account owner may be unclear. The earnings on an account may be included in the account owner's state taxable income when earned, or the state may explicitly or implicitly follow the federal tax rules.

Most states that have gone beyond just tracking the federal code and have adopted special income tax deductions for contributions to qualified tuition programs have not extended the special incentives to contributions to out-of-state section 529 programs.

Montana Deduction: Montana permits each Montana taxpayer who contributes to the Montana Family Education Savings Program (which includes the Pacific Funds 529 Plan (MT) and the CollegeSure® CD) to subtract from their Montana adjusted gross income the amount contributed up to $3,000 per taxpayer per year. Married taxpayers may each deduct $3,000, so that the maximum subtraction from a joint return is $6,000. The contributions must be made to an account owned by the contributor, the contributor's spouse, or the contributor's child or stepchild (under an UGMA/UTMA account) if the child or stepchild is a Montana resident. Spouses may elect to treat half of the total contributions made by the spouses as being made by each spouse.

Montana Recapture Tax: Montana imposes a recapture tax at a rate equal to the highest marginal tax rate under the Montana income tax code on the recapturable withdrawal of deducted contributions. A recapturable withdrawal is a nonqualified withdrawal or any distribution from an account if made within three years after the account was opened. If the account owner redeems the CollegeSure® CD to rollover the investment into the Pacific Funds 529 Plan (MT), there are no recapture taxes; however, College Savings Bank may impose early redemption penalties if the CD is redeemed prior to maturity. In addition, if the account owner requests a rollover from a Pacific Funds 529 Plan (MT) to the CollegeSure® CD, no recapture tax or CDSC (if applicable) would be imposed.

If the account owner is a Montana resident, the account owner has the responsibility of reporting and paying any recapture tax that may be due. Neither the Program Manager nor Pacific Funds will withhold the tax.

The Program Manager or the Investment Manager is required to withhold the "potential recapture tax" from any "potentially recapturable withdrawal" if the account was at any time owned by a Montana resident but is no longer owned by a Montana resident. A "potentially recapturable withdrawal" is any withdrawal made within three years after the account is opened and any other withdrawal that the account owner did not certify was a qualified withdrawal or a withdrawal on account of death, disability or scholarship. If you are subject to a potential recapture tax and are intending to make a potentially recapturable withdrawal but do not believe that the entire contribution portion of the withdrawal should be subject to tax, you may petition the Montana Department of Revenue to determine the proper amount of the tax in accordance with section 42.15.804(7) of the Administrative Rules of Montana.

A taxpayer who desires to make a potentially recapturable withdrawal for which withholding would be required may petition the Montana Department of Revenue to determine the proper amount of the potential recapture tax. The petition should include all facts relevant to the proposed withdrawal, including information about the account and other accounts owned by the taxpayer, and evidence to show that all or a portion of the contribution component of the potentially recoverable withdrawal is not attributable to deductible contributions. If the Montana Department of Revenue is satisfied with the evidence, it shall issue a letter determining the potential recapture tax to be withheld. For accounts that were at any time owned by a resident of Montana, but at the time of the withdrawal request the account owner is not a Montana resident, this letter should be submitted to Pacific Funds along with the Distribution Request form. If this letter is not submitted, then Pacific Funds shall be entitled to assume that all contributions to the account were tax deductible for purposes of determining the potential recapture tax and process the distribution and recapture tax accordingly.

To permit proper documentation and records for claiming (and, if necessary recapturing) Montana tax deductions, a Montana resident who intends to make a deductible contribution to an account should contribute only to an account that they own individually or that the contributor owns jointly with their spouse. See a tax adviser for additional information and guidance on the potential recapture tax applicable for certain types of withdrawals.

How do 529 plans interact with other tax-related college savings incentives?
Federal tax law provides a variety of education-related tax incentives, including (1) Coverdell Education Savings Accounts (ESAs), formerly known as Education IRAs, (2) tax-free redemptions of U.S. savings bonds if used to pay eligible education expenses, (3) Hope Scholarship Credit, (4) Lifetime Learning Credit, and (5) for 2002 through 2005, a deduction for qualified higher education expenses.

