PLAN DISCLOSURE BOOKLET

for

Minnesota College Savings Plan

minnesota
College Savings Plan

PLAN MANAGER:

TIAA-CREF Tuition Financing, Inc.

September 20, 2001

No security issued by the Plan has been registered with or approved by the United States Securities and Exchange Commission or any state securities commission.

No dealer, broker, salesperson or other person has been authorized by TIAA-CREF Tuition Financing, Inc. ("**TFI**" or the "**Plan Manager**"), the Minnesota State Board of Investment (the "**Board**") or the Minnesota Higher Education Services Office (the "**Office**") to give any information or to make any representations other than those contained in this document and, if given or made, such other information or representations must not be relied upon as having been authorized by the Plan Manager, the Board or the Office.

This Plan Disclosure Booklet (this "**Disclosure Booklet**"), which includes the attached Appendix (the "**Appendix**") and Addendum (the "**Addendum**"), is not to be construed as a contract with an Account Owner. The Participation Agreement, which incorporates this Disclosure Booklet by reference, is the contract with an Account Owner.

The information and opinions in this Disclosure Booklet are subject to change without notice, and neither delivery of this Disclosure Booklet nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Plan Manager, the Board or the Office since the date of this document.

This Disclosure Booklet does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of a security in the Plan by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Disclosure Booklet is available as public information on the Plan's Web site at www.mnsaves.org.

TABLE OF CONTENTS

	Page
MINNESOTA COLLEGE SAVINGS PLAN – AN OVERVIEW	1
MATCHING GRANTS	3
OPENING AND MAINTAINING YOUR ACCOUNT	5
How to Participate in the Plan	5
Contributions	5
Changing the Beneficiary and Transferring Funds	7
Selecting and Revising Investment Options for Future Contributions	8
Changing Account Ownership	8
Naming a Contingent Account Owner	9
WITHDRAWALS	9
Qualified Withdrawals	9
Withdrawals Due to Death, Disability or Scholarship	11
Non-Qualified Withdrawals; Penalty and Additional Tax	11
Refunds of Payments of Qualified Higher Education Expenses	11
Rollover Distributions	12
HOW YOUR CONTRIBUTIONS ARE INVESTED	12
Choosing Investment Options	14
The TIAA-CREF Institutional Mutual Funds	15
The TIAA-CREF Life Insurance Company Funding Agreement	22
Unit Value	23
PURCHASE AND WITHDRAWAL OF UNITS	23
OVERSIGHT OF THE PLAN	23
THE PLAN MANAGER	24
TFI's Term As Plan Manager	24
Management Fees	24
Other Fees	25
RISKS OF INVESTING IN THE PLAN	25
Investment Risks	25
No Guarantee of Attendance or Expense	26
Risks Related to Changes in Law	26
Risks Related to Expiration of the 2001 Tax Act	26
Risks Related to Illiquidity	26
DORMANT ACCOUNTS	27
INACTIVE MATCHING GRANT ACCOUNTS	27
REPORTING	27
Account Statements	27
Tax Reports	28
Tax Withholding	28
Continuing Disclosure	28
Audit	28
Privacy of Account Information	28
NOTICES	28
APPENDIX – Tax Information	A-1
New Tax Law Changes Affecting the Plan	A-1
Federal Income Tax Treatment	A-2
Federal Gift, Estate and Generation-Skipping Transfer Taxes	A-5
State Tax Treatment	A-6
Taxation of Matching Grants	A-7
Tax Reports	A-7
Lack of Certainty of Tax Consequences; Future Changes in Law	A-8
ADDENDUM	

MINNESOTA COLLEGE SAVINGS PLAN – AN OVERVIEW

This overview is a brief summary of the terms of the Participation Agreement and the Plan. For complete information, you should read the entire Participation Agreement and this Disclosure Booklet.

The Minnesota College Savings Plan (the "**Plan**" or the "**program**") is designed to help people save for the costs of education after high school. The Plan is managed by the Higher Education Services Office of the State of Minnesota (the "**Office**") and the money is invested by the State Board of Investment of the State of Minnesota (the "**Board**"). The Office and the Board are agencies of the State of Minnesota. Currently, federal and state tax benefits enhance the value of investing in the Plan.

When you complete a participation agreement for the Plan (a "**Participation Agreement**") and open an account (an "**Account**") as an account owner (an "**Account Owner**"), you will be required to name a beneficiary (the "**Beneficiary**") for that Account. You may change the Beneficiary of your Account, subject to certain limitations. The Account and all rights under the Participation Agreement belong to you as the Account Owner and not to the Beneficiary. The funds held in your Account are intended to pay for that Beneficiary's "Qualified Higher Education Expenses" at an "Eligible Educational Institution."

- "**Qualified Higher Education Expenses**" are tuition, fees and the cost of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution. The amount of room and board expenses that are eligible to be treated as Qualified Higher Education Expenses is subject to certain limitations as described in detail below under "WITHDRAWALS — Qualified Withdrawals."
- In general, "**Eligible Educational Institutions**" are accredited, postsecondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree or another recognized postsecondary credential, including certain proprietary institutions and postsecondary vocational schools and certain institutions in foreign countries.

On June 7, 2001, the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "**2001 Tax Act**") was enacted into law. The provisions of the 2001 Tax Act specifically applicable to Accounts are summarized in this Disclosure Booklet and are described in the Appendix. These provisions of the 2001 Tax Act will take effect on January 1, 2002, and are set to expire on December 31, 2010. If Congress does not extend these provisions beyond December 31, 2010, or otherwise change the law, the federal law governing the Plan will revert on January 1, 2011, to the rules that existed until December 31, 2001, as described in this Disclosure Booklet and the Appendix. When considering an investment, you should be aware that laws affecting your Account may change while your Account is open as further described under "RISKS OF INVESTING IN THE PLAN — Risks Related to Changes in Law." See the Appendix for more complete information on the effects of the 2001 Tax Act. Account Owners should consult their tax advisors about how the 2001 Tax Act applies to them or their Beneficiaries.

The earnings on your Account are deferred for federal and Minnesota income tax purposes until withdrawal. When earnings are withdrawn prior to January 1, 2002, to pay Qualified Higher Education Expenses, federal and Minnesota income taxes are paid by the Beneficiary at the Beneficiary's tax rate. As of January 1, 2002, as long as withdrawals from your Account are used for the Beneficiary's Qualified Higher Education Expenses, the earnings portion of the withdrawals will not be subject to federal income taxation.

The Plan has established three investment options ("**Investment Options**") for Accounts. Two of these Investment Options allocate your contributions to one or more of the TIAA-CREF Institutional Mutual Funds (collectively the "**Mutual Funds**" or "**Funds**"). The third Investment Option allocates your contributions to a funding agreement (the "**Funding Agreement**") issued to the Board on behalf of the Office by TIAA-CREF Life Insurance Company ("**TIAA-CREF Life**") of New York, New York, a wholly owned subsidiary of Teachers Insurance and Annuity Association of America ("**TIAA**").

You may allocate your contributions to your Account for investment in any one or a combination of the Investment Options. However, once made, contributions and any earnings thereon may not be transferred to another Investment Option unless you change the Beneficiary of your Account or transfer funds to an Account for a different Beneficiary. (See "OPENING AND MAINTAINING YOUR ACCOUNT — Changing the Beneficiary and Transferring Funds" below for more information.) Additional information about the Investment Options, including limitations and risks, appears under "HOW YOUR CONTRIBUTIONS ARE INVESTED."

The three Investment Options are:

- **Managed Allocation Option:** The Plan allocates your contributions under this Investment Option among three of the Mutual Funds. The age of the Beneficiary of an Account and the date that Beneficiaries of his or her age would normally enroll in college determine how contributions are allocated. A larger percentage of contributions is allocated to equity investments in the early years of the Beneficiary's life. As the Beneficiary grows older, a declining percentage of the funds held in your Account will be allocated to equity investments, and an increasing percentage of the funds held in your Account will be allocated to bond and money market investments. Allocations are made in accordance with the investment policy adopted by the Board and may be changed at any time by the Board. The investment objective of this Investment Option is to achieve investment returns over the applicable investment period that are at least equal to the rate of increase in the costs of higher education over that period.

- **100% Equity Option:** The Plan allocates your contributions under this Investment Option between two of the Mutual Funds in accordance with the investment policy adopted by the Board. The percentage of your contributions that will be allocated to each of the two Mutual Funds may be changed at any time by the Board.

- **Guaranteed Option:** The Plan initially allocates your contributions under this Investment Option to the TIAA-CREF Institutional Money Market Fund until the Funding Agreement is issued by TIAA-CREF Life to the Board which will occur when the sum of assets allocated to the Guaranteed Option plus matching grants equals at least $1,000,000. Once the Funding Agreement is issued, assets held in the Guaranteed Option shall be directed to TIAA-CREF Life for investment in the Funding Agreement. The Funding Agreement guarantees the Board principal and a minimum rate of return of 3 percent per annum with the opportunity for additional returns as may be periodically declared in advance by TIAA-CREF Life.

Account Owners and Beneficiaries may not exercise any investment discretion, directly or indirectly, over contributions made to an Account or any earnings on contributions.

The value of your Account will fluctuate. Investments under the Plan are not guaranteed (except to the extent of the guarantee by TIAA-CREF Life to the Board under the Guaranteed Option), and no one can predict the returns from the investment of your contributions to the Plan. The rate of return on funds in your Account during any particular period may be less than the rate of increase in the costs of higher education.

The Plan is authorized by Sections 136A.241 to 136A.246 of the Minnesota General Statutes (the "**Statute**"), and is administered by the Office. Among other powers and authority, the Director of the Office has the authority to enter into contracts for program management services and adopt regulations for the administration of the Plan. Your rights as an Account Owner and the rights of your Beneficiary are established under provisions of the Statute, regulations, if any, adopted by the Office and the Board, and your Participation Agreement.

TIAA-CREF Tuition Financing, Inc. ("**TFI**" or the "**Plan Manager**") is the Plan Manager of the Plan. TFI was selected by the Office and the Board as the result of a competitive bidding process. TFI is part of TIAA-CREF, a financial services organization with more than 80 years of investment experience.

The remainder of this Disclosure Booklet describes the Plan and its investment objectives, how to open an Account, and other relevant information about the Plan. An Appendix containing detailed information about the tax benefits and consequences of the Plan under federal and Minnesota law is attached to the end of this Disclosure Booklet. You may contact the Plan Manager to receive additional copies of this Disclosure Booklet.

MATCHING GRANTS

The Statute provides that the State of Minnesota will make annual matching grants to each Account established under the Plan if certain conditions are met. The conditions include (1) application by the Account Owner for the matching grant, (2) a minimum contribution of $200 to the Account Owner's Account during the calendar year and (3) the family income (as defined in the Statute) of the Beneficiary does not exceed $80,000. Minnesota families with incomes of $50,000 or less who contribute to the Plan may be eligible for a matching grant of up to 15 percent of their contributions during the year, up to a maximum of $300. Minnesota families with incomes between $50,000 and $80,000 may be eligible for a matching grant of up to 5 percent of their contributions to the Plan during the year, up to a maximum of $300. The family income used to determine a matching grant for a Beneficiary whose parents are divorced is the income of the parent claiming the Beneficiary as a dependent on their federal income tax return and the income of that parent's spouse, if any. A Beneficiary who has been designated on multiple Accounts cannot qualify for more than $300 in matching grants annually.

The parents or legal guardians of a Beneficiary under the age of 25 must be residents of Minnesota in order for the Beneficiary to qualify for a matching grant. If the Beneficiary is age 25 or older, he or she must be a resident of Minnesota to qualify for a matching grant. Residency is established by the filing of a Minnesota individual income tax return as a Minnesota resident two years prior to the year in which the matching grant is awarded. For Beneficiaries who are 25 or older, the Beneficiary and the spouse, if any, must have filed the return two years prior to the year in which the grant is awarded. If the Beneficiary is less than 25 years old, his or her parent or legal guardian must have filed the return two years prior to the year in which the grant is awarded, claiming the Beneficiary as a dependent. If returns were not filed due to residency outside of the State of Minnesota two years prior to the year in which the matching grant is awarded, current Minnesota residency must be established through the issuance

of a Minnesota driver's license or identification card prior to the award of the matching grant. The information in the matching grant applications will be reviewed by pertinent Minnesota state government agencies to verify eligibility requirements.

An Account Owner must apply for the matching grant and the application must be received by not later than December 31 of each year that the minimum contribution is made. If the Account Owner's application is deemed eligible, a matching grant Account will be opened. The application for the matching grant is made directly to the State of Minnesota on a separate form, not by entering into a Participation Agreement. Matching grant application forms may be obtained by contacting the Plan at the toll free number or accessing the Plan Web site.

No Beneficiary is guaranteed an annual matching grant by the State of Minnesota. The Statute provides that the Office retains ownership of all matching grants and earnings derived from such grants until a distribution is made to a Beneficiary for a Qualified Higher Education Expense. Matching grants will be proportionately reduced pursuant to Minnesota Statutes if the total amount of matching grants exceeds State of Minnesota appropriations for matching grants.

