

**SUPPLEMENT NO. 2 DATED OCTOBER 25, 2010, TO THE
MICHIGAN EDUCATION SAVINGS PROGRAM
DISCLOSURE BOOKLET DATED JUNE 2, 2008**

This Supplement No. 2 amends, updates and supersedes anything to the contrary contained in the Program Disclosure Booklet and Participation Agreement dated June 2, 2008 (the "Disclosure Booklet") for the Michigan Education Savings Program (the "Program").

I. TFI'S TERM AS PROGRAM MANAGER

TFI's current Management Agreement with the State to serve as Program Manager, which was for an initial three-year term ending March 31, 2010, has been renewed by the State for two additional years, expiring March 31, 2012.

II. PROGRAM CHANGE – ADDITIONAL ELIGIBLE ACCOUNT OWNERS

The following bulleted language is added at the end of the second paragraph in the Section of the Disclosure Booklet entitled "Key Features of the Program — Eligible Account Owner":

- Corporations;
- A state or local government agency or instrumentality;

The following sentence is added at the end of the Section of the Disclosure Booklet entitled "Key Features of the Program — Eligible Beneficiary":

(The naming of a Beneficiary may be deferred for an Account established by a state or local government agency or instrumentality or organizations described in Section 501(c)(3) of the IRC, if such Account is part of a scholarship program.)

The following bulleted language is added at the end of the first paragraph in the Section of the Disclosure Booklet entitled "Getting Started — Account Ownership":

- Corporations;
- A state or local government agency or instrumentality.

The following sentence is added following the first paragraph in the Section of the Disclosure Booklet entitled "Getting Started – Naming Your Beneficiary":

The naming of a Beneficiary may be deferred for a scholarship Account established by a state or local government agency or instrumentality or organizations described in Section 501(c)(3) of the IRC, but each person who receives an interest in the Account as a scholarship will be treated as a Beneficiary for that portion of the Account awarded to him or her.

The second and third bullets in the third paragraph of the Participation Agreement in Appendix II of the Disclosure Booklet are replaced with the following:

- acting on behalf of a corporation, trust or estate domiciled in the United States of America and otherwise eligible to open an Account by completing an Account Application for an Entity Account;
- acting on behalf of a state or local government agency or instrumentality or organization described in Section 501(c)(3) of the IRC by completing an Account Application for an Entity Account; or

III. PROGRAM CHANGE – CONTRIBUTING TO YOUR ACCOUNT

The first paragraph in the Section of the Disclosure Booklet entitled “Contributing to Your Account — How You Can Contribute to Your Account” is replaced with the following:

Your ability to contribute to your Account is limited to the following methods: (1) by check (excluding starter checks and cashiers’ checks); (2) through the automatic contribution plan; (3) by payroll deduction (if your employer provides for it and you complete a payroll deduction form); (4) by electronic funds transfer (including the electronic purchase option described below) and (5) through a transfer of funds between Accounts or a Rollover Distribution. Contributions of any type by methods not mentioned here will not be permitted.

The third sentence in the second paragraph in the Section of the Disclosure Booklet entitled “Contributing to Your Account — How You Can Contribute to Your Account” is replaced with the following

Personal checks (excluding starter checks and cashiers’ checks), bank drafts, tellers’ checks, and checks issued by a financial institution or brokerage firm payable to the Account Owner and endorsed over to the Program by the Account Owner are permitted, as are third-party personal checks up to \$10,000 that are endorsed over to the Program.

IV. CURRENT FEES AND EXPENSES

The first and the third sentences of the Section of the Disclosure Booklet entitled “Key Features of the Program — Current Fees and Expenses” are replaced respectively as follows:

The total annual asset-based fee for each Investment Option is 0.35%.* Depending on the Investment Option, a portion of the 0.35% total annual asset-based fee is paid to the Program Manager (“**Program Manager Fee**”).

The Section of the Disclosure Booklet entitled “Fees and Expenses — Fee Table” and related footnotes are amended as follows:

- a. The “Fee Table” is replaced with the following:

Fee Table

ANNUAL ASSET-BASED FEES				
Investment Option	Program Manager Fee⁽¹⁾⁽²⁾	Estimated Underlying Mutual Fund Expenses⁽³⁾	State Issuer Fee	Total Annual Asset-Based Fees⁽⁴⁾
Moderate Age-Based Allocation Option				
Age Band 1 (0-3 Years)	0.18%	0.17%	None	0.35%
Age Band 2 (4-7 Years)	0.18%	0.17%	None	0.35%
Age Band 3 (8-11 Years)	0.18%	0.17%	None	0.35%
Age Band 4 (12-14 Years)	0.18%	0.17%	None	0.35%
Age Band 5 (15-17 Years)	0.18%	0.17%	None	0.35%
Age Band 6 (18 and over)	0.19%	0.16%	None	0.35%

ANNUAL ASSET-BASED FEES				
Investment Option	Program Manager Fee⁽¹⁾⁽²⁾	Estimated Underlying Mutual Fund Expenses⁽³⁾	State Issuer Fee	Total Annual Asset-Based Fees⁽⁴⁾
Conservative Age-Based Allocation Option				
Age Band 1 (0-3 Years)	0.18%	0.17%	None	0.35%
Age Band 2 (4-7 Years)	0.18%	0.17%	None	0.35%
Age Band 3 (8-11 Years)	0.18%	0.17%	None	0.35%
Age Band 4 (12-14 Years)	0.18%	0.17%	None	0.35%
Age Band 5 (15-17 Years)	0.19%	0.16%	None	0.35%
Age Band 6 (18 and over)	0.19%	0.16%	None	0.35%
Aggressive Age-Based Allocation Option				
Age Band 1 (0-3 Years)	0.19%	0.16%	None	0.35%
Age Band 2 (4-7 Years)	0.18%	0.17%	None	0.35%
Age Band 3 (8-11 Years)	0.18%	0.17%	None	0.35%
Age Band 4 (12-14 Years)	0.18%	0.17%	None	0.35%
Age Band 5 (15-17 Years)	0.18%	0.17%	None	0.35%
Age Band 6 (18 and over)	0.18%	0.17%	None	0.35%
100% Equity Option	0.04%	0.31%	None	0.35%
Balanced Option	0.07%	0.28%	None	0.35%
100% Fixed-Income Option	0.17%	0.18%	None	0.35%
Principal Plus Interest Option	None ⁽⁵⁾	None	None	None

b. In footnote (3), replace “February 1, 2009” with “as reported in the applicable Mutual Funds’ most recent prospectus available prior to the date of this Supplement No. 2 to the Disclosure Booklet.”

The Section of the Disclosure Booklet entitled “Fees and Expenses — Investment Cost Example” is amended by replacing “0.45%” in the last sentence of the second bullet with “0.35%.”

The table in the Section of the Disclosure Booklet entitled “Fees and Expenses — Investment Cost Example” is replaced with the following:

INVESTMENT OPTIONS	APPROXIMATE COST OF \$10,000 INVESTMENT			
	One Year	Three Years	Five Years	Ten Years
Moderate Age-Based Allocation Option				
Age Band 1 (0-3 Years)	\$36	\$113	\$197	\$444
Age Band 2 (4-7 Years)	\$36	\$113	\$197	\$444
Age Band 3 (8-11 Years)	\$36	\$113	\$197	\$444
Age Band 4 (12-14 Years)	\$36	\$113	\$197	\$444
Age Band 5 (15-17 Years)	\$36	\$113	\$197	\$444
Age Band 6 (18 and over)	\$36	\$113	\$197	\$444
Conservative Age-Based Allocation Option				
Age Band 1 (0-3 Years)	\$36	\$113	\$197	\$444
Age Band 2 (4-7 Years)	\$36	\$113	\$197	\$444
Age Band 3 (8-11 Years)	\$36	\$113	\$197	\$444
Age Band 4 (12-14 Years)	\$36	\$113	\$197	\$444
Age Band 5 (15-17 Years)	\$36	\$113	\$197	\$444
Age Band 6 (18 and over)	\$36	\$113	\$197	\$444
Aggressive Age-Based Allocation Option				
Age Band 1 (0-3 Years)	\$36	\$113	\$197	\$444
Age Band 2 (4-7 Years)	\$36	\$113	\$197	\$444
Age Band 3 (8-11 Years)	\$36	\$113	\$197	\$444
Age Band 4 (12-14 Years)	\$36	\$113	\$197	\$444
Age Band 5 (15-17 Years)	\$36	\$113	\$197	\$444
Age Band 6 (18 and over)	\$36	\$113	\$197	\$444
100% Equity Option	\$36	\$113	\$197	\$444
Balanced Option	\$36	\$113	\$197	\$444
100% Fixed-Income Option	\$36	\$113	\$197	\$444
Principal Plus Interest Option	\$0	\$0	\$0	\$0

V. INVESTMENT OPTIONS

The Section of the Disclosure Booklet entitled “Investment Options – Moderate Age-Based Allocation Option” is amended by adding the following sentence at the end of the first paragraph:

Effective as of October 25, 2010, each Age Band will increase the allocation of its assets to Mutual Funds that are managed to track a particular index and will proportionately decrease its allocations to actively managed Mutual Funds. In addition, each Age Band will increase the allocation of its assets to Mutual Funds that focus on international investment and will proportionately decrease its allocations to Mutual Funds that focus on domestic investment.

The Section of the Disclosure Booklet entitled “Investment Options – Moderate Age-Based Allocation Option – Current Allocation Guidelines for the Moderate Age-Based Allocation Option” is amended by replacing that Section with the following:

Asset Allocations for the Moderate Age-Based Allocation Option Effective October 25, 2010

The following table provides the percentage of assets of each Age Band within the Moderate Age-Based Allocation Option allocated to each Mutual Fund effective as of October 25, 2010. Note that contributions received on or after October 25, 2010 will be allocated accordingly.

Age Bands	Age of Beneficiary	Large-Cap Growth Index Fund	Large-Cap Value Index Fund	Equity Index Fund	Small-Cap Blend Index Fund	International Equity Index Fund	Real Estate Securities Fund	Bond Index Fund	Inflation-Linked Bond Fund	Money Market Fund
1	0-3	15.46%	15.46%	14.40%	2.68%	24.00%	8.00%	15.00%	5.00%	0.00%
2	4-7	12.56%	12.56%	11.70%	2.18%	19.50%	6.50%	26.25%	8.75%	0.00%
3	8-11	9.66%	9.66%	9.00%	1.68%	15.00%	5.00%	37.50%	12.50%	0.00%
4	12-14	7.73%	7.73%	7.20%	1.34%	12.00%	4.00%	45.00%	15.00%	0.00%
5	15-17	4.83%	4.83%	4.50%	0.84%	7.50%	2.50%	37.50%	12.50%	25.00%
6	18 and over	2.90%	2.90%	2.70%	0.50%	4.50%	1.50%	30.00%	10.00%	45.00%

The Section of the Disclosure Booklet entitled “Investment Options – Conservative Age-Based Allocation Option” is amended by adding the following sentence at the end of the first paragraph:

Effective as of October 25, 2010, each Age Band will increase the allocation of its assets to Mutual Funds that are managed to track a particular index and will proportionately decrease its allocations to actively managed Mutual Funds. In addition, each Age Band will increase the allocation of its assets to Mutual Funds that focus on international investment and will proportionately decrease its allocations to Mutual Funds that focus on domestic investment.

The Section of the Disclosure Booklet entitled “Investment Options – Conservative Age-Based Allocation Option – Current Asset Allocations for the Conservative Age-Based Allocation Option” is amended by replacing that Section with the following:

Asset Allocations for the Conservative Age-Based Allocation Option Effective October 25, 2010

The following table provides the percentage of assets of each Age Band within the Conservative Age-Based Allocation Option allocated to each Mutual Fund effective as of October 25, 2010. Note that contributions received on or after October 25, 2010 will be allocated accordingly.

<u>Age Bands</u>	<u>Age of Beneficiary</u>	<u>Large-Cap Growth Index Fund</u>	<u>Large-Cap Value Index Fund</u>	<u>Equity Index Fund</u>	<u>Small-Cap Blend Index Fund</u>	<u>International Equity Index Fund</u>	<u>Real Estate Securities Fund</u>	<u>Bond Index Fund</u>	<u>Inflation-Linked Bond Fund</u>	<u>Money Market Fund</u>
1	0-3	12.56%	12.56%	11.70%	2.18%	19.50%	6.50%	26.25%	8.75%	0.00%
2	4-7	9.66%	9.66%	9.00%	1.68%	15.00%	5.00%	37.50%	12.50%	0.00%
3	8-11	7.73%	7.73%	7.20%	1.34%	12.00%	4.00%	45.00%	15.00%	0.00%
4	12-14	4.83%	4.83%	4.50%	0.84%	7.50%	2.50%	37.50%	12.50%	25.00%
5	15-17	2.90%	2.90%	2.70%	0.50%	4.50%	1.50%	30.00%	10.00%	45.00%
6	18 and over	1.93%	1.93%	1.80%	0.34%	3.00%	1.00%	30.00%	10.00%	50.00%

The Section of the Disclosure Booklet entitled "Investment Options – Aggressive Age-Based Allocation Option" is amended by adding the following sentence at the end of the first paragraph:

Effective as of October 25, 2010, Age Bands 2-6 will increase the allocation of their assets to Mutual Funds that are managed to track a particular index and will proportionately decrease their allocations to actively managed Mutual Funds. In addition, each Age Band will increase the allocation of its assets to Mutual Funds that focus on international investment and will proportionately decrease its allocations to Mutual Funds that focus on domestic investment.

The Section of the Disclosure Booklet entitled "Investment Options – Aggressive Age-Based Allocation Option – Current Asset Allocations for the Aggressive Age-Based Allocation Option" is amended by replacing that Section with the following:

Asset Allocations for the Aggressive Age-Based Allocation Option Effective October 25, 2010

The following table provides the percentage of assets of each Age Band within the Aggressive Age-Based Allocation Option allocated to each Mutual Fund effective as of October 25, 2010. Note that contributions received on or after October 25, 2010 will be allocated accordingly.

<u>Age Bands</u>	<u>Age of Beneficiary</u>	<u>Large-Cap Growth Index Fund</u>	<u>Large-Cap Value Index Fund</u>	<u>Equity Index Fund</u>	<u>Small-Cap Blend Index Fund</u>	<u>International Equity Index Fund</u>	<u>Real Estate Securities Fund</u>	<u>Bond Index Fund</u>	<u>Inflation-Linked Bond Fund</u>	<u>Money Market Fund</u>
1	0-3	19.32%	19.32%	18.00%	3.36%	30.00%	10.00%	0.00%	0.00%	0.00%
2	4-7	15.46%	15.46%	14.40%	2.68%	24.00%	8.00%	15.00%	5.00%	0.00%
3	8-11	12.56%	12.56%	11.70%	2.18%	19.50%	6.50%	26.25%	8.75%	0.00%
4	12-14	9.66%	9.66%	9.00%	1.68%	15.00%	5.00%	37.50%	12.50%	0.00%
5	15-17	7.73%	7.73%	7.20%	1.34%	12.00%	4.00%	45.00%	15.00%	0.00%
6	18 and over	4.83%	4.83%	4.50%	0.84%	7.50%	2.50%	37.50%	12.50%	25.00%

The Section of the Disclosure Booklet entitled "Investment Options – 100% Equity Option" is amended by adding the following sentence at the end of that Section:

Effective as of October 25, 2010, the 100% Equity Option increase the allocation of its assets to Mutual Funds that focus on international investment and will proportionately decrease its allocations to Mutual Funds that focus on domestic investment.

The Section of the Disclosure Booklet entitled "Investment Options – 100% Equity Option – Current Asset Allocations for the 100% Equity Option" is amended by replacing that Section with the following:

Asset Allocations for the 100% Equity Option Effective October 25, 2010

The following table provides the percentage of assets of the 100% Equity Option allocated to each Mutual Fund effective as of October 25, 2010. Note that contributions received on or after October 25, 2010 will be allocated accordingly.

S&P 500 Index Fund	Mid-Cap Growth Fund	Mid-Cap Value Fund	Small-Cap Equity Fund	International Equity Fund
56.00%	4.20%	4.20%	5.60%	30.00%

The Section of the Disclosure Booklet entitled "Investment Options – Balanced Option" is amended by adding the following sentence at the end of that Section:

Effective as of October 25, 2010, the Balanced Option will increase the allocation of its assets to Mutual Funds that are managed to track a particular index and will proportionately decrease its allocations to actively managed Mutual Funds. In addition, the Balanced Option will increase the allocation of its assets to Mutual Funds that focus on international investment and will proportionately decrease its allocations to Mutual Funds that focus on domestic investment.

The Section of the Disclosure Booklet entitled "Investment Options – Balanced Option – Current Asset Allocations for the Balanced Option" is amended by replacing that Section with the following:

Asset Allocations for the Balanced Option Effective October 25, 2010

The following table provides the percentage of assets of the Balanced Option allocated to each Mutual Fund effective as of October 25, 2010. Note that contributions received on or after October 25, 2010 will be allocated accordingly.

S&P 500 Index Fund	Mid-Cap Growth Fund	Mid-Cap Value Fund	Small-Cap Equity Fund	Real Estate Securities Fund	International Equity Fund	Bond Index Fund	Inflation-Linked Bond Fund
28.80%	2.16%	2.16%	2.88%	6.00%	18.00%	30.00%	10.00%

The Section of the Disclosure Booklet entitled "Investment Options – 100% Fixed-Income Option" is amended by replacing that Section with the following:

100% Fixed-Income Option (Risk level — Moderate)

This Investment Option seeks to provide preservation of capital along with a moderate rate of return by allocating assets to Mutual Funds that invest in a diversified mix of fixed-income investments. This Investment Option may be appropriate for you if you have a medium-term investment horizon and can tolerate a moderate level of risk. Effective as of October 25, 2010, this Investment Option will allocate a majority of its assets to Mutual Funds that are managed to track a particular index, rather than actively managed Mutual Funds.

Asset Allocations for the 100% Fixed-Income Option Effective October 25, 2010

The following table provides the percentage of assets of the 100% Fixed-Income Option allocated to each Mutual Fund effective as of October 25, 2010. Note that contributions received on or after October 25, 2010 will be allocated accordingly.

<u>Bond Index Fund</u>	<u>Inflation-Linked Bond Fund</u>
75.00%	25.00%

VI. SUMMARIES OF THE UNDERLYING INVESTMENTS

Effective as of the date of this Supplement, all references to the Bond Fund, including the Summary in Appendix I, are deleted. All other information contained within “Appendix I — Summaries of the Underlying Investments” was current only as of the date of the Disclosure Booklet. Updated and additional information regarding each of the Mutual Funds is available by calling 1-800-897-9059 or visiting www.tiaa-cref.org/prospectuses/index.html.