Taxpayers may make tax-free withdrawals from an ESA or, subject to income requirements, tax-free redemptions of U.S. savings bonds to deposit the assets in a 529 plan account.

As a general rule, the same qualified higher education expenses may not be used to obtain benefits under more than one tax incentive. For example, a taxpayer who has $2,500 of higher education expenses may not treat those expenses as paid with both a $2,500 withdrawal from an ESA and a $2,500 withdrawal from a qualified tuition plan. Qualified higher education expenses for purposes of the ESA and qualified tuition program rules are reduced by expenses for which a Hope Scholarship Credit or Lifetime Learning Credit is claimed.

There is one important exception to the general rule: The deduction for qualified higher education expenses described above may be claimed for expenses that are treated as paid with the portion of a qualified withdrawal that is not treated as earnings. For example, if a qualified withdrawal consisting of $500 of earnings and $2,000 of contributions is used to pay tuition, the $2,000 portion of the tuition payment may be eligible for the new deduction for qualified higher education expenses.

What if the account is an “entity-owned” account?
The descriptions included in this section may apply only to account owners who are individuals, UGMA/UTMA custodians and spouses owning a joint account. Corporations, partnerships, trusts and other entities that wish to contribute to or own accounts should seek counsel on how tax rules will apply to their transfer of funds and to the accounts that they own. Business entities should be aware that their contributions to accounts or withdrawals from the accounts to pay qualified higher education expenses may constitute employment compensation (if the designated beneficiary is or was an employee or a family member of an employee) or constructive dividends or distributions (if the designated beneficiary is an owner or a family member of an owner of the entity).

Where can I find additional information about the tax considerations of participation in a qualified tuition program?
Internal Revenue Service Publication 970, “Tax Benefits for Education” provides helpful guidance on qualified tuition programs and other tax benefits for education. The publication can be downloaded from the IRS website at www.irs.gov.

IMPORTANT LEGAL NOTICES

1) **No State or Other Guarantee:** The Pacific Funds 529 College Savings Plan (MT) is approved and issued by the state of Montana and offered through the Montana Family Education Savings Program (MFESP). A MFESP account is not insured by the State of Montana or any other entity and neither the principal invested nor the investment return is guaranteed by the State of Montana or any other entity.

2) **Compliance with Section 529:** Although the Program was structured to comply with section 529 of the Internal Revenue Code, there is no guarantee that the Internal Revenue Service will treat the Program as a "qualified tuition program" for purposes of section 529. Neither the BOR (nor the State of Montana nor any other instrumentality of the state of Montana) nor Pacific Life nor Pacific Funds nor CSB makes any warranty that the MFESP is a "qualified tuition program" under section 529.

3) **Expiration of Tax Law Changes:** Changes enacted under the 2001 Tax Bill (EGTRRA), including the favorable tax treatment of certain distributions from 529 plans, are due to expire in 2010. If Congress does not act to extend the provisions, among other things, all withdrawals and other distributions from 529 plans after 2010 will be subject to tax. The expiration would adversely affect 529 plans funded both before and after 2011.

4) **No Tax or Legal Advice:** Neither BOR, CSB, Pacific Life, nor Pacific Funds, nor their representatives give tax or legal advice. You should consult a tax adviser and attorney regarding specific situations.

5) **Municipal Fund Securities:** Pacific Funds 529 Plan (MT) accounts are considered municipal fund securities issued by the State of Montana and have not been registered under the Securities Act of 1933 or with any state in reliance upon an exemption from registration available for obligations issued by a public instrumentality of a state.

6) **Termination of Investment Options, Program Manager, and/or Investment Manager:** The BOR has the right to change the investment options available in the Plan at any time and the right to change the Program Manager and/or Investment Manager at the end of each contract period. In addition, the BOR has the right to terminate its contract with CSB for cause at any time; and it can move investments from CSB and Pacific Funds. In the event the BOR selects a different program manager, the investment options could be replaced with investment options and funds sponsored by other financial institutions. In such case, the BOR will seek replacement instruments that are as similar as possible to the original investments.