Matching grants will be fully or partially forfeited under certain conditions, including: (1) a transfer of funds from the Account or a change of Beneficiary; (2) the death or disability of the Beneficiary; (3) the award of a tuition scholarship to the Beneficiary or the admission of the Beneficiary to a United States service academy; or (4) a Non-Qualified Withdrawal by the Account Owner. See "OPENING AND MAINTAINING YOUR ACCOUNT — Changing the Beneficiary and Transferring Funds" and "WITHDRAWALS" below for more information. If the Account Owner makes a misrepresentation in a Participation Agreement or an application for a matching grant that results in a matching grant, the matching grant associated with the misrepresentation will be forfeited.

The Plan Manager shall direct the investment of all matching grants to the TIAA-CREF Institutional Money Market Fund until the Funding Agreement is issued by TIAA-CREF Life to the Board on behalf of the Office which will occur when the sum of assets allocated to the Guaranteed Option plus matching grants equals at least $1,000,000. Once the Funding Agreement is issued, all matching grants invested in the TIAA-CREF Institutional Money Market Fund will be withdrawn and allocated to the Funding Agreement and all future matching grants will be paid directly to the Funding Agreement. The Funding Agreement will guarantee a return of principal and a fixed minimum rate of return with the possibility of additional returns as may be declared in advance for a period of up to twelve months by TIAA-CREF Life. The Board of Directors of TIAA-CREF Life may change at any time (either upward or downward) on a going-forward basis the declared rate applicable to new contributions.

The Funding Agreement is a general obligation of TIAA-CREF Life to the Board. As such, the Funding Agreement provides the Board with a guarantee by TIAA-CREF Life of principal and a fixed rate of return, as described above, but this guarantee is not made directly to Account Owners or Beneficiaries. Neither TIAA-CREF Life nor TFI makes any guarantee to Account Owners or Beneficiaries with respect to the Funding Agreement. The Funding Agreement is not guaranteed or insured by any entity other than TIAA-CREF Life.

Although the Plan Manager will assist in the administrative processing of matching grant applications under the guidance of the Office, the Plan Manager is not responsible nor liable for any matching grant decisions made by the State of Minnesota or any agency thereof. Under certain conditions, such as a non-qualified withdrawal from an Account, the death or disability of the Beneficiary, scholarship award to the Beneficiary, change of Beneficiary, and/or Rollover Distribution to another Qualified

Tuition Program, the Account Owner will forfeit, in part or in full, the State of Minnesota matching grants for the Beneficiary. For more complete information with respect to matching grants, including applications, investment and withdrawal of funds, contact the Plan Manager as set forth below.

OPENING AND MAINTAINING YOUR ACCOUNT

How to Participate in the Plan

You may contact the Plan Manager or obtain any of the forms described below in any of the following ways: (1) call the Plan Manager toll free at 1 877 EDU 4 MIN (1 877 338-4646), (2) access the Plan's Web site at www.mnsaves.org or (3) write to the Plan Manager at Minnesota College Savings Plan, P.O. Box 64028, St. Paul, Minnesota 55164-9327.

When you open an Account, you must designate a Beneficiary. Anyone with a valid Social Security number or federal taxpayer identification number who is a U.S. citizen or resident alien may open an Account or be named as a Beneficiary. Each Account may have only one designated Beneficiary. If you wish to make contributions for more than one Beneficiary, you must complete a separate Participation Agreement and open a separate Account for each Beneficiary. Other Account Owners may open an Account for the same Beneficiary.

To open an Account, you must complete a Participation Agreement. You must specify in your Participation Agreement how you want your contributions invested among the Managed Allocation Option, the 100% Equity Option and the Guaranteed Option. You may invest in any one or a combination of these Investment Options. If you elect to contribute to more than one Investment Option, you must specify how you want your contributions to be allocated among those Investment Options. For information on how to revise your Investment Option elections in the future, see "OPENING AND MAINTAINING YOUR ACCOUNT — Selecting and Revising Investment Options for Future Contributions."

Your rights and obligations as an Account Owner are set forth in the Participation Agreement. However pursuant to the Statute, any amendments to the Statute will automatically amend the Participation Agreement and any amendments to the operating procedures and policies of the Plan will amend the Participation Agreement 30 days after adoption by the Office or the Board.

Contributions

A contribution will be credited to your Account on the day it is received by the Plan Manager's transfer agent if it is received before the close of trading (usually 4:00 p.m., Eastern Time) on the New York Stock Exchange ("**NYSE**"). Contributions received by the Plan Manager's transfer agent after the close of trading or on a day when the NYSE is not open for trading will be credited to your Account on the next day of trading on the NYSE. Contributions will be credited to your Account only if the documentation received from you is complete and in good order.

Minimum Contributions

The minimum initial or subsequent contribution to an Account is $25 per Investment Option. However, if your employer allows payroll deduction, the minimum initial and subsequent contributions to your Account may be as low as $15 per Investment Option per pay period.

Maximum Account Balance

By law, you may not make additional contributions to your Account if at the time of a proposed contribution the total account balance of your Account and all other Accounts for the same Beneficiary reaches a certain level (the "**Maximum Account Balance Limit**"). The Maximum Account Balance Limit established by the Office is currently $122,484 which is based on certain higher education costs. The Office periodically will review and may revise the Maximum Account Balance Limit. You will be informed in writing by the Plan Manager of any changes to the Maximum Account Balance Limit. This limitation on Account balances is intended to comply with the federal tax law requirement that the Plan have adequate safeguards to prevent contributions to an Account in excess of those necessary to provide for the Qualified Higher Education Expenses of the Account's Beneficiary. The Maximum Account Balance Limit applies no matter which Investment Option or combination of Investment Options you select for your Account and takes into account the total balances, including earnings, of all Accounts, including matching grant Accounts, for the same Beneficiary.

Contributions for any Beneficiary will be rejected and returned, consistent with Minnesota law, to the extent that the amount of the contribution would cause the total account balance for the Account(s) of that Beneficiary to exceed the Maximum Account Balance Limit. Accounts that have reached the Maximum Account Balance Limit may continue to accrue earnings.

Even if the combination of contributions and earnings in an Account or Accounts held for any Beneficiary reaches the Maximum Account Balance Limit, such funds may not be sufficient to pay all Qualified Higher Education Expenses of the Beneficiary.

For purposes of applying the Maximum Account Balance Limit to your Account, Qualified Withdrawals and withdrawals resulting from the death or disability of, or receipt of a scholarship by, the Beneficiary from your Account and all other Accounts in the Plan, if any, for the same Beneficiary will be treated as reducing the Maximum Account Balance Limit. Therefore, subsequent contributions cannot be made to replenish the Account to the extent the contribution would cause the aggregate amount held for the Beneficiary to exceed this reduced Maximum Account Balance Limit. However, a Non-Qualified Withdrawal or Rollover Distribution will not be treated as reducing the Maximum Account Balance Limit, so that when such distributions are taken, subsequent contributions may be made to the Account to effectively replenish the Account up to the Maximum Account Balance Limit.

Method of Payment

You may contribute to the Plan by check, money order, automatic contribution plan, payroll deduction, electronic funds transfer (including telephone purchase option) or a transfer from another qualified tuition program. You may make systematic contributions by automatic deductions from your bank account through an automatic contribution plan and by payroll deduction.

Checks and money orders should be made payable to the Minnesota College Savings Plan. Contributions by check must be drawn on a banking institution located in the continental United States in U.S. dollars, and may include any such check other than cashiers checks, travelers checks, or third-party checks exceeding $10,000.

If your method of payment is by check or money order and you have selected more than one Investment Option for your Account, you must provide written instructions to the Plan Manager whenever you make a new contribution regarding the dollar amount of each check or money order that is to be invested in each Investment Option.

You may select the automatic contribution plan option by completing the appropriate section in the Participation Agreement and providing the Plan Manager with an unsigned voided check or savings deposit slip from your bank account. With the automatic contribution plan, you may initiate contributions; stop making contributions at any time; reallocate future contributions among Investment Options or Accounts; or change your contribution amount, your bank or the frequency of contributions to any or all Investment Options that you selected by completing the appropriate form.

To contribute by payroll deduction, please complete the appropriate form. You may change the level of contributions or stop making contributions through payroll deduction by informing your employer.

If you select the telephone purchase option on the Participation Agreement (or afterwards by completing the appropriate form) and provide the Plan Manager with an unsigned voided check or savings deposit slip from your bank account, you may authorize from time to time by telephone, contributions to your Account through deductions from your bank account.

Changing the Beneficiary and Transferring Funds

You may make the following changes and transfers related to your Account:

- Change the Beneficiary of your Account,
- Transfer funds between Accounts,
- Transfer funds between an Account and an account in another state's qualified tuition program, and
- Within 60 days of a withdrawal of funds from an Account or from an account in another state's qualified tuition program, make a deposit to a new or existing Account or to an account in another state's qualified tuition program (known as a "**Rollover Distribution**").

Certain tax consequences may apply to these changes or transfers as follows. If there is a change of Beneficiary and the new Beneficiary is a "member of the family" (as defined below) of the previous Beneficiary, the change or transfer is a non-taxable event and will not be subject to penalty or the Additional Tax (as defined below). Except as described below, if the change or transfer is to a person who is not a "member of the family" the earnings on any amounts transferred will be subject to federal and Minnesota taxation and will result in a penalty or the Additional Tax on such earnings. As of January 1, 2002, you will be able to transfer funds from an account in one qualified tuition program to an account in another qualified tuition program for the same Beneficiary once every 12 months without incurring federal or Minnesota income tax, including the Additional Tax. The "Additional Tax" is a 10% tax imposed on the earnings portion of Non-Qualified Withdrawals. For more information on the Additional Tax, see "WITHDRAWALS — Non-Qualified Withdrawals; Penalty and Additional Tax."

A "member of the family" is a person related to the Beneficiary as follows: (1) a son or daughter, or a descendant of either; (2) a stepson or stepdaughter; (3) a brother, sister, stepbrother or stepsister; (4) the father or mother, or an ancestor of either; (5) a stepfather or stepmother; (6) a son or daughter of a brother or sister; (7) a brother or sister of the father or mother; (8) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law; or (9) the spouse of any of the foregoing individuals, including the Beneficiary. For this purpose, a child includes a legally adopted child and a brother or sister includes a half-brother or half-sister. As of January 1, 2002, the term "member of the family" will be expanded to include first cousins of the Beneficiary.

You may make the changes or transfers described above to your Account, and you can make the transfers described above to an Account that is owned by another person.

If a change of Beneficiary or transfer causes the total account balance for all Accounts under the Plan for the new Beneficiary to exceed the Maximum Account Balance Limit, the excess amount will be rejected and returned.

If you make a change of Beneficiary, or if you make a transfer of your funds to an Account for a new Beneficiary, you may invest the funds for the new Beneficiary in the same or a different Investment Option. The Account for the new Beneficiary will be governed by the same Participation Agreement that you signed to open an Account for your current Beneficiary.

If you are transferring funds from a qualified tuition program of another state to an Account in the Plan, the program from which you are transferring funds may restrict or prohibit such transfer or impose charges, so you should investigate this option thoroughly before requesting a transfer.

See "WITHDRAWALS" below for a description of your options if a change or transfer that you want to make does not meet the requirements discussed above. See the Appendix for information concerning tax consequences.

Please contact the Plan Manager for the appropriate form to make any of the changes or transfers for your Account described above.

Selecting and Revising Investment Options for Future Contributions

You will choose Investment Options for your Account by completing and submitting a Participation Agreement that is available upon request from the Plan Manager. Future contributions to your Account are not limited to your initial Investment Option elections. Each time you make contributions to your Account, you may determine in which Investment Option you wish to invest. After you have signed a Participation Agreement, you may revise your Investment Option election(s) in the future by: (1) adding new Investment Options; (2) stopping contributions to an Investment Option that you previously selected; or (3) increasing or decreasing future contributions to an Investment Option that you previously selected. You may not, however, transfer all or any portion of the funds already invested in a particular Investment Option to another Investment Option unless you also change the Beneficiary of your Account.

After the Participation Agreement is signed, if you choose to revise your Investment Option elections at a later date, you must provide the Plan Manager with the appropriate form identifying each Investment Option to be added to your Account and the amount of your contributions to be allocated to each Investment Option. You must also notify the Plan Manager in writing if you are using payroll deduction or the automatic contribution plan and you wish to stop your contributions to any Investment Option. If you wish to increase or decrease the amount of future contributions to any Investment Option, you should contact the Plan Manager for instructions or the appropriate form.

Changing Account Ownership

You may change ownership of your Account, without imposition of Minnesota or federal tax, including the Additional Tax, to another individual who is eligible to be an Account Owner in the Plan. When you transfer ownership of your Account, you are not required to change the Beneficiary. A change of ownership of an Account will be effective to transfer ownership only if the assignment: (1) is irrevocable and (2) transfers all ownership, reversionary rights, powers of appointment and powers to direct the withdrawal of funds. Unless you have your signature guaranteed on the form provided by

the Plan Manager, the transfer will result in a 30-day hold on withdrawals from the Account. You may get a signature guarantee from a bank or trust company, savings bank, savings and loan association, or a member of a national stock exchange. A notary public cannot provide a signature guarantee. The new Account Owner must sign a new Participation Agreement before the change of Account ownership will be effected.