The Section of the Disclosure Booklet entitled “APPENDIX I – SUMMARIES OF THE UNDERLYING INVESTMENTS – Summary of Mutual Fund Investment Objectives and Strategies” is amended by replacing the description of the Bond Fund with the following description of the Bond Index Fund in the “Fixed-Income Funds” summary Section.

	<u>Fund Name</u>	<u>Investment Objective</u>	<u>Principal Investment Strategies</u>
Fixed-Income Funds	Bond Index Fund	The Fund seeks a favorable long-term total return, mainly from current income, by primarily investing in a portfolio of fixed-income securities that is designed to produce a return that corresponds with the total return of the U.S. investment-grade bond market based on a broad bond index.	Under normal circumstances, the Fund invests at least 80% of its assets in bonds within its benchmark and portfolio tracking index. At times the Fund may purchase securities not held in the index, but which its advisor believes have similar investment characteristics to securities held in its index. Generally, the Fund intends to invest in a wide spectrum of public, investment-grade, taxable debt securities in the United States-including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed, commercial mortgage-backed and asset-backed securities. The Fund’s investment in mortgage-backed securities may include pass-through securities sold by private, governmental and government-related organizations and collateralized mortgage obligations, to the extent such instruments are held by the index. The Fund generally will invest in foreign securities only to the extent they are held in the index.

The Section of the Disclosure Booklet entitled “APPENDIX I – SUMMARIES OF THE UNDERLYING INVESTMENTS – Summary of Risks of the Mutual Funds” is amended by replacing the Bond Fund with the Bond Index Fund and noting the following risk categories applicable to the Bond Index Fund: Call Risk; Credit Risk; Foreign Investment Risk; Income Volatility Risk; Index Risk; Interest Rate Risk, Market Risk; Prepayment Risk/Extension Risk.

VII. PAST PERFORMANCE

The Section of the Disclosure Booklet entitled “Past Performance” is amended by replacing the tables in that Section with the following:

Moderate Age-Based Allocation Option

**Average Annual Total Returns
For the Period Ended July 31, 2010**

Age Band	Age of Beneficiary	1 Year	3 Year	5 Year	Since Inception	Inception Date
1	0-3	14.79%	-3.82%	1.60%	2.71%	March 28, 2005
	Blended Index	15.30%	-3.70%	1.96%	3.07%	
2	4-7	13.97%	-1.13%	2.76%	3.61%	March 28, 2005
	Blended Index	14.29%	-1.44%	2.85%	3.78%	
3	8-11	12.68%	0.59%	3.31%	3.99%	March 28, 2005
	Blended Index	13.20%	0.75%	3.67%	4.40%	
4	12-14	11.52%	1.83%	3.72%	4.28%	March 28, 2005
	Blended Index	12.44%	2.16%	4.18%	4.78%	
5	15-17	8.12%	2.15%	3.52%	3.90%	March 28, 2005
	Blended Index	8.86%	2.74%	4.06%	4.44%	
6	18 and over	5.88%	2.65%	3.57%	3.77%	March 28, 2005
	Blended Index	6.19%	2.85%	3.82%	4.05%	

Conservative Age-Based Allocation Option

**Average Annual Total Returns
For the Period Ended July 31, 2010**

Age Band	Age of Beneficiary	1 Year	3 Year	5 Year	Since Inception	Inception Date
1	0-3	14.30%	-1.02%	N/A	2.76%	June 13, 2006
	Blended Index	14.29%	-1.44%	N/A	2.72%	
2	4-7	13.35%	1.28%	N/A	3.92%	June 15, 2006
	Blended Index	13.20%	0.75%	N/A	3.59%	
3	8-11	12.34%	2.43%	N/A	4.37%	June 15, 2006
	Blended Index	12.44%	2.16%	N/A	4.37%	
4	12-14	8.52%	2.64%	N/A	4.21%	June 26, 2006
	Blended Index	8.86%	2.74%	N/A	4.39%	
5	15-17	5.66%	2.45%	N/A	3.59%	June 13, 2006
	Blended Index	6.19%	2.85%	N/A	4.05%	
6	18 and over	5.13%	2.96%	N/A	3.85%	June 15, 2006
	Blended Index	5.33%	3.18%	N/A	4.10%	

Aggressive Age-Based Allocation Option

**Average Annual Total Returns
For the Period Ended July 31, 2010**

Age Band	Age of Beneficiary	1 Year	3 Year	5 Year	Since Inception	Inception Date
1	0-3	15.92%	-7.10%	N/A	-1.13%	June 12, 2006
	Blended Index	16.53%	-6.81%	N/A	-0.55%	
2	4-7	14.78%	-3.85%	N/A	0.79%	June 13, 2006
	Blended Index	15.30%	-3.70%	N/A	1.53%	
3	8-11	14.17%	-0.85%	N/A	2.60%	June 14, 2006
	Blended Index	14.29%	-1.44%	N/A	2.69%	
4	12-14	12.38%	0.47%	N/A	3.11%	June 15, 2006
	Blended Index	13.20%	0.75%	N/A	3.59%	
5	15-17	12.44%	2.44%	N/A	4.55%	June 13, 2006
	Blended Index	12.44%	2.15%	N/A	4.52%	
6	18 and over	8.43%	2.42%	N/A	4.15%	June 15, 2006
	Blended Index	8.86%	2.74%	N/A	4.29%	

Additional Investment Options

**Average Annual Total Returns
For the Period Ended July 31, 2010**

Option	1 Year	3 Year	5 Year	Since Inception	Inception Date
100% Equity Option	14.24%	-7.59%	0.36%	0.67%	November 28, 2000
Blended Index	13.73%	-7.04%	0.62%	0.88%	
Balanced Option	14.55%	-0.87%	N/A	3.09%	June 13, 2006
Blended Index	14.22%	-0.64%	N/A	3.17%	
100% Fixed-Income Option	9.25%	6.65%	N/A	6.30%	June 14, 2006
Blended Index	9.09%	7.49%	N/A	7.05%	
Principal Plus Interest Option	2.88%	3.55%	3.52%	3.76%	November 28, 2000

VIII. PROGRAM CONTACT INFORMATION

The Program's mailing address is "Michigan Education Savings Program, P.O. Box 55925, Boston, MA 02205-5925." All references throughout the Disclosure Booklet to such address are changed accordingly.

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**SUPPLEMENT NO. 1 DATED APRIL 1, 2009, TO THE
MICHIGAN EDUCATION SAVINGS PROGRAM
DISCLOSURE BOOKLET DATED JUNE 2, 2008**

This Supplement No. 1 amends, updates and supersedes anything to the contrary contained in the June 2, 2008 Disclosure Booklet (the "Disclosure Booklet") of the Michigan Education Savings Program (the "Program").

I. SPECIAL NOTICE — TWO TRANSFERS AMONG INVESTMENT OPTIONS PERMITTED FOR 2009

For the 2009 calendar year only, the Internal Revenue Service will allow the Program to permit Account Owners to transfer funds among Investment Options twice in the calendar year, rather than once per calendar year as set forth in the Disclosure Booklet.

II. FEDERAL GIFT TAX EXCLUSION

Effective January 1, 2009, the federal gift tax exclusion has been increased from \$12,000 to \$13,000. Therefore, for 2009, no federal gift tax will be imposed on a Program Account Owner for contributions to that Account if the total amount of such contributions plus other gifts to the Beneficiary does not exceed \$13,000 (or \$26,000 for a married couple). In addition, if an Account Owner's contributions to an Account exceed \$13,000 (or \$26,000 for a married couple), the Account Owner may elect to treat up to \$65,000 of the contributions (or \$130,000 for a married couple) as having been made ratably over a five-year period.

III. RECENT TAX LAW CHANGES

The recently enacted American Recovery and Reinvestment Act of 2009 ("ARRA") contains two tax-related provisions that may affect participation in the Program. First, the definition of Qualified Higher Education Expenses has been expanded to cover amounts paid in 2009 and 2010 for the purchase of computer equipment or software (other than software designed for sports, games or hobbies, unless such software is primarily educational in nature) or for Internet access and related services. The purchased equipment, software or services must be used by the Beneficiary (including the Beneficiary's family) during any of the years that the Beneficiary is enrolled at an Eligible Educational Institution.

Second, the ARRA increased the maximum amount of the Hope Scholarship Credit from \$1,800 per year to \$2,500 per year for 2009-2010. The ARRA also made changes to the eligibility requirements for the credit.

IV. MUTUAL FUND TRUST NAME CHANGE

The "TIAA-CREF Institutional Mutual Funds" changed its name to the "TIAA-CREF Funds." All references throughout the Disclosure Booklet to such name are changed accordingly.

V. FEES AND EXPENSES — FEE TABLE

The Section of the Disclosure Booklet entitled "Fees and Expenses — Fee Table" and the related footnotes are amended as follows:

- a. The "Fee Table" is replaced with the following:

Fee Table

ANNUAL ASSET-BASED FEES				
Investment Option	Program Manager Fee ⁽¹⁾⁽²⁾	Estimated Underlying Mutual Fund Expenses ⁽³⁾	State Issuer Fee	Total Annual Asset-Based Fees ⁽⁴⁾
Moderate Age-Based Allocation Option				
Age Band 1 (0-3 Years)	0.27%	0.18%	None	0.45%
Age Band 2 (4-7 Years)	0.24%	0.21%	None	0.45%
Age Band 3 (8-11 Years)	0.22%	0.23%	None	0.45%
Age Band 4 (12-14 Years)	0.20%	0.25%	None	0.45%
Age Band 5 (15-17 Years)	0.22%	0.23%	None	0.45%
Age Band 6 (18 and over)	0.24%	0.21%	None	0.45%
Conservative Age-Based Allocation Option				
Age Band 1 (0-3 Years)	0.24%	0.21%	None	0.45%
Age Band 2 (4-7 Years)	0.22%	0.23%	None	0.45%
Age Band 3 (8-11 Years)	0.20%	0.25%	None	0.45%
Age Band 4 (12-14 Years)	0.22%	0.23%	None	0.45%
Age Band 5 (15-17 Years)	0.24%	0.21%	None	0.45%
Age Band 6 (18 and over)	0.24%	0.21%	None	0.45%
Aggressive Age-Based Allocation Option				
Age Band 1 (0-3 Years)	0.31%	0.14%	None	0.45%
Age Band 2 (4-7 Years)	0.27%	0.18%	None	0.45%
Age Band 3 (8-11 Years)	0.24%	0.21%	None	0.45%
Age Band 4 (12-14 Years)	0.22%	0.23%	None	0.45%
Age Band 5 (15-17 Years)	0.20%	0.25%	None	0.45%
Age Band 6 (18 and over)	0.22%	0.23%	None	0.45%
100% Equity Option	0.21%	0.24%	None	0.45%
100% Fixed-Income Option	0.125%	0.325%	None	0.45%
Balanced Option	0.15%	0.30%	None	0.45%
Principal Plus Interest Option	None ⁽⁵⁾	None	None	None

b. In footnote (3), replace “February 1, 2008” with “February 1, 2009.”

THE MICHIGAN EDUCATION SAVINGS PROGRAM



Michigan Education Savings Program

PROGRAM DISCLOSURE BOOKLET AND PARTICIPATION AGREEMENT

JUNE 2, 2008

**ADMINISTRATOR:
THE MICHIGAN DEPARTMENT OF TREASURY**

**PROGRAM MANAGER:
TIAA-CREF TUITION FINANCING, INC.**



**FINANCIAL SERVICES
FOR THE GREATER GOOD®**

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

Please read and retain this Disclosure Booklet as an important document with your other records about the Michigan Education Savings Program (the “**Program**” or “**MESP**”). This Disclosure Booklet is also available on the Program’s website at www.misaves.com. You should read and understand this Disclosure Booklet before you make contributions to MESP.

No broker, dealer, salesperson or any other person has been authorized by TIAA-CREF Tuition Financing, Inc. (“**TFI**” or the “**Program Manager**”), or the State of Michigan (the “**State**”) 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 Program Manager or the State.

The information in this Disclosure Booklet is 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 have been no changes since the date of this Disclosure Booklet.

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 Program by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The tax information contained in this Disclosure Booklet was written to support the promotion and marketing of MESP. It was neither written nor intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax penalties. Taxpayers should seek tax advice from an independent tax advisor based on their own particular circumstances.

TABLE OF CONTENTS

Introduction to the Program	1
Key Features of the Program.....	2
Important Defined Terms	5
Getting Started	7
Contributing to Your Account	9
Matching Grants.....	10
Transferring Funds.....	12
Unit Value	12
Use of Your Account	13
Fees and Expenses.....	13
Fee Table	14
Investment Options	17
Past Performance	21
Risks of Investing in the Program.....	25
Withdrawals.....	26
Oversight of the Program	28
The Program Manager	28
Reporting	29
Tax Information	30
Summaries of the Underlying Investments.....	I-1
Participation Agreement.....	II-1
Notice of TIAA-CREF Privacy Policy.....	III-1

Introduction to the Program

The Michigan Education Savings Program (MESP), created by the State, is designed to help people save for the costs of education after high school. MESP was established in the Michigan Department of Treasury (“**Michigan Department of Treasury**”) and is administered by the State Treasurer of Michigan (the “**State Treasurer**”). Currently, federal and Michigan tax benefits enhance the value of investing in the Program. MESP is intended to meet the requirements of a qualified tuition program under Internal Revenue Code (“**IRC**”) Section 529 (“**Section 529**”).

MESP is authorized by Michigan Public Act 161 of 2000, as amended, which is codified at Michigan Compiled Laws 390.1471 et seq. (the “**Statute**”). The State Treasurer serves as trustee (“**Trustee**”) for the funds invested in MESP. The State Treasurer has the authority to enter into contracts for program management services, appoint a program manager, adopt policies and operating procedures to implement and administer MESP and establish investment policies for MESP. For additional information, see “Oversight of the Program.”

TIAA-CREF Tuition Financing, Inc. (“TFI”) manages MESP under the direction of the State Treasurer pursuant to a contract (the “**Management Agreement**”) that it has entered into with the State. For additional information, see “The Program Manager.”*

Please note that once you open your Account, you may access information about your Account through the toll-free, automated telephone number for the Program at (877) 861-MESP (861-6377). If you open your Account as an individual Account Owner in the Program, you may also access information on a password-protected section of the Program’s website. You can change your physical address, bank information, and your e-mail address in the password-protected section of the Program website, or you can download and print appropriate forms from the website for the same purpose (“**Program Forms**”).

To obtain Program Forms or additional information, you can (1) visit the Program’s website at www.misaves.com; (2) call the Program toll-free at (877) 861-MESP (861-6377); or (3) write to MESP at Michigan Education Savings Program, P.O. Box 30361, Lansing, Michigan 48909-7861.

* Michigan also offers the Michigan Education Trust (“**MET**”), which is a guaranteed tuition program that makes available prepaid tuition contracts and a Michigan income tax deduction to encourage families to save for higher education. MET Contracts may be used for tuition and mandatory fees. Investment management, program administration and distribution of MET Contracts are provided solely by the Michigan Department of Treasury. MET is not managed or distributed by the Program Manager or any of its affiliates. This Disclosure Booklet is not intended for use in connection with contracts purchased in MET and does not describe MET’s features. MET may offer different benefits and may be marketed differently from MESP. MET may assess different fees, withdrawal penalties, and sales commissions relative to MESP. For more information about MET and the open enrollment period(s), visit the MET website at www.setwithmet.com, call toll-free at 1-800-MET-4-KID (638-4543), or write to MET at Michigan Education Trust, P.O. Box 30198, Lansing, MI 48909.

Key Features of the Program

This section provides summary information about certain key features of the Program, but it is important that you read the entire Disclosure Booklet and Participation Agreement for more detailed information about the Program. Capitalized terms used in this section are defined in “Important Defined Terms” or elsewhere in the Disclosure Booklet.

Feature	Description	Additional Information
State Administrator	State Treasurer, Michigan Department of Treasury.	<i>Oversight of the Program</i> , page 28.
Program Manager	TIAA-CREF Tuition Financing, Inc.	<i>The Program Manager</i> , page 28.
Eligible Account Owner	<p>Any U.S. citizen or resident alien with a Social Security Number or federal Taxpayer Identification Number (“TIN”).</p> <p>Accounts may also be opened by the following, although additional restrictions may apply:</p> <ul style="list-style-type: none"> • Custodians for minors under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act (collectively, “UGMA/UTMA”) with a TIN; • Entities with a TIN that are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; and • Estates and trusts. 	<i>Getting Started</i> , page 7.
Eligible Beneficiary	Any U.S. citizen or resident alien with a Social Security Number or TIN, including the Account Owner.	<i>Getting Started</i> , page 7.
Minimum Contribution	The minimum initial and subsequent contribution is \$25 per Investment Option (\$15 per Investment Option if made via payroll deduction).	<i>Contributing to Your Account</i> , page 9.
Current Maximum Account Balance Limit	Maximum Account Balance Limit of \$235,000 per Beneficiary — no new contributions may be made to any Account if, at the time of a proposed contribution, the aggregate account balance of the Account and all other Accounts in the Program for the same Beneficiary (as well as the value of any MET Contracts for that same Beneficiary) has a market value equal to or in excess of this limit. Accounts that have reached the Maximum Account Balance Limit may continue to accrue earnings.	<i>Contributing to Your Account</i> , page 9.
Withdrawals	<ul style="list-style-type: none"> • Qualified Withdrawals must be used to pay for tuition, certain room and board expenses, fees, and the costs of books, supplies and equipment required for the enrollment or attendance of the Beneficiary at an Eligible Educational Institution. • Federal Taxable Withdrawals are also permitted due to the Beneficiary’s death, permanent disability, receipt of a scholarship award or certain other tax-free amounts, or attendance at a Military Academy. The earnings portion of these types of withdrawals will be subject to applicable federal income tax, if any, but will not be subject to a 10% additional federal tax (the “Additional Excise Tax”). 	<i>Withdrawals</i> , page 26; <i>Tax Information</i> , page 30.