7) **Inconsistencies:** This document is intended as a summary of the rules applicable to the Program. Every effort has been made to properly reflect in this document the applicable provisions of the Enabling Law, the policies and procedures adopted by the BOR, the Participating Trust Agreement, the contract pursuant to which CSB is serving as Program Manager, and federal and state income tax laws, all of which are available for review by the general public. Neither the BOR, CSB, Pacific Life nor Pacific Funds shall be liable for any inconsistency between this summary and the applicable provisions governing the administration and operation of the Program.

8) **Privacy Policy Notice:** Pacific Funds is committed to protect the privacy and security of the personal information that we collect about our customers. Refer to the accompanying Pacific Funds prospectus brochure for a copy of the Pacific Funds Privacy Statement. Refer to CSB's current privacy statement. Pacific Funds provides information concerning Pacific Funds 529 Plan (MT) accounts, including but not limited to account balances, social security numbers, and named beneficiaries, to CSB and the BOR on behalf of the State of Montana.

9) **Bankruptcy Protection:** The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the 2005 Bankruptcy Act) provides new bankruptcy protections for education savings of a debtor invested in an account. Funds that an account owner has paid or contributed to their account for the account owner's child, stepchild or grandchild at least 365 days before the account owner files a bankruptcy petition are not property of the bankruptcy estate and therefore are shielded from creditors' claims. The amount of qualified tuition program funds that qualify for the bankruptcy exclusion pursuant to the 2005 Bankruptcy Act are subject to two separate limits: (1) the bankruptcy exclusion cannot exceed the amount needed to provide for the designated beneficiary's qualified education expenses, which amount is

determined based on the educational expense category of the Consumer Price Index as in effect on the date of the bankruptcy filing; and (2) qualified tuition program funds, in excess of $5,000, that the account owner paid or contributed to the account between 720 days and 365 days before the filing date of the bankruptcy petition will not be excluded from the bankruptcy estate and therefore will not be protected from the claims of creditors. Please note that this new bankruptcy protection under the 2005 Bankruptcy Act does not take effect until October 17, 2005, and, therefore, does not apply to bankruptcy cases begun prior that date.

PARTICIPATING TRUST AGREEMENT ("AGREEMENT")

AGREEMENT FOR THE PACIFIC FUNDS 529 COLLEGE SAVINGS PLAN (MONTANA)
The Account Owner ("you"), the Montana Board of Regents of Higher Education, as the trustee (the "Trustee"), of the Montana Family Education Savings Trust (the "Trust"), College Savings Bank ("Program Manager"), agree as follows:

1. Management of the Plan

The Pacific Funds 529 College Savings Plan (MT) (the "Plan") was created under the Montana Family Education Savings Program (the "Program"). The Program and the Trust were established pursuant to the State of Montana (the "State") "Family Education Savings Act," Ch. 540, L. 1997 as amended by Ch. 468, L.2001, and Ch. 549, L. 2005. The Program was designed by the state of Montana to qualify for treatment as a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended (together with any regulation and other guidance issued thereunder, collectively referred to as "Section 529"). The Trustee administers the Trust and has appointed College Savings Bank and Pacific Funds to provide management, administration, record keeping and transfer agency services for the Plan within the Trust. The Plan is described in the Plan Description Handbook.

2. Definitions

Capitalized terms used in this Participating Trust Agreement shall have the meanings set forth below or indicated above. Any terms not defined in this Participating Trust Agreement shall have the meanings given them in the Plan Description Handbook.

"Account" means the account established with the money you contribute to the Plan that creates an interest in the Trust and provides for participation in the Program. You may open more than one Account for the same Designated Beneficiary.

"Account Application" means the Pacific Funds 529 College Savings Plan (MT) Account Application.

"Account Owner", "you" or "your" means the person who enters into a Participating Trust Agreement and is designated at the time an Account is opened as having the right to withdraw funds from the Account before such funds are disbursed to or for the benefit of the Designated Beneficiary of the Account. An Account may be owned jointly by spouses. The Account Owner may be an individual in his or her capacity as a custodian under a Uniform Transfers or Gifts to Minors Act. An Account Owner also means a successor Account Owner.