Naming a Contingent Account Owner

When you open your Account you should also designate a contingent account owner to become the owner of your Account in the event of your death (a "**Contingent Account Owner**"). You may designate a Contingent Account Owner by completing the appropriate section in the Participation Agreement. If you have already established an Account, you may designate a Contingent Account Owner or change your designation by completing the appropriate form.

Under Minnesota law, upon your death, your Contingent Account Owner will become the Account Owner and the assets of the Account should not be considered assets of your estate or subject to probate. Account Owners should seek legal counsel regarding the effect of naming a Contingent Account Owner in the event of death. Before a change in ownership of the Account will be effectuated, the Contingent Account Owner must provide the Plan Manager with the Account Owner's Social Security number or taxpayer identification number and a certified copy of the death certificate identifying the deceased Account Owner (or other proof of death recognized under applicable law and acceptable to the Plan Manager) and sign a new Participation Agreement.

WITHDRAWALS

Only the Account Owner may direct withdrawals from an Account. A withdrawal from your Account will be classified as (a) a Qualified Withdrawal, (b) a withdrawal due to the death or disability of, or scholarship award to, the Beneficiary, (c) a Non-Qualified Withdrawal or (d) a Rollover Distribution. To request a withdrawal from your Account, complete the appropriate form. You will not be able to withdraw a contribution until 10 days after receipt of that contribution by the Plan Manager's transfer agent.

If your Account is invested in more than one Investment Option, for every withdrawal made from the Account, you may select the Investment Option from which funds are to be withdrawn to the extent permitted by Section 529 of the Internal Revenue Code of 1986 (the "**IRC**"). You may contact the Plan Manager for instructions or to request the appropriate form to complete this transaction.

Qualified Withdrawals

A "**Qualified Withdrawal**" is a withdrawal from your Account that is used to pay the Qualified Higher Education Expenses of the Beneficiary. By law, such expenses are defined to include only tuition, fees, the cost of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an "Eligible Educational Institution" and room and board in some cases. The earnings portion of a Qualified Withdrawal made in 2001 is taken into account for purposes of computing the Minnesota and federal income tax liability of the Beneficiary. As of January 1, 2002, the earnings portion of withdrawals from an Account will not be includible in the Beneficiary's federal taxable income or Minnesota taxable income, as long as the withdrawals are used for the Beneficiary's Qualified Higher Education Expenses.

As of January 1, 2002, the Internal Revenue Service (the "**IRS**") could require that Qualified Higher Education Expenses be paid in the same taxable year as a Qualified Withdrawal is made.

Unlike expenses for tuition, fees, books, supplies and equipment, the cost of room and board may be treated as Qualified Higher Education Expenses only if the Beneficiary is enrolled at least half-time. Half-time is defined as half of a full-time academic workload for the course of study the student is pursuing based on the standard at the Eligible Educational Institution. The Eligible Educational Institution's standard for a full-time workload must equal or exceed the standard established by the U.S. Department of Education under the Higher Education Act. Until December 31, 2001, the amount of room and board expenses that are Qualified Higher Education Expenses cannot exceed the minimum allowance for certain federal financial aid programs and is generally limited to the amount normally charged most residents for students living in housing that is owned or operated by the school, or $2,500 per year for students living off-campus and not at home, or $1,500 for students living at home with a parent or guardian.

As of January 1, 2002, the limits on the amount of room and board expenses that will be considered Qualified Higher Education Expenses of Beneficiaries attending an Eligible Educational Institution at least half-time will more closely reflect the actual room and board costs at the Eligible Educational Institution attended. The amount that may be treated as a Qualified Higher Education Expense will generally be limited to the room and board allowance (applicable to the student) that is currently included by the Eligible Educational Institution in its "cost of attendance" for purposes of determining eligibility for federal education assistance for that year. For students living in housing owned or operated by the Eligible Educational Institution, if the actual invoice amount charged by the Eligible Educational Institution for room and board is higher than the "cost of attendance" figure, then the actual invoice amount may be treated as qualified room and board costs. You may consult the Plan Manager to obtain more information regarding the treatment of room and board expenses.

As of January 1, 2002, Qualified Higher Education Expenses will also include certain additional enrollment and attendant costs of special needs beneficiaries.

Eligible Educational Institutions generally are accredited postsecondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized postsecondary credential. Some proprietary institutions and postsecondary vocational institutions and some institutions located in foreign countries are also Eligible Educational Institutions. Call the Plan Manager to learn whether a particular school is an Eligible Educational Institution.

For each Qualified Withdrawal, you must specify the Eligible Educational Institution that the Beneficiary is or will be attending, and certify the anticipated dates of attendance and amount and type of Qualified Higher Education Expenses expected to be paid by the withdrawal. You may be required to provide a receipt, invoice or other information to substantiate that a particular expense is a Qualified Higher Education Expense. Contact the Plan Manager for more information when the Beneficiary of your Account is accepted at an Eligible Educational Institution and you are ready to request a Qualified Withdrawal.

Under the Plan, at the direction of the Account Owner, Qualified Withdrawals may be paid in one of three ways: (1) directly to the Eligible Educational Institution on behalf of the Beneficiary, (2) in the form of a check payable to both the Beneficiary and Eligible Education Institution or (3) directly to the Account Owner if the Beneficiary or Account Owner has paid the Qualified Higher Education Expenses and the Account Owner has documentation of such payment and is seeking reimbursement. As noted above, you should contact the Plan Manager when you are ready to request a Qualified Withdrawal to make arrangements for how it will be paid.

Withdrawals Due to Death, Disability or Scholarship

Withdrawals resulting from the death or disability of, or scholarship award to, the Beneficiary generally are not subject to the Non-Qualified Withdrawal penalty or Additional Tax. However, the earnings portion of such withdrawals is considered for purposes of computing the Minnesota and federal income tax liability of the recipient of the withdrawal (i.e., the Account Owner or the Beneficiary). For more information, see the Appendix.

A scholarship includes certain educational assistance allowances under Section 135(d)(1)(B) or (C) of the IRC. The amount withdrawn will be subject to the Non-Qualified withdrawal penalty (which penalty expires on December 31, 2001) or Additional Tax (which goes into effect on January 1, 2002) to the extent the withdrawn amount exceeds the amount of the scholarship.

Complete the appropriate form to request a withdrawal due to the death or disability of, or scholarship award to, the Beneficiary. Prior to making the withdrawal, the Plan Manager must receive certain specific forms of written third-party confirmation of the death or disability of, or scholarship award to, the Beneficiary. For more information, contact the Plan Manager.

Non-Qualified Withdrawals; Penalty and Additional Tax

A "**Non-Qualified Withdrawal**" is any withdrawal from an Account other than a Qualified Withdrawal; a withdrawal due to the death or disability of, or scholarship award to, the Beneficiary or a Rollover Distribution (as described below). Until December 31, 2001, a 10 percent penalty on the earnings portion of any Non-Qualified Withdrawal is charged by, and payable to the Plan. As of January 1, 2002, an Additional Tax of 10 percent payable through an Account Owner's federal income tax return to the United States Treasury will apply to the earnings portion of any Non-Qualified Withdrawal, instead of the penalty payable to the Plan.

The earnings portion of Non-Qualified Withdrawals is considered for purposes of computing the Minnesota and federal income tax liability of the Account Owner. More information is available in the Appendix about how the earnings portion of the withdrawal is calculated and the tax consequences of a Non-Qualified Withdrawal. To request a Non-Qualified Withdrawal, contact the Plan Manager and complete the appropriate form.

Refunds of Payments of Qualified Higher Education Expenses

If an Eligible Educational Institution refunds to a Beneficiary any portion of an amount withdrawn from an Account that the institution receives for the payment of Qualified Higher Education Expenses, the Beneficiary or the Account Owner must provide the Plan Manager with a signed statement identifying the amount of any such refunds at the end of each year in which withdrawals from the Account for Qualified Higher Education Expenses were made and at the end of the next year. Any such refund will be treated as a Non-Qualified Withdrawal, the earnings portion of which will be subject to the 10 percent withdrawal penalty or the Additional Tax, unless the Beneficiary or Account Owner provides substantiation that the amount has been allocated to other Qualified Higher Education Expenses or the refund was made due to the death or disability of, or scholarship award to, the Beneficiary.

Rollover Distributions

For a description of the requirements and tax considerations relating to (1) a withdrawal from an Account and a deposit within 60 days of the withdrawal to a new Account or (2) a withdrawal from an account in one state's qualified tuition program and a deposit within 60 days of the withdrawal to an account in another state's qualified tuition program, see "OPENING AND MAINTAINING YOUR ACCOUNT — Changing the Beneficiary and Transferring Funds."

HOW YOUR CONTRIBUTIONS ARE INVESTED

Your contributions will be invested in accordance with the investment policy established by the Board, as described below. The Board may change the investment policy for the Plan at any time.

The Plan has established three Investment Options under the investment policy. You may allocate your contributions to any one or more of the Investment Options. Although Account Owners may select Investment Options for contributions made to their Accounts, under federal law neither Account Owners nor Beneficiaries may direct the investment of any contributions to an Account or any earnings on contributions. See "OPENING AND MAINTAINING YOUR ACCOUNT — Selecting and Revising Investment Options for Future Contributions" for information about revising Investment Option elections. The Plan does not guarantee a minimum rate of return (except to the extent of the guarantee by TIAA-CREF Life to the Board under the Funding Agreement for the Guaranteed Option). Neither the Plan nor any Participation Agreement is guaranteed or insured by the State of Minnesota, the Board, the Office, the Plan Manager or any other party. The Investment Options are:

- Managed Allocation Option: Under this Investment Option the Plan allocates your contributions, together with any return on your contributions, among three of the Mutual Funds. These Mutual Funds are the TIAA-CREF Institutional Growth Equity Fund, the TIAA-CREF Institutional Bond Fund and the TIAA-CREF Institutional Money Market Fund. Each of these funds is described under "The TIAA-CREF Institutional Mutual Funds" below. The age of the Beneficiary of an Account and the date that Beneficiaries of his or her age would generally be expected to enroll in college determine how contributions are allocated among the three Mutual Funds in the Managed Allocation Option. The Plan groups Beneficiaries into two-year periods according to their date of birth ("**Age Bands**"). As shown in the portion of the Addendum to this Disclosure Booklet entitled "Allocation Guidelines for 2001 for the Managed Allocation Option," contributions allocated to each Age Band are invested in varying percentages of the three Mutual Funds. In accordance with the investment policy, a larger percentage of contributions is allocated to equity investments in the early years of a Beneficiary's life. As the Beneficiary grows older, a declining percentage of the funds will be allocated to equity investments, and an increasing percentage of the funds will be allocated to bond and money market investments.

  The allocations among the Mutual Funds may be changed at any time by the Board. The Plan Manager may recommend changes to the allocation guidelines to the Board based on an assessment of market conditions. However, the Board can change the allocation guidelines from time to time even without such a recommendation. When new allocation guidelines are implemented, the Plan Manager will have a commercially reasonable period of time to make any necessary adjustments to reach the new

allocation percentages for each Age Band in each of the Mutual Funds. In addition, the Board may add other investment funds to the Plan in the future. Account Owners should be aware that an investment in the Managed Allocation Option is not the same as a direct investment in the three underlying Mutual Funds.

- 100% Equity Option: The Plan allocates your contributions, together with any return on your contributions, under this Investment Option between the TIAA-CREF Institutional Growth and Income Fund and the TIAA-CREF Institutional International Equity Fund. The Board has established as part of its investment policy the percentages for allocation of contributions between these two Mutual Funds. See the Addendum for the specific percentage of contributions allocated to each of the Institutional Growth and Income Fund and the Institutional International Equity Fund. As is the case with the Managed Allocation Option, the Board will review the allocation at least annually and may change it at any time as described above. Each of these Mutual Funds is described under "The TIAA-CREF Institutional Mutual Funds." Account Owners should be aware that an investment in the 100% Equity Option is not the same as a direct investment in the two underlying Mutual Funds.

- Guaranteed Option: The Plan allocates your contributions under this Investment Option to the TIAA-CREF Institutional Money Market Fund until the Funding Agreement is issued by TIAA-CREF Life to the Board, which will occur when the sum of assets allocated to the Guaranteed Option plus matching grants equals at least $1,000,000. Investments in the TIAA-CREF Institutional Money Market Fund are not insured or guaranteed by the State of Minnesota, the Plan, the Board, the Office, any state agency or instrumentality, the FDIC, any federal government agency, TFI, or TIAA and its affiliates. Once the Funding Agreement is issued, assets held in the Guaranteed Option shall be withdrawn from the TIAA-CREF Institutional Money Market Fund and immediately invested in the Funding Agreement. The Funding Agreement is an insurance contract which provides the Board with a guaranteed return of principal and an annual minimum rate of return of three percent with the opportunity for additional returns. Periodically, TIAA-CREF Life will declare the rate it will pay under the Funding Agreement, including any additional returns in excess of the annual minimum rate of return. The rate of such additional returns is declared in advance by TIAA-CREF Life for a period of up to twelve months and is not guaranteed for future periods. Moreover, the Plan cannot predict the amount of any such additional returns under the Funding Agreement. See "The TIAA-CREF Life Insurance Company Funding Agreement" below for additional information.

