



Bringing a higher level of service to
saving for higher education

IMPORTANT INFORMATION ABOUT YOUR COLLEGE SAVINGS PLAN ENCLOSED

ScholarShare[®] and Fidelity Investments





NEW, PERMANENT TAX ADVANTAGES

Currently, withdrawals from 529 College Savings Plans are federal income tax free when used for qualified higher education expenses. Previously set to expire in 2010, the Pension Protection Act of 2006 makes this tax break permanent. This helps make 529 Plans one of the best ways to save for college.

We're Here to Help Your 529 Plans Take Shape

In November, the ScholarShare[®] College Savings Plan will have a new program manager, Fidelity Investments. Together, the ScholarShare Investment Board and Fidelity Investments, one of the world's largest providers of financial services, will offer lower fees on many investments, complimentary investment guidance,¹ better account access, and more investment options to California families.

We encourage you to read this brochure carefully to understand what will happen in the coming weeks as your account is moved from TIAA-CREF Tuition Financing, Inc. (TFI) to Fidelity. Our goal is to make the transition period as easy as possible for you and help you make the most of your 529 plan with Fidelity.

¹ Guidance is provided by Fidelity Representatives through the use of Fidelity's suite of guidance tools. These tools are educational tools and not intended to serve as the primary or sole basis for your investment or tax planning decisions.

If you have questions about the transition, call 1-800-544-5248, press 2 to speak to a Fidelity Representative.

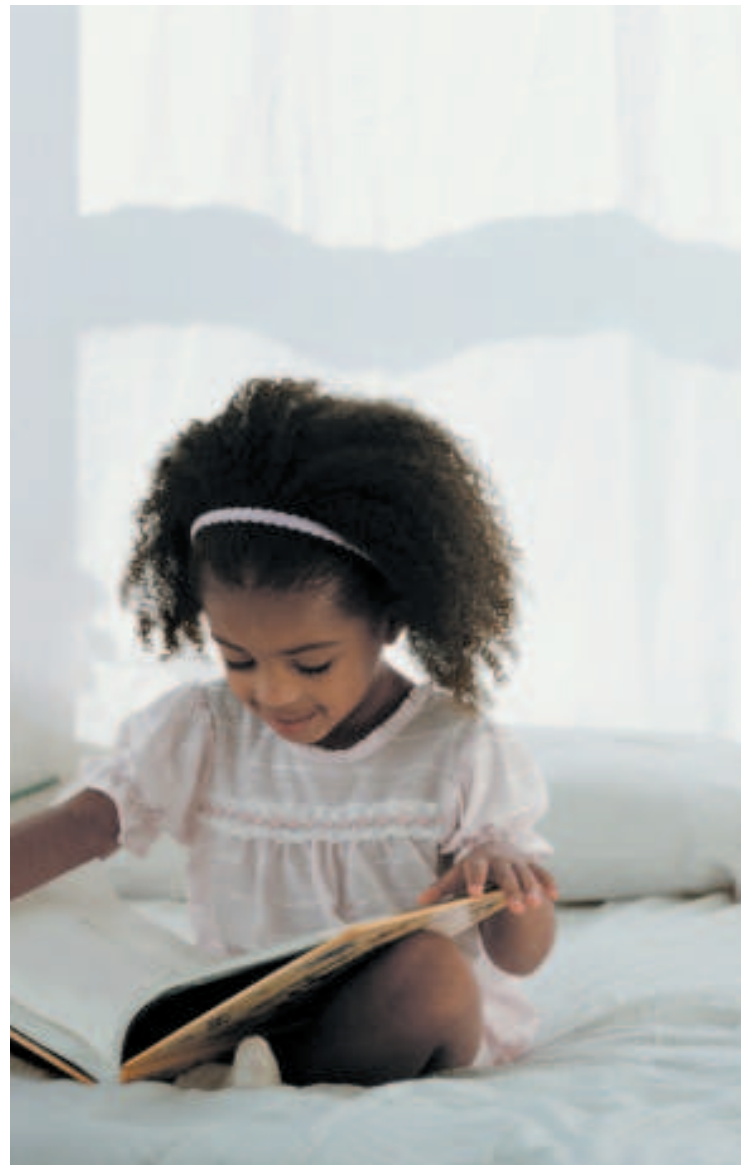
About Fidelity Investments

Why did the ScholarShare Investment Board choose Fidelity Investments as the new program manager?