"Designated Beneficiary" or **"Beneficiary"** means the person that is designated at the time the Account is opened as the person whose higher education expenses are expected to be paid from the Account, or if a Beneficiary is changed in accordance with the Program rules, the successor Beneficiary. In the case of a scholarship account, the entity opening the Account shall be the Beneficiary until the entity designates a Beneficiary.

"Eligible Educational Institution" means an institution of higher education that qualifies under Section 529 as an eligible educational institution.

"Member of the Family" means a family member as defined in Section 529.

"Nonqualified Withdrawal" means a withdrawal from an Account other than a Qualified Withdrawal, a withdrawal made as a result of the death or disability of the Designated Beneficiary, a withdrawal that is made due to the receipt of a scholarship, only to the extent of the amount of the scholarship, or a rollover or change of Beneficiary.

"Pacific Funds" means the shares of certain series of the Pacific Funds, a Delaware statutory trust registered as an open-end management investment company with the Securities and Exchange Commission. Only those series of the Pacific Funds that, from time to time, have been approved by the Trustee will be available under the Plan. The Pacific Funds serve as the **"Investment Options"** available in the Plan.

"Participating Trust Agreement" or **"Agreement"** means this agreement, which creates an interest in the Trust and that provides for participation in the Program.

"Plan Description Handbook" means the Plan Description Handbook for the Pacific Funds 529 College Savings Plan (MT), including this Participating Trust Agreement, as amended and supplemented from time to time.

"Program Manager" refers to College Savings Bank as selected by the Trustee to provide services in connection with the Plan.

"Qualified Higher Education Expenses" means tuition, fees, books, supplies, room and board and equipment required for enrollment or attendance of the Designated Beneficiary at an Eligible Educational Institution and expenses for special needs services in the case of a special needs beneficiary that are incurred in connection with enrollment or attendance, if these expenses meet the definition of Qualified Higher Education Expenses in Section 529.

"Qualified Withdrawal" means a withdrawal from an Account to pay the Qualified Higher Education Expenses of the Designated Beneficiary of the Account.

"Section 529" means Section 529 of the Internal Revenue Code of 1986, as amended, and the final regulations issued pursuant to the section. Section 529 of the Internal Revenue Code contains provisions governing the tax treatment of qualified tuition programs.

"Trust" means the Montana Family Education Savings Trust.

3. Accounts and Beneficiaries

A. Opening Accounts. You may open one or more Accounts. The purpose of each Account is to provide for the Qualified Higher Education Expenses, as defined in Section 529, of one Beneficiary.

B. Separate Accounts. The Trust will maintain one or more separate Accounts for each Beneficiary. Each Account will be governed by this Agreement and Montana law and regulations and Section 529 (collectively referred to as "Applicable Law"). All assets held in your Account(s) will be held for the exclusive benefit of you and your Beneficiary

C. Naming and Changing Beneficiaries. You will name a single Beneficiary for an Account in the Account Application. You can change the Beneficiary at any time without adverse tax consequences provided the new Beneficiary is a Member of the Family of the current Beneficiary. The designation of the new Beneficiary will be effective on the day the completed form is received by Pacific Funds (if received before 4 p.m. EST). You may not change the Beneficiary of a UGMA/UTMA 529 Plan Account. A change of Beneficiary will result in the assignment of a new Account number.

4. Investments

A. Investments to be in Cash. All investments must be in cash, which means only (i) checks, (ii) electronic funds transfers from your bank, (iii) payroll deductions made by your employer, (iv) funds wired through the Federal Reserve System and (v) proceeds transferred from another 529 plan account, a brokerage account, or other financial institution account.

B. Minimum Initial Investment. The initial investment in each Account will be at least $500 per Investment Option, and the minimum subsequent contribution is $50 per Investment Option, except that in the case of contributions through preauthorized investment plans or payroll deduction, the initial minimum contribution of $500 is waived.

C. Additional Investments. You may make additional investments of at least $50 per Investment Option at any time, subject to the overall limit described in the next paragraph.