<p>Investment Options</p>	<ul style="list-style-type: none"> • State Taxable Withdrawals will be taxable in computing the Account Owner’s Michigan taxable income. • A tax-free Rollover Distribution to another qualified tuition program for the same Beneficiary or a tax-free Rollover Distribution to another qualified tuition program for a different Beneficiary may occur under certain circumstances. • Non-Qualified Withdrawals are withdrawals that do not fall into any of the categories above. Non-Qualified Withdrawals will be subject to applicable federal income tax on earnings, if any, and the Additional Excise Tax. • Three age-based options: Contributions invested in the Moderate Age-Based Allocation Option, Aggressive Age-Based Allocation Option and Conservative Age-Based Allocation Option are invested in the Institutional Class shares of certain of the TIAA-CREF Institutional Mutual Funds in a manner that varies according to the Beneficiary’s placement in an age-based grouping (“Age Band”). • Three static options: Contributions invested in the 100% Equity Option, 100% Fixed-Income Option and Balanced Option are invested in Institutional Class shares of certain of the TIAA-CREF Institutional Mutual Funds. • One guaranteed option: Contributions invested in the Principal Plus Interest Option are allocated to a Funding Agreement, which guarantees to the Michigan Department of Treasury a return of principal plus a minimum rate of interest. 	<p><i>State Income Tax Treatment</i>, page 33.</p> <p><i>Investment Options</i>, page 17.</p>
<p>Transfers Between Investment Options</p>	<p>The Account Owner may move funds from one Investment Option to another once per calendar year or at any time upon a change in Beneficiary to a Member of the Family.</p>	<p><i>Transferring Funds</i>, page 12.</p>
<p>Federal Tax Benefits</p>	<ul style="list-style-type: none"> • Qualified Withdrawals and Rollover Distributions are not subject to federal income tax (including the Additional Excise Tax) upon distribution. • Federal Taxable Withdrawals are subject to federal income tax but not the Additional Excise Tax. • No federal gift tax on contributions of up to \$60,000 (single filer) and \$120,000 (married couple) if prorated over 5 years. • Contributions are generally considered completed gifts to the Beneficiary for federal gift and estate tax purposes. 	<p><i>Tax Information</i>, page 30.</p>
<p>Michigan Tax Benefits</p>	<ul style="list-style-type: none"> • Qualified Withdrawals and certain Federal Taxable Withdrawals are not subject to Michigan income tax. • Net contributions are deductible for Michigan income tax purposes up to \$5,000 per year for a single return or \$10,000 per year for a joint return. • Michigan tax benefits are available only to Michigan taxpayers. • <i>If you or your Beneficiary reside in, or have taxable income in, a state other than Michigan, see page 33 for important information about potential consequences of investing in an out-of-state Section 529 program. Consult a qualified advisor or contact your home state’s Section 529 program for more information about that program.</i> 	<p><i>State Income Tax Treatment</i>, page 33.</p>

<p>Matching Grants</p>	<p>Account Owners can apply to the State for a State Matching Grant on MESP contributions if certain conditions are met, including certain income and Michigan residency requirements. Only one Account Owner may apply for a State Matching Grant on behalf of a Beneficiary. If a Beneficiary is eligible, the State will provide \$1.00 of matching funds to a State-owned Match Account (“Match Account”) for every \$3.00 of contributions to the Account, with a maximum State Matching Grant of \$200 per eligible Beneficiary.</p> <p>The State Matching Grant will be available only in the first year the Beneficiary is enrolled in MESP. An Account Owner must apply for the State Matching Grant and the application must be postmarked by September 30, 2008, or such later date as provided by Michigan law.</p>	<p><i>Matching Grants, page 10.</i></p>
<p>Current Fees and Expenses</p>	<p>The total annual asset-based fee for each Investment Option is 0.45%.* (For purposes of this discussion, each Age Band in the Moderate Age-Based Allocation, Aggressive Age-Based Allocation and Conservative Age-Based Allocation Options is considered a separate Investment Option.) Depending on the Investment Option, a portion of the 0.45% total annual asset-based fee is paid to the Program Manager (“Program Manager Fee”). (See Fee Table on pages 14-15).</p> <p>* Does not apply to the Principal Plus Interest Option.</p>	<p><i>Fees and Expenses, page 13; Fee Table, page 14</i></p>
<p>Performance</p>	<p>Performance data for the Investment Options (updated monthly) can be obtained by visiting the Program’s website or by calling the Program’s toll-free number. Past performance is not necessarily indicative of future results. Your investment results may be better or worse than the performance shown.</p>	<p><i>Past Performance, page 21.</i></p>
<p>Risks of Investing in the Program</p>	<ul style="list-style-type: none"> • The value of your Account may decrease. You could lose money, including the principal you invest. • Federal or State tax law changes could negatively affect participation in the Program. • Certain changes could be made to the Program which could make it less favorable to investors, including an increase in existing fees and expenses and/or the addition of new fees and expenses. • The State Treasurer may change the Program Manager (or add program managers and/or investment managers), change underlying investment vehicles or change or modify Investment Options and/or allocation guidelines. • Contributions to an Account may adversely affect the Account Owner or Beneficiary’s eligibility for financial aid or other benefits. • Neither the Federal Deposit Insurance Corporation nor any other government agency or entity provides any insurance or guarantee to Account Owners. • Investment returns may be less than the rate of increase in the costs of higher education. 	<p><i>Risks of Investing in the Program, page 25</i></p>
<p>Contact Information</p>	<p>Call toll-free at (877) 861-MESP (861-6377), visit the Program website at www.misaves.com or write to MESP at Michigan Education Savings Program, P.O. Box 30361, Lansing, Michigan 48909-7861.</p>	<p><i>Introduction to the Program, page 1; Back Cover.</i></p>

Important Defined Terms

The Disclosure Booklet and Participation Agreement are intended to be as clear and understandable as possible. However, certain words and terms used throughout the Disclosure Booklet carry special meanings in connection with the Program. This glossary of certain terms is included here for your convenient reference. Refer to the text throughout the Disclosure Booklet for a more complete discussion of these terms.

Account	An account in MESP opened by an Account Owner to receive contributions and to provide funds for the Qualified Higher Education Expenses of the Beneficiary.
Account Owner/You	The owner of an Account in the Program.
Additional Excise Tax	A 10% additional federal tax imposed on the earnings portion of Non-Qualified Withdrawals.
Beneficiary	Beneficiary for an Account in the Program as designated by the Account Owner.
Eligible Educational Institutions	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 technical and vocational schools and certain institutions in foreign countries, which are eligible to participate in a financial aid program under Title IV of the Higher Education Act of 1965.
Federal Taxable Withdrawal	Any withdrawal from your Account: (1) paid to a beneficiary of, or the estate of, the Beneficiary on or after the Beneficiary's death or attributable to the permanent disability of the Beneficiary; (2) made on account of the receipt by the Beneficiary of a scholarship award or veterans' or other nontaxable educational assistance (other than gifts or inheritances), but only to the extent of such scholarship or assistance; (3) made on account of the Beneficiary's attendance at a Military Academy, but only to the extent of the costs of education attributable to such attendance; or (4) equal to the amount of the Beneficiary's relevant Qualified Higher Education Expenses taken into account in determining the Beneficiary's Hope Scholarship Credit or Lifetime Learning Credit.
Investment Options	The investment options to which you may allocate the assets in your Account.
IRC	The Internal Revenue Code of 1986, as amended.
Management Agreement	Agreement under which the State has engaged TFI to serve as the Program Manager.
Match Account	An Account, created and owned by the State, for a Beneficiary eligible to receive State Matching Grants and Match Contributions.
Match Contribution	Contributions made into a Match Account by a 501(c)(3) organization that has received the approval of the State Treasurer.
Member of the Family	A person related to the Beneficiary as follows: (1) a child or a descendant of a child; (2) a brother, sister, stepbrother or stepsister; (3) the father or mother, or an ancestor of either; (4) a stepfather or stepmother; (5) a son or daughter of a brother or sister; (6) a brother or sister of the father or mother; (7) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law; (8) the spouse of any of the foregoing individuals or the spouse of the Beneficiary;

	or (9) a first cousin of the Beneficiary. For this purpose, a child includes a legally adopted child and a stepson or stepdaughter, and a brother or sister includes a half-brother or half-sister.
MET Contract	A prepaid tuition contract with the Michigan Education Trust that guarantees a certain level of in-state tuition at public four-year colleges and universities in Michigan or in-district tuition at public community colleges in Michigan.
Military Academy	The United States Military Academy, the United States Naval Academy, the United States Air Force Academy, the United States Coast Guard Academy or the United States Merchant Marine Academy.
Mutual Funds	Currently, the Institutional Class of certain of the TIAA-CREF Institutional Mutual Funds.
Non-Qualified Withdrawal	Any withdrawal from your Account other than (1) a Qualified Withdrawal; (2) a Federal Taxable Withdrawal; or (3) a Rollover Distribution.
Participation Agreement	An agreement between an Account Owner and MESP. A description of your rights and obligations as an Account Owner is in your Participation Agreement.
Program Manager	TIAA-CREF Tuition Financing, Inc. (“TFI”).
Qualified Higher Education Expenses	Tuition, certain room and board expenses, fees and the cost of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution.
Qualified Withdrawal	Any withdrawal from your Account that is used to pay the Qualified Higher Education Expenses of the Beneficiary.
Rollover Distribution	A transfer of funds by any of the following methods: (1) a direct transfer from your Account to a qualifying account in another qualified tuition program; (2) a direct transfer from an account in another qualified tuition program to a qualifying new or existing Account; (3) a withdrawal of funds from your Account followed within 60 days of that withdrawal by a contribution of those funds to a qualifying account in another qualified tuition program; (4) a withdrawal from an account in another qualified tuition program followed within 60 days of that withdrawal by a contribution of those funds to a qualifying new or existing Account; or (5) a withdrawal from your Account followed within 60 days of that withdrawal by a contribution of those funds to a qualifying Account.
State	The State of Michigan.
State Matching Grant	Matching grant from the State on MESP contributions, the eligibility for which depends on certain conditions being met.
Trustee	The State Treasurer, Michigan Department of Treasury, who acts as trustee for the funds invested in MESP.
Unit	A unit of measure used in calculating the value of the assets in your Account.

Getting Started

This section offers you an overview of the processes involved with opening your Account in the Program.

Opening Your Account. To open an Account, you must first complete and sign an application (the “**Application**”). The Application incorporates by reference the Participation Agreement and this Disclosure Booklet, and, among other things, will ask you to designate an owner of the Account (the “**Account Owner**”) and (if you are an individual Account Owner) a **Contingent Account Owner**, select a Beneficiary, and select Investment Options.

You may obtain an Application and enrollment kit by contacting MESP or by accessing the Program’s website. You may complete and submit the Application online on the Program’s website, or you may mail your completed Application to the following address: Michigan Education Savings Program, P.O. Box 30361, Lansing, Michigan 48909-7861. Once MESP receives your completed Application in good order with a check or other authorization for your initial contribution, an Account will be opened for you.

The Participation Agreement is in Appendix II to this Disclosure Booklet. Your rights as the Account Owner and the rights of your Beneficiary are established under provisions of the Statute and the policies and operating procedures adopted by the State Treasurer and are in your Participation Agreement. However, any amendments to the Statute or the policies and operating procedures adopted by the State Treasurer, or to federal and/or Michigan tax law will automatically amend the Participation Agreement, and any amendments to the policies or operating procedures of the Program will amend the Participation Agreement after adoption by the State Treasurer.

To help the federal government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an Account. When you open an Account, you will be asked for your name, address (which must be a valid U.S. address), date of birth, Social Security Number and other information that will allow the Program to identify you, such as your home telephone number. Until you provide the information needed, the Program will not be able to open your Account or effect any transactions for you.

Account Ownership. Those eligible to open Accounts and to act as Account Owners in the Program include:

- Any U.S. citizen or resident alien with a valid Social Security Number or TIN — this may include parents, grandparents, or friends of the Beneficiary, including the Beneficiary;
- An organization described in Section 501(c)(3) of the IRC with a TIN;
- A custodian for minors under UGMA/UTMA with a valid Social Security Number or TIN;
- A trust representative with a valid Social Security Number or TIN who shall present trust instrument and certificate of incumbency documentation upon establishing the Account; and
- An estate.

Accounts opened by Section 501(c)(3) organizations, trusts, estates and custodians are subject to additional restrictions. UGMA/UTMA custodians are subject to certain limitations on their ability to make changes to and transfers to and from their Accounts. MESP sets forth these restrictions and limitations in the Participation Agreement. UGMA/UTMA custodians and trust representatives should consult a tax advisor about the tax consequences of opening and holding an Account in the Program, as well as legal counsel regarding their rights and responsibilities as custodians and representatives.

You have certain rights as an Account Owner. Your rights include the right to:

- select and change a Beneficiary;
- select and change the Investment Options in which your Account will invest;
- name a Contingent Account Owner (for an Individual Account only); and
- change the Account Owner.

Naming Your Beneficiary. To complete the Application, you generally must name an Account Beneficiary. Anyone with a valid Social Security Number or TIN who is a U.S. citizen or resident alien can be named 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 Application and open a separate Account for each Beneficiary.

After you have completed your Application, you may change your Beneficiary by completing the applicable Program Form. A Beneficiary change will be a nontaxable event and will not be subject to the Additional Excise Tax only if the new Beneficiary is a Member of the Family of the previous Beneficiary. Otherwise, the earnings, if any, on your Account will be subject to federal taxation, potentially including the Additional Excise Tax. For changes of Beneficiary, the Account for the new Beneficiary will be governed by the same Participation Agreement that applied to the previous Beneficiary. See "Tax Information" for information concerning tax consequences of changing the Beneficiary other than to a Member of the Family.

Choosing Investment Options. The Trustee has established multiple Investment Options for MESP. To complete your Application, you must select the Investment Option(s) to which your contributions will be allocated. You may select any one or a combination of the Investment Options, subject to certain minimum contribution limits per Investment Option. Future contributions to your Account are not limited to your initial Investment Option elections. See "Investment Options" for summaries of the Investment Options offered under the Program.

After you have completed an Application, you may revise your Investment Option election(s) 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 also transfer funds, subject to certain limits, to another Investment Option. See "Transferring Funds" for more information.

If you choose to change your Investment Option selections, you must provide the Program Manager with appropriate instructions clearly identifying each change and the amount of your contributions to be allocated to each Investment Option. You must also notify the Program in writing if you are using payroll deduction or the automatic contribution plan and you wish to change your allocation or stop your contributions to any Investment Option. Program Forms are available for these purposes.

Naming a Contingent Account Owner. By completing the appropriate section of the Application, an individual Account Owner may name a Contingent Account Owner to become the owner of the Account in the event of that Account Owner's death. If you did not designate a Contingent Account Owner when you established your Account, then you may designate a Contingent Account Owner or change your designation by completing the applicable Program Form. Entity Account Owners and custodians may not designate a Contingent Account Owner.

While there is no ruling or court decision precisely on point, it would appear that, under Michigan law, upon your death, your Contingent Account Owner should automatically become the Account Owner and the assets of the Account should not be considered assets of your estate and should not be subject to probate. Prior to taking any action regarding the Account following your death, your Contingent Account Owner will be required to provide the Program with a certified copy of a death certificate identifying the

deceased Account Owner by name and Social Security Number and/or other proof of identity recognized under applicable law and acceptable to the Program.

Changing the Account Owner. You may change ownership of your Account to another individual or entity that is eligible to be an Account Owner by submitting the applicable Program Form. When you transfer ownership of your Account, you are not required to change the Beneficiary. Account Owners of custodial Accounts are subject to special limitations on their ability to transfer ownership of the Account. A change in Account ownership may have federal or state tax consequences, and Account Owners are urged to consult their own tax advisors prior to implementing any such change.

A transfer of the ownership of an Account will be effective 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 a medallion signature guarantee on the applicable Program Form, the transfer will result in a 30-day hold on withdrawals from the Account. See “Withdrawals” for more information.

Contributing to Your Account

Who Can Contribute. Anyone (including your friends and family) may make a contribution to your Account. However, any contribution to an Account may have gift or other tax consequences to the contributor or the Account Owner. Anyone making such a contribution, other than the Account Owner, will not retain any rights with respect to such contribution — for example, only the Account Owner may give directions regarding allocations to Investment Options and/or withdrawals from an Account.

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.

How You Can Contribute to Your Account. Your ability to contribute to your Account is limited to the following methods: (1) by check; (2) by money order; (3) through the automatic contribution plan; (4) by payroll deduction (if your employer provides for it and you complete a payroll deduction form); (5) by electronic funds transfer (including electronic purchase option); (6) through a transfer of funds between Accounts or a Rollover Distribution. Contributions of any type by methods not mentioned here will not be permitted.

Checks should be made payable to the Michigan Education Savings Program. Contributions by check must be drawn on a banking institution located in the United States in U.S. dollars. Personal checks (excluding starter checks), bank drafts, teller’s checks, and checks issued by a financial institution or brokerage firm payable to the Account Owner or the Beneficiary and endorsed over to the Program by the Account Owner are permitted, as are third-party personal checks up to \$10,000 that are endorsed over to the Program. You must provide written instructions to the Program Manager with respect to the allocation of your contribution among Investment Options whenever you make a new contribution by check.

The electronic purchase option enables you to make contributions over the Internet through a password-protected feature on the Program website or by telephone either with a customer service representative or through the Program’s automated telephone system. In order to use the electronic purchase option, you must select the electronic purchase option on your Application or add the electronic purchase option online at the Program website or by completing and submitting the appropriate Program Form.

If your method of payment is payroll deduction, you can change the amount of your contributions, stop payroll deduction, or reallocate future contributions among Investment Options or multiple Accounts by following the instructions on the applicable Program Form. This may involve contacting your employer.

If your method of payment is the automatic contribution plan, you can completely stop your participation in the automatic contribution plan, or you can stop or change the timing and amount of your contributions to

any Investment Option that you selected for your Account, by making these changes online at the Program website or by completing and submitting the appropriate Program Form.

If your method of payment is by a transfer of Account funds or a Rollover Distribution, complete the appropriate section of the Application and/or the applicable Program Form.

Maximum Account Balance Limit. Under the Statute, you may not make additional contributions to your Account if, at the time of the proposed contribution, the aggregate account balance of the Account and all other Accounts in the Program for the same Beneficiary (as well as the value of any MET Contracts for that same Beneficiary) reaches a certain market value (the “**Maximum Account Balance Limit**”). The Maximum Account Balance Limit, established by the Statute, is currently \$235,000, which is based on certain higher education costs. This limitation on account balances is intended to comply with the federal tax law requirement that MESP have adequate safeguards to prevent contributions to an Account in excess of those necessary to provide for the Qualified Higher Education Expenses of the 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 consideration the total balances, including earnings, if any, of all Accounts in the Program for the same Beneficiary and the value of any MET Contracts for that same Beneficiary.

The portion of a contribution for any Beneficiary that would cause the total account balance for all Accounts held for that Beneficiary to exceed the Maximum Account Balance Limit will be rejected and returned. Accounts that have reached the Maximum Account Balance Limit may continue to accrue earnings.

Matching Grants

Section 933 of Michigan Public Act 127 of 2007 provides funding for the matching grant program for the State’s fiscal year ending September 30, 2008, pursuant to which an Account Owner can apply to the State for a State Matching Grant on MESP contributions if certain conditions described below are met, including certain Michigan residency requirements. Only one Account Owner may apply for a State Matching Grant on behalf of a Beneficiary. If a Beneficiary is eligible, the State will provide \$1.00 of matching funds to a State-owned Match Account for every \$3.00 of contributions to the Account. The maximum State Matching Grant will be \$200 per eligible Beneficiary. The State Matching Grant will be available only in the first year the Beneficiary is enrolled in MESP.