The ScholarShare Investment Board evaluated proposals in a competitive bid process and selected Fidelity Investments. As one of the country's leading 529 plan managers, Fidelity is committed to helping families plan and save for college by providing exceptional money management, outstanding customer service, and state-of-the-art technology.

With Fidelity, you can count on:

- **More than 60 years of investment experience.** Fidelity currently manages multiple state-sponsored 529 college savings plans, equaling more than \$8.1 billion in college savings dollars in 600,000 accounts nationwide.
- **Outstanding customer service.** You can access Fidelity online, contact a Fidelity Representative 24/7 by phone, or visit one of 22 Investor Center locations in California.
- **Powerful online tools and education.** Fidelity empowers families with the tools and information they seek to be successful investors.
- **Complimentary investment guidance.** Non-commissioned Fidelity Representatives can help you with your important college planning and other investment decisions.
- **Opportunity for additional savings.** Supplement your college savings with a Fidelity Investments 529 rewards card.



If you have questions about your account before November 10, call TFI at 1-877-728-4338.

How the ScholarShare Plan Will Change

	Before	After
Program & Investment Manager	TIAA-CREF Tuition Financing, Inc. (TFI)	Fidelity Investments
Investment Options	2 Age-Based Options 3 Blended Options*	2 Age-Based Options 6 Static Portfolios 5 Individual Fund Portfolios 1 Social Choice Portfolio
Management Fees	0.80% of assets	0.50% of assets in Index Fund Portfolios 0.80% of assets in the Social Choice Portfolio 0.72% - 1.09% of assets in Actively Managed Fund Portfolios
Investment Guidance		Complimentary investment guidance to help plan for college and other financial goals
Online Account Management	24/7 online account access	24/7 online account access
Account Management via Phone	Telephone consultants available Monday-Friday, 5 a.m. - 8 p.m.	Fidelity Representatives available 24/7
Walk-in Investor Center Locations	None	22 Investor Center locations throughout California
Investor Rewards	None	Accumulate rewards points that convert to "Fidelity 529 Dollars" and are deposited into your Fidelity-managed 529 plan account, when you use the Fidelity Investments 529 rewards card.

*TFI will continue to manage the Guaranteed Option assets following the transition. For more information, see page 5.

If you have questions about the transition, call 1-800-544-5248, press 2 to speak to a Fidelity Representative.

Key Transition Dates

Your account records will be automatically transferred from TFI to Fidelity. *Please note that during the transition, you will not be able to perform any transactions in your account such as making a contribution or changing your investment options.*

KEY DATES SURROUNDING THE TRANSITION PERIOD.	
Key Date and Time	What Will Happen
Until November 3, 1 p.m. PT	All account transactions will be processed as usual.
November 3, 1 p.m. PT	Transaction processing (except automatic contributions) stops.
November 6, 1 p.m. PT	Automatic contribution processing stops.
Until November 10, 1 p.m. PT	Account access available at TFI.
November 10, 1 p.m. PT through November 16, 12 a.m. PT	No account access, no transactions of any kind available.
November 16, 12 a.m. PT	Full account access, including transactions, available at Fidelity. All pending transaction requests held during the transition period will be processed.

To help the government fight the funding of terrorism and money laundering activities, to verify your identity, Federal law requires that Fidelity obtain your name, date of birth, address, and a government-issued identification number before opening your account. In certain circumstances, Fidelity may obtain and verify this information with respect to any person(s) authorized to effect transactions in an account. For certain entities, such as trusts, estates, corporations, partnerships, or other organizations, identifying documentation is also required. Your account may be restricted and/or closed if Fidelity cannot verify this information. Fidelity will not be responsible for any losses or damages (including but not limited to lost opportunity) resulting from any failure to provide this information, or from any restriction placed upon, or closing of, your account.