D. Maximum Balance Limit. As described by Applicable Law, the Trust will set from time to time a maximum Account balance value ("Maximum Balance") which will limit the amount of contributions that may be made to

Accounts for any one Beneficiary. To the extent that contributions would result in an aggregate balance in all the Accounts in excess of the Maximum Balance, the excess will not be accepted and will be returned to you. The Maximum Balance is set forth in the Plan Description Handbook and is subject to change at any time by the Trustee. The balance in any Account held for a Beneficiary, regardless of the account owner or owners, will be aggregated with the balances in all other Accounts for the same Beneficiary, and any other accounts under the Montana Program for the same Beneficiary, in applying the Maximum Balance.

E. Right to Refuse Contributions. Contributions may be refused if the Trustee or Program Manager believes that the contributions appear to be an abuse of the Plan.

5. Investment Options

A. You can choose from the Investment Options established by the Plan for the investment of assets in the Account as identified in the current Plan Description Handbook. Your investments in the Plan are invested in the Investment Options selected by you and the assets are held by the Trust.

B. The Trust invests the assets of each Investment Option in one or more underlying mutual funds (the "Underlying Funds") and any other instruments as may be approved by the Trustee in the future. Money invested in any of the Investment Options will remain in that particular Investment Option until withdrawn or reallocated at your instruction.

C. You may reallocate the assets in the Account among the different Investment Options once per calendar year and at any time with a change in the Beneficiary of the Account.

NOTE: The Investment Options are not insured or guaranteed by the Federal Deposit Insurance Corporation, the State, the Trust, the Trustee, any other government agency, the Program Manager, or Pacific Funds.

6. Distributions from Accounts

You may direct the Trustee to distribute part or all of the money in an Account at any time, subject to any fees, penalties and additional tax that may be applicable as described below and in the Plan Description Handbook, or as required by Applicable Law.

A. You must complete a Distribution Request form and provide it to the Program Manager with any other information required by the Trustee or Program Manager. The Trustee may change the form from time to time.

B. Either the Trustee or you may terminate an Account at any time upon written notice to the other party and in accordance with Applicable Law. If you or the Account's Beneficiary have provided false or misleading information to the Trust, the Program Manager or an eligible educational institution, the Trustee may take such action as permitted by Applicable Law, including terminating the Account. Upon termination, the remaining Account balance will be distributed to you and contributions and earnings thereon will be subject to federal and any applicable state taxes, including the additional 10 percent federal tax on earnings for Nonqualified Withdrawals and, if applicable, sales charges as described in the Plan Description Handbook and the prospectus for Pacific Funds.

7. Your Representations and Acknowledgments

You hereby represent and warrant to, and agree with, the Trust and the Program Manager as follows:

A. You have received and read the document entitled Plan Description Handbook and the Pacific Funds current prospectus and have carefully reviewed all the information contained therein, including the discussion of risks of investing in the Plan and selecting any particular Investment Option. You have been given an opportunity within a reasonable time prior to the date of this Agreement to ask questions and receive answers concerning (i) an investment in the Plan, (ii) the terms and conditions of the Trust, and (iii) this Agreement and to obtain such additional information necessary to verify the accuracy of any information furnished. You have had the opportunity to ask questions of the Program Manager and have received satisfactory answers to any questions asked.

B. You acknowledge and agree that the Plan Description Handbook's terms are incorporated by reference into this Agreement. You have not relied on any representations or other information regarding the program, oral or written, other than as set forth in the Plan Description Handbook and in this Agreement.

C. You understand that:

(i) **The value of your Account will increase or decrease based on the value of the Underlying Funds in which the Investment Options (you have selected) have invested;**

(ii) **The value of any Account may be more or less than the amount you invested in the Account;**

(iii) **The value of the Account may not be adequate to fund the Beneficiary's actual higher education expenses;**

(iv) **The intended tax advantages for the Account may be affected by future changes in tax laws and regulations or Program regulations; and**

(v) **There is no guarantee of a rate of return or interest on your Account, and none of the Trust, the Trustee, the State, the Program Manager or Pacific Funds or any other Person is liable for any loss incurred by you as a result of participating in the Plan. Neither the Account, your contributions to the Trust, nor any rate of return on the contributions is insured by the State of Montana.**

D. You agree that all investment decisions for each Investment Option will be made by the Program Manager or any other adviser hired by the Trust, and that you will not direct the investment among any funds or other assets of any funds invested in any Investment Option, either directly or indirectly.