  TIAA-CREF Life is a wholly owned indirect subsidiary of TIAA that is regulated as a life insurance company by many states, including Minnesota. TIAA-CREF Life is also an affiliate of the Plan Manager.

  The Funding Agreement is a general obligation of TIAA-CREF Life to the Board. As such, the Funding Agreement provides the Board with the guarantee of principal and a fixed rate of return, as described above, but the guarantee is not made directly to Account Owners. This guarantee to the Board forms the basis of returns that are credited to Accounts invested in the Guaranteed Option. **Neither the Guaranteed Option nor any Account invested in this Investment Option is guaranteed by the State of Minnesota, the Plan, the Board, the Office, the Plan Manager, TIAA-**

CREF Life or any other person or entity. The Funding Agreement is issued to the Board and is not guaranteed or insured by any person or entity other than TIAA-CREF Life.

Choosing Investment Options

Building a tuition savings account that is right for you takes planning. You need to consider your college savings goals, understand the Investment Options, and select Investment Options suitable to your investment needs. This section helps you to understand the types of Investment Options offered under the Plan, the risks involved in investing in such options, and the types of investors for whom a particular option is most appropriate. **Please be aware that federal law prohibits Account Owners from transferring funds between Investment Options after money has been contributed to a particular Investment Option unless you change the Beneficiary of your Account.**

Overview of Investment Options

The core option offered under the Plan is the Managed Allocation Option. This Investment Option offers investors an opportunity to invest aggressively when the Beneficiary is young and over time, more conservatively, thus creating a balanced approach. In addition, this Investment Option is designed to reflect the time horizons as well as the risk tolerances for the different Beneficiary age groups.

- Managed Allocation Option: Beneficiaries are grouped according to date of birth into one of 10 two-year Age Bands. Contributions allocated to each Age Band will be invested among equity, bond and money market instruments in varying percentages depending on the Beneficiary's time horizon. In the early years of a Beneficiary's life, a larger percentage of contributions is allocated to equity investments and as the Beneficiary grows older, a declining percentage of funds will be allocated to equity and an increasing percentage of funds will be allocated to bond and money market investments.
    - Investor Profile: Because the allocation approach provides a balanced and diversified investment, many Account Owners may want to make this Investment Option their single choice for investing, in order to achieve long-term growth. This option is best for an investor who can invest in the Plan long-term but can tolerate some level of risk.

You may want to combine the following additional Investment Options with the core Investment Option described above, or in certain cases, invest in these options alone.

- 100% Equity Option: This option consists of a blend of the TIAA-CREF Institutional Growth and Income Fund and the TIAA-CREF Institutional International Equity Fund. The Board will review the allocation between these Mutual Funds at least annually and may change it at any time. It is important to note that the allocation mix for this Investment Option will not be changed to reflect the age of the Beneficiary, unlike the Managed Allocation Option where the allocation changes as your Beneficiary approaches his/her enrollment in an Eligible Educational Institution.
    - Investor Profile: Although equity stocks can produce above-average long-term returns, they do not perform well in every type of market. For that reason, the 100% Equity Option is not for everyone. It may be a good choice for you if you can tolerate greater risk and volatility with some of your contributions in exchange for

higher potential returns over time. It may also be appropriate for you if you already have substantial college savings from less volatile investments (e.g., fixed income), if you have a longer time horizon, or if you want a balanced account by combining this option with the more conservative Guaranteed Option or the Managed Allocation Option.

- Guaranteed Option: The Plan allocates your contributions under this Investment Option to the TIAA-CREF Institutional Money Market Fund until the Funding Agreement is issued by TIAA-CREF Life to the Board which will occur when the sum of assets allocated to the Guaranteed Option plus matching grants equals at least $1,000,000. Once the Funding Agreement is issued, assets held in the Guaranteed Option that had been invested in the TIAA-CREF Institutional Money Market Fund shall be withdrawn from the Fund and transferred to TIAA-CREF Life for investment in the Funding Agreement. The Funding Agreement provides for a guarantee to the Board of both principal and a minimum rate of return of three percent per year, with the opportunity for additional returns beyond the minimum rate as may be periodically declared in advance by TIAA-CREF Life. It is important to note that this Investment Option does not have an allocation mix that changes as your Beneficiary approaches his/her enrollment in an Eligible Educational Institution, as does the Managed Allocation Option. The return on an investment in the Guaranteed Option may not be sufficient to meet a particular college savings goal.

  - Investor Profile: The Guaranteed Option provides the stability that many people may want for at least a portion of their college savings funds. It provides an Investment Option to investors who can tolerate little risk, including those who have traditionally saved using fixed income vehicles and are willing to accept returns that may be lower than those offered in other Investment Options. In addition, investors with shorter investment time frames may find this option appealing, as will investors who want a balanced account by combining this option with a more aggressive option (i.e., the Managed Allocation Option or 100% Equity Option).

You should consult a financial advisor if you are uncertain as to which Investment Option(s) to select for your Account or if you wish to evaluate your individual financial circumstances.

These investment approaches are not recommendations and do not take into consideration your personal goals or preferences. After evaluating information you consider important in making an investment choice, the ultimate investment decision is up to you.

The TIAA-CREF Institutional Mutual Funds

The following summarizes the investment policies of the Mutual Funds in which the Board will invest the contributions made to your Account, if you select the Managed Allocation Option or the 100% Equity Option. An investment in the Plan is not a direct investment in the Mutual Funds, because your investment in the Plan is pooled with the investments of all other Account Owners into a separate account in the state treasury of the State of Minnesota. Your investment is then allocated to the Mutual Funds for the respective Investment Options in the percentages identified in the Addendum. The Mutual Funds are registered as an investment company under the Investment Company Act of 1940, as amended, and commenced operations in July 1999. No Mutual Fund financial information is included in this Plan Disclosure Booklet. For more information about the Mutual Funds, contact the Plan Manager.

The TIAA-CREF Institutional Growth Equity Fund

The TIAA-CREF Institutional Growth Equity Fund seeks a favorable long-term return, mainly through capital appreciation, primarily from a diversified portfolio of common stocks that present the opportunity for exceptional growth. Normally, the Fund will hold at least 80 percent of its assets in equity securities that have the potential for capital appreciation.

The Fund uses TIAA-CREF's Dual Investment Management Strategy℠, which works as follows. The Fund has two separate segments, called the "Stock Selection" segment and the "Enhanced Index" segment. The relative sizes of these two segments vary as the team of Fund managers shifts money between the segments in response to investment opportunities.

The Stock Selection segment holds a relatively small number of stocks that the team of Fund managers believes offer superior returns. Fund management will usually use fundamental analysis to select individual stocks or sectors for investment in the Stock Selection segment.

Money that is not invested in the Fund's Stock Selection segment goes to its Enhanced Index segment. Here the goal is twofold:

- To outperform the Fund's benchmark index; and
- To limit the possibility of significantly underperforming that benchmark.

The benchmark for the Fund's Enhanced Index segment currently is the Russell 3000® Growth Index (Russell 3000 is a registered trademark and service mark of the Frank Russell Company). This index is subject to change by the Fund.

The Fund's managers attempt to outperform the benchmark index by over- or underweighting many stocks in the index by small amounts, based on proprietary stock scoring models. In other words, the Fund will hold more or less of some stocks than does its benchmark index. The Fund's managers attempt to control the risk of underperforming the benchmark by maintaining the same overall financial characteristics (such as volatility, dividend yield and industry weights) as the benchmark.

The Dual Investment Management Strategy℠ enables the Fund to stay fully invested even when the team of Fund managers cannot find sufficient investment opportunities for the Stock Selection segment.

The Fund's Stock Selection segment can invest in companies of all sizes, including companies in new and emerging areas of the economy and companies with distinctive products or promising market conditions. The Fund chooses individual investments based on a company's prospects under current or forecasted economic, financial and market conditions, looking for companies the Fund's management believes have the potential for strong earnings or sales growth, or that appear to be undervalued based on current earnings, assets or growth prospects.

The Fund can also invest in large, well-known, established companies, particularly when the Fund believes they have new or innovative products, services or processes that enhance future earnings prospects. The Fund can also invest in companies in order to benefit from prospective acquisitions, reorganizations, or corporate restructurings or other special situations.

The Fund can buy foreign securities and other instruments if the Fund believes they have superior investment potential. Depending on investment opportunities, the Fund may have from 0 to 40 percent of its assets in foreign securities. The securities will be those traded on foreign exchanges or in other foreign markets and may be denominated in foreign currencies or other units of account.

The Fund is subject to the general investment risks described below under “RISKS OF INVESTING IN THE PLAN.” In addition, there are special risks to investing in growth stocks. The Fund may at times hold a significant amount of stocks of smaller, lesser-known companies. Their stock prices may fluctuate more than those of larger companies because smaller companies may depend on narrow product lines, have limited track records, lack depth of management, or have thinly traded securities. Also, stocks of companies involved in reorganizations and other special situations can often involve more risk than ordinary securities. Accordingly, the Fund will probably be more volatile than the overall stock market, and it could significantly outperform or underperform the stock market during any particular period.

The Fund’s foreign holdings are subject to the risks of foreign investments. These include among others: changes in currency exchange rates; possible imposition of market controls or currency exchange controls; possible imposition of withholding taxes on dividends and interest; and possible seizure, expropriation, or nationalization of assets.

The TIAA-CREF Institutional International Equity Fund

The TIAA-CREF Institutional International Equity Fund seeks a favorable long-term return, mainly through capital appreciation from a broadly diversified portfolio that consists primarily of foreign equity investments. The Fund intends to always have at least 80 percent of its assets in equity securities of companies located in at least three different countries, other than the United States.

The Fund uses TIAA-CREF’s Dual Investment Management Strategy℠ which is described above under “The TIAA-CREF Institutional Growth Equity Fund.” The Fund may invest in companies of all sizes. For the Fund’s Stock Selection segment, the concentration is on individual stocks rather than on geographic regions, sectors, or industries; however, the Fund’s sector and country exposure are regularly monitored in order to control risk.

In particular, the Fund looks for companies of all sizes that have certain characteristics, such as sustainable growth, focused management with successful track records, unique and easy-to-understand franchises (brands), undervalued stock prices based on current earnings, assets, and long-term growth prospects, and consistent generation of free cash flow. The benchmark index for the Fund is the Morgan Stanley Capital International (“MSCI”) EAFE® (Europe, Australasia, Far East) Index. This index is subject to change by the Fund.

The Fund is subject to the general investment risks described below under “RISKS OF INVESTING IN THE PLAN.” In addition, investing in securities traded on foreign exchanges or in foreign markets can involve risks beyond those of domestic investing. These include: (1) changes in currency exchange rates; (2) possible imposition of market controls or currency exchange controls; (3) possible imposition of withholding taxes on dividends and interest; (4) possible seizure, expropriation, or nationalization of assets; (5) more limited foreign financial information or difficulty in interpreting it because of foreign regulations and accounting standards; (6) the lower liquidity and higher volatility in some foreign markets; (7) the impact of political, social, or diplomatic events; (8) the difficulty of evaluating some foreign economic trends; or (9) the possibility that a foreign government could restrict an issuer from paying principal and interest to investors outside the country. Brokerage commissions and transaction costs are often higher for foreign investments, and it may be harder to use foreign laws and courts to enforce financial or legal obligations.

The risks noted above often increase in countries with emerging markets. For example, these countries may have more unstable governments than developed countries, and their economies may be based on only a very few industries. Because their securities markets may be very small, share prices

may be volatile. In addition, foreign investors are subject to a variety of special restrictions in many emerging countries. The Fund will focus its investments primarily in those countries which are included in the MSCI EAFE Index.

The TIAA-CREF Institutional Growth and Income Fund

The TIAA-CREF Institutional Growth and Income Fund seeks a favorable long-term return through capital appreciation and investment income, primarily from a broadly diversified portfolio of common stocks. Normally, at least 80 percent of the Fund's assets will be income-producing equity securities selected for their investment potential.

The Fund invests in a broadly diversified portfolio of common stocks, using the Dual Investment Management Strategy℠ which is described above under "The TIAA-CREF Institutional Growth Equity Fund." The Fund's Stock Selection segment concentrates on individual companies rather than sectors or industries. The Fund looks for stocks of larger, well-established companies that the Fund believes are attractively priced, show the potential to grow faster than the rest of the market, and offer a growing stream of dividend income. In particular, the Fund looks for companies that are leaders in their industries and also looks for companies with shareholder-oriented managements dedicated to creating shareholder value. The Fund may also invest in rapidly growing smaller companies. It can have up to 20 percent of its assets in foreign securities. The benchmark index for the Fund is the S&P 500® Index. This index is subject to change by the Fund.