Independent contributions, the Match Contributions made by an organization described in Section 501(c)(3) of the IRC that has received the approval of the State Treasurer (an “**Approved Organization**”), may also be made into the Match Account if certain criteria described below are met. The Program Manager shall direct the investment of all State Matching Grants and Match Contributions and earnings thereon to the TIAA-CREF Institutional Bond Fund. The Account Owner may not select any other Investment Option for these monies.

The following eligibility criteria must be met when the Account is opened to qualify for the State Matching Grant:

- The Beneficiary must be 6 years old or younger.
- The adjusted gross income as reported on the most recently completed federal income tax form for the Beneficiary’s custodial parent(s) must be \$80,000 or less.
- The Beneficiary must be a resident of Michigan.

An Account Owner must apply for the State Matching Grant and the application must be postmarked by September 30, 2008, or such later date as may be provided by Michigan law. The application for the State Matching Grant is made directly to MESP on a separate form. State Matching Grant application

forms may be obtained by contacting MESP at the toll-free number, (877) 861-MESP (861-6377), or by visiting MESP's website at www.misaves.com.

The following eligibility criteria must be met for an individual to qualify for a Match Contribution to a Match Account:

- A Match Account must have been previously established for the individual.
- All other eligibility criteria required by the State Treasurer and the Approved Organization that may be established from time to time.

Match Contributions will be subject to the restrictions applicable to the State Matching Grant and may also be subject to additional restrictions.

The matching grant program has been designed so that the funds in the Match Account, including any earnings thereon, which are used for tuition expenses while a student is pursuing a degree, should be treated as a scholarship that will not be subject to federal income taxation. Match Contributions, and any earnings thereon, should not be subject to federal income taxation. Funds in the Match Account can be used for tuition at an Eligible Educational Institution.

Notwithstanding the design of the matching grant program, the Internal Revenue Service ("IRS") could take the position that the State Matching Grant and any Match Contribution are subject to federal income taxation in the year the State Matching Grant is awarded or the Match Contribution is made and that the earnings on each of them are also taxable.

MESP has not received confirmation by the Michigan taxing authorities that the State Matching Grant and the Match Contribution, including any earnings on the Match Account, are exempt from Michigan income tax.

Other Match Account restrictions include:

- The State Matching Grant, any Match Contributions and any earnings on the Match Account, when added together with all assets in all Accounts for the Beneficiary (as well as amounts paid into MET), cannot exceed the Maximum Account Balance Limit established by MESP (currently \$235,000). To the extent that the State Matching Grant or any Match Contribution causes the account balance to exceed the Maximum Account Balance Limit, the State Matching Grant or Match Contribution will be retained by the State.
- Amounts in the Match Account can only be withdrawn to pay for tuition and will only be sent directly to the Beneficiary's Eligible Educational Institution.
- Amounts in the Match Account cannot be transferred to any other person nor can they be withdrawn, transferred or rolled over to another Section 529 account.
- Withdrawals, transfers of funds between Accounts and Rollover Distributions out of the original Account Owner's Account will not affect the status of, or the funds in, the Match Account, which is owned by the State.
- All amounts in the Match Account, including earnings, will be retained by the State if the Beneficiary: (a) chooses not to attend an Eligible Educational Institution or does not have tuition expenses; (b) dies or becomes permanently disabled (unable to attend an Eligible Educational Institution); (c) receives a full scholarship; or (d) reaches the age of 30 and there are funds remaining in the Match Account.

Account Owners and Beneficiaries should consult their own tax advisor regarding the federal and Michigan tax treatment of State Matching Grants and Match Contributions.

No Beneficiary is guaranteed a State Matching Grant by the State, a Match Contribution by an Approved Organization, or that sufficient funding will be available for all Account Owners who apply for a State Matching Grant. Neither MESP nor the Program Manager is responsible or liable for any State Matching Grant decisions made by the State or any agency thereof or any decisions regarding Match Contributions by the State or any agency thereof or any Approved Organization. The terms and availability of the matching grant program are subject to change. The State may or may not extend the matching grant program beyond September 30, 2008. Any changes in the matching grant program may adversely impact the availability and/or terms of Match Contribution programs offered by Approved Organizations. Please direct any questions on the matching grant program to the Program Manager and any questions on Match Contribution programs to the appropriate Approved Organization.

Transferring Funds

You may make the following transfers related to your Account:

- Transfers of funds among Investment Options (see “Getting Started” above);
- Transfers of funds between Accounts; and
- Rollover Distributions.

You may transfer all or any portion of the funds already invested in a particular Investment Option to another Investment Option once per calendar year or upon a change of the Beneficiary of your Account to a Member of the Family of the Beneficiary being replaced.

Certain of these transfers may be subject to different federal and state tax consequences. See “Withdrawals” and “Tax Information – State Income Tax Treatment” for additional information.

You may transfer funds to either an Account that is owned by you or an Account that is owned by another Account Owner. If a change of Beneficiary or transfer of funds (including a Rollover Distribution – see “Withdrawals” below) causes the aggregate account balance of all Accounts in the Program and all MET Contracts for the same Beneficiary to exceed the Maximum Account Balance Limit, the excess amount will be rejected and returned to the transferring Account or Account Owner, as appropriate.

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

Unit Value

Contributions to your Account purchase Units of the Investment Option(s) you select (other than the Principal Plus Interest Option). The Program Manager or its designee will process Account transaction requests (e.g., contributions, withdrawals, and transfers) at the Unit value of the applicable Investment Option determined on the day your Account transaction request and any required paperwork are received in good order if they are received before the close of regular trading (usually 4:00 p.m., Eastern time) on the New York Stock Exchange (“**NYSE**”) and are accepted by the Program or its designee. MESP or its designee will process Account transaction requests received after the close of regular trading or on a day when the NYSE is not open for trading at the Unit value of the applicable Investment Option determined on the next day of regular trading on the NYSE. MESP or its designee will not process Account transaction requests on holidays or other days when the NYSE is closed for any reason. The Program also reserves the right to refrain from processing Account transaction requests during any time when trading is restricted by the Securities and Exchange Commission or under any emergency circumstances.

The value of a Unit in each Investment Option other than the Principal Plus Interest Option (for purposes of this discussion, each Age Band in the Moderate Age-Based Allocation, Aggressive Age-Based Allocation and Conservative Age-Based Allocation Options is considered a separate Investment Option) is computed by dividing (a) an Investment Option's assets less any liabilities allocated to that Investment Option by (b) the number of outstanding Units of such Investment Option.

The value of the portion of your Account that is invested in the Principal Plus Interest Option is equal to (a) all of your contributions allocated to the Principal Plus Interest Option; plus (b) guaranteed interest credited to your Account accumulation in the Principal Plus Interest Option on a daily basis at an annual rate then in effect; plus (c) any additional interest credited to your Account in excess of the guaranteed interest as declared in advance by TIAA-CREF Life Insurance Company ("TIAA-CREF Life"); less (d) any state and local government premium tax incurred by TIAA-CREF Life applicable to your contributions allocated to the Principal Plus Interest Option and any interest credited thereon; less (e) the amount of any withdrawals, rollovers and/or transfers of funds that you make.

Use of Your Account

No Pledging Of Account Assets. Neither you nor your Beneficiary may use any part of any Account or other interest in MESP as security for a loan.

Bankruptcy and Related Matters. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, that became effective for bankruptcy cases commenced under Title 11 of the United States Code on or after October 17, 2005, expressly excludes from an individual debtor's bankruptcy estate (and, therefore, will not be available for distribution to such individual's creditors), certain funds paid or contributed by such individual to an Account. The bankruptcy protection for these types of Accounts, however, is limited. To be protected, the Beneficiary of the Account must be a child, stepchild, grandchild, or step-grandchild of such individual during the year of such contribution and the funds must have been contributed at least 365 days prior to a bankruptcy filing. The bankruptcy protection also imposes a cap on the amount of funds that may be excluded from such individual's bankruptcy estate. For bankruptcy filings made on or after April 1, 2007, the maximum amount entitled to the bankruptcy exclusion is \$5,475 for payments or contributions made by such individual to the Account and all other Accounts in the Program for the same Beneficiary, as well as all MET Contracts for that same Beneficiary, during the period between 365 and 720 days prior to the bankruptcy filing. Contributions made more than 720 days prior to the bankruptcy filing are generally protected provided that the aggregate amount contributed by such individual to the Account and all other Accounts in the Program for the same Beneficiary, as well as all MET Contracts for that Beneficiary, does not exceed the Maximum Account Balance Limit on contributions at the time of the bankruptcy filing, as adjusted for changes in the cost of education under a specified index. This information is not meant to be individual advice, and Account Owners should consult with their own advisors concerning their individual circumstances.

Fees and Expenses

The following table describes the Program's fees and expenses. Except for the fees listed below, there are currently no other fees, charges or penalties imposed by or payable in connection with opening or maintaining your Account. The State reserves the right to change the current fees, or to impose new or additional fees, expenses, charges or penalties in the future.

For purposes of this section, each of the Age Bands in the Moderate Age-Based Allocation Option, the Aggressive Age-Based Allocation Option and the Conservative Age-Based Allocation Option is considered a separate Investment Option.

Fee Table

ANNUAL ASSET-BASED FEES				
Investment Option	Program Manager Fee ⁽¹⁾⁽²⁾	Estimated Underlying Mutual Fund Expenses ⁽³⁾	State Issuer Fee	Total Annual Asset- Based Fees ⁽⁴⁾
Moderate Age-Based Allocation Option				
Age Band 1 (0-3 Years)	0.26%	0.19%	None	0.45%
Age Band 2 (4-7 Years)	0.24%	0.21%	None	0.45%
Age Band 3 (8-11 Years)	0.21%	0.24%	None	0.45%
Age Band 4 (12-14 Years)	0.19%	0.26%	None	0.45%
Age Band 5 (15-17 Years)	0.21%	0.24%	None	0.45%
Age Band 6 (18 and over)	0.23%	0.22%	None	0.45%
Conservative Age-Based Allocation Option				
Age Band 1 (0-3 Years)	0.24%	0.21%	None	0.45%
Age Band 2 (4-7 Years)	0.21%	0.24%	None	0.45%
Age Band 3 (8-11 Years)	0.19%	0.26%	None	0.45%
Age Band 4 (12-14 Years)	0.21%	0.24%	None	0.45%
Age Band 5 (15-17 Years)	0.23%	0.22%	None	0.45%
Age Band 6 (18 and over)	0.23%	0.22%	None	0.45%
Aggressive Age-Based Allocation Option				
Age Band 1 (0-3 Years)	0.30%	0.15%	None	0.45%
Age Band 2 (4-7 Years)	0.26%	0.19%	None	0.45%
Age Band 3 (8-11 Years)	0.24%	0.21%	None	0.45%
Age Band 4 (12-14 Years)	0.21%	0.24%	None	0.45%
Age Band 5 (15-17 Years)	0.19%	0.26%	None	0.45%
Age Band 6 (18 and over)	0.21%	0.24%	None	0.45%

ANNUAL ASSET-BASED FEES				
Investment Option	Program Manager Fee ⁽¹⁾⁽²⁾	Estimated Underlying Mutual Fund Expenses ⁽³⁾	State Issuer Fee	Total Annual Asset-Based Fees ⁽⁴⁾
100% Equity Option	0.19%	0.26%	None	0.45%
100% Fixed-Income Option	0.12%	0.33%	None	0.45%
Balanced Option	0.14%	0.31%	None	0.45%
Principal Plus Interest Option	None ⁽⁵⁾	None	None	None

- (1) The Program Manager Fee is the only fee deducted from MESP assets. This fee may change at any time. Although there are no fees that are deducted from your Account, when you invest in the Program, you bear a pro rata portion of the Program expenses because when fees are deducted from Program assets, the value of the Units is reduced.
- (2) For its services as Program Manager, each Investment Option (with the exception of the Principal Plus Interest Option) pays TFI a Program Manager Fee equal to the stated percentage of the average daily net assets held by that Investment Option. However, the percentages listed in this column may fluctuate because, generally, if the underlying Mutual Fund expenses increase, then the Program Manager Fee decreases.
- (3) For each Investment Option (with the exception of the Principal Plus Interest Option), the figures in this column are based on a weighted average of the expenses of each underlying Mutual Fund's expense ratio as of February 1, 2008, in accordance with the Investment Option's asset allocation among its underlying Mutual Funds. Each Investment Option (other than the Principal Plus Interest Option) bears its pro rata portion of the underlying Mutual Funds' expenses because when fees are deducted from an underlying Mutual Fund's assets, the value of the underlying Mutual Fund's shares is reduced.
- (4) The total annual asset-based fees ("**Total Fees**") equal the Estimated Underlying Mutual Fund Expenses plus the Program Manager Fee. The portion of Total Fees attributable to the Program Manager Fee is assessed over the course of the year against assets in each Investment Option (with the exception of the Principal Plus Interest Option). The portion of Total Fees attributable to Estimated Underlying Mutual Fund Expenses is borne by each Investment Option as discussed in footnote (3). You should refer to the Investment Cost Example below for the total assumed investment cost over 1-, 3-, 5-, and 10-year periods.
- (5) The Principal Plus Interest Option does not pay a Program Manager Fee. TFI does, however, receive from TIAA-CREF Life, the issuer of the Funding Agreement, an annual asset-based fee to pay TFI for distribution, administration and other services that TFI provides for this Investment Option. TIAA-CREF Life may discontinue this fee at any time.

Investment Cost Example. The example in the following table is intended to help you compare the cost of investing in the different Investment Options over various periods of time. This example assumes that:

- You invest \$10,000 in an Account at the start of the year for the time periods shown below.
- Your investment has a 5% compounded return each year, except for the Principal Plus Interest Option, which is assumed to have a 3% compounded return each year. Thus, the table below assumes you will have \$10,454 in your Account at the end of the first year. **In addition, please note that the table reflects that 1/365 of the total annual asset-based fee of 0.45% is deducted at the end of each day after crediting of the returns for each Investment Option.**
- You withdraw the assets from your Account at the end of the specified periods for Qualified Higher Education Expenses.
- Total annual asset-based fees remain the same as shown in the Fee Table above.
- The example does not consider the impact of any potential state or federal taxes on the withdrawal.

Although your actual costs may be higher or lower, based on the above assumptions, your costs would be:

INVESTMENT OPTIONS	APPROXIMATE COST OF \$10,000 INVESTMENT			
	One Year	Three Years	Five Years	Ten Years
Moderate Age-Based Allocation Option				
Age Band 1 (0-3 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 2 (4-7 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 3 (8-11 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 4 (12-14 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 5 (15-17 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 6 (18 and over)	\$ 46	\$ 145	\$ 253	\$ 568
Conservative Age-Based Allocation Option				
Age Band 1 (0-3 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 2 (4-7 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 3 (8-11 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 4 (12-14 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 5 (15-17 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 6 (18 and over)	\$ 46	\$ 145	\$ 253	\$ 568

INVESTMENT OPTIONS	APPROXIMATE COST OF \$10,000 INVESTMENT			
	One Year	Three Years	Five Years	Ten Years
Aggressive Age-Based Allocation Option				
Age Band 1 (0-3 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 2 (4-7 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 3 (8-11 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 4 (12-14 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 5 (15-17 Years)	\$ 46	\$ 145	\$ 253	\$ 568
Age Band 6 (18 and over)	\$ 46	\$ 145	\$ 253	\$ 568
100% Equity Option	\$ 46	\$ 145	\$ 253	\$ 568
100% Fixed-Income Option	\$ 46	\$ 145	\$ 253	\$ 568
Balanced Option	\$ 46	\$ 145	\$ 253	\$ 568
Principal Plus Interest Option	\$0	\$0	\$0	\$0

Investment Options

Choosing Your Investment Options and How the Investment Options Are Invested. Building a Section 529 Account that is right for you takes planning. You need to consider your college savings goals, understand your Investment Options, and select options suitable to your investment needs. This section helps you to understand the types of Investment Options offered under the Program, the risks involved in investing in such options, and the type of investor for whom each Investment Option may be appropriate.

The Investment Options are authorized by the Trustee. The Trustee may add or remove Investment Options or change the investment allocations of, or the investments held by, any Investment Option at any time. The allocation tables accompanying the Investment Option descriptions below indicate how contributions will be allocated to the Mutual Funds underlying each Investment Option. Note that contributions received on or after the date of this Disclosure Booklet will be allocated in accordance with the allocation guidelines in these allocation tables. Generally, the actual percentage of assets allocated to each underlying Mutual Fund will be within a range of three percentage points above or below that indicated in the allocation tables. The Program Manager will have a commercially reasonable period to implement any changes, including time to bring the allocations within the appropriate range if a significant movement in the market causes any percentage of assets allocated to an underlying Mutual Fund to move outside of this range.

You may allocate your contributions to any of the Investment Options, or you may choose to allocate your contributions among two or more Investment Options. Although Account Owners may choose among these Investment Options for contributions made to their Accounts, under federal law, neither Account

Owners nor Beneficiaries may direct the investment of any Investment Option. **Please be aware that, once made, amounts in an Account may be transferred on a tax-free basis to another Investment Option only once per calendar year by the Account Owner or upon a change of the Beneficiary to a Member of the Family of the Beneficiary being replaced.** See “Getting Started” and “Transferring Funds” above for information about changing Investment Option elections. The Trustee reserves the right to add restrictions to other Investment Options in the future (or change any existing restrictions).

Each of the Investment Options described below (with the exception of the Principal Plus Interest Option) is invested in one or more Mutual Funds. Summaries of the underlying Mutual Funds and of the risks associated with investments in the Mutual Funds appear in Appendix I to this Disclosure Booklet. Please note that an investment in an Investment Option in MESP is not the same as a direct investment in the underlying Mutual Funds.

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.

Moderate Age-Based Allocation Option (Risk level shifts from Aggressive to Conservative)

This Investment Option seeks to match up the investment objective and level of risk to the investment horizon by taking into account the Beneficiary’s current age and the number of years before the Beneficiary turns 18 and is expected to enter college. Depending on the Beneficiary’s age, allocations to this option will be placed in one of six Age Bands, each of which has a different investment objective and investment strategy. The Age Bands for younger Beneficiaries seek a favorable long-term return by investing primarily in Mutual Funds that invest in equity or real estate-related securities, each of which has a high level of risk, but greater potential for returns than more conservative investments. As a Beneficiary nears college age, the Age Bands allocate less to Mutual Funds that invest in equity and real estate-related securities and allocate more heavily to Mutual Funds that invest in fixed-income and money market securities to preserve capital.