E. You understand that (i) your contributions are being paid to the Trust, (ii) you are purchasing interests issued by the Trust which are municipal fund securities, (iii) you have no right or legal interest in any investment by the Trust with contributions received under this Agreement, and (iv) as an Account Owner, you are not a shareholder in any of the Underlying Funds and have no rights of a shareholder.

F. You understand that so long as College Savings Bank serves as the Program Manager to the Trust, it will invest the assets of the Investment Options primarily or exclusively in mutual funds offered by Pacific Funds, and that any successor Program Manager may invest in any mutual funds registered with the United States Securities and Exchange Commission or other investments approved by the Trustee.

G. You understand that:

(i) at any time you may select one or more Investment Options for future investments in the Trust, but

(ii) you may transfer assets in an Account among Investment Options only

(a) once each calendar year, or

(b) upon a change of Beneficiary.

H. You also understand that any Investment Option or Underlying Fund may, at any time, be merged, terminated, reorganized or cease accepting new contributions, and any such action may result in contributions being reinvested in an Investment Option that is different from the Investment Option in which contributions originally were invested.

I. You acknowledge and agree that participation in the Plan does not guarantee that any Beneficiary: (i) will be accepted as a student by any institution of higher education; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition purposes; iv) will graduate from any institution of higher education; or (v) will achieve any particular treatment under applicable state or federal financial aid programs. You also understand that participation in the Plan does not guarantee in-state tuition rates.

J. You acknowledge and agree that no Account will be used as collateral for any loan. Any attempted use of an Account as collateral for a loan will be void.

K. You acknowledge and agree that you may not assign or transfer any interest in any Account except as allowed by Section 529 or any Montana law or regulations. Any attempted assignment or transfer of such an interest will be void. You understand that you may select a successor Account Owner to whom the Account will be assigned in the event of your death.

L. You acknowledge and agree that the Trust will not loan any assets to you or any Beneficiary.

M. You agree and acknowledge that the Plan is established and maintained by the State pursuant to Montana law and is intended to qualify for certain federal income tax consequences under Section 529. You further acknowledge that such federal and state laws are subject to change, sometimes with retroactive effect, and that none of the State, the Trust, the Trustee, the Program Manager or any adviser or consultant retained by the Trust makes any representation that such state or federal laws will not be changed or repealed.

N. You understand that unless Congress enacts additional legislation, the changes under the Tax Act as described in the Plan Description Handbook that took effect for taxable years beginning after December 31, 2001, will not apply for taxable years beginning after December 31, 2010, and that the law in effect prior to January 1, 2002, will again become the applicable law for taxable years beginning after December 31, 2010. You understand that such a change in law may have adverse tax and other consequences. You understand that you should consider the potential effect such a change in law could have on your investments under the Plan before establishing an Account.

O. You understand that: (i) the state(s) where you live or pay taxes may offer a Section 529 savings plan, (ii) that such Section 529 savings plan may offer you state income tax or other benefits not available through the Plan, and (iii) it may be advisable for you to consult with a tax adviser regarding the state tax consequences of investing in the Plan.

P. You certify that all information provided by you in the Account Application or otherwise is, and shall be, accurate and complete, and you agree to notify the Trustee or the Program Manager promptly of any changes in such information.

Q. You agree that each contribution to the Account shall constitute a representation by you that each contribution (together with the balance then on deposit in the Account and other Accounts known by you to have been established under the Trust for the same Beneficiary, including any other accounts under the Montana Program for the same Beneficiary) will not cause the aggregate balances in such Accounts at that time to be in excess of the amount reasonably believed by you to be necessary to provide for the Beneficiary's future higher education expenses and in any event will not cause such aggregate balances to exceed the Maximum Balance then in effect.