The Fund is subject to the general investment risks described below under "RISKS OF INVESTMENT IN THE PLAN." The Fund's foreign holdings are subject to the risks of foreign investments. These include, among others: changes in currency exchange rates; possible imposition of market controls or currency exchange controls; possible imposition of withholding taxes on dividends and interest; and possible seizure, expropriation, or nationalization of assets.

Additional Investment Strategies for the Equity Funds

While the three equity Funds described above invest primarily in common stocks, each equity Fund can also invest, to a limited extent, in other equity securities such as preferred stock, convertible securities, and warrants. Each equity Fund can also hold short-term debt securities of the same type as those held by the TIAA-CREF Institutional Money Market Fund described below and other kinds of short-term instruments. These help the Funds maintain liquidity, use cash balances effectively, and take advantage of attractive investment opportunities. The equity Funds can also hold fixed-income securities they acquire because of mergers, recapitalizations, or otherwise.

Similarly, each equity Fund may also buy and sell options, futures contracts, and options on futures. The Funds intend to use options and futures primarily for hedging or for cash management. To manage currency risk, the equity Funds can also enter into forward currency contracts, and buy or sell options and futures on foreign currencies.

The equity Funds can also invest in newly developed financial instruments, such as equity swaps (including arrangements where the return is linked to a stock market index) and equity-linked fixed-income securities, so long as these are consistent with a Fund's investment objective and restrictions.

The TIAA-CREF Institutional Bond Fund

The TIAA-CREF Institutional Bond Fund seeks a favorable long-term return, primarily through high current income consistent with preserving capital. Normally, at least 80 percent of the Fund's assets will be invested in bonds.

The Fund's portfolio is invested primarily in a broad range of investment grade debt securities. The majority of the Fund is invested in U.S. Treasury and Agency securities, corporate bonds, and mortgage-backed or other asset-backed securities. The Fund's holdings are mainly investment grade securities rated in the top four credit categories by Moody's or Standard & Poor's, or that the Fund determines are of comparable quality. The Fund is managed to track the duration of the benchmark index for the Fund, the Lehman Brothers Aggregate Bond Index. (Duration is a measurement of the change in value of a bond portfolio in response to a change in interest rates.) By keeping the duration of the Fund close to the duration of the Lehman Index, the returns due to changes in interest rates should be similar between the Fund and the Index. The Fund will overweight or underweight individual securities or sectors, as compared to their weight in the Lehman Index, depending on where the Fund finds undervalued, overlooked or misunderstood issues that offer the potential for superior returns compared to the Lehman Index. The Fund can make foreign investments, but the Fund does not expect them to exceed 15 percent of the Fund's assets. The Fund can also invest in money market instruments.

The Fund's investments in mortgage-backed securities can include pass-through securities sold by private, governmental and government-related organizations and collateralized mortgage obligations ("**CMOs**"). Mortgage pass-through securities are created when mortgages are pooled together and interests in the pool are sold to investors. The cash flow from the underlying mortgages is "passed through" to investors in periodic principal and interest payments. CMOs are obligations that are fully collateralized directly or indirectly by a pool of mortgages from which payments of principal and interest are dedicated to the payment of principal and interest.

The Fund may use an investment strategy called "mortgage rolls" (also referred to as "dollar rolls"), in which the Fund "rolls over" an investment in a mortgage-backed security before its settlement date for a similar security with a later settlement date. The Fund may also engage in duration-neutral relative value trading, a strategy in which the Fund buys and sells government bonds of identical credit quality but different maturity dates in an attempt to take advantage of spread differentials along the yield curve. These strategies are both designed to enhance the Fund's returns. The duration-neutral relative value trading strategy will increase the Fund's portfolio turnover rate. However, the Fund does not expect either of these strategies to significantly raise the Fund's capital gains or losses.

The Fund does not rely exclusively on ratings agencies when making investment decisions because they may not alone be an accurate measure of the risk. Instead, the Fund also does its own credit analysis, paying particular attention to economic trends and other market events.

The Fund may make certain other investments, but not as principal strategies. For example, the Fund may invest in interest-only and principal-only mortgage-backed securities. These instruments have unique characteristics and are more sensitive to prepayment and extension risks than traditional mortgage-backed securities. Similarly, the Fund may also buy and sell options, futures contracts and options on futures. The Fund intends to use options and futures primarily as a hedging technique or for cash management. To manage currency risk, the Fund can also enter into forward currency contracts, and buy or sell options and futures on foreign currencies. The Fund can also buy and sell swaps and options on swaps, so long as these are consistent with the Fund's investment objective and restrictions.

The Fund is subject to the general investment risks described below in this Disclosure Booklet under "RISKS OF INVESTING IN THE PLAN." The Fund is subject to other risks described in the following three paragraphs.

- The Fund is subject to interest rate risk – that is, prices of portfolio securities held by the Fund may decline if interest rates rise. For example, if interest rates rise by 1 percent, the market value of a portfolio with a duration of 5 years would decline by approximately 5 percent.
- Securities originally rated "investment grade" are sometimes downgraded later on, should a ratings agency like Moody's or Standard & Poor's believe the issuer's business outlook or creditworthiness has deteriorated. The Fund will attempt to sell any security held by the Fund which is downgraded to a below investment grade rating as promptly as possible, consistent with the best interests of the Fund. Lower-rated bonds can at times be harder to sell than investment grade bonds, and their prices can be more volatile and more difficult to determine than the prices of higher-quality securities.
- The Fund's investments in mortgage-backed securities are subject to prepayment or extension risk, which is the possibility that a change in interest rates may cause the underlying mortgages to be paid off sooner or later than expected. If unanticipated prepayment occurs as a result of a declining interest rate environment, the Fund would then have to reinvest the amounts that had been invested in the mortgage-backed securities, possibly at a lower rate of return. If unanticipated extension occurs as a result of a rising interest rate environment, the Fund may not have sufficient cash available for reinvestment when expected.

The TIAA-CREF Institutional Money Market Fund

The TIAA-CREF Institutional Money Market Fund seeks high current income to the extent consistent with maintaining liquidity and preserving capital.

The Fund seeks to maintain a stable net asset value of $1.00 per share of the Fund by investing in assets that present minimal credit risk, maintaining an average weighted maturity of 90 days or less, and investing all of the Fund's assets in U.S. dollar-denominated securities or other instruments maturing in 397 days or less. The Fund cannot assure you that it will be able to maintain a stable net asset value of $1.00 per share for this Fund.

The Fund will invest primarily in:

- commercial paper (short-term "IOUs" issued by corporations and others) or variable-rate, floating-rate, or variable-amount securities of domestic or foreign companies;
- obligations of commercial banks, savings banks, savings and loan associations and foreign banks whose latest annual financial statements show more than $1 billion in assets. These include certificates of deposit, time deposits, bankers' acceptances, and other short-term debt;
- securities issued by or whose principal and interest are guaranteed by the U.S. government or one of its agencies or instrumentalities;

- other debt obligations with a remaining maturity of 397 days or less issued by domestic or foreign companies;
- repurchase agreements involving securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or involving certificates of deposit, commercial paper, or bankers' acceptances;
- participation interests in loans banks have made to the issuers of obligations described in the first and fourth items above (these may be considered illiquid);
- asset-backed securities issued by domestic corporations or trusts;
- obligations issued or guaranteed by foreign governments or their political subdivisions, agencies or instrumentalities; and
- obligations of international organizations (and related government agencies) designated or supported by the U.S. or foreign government agencies to promote economic development or international banking.

The TIAA-CREF Institutional Money Market Fund will only purchase money market instruments that at the time of purchase are "First Tier Securities," that is rated within the highest category by at least two nationally recognized statistical rating organizations ("**NRSROs**"), or rated within the highest category by one NRSRO if it is the only NRSRO to have issued a rating for the security, or unrated securities of comparable quality. The Fund can also invest up to 30 percent of its assets in money market and debt instruments of foreign issuers denominated in U.S. dollars.

The above list of investments is not exclusive and the Fund may make other investments consistent with its investment objective and policies.

The Fund is subject to the risk of current income volatility, that is, the income the Fund receives may fall as a result of a decline in interest rates. To a lesser extent, the Fund is subject to the general investment risks described below under "RISKS OF INVESTING IN THE PLAN."

*Net Asset Value ("**NAV**") of the Mutual Funds*

The NAV per share of each Mutual Fund is determined on each day the New York Stock Exchange is open for business. NAV is calculated at the time when trading closes on all U.S national exchanges where securities or other investments of a Fund are principally traded.

Each Fund's NAV is calculated by dividing the value of the Fund's assets, less its liabilities, by the number of outstanding shares of that Fund. Individual securities held by a Fund (except for the TIAA-CREF Institutional Money Market Fund) are valued using market quotations or independent pricing services. If market quotations or independent pricing services are not readily available, or if events that have a significant effect on the value of an investment occur between the time when its price is determined and the time a Fund's NAV is calculated, the Fund may use a security's "fair value" as determined in good faith.

To calculate the TIAA-CREF Institutional Money Market Fund's NAV per share, securities held by the Fund are valued at their amortized cost. This valuation method does not take into account unrealized gains or losses on the Fund's securities. Amortized cost valuation involves first valuing a security at cost, and thereafter assuming an amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the security's market value. While this method provides cer-

tainty in valuation, there may be times when the value of a security, as determined by amortized cost, may be higher or lower than the price the TIAA-CREF Institutional Money Market Fund would receive if it sold the security.

The TIAA-CREF Life Insurance Company Funding Agreement

The Funding Agreement to be issued by TIAA-CREF Life when the sum of assets allocated to the Guaranteed Option plus matching grants equals at least $1,000,000 will be the investment vehicle for the Plan's Guaranteed Option described under "HOW YOUR CONTRIBUTIONS ARE INVESTED." Once issued, the Funding Agreement will also be the investment vehicle for all matching grants.

Once the sum of assets allocated to the Guaranteed Option plus matching grants equals at least $1,000,000, contributions made to the Guaranteed Option will be paid by the Plan to TIAA-CREF Life under the Funding Agreement until August 31, 2009, subject to earlier termination at the election of the Board. The Plan may make withdrawals under the Funding Agreement at any time without penalty to cover distributions from Accounts that have invested in the Guaranteed Option.

The Funding Agreement guarantees the Board a return of all contributions and a minimum rate of interest on contributions of three percent per annum. Each year TIAA-CREF Life will announce whether it will pay interest in excess of this fixed rate of return. Additional interest rates will be declared in advance by TIAA-CREF Life for a period of up to twelve months and are not guaranteed for future periods.

More specifically, Funding Agreement accumulations as of the date that the rate for such additional returns is declared (*e.g.,* July 1, 2001), and contributions received until a different rate is declared, will be credited with the declared rate until the next twelve-month anniversary (*e.g.,* July 1, 2002, in this example). However, contributions deposited after this first declaration date and before the twelve-month anniversary may be credited with different declared rates that could be lower or higher than the first declared rate and which will remain in effect until the last day of the twelve-month period (*e.g.,* June 30, 2002, in this example). Thereafter, any additional interest rates declared for such amounts will remain in effect for periods of twelve-months or more. TIAA-CREF Life will review and determine at least annually in advance of each twelve-month anniversary whether additional interest will be credited for the next twelve-month period under the Funding Agreement.

Account Owners will be notified of the current declared rate in their quarterly statements. The current declared rate will also be posted on the Web site: www.mnsaves.org. You may also obtain this information by calling the Plan Manager toll free at 1 877 EDU 4 MIN (1 877 338-4646).

Management fees described under "THE PLAN MANAGER — Management Fees" will not be deducted from the interest credited to the Plan under the Funding Agreement because these fees will be paid directly by TIAA-CREF Life to the Plan Manager.

TIAA-CREF Life began offering the Funding Agreement in 2000. No financial information as to TIAA-CREF Life is included in this Disclosure Booklet. There is a risk that TIAA-CREF Life could fail to perform its obligations under the Funding Agreement for financial or other reasons. However, TIAA-CREF Life now holds the highest possible ratings as to its claims-paying ability from four rating agencies: Moody's (Aaa), S&P (AAA), A.M. Best Company (A++ Superior) and Fitch (AAA).

Unit Value

Your contribution will entitle you to a share of the assets held by the Plan, expressed as a number of "units."

The value of a unit in each Investment Option (other than the Guaranteed Option once contributions to such option are invested in the Funding Agreement) will be based on the NAV per share of each of the Mutual Funds in which the Investment Option is invested. See "The TIAA-CREF Institutional Mutual Funds – *Net Asset Value of the Mutual Funds*." For purposes of this discussion, each Age Band in the Managed Allocation Option is considered a separate Investment Option. The unit value of each Investment Option is computed by dividing (a) an Investment Option's assets less any liabilities (including the management fee) allocated to that Investment Option, by (b) the number of outstanding units in such Investment Option. Unit value is calculated immediately after the NAV for the Mutual Fund(s) underlying the Investment Option is calculated. The value of your Account will increase or decrease depending on an increase or decrease in the NAV per share of the shares of the Mutual Fund(s) comprising the Investment Option in which your Account is invested.

