



proportionate shares of the MFS Fair Fund based on information contained in MFS's records, as well as records obtained from third-party intermediaries, obviating any need for a claims process.

In accordance with the Commission's Rules on Fair Fund and Disgorgement Plans (the "Fair Fund Rules"), 17 C.F.R. § 201.1100, *et seq.*, the Plan proposes a Fund Administrator and sets forth, among other things, procedures for the receipt of additional funds; the methodology for allocating distributions under the Plan, procedures for the administration of the Fund, and provisions for the termination of the MFS Fair Fund.

Rust Consulting, Inc. ("