



Edward C. Johnson 3d
Chairman and Chief Executive Officer
82 Devonshire Street
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Dear Fidelity Customer:

Many of you have read or heard news stories recently that were critical of mutual funds and made allegations that our industry has been less than forthright with mutual fund shareholders. I find these reports deeply disturbing, and would like you to know where we at Fidelity stand.

With specific regard to allegations that certain mutual fund companies were violating the Securities and Exchange Commission's forward pricing rules or were involved in so-called "market timing" activities, I want to say two things:

First, Fidelity does not have agreements that permit customers who buy fund shares after 4 p.m. to obtain the 4 p.m. price. This is not to say that someone could not deceive the company through fraudulent acts. But I underscore that we have no so-called "agreements" which would permit this illegal practice.

Second, Fidelity has been on record for years opposing predatory short-term trading which adversely affects other shareholders in a mutual fund. In fact, in the 1980s, we began charging a fee — which is returned to the fund and, therefore, to investors — to discourage this activity. What's more, several years ago we took the industry lead in developing a [Fair Value Pricing policy](#) to prevent market timing on foreign securities in our funds. It is reasonable to assume that another structure can be developed that would alter the system to make it much more difficult for predatory traders to operate. This, however, will only be achieved through close cooperation among regulators, legislators and the industry.

For more than 57 years, Fidelity Investments has worked very hard to improve its products and service to justify your trust. When our family founded this company in 1946, we had only a few hundred customers. Many of them were family and friends. Today, we serve more than 18 million customers including individual investors and participants in retirement plans across America.

All along the way, we knew our long-term success would depend on two factors above all:

- ✓ Delivering strong investment performance over time for Fidelity customers
- ✓ Living by the same ethical standards we brought to serving those first few customers — our own family and friends

Certainly no industry is perfect, and there have been instances of unethical and illegal activity from time to time within the mutual fund industry. When this occurs, confessed or convicted offenders should be dealt with appropriately.

I believe most mutual fund management companies endeavor to serve their shareholders honestly. Clearly, every system can be improved. We applaud well thought out improvements by regulators, legislators and industry representatives that achieve the common goal of building and protecting the value of investors' holdings. But we remain concerned about the risk of over-regulation and the quick application of simplistic solutions to intricate problems.

There is no panacea that I know of which will eliminate all future problems from this, or any, industry. Problems are an inevitable part of business. It is how they are dealt with that is critically important. One has faith that through vigilance and partnership on the part of regulators, we in the industry, and you, the customer, the system will continue to improve and long endure.

Let me close by saying that we do not take your trust in us for granted, and we realize that we must always work to improve all aspects of our service to you. In turn, we urge you to continue your active participation with your financial matters, so that your interests can be well served.

Thank you for your business.

Sincerely,

Edward C. Johnson 3d

Fidelity Distributors Corporation
Fidelity Investments Institutional Services Company, Inc.

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