As the Beneficiary ages, assets in your Account that are attributable to this option are moved from one Age Band to the next on the first “Rolling Date” following the Beneficiary’s fourth, eighth, twelfth, fifteenth and eighteenth birthdays. The Rolling Dates are March 20, June 20, September 20 and December 20 (or the first business day thereafter).

Current Allocation Guidelines for the Moderate Age-Based Allocation Option

The following table provides the percentage of assets of each Age Band within the Moderate Age-Based Allocation Option allocated to each Mutual Fund.

Age Bands	Age of Beneficiary	Large-Cap Growth Index Fund	Large-Cap Value Index Fund	Equity Index Fund	Small-Cap Blend Index Fund	International Equity Index Fund	Real Estate Securities Fund	Bond Fund	Inflation-Linked Bond Fund	Money Market Fund
1	0-3	18.03%	18.03%	16.80%	3.14%	16.00%	8.00%	15.00%	5.00%	0.00%
2	4-7	14.65%	14.65%	13.65%	2.55%	13.00%	6.50%	26.25%	8.75%	0.00%
3	8-11	11.27%	11.27%	10.50%	1.96%	10.00%	5.00%	37.50%	12.50%	0.00%
4	12-14	9.02%	9.02%	8.40%	1.56%	8.00%	4.00%	45.00%	15.00%	0.00%
5	15-17	5.64%	5.64%	5.25%	0.97%	5.00%	2.50%	37.50%	12.50%	25.00%
6	18 and over	3.38%	3.38%	3.15%	0.59%	3.00%	1.50%	30.00%	10.00%	45.00%

Conservative Age-Based Allocation Option (Risk level shifts from Aggressive to Conservative)

The Conservative Age-Based Allocation Option works the same way and invests in the same Mutual Funds as the Moderate Age-Based Allocation Option described above. The Age Bands for younger Beneficiaries seek a favorable long-term return by investing primarily in Mutual Funds that invest in equity or real estate-related securities, each of which has a high level of risk, but greater potential for returns than more conservative investments. As a Beneficiary nears college age, the Age Bands allocate less to Mutual Funds that invest in equity and real estate-related securities and more heavily to Mutual Funds that invest in fixed-income and money market securities to preserve capital. However, the Age Bands in the Conservative Age-Based Allocation Option, even for younger Beneficiaries, will always be more heavily weighted toward Mutual Funds that invest in fixed-income and money market securities than the Age Bands under the Moderate Age-Based Allocation Option.

As the Beneficiary ages, assets in your Account that are attributable to this option are moved from one Age Band to the next on the first "Rolling Date" following the Beneficiary's fourth, eighth, twelfth, fifteenth and eighteenth birthdays. The Rolling Dates are March 20, June 20, September 20 and December 20 (or the first business day thereafter).

Current Allocation Guidelines for the Conservative Age-Based Allocation Option

The following table provides the percentage of assets of each Age Band within the Conservative Age-Based Allocation Option allocated to each Mutual Fund.

Age Bands	Age of Beneficiary	Large-Cap Growth Index Fund	Large-Cap Value Index Fund	Equity Index Fund	Small-Cap Blend Index Fund	International Equity Index Fund	Real Estate Securities Fund	Bond Fund	Inflation-Linked Bond Fund	Money Market Fund
1	0-3	14.65%	14.65%	13.65%	2.55%	13.00%	6.50%	26.25%	8.75%	0.00%
2	4-7	11.27%	11.27%	10.50%	1.96%	10.00%	5.00%	37.50%	12.50%	0.00%
3	8-11	9.02%	9.02%	8.40%	1.56%	8.00%	4.00%	45.00%	15.00%	0.00%
4	12-14	5.64%	5.64%	5.25%	0.97%	5.00%	2.50%	37.50%	12.50%	25.00%
5	15-17	3.38%	3.38%	3.15%	0.59%	3.00%	1.50%	30.00%	10.00%	45.00%
6	18 and over	2.25%	2.25%	2.10%	0.40%	2.00%	1.00%	30.00%	10.00%	50.00%

Aggressive Age-Based Allocation Option (Risk level shifts from Aggressive to Conservative)

The Aggressive Age-Based Allocation Option works the same way and invests in the same Mutual Funds as the Moderate Age-Based Allocation Option described above. The Age Bands for younger Beneficiaries seek a favorable long-term return by investing primarily in Mutual Funds that invest in equity or real estate-related securities, each of which has a high level of risk, but greater potential for returns than more conservative investments. As a Beneficiary nears college age, the Age Bands allocate less to Mutual Funds that invest in equity and real estate-related securities and more heavily to Mutual Funds that invest in fixed-income and money market securities to preserve capital. However, the Age Bands in the Aggressive Age-Based Allocation Option, even for older Beneficiaries, will always be more heavily weighted toward Mutual Funds that invest in equity and real estate-related securities than the Age Bands under the Moderate Age-Based Allocation Option.

As the Beneficiary ages, assets in your Account that are attributable to this option are moved from one Age Band to the next on the first "Rolling Date" following the Beneficiary's fourth, eighth, twelfth, fifteenth and eighteenth birthdays. The Rolling Dates are March 20, June 20, September 20 and December 20 (or the first business day thereafter).

Current Allocation Guidelines for the Aggressive Age-Based Allocation Option

The following table provides the percentage of assets of each Age Band within the Aggressive Age-Based Allocation Option allocated to each Mutual Fund.

Age Bands	Age of Beneficiary	Large-Cap Growth Index Fund	Large-Cap Value Index Fund	Equity Index Fund	Small-Cap Blend Index Fund	International Equity Index Fund	Real Estate Securities Fund	Bond Fund	Inflation-Linked Bond Fund	Money Market Fund
1	0-3	22.54%	22.54%	21.00%	3.92%	20.00%	10.00%	0.00%	0.00%	0.00%
2	4-7	18.03%	18.03%	16.80%	3.14%	16.00%	8.00%	15.00%	5.00%	0.00%
3	8-11	14.65%	14.65%	13.65%	2.55%	13.00%	6.50%	26.25%	8.75%	0.00%
4	12-14	11.27%	11.27%	10.50%	1.96%	10.00%	5.00%	37.50%	12.50%	0.00%
5	15-17	9.02%	9.02%	8.40%	1.56%	8.00%	4.00%	45.00%	15.00%	0.00%
6	18 and over	5.64%	5.64%	5.25%	0.97%	5.00%	2.50%	37.50%	12.50%	25.00%

100% Equity Option (Risk level — Aggressive)

This Investment Option seeks to provide a favorable long-term total return, mainly from capital appreciation, by investing in equity Mutual Funds. Because of the high exposure to domestic and foreign equities, and the corresponding high degree of risk, this option may be appropriate for you if you already have substantial college savings from less volatile investments (e.g., fixed-income investments) or you have a long investment horizon and you can tolerate a higher level of risk.

Current Allocation Guidelines for the 100% Equity Option

The following table provides the percentage of assets of the 100% Equity Option allocated to each Mutual Fund.

International Equity Fund	Mid-Cap Growth Fund	Mid-Cap Value Fund	Small-Cap Equity Fund	S&P 500 Index Fund
20.0%	6.00%	5.60%	6.60%	61.80%%

Balanced Option (Risk level — Moderate)

This Investment Option seeks to provide a favorable long-term total return by investing in a balanced mix of equity and fixed-income Mutual Funds. Because of the high exposure to domestic and foreign equities, and the corresponding degree of risk, this option may be appropriate for you if you can tolerate a degree of volatility in exchange for potentially higher returns over time. This Investment Option may be appropriate for use as a single Investment Option, or for use in conjunction with other Investment Options offered by MESP.

Current Allocation Guidelines for the Balanced Option

The following table provides the percentage of assets of the Balanced Option allocated to each Mutual Fund.

S&P 500 Index Fund	Mid-Cap Growth Fund	Mid-Cap Value Fund	Small-Cap Equity Fund	International Equity Fund	Real Estate Securities Fund	Bond Fund	Inflation-Linked Bond Fund
32.44%	3.15%	2.94%	3.47%	12.00%	6.00%	30.00%	10.00%

100% Fixed-Income Option (Risk level — Moderate)

This Investment Option seeks to provide preservation of capital along with a moderate rate of return through a diversified mix of fixed-income investments. This Investment Option may be appropriate for you if you have a medium to short investment horizon and can tolerate a moderate level of risk.

Current Allocation Guidelines for the 100% Fixed-Income Option

The following table provides the percentage of assets of the 100% Fixed-Income Option allocated to each Mutual Fund.

Bond Fund	Inflation-Linked Bond Fund
75.00%	25.00%

Principal Plus Interest Option (Risk level — Conservative)

This Investment Option seeks to preserve capital and provide a stable return. It may be appropriate for you if you have a short investment horizon and are looking for a conservative investment with a low level of risk. The contributions invested in this Investment Option are allocated to a Funding Agreement issued by TIAA-CREF Life to the Michigan Department of Treasury, which is the policyholder under the agreement. The Funding Agreement provides for a return of principal plus a guaranteed rate of interest and allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life. The interest rate guarantee is made to the Michigan Department of Treasury only, and not to Account Owners or Beneficiaries. The rate of any additional interest is declared in advance for a period of up to 12 months and is not guaranteed for any future periods. The term of the Funding Agreement is intended to coincide with the term of the Management Agreement.

For more information on the Funding Agreement, please see “Summary of the TIAA-CREF Life Insurance Company Funding Agreement” in Appendix I.

Past Performance

The tables below show the returns of each Investment Option over the time period(s) indicated, calculated from the day on which funds were first invested in each Age Band or Investment Option after it was made available (the “**Inception Date**”). (For purposes of this discussion, each Age Band in the Moderate Age-Based Allocation, Conservative Age-Based Allocation and Aggressive Age-Based Allocation Options is considered a separate Investment Option.) The tables compare the returns of each Investment Option (other than the Principal Plus Interest Option) to the returns of a customized index benchmark (“**Blended Index**”). A Blended Index combines the benchmarks for each of the underlying Mutual Funds held by an Investment Option during the relevant time period weighted according to the allocations of assets to those Mutual Funds and adjusted to reflect any changes in the allocations and in the benchmarks during the relevant time period.

The performance data shown below for each Blended Index does not reflect deductions of any fees or expenses. The performance data shown below for each Investment Option, however, is quoted net of all fees and expenses. All figures in the tables represent the average annual compound rate of total return.

Total returns and the principal value of investments in your Account will fluctuate based on the investment performance of the Mutual Funds in which the Investment Options (other than the Principal Plus Interest Option) have been invested, so your investment may be worth more or less than its original value when you withdraw your money. Past performance is not necessarily indicative of future results. Performance may be substantially affected over time by changes in the allocations and in the underlying investments.

For the most current performance information, which is updated monthly, visit the Program's website or call MESP.

Moderate Age-Based Allocation Option

**Average Annual Total Returns
For the Period Ended March 31, 2008**

Age Band	Age of Beneficiary	Inception Date	1 Year	3 Year	5 Year	Since Inception
1	0-3	March 28, 2005	-3.69%	7.18%	N/A	7.46%
	Blended Index		-3.54%	7.82%	N/A	8.01%
2	4-7	March 28, 2005	-1.57%	6.73%	N/A	6.94%
	Blended Index		-1.15%	7.50%	N/A	7.69%
3	8-11	March 28, 2005	0.74%	6.39%	N/A	6.65%
	Blended Index		1.26%	7.15%	N/A	7.35%
4	12-14	March 28, 2005	2.25%	6.17%	N/A	6.37%
	Blended Index		2.87%	6.90%	N/A	7.10%
5	15-17	March 28, 2005	3.60%	5.60%	N/A	5.75%
	Blended Index		4.04%	6.06%	N/A	6.21%
6	18 and over	March 28, 2005	4.43%	5.13%	N/A	5.19%
	Blended Index		4.64%	5.44%	N/A	5.54%

Conservative Age-Based Allocation Option

Average Annual Total Returns For the Period Ended March 31, 2008

Age Band	Age of Beneficiary	Inception Date	1 Year	3 Year	5 Year	Since Inception
1	0-3	June 13, 2006	-1.48%	N/A	N/A	7.08%
	Blended Index		-1.15%	N/A	N/A	7.94%
2	4-7	June 15, 2006	0.89%	N/A	N/A	7.15%
	Blended Index		1.26%	N/A	N/A	7.48%
3	8-11	June 15, 2006	2.26%	N/A	N/A	6.99%
	Blended Index		2.87%	N/A	N/A	7.78%
4	12-14	June 26, 2006	3.77%	N/A	N/A	7.06%
	Blended Index		4.04%	N/A	N/A	7.31%
5	15-17	June 13, 2006	4.32%	N/A	N/A	6.07%
	Blended Index		4.64%	N/A	N/A	6.63%
6	18 and over	June 15, 2006	5.00%	N/A	N/A	6.15%
	Blended Index		5.19%	N/A	N/A	6.40%

Aggressive Age-Based Allocation Option

Average Annual Total Returns For the Period Ended March 31, 2008

Age Band	Age of Beneficiary	Inception Date	1 Year	3 Year	5 Year	Since Inception
1	0-3	June 12, 2006	-6.84%	N/A	N/A	5.64%
	Blended Index		-6.70%	N/A	N/A	6.44%
2	4-7	June 13, 2006	-3.89%	N/A	N/A	6.02%
	Blended Index		-3.54%	N/A	N/A	7.70%
3	8-11	June 14, 2006	-1.50%	N/A	N/A	6.40%
	Blended Index		-1.15%	N/A	N/A	7.83%
4	12-14	June 15, 2006	0.81%	N/A	N/A	6.68%
	Blended Index		1.26%	N/A	N/A	7.48%
5	15-17	June 13, 2006	2.34%	N/A	N/A	7.44%
	Blended Index		2.87%	N/A	N/A	8.26%
6	18 and over	June 15, 2006	3.57%	N/A	N/A	7.10%
	Blended Index		4.04%	N/A	N/A	7.10%

Additional Investment Options

Average Annual Total Returns For the Period Ended March 31, 2008

Option	Inception Date	1 Year	3 Year	5 Year	Since Inception
100% Equity Option	November 28, 2000	-5.55%	7.59%	13.70%	3.01%
Blended Index		-5.81%	7.49%	13.93%	3.01%
100% Fixed-Income Option	June 14, 2006	8.33%	N/A	N/A	7.77%
Blended Index		9.36%	N/A	N/A	8.80%
Balanced Option	June 13, 2006	-0.43%	N/A	N/A	8.07%
Blended Index		-0.46%	N/A	N/A	7.99%
Principal Plus Interest Option	November 28, 2000	3.85%	3.57%	3.43%	3.86%

Risks of Investing in the Program

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

Investment Risks. With any Investment Option, there is a possibility that the investment returns over the applicable investment period will be less than the rate of increase in the costs of higher education during that period. There is a risk that you could lose part or all of the value of your Account.

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. Increases in Qualified Higher Education Expenses could exceed the rate of return under the Program over the same time period. Even if the combination of all Accounts held for a Beneficiary combined with the value of any MET Contracts for the same Beneficiary reaches the Maximum Account Balance Limit, those funds may not be sufficient to pay all Qualified Higher Education Expenses of the Beneficiary.

Changes in Law. The Program is established pursuant to the Statute, applicable State law, applicable securities laws and Section 529 of the IRC. Changes to the Statute or such State and securities laws may affect the continued operation of MESP as contemplated in this Disclosure Booklet. 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 could also make changes to Michigan tax law that could materially affect the State tax treatment of MESP or make changes to the Statute that could terminate or otherwise adversely affect the Program. Changes in the law governing the federal and/or Michigan tax consequences described in this Disclosure Booklet might necessitate material changes to the Program. Certain proposed federal tax regulations that have been issued under Section 529 of the IRC provide guidance, but only for the establishment and operation of certain aspects of the Program. 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 Program or contributions to, or withdrawals from, Accounts.

Risks Related to Illiquidity. Investment in MESP involves the risk of limited liquidity because the circumstances under which funds may be withdrawn from your Account without incurring adverse tax consequences are limited. Additionally, in certain circumstances, your ability to withdraw funds may be restricted for up to 30 days. See “Withdrawals” and “Tax Information” below and “Getting Started” above for further information about these restrictions. Contributions must be on deposit for at least 10 days before being withdrawn. In addition, no part of an Account may be assigned, transferred or pledged as security for a loan or otherwise, except for transfers described above under “Transferring Funds.”

Limitations on Investment Selection. You may transfer funds among Investment Options only once per calendar year, and at any time upon a change in the Beneficiary of the Account to a Member of the Family of the Beneficiary being replaced. You may not direct the investment of any Investment Option or of any underlying Mutual Fund.

Not a Direct Investment in Mutual Funds or Registered Securities. Although contributions to your Account will be invested (with the exception of contributions to the Principal Plus Interest Option) in Investment Options that invest in Mutual Funds, none of the Program’s Investment Options is a mutual fund. An investment in MESP is considered an investment in “municipal fund securities” that are issued and offered by the Program. These securities are not registered with the U.S. Securities and Exchange Commission (“SEC”) or any state, nor are the Program, or any of the Program’s Investment Options registered as investment companies with the SEC or any state.

Potential Change of the Program Manager and Other Program Changes. The State Treasurer may change the Program Manager in the future or add program managers and/or investment managers. If this happens (or even if it does not), there is no assurance that you would not experience a material

change to certain terms and conditions of your Participation Agreement, including the fees charged under the Program. If TFI ceases to be the Program Manager, you may have to open a new Account in the Program with the successor program manager in order to make future contributions on behalf of your Beneficiary. If such were to occur, your assets in the Program would be transferred to the new Account with the successor program manager, and there is no guarantee that you would be permitted to choose an allocation for the transferred assets from among the investment options offered by the successor program manager. There is also no guarantee that the investment options offered by the successor program manager would correspond exactly with those described in this Disclosure Booklet and offered through TFI under the Program.

The Trustee may at any time modify the Program to provide additional or different Investment Options or make other changes to the Program. The State may terminate MESP by giving written notice to the Account Owner, but the assets in the Account cannot be diverted from the exclusive benefit of the Account Owner and the Beneficiary.

Potential Impact on Financial Aid and Medicaid Eligibility. The eligibility of your Beneficiary for financial aid will depend upon the circumstances of the Beneficiary's family at the time the Beneficiary enrolls in school, as well as on the policies of the governmental agencies, school, or private organizations to which the Beneficiary and/or the Beneficiary's family applies for financial assistance. Because saving for college will increase the financial resources available to the Beneficiary, it most likely will have some effect on the Beneficiary's eligibility. However, because these policies vary at different institutions and can change over time, MESP cannot say with certainty how the federal financial aid program, or the school your Beneficiary applies to, will treat your Account.