The value of a unit in the Guaranteed Option once the Funding Agreement is issued by TIAA-CREF Life to the Board will be based on the interest rate underlying the Funding Agreement as declared by TIAA-CREF Life. The unit value will increase daily based on the declared interest rate. The unit value for the Guaranteed Option is computed by dividing (a) the value of the assets less any liabilities allocated to the Guaranteed Option, by (b) the number of outstanding units invested in the Guaranteed Option. The value of an Account invested in the Guaranteed Option will increase based on the returns credited to the Plan under the Funding Agreement.

PURCHASE AND WITHDRAWAL OF UNITS

A contribution received by the Plan Manager will be credited at the unit value of the applicable Investment Option, including the Guaranteed Option, determined on the same day the contribution is received in good order, if received before the close of trading on the New York Stock Exchange. Contributions received in good order after the close of trading on the New York Stock Exchange, or on a day other than a business day, will be credited at the unit value of the appropriate Investment Option determined on the next business day.

The unit value used to calculate the value of a withdrawal from an Account for any of the Investment Options, including the Guaranteed Option, will be the one next computed after a completed withdrawal request is received in good order by the Plan Manager.

OVERSIGHT OF THE PLAN

The primary purpose of the Plan is to encourage individuals to save for postsecondary education. The Statute provides that the Director of the Office shall establish the rules, terms, and conditions for the Plan and the Board shall invest the money deposited in Accounts in the Plan.

Pursuant to these powers, the Office and Board have engaged TFI to serve as the Plan Manager under the management agreements (the "**Management Agreements**"). See "THE PLAN MANAGER" below for additional information about the Plan Manager and the Management Agreements.

The Office is an agency of the State of Minnesota established pursuant to Chapter 136A of the Minnesota Statutes to provide access to higher education for citizens of the State of Minnesota. The Office provides a variety of statewide postsecondary education services, including student financial aid, consumer protection and post-secondary education data and information.

The Board is an agency of the State of Minnesota established by Article XI of the Minnesota Constitution to invest all State of Minnesota funds. The Board manages approximately $43 billion in assets, including public pension assets, various trust funds and State of Minnesota cash accounts. The membership of the Board is comprised of the Governor (who is named as chair of the Board), the State Auditor, the State Treasurer, the Secretary of State and the State Attorney General.

THE PLAN MANAGER

The Plan Manager is TFI, a wholly owned indirect subsidiary of TIAA. TIAA, with its companion organization, the College Retirement Equities Fund ("**CREF**"), form one of America's leading financial services organizations. TIAA and CREF together comprise one of the world's largest pension systems, based on assets under management. Over two million participants are now accumulating future pension benefits with TIAA-CREF. While TIAA-CREF's focus has traditionally been institutionally sponsored retirement plans, the organization has long offered savings and insurance products to individuals.

As the Plan Manager, TFI provides investment management, administration, record keeping, reporting, regulatory, tax reporting, marketing and outreach and other services for the Plan. TFI has subcontracted certain of its responsibilities to others, including: (1) telephone counseling, marketing and information services to two other subsidiaries of TIAA, Teachers Personal Investors Services, Inc. and TIAA-CREF Individual & Institutional Services, Inc.; (2) certain customer service, record keeping, transfer agency and related services to Boston Financial Data Services, Inc.; and (3) custody, fund accounting and certain administrative services to State Street Bank & Trust Company. References to TFI or the Plan Manager in this Disclosure Booklet include, where applicable, any entity to which TFI subcontracts or delegates its duties as Plan Manager.

As Plan Manager, TFI is bound by the Management Agreements entered into by the Board, the Office and TFI.

TFI's Term As Plan Manager

TFI's current contracts with the Office and the Board to serve as Plan Manager are for eight-year terms. At the expiration of TFI's contract term or in the event that TFI is terminated earlier as Plan Manager in accordance with the Management Agreement, there may be a change in the management fee and you may be required to execute a new Participation Agreement and/or open a new Account in the Plan with the successor Plan Manager. If terminated as Plan Manager, TFI would be obligated to work with any successor Plan Manager chosen by the Office and the Board to effect an orderly transition of the Accounts and Plan records.

Management Fees

For its services as Plan Manager, including all of its expenses and payments to subcontractors, TFI and its affiliates are paid an aggregate management fee currently at an annual rate of approximately 0.65 percent of the average daily net assets of the Plan (excluding certain administrative funds). (This management fee may change slightly due to rounding caused by market movements, but will not exceed 0.66 percent.) Each month, TFI will provide the Office with a summary report of its calculation of the management fee for the preceding month. Unless the Office objects to TFI's calculation,

TFI will withdraw the management fee from the assets of the Plan. The management fee could change under certain circumstances, including, if the Plan is modified or restructured by mutual agreement of TFI, the Office and the Board, or if applicable laws or regulations change.

Other Fees

Except for the management fee and the Non-Qualified Withdrawal penalty (which penalty expires on December 31, 2001) or Additional Tax (see "WITHDRAWALS — Non-Qualified Withdrawals; Penalty and Additional Tax" above), there is currently no other fee, charge or penalty imposed in connection with opening or maintaining an Account. There are no withdrawal fees or fees charged by the Plan for transfers to or from another qualified tuition program. The Office reserves the right to impose such penalties, charges or fees in the future.

RISKS OF INVESTING IN THE PLAN

Prospective Account Owners in the Plan should carefully consider, along with other matters referred to in this Disclosure Booklet, the following risks of investing in the Plan.

Investment Risks

Although the objective of the Plan is to achieve investment returns over the applicable investment period that are at least equal to the rate of increase in the costs of higher education over that period, there is no guarantee that the Plan's investment objective will be realized. The Plan does not guarantee principal or a minimum rate of return on contributions to the Plan (except to the extent of the guarantee by TIAA-CREF Life to the Board under the Guaranteed Option). No one can predict the returns from the investment of your contributions to the Plan. There is a risk that you could lose part or all of the value of your Accounts.

The value of any Account may increase or decrease each day, and the rate of return on an Account will vary, based on the investment performance of the Mutual Funds in which the Account is then invested. Investment risk can have a material impact on the value of an Account.

To varying degrees, the risks of investing in the Mutual Funds include the following general risks:

- Market risk – stock and bond price volatility due to changing conditions in the financial markets.
- Interest rate risk – a bond's or stock's value may decline if interest rates change. For example, a rise in interest rates usually causes the market value of fixed-rate securities (e.g., bonds) to go down.
- Company risk – for stocks and bonds, company risk comes from the possibility that current earnings will fall or that overall financial soundness will decline, reducing the security's value. In addition, for bonds and other debt securities, company risk comes from the possibility that the issuer will not be able to pay principal and interest when due.

No Guarantee of Attendance or Expense

There is no guarantee that a Beneficiary will be accepted for admission to any institution of higher education, including an Eligible Educational Institution, or if admitted, will graduate or receive a degree, or otherwise be permitted to continue to attend an Eligible Educational Institution. Even if the account balance of an Account has reached the Maximum Account Balance Limit, the balance in the Account may not be sufficient to cover the Beneficiary's Qualified Higher Education Expenses. Future inflation in Qualified Higher Education Expenses is uncertain. Recently, Qualified Higher Education Expenses have grown more rapidly than increases in the general cost of living. Increases in Qualified Higher Education Expenses could exceed the rate of return under the Plan over the same period.

Risks Related to Changes in Law

The proposed federal tax regulations that have been issued under Section 529 of the IRC provide guidance and requirements for the establishment and operation of the Plan, but do not provide guidance on certain aspects of the Plan. Final regulations or other administrative guidance or court decisions might be issued that could adversely impact the federal tax consequences or requirements with respect to the Plan or contributions to, or withdrawals from, Accounts. In particular, IRS administrative guidance and changes to the Plan may be necessary to implement the provisions of the 2001 Tax Act. Congress could also amend Section 529 of the IRC or other federal law in a manner that would materially change or eliminate the federal tax treatment described in this Disclosure Booklet. The State of Minnesota could also make changes to its tax law which could materially affect the Minnesota tax treatment of the Plan or changes to the Statute which could terminate or otherwise adversely affect the Plan. Changes in the law governing the federal and/or Minnesota tax consequences described in this Disclosure Booklet might necessitate material changes to the Plan for the anticipated tax consequences to apply.

The Plan is established pursuant to the Statute, applicable Minnesota state law and applicable securities laws. Changes to the Statute, such Minnesota state law or such securities laws may affect the continued operation of the Plan as contemplated in this Disclosure Booklet.

Risks Related to Expiration of the 2001 Tax Act

The provisions of the 2001 Tax Act specifically applicable to Accounts will take effect on January 1, 2002. If Congress does not extend these provisions beyond December 31, 2010, or otherwise change the law, the federal law governing the Plan will revert on January 1, 2011, to the rules that existed until December 31, 2010. When considering an investment, you should be aware that laws affecting your Account may change or expire while your Account is open. See the Appendix for information on the provisions of the 2001 Tax Act.

Risks Related to Illiquidity

Investment in the Plan involves the risk of reduced liquidity. Once you open an Account for a Beneficiary the circumstances under which funds may be withdrawn from the Account without penalty or Additional Tax are limited. A penalty or Additional Tax on the earnings portion of a withdrawal (currently 10 percent) may be applied to Non-Qualified Withdrawals. See "WITHDRAWALS" above for further information about these restrictions. Contributions must be on deposit for at least 10 days before being withdrawn. In addition to these restrictions, no part of an Account may be assigned, transferred or pledged as security for a loan or otherwise, except for transfers described above under "OPENING AND MAINTAINING YOUR ACCOUNT — Changing the Beneficiary and Transferring Funds."

DORMANT ACCOUNTS

An Account will be considered dormant if no contributions have been made to the Account for at least three consecutive years and Account statements mailed to the Account Owner are returned as undeliverable. If it is determined that an Account is dormant, the Plan Manager will attempt to locate the Account Owner and/or the Beneficiary to determine the disposition of the Account. A fee of 5 percent of the balance in the Account, not to exceed $100, plus allowable costs, may be charged for this service. Allowable costs will not exceed $100 or 5 percent of the balance in the Account, whichever is less. If the Account Owner or the Account Owner's legal heirs are not found after three attempts by the Plan Manager, the remaining funds in the Account will be turned over to the Office and any funds in matching grant Accounts connected to the dormant Account will be transferred to the Office and will no longer be available to the Beneficiary. The Office will return all such funds to the appropriate Minnesota state agencies. For this reason, you may wish to designate a Contingent Account Owner. See "OPENING AND MAINTAINING YOUR ACCOUNT — Naming a Contingent Account Owner."

INACTIVE MATCHING GRANT ACCOUNTS

An Account that contains matching grants will be considered inactive if: (1) the Beneficiary reaches the age of 28 and has not informed the Plan Manager of enrollment in an Eligible Educational Institution; (2) the Beneficiary does not begin attendance at an Eligible Educational Institution within one year of notice by the Plan Manager of pending inactive Account status; and (3) a deferment of the inactive status of the Account has not been obtained. (A Beneficiary who is also an Account Owner and who opened an Account in the Plan at the age of 18 or older, must inform the Plan Manager of enrollment in an Eligible Educational Institution within 10 years after the date the Account was opened.) The Plan Manager will attempt to locate missing Account Owners and/or Beneficiaries to notify them of pending inactive Account status, without charge to the Account or the Plan. If a matching grant Account is determined to be inactive, all matching grants, together with corresponding earnings, if any, that would otherwise be distributed to pay Qualified Higher Education Expenses of the Beneficiary will be returned to the Office and will no longer be available for such distribution.

REPORTING

Account Statements

The Plan Manager maintains separate records for each Account and will mail the Account Owner quarterly and annual statements indicating:

- Contributions to each selected Investment Option and matching grants, if any, made to your Account during the period and aggregate contributions and matching grants, if any, year-to-date.
- Withdrawals from each selected Investment Option in your Account made during the period.
- The total value of your Account at the end of the period.

In addition to the above information, the Plan Manager will also report the following in the annual statements:

- The rate of return on assets invested in each Age Band in the Managed Allocation Option.
- The rate of return on assets invested in the 100% Equity Option.
- The rate of return on assets invested in the Guaranteed Option.
- Information concerning the Maximum Account Balance Limit.

Tax Reports

Withdrawals and other matters will be reported to the IRS, the State of Minnesota, distributees and other persons, if any, as required by law.

Tax Withholding

Under proposed federal tax regulations, withdrawals from Accounts are not subject to backup withholding.

Continuing Disclosure

The Plan Manager will execute a Continuing Disclosure Certificate for the benefit of Account Owners. Under the Continuing Disclosure Certificate, the Plan Manager will provide certain financial information and operating data ("**Annual Information**") relating to the Plan and notices of the occurrence of certain enumerated events set forth in the Continuing Disclosure Certificate. The Annual Information will be filed by the Plan Manager with each Nationally Recognized Municipal Securities Information Repository ("**NRMSIR**") and with a depository in Minnesota, if one then exists. Notices of certain enumerated events will be filed by the Plan Manager with the NRMSIRs or the Municipal Securities Rulemaking Board and with a depository in Minnesota, if one then exists.

Audit

The Plan Manager will prepare annual financial statements for the Plan. Each year, the Plan will be audited by independent certified public accountants. When annual financial statements are available, you can obtain a copy by contacting the Plan Manager. For contact information, see "NOTICES" below.