If you have questions about your account before November 10, call TFI at 1-877-728-4338.

How Your Money Will Move

When Fidelity receives your records from TFI, your assets will automatically be moved to investments that most closely match your current investments and have either the same or lower costs. (See chart below.)

Your new investment lineup will have a similar risk profile, asset allocation and investment style as before. Your future contributions will also be invested in these new options according to your most current investment allocations.

If you choose to make a change to your investments, and haven't already made a change in 2006, you may do so after the transition is complete and you've activated your account with Fidelity. Federal tax law allows only one change per account per calendar year.

At this point, you do not need to take any action.

In the coming weeks, you will receive personalized, detailed information about your new investments, including instructions on how to activate your account.

Important information about the Guaranteed Option²

If you are invested in the Guaranteed Option, your money and any future earnings on that money will remain in that option. However, the Guaranteed Option will be closed to new contributions as of 1 p.m., PT on November 3. The only exception will be contributions made through automatic investment or direct deposit, which will be processed through November 6, 1 p.m. PT. All new contributions received by Fidelity after the transition will be directed to Fidelity Cash Reserves (Money Market) Portfolio.

TFI will continue to manage the Guaranteed Option assets following the transition. At the time of transition, the overall rate of return on the Guaranteed Option will remain the same, but TFI may in the future change the rate in accordance with the process described in the disclosure booklet previously sent to you.

You may move money from the Guaranteed Option to another investment option at any time. Keep in mind that under Federal tax law you are only allowed to make one change per account per calendar year.

² Certain fees are paid by TIAA-CREF Life with respect to assets invested in the Guaranteed Option, but these fees are not deducted from your Account ("Guaranteed Option Fees").

TFI Investment Option	Fees	Your New Fidelity Portfolio	Fees
Age-Based Asset Allocation Option	0.80% of assets	Age-Based Portfolios (Index Series)	0.50% of assets
Aggressive Age-Based Asset Allocation Option	0.80% of assets	Age-Based Portfolios (Index Series)	0.50% of assets
100% Equity Option	0.80% of assets	100% Equity Portfolio (Index Series)	0.50% of assets
Social Choice Option	0.80% of assets	Social Choice Portfolio	0.80% of assets
Guaranteed Option ²	N/A	Guaranteed Option ²	N/A

If you have questions about the transition, call 1-800-544-5248, press 2 to speak to a Fidelity Representative.

A New Plan, New Options

Beginning November 16, families will have access to nine more investment options than currently offered, and be able to choose from Actively Managed Fund and Index Fund Portfolios.

Age-Based Strategy designed around the age of your beneficiary.

With an Age-Based Strategy, you are invested in a portfolio that's been developed by Fidelity fund managers specifically around your beneficiary's birth year. Fidelity has Age-Based Portfolios for children of all age groups.

The portfolio is then professionally managed to change its allocation over time — starting out aggressive, but automatically becoming more conservative as the child nears college age.

The names of most of the Age-Based Portfolios reflect the approximate year that a beneficiary is anticipated to turn 18 and start college.

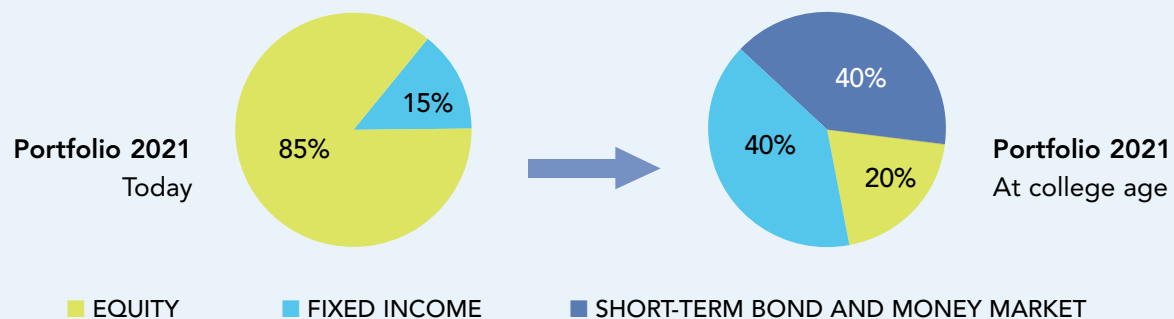
Actively Managed vs Index Funds.