R. You acknowledge that, if you open your Account through a financial advisor, the Program Manager may periodically provide such financial advisor with information regarding your Account.

8. Fees and Expenses

The Account is subject to the following fees and expenses to pay for the costs of managing and administering the Plan, the Trust and the Accounts and all other expenses deemed necessary or appropriate by the Trustee:

A. Annual Account Maintenance Fee(s). An annual $25 maintenance fee will be assessed on all new accounts. The maintenance fee will be waived for Montana residents opening a Pacific Funds 529 Plan directly from Pacific Funds and all other accounts opened at Net Asset Value (NAV).

B. Sales Charges. The Plan offers investors Class A, Class B and Class C of each Investment Option, except for the PF Pacific Life Money Market Fund, which only offers Class A shares. Each class is subject to different types and levels of sales charges, and bears different levels of expenses. Montana residents can open an Account directly from Pacific Funds without paying the applicable front-end sales charges and the annual Account maintenance fee. Refer to the Plan Description Handbook for more information about the sales charges.

C. Indirect Fees. You agree and acknowledge that, in addition to the fees described above, each of the Underlying Funds held in the Investment Options also will have investment management fees and other expenses that you will pay indirectly. You will pay the costs associated with investing in the underlying Pacific Funds. The fees relating to your Account will vary depending on the funds and share class selected. Refer to the Fee Tables in the Plan Description Handbook and the Pacific Funds prospectus for the fund expenses that will apply.

9. Payment of Fees and Expenses

The Plan may liquidate assets in your Account to pay any fees, expenses or liabilities owed to the Trustee, the Trust, the Program Manager, or certain other entities performing services related to the Plan.

10. Necessity of Qualification

The Trust intends to qualify for favorable federal tax treatment under Section 529. You agree and acknowledge that qualification under Section 529 is vital, and agree that the Trustee may amend this Agreement upon a determination that such an amendment is required to maintain such qualification.

11. Duties of the Trustee and the Program Manager

Neither the Trustee nor the Program Manager has any duty to determine or advise you of the investment, tax, or other consequences of your actions, of their actions in following your directions, or of their failing to act in the absence of your directions. You should consult your tax, legal, and investment advisers regarding your specific situation.

12. Reporting

The Pacific Funds will send you, at least quarterly, reports that show the value of the Account and activity in the Account during the previous quarter. If applicable, the Pacific Funds will provide tax reporting as required under Section 529 and other Applicable Law. You agree to provide all information that the Trustee or the Pacific Funds may need to comply with any legal reporting requirements. You are responsible for filing federal tax returns and any other reports required by law.

13. Participant's Indemnity

You recognize that each Account will be established based upon your statements, agreements, representations and warranties set forth in this Agreement. You agree to indemnify and to hold harmless the Trust, the Trustee, the State, the Program Manager, Pacific Funds and any representatives of the Trust, the Trustee, the State, the Program Manager or Pacific Funds from and against any and all loss, damage, liability or expense, including costs of reasonable attorney's fees, to which they may be put or which they may incur by reason of, or in connection with, (i) any misstatement or misrepresentation made by you or any Beneficiary of yours, (ii) any breach by you of the acknowledgments, representations or warranties contained herein, or (iii) any failure by you to fulfill any portion of this Agreement. You agree that all of your statements, representations and warranties will survive the termination of this Agreement.

14. Amendment and Termination

Nothing contained in the Plan Description Handbook or this Agreement is an agreement or representation by the Trustee or any other person that it will continue to maintain the Trust or the Plan indefinitely. No provision of this Agreement can be amended or waived except in writing signed by an authorized representative of the Trustee. The Trustee may from time to time amend, terminate or suspend the Plan and may also amend or terminate this Agreement by giving written notice to you, so long as after the action, the assets in the Account are still held for the exclusive benefit of you and the Beneficiary. A termination of the Plan or this Agreement may result in a Nonqualified Withdrawal for which taxes and penalties may be assessed.