Privacy of Account Information

Information obtained and stored by the Plan regarding Account Owners, Beneficiaries and Accounts is defined as private data on individuals under Minnesota Statutes, Section 13.02, subdivision 12, and cannot be disclosed to third parties without the informed consent of the individual to whom it pertains unless the information is authorized or required to be disclosed by Minnesota state law, or other state or federal law. However, the names and addresses of Beneficiaries who receive matching grants are classified as public information and may be disclosed to third parties without such consent.

NOTICES

You may contact the Plan Manager by telephone at 1 877 EDU 4 MIN (1 877 338-4646) or by mail at the following address: Minnesota College Savings Plan, P.O. Box 64028, St. Paul, Minnesota 55164-0028.

MINNESOTA COLLEGE SAVINGS PLAN

APPENDIX
to Plan Disclosure Booklet

Tax Information

The following discussion is not exhaustive and not intended as individual tax advice. The Office, the Board and the Plan Manager have received an opinion from Orrick, Herrington & Sutcliffe LLP, counsel to the Plan Manager, that the Plan constitutes a qualified tuition program within the meaning of Section 529 of the IRC and that the statements of federal tax law made in this Appendix and in the Disclosure Booklet are correct in all material respects and the discussion fairly summarizes the material federal and Minnesota tax consequences to Account Owners and Beneficiaries who are individual participants in the Plan. The opinion does not address the tax treatment of the matching grant program. The opinion is based on certain assumptions and matters set forth in the opinion and an interpretation by counsel of current provisions of federal and Minnesota tax law, including the proposed regulations issued by the U.S. Department of the Treasury. There can be no assurance that the IRS or the Minnesota Department of Revenue will accept the conclusions reached here, or, if challenged by the IRS or the Minnesota Department of Revenue, that these conclusions would be sustained in court. The Office, the Board and the Plan Manager anticipate that a ruling may be sought from the IRS regarding federal tax treatment of the Plan and the tax consequences to Account Owners and Beneficiaries and written guidance will be sought from the Minnesota Department of Revenue regarding the Minnesota tax treatment of the Plan and the tax consequences to Account Owners and Beneficiaries.

The federal and state tax rules applicable to the Plan, including the 2001 Tax Act described below, are complex, and currently, some of the rules have not been finalized. Their application to any particular person may vary according to facts and circumstances specific to that person. A qualified tax advisor should be consulted about how the laws apply to a particular Account Owner or Beneficiary.

New Tax Law Changes Affecting the Plan

*On June 7, 2001, the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "**2001 Tax Act**") was enacted into law. The provisions of the 2001 Tax Act specifically applicable to accounts in qualified tuition programs are summarized in the following description of the federal tax treatment of Accounts and in the Disclosure Booklet.* ***These provisions of the 2001 Tax Act will take effect on January 1, 2002, and are set to expire on December 31, 2010. If Congress does not extend these provisions beyond December 31, 2010, or otherwise change the law, the federal law governing the Plan will revert on January 1, 2011, to the rules that existed until December 31, 2001, as described in this Appendix and in the Disclosure Booklet.***

The 2001 Tax Act is complex and makes numerous changes to federal income and estate and gift tax law. The description of certain provisions of the 2001 Tax Act set forth below and in the Disclosure Booklet is not exhaustive and is not intended as individual tax advice. The provisions of the 2001 Tax Act affecting the tax consequences of Account Owners and Beneficiaries are described below in italicized text and should be read carefully. Certain of these provisions may require administrative guidance from the IRS or modifications to the Plan procedures prior to implementation. The 2001 Tax Act may affect particular Account Owners and Beneficiaries differently, depending on their specific circumstances.

Federal Income Tax Treatment

The Plan is designed as a qualified tuition program under Section 529 of the IRC. As such, undistributed earnings allocated to Accounts of the Plan are exempt from federal income tax. In order to be eligible for such tax treatment and for Account Owners and Beneficiaries to receive the favorable federal income, estate, gift and generation-skipping tax treatment described below, the Plan is required to implement certain restrictions and procedures applicable to the operation of the Plan. Certain of these restrictions and procedures are described below and in the Disclosure Booklet.

Contributions. Contributions to an Account by an Account Owner do not result in taxable income to the Beneficiary. See discussion below under "Federal Gift, Estate and Generation-Skipping Transfer Taxes." An Account Owner may not deduct the contribution from income for purposes of determining federal income taxes.

Contributions for any Beneficiary will be rejected and returned to the extent that the amount of the contribution would cause the total account balance for the Account(s) held for that Beneficiary to exceed the Maximum Account Balance Limit of $122,484 discussed under "OPENING AND MAINTAINING YOUR ACCOUNT — Contributions" of the Disclosure Booklet. It is not expected but could be possible that under federal law a lower limit on the maximum balance of Accounts for the same Beneficiary might be determined. Accounts that have reached the Maximum Account Balance Limit may continue to accrue earnings.

Account Earnings. Earnings from the investment of contributions to an Account will not be included in computing the federal taxable income of the Account Owner or the Beneficiary until funds are withdrawn, in whole or in part, from the Account. Until December 31, 2001, the earnings portion of a withdrawal will be recognized as taxable income of the person receiving, or treated as receiving, the payment from the Account (unless the withdrawal satisfies the Rollover Distribution requirements). *As of January 1, 2002, as long as withdrawals are used for the Beneficiary's Qualified Higher Education Expenses, the earnings portion of the withdrawals will not be includible in the Beneficiary's federal taxable income.*

Qualified Withdrawals. For withdrawals made until December 31, 2001, the Beneficiary must include the earnings portion of a Qualified Withdrawal, i.e., a withdrawal used to pay or reimburse for Qualified Higher Education Expenses of a Beneficiary, in his or her taxable income. This may require the Beneficiary to file a federal income tax return. In many cases, the federal income tax rate applicable to the taxable income of the Beneficiary will be lower than the tax rate applicable to the income of the Account Owner. *As described in the preceding paragraph, for withdrawals made as of January 1, 2002, the Beneficiary will not be required to include the earnings portion of a Qualified Withdrawal in his or her taxable income. (See important coordination rules described below under "Coordination With Other Income Tax Incentives for Education" if you have an Education IRA or plan to take the Hope Scholarship Credit or Lifetime Learning Credit.)*

The Office and the Plan Manager will implement procedures that are consistent with federal tax law rules that require an Account Owner or Beneficiary to substantiate that a withdrawal is used to pay the Qualified Higher Education Expenses of the Beneficiary or treat the withdrawal as a Non-Qualified Withdrawal subject to the 10 percent penalty on earnings or the Additional Tax. *As of January 1, 2002, the IRS may require that Qualified Higher Education Expenses be paid in the same taxable year as a withdrawal is taken in order to treat such withdrawal as a Qualified Withdrawal as discussed above.*

Non-Qualified Withdrawals. The Account Owner must include the earnings portion of a Non-Qualified Withdrawal in his or her taxable income. Until December 31, 2001, a Non-Qualified Withdrawal will be subject to a 10 percent penalty on the earnings portion of the withdrawal. This penalty will not be included in federal taxable income.

As of January 1, 2002, the 10 percent penalty will be eliminated and replaced with an Additional Tax of 10 percent imposed on the earnings portion of withdrawals that are not used for a Beneficiary's Qualified Higher Education Expenses. Account Owners will be responsible for paying the Additional Tax to the United States Treasury through their federal income tax returns.

Withdrawals Due to Death, Disability or Scholarship. The Account Owner must include in his or her taxable income the earnings portion of a withdrawal made on account of death, disability or scholarship of the Beneficiary. Until December 31, 2001, no penalty applies to a withdrawal made on account of death or disability of the Beneficiary. In the event of a scholarship, no penalty applies unless the withdrawal exceeds the amount of the scholarship awarded. For this purpose, a scholarship includes certain educational assistance allowances under federal law.

As of January 1, 2002, no Additional Tax would be due with respect to withdrawals that are not used for a Beneficiary's Qualified Higher Education Expenses, if:

- *Such withdrawal is made to a beneficiary of the Beneficiary (or to the estate of the Beneficiary) on or after the death of the Beneficiary.*
- *Such withdrawal is made because the Beneficiary has become disabled. "Disabled" means that the Beneficiary is unable to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.*
- *Such withdrawal is made in an amount that does not exceed certain qualified scholarships, allowances or payments.*

Even if an exception to the Additional Tax applies, the earnings portion of any Non-Qualified Withdrawal is subject to regular federal income tax.

Computation of Withdrawal Amounts. Any withdrawal will be treated in part as a withdrawal of contributions to the Account and in part as a withdrawal of earnings. For a given calendar year, a pro rata portion of the total amount withdrawn will be considered a return of contributions and the remainder portion will be considered to be earnings. This proportion is based on the relative portions of total earnings and contributions in the Account for all Investment Options. For this purpose all withdrawals during a given calendar year are treated as a single withdrawal and all calculations of the taxable and nontaxable portions will be made as of the close of the calendar year in which the withdrawal is made. Consequently, the taxable portion of a withdrawal, if any, will not be known until the end-of-year calculation is made. Thus, an amount withdrawn from a particular Investment Option may carry with it a greater or lesser amount of earnings than the earnings in that Investment Option.

Under proposed federal tax regulations, if more than one Account is created for a Beneficiary, and a withdrawal is made from one or more of such Accounts, the amount includible in the income of a Beneficiary or Account Owner must be calculated based upon the ratio of total earnings in all such Accounts to the total amount in such Accounts. Thus, the amount withdrawn from an Account may carry with it a greater or lesser amount of income than the earnings in that Account alone would justify depending on the earnings in the other relevant Account or Accounts. This rule aggregating multiple Accounts for the same Beneficiary may result in an Account Owner being taxed on more or less

income than that directly attributable to the Account that such Account Owner had established. This aggregation may also result in a higher penalty amount or Additional Tax, when applicable, given that a penalty or Additional Tax applies to the earnings portion of certain withdrawals. The Office and the Board do not presently anticipate that they will implement this aggregate method of accounting and reporting of earnings on multiple Accounts unless required by final regulations promulgated by the U.S. Department of the Treasury other than with respect to multiple Investment Options held by the same Account Owner for the same Beneficiary.

Refunds of Payments of Qualified Higher Education Expenses. If an Eligible Educational Institution refunds to a Beneficiary any portion of an amount withdrawn from an Account that the institution receives for the payment of Qualified Higher Education Expenses, the Beneficiary or the Account Owner must provide the Plan Manager with a signed statement identifying the amount of any such refunds at the end of each year in which withdrawals from the Account for Qualified Higher Education Expenses were made and at the end of the next year. Any such refund will be treated as a Non-Qualified Withdrawal, the earnings portion of which will be subject to the 10 percent withdrawal penalty (which penalty expires on December 31, 2001) or Additional Tax, unless the Beneficiary or Account Owner provides substantiation that the amount has been allocated to other Qualified Higher Education Expenses or the refund was made due to the death or disability of, or scholarship award to, the Beneficiary.

Account Transfers and Rollover Distributions. The earnings portion of a withdrawal from an Account will not be treated as taxable income of the Account Owner or Beneficiary and the 10 percent penalty or the Additional Tax will not apply to the extent that within 60 days of the withdrawal the Account Owner transfers all or a portion of the withdrawal to another Account established for a new Beneficiary who is a "member of the family" of the Beneficiary of the Account from which the transfer is made. See "OPENING AND MAINTAINING YOUR ACCOUNT — Changing the Beneficiary and Transferring Funds" in the Disclosure Booklet for definition of the term "member of the family." Such a transfer sometimes is referred to as a Rollover Distribution.

Similarly, transfers of funds to an Account from another qualified tuition program or transfers from an Account established in the Plan directly to an account in another state's qualified tuition program are treated as Rollover Distributions if, within 60 days of the withdrawal, the transfer is into an Account with the Plan or an account established with the other state's program, respectively, for a new Beneficiary who is a "member of the family" of the Beneficiary for the Account or account from which the funds are being transferred. *As of January 1, 2002, an Account Owner will be able to transfer funds from an account in one qualified tuition program to an account in another qualified tuition program for the same designated beneficiary once every 12 months without incurring federal income tax, including the Additional Tax.*

An Account Owner may not change the Beneficiary of an Account or transfer funds between Accounts to the extent that the change or transfer would result in contributions in excess of the Maximum Account Balance Limit for the applicable Beneficiary.

See "Federal Gift, Estate and Generation-Skipping Transfer Taxes" in connection with any change of Account Owners or Beneficiaries or Account transfers.

Coordination With Other Income Tax Incentives for Education. An Account Owner who meets certain age and income limitations and who makes contributions to an Account, the Beneficiary of which is the Account Owner, the Account Owner's spouse or an eligible dependent of the Account Owner, may be allowed to exclude all or a portion of income from certain United States savings bonds issued after 1989 in computing the Account Owner's federal taxable income for the year in which a con-

tribution to an Account is made. In those circumstances, some or all of the excluded savings bond income may be recognized at the time of a subsequent withdrawal from an Account. An Account Owner who makes a contribution to an Account, and is thereby entitled to exclude such bond earnings from income for federal income tax purposes, should contact the Plan Manager for more information and should consult a qualified tax advisor with respect to the federal and Minnesota tax effects arising therefrom.