There are two types of Age-Based Options to choose from, one in which the portfolios invest in Actively Managed Funds and one in which the portfolios invest in Index Funds.

Actively Managed Funds invest in a variety of stocks or bonds. These funds seek to outperform a major market index over the long term through active management and therefore may carry a greater risk than Index Funds. These mutual funds are managed by dedicated portfolio managers who are making investment decisions backed by Fidelity's proprietary investment research.

Index Funds invest in stocks or bonds that are included in a specific index (such as the Standard & Poor's 500®)

How a Sample Age-Based Portfolio Target Allocation Will Change as the Child Nears College Age.



Allocations will change over time. For illustrative purposes only. Not representative of any specific asset allocation model.

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Index). These funds seek to track the performance of a major market index over the long term. Index Funds are generally able to keep transaction costs and other expenses relatively low because the portfolio manager is not engaged in active trading trying to outperform the index.

A Custom Strategy that lets you invest the way you want.

With a Custom Strategy, you have the flexibility to choose from several investment approaches that may more directly match your tolerance for risk, your time horizon, or other factors. You can create your own asset allocation strategy by selecting your own allocations from Static Portfolios, Individual Fund Portfolios, and the Social Choice Portfolio Options. Choose from the portfolios listed in the chart on page 8.

Put a percentage of your assets in any combination of Static Portfolios, Individual Fund Portfolios or the Social Choice Portfolio — as long as the total allocation equals 100%. You can change the way you invest future contributions at any time.



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Static Portfolios

Actively Managed Funds	Investment Objectives
100% Equity Portfolio	Seeks growth of capital over the long term, investing 100% in equity mutual funds at all times.
70% Equity Portfolio	Seeks to maximize total return over the long term by allocating its assets among stock and bond mutual funds, investing approximately 70% in equity mutual funds and 30% in bond mutual funds at all times.
Conservative Portfolio (no equity exposure)	Seeks preservation of capital by allocating its assets among bond and money market mutual funds (income being a secondary objective), investing approximately 45% in bond mutual funds and 55% in short-term bond and money market mutual funds at all times.
Index Funds	Investment Objectives
100% Equity Portfolio (Index Series)	Seeks growth of capital over the long term, investing 100% in equity index mutual funds at all times.
70% Equity Portfolio (Index Series)	Seeks to maximize total return over the long term by allocating its assets among stock and bond mutual funds, investing approximately 70% in equity index mutual funds and 30% in bond index mutual funds at all times.
Conservative Portfolio (Index Series)	Seeks preservation of capital by allocating its assets among bond and money market mutual funds (income being a secondary objective), investing approximately 45% in bond index mutual funds and 55% in money market mutual funds at all times.

Individual Fund and Social Choice Portfolios

	Investment Objectives
Spartan® 500 Index Portfolio	Invests in the Spartan® 500 Index Fund. Seeks investment results that correspond to the total return (i.e., the combination of capital changes and income) of common stocks publicly traded in the United States as represented by the Standard & Poor's 500® Index (S&P 500®).
Spartan® Total Market Index Portfolio	Invests in the Spartan® Total Market Index Fund. Seeks to provide investment results that correspond to the total return of a broad range of United States stocks.
Spartan® International Index Portfolio	Invests in the Spartan® International Index Fund. Seeks to provide investment results that correspond to the total return of foreign stock markets.
Spartan® Intermediate Treasury Bond Index Portfolio	Invests in the Spartan® Intermediate Treasury Bond Index Fund. Seeks a high level of current income.
Fidelity Cash Reserves (Money Market) Portfolio	Invests in the Fidelity Cash Reserves fund. Seeks as high a level of current income as is consistent with the preservation of capital and liquidity.
Social Choice Portfolio	Seeks to outperform the KLD Broad Market Social Index (BMS). This investment option invests its holdings in equities of companies that meet certain social and environmental criteria.