15. Effective Date; Incorporation of Application

This Agreement shall become effective between the Trustee, the Program Manager and you upon the acceptance of your signed Account Application by or on behalf of the Trustee. The Account Application executed by you with respect to the Account is incorporated herein, and this Agreement is expressly incorporated into each such Account Application, so that together this Agreement and the Account Application shall constitute the contract between the Trustee, the Program Manager and you with respect to the Account. Your execution of the Account Application will also be considered execution of this Agreement.

This Agreement is also binding, effective January 1, 2006, with respect to all Accounts opened before October 1, 2005, whether or not the Account owner executes a new Application or formal consent.16. Applicable Law

This Agreement is governed by the laws of Montana without reference to its conflicts of laws.

17. Severability

In the event that any clause, provision, or portion of this Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion will be severed from this Agreement and the remainder shall continue in full force and effect as if such clause or portion had never been included.

18. Binding Nature

This Agreement shall be binding upon the parties and their respective heirs, successors, beneficiaries and permitted assigns. You agree that all of your representations and obligations under this Agreement shall be for the benefit of the Trustee and the Program Manager who can rely upon and enforce them.

19. Extraordinary Events

The Trustee, the Program Manager, and Pacific Funds shall not be liable for losses caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, acts of terrorism, strikes or other conditions beyond their control.

20. Communications

For purposes of this Account Owner Agreement, communications will be sent to you at the permanent address that you specify in your Account Application or at such other permanent address that you give to Pacific Funds in writing. All communications so sent will be deemed to be given to you personally upon such sending, whether or not you actually receive them.

21. Information Collection Respecting Federal Anti-Money Laundering Laws

No Account will be created hereunder without each prospective Account Owner providing the Pacific Funds with their name, address, date of birth and Social Security Number or tax identification number (or jurisdiction of domicile and EIN for non-individual Account Owners), and any other information as may be required by Title III of the USA Patriot Act or regulations promulgated thereunder by the U.S. Department of the Treasury. The Program Manager is empowered to (and cause other to) collect, retain and disclose such information to the maximum extent permitted or required by such federal laws and regulations.

PACIFIC FUNDS

Mailing address:

Pacific Funds 529 Plan

P.O. Box 9768

Providence, RI 02940-9768

(800) 722-2333

www.collegesavings.PacificLife.com

Investors should carefully consider the fund investment objectives, risks, charges, limitations and expenses of Pacific Funds. This and other information about Pacific Funds is in the prospectus available from your registered representative or by calling (800) 722-2333. Read the prospectus carefully before investing. Share values will fluctuate, and, when redeemed, may be worth more or less than the original cost.

The Pacific Funds 529 College Savings Plan (MT) is approved and issued by the state of Montana and offered through the Montana Family Education Savings Program. Changes enacted under the 2001 Tax Bill (EGTRRA), including the favorable tax treatment of certain distributions from 529 plans, are due to expire in 2010. If Congress does not act to extend the provisions, among other things, all withdrawals and other distributions from 529 plans after 2010 will be subject to tax. The expiration would adversely affect 529 plans funded both before and after 2011.

Neither the account nor the principal nor the investment return is guaranteed or insured by the state of Montana, by Pacific Funds, by Pacific Life or by College Savings Bank. Withdrawals for expenses other than qualified higher education expenses are subject to income tax and an additional 10% federal tax on earnings. Montana residents have the option of purchasing a Pacific Funds 529 Plan at Net Asset Value (NAV). Investors that are residents of states other than Montana, should consider, before investing, whether their state offers any tax or other benefits not available through an investment in the Pacific Funds 529 Plan (MT). Neither the state of Montana, nor Pacific Life nor Pacific Funds, nor College Savings Bank nor their representatives give tax or legal advice. You should consult your tax adviser and attorney regarding your specific situation.

Pacific Funds and Pacific Funds 529 College Savings Plans are distributed by **Pacific Select Distributors, Inc.** (member MSRB, NASD & SIPC), a subsidiary of Pacific Life Insurance Company, and are available through licensed third party broker/dealers. The Pacific Funds 529 College Savings Plan may only be sold through broker/dealers that are also members of the MSRB.

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