Until December 31, 2001, if Account Owners contribute to an Education Individual Retirement Account ("**Education IRA**") on behalf of a Beneficiary and also contribute to a qualified tuition program account for the same Beneficiary in the same year, the contribution to the Education IRA would be subject to an annual 6 percent excise tax until the money is withdrawn. *As of January 1, 2002, this excise tax will not apply.*

Until December 31, 2001, subject to various restrictions and limitations, some of the amounts withdrawn from an Account and used to pay Qualified Higher Education Expenses of a Beneficiary may be available as a credit against the federal income tax liability of that Beneficiary (or a person who can claim that Beneficiary as a dependent) under the federal income tax provisions governing the Hope Scholarship Credit or Lifetime Learning Credit.

As of January 1, 2002, for purposes of determining what portion of a withdrawal from the Plan constitutes a Qualified Withdrawal and is therefore exempt from federal income taxes, the following rules apply:

- *The amount of a Beneficiary's Qualified Higher Education Expenses in any tax year will be reduced by the aggregate amount: (i) of the Beneficiary's expenses used for such tax year to qualify for the Hope Scholarship Credit and Lifetime Learning Credit; and (ii) received by the Beneficiary as a result of certain qualified scholarships, allowances or payments.*
- *If withdrawals from the Plan and all other qualified tuition programs and from all Education IRAs for the benefit of a Beneficiary in any tax year exceed the Beneficiary's Qualified Higher Education Expenses for the year (after the reduction described above), then the taxpayer will be required to allocate the expenses among the withdrawals to determine the amount of withdrawals from each qualified tuition program that were used for Qualified Higher Education Expenses. The same expenses cannot count for both the Education IRA and as Qualified Higher Education Expenses for purposes of the Plan.*

Federal Gift, Estate and Generation-Skipping Transfer Taxes

Contributions to the Plan are considered completed gifts for federal tax purposes and are, therefore, potentially subject to federal gift tax. Generally, if an Account Owner's contributions to an Account for a Beneficiary, together with all other gifts by the Account Owner to the Beneficiary, are less than $10,000 per year ($20,000 for a married individual who elects to split gifts with his or her spouse), no federal gift tax will be imposed on the Account Owner for gifts to the Beneficiary during that year. If an Account Owner's contributions to Accounts for a Beneficiary in a single year exceed $10,000, the Account Owner may elect to treat up to $50,000 of the contributions ($100,000 in the case of a consenting married couple) as having been made ratably over a five-year period. In addition, to the extent not previously used, each Account Owner has a $675,000 lifetime exemption (which will increase to $1,000,000 on January 1, 2002) that will be applied to gifts in excess of the $10,000 annual exclusion amounts referred to above. A married couple may elect to split gifts and apply their combined exemptions of $1,350,000 ($2,000,000 beginning on January 1, 2002) to gifts by either of them. Accordingly, while gift tax returns

are required for gifts in excess of the $10,000 annual exclusion, no gift tax will be due until the lifetime exemptions have been used. *On January 1, 2002, the top gift tax rate (currently 55 percent) will be reduced to 50 percent, with further reductions until 2010 when it will equal the top income tax rate.* A potential Account Owner should consult with his or her own tax advisor regarding the current lifetime exemptions and the gift tax filing requirements.

Amounts in an Account that were considered completed gifts by the Account Owner will not be included in the Account Owner's gross estate for federal estate tax purposes. However, if the Account Owner elected to treat the gifts as having been made over a five-year period and dies before the end of the five-year period, the portion of the contribution allocable to the remaining years in the five-year period (not including the year in which the Account Owner died) would be includible in computing the Account Owner's gross estate for federal estate tax purposes. Amounts in an Account at the death of a Beneficiary will be included in the Beneficiary's gross estate for federal estate tax purposes.

A permissible change of the Beneficiary of an Account or a permissible transfer to an Account for another Beneficiary potentially will be subject to gift tax if the new Beneficiary is of a younger generation than the Beneficiary being replaced. In addition, if the new Beneficiary is two or more generations below the prior Beneficiary, the transfer may be subject to the generation-skipping transfer tax discussed below. Under proposed regulations, these taxes are imposed on the prior Beneficiary. Account Owners should consult their own tax advisors for guidance when considering a change of Beneficiary or a transfer to another Account. Furthermore, Account Owners and newly designated Account Owners should consult their tax advisors regarding the potential applicability of gift tax or generation-skipping transfer tax as a result of the transfer of ownership of an Account to a new Account Owner.

Because contributions to an Account are treated as completed gifts for federal transfer tax purposes, an Account Owner may also need to be concerned about the generation-skipping transfer tax. This tax may apply to contributions in excess of the amount that may be elected to be ratably spread over the above-referenced five-year period where the Beneficiary is more than one generation younger than the generation of the contributor. Each taxpayer has a $1,060,000 (subject to adjustment for inflation) generation-skipping transfer tax exemption that will be allocated to transfers that are subject to generation-skipping transfer tax unless certain elections are made. *The current $1,060,000 exemption from generation-skipping transfer tax will increase gradually to $3,500,000 (subject to adjustment for inflation) by 2009.* The size of the current and future exemptions makes this tax unlikely to apply to many Account Owners or Beneficiaries. However, where such tax applies, it is imposed at a flat 55 percent rate. *This tax rate will be reduced to 50 percent on January 1, 2002, with further, gradual reductions to 45 percent by 2009.* A potential Account Owner concerned about application of the generation-skipping transfer tax should consult with his or her own tax advisor.

The estate tax and the generation-skipping transfer tax (but not the gift tax) will be repealed in 2010. The current gift, estate and generation-skipping transfer tax systems will be reinstated in 2011 unless further legislation is enacted to extend the repeal or make additional modifications. A potential Account Owner should consult with his or her own tax advisor regarding these changes to the federal tax laws.

State Tax Treatment

The Minnesota tax treatment of contributions, earnings and distributions mirrors federal tax treatment. The manner of determining the earnings portion of any distribution will be the same for Minnesota tax purposes as for federal tax purposes as described above. Contributions to an Account by an Account Owner do not result in Minnesota taxable income to the Beneficiary. An Account Owner may not deduct contributions from income for Minnesota income tax purposes.

Prospective Account Owners should consider the potential impact of income taxes imposed by jurisdictions other than Minnesota. It is possible that other state or local taxes apply to withdrawals from and/or accumulated earnings within the Plan, depending on the residency or domicile of the Account Owner or the Beneficiary. Account Owners and Beneficiaries should consult their tax advisors about the applicability, if at all, of state or local taxes of other jurisdictions, the potential state tax consequences of the 2001 Tax Act, and applicability of Minnesota income tax on Account Owners and Beneficiaries who are not Minnesota residents.

Taxation of Matching Grants

While the matching grant program has been designed so that the matching grant, including the earnings, used for certain qualified higher education expenses while a student is pursuing a degree will be treated as a scholarship that will not be subject to federal or Minnesota state income taxation, there is no assurance that the IRS or the Minnesota Department of Revenue will agree. No legal opinion has been sought regarding the federal or Minnesota state tax treatment of the matching grant program. The Office, the Board and the Plan Manager anticipate that a ruling may be sought from the IRS regarding federal tax treatment of matching grants and written guidance may be sought from the Minnesota Department of Revenue regarding Minnesota state tax treatment of matching grants.

Certain restrictions apply to the use of awards from matching grant Accounts. If the matching grant is used for tuition, fees, books, supplies and equipment required for enrollment or attendance at the eligible institution, it is not likely to be subject to federal or Minnesota state income tax. However, if any portion of the matching grant award is used as payment for room and board costs it will be subject to federal and Minnesota state income tax. The student must report such amount to the Internal Revenue Service when filing his or her tax return. Similarly, any portion of a matching grant award used to pay for qualified higher education expenses at correspondence schools may not be eligible for federal or Minnesota state tax-exempt treatment.

Notwithstanding the design of the program, the Internal Revenue Service and the Minnesota Department of Revenue could take the position that the matching grant is subject to federal and Minnesota state income taxation in the year the grant is awarded. Account Owners and Beneficiaries should consult their own tax advisor regarding the federal tax treatment of matching grants.

Tax Reports

TFI will report withdrawals and other matters to the IRS, the State of Minnesota, distributees and other persons, if any, to the extent required pursuant to federal, state or local law, regulation or ruling. Under federal law, a separate return will be filed by the Plan Manager with the IRS reporting withdrawals from an Account to each distributee reflecting, among other information, the earnings portion withdrawn during the calendar year to which the report pertains. By January 31 of the following year, the distributee (which in the case of Qualified Withdrawals is deemed to be the Beneficiary whose Qualified Higher Education Expenses are paid thereby) will receive a copy of the return or a corresponding statement.

Lack of Certainty of Tax Consequences; Future Changes in Law

As of the date of this Disclosure Booklet, proposed federal tax regulations have been issued under Section 529 of the IRC that provide guidance and requirements for the establishment and operation of the Plan as a qualified tuition program. Under a qualified tuition program, the Plan, the Account Owners and the Beneficiaries are eligible for favorable federal tax benefits pursuant to Section 529. The proposed tax regulations do not, however, provide guidance on certain aspects of the Plan.

Final regulations or other administrative guidance or court decisions might be issued that could adversely impact the federal tax consequences or requirements with respect to the Plan or contributions to, or withdrawals from, Accounts. Congress also could amend Section 529 of the IRC or other federal law in a manner that would materially change or eliminate the federal tax treatment described above. If necessary, the Office and the Plan Manager intend to modify the Plan within the constraints of applicable law in order for the Plan to meet the requirements of Section 529. Changes in the law governing the federal and/or state tax consequences described above might necessitate material changes to the Plan for the anticipated tax consequences to apply.

In the event that the Plan, as currently structured or as subsequently modified, does not meet the requirements of Section 529 for any reason, the tax consequences to Account Owners and Beneficiaries may be uncertain and it is possible that Account Owners or Beneficiaries could be subject to taxes currently on undistributed earnings in their Accounts as well as to other adverse tax consequences. A potential Account Owner may wish to consult a tax advisor.

The provisions of the 2001 Tax Act specifically applicable to Accounts will take effect on January 1, 2002. If Congress does not extend these provisions beyond December 31, 2010, or otherwise change the law, the federal law governing the Plan will revert on January 1, 2011 to the rules that existed until December 31, 2001, as described in this Disclosure Booklet and the Appendix. When considering an investment, you should be aware that laws affecting your Account may change or expire while your Account is open.

ADDENDUM I

to the Plan Disclosure Booklet
for the Minnesota College Savings Plan

ALLOCATION GUIDELINES FOR 2001 FOR THE MANAGED ALLOCATION OPTION

Year of Birth of Beneficiary[1]	Investment Horizon	Institutional Growth Equity Fund (Base Percentage of Age Band Assets)[2]	Institutional Bond Fund (Base Percentage of Age Band Assets)[2]	Institutional Money Market Fund (Base Percentage of Age Band Assets)[2]
2000 or 2001	19-20 years	75%	25%	0%
1998 or 1999	17-18 years	70%	30%	0%
1996 or 1997	15-16 years	65%	35%	0%
1994 or 1995	13-14 years	55%	45%	0%
1992 or 1993	11-12 years	45%	55%	0%
1990 or 1991	9-10 years	40%	60%	0%
1988 or 1989	7-8 years	35%	65%	0%
1986 or 1987	5-6 years	25%	70%	5%
1984 or 1985	3-4 years	15%	70%	15%
Pre-1984	2 years or less	10%	40%	50%

[1] Allocation guidelines will be established as required for Beneficiaries born after the year 2001.

[2] Under the allocation guidelines, the percentage of assets of an Age Band allocated to the Mutual Funds is to be in a range from three percent below to three percent above the base percentage of each Age Band; provided, however, that if a significant movement in the market occurs (either up or down) that results in the percentage of assets of a Mutual Fund allocated to an Age Band being outside of the applicable allocation guideline range, the Plan Manager will have a commercially reasonable period of time to bring the percentage of assets of such Mutual Fund allocated to such Age Band back within the applicable range.

Institutional Growth and Income Fund (Base Percentage of Assets)[1]	Institutional International Equity Fund (Base Percentage of Assets)[1]
80%	20%

[1] The actual percentages are to be in a range within three percent of the base percentages indicated.

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Toll Free Telephone Number: 1 877 338-4646

Address: TIAA-CREF Tuition Financing, Inc.,
P.O. Box 64028, St. Paul, Minnesota 55164-0028

Web site: www.mnsaves.org

OBTAINING ADDITIONAL INFORMATION

You may reach a customer service representative to answer your questions or request a Participation Agreement by calling the Plan Manager toll free at 1 877 EDU 4 MIN (1 877 338-4646). Questions and requests may also be sent in writing to TIAA-CREF Tuition Financing, Inc., P.O. Box 64028, St. Paul, Minnesota 55164-0028.

Learn more about the Plan by visiting our Web site: www.mnsaves.org.