

## **Report and Conclusions of the Independent Trustees of the Fidelity Funds on Fidelity Traders' Receipt of Improper Travel, Entertainment, Gifts and Gratuities**

On July 20, 2005, the Independent Trustees of the Fidelity Funds ("Funds") authorized an independent review with the objective of developing an authoritative, independent assessment of whether, and to what extent, the Funds may have been impacted as a result of the acceptance by some traders employed on Fidelity's equity trading desk of travel, entertainment, gifts and gratuities ("TEGG") in violation of Fidelity policies.

The Honorable John S. Martin, Jr. was engaged to conduct the review. The Independent Trustees instructed Judge Martin to conduct a thorough, authoritative and independent assessment of the adverse impact on the Funds, if any, resulting from trades initiated by Fidelity traders in recognition of improper TEGG. To assist Judge Martin in this effort, an economic consultant was engaged in mid-September 2005 to perform an econometric and statistical analysis of Fund trading activity during the relevant period. During the course of this inquiry, Judge Martin met with the Independent Trustees as a group and with the Funds' Governance and Nominating Committee. Judge Martin also spoke frequently with the Chairman of the Independent Trustees.

The Independent Trustees accepted Judge Martin's final report of his investigation on November 16, 2006.

Judge Martin directed the economic consultant to conduct a statistical analysis of trades placed by specific Fidelity traders that had been identified by the Securities and Exchange Commission ("SEC") as having received improper TEGG from specified brokers. Judge Martin also conducted interviews, reviewed email and other communications among traders and brokers, and reviewed testimony that was taken in the course of the SEC inquiry into this matter. At the end of his review and consideration of this material, including the statistical analysis conducted by the economic consultant, Judge Martin concluded that it was not possible to prove statistically that traders' receipt of TEGG did or did not result in excessive execution costs for the Funds. Judge Martin also concluded that certain traders had misdirected order flow among the brokerage firms on Fidelity's approved list. Judge Martin then relied on elements of the statistical analysis as well as other considerations to recommend that Fidelity pay the affected Funds \$40.7 million, plus interest and expenses of the investigation.

The Independent Trustees believe that Judge Martin's inquiry has provided a thorough, exhaustive and technically sound basis on which to propose a resolution of this matter on behalf of the Funds. The Independent Trustees believe that, in spite of the absence of proof that the Funds experienced diminished execution quality as a result of traders' receipt of improper TEGG, the conduct at issue was serious, is worthy of redress and, as Judge Martin concluded, any uncertainty should be resolved in favor of the Funds. The Independent Trustees further note that inadequate supervision and other shortcomings exposed the Funds to the potential risks of adverse publicity, loss of credibility with their principal regulators, and loss of Fund shareholders. Drawing on Judge Martin's exhaustive investigation, as well as their own inquiry and deliberations concerning this matter, the Independent Trustees believe that it would be appropriate for Fidelity to pay to the affected Funds \$42 million, plus interest and expenses.

The Independent Trustees request that Fidelity submit for Independent Trustee approval a proposed allocation among the affected Funds of the amounts payable by Fidelity to them.

In reaching these conclusions, the Independent Trustees considered Fidelity's remedial efforts in response to the TEGG matter, and positive actions with respect to brokerage practices generally, including new management in the trading room and other personnel actions, a heightened emphasis on a culture of compliance surrounding the equity trading desk, and the development and implementation of new and more stringent firm-wide TEGG policies. The Independent Trustees also appreciate that Fidelity has been an industry leader in its efforts to reduce Fund trading costs, reduce brokerage commissions paid by the Funds and unbundle research costs from Fund trading costs, all of which efforts have benefited Fund shareholders.

The Independent Trustees, with Fidelity, will continue to monitor the compliance of Fidelity employees with Fidelity's TEGG-related policies and procedures and other ethical guidelines as well as execution quality with respect to the Funds' portfolio transactions, and request that Fidelity continue to make periodic reports on these matters to the Board or the Compliance Committee, as appropriate. Further, the Independent Trustees request that Fidelity remain diligent in its efforts to reduce trading costs and to seek superior execution quality for the Funds.

December 14, 2006