The eligibility of an Account Owner for Medicaid assistance could be impacted by the Account Owner's ownership of a college savings account in a qualified tuition program. Although the result is not clear and may vary from state to state, it is possible that the assets in an Account Owner's Account may be considered available assets of the Account Owner for determining Medicaid assistance eligibility. Medicaid laws and regulations may change and Account Owners should consult their own financial and/or tax advisors for advice on their own particular situation.

Suitability; Investment Alternatives. The Trustee and the Program Manager, except as required by law, make no representations regarding the appropriateness of the Investment Options as an investment. Other types of investments may be more appropriate depending upon an individual's residence, financial status, tax situation, risk tolerance or age. Various qualified tuition programs other than the Program, including programs designed to provide prepaid tuition, are currently available, as are other investment alternatives. The investments, fees, expenses, eligibility requirements, tax and other consequences and features of these alternatives may differ from those of MESP. Before investing in MESP, you may wish to consider these alternatives and should consult a tax or investment advisor.

No Insurance or Guarantee. Neither investments in MESP nor earnings, if any, from investments in MESP are insured or guaranteed (except to the extent of the guarantee by TIAA-CREF Life to the Michigan Department of Treasury under the Funding Agreement for the Principal Plus Interest Option) by the State, any State agency or instrumentality, the Program, the State Treasurer, the Federal Deposit Insurance Corporation, any federal government agency, the Program Manager or its affiliates.

Withdrawals

Only you, as the Account Owner, may direct withdrawals from your Account. To request a withdrawal, you must complete the appropriate Program Form. The Unit value used to calculate the value of a withdrawal from your Account will be the one next computed after a completed withdrawal request is received in good order by the Program Manager. See "Unit Value" above for more information. If your Account is invested in more than one Investment Option, you may select the Investment Option from which your funds are to be withdrawn to the extent permitted by Section 529 of the IRC. You will not be able to withdraw a contribution until 10 days after receipt of that contribution by the Program Manager. If you make a change to your mailing address or transfer the Account to a new Account Owner and fail to

provide a medallion signature guarantee on the request form, no withdrawals can be made from the Account for 30 days after the Program Manager has received the request form. You may get a medallion signature guarantee from a bank or trust company, savings bank, savings and loan association or member of a national stock exchange. A notary public cannot provide a medallion signature guarantee.

Each withdrawal you make from your Account will fall into one of the following categories:

- (1) a Qualified Withdrawal;
- (2) a Federal Taxable Withdrawal;
- (3) a Rollover Distribution; or
- (4) a Non-Qualified Withdrawal.

Qualified Withdrawals. A Qualified Withdrawal is a withdrawal from your Account that is used to pay for any Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution. By law, such expenses are defined to include tuition, certain room and board expenses, fees and the cost of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution. Qualified Higher Education Expenses include certain additional enrollment and attendant costs of special needs beneficiaries.

Unlike other expenses, the cost of room and board may be treated as Qualified Higher Education Expenses only if it is incurred during an academic period during which the Beneficiary is enrolled or accepted for enrollment in a degree, certificate, or other program which leads to a recognized educational credential awarded by an Eligible Educational Institution, and during which 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 Beneficiary's Eligible Educational Institution.) The amount of room and board expenses that may be treated as a Qualified Higher Education Expense is generally limited to the room and board allowance applicable to the student that is 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.

No portion of a Qualified Withdrawal is subject to federal income taxation or the Additional Excise Tax.

The Account Owner and/or the Beneficiary have the responsibility under federal and Michigan tax law to substantiate their treatment of contributions to, withdrawals from, and other transactions involving an Account. They should retain receipts, invoices and other documents and information adequate to substantiate their treatment of such transactions and the treatment of education expenses as Qualified Higher Education Expenses.

Federal Taxable Withdrawals. A Federal Taxable Withdrawal is any withdrawal from your Account that is not a Qualified Withdrawal, but that is: (1) paid to a beneficiary of, or the estate of, the Beneficiary on or after the Beneficiary's death or attributable to the permanent disability of the Beneficiary; (2) made on account of the receipt by the Beneficiary of a scholarship award or veterans' or other nontaxable educational assistance (other than gifts or inheritances), but only to the extent of such scholarship or assistance; (3) made on account of the Beneficiary's attendance at a Military Academy, but only to the extent of the costs of education attributable to such attendance; or (4) equal to the amount of the Beneficiary's relevant Qualified Higher Education Expenses taken into account in determining the Beneficiary's Hope Scholarship Credit or Lifetime Learning Credit.

The earnings portion of a Federal Taxable Withdrawal is subject to federal income taxation, but no portion of a Federal Taxable Withdrawal is subject to the Additional Excise Tax.

Rollover Distribution. A Rollover Distribution from an Account includes: (1) a direct transfer from your Account to a qualifying account in another qualified tuition program or (2) a withdrawal of funds from your Account followed within 60 days of that withdrawal by a contribution of those funds to a qualifying account in another qualified tuition program. An Account in the Program or account in another qualified tuition program will constitute a qualifying account for this purpose if the Account or account is established for the same Beneficiary (provided that the Account Owner has not made a similar transfer to any qualified tuition program for the benefit of that same Beneficiary within the previous 12 months) or for a new Beneficiary who is a Member of the Family of the Beneficiary of the Account from which the withdrawal is made.

A Rollover Distribution also includes a withdrawal from your Account followed within 60 days by a transfer to an Account the Beneficiary of which is a Member of the Family of the Beneficiary of the Account from which the funds were withdrawn.

No portion of a Rollover Distribution from an Account is subject to federal income taxation (including the Additional Excise Tax).

Non-Qualified Withdrawals. A Non-Qualified Withdrawal is any withdrawal that does not meet the requirements of being: (1) a Qualified Withdrawal; (2) a Federal Taxable Withdrawal; or (3) a Rollover Distribution. The earnings portion of a Non-Qualified Withdrawal is subject to federal income taxation and the Additional Excise Tax.

Information regarding the Michigan income taxation of withdrawals from an Account may be found in “Tax Information — State Income Tax Treatment” below. You should consult a qualified tax advisor regarding how both state and federal tax laws may apply to your particular circumstances.

Oversight of the Program

The primary purpose of MESP is to encourage individuals to save for postsecondary education. The Statute provides that the State Treasurer will administer MESP and act as the Trustee for the funds of MESP. The purposes, powers and duties of MESP are vested in and will be exercised by the State Treasurer or the designee of the State Treasurer. The Statute further provides that the State Treasurer may employ or contract with personnel and contract for services necessary for the administration of MESP and the investment of assets of MESP, including but not limited to, managerial, professional, legal, clerical, technical, and administrative personnel or services.

Pursuant to these powers, the State Treasurer has engaged TFI to serve as the Program Manager under the Management Agreement. See “The Program Manager” below for additional information about the Program Manager and the Management Agreement.

The Program Manager pays the State an administrative cost reimbursement (the “**State Cost Reimbursement**”) each contract year in an amount not to exceed an aggregate total of \$125,000 (\$100,000 for program management and \$25,000 for investment-related services) as reimbursement for work conducted by the Michigan Department of Attorney General and the State Treasurer in connection with the administration of MESP.

The Program Manager

The Program Manager is TFI, a wholly owned, indirect subsidiary of Teachers Insurance and Annuity Association of America (“**TIAA**”). TIAA, together with its companion organization, the College Retirement Equities Fund (“**CREF**”), forms one of America’s leading financial services organizations and one of the world’s largest pension systems, based on assets under management. Over three million participants are now accumulating future pension benefits with the TIAA-CREF group of companies. While the focus of the TIAA-CREF group of companies has traditionally been institutionally sponsored retirement plans, the organization has offered savings and insurance products to individuals since 1918.

Management Agreement. TFI and the State have entered into a new Management Agreement dated as of March 19, 2007, under which TFI, its affiliates and subcontractors provide investment management, administration, recordkeeping, reporting, marketing and other services for MESP. TFI has subcontracted certain of its responsibilities relating to distribution and marketing to two subsidiaries of TIAA, Teachers Personal Investors Services, Inc. and TIAA-CREF Individual & Institutional Services LLC, both of which are registered broker-dealers with the SEC. References to TFI or the Program Manager in this Disclosure Booklet include, where applicable, any entity to which TFI subcontracts or delegates its duties as Program Manager.

TFI's Term as Program Manager. TFI's current Management Agreement with the State to serve as Program Manager is for an initial three-year term, ending on March 31, 2010, and may be renewed by the State through an amendment to the Management Agreement for two additional one-year terms.

Reporting

Account Statements. You will receive quarterly and annual statements indicating:

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

Tax Reports. The Program will report withdrawals and other matters to the IRS, the State, 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 report will be filed by the Program 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, each distributee (which is deemed to be the Account Owner unless the withdrawal is paid directly to the Beneficiary or to an Eligible Educational Institution on behalf of the Beneficiary) will receive a copy of the report or a corresponding statement.

Continuing Disclosure. To promote compliance with Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended, the Program Manager has executed a Continuing Disclosure Certificate, for the benefit of Account Owners. Under the Continuing Disclosure Certificate, the Program Manager will provide certain financial information and operating data ("**Annual Information**") relating to the Program and notices of the occurrence of certain events enumerated in the Continuing Disclosure Certificate. The Annual Information will be filed by the Program Manager with each Nationally Recognized Municipal Securities Information Repository ("**NRMSIR**") and with a depository in the State, if one then exists. Notices of certain enumerated events will be filed by the Program Manager with the NRMSIRs or the Municipal Securities Rulemaking Board and with a depository in the State, if one then exists.

Financial Statements. The Program Manager will prepare annual financial statements for the Program. Each year, a nationally recognized independent certified public accounting firm selected by the Office of Auditor General, will audit the financial statements in accordance with generally accepted accounting principles. The Program Manager will distribute summary financial information for the Program to each Account Owner annually. The complete audited financial statements and the Annual Information provided to regulatory authorities as described above under "Continuing Disclosure" are available to Account Owners on request by calling the Program Manager toll-free at (877) 861-MESP (861-6377); or by writing to Michigan Education Savings Program, P.O. Box 30361, Lansing, Michigan 48909-7861.

Tax Information

The federal and Michigan tax rules applicable to the Program are complex, and some of the rules have not yet been finalized. Their application to any particular person may vary according to facts and circumstances specific to that person. You should consult a qualified tax advisor about how the laws apply to your circumstances.

Federal Income Tax Treatment

IRS Notice

On January 17, 2008, the IRS issued an Advance Notice of Proposed Rulemaking (the “**Notice**”), which details issues on which the IRS intends to issue new regulations under IRC Section 529 (the “**New Regulations**”). As described in the Notice, a principal component of the New Regulations will be an anti-abuse rule intended to deny the favorable federal tax treatment provided by Section 529 to the extent that transactions involving an Account are inconsistent with the education savings purpose of Section 529 (for example, use of an Account to avoid gift or generation-skipping transfer taxes, as a retirement plan, or for other purposes inconsistent with the intent of Section 529). Although the Notice provides that the New Regulations generally will be prospective in effect, the Notice also states that the anti-abuse rule may be applied retroactively. The following discussion relates to current law and does not further discuss the Notice or the New Regulations.

Contributions

Contributions to an Account will not result in taxable income to the Beneficiary. A contributor may not deduct the contribution from income for purposes of determining federal income taxes. Contributions to an Account for a specific Beneficiary will be rejected (or, if accepted, returned to the Account Owner together with any earnings thereon) to the extent that the amount of the contribution would cause the total balances, including earnings, if any, in all Accounts in the Program for that Beneficiary and all MET Contracts for that same Beneficiary to exceed the Maximum Account Balance Limit, which is currently \$235,000 under the Statute. See “Contributing to Your Account.” If a contribution is made to an Account by a Rollover Distribution, the entire contribution will be treated as consisting of earnings unless certain documentation is received by the Program with respect to the originating Account or qualified tuition program. That documentation generally will be automatically provided to the Program if the Rollover Distribution involves a direct transfer of funds from the originating Account or qualified tuition program.

Withdrawals

The federal income tax treatment of withdrawals from an Account is described in “Withdrawals” above. Only the earnings portion of a withdrawal is ever subject to income tax or the Additional Excise Tax. All withdrawals are treated as attributable partially to contributions made to the Account and partially to earnings, if any. The proportion of contributions and earnings for each withdrawal is determined by MESP based on the relative portions of total earnings and contributions as of the withdrawal date for all Investment Options of all Accounts with the same Beneficiary and same Account Owner and all MET Contracts with the same Beneficiary and same Account Owner.

Refunds of Payments of Qualified Higher Education Expenses

If an Eligible Educational Institution refunds to you any portion of an amount previously withdrawn from an Account and treated as a Qualified Withdrawal, you may be required to treat the refund as a Non-Qualified Withdrawal or Federal Taxable Withdrawal (depending on the reason for the refund) for purposes of federal income tax, unless you allocate the amount to other Qualified Higher Education Expenses of the Beneficiary or use the refund to make a qualifying Rollover Distribution.

Coordination with Other Income Tax Incentives for Education

In addition to the income tax benefits provided to Account Owners and Beneficiaries under Section 529, benefits are provided by several other provisions of the IRC for education-related investments or expenditures. These include Coverdell Education Savings Accounts (“**Coverdell ESAs**”), Hope Scholarship Credits, Lifetime Learning Credits, and “qualified United States savings bonds” described in IRC Section 135 (“**qualified U.S. savings bonds**”). Each of these incentives is subject to specific rules and limitations, and there are particular coordination provisions applicable to the interaction of these provisions and Section 529. The treatment of these incentives under Michigan income tax law may differ from the treatment under federal income tax law.

In general, if certain requirements are satisfied, amounts derived from Coverdell ESAs and qualified U.S. savings bonds may be used to make contributions to an Account without the imposition of federal income taxes under the provisions applicable to those Coverdell ESAs and bonds. However, some or all of the deferred income taxes may be recognized at the time of a subsequent withdrawal from an Account, depending on whether that withdrawal is a Qualified Withdrawal, a Federal Taxable Withdrawal or a Non-Qualified Withdrawal. An Account Owner who intends to make a contribution to an Account from a Coverdell ESA or a qualified U.S. savings bond should consult a qualified tax advisor with respect to the applicable federal and state income tax effects.

Qualified Higher Education Expenses of a Beneficiary may be paid on a tax-free basis (subject to certain limitations) with funds from an Account, a Coverdell ESA established for the benefit of the Beneficiary, or a qualified U.S. savings bond applicable to the Beneficiary. For purposes of determining what portion of a withdrawal from an Account constitutes a Qualified Withdrawal and is therefore exempt from federal income taxes, the following rules generally apply with regard to the interaction of the federal income tax education incentive provisions under the IRC:

- The amount of a Beneficiary’s Qualified Higher Education Expenses in any tax year will be reduced by the aggregate amount: (1) of the Beneficiary’s expenses used for such tax year to qualify for the Hope Scholarship Credit and/or Lifetime Learning Credit; and (2) received by the Beneficiary as a result of certain qualified scholarships, allowances or payments (not including amounts derived from the redemption of qualified U.S. savings bonds).
- If the sum of withdrawals from the Program, all other qualified tuition programs and all Coverdell ESAs for the benefit of the Beneficiary in any tax year exceed the Beneficiary’s Qualified Higher Education Expenses for the year (after the reduction described above), then the Beneficiary’s Qualified Higher Education Expenses generally must be allocated proportionately among the withdrawals to determine the amount of withdrawals that will be treated as used for Qualified Higher Education Expenses. Any amount of withdrawals from an Account in excess of the Qualified Higher Education Expenses allocated to those withdrawals will not be treated as used for the payment of such expenses and therefore will be treated as either a Federal Taxable Withdrawal or a Non-Qualified Withdrawal, depending on all the facts. Account Owners should consult a qualified tax advisor regarding the interaction under the IRC of the federal income tax education incentive provisions concerning Account withdrawals.

Substantiation

The Account Owner and/or the Beneficiary have the responsibility under federal tax law to substantiate their treatment of contributions to, withdrawals from, and other transactions involving an Account. They should retain receipts, invoices and other documents and information adequate to substantiate their treatment of such transactions and the treatment of education expenses as Qualified Higher Education Expenses.

Federal Gift, Estate and Generation-Skipping Transfer Tax Treatment

Contributions to the Program are generally considered completed gifts for federal tax purposes and therefore are potentially subject to federal gift tax. Generally, if a contributor's contributions to an Account or Accounts for a Beneficiary, together with all other gifts by the contributor to the Beneficiary, are less than the current annual exclusion of \$12,000 per year (\$24,000 for married contributors), no federal gift tax will be imposed on the contributor for gifts to the Beneficiary during that year. This annual exclusion amount is indexed for inflation in \$1,000 increments and may therefore increase in future years.

If a contributor's contributions to an Account or Accounts for a Beneficiary in a single year exceed \$12,000 (\$24,000 for married contributors), the contributor may elect to treat up to \$60,000 of the contribution (\$120,000 in the case of a consenting married couple or a community property gift) as having been made ratably over a five-year period. (For purposes of determining the amount of gifts made by the contributor to that Beneficiary in the four-year period following the year of contribution, the contributor will have to take into account the ratable portion of the Account contribution allocated to that year.)

In addition, to the extent not previously used, each contributor has a \$1,000,000 lifetime exemption that will be applied to gifts in excess of the annual exclusion amounts referred to above. A married couple may elect to split gifts and apply their combined exemption of \$2,000,000 to gifts by either of them. Accordingly, while federal gift tax returns are required for gifts in excess of the annual exclusion amounts referred to above (including gifts that the contributor elects to treat as having been made ratably over a five-year period), no federal gift tax will be due until the lifetime exemption has been used. The top gift tax rate is currently 45% and is set to be reduced to 35% in 2010. A potential contributor 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 are considered completed gifts by the contributor generally will not be included in the contributor's gross estate for federal estate tax purposes. However, if the contributor elects 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 contributor died) would be includible in computing the contributor'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 to the extent such amounts are distributed to a beneficiary of, or the estate of, the Beneficiary. The top estate tax rate is currently 45%.

A change of the Beneficiary of an Account or a transfer of funds from an Account to an Account for another Beneficiary will potentially be subject to federal gift tax if the new Beneficiary is in a younger generation than the generation of the Beneficiary being replaced or is not a Member of the Family of that Beneficiary. In addition, if the new Beneficiary is in a generation two or more generations younger than the generation of the prior Beneficiary, the transfer may be subject to the generation-skipping transfer tax discussed below. Under the existing Section 529 proposed regulations, these taxes are imposed on the prior Beneficiary and not the Account Owner, but treatment of such transactions under the current provisions of Section 529 is unclear. Account Owners should consult their own tax advisors for guidance when considering a change of Beneficiary or a transfer of funds to another Account. Furthermore, prior to a transfer of ownership of an Account from an existing Account Owner to a new Account Owner, the transferor and transferee Account Owners should consult their tax advisors regarding the potential applicability of income tax, gift tax or generation-skipping transfer tax provisions of the IRC to such transfer.

