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SEC CHARGES FIDELITY, EXECUTIVES AND EMPLOYEES FOR IMPROPERLY ACCEPTING LAVISH GIFTS PAID FOR BY BROKERS

Washington, D.C., March 5, 2008 – The Securities and Exchange Commission today charged fund manager Fidelity Investments and 13 current or former employees including high-ranking executives for improperly accepting more than $1.6 million in travel, entertainment, and other gifts paid for by outside brokers courting the massive trading business Fidelity generates on behalf of the mutual funds it manages.

In a settled Order against Fidelity, the SEC charged that the firm failed to seek "best execution" – the most favorable terms reasonably available – for its clients' mutual funds securities transactions. The Order found that Fidelity allowed the selection of brokers to execute those transactions to be influenced by lavish gifts as well as family and romantic relationships with brokers.

"The broker selection process on Fidelity's equity trading desk was compromised when gifts and lavish entertainment swayed the flow of brokerage business," said Walter Ricciardi, Deputy Director of the SEC's Division of Enforcement. "This misconduct created a serious risk of investor harm and violated Fidelity's duty of allegiance and loyalty to investors."

"This case demonstrates again the SEC's commitment to preventing conflicts of interest from compromising the integrity of the markets," said David P. Bergers, Regional Director of the SEC's Boston Regional Office. "Investment advisers must insist that brokerage firms compete for mutual fund business based on their ability to deliver best execution, not based on personal considerations like event tickets."

The SEC Order requires Fidelity to pay an $8 million penalty, which takes into account Fidelity's separate agreements with its mutual fund trustees and institutional and other clients to make additional payments. The SEC also censured Fidelity, ordered the firm to cease any further violations, and required Fidelity to hire an independent compliance consultant to conduct a comprehensive review of Fidelity's current policies and procedures concerning equity trading operations, conflicts and gifts. Fidelity consented to the Order without admitting or denying the findings.

According to the SEC Order, those charged received a host of travel, entertainment and other gifts paid for by outside brokers, including private jet trips to such places as Bermuda, Mexico, and Las Vegas and premium sports tickets to events including Wimbledon, the Super Bowl, and the Ryder Cup golf tournament.

The individuals charged by the SEC include Scott E. DeSano, Fidelity's former senior vice president and head of global equity trading. Other executives charged were Bart A.

Grenier, a senior vice president who held supervisory responsibility for Fidelity's equity trading desk and other business groups, and Peter Lynch, Fidelity's trustee, vice chairman and former portfolio manager of Fidelity's flagship Magellan Fund. Grenier and Lynch settled the SEC's charges without admitting or denying the allegations.

The SEC's Order against Lynch found that he obtained numerous free tickets to concerts, theater and sporting events paid for by outside brokers through his requests to two traders on Fidelity's equity trading desk, causing those traders to violate an Investment Company Act provision that bars accepting compensation from outside sources when transacting on behalf of a mutual fund. The Order requires Lynch to cease committing or causing any further violations and to pay $15,948 in disgorgement – equaling his ill-gotten gains – and prejudgment interest of $4,183.

The SEC's Order against Grenier finds that he violated the Investment Company Act in connection with his acceptance of $38,500 worth of tickets from brokers to 21 concerts and sporting events. The Order further finds that Grenier caused violations of the Investment Company Act by DeSano, through whom Grenier requested the tickets from brokers. The Order requires Grenier to pay disgorgement and prejudgment interest in the amount of $26,316.89, and a $25,000 penalty. Grenier also was censured and ordered to cease further violations.

DeSano still faces SEC charges along with nine current or former Fidelity equity traders: Thomas H. Bruderman, Edward S. Driscoll, Timothy J. Burnieika, Robert L. Burns, David K. Donovan, Jeffrey D. Harris, Christopher J. Horan, Steven P. Pascucci, and Kirk C. Smith. Former Fidelity equity trader Marc C. Beran settled the SEC's action against him without admitting or denying the charges.

The SEC alleges that DeSano knew that certain Fidelity traders directed transactions to brokers who provided them with travel, entertainment and gifts, and also to brokers with whom certain Fidelity traders had a family or romantic relationship.

On Dec. 1, 2006, the SEC brought a settled enforcement action against Jefferies & Co, Inc., its Director of Equities Scott Jones, and former Senior Vice President and equity sales trader Kevin Quinn in connection with Jefferies' provision of extravagant travel and entertainment, and other lavish gifts to Fidelity equity traders and DeSano in order to win securities brokerage business from the Fidelity mutual funds.

The Commission acknowledges the assistance and cooperation of FINRA, which first discovered the conduct at issue during a routine examination of Jefferies & Co., Inc.

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