If you have questions about your account before November 10, call TFI at 1-877-728-4338.

Frequently Asked Questions

About the ScholarShare Plan Transition to Fidelity Investments

New ScholarShare Plan Enhancements

Q. Why did California change program managers?

A. The goal of the ScholarShare Investment Board is to offer residents of California the best college savings plan possible. When the contract with the existing plan manager was set to expire, the Board wanted to expand upon and enhance the existing program and issued a request for proposals in December 2005. Proposals were evaluated, in a competitive bid process, based on a series of important plan criteria, including investment options, fees and expenses, plan distribution and the reputation of the investment provider. Fidelity was selected as the new program manager and will roll out an enhanced ScholarShare Plan in November 2006.

Q. What are the differences between the old and the new ScholarShare Plans?

A. The new ScholarShare Plan will have lower costs, complimentary investment guidance, a wider range of investment options, and expanded services including 24/7 access to a Fidelity Representative. Please refer to the chart on page 3 to see how the Plan will change.

Q. How can I find out more about Fidelity and how Fidelity-managed 529 plans are performing?

A. Fidelity has a strong, long-term track record in managing 529 plan assets. Performance information is easily accessible online at Fidelity.com.

Q. What will the new ScholarShare Plan fees and expenses be?

A. The fees for the various investment options are: 0.50% of assets in Index Fund Portfolios, 0.80% of assets in the Social Choice Portfolio, and a range of 0.72% to 1.09% of assets in Actively Managed Fund Portfolios. For those with investments in the Guaranteed Option, fees will continue to be reflected in the rate.

The process of changing 529 program managers involves moving assets from the current program manager, TFI, to the new program manager, Fidelity. Moving the assets will result in the sale of securities held by the former program manager and the subsequent purchase of new securities by the new program manager. The process of selling and purchasing securities creates a one-time transaction cost that will be nominal and will be absorbed by the ScholarShare Plan Accounts.

ScholarShare Plan Investment Options

Q. How will the transition affect my existing investments? Do I choose new investment options in the Fidelity-managed plan when my account changes over?

A. When the account transfer takes place, both your existing investments and future contributions will automatically be directed toward the most similar investments in the new plan. If you have an existing Age-Based Option, you will default to the appropriate Age-Based Index Portfolio based on the age of the beneficiary. You may change your investments prior to and immediately

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following the transition, but may not change your investments during the transition period. If you choose to change your investments following the transition, keep in mind that federal tax law allows you to change your investment allocations once a calendar year per account or upon any beneficiary change. If you have already changed your allocations anytime during the 2006 calendar year, beginning in 2007 you will have an opportunity to make another change.

Q. Can I keep my existing ScholarShare Plan investments with TFI?

A. No, with the exception of the Guaranteed Option, all existing investments will be moved over to Fidelity during the transition. If you are currently invested in the Guaranteed Option, you will remain invested in that option at TFI. For your convenience, you will receive your account statement from Fidelity and Fidelity Representatives will be available to answer any questions you may have about your account.

Q. Can Fidelity help me choose new investments?

A. Non-commissioned Fidelity Representatives are available 24 hours a day, 7 days a week to help you review the range of investment options through the new ScholarShare Plan and determine the best investment strategy for you. Fidelity Representatives can address all of your college planning needs and provide complimentary investment guidance, on a number of financial goals. Stop by any of the 22 Investor Center locations in California or call 1-800-544-5248.

Account Transition Period

Q. Do I need to prepare for the transition or move my plan savings over to the new Fidelity-managed plan?

A. In the coming weeks you will be asked to activate your account after it is transferred over to Fidelity. During account activation we will ask you to verify your personal and employer information and complete an investment profile to ensure that you are well positioned to meet your investment objectives. You must activate your account before you can make a transaction such as contribute, change investment options or make a withdrawal.

However, you do not need to move over your plan savings when the transition between program managers takes place, because that will happen automatically.

Q. What will happen if I make a contribution, open a new account or submit a withdrawal request during the transition period?

A. All requests sent to TFI during the transition period will be redirected to Fidelity and will be processed on or after the transition is completed on November 16.

Q. Can I make a withdrawal during the transition period?

A. You will not be able to make a withdrawal during the transition period. If you need to take one to pay for tuition, ensure that this transaction occurs prior to November 3. Otherwise, you will have to wait until November 16.

If you have questions about your account before November 10, call TFI at 1-877-728-4338.

Q. Can I access my account online during the transition?

- A.** As is typical when this type of plan conversion takes place, there will be a short period of time when certain transactions and account access are unavailable.

From November 3 through November 10, you will have the ability to view your account balance and make an account inquiry. However, you will not have the ability to transact in your account. This means that you cannot contribute, make a withdrawal or open a new account during this time. From November 10 through November 15, you will have neither account access nor the ability to transact in your account.

You will have full access beginning at 12 a.m. on November 16 once you have activated your account. All account owners will need to register for online account access following the transition.

Q. When will I receive my next statement?

- A.** You will receive a November statement from Fidelity that will arrive in early December. You will receive your last statement from TFI on or around November 20, 2006.

Account Management

Q. What will happen with my account that is funded by payroll deductions?

- A.** If you currently contribute to your account through your employer's payroll deduction, you will receive a special notification and a Direct Deposit Form from Fidelity. You must fill out this form and provide

to your employer. Contributions made through your employer will stop if you do not send in a completed Direct Deposit Form within 60 days after the transition date.

If you work for the state of California, the University of California, or UC Labs, your payroll deductions will automatically be transitioned to Fidelity Investments. During the transition period your payroll deductions will be received by Fidelity and will be posted to your account at the end of the transition period.

Q. Will the automatic contributions I make to the Plan from my bank account remain in place?

- A.** If you made arrangements for automatic contributions through the Automatic Contribution Plan at TFI, these instructions will carry over to Fidelity and be processed through Fidelity Automatic Account Builder,[®] a similar program which processes regular contributions. Automatic contributions will not be processed during the transition period, but will resume following the transition, when all pending transactions will be processed.

Q. What will happen to my money invested in the Guaranteed Option?

- A.** Existing participants may remain in their Guaranteed Option through the ScholarShare Plan, but will not be able to invest new money. The new Fidelity-managed Plan will not offer a Guaranteed Option. However, for those interested in a conservative investment strategy, Fidelity offers Fidelity Cash Reserves (Money Market) Portfolio. You may move money from the Guaranteed Option to another investment option at any time.

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Questions?