Because contributions to an Account are treated as completed gifts for federal transfer tax purposes, a contributor 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 in a generation more than one generation younger than the generation of the contributor. Each taxpayer has a \$2,000,000 generation-skipping transfer tax exemption that will be allocated to transfers that are subject to the generation-skipping transfer tax unless

certain elections are made. The current \$2,000,000 exemption from the generation-skipping transfer tax will increase to \$3,500,000 in 2009. The generation-skipping transfer tax is imposed at a 45% flat rate. The application of the generation-skipping transfer tax is very complex, and a potential contributor concerned about application of the tax should consult with his or her own tax advisor.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”) provided that the estate tax and the generation-skipping transfer tax (but not the gift tax) are scheduled to be repealed in 2010. The pre-EGTRRA estate and generation-skipping transfer tax rules will be reinstated in 2011 unless further legislation is enacted to extend the repeal or to make additional modifications. A potential contributor should consult with a tax advisor regarding applicable federal tax law.

State Income Tax Treatment

The following discussion applies only with respect to Michigan taxes. Michigan tax benefits offered in connection with the Program are available only to Michigan taxpayers. You should consult with a qualified tax advisor regarding the application of Michigan tax benefits to your particular circumstances.

If you or the Beneficiary of your Account reside in another state or have taxable income in another state, it is important for you to note that if that state has established a qualified tuition program under Section 529, that state’s program may offer favorable state income tax benefits or other benefits that are only available if you invest in that state’s program, and that are not available to you or the Beneficiary if you invest in MESP. Those benefits, if any, should be one of the many appropriately weighted factors you consider before making a decision to invest in MESP. You should consult with a qualified advisor or contact that state’s qualified tuition program to find out more about such benefits (including any applicable limitations) and to learn how the features, benefits and limitations of that state’s program may apply to your specific circumstances.

Contributions

Contributions to an Account by an Account Owner do not result in Michigan taxable income to the Beneficiary.

A taxpayer is permitted a net contribution deduction from Michigan adjusted gross income for a contribution to an Account less any Qualified Withdrawals from such Account during the tax year. A taxpayer is permitted to aggregate the net contribution amount to each Account for a total contribution deduction for the tax year. Such aggregated contribution deduction cannot exceed a total of \$5,000 for a single return or \$10,000 for a joint return for that tax year. Individuals filing a joint return are entitled to deduct a maximum of \$10,000 regardless of whether one spouse alone contributes \$10,000 or each spouse independently contributes \$5,000. The amount calculated for each Account shall not be less than zero. The Michigan Department of Treasury, Bureau of Tax and Economic Policy does not consider Rollover Distributions from another qualified tuition program into a MESP Account to be an eligible contribution for purposes of the net contribution deduction otherwise available in computing the Michigan adjusted gross income of any contributor for contributions to a MESP Account.

Withdrawals

Earnings from the investment of contributions in an Account will not be included in computing the Michigan taxable income of the Account Owner or the Beneficiary of the Account until funds are distributed, in whole or in part, from the Account. Qualified Withdrawals are not included in Michigan taxable income for either the Account Owner or the Beneficiary.

Specific types of withdrawals that constitute Federal Taxable Withdrawals for federal income tax purposes are not included in Michigan taxable income. Upon distribution from an Account, the following Federal Taxable Withdrawals are not included in Michigan taxable income:

1. Withdrawals as a result of the death or disability of the Beneficiary of the Account;
2. Withdrawals as a result of a scholarship award to the Beneficiary of the Account, to the extent such withdrawals do not exceed the amount of the scholarship award; and
3. Withdrawals as a result of attendance at a Military Academy, to the extent that the amount of the withdrawal does not exceed the cost of the advanced education attributable to the Beneficiary's attendance in the Military Academy.

Michigan tax law provides that any withdrawal other than a Qualified Withdrawal or those Federal Taxable Withdrawals described in 1-3 in the paragraph above will be included in computing the Account Owner's taxable income for Michigan income tax purposes (a "**State Taxable Withdrawal**"). A State Taxable Withdrawal includes both the portion attributable to the Account Owner's contributions (only to the extent that such contributions were previously deducted for Michigan income tax purposes), as well as the portion attributable to earnings on them. The amount of contributions that must be included in the taxable income of a person making contributions is limited to the total amount of contributions to the Account previously deducted. However, if a person has made contributions to an Account that were deducted and additional contributions to the Account that were not deducted, such person need not include the contributions portion of a State Taxable Withdrawal in taxable income until all contributions that were not deducted have been withdrawn.

Taxes Imposed by Other Jurisdictions

Prospective Account Owners should consider the potential impact of income taxes imposed by jurisdictions other than Michigan. It is possible that other state or local taxes apply to withdrawals from and/or accumulated earnings within MESP, 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.

APPENDIX I

to the Disclosure Booklet for the Michigan Education Savings Program

Summaries of the Underlying Investments

The following provides a summary of the Mutual Funds in which certain of the Investment Options invest. If you would like more information on the Mutual Funds, please consult the Mutual Funds' prospectus. For copies of the prospectus, please contact your Program Manager or visit www.tiaa-cref.org/prospectuses/index.html.

Summary of Mutual Fund Investment Objectives and Strategies

	<u>Fund Name</u>	<u>Investment Objective</u>	<u>Principal Investment Strategies</u>
Equity Funds	International Equity Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, primarily from equity securities of foreign issuers.	Under normal circumstances, the Fund invests at least 80% of its net assets in equity securities of foreign issuers. The Fund has a policy of maintaining investments of equity securities of foreign issuers in at least three countries other than the United States. The Fund may invest in emerging markets to varying degrees, depending on the prevalence of stock specific opportunities. The Fund may sometimes hold a significant amount of stocks of smaller, lesser-known companies.
	Mid-Cap Growth Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, primarily from equity securities of medium-sized domestic companies.	Under normal circumstances, the Fund invests at least 80% of its net assets in mid-cap equity securities. The Fund will invest primarily in equity securities of medium-sized domestic companies that the Fund's adviser believes present the opportunity for growth. The Fund's adviser looks for equity securities of companies that they believe to have prospects for strong earnings or sales growth. The Fund invests in equity securities of companies that are in new and emerging areas of the economy, that have distinctive products or services and that are growing faster than the overall equity market. The Fund may also invest in companies that the Fund's adviser believes to be undervalued based on current earnings, assets or growth prospects. These investments could include companies likely to benefit from prospective acquisitions, reorganizations, corporate restructurings or other special situations. The Fund may invest up to 20% of its total assets in foreign investments.
	Mid-Cap Value Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, primarily from equity securities of medium-sized domestic companies.	Under normal circumstances, the Fund invests at least 80% of its net assets in mid-cap equity securities. The Fund will invest primarily in equity securities of medium-sized domestic companies that the Fund's adviser believes appear undervalued by the market based on an evaluation of their potential worth. The Fund may invest up to 20% of its total assets in foreign investments.
	Small-Cap Equity Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, primarily from equity securities of smaller domestic companies.	Under normal circumstances, the Fund invests at least 80% of its net assets in small-cap equity securities. The Fund will invest primarily in equity securities of smaller domestic companies across a wide range of sectors, growth rates and valuations, that appear to have favorable prospects for significant long-term capital appreciation.

	<u>Fund Name</u>	<u>Investment Objective</u>	<u>Principal Investment Strategies</u>
Index Funds	Large-Cap Growth Index Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of equity securities of large domestic growth companies based on a market index.	The Fund is designed to track various U.S. or foreign equity markets as a whole or a segment of these markets. The Fund primarily invests its net assets in equity securities selected to track a designated broad stock market index. Under normal circumstances, the Fund invests at least 80% of its net assets in securities of its respective benchmark index and in large-cap securities.
	Large-Cap Value Index Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of equity securities of large domestic value companies based on a market index.	The Fund is designed to track various U.S. or foreign equity markets as a whole or a segment of these markets. The Fund primarily invests its net assets in equity securities selected to track a designated broad stock market index. Under normal circumstances, the Fund invests at least 80% of its net assets in securities of its respective benchmark index and in large-cap securities.
	Equity Index Fund	The Fund seeks a favorable long-term total return, mainly from capital appreciation, by investing primarily in a portfolio of equity securities selected to track the overall U.S. equity markets based on a market index.	The Fund is designed to track various U.S. or foreign equity markets as a whole or a segment of these markets. The Fund primarily invests its net assets in equity securities selected to track a designated broad stock market index. Under normal circumstances, the Fund invests at least 80% of its net assets in securities of its respective benchmark index and in large-, mid- and small-cap securities.
	S&P 500 Index Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of equity securities of large domestic companies selected to track U.S. equity markets based on a market index.	The Fund is designed to track various U.S. or foreign equity markets as a whole or a segment of these markets. The Fund primarily invests its net assets in equity securities selected to track a designated broad stock market index. Under normal circumstances, the Fund invests at least 80% of its net assets in securities of its respective benchmark index and in large-cap securities.
	Small-Cap Blend Index Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of equity securities in smaller domestic companies based on a market index.	The Fund is designed to track various U.S. or foreign equity markets as a whole or a segment of these markets. The Fund primarily invests its net assets in equity securities selected to track a designated broad stock market index. Under normal circumstances, the Fund invests at least 80% of its net assets in securities of its respective benchmark index and in small-cap securities.
	International Equity Index Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of foreign equity investments based on a market index.	The Fund is designed to track various U.S. or foreign equity markets as a whole or a segment of these markets. The Fund primarily invests its net assets in equity securities selected to track a designated broad stock market index. Under normal circumstances, the Fund invests at least 80% of its net assets in securities of its respective benchmark index and in large-, mid- and small-cap securities.

	<u>Fund Name</u>	<u>Investment Objective</u>	<u>Principal Investment Strategies</u>
Real Estate Securities Fund	Real Estate Securities Fund	The Fund seeks to obtain a favorable long-term total return through both capital appreciation and current income, by investing primarily in equity and fixed-income securities of companies principally engaged in or related to the real estate industry.	Under normal circumstances, the Fund invests at least 80% of its net assets in the equity and fixed-income securities of companies that are principally engaged in or related to the real estate industry, including those that own significant real estate assets, such as real estate investment trusts (“REITs”). The Fund does not invest directly in real estate. The Fund concentrates its investments in the real estate industry. The Fund also may invest up to 15% of its total assets in real estate securities of foreign issuers and up to 20% of its total assets in equity (including preferred stock) and debt securities of issuers that are not engaged in or related to the real estate industry.
Fixed-Income Funds	Bond Fund	The Fund seeks as favorable a long-term total return through income as is consistent with preserving capital, primarily from investment-grade fixed-income securities.	Under normal circumstances, the Fund invests at least 80% of its net assets in investment-grade bonds and other bonds. Bonds of this type may include United States government securities, corporate bonds and mortgage-backed or other asset-backed securities. The Fund also invests in other fixed-income securities. The Fund may invest up to 15% of its total assets in fixed-income securities of foreign issuers. 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. The Fund may use an investment strategy called “mortgage rolls” (also referred to as “dollar rolls”), in which the Fund sells securities for delivery in the current month and simultaneously contracts with a counterparty to repurchase similar (same type, coupon and maturity) but not identical securities on a specified future 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 (i.e., differences in yield between short-term and long-term securities).
	Inflation-Linked Bond Fund	The Fund seeks a long-term rate of return that outpaces inflation, primarily through investment in inflation-linked bonds.	Under normal circumstances, the Fund invests at least 80% of its net assets in fixed-income securities whose returns are designed to track a specified inflation index over the life of the security. Typically, the Fund will invest in U.S. Treasury Inflation-Indexed Securities. The Fund can also invest in (1) other inflation-indexed bonds issued or guaranteed by the U.S. government or its agencies, by corporations and other U.S. domiciled issuers, as well as foreign governments, and (2) money market instruments or other short-term securities. The Fund may also invest in inflation-indexed bonds issued or guaranteed by foreign governments and their agencies, as well as other foreign issuers. Under most circumstances, the Fund’s investments in inflation-linked bonds of foreign issuers are generally less than 25% of its total assets. The Fund also may invest in any of the fixed-income securities in which the Bond Fund invests, provided that no more than 5% of its total assets are invested in fixed-income securities rated below investment grade.
Money Market Fund	Money Market Fund	The Fund seeks high current income consistent with maintaining liquidity and preserving capital.	The Fund invests primarily in high-quality short-term money market instruments. Generally, the Fund seeks to maintain a share value of \$1.00 per share. The Money Market Fund limits its investments to securities that present minimal credit risk and are rated in the highest rating categories for short-term instruments. The Fund can also invest up to 30% of its assets in money market and debt instruments of foreign issuers denominated in U.S. dollars. <i>An investment in the Money Market Fund, like the other Funds, is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of investments in the Fund at \$1 per share, it is possible for investors to lose money by investing in the Fund.</i>

Summary of Risks of the Mutual Funds

<i>RISK CATEGORY</i>	<i>Inter- national Equity Fund</i>	<i>Mid- Cap Growth Fund</i>	<i>Mid- Cap Value Fund</i>	<i>Small- Cap Equity Fund</i>	<i>Large- Cap Growth Index Fund</i>	<i>Large- Cap Value Index Fund</i>	<i>Equity Index Fund</i>	<i>S&P 500 Index Fund</i>	<i>Small- Cap Blend Index Fund</i>	<i>Inter- national Equity Index Fund</i>	<i>Real Estate Securities Fund</i>	<i>Bond Fund</i>	<i>Inflation- Linked Bond Fund</i>	<i>Money Market Fund</i>
Call Risk												•	•	
Company Risk	•	•	•	•	•	•	•	•	•	•	•	•		•
Concentration Risk											•			
Credit Risk												•	•	
Current Income Risk														•
Downgrade Risk												•		
Risks of Equity & Mortgage REITs											•			
Foreign Investment Risk	•	•	•							•	•	•		
Income Volatility Risk											•	•	•	•
Index Risk					•	•	•	•	•	•		•	•	
Interest Rate Risk											•	•	•	•
Larger Companies Risk								•						
Market Risk	•	•	•	•	•	•	•	•	•	•	•			•
Mortgage Roll Risk												•		
Risks of Ownership of Real Estate											•			
Prepayment/Extension Risk												•	•	•
Style Risks	Growth Investing	•			•									
	Value Investing			•		•								
Small-Cap Mid-Cap Risk	•	•	•	•			•		•	•	•			
Tax Risk													•	

Summary Descriptions of Risks of the Mutual Funds

- **Call Risk** — The risk that an issuer will redeem a fixed-income security prior to maturity. This often happens when prevailing interest rates are lower than the rate specified for the fixed-income security. If a fixed-income security is called early, a Fund may not be able to benefit fully from the increase in value that other fixed-income securities experience when interest rates decline. Additionally, a Fund would likely have to reinvest the payoff proceeds at current yields, which are likely to be lower than the fixed-income securities in which the Fund originally invested.
- **Company Risk** (often called **Financial Risk**) — The risk that the issuer's earnings prospects and overall financial position will deteriorate, causing a decline in the security's value over short or extended periods of time.
- **Concentration Risk** — When a Fund concentrates its investments in only one industry, such as the real estate industry, and holds securities of relatively few issuers, the value of its portfolio is likely to experience greater fluctuations and may be subject to a greater risk of loss than those of other mutual funds.
- **Credit Risk** (a type of **Company Risk**) — The risk that a decline in a company's financial position may prevent it from making principal and interest payments on fixed-income securities when due. Credit risk relates to the ability of an issuer of a fixed-income security to pay principal and interest on the security on a timely basis and is the risk that the issuer could default on its obligations, thereby causing a Fund to lose its investment in the security. This risk is heightened in the case of investments in lower-rated, high-yield fixed-income securities.
- **Current Income Risk** — The risk that the income a Fund receives may fall as a result of a decline in interest rates.
- **Downgrade Risk** — Securities originally rated "investment grade" are sometimes subsequently downgraded, should the Fund's adviser or a ratings agency like Moody's Investors Service, Inc. or Standard & Poor's believe the issuer's business outlook or creditworthiness has deteriorated. 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.
- **Risks of Equity and Mortgage REITs** — Equity REITs may be affected by changes in the value of the underlying property of the trusts, while mortgage REITs may be affected by changes in the quality of any credit extended. Both equity and mortgage REITs are dependent upon management skill and may not be diversified. REITs are also subject to heavy cash flow dependency, defaults by borrowers, self-liquidation, and the possibility of failing to qualify for special tax treatment under the IRC or failing to meet other applicable regulatory requirements. Finally, certain REITs may be self-liquidating, meaning that a specific term of existence is provided for in their trust documents. In acquiring the securities of REITs, a Fund runs the risk that it will sell them at an inopportune time.

- Foreign Investment Risk** — The risk of investing in securities of foreign issuers, securities or contracts traded on foreign exchanges or in foreign markets, or securities or contracts payable in foreign currency. Investing in foreign investments entails 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 difficulties interpreting it because of foreign regulations and accounting standards; (6) 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; and (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 described 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 few industries. Because their securities markets may be very small, share prices may be volatile and difficult to determine. In addition, foreign investors such as the Fund are subject to a variety of special restrictions in many such countries.
- Income Volatility Risk** — Income volatility refers to the degree and speed with which changes in prevailing market interest rates diminish the level of current income from a portfolio of fixed-income securities. The risk of income volatility is the risk that the level of current income from a portfolio of fixed-income securities declines in certain interest rate environments.
- Index Risk** — The risk that an Index Fund's performance will not correspond to its benchmark index for any period of time. Although each Index Fund attempts to use as a baseline the investment performance of its respective index, an Index Fund may not duplicate the exact composition of its index. In addition, unlike a mutual fund, the returns of an index are not reduced by investment and other operating expenses, and therefore, the ability of an Index Fund to match the performance of its index is adversely affected by the costs of buying and selling investments as well as other expenses. Therefore, none of the Index Funds can guarantee that its performance will match its index for any period of time.
- Interest Rate Risk** (a type of **Market Risk**) — The risk that the value or yield of fixed-income securities may decline if interest rates change. In general, when prevailing interest rates decline, the market value of fixed-income securities (particularly those paying a fixed rate of interest) tends to increase. Conversely, when prevailing interest rates increase, the market value of fixed-income securities (particularly those paying a fixed rate of interest) tends to decline. Depending on the timing of the purchase of a fixed-income security and the price paid for it, changes in prevailing interest rates may increase or decrease the security's yield.
- Larger Companies Risk** — By focusing on securities of larger companies, a Fund carries with it the risk that it may have fewer opportunities to identify securities that the market misprices and that these companies may grow more slowly than the economy as a whole or not at all. Further, stocks involved in reorganizations and other special situations can often involve more risk than ordinary securities. Accordingly, the Fund's performance will often be more volatile than the overall stock market and it could significantly outperform or underperform the stock market during any particular period.