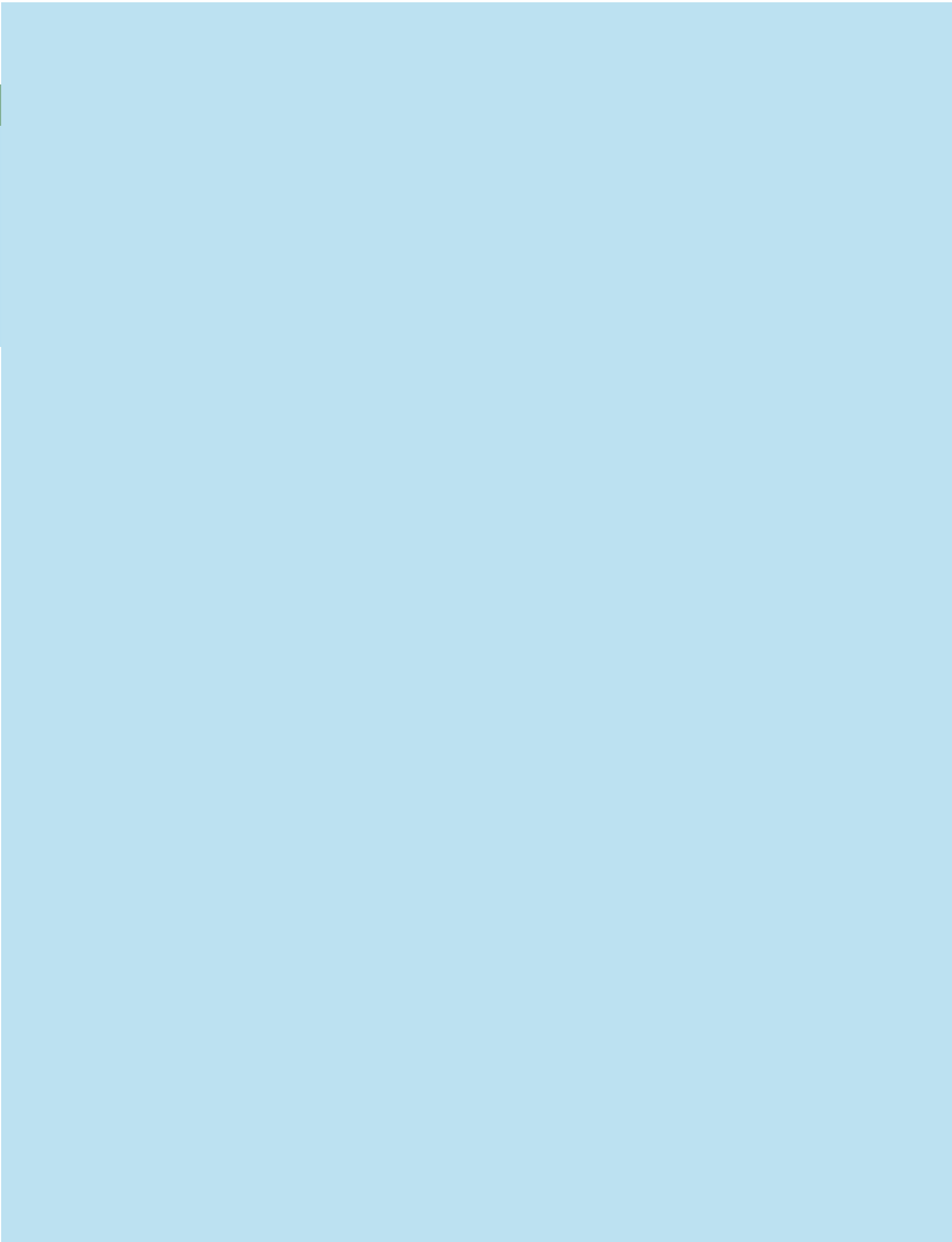
ScholarShare and Fidelity are excited about these changes and the new benefits that will be available to California families.

Questions about the transition?

- Call 1-800-544-5248 and press 2 to speak to a Fidelity Representative or visit [Fidelity.com/ScholarShare](https://www.fidelity.com/ScholarShare)

Questions about your account?

- Before November 10, call TFI at 1-877-728-4338





Founded in 1946, Fidelity Investments has since grown to become one of the world's largest providers of financial services and offers a wide variety of products and services to 21 million individuals and institutions. The firm is the largest mutual fund company in the United States, the number one provider of workplace retirement savings plans, one of the largest mutual fund supermarkets, and a leading online brokerage firm.

The S&P 500® Index is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks that includes the reinvestment of dividends.

The ScholarShare® College Savings Plan is offered by the ScholarShare Investment Board, an agency of the state of California, and managed by Fidelity Investments.

If you or the designated beneficiary are not a California resident, you may want to consider, before investing, whether your or the designated beneficiary's home state offers its residents a plan with alternate state tax advantages or other benefits.

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation. Neither the principal deposited nor the investment return, if any, of the ScholarShare College Savings Plan is guaranteed by the state of California, the ScholarShare Investment Board, Fidelity Investments or any of its affiliates, or the federal government or any agency thereof.

Please carefully consider each plan's investment objectives, risks, charges, and expenses before investing. For this and other information on any 529 College Savings Plan managed by Fidelity, call or write to Fidelity or visit Fidelity.com for a free Fact Kit. Read it carefully before you invest.