- **Market Risk** — The risk that the price of equity securities may decline in response to general market and economic conditions or events. Accordingly, the value of the equity securities that a Fund holds may decline over short or extended periods of time. Any stock is subject to the risk that the stock market as a whole may decline in value, thereby depressing the stock's price. Equity markets tend to be cyclical, with periods when prices generally rise and periods when prices generally decline. Foreign equity markets tend to reflect local economic and financial conditions and, therefore, trends often vary from country to country and region to region.
- **Mortgage Roll Risk** — Under the mortgage roll investment strategy, there is a risk that a Fund's adviser will not correctly predict mortgage prepayments and interest rates, which will diminish the investment performance of the Fund compared with what such performance would have been without the use of the strategy.
- **Risks of Ownership of Real Estate** — These risks include, among others: declines in the value of real estate, negative changes in the climate for real estate, risks related to general and local economic conditions, overbuilding and increased competition, decreases in property revenues, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, limitations on rents, changes in neighborhood values, the appeal of properties to tenants, leveraging of interests in real estate, increases in prevailing interest rates, and costs resulting from the cleanup of environmental problems.
- **Prepayment/Extension Risk** — Prepayment risk and extension risk are normally present in adjustable rate mortgage loans, mortgage-backed securities and other asset-backed securities. For example, homeowners have the option to prepay their mortgages. Therefore, the duration of a security backed by home mortgages can either shorten (prepayment risk) or lengthen (extension risk). If interest rates on new mortgage loans fall sufficiently below the interest rates on existing outstanding mortgage loans, the rate of prepayment generally increases. Conversely, if mortgage loan interest rates rise above the interest rates on existing outstanding mortgage loans, the rate of prepayment generally decreases. In either case, a change in the prepayment rate and the resulting change in duration of fixed-income securities held by a Fund can result in losses to investors in the Fund.
- **Small-Cap/Mid-Cap Risk** — Securities of small and mid-sized companies may experience greater fluctuations in price than the securities of larger companies. They may also have to be sold at a discount from their current market prices or in small lots over an extended period, since they may be harder to sell than larger-cap securities. In addition, such companies may be subject to certain business risks due to their smaller size, limited markets and financial resources, narrow product lines and frequent lack of depth of management.
- **Style Risk** — The risk that equity securities representing a growth investing or a value investing style may be out of favor in the marketplace for various periods of time. When this occurs, investors, such as the Funds, holding such securities may experience significant declines in the value of their portfolios.

The Funds that are managed according to a growth investment style are subject to:

- **Risks of Growth Investing** — Due to their relatively high valuations, growth stocks are typically more volatile than value stocks. For example, the price of a growth stock may experience a larger decline on a forecast of lower earnings, or a negative event or market development, than would a value stock. Because the value of growth companies is often a function of their expected earnings growth, there is a risk that such earnings growth may not occur or cannot be sustained.

The Funds that are managed according to a value investment style are subject to:

- **Risks of Value Investing** — Securities believed to be undervalued are subject to the risks that: (1) the issuer's potential business prospects are not realized; (2) their potential values are never recognized by the market; and (3) due to unanticipated or unforeseen problems associated with the issuer or industry, they were appropriately priced (or overpriced) when acquired.
- **Tax Risk** – Periodic adjustments for inflation to the principal amount of an inflation-indexed bond held by the Inflation-Linked Bond Fund may give rise to original issue discount, which will be included in the Fund's gross income. Due to original issue discount, the Fund may be required to make annual distributions to shareholders that exceed the cash received, which may cause the Fund to liquidate certain investments when it is not advantageous to do so. Also, if the principal value of an inflation-indexed bond is adjusted downward due to deflation, amounts previously distributed in the taxable year of the adjustment may be characterized in some circumstances as a return of capital.

Summary of the TIAA-CREF Life Insurance Company Funding Agreement

Contributions to the Principal Plus Interest Option are allocated to the Funding Agreement issued by TIAA-CREF Life. TIAA-CREF Life is a wholly owned subsidiary of TIAA that is regulated as a life insurance company by many states, including the State of Michigan. TIAA-CREF Life is also an affiliate of the Program Manager.

The term of the Funding Agreement is intended to correspond with the term of the Management Agreement, subject to earlier termination by the Michigan Department of Treasury. The Michigan Department of Treasury may make withdrawals under the Funding Agreement at any time without penalty to cover distributions from Accounts that have invested in the Principal Plus Interest Option.

The Funding Agreement guarantees to the Michigan Department of Treasury a return of principal and a minimum rate of interest on contributions. This minimum rate will be reset each October 1 and will neither be less than 1% nor greater than 3% at any time. Periodically, TIAA-CREF Life will announce whether it will pay additional interest in excess of the guaranteed interest rate. Any such additional interest rates will be declared in advance by TIAA-CREF Life for a period of up to 12 months and are not guaranteed for future periods. If TIAA-CREF Life is required to pay premium taxes on the Funding Agreement, it may deduct the amount of the premium tax when incurred from any contributions paid by the Program to the Funding Agreement.

The Program will post the current declared rate on the Program's website. You may also obtain this information by calling the Program.

There is a risk that TIAA-CREF Life could fail to perform its obligations under the Funding Agreement for financial or other reasons. The Funding Agreement provides the guarantee described above to the Michigan Department of Treasury for the benefit of the Account Owners who have selected the Principal Plus Interest Option, but the guarantee is not made directly to Account Owners or Beneficiaries. Neither the Principal Plus Interest Option nor any Account invested in this Investment Option is guaranteed by the State, any Michigan agency or instrumentality, the Program, the State Treasurer, the Michigan Department of Treasury, the Program Manager or any other person or entity. The Funding Agreement is not guaranteed or insured by any person or entity other than TIAA-CREF Life.

APPENDIX II
to the Disclosure Booklet
for the Michigan Education Savings Program

Participation Agreement

Each capitalized term used but not defined in this Participation Agreement has the meaning set forth in the Disclosure Booklet.

I enter into this Participation Agreement with the State in order to establish, as the designated Account Owner or on behalf of the designated Account Owner, an Account in MESP. I understand that the Account shall represent an interest in MESP. I understand and agree that this Participation Agreement is subject to and incorporates by reference all of the information set forth in the Disclosure Booklet and Application. I understand that my signature on the Application signifies my acceptance of the terms of this Participation Agreement.

For purposes of this Participation Agreement, "I" or "me" shall refer to the designated Account Owner or a duly appointed representative of the Account Owner, as applicable. As indicated on the Application, I certify that I am either:

- a United States citizen or resident alien establishing the Account as the Account Owner or on behalf of the Account Owner by completing an Account Application for an Individual Account;
- acting on behalf of a trust or estate domiciled in the United States of America and otherwise eligible to open the Account by completing an Account Application for an Entity Account;
- acting on behalf of an organization described in Section 501(c)(3) of the IRC by completing an Account Application for an Entity Account; or
- a custodian for a minor under UGMA/UTMA with full power and authority to act as the custodian for the Account submitting an Account Application for a Custodial Account.

A. Agreements, Representations and Warranties of the Account Owner. I agree with, and represent and warrant to the State, as follows:

1. I have received, read and understand the Disclosure Booklet as currently in effect. I have been given the opportunity to obtain answers to all of my questions concerning the Program, my Account and this Participation Agreement. I acknowledge that there have been no representations or other information about the Program relied upon in entering into this Participation Agreement, whether oral or written, other than as set forth in the Disclosure Booklet and this Participation Agreement. I understand that this Participation Agreement shall become effective upon the opening of the Account on the records of the Program.
2. I certify that I am opening this Account in order to provide funds for the Qualified Higher Education Expenses of the Beneficiary, of the Account. I certify that I have full power and authority to enter into and perform under this Participation Agreement either for myself as Account Owner or on behalf of the individual or entity named in the Application as Account Owner, as applicable. This Participation Agreement constitutes the legal, valid and binding obligation of the Account Owner.

3. I understand that all assets in the Account will be held exclusively for my benefit and the benefit of the Beneficiary. I understand that any contribution, or portion of a contribution, made by me that causes the aggregate account balance of the Account, all other Accounts for the same Beneficiary and the value of any MET Contracts for the same Beneficiary to exceed the current applicable Maximum Account Balance Limit will be rejected and returned.
4. I recognize that the investment of contributions and earnings, if any, in my Account involves certain risks, and I have taken into consideration and understand the risk factors related to these investments, including, but not limited to, those set forth in the Disclosure Booklet. I understand that neither I, nor any Beneficiary is or will be permitted to direct the investment of the Account other than through the selection of Investment Options. However, I understand and acknowledge that once invested in a particular Investment Option, contributions and any earnings thereon may only be transferred to another Investment Option once per calendar year or upon a change of the Beneficiary of the Account to a Member of the Family of the Beneficiary being replaced.
5. With respect to each Investment Option, I understand and acknowledge that neither contributions nor earnings, if any, in my Account are guaranteed or insured by any person or entity, including but not limited to, the State, the State Treasurer, the Program Manager and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by the State Treasurer or any agents, representatives or successors of the foregoing (except to the extent of the guarantee by TIAA-CREF Life to the Michigan Department of Treasury under the Funding Agreement for the Principal Plus Interest Option). I understand that there is no guarantee that MESP's investment objectives will be achieved.
6. I understand and acknowledge that with respect to each Investment Option in the Program, there is no guarantee or commitment whatsoever from the State, the State Treasurer, the Michigan Department of Treasury, the Program Manager or any other person or entity that: (i) actual Qualified Higher Education Expenses will be equal to projections and estimates provided by MESP; (ii) the Beneficiary will be admitted to any institution (including an Eligible Educational Institution); (iii) upon admission to an institution, the Beneficiary will be permitted to continue to attend; (iv) upon admission to an institution, State residency will be created for tuition, tax, financial aid eligibility or any other purpose for the Beneficiary; (v) the Beneficiary will graduate or receive a degree from any institution; or (vi) contributions and investment returns in this Account will be sufficient to cover the Qualified Higher Education Expenses of the Beneficiary.
7. I understand that neither the State, the State Treasurer, the Program Manager or any affiliate thereof, or any other person or entity makes any guarantee that I will not suffer a loss of any amount invested in my Account or that I will receive a particular return of any amount in my Account.
8. I understand that TIAA-CREF Tuition Financing, Inc. will not necessarily continue as the Program Manager for the entire period my Account is open and that the State Treasurer may retain in the future additional and/or different program managers or investment manager(s) for the Program. I acknowledge that if this occurs, or even if it does not, there is no assurance that I would not experience a material change to certain terms and conditions of the current Participation Agreement, including the Program Manager Fee. I understand that if TFI ceases to be the Program Manager, I may have to open a new Account in the Program with the successor program manager in order to make future contributions on behalf of the Beneficiary.

9. I acknowledge that no part of my Account or any other interest in the Program can be used by me or my Beneficiary as security for a loan.
 10. I understand that I will retain ownership of or custody over, as applicable, contributions made to my Account and earnings thereon, if any, until distribution. I understand and acknowledge that I have not been advised by the State, the State Treasurer, the Michigan Department of Treasury or any other agency or instrumentality of the State, TFI or any of its affiliates or any agent or representative retained in connection with the Program to invest, or to refrain from investing, in a particular Investment Option.
 11. I understand that I may cancel this Participation Agreement at any time by written notice to MESP. I also understand that this may be accomplished by a Qualified Withdrawal, a Federal Taxable Withdrawal, or a Non-Qualified Withdrawal and that a Federal Taxable Withdrawal or a Non-Qualified Withdrawal will be subject to federal income tax. I understand that if I take a Non-Qualified Withdrawal, the penalty referred to below in paragraph C of this Participation Agreement may apply.
- B. Restrictions on Certain Types of Accounts. I understand that an Account Owner who is a custodian for a minor under UGMA/UTMA will be subject to the following additional requirements and restrictions:
- An Account Owner who is a custodian for a minor is required to sign forms and conduct transactions for the Account in a representative capacity as the custodian acting for the benefit of the Beneficiary;
 - An Account Owner who is a custodian for a minor is not permitted to change the Beneficiary of the Account either directly or by means of a Rollover Distribution, including a transfer of funds to another Account for a different Beneficiary;
 - An Account Owner who is a custodian for a minor is not permitted to name a Contingent Account Owner, or to change ownership of the Account, without providing the Program Manager with a court order directing the change (or as otherwise allowed under UGMA/UTMA);
 - Any request for a withdrawal from the Account by an Account Owner who is a custodian for a minor must be accompanied by a certification that the Account Owner is the custodian of the Account pursuant to UGMA/UTMA and (except with respect to a withdrawal due to the death of the Beneficiary or a Qualified Withdrawal) that the withdrawal is authorized under UGMA/UTMA and is necessary for the welfare of the Beneficiary; and
 - An Account Owner who is a custodian for a minor is required to notify the Program Manager when the Beneficiary has reached the age of majority or is otherwise legally authorized to assume ownership of the Account so that the Beneficiary can be registered as the owner of the Account and take control of the Account.

Any requested transaction conducted on an Account owned by an Account Owner that is an entity must be accompanied by documentation substantiating the following:

- the legal status of the entity,
- authorization of the transaction by the entity; and
- authorization for the individual conducting the transaction to act on behalf of the entity.

- C. Penalties and Fees. I understand and agree that I will be subject to federal income tax and an Additional Excise Tax of 10% on the earnings portion of a Non-Qualified Withdrawal and that the Additional Excise Tax may be payable through my or my Beneficiary's federal income tax return to the United States Treasury. I acknowledge that the rate of the Additional Excise Tax may be changed, as described in the Disclosure Booklet. I acknowledge and agree that my Account may additionally be subject to other fees, charges or penalties in the future, as explained in the Disclosure Booklet.
- D. Limitations on Certain Distributions From Account. I acknowledge that if I change the Account Owner of my Account or change my mailing address, and fail to provide a medallion signature guarantee of my signature on the request form, no distributions can be made from my Account within 30 days after receipt by the Program Manager of the request form. I understand that I cannot withdraw a contribution for 10 days after receipt by the Program Manager of that contribution.
- E. Necessity of Qualification. I understand that the Program is intended to be a "qualified tuition program" under Section 529 of the IRC and the Program is intended to receive favorable State tax treatment under Michigan law. I agree that the State and the State Treasurer may make changes to the Program, this Agreement and the Disclosure Booklet at any time if it is determined that such changes are necessary for the continuation of the federal income tax treatment provided by Section 529 or the favorable Michigan tax treatment provided by Michigan law or any similar successor legislation.
- F. Statutes, Policies and Operating Procedures; Amendment. The Account and this Agreement are subject to, and incorporate by reference, the Statute and the legislation authorizing the matching grant program, any policies and operating procedures adopted for MESP by the State, any amendments to the Statute, other applicable statutes or these policies and operating procedures, and any rules or regulations as the State may promulgate in accordance with Michigan law, including provisions under the Statute to prevent contributions on behalf of a Beneficiary in excess of the Maximum Account Balance Limit (including amounts deposited in a MET Contract for the same Beneficiary). Any amendments to relevant statutes, policies or operating procedures shall automatically amend this Agreement.
- G. Indemnity. I understand that the establishment of my Account will be based upon the agreements, representations and warranties set forth in this Agreement. I agree to indemnify and hold harmless the State, its agencies or instrumentalities, the State Treasurer, the Michigan Department of Treasury, TIAA-CREF Tuition Financing, Inc. and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by the State, and any agents, representatives, or successors of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorneys' fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me in this Agreement or otherwise with respect to my Account, and any breach by me of any of the agreements, representations or warranties contained in this Agreement. All of my agreements, representations and warranties shall survive the termination of this Agreement.
- H. Binding Nature; Third-Party Beneficiary. This Agreement shall survive the death of any individual Account Owner and shall be binding upon any personal representatives, heirs, successors or assigns, as applicable. The Program Manager is a third-party beneficiary of the agreements, representations and warranties in this Agreement.

- I. Transfer. I understand that I may transfer this Agreement to another Account Owner at any time as described more fully in the Disclosure Booklet, subject to the policies and operating procedures promulgated for MESP. Such transfer will not be effective until written notice is received by MESP.
- J. Amendment. I understand that MESP may, at any time, and from time to time, amend this Participation Agreement or the Disclosure Booklet.
- K. Termination of the Program. I understand that MESP may be suspended or terminated, but, except as permissible under applicable law, the Account may not thereby be diverted from the exclusive benefit of the Account Owner or the Beneficiary.
- L. Governing Law. This Agreement is governed by Michigan law.

APPENDIX III

to the Disclosure Booklet for the Michigan Education Savings Program

Notice of TIAA-CREF Privacy Policy

Please read this carefully. It provides information about the privacy policy of TIAA-CREF Tuition Financing, Inc., Teachers Personal Investors Services, Inc. and TIAA-CREF Individual & Institutional Services, LLC (together referred to as “TIAA-CREF”). The TIAA-CREF privacy policy concerns nonpublic personal information (“personal information”) that TIAA-CREF may have about current and former Account Owners in the Michigan Education Savings Program (the “Program”).

TIAA-CREF may collect personal information about you from various sources. That includes personal information that you give on: the Application; Program forms; and interactive tools. It may also include personal information about your participation in the Program, such as your Investment Options. TIAA-CREF also may obtain certain of your personal information from third parties, such as consumer reporting agencies.

We use your personal information to effect your investment in the Program and to effect related services. When you complete the Application, you may opt to receive information about other financial products and services offered by TIAA-CREF and its affiliates. If so, your personal information may be shared with these affiliates so that they can mail you their materials (“**affiliate materials**”). These affiliates include: insurance companies; broker-dealers; investment companies; investment advisors; and a trust company. Your personal information also is available to the State in its role in overseeing the Program.

TIAA-CREF limits access to your personal information to those employees who must know it to provide Program-related services. TIAA-CREF may also give your personal information to service providers: who process your transactions; mail you Program documents and affiliate materials; or enhance your Program benefits.

We protect your personal information by physical, electronic and procedural safeguards as required by federal and state laws.

TIAA-CREF does not disclose your personal information to any other person outside of the Program, unless you consent or it is permitted under applicable federal and state laws. TIAA-CREF may also disclose your personal information if it is allowed or required by its contract with the State. With your consent or if allowed by law, we will provide your personal information to the financial advisor you designate.



Michigan Education Savings Program

OBTAINING ADDITIONAL INFORMATION

Learn more about MESP by visiting our website: www.misaves.com.

You may reach a customer service representative to answer your questions, complaints or request an Application by calling the Program Manager toll-free at (877) 861-MESP (861-6377). Questions, complaints and requests may also be sent in writing to TIAA-CREF Tuition Financing, Inc., c/o Michigan Education Savings Program, P.O. Box 30361, Lansing, Michigan 48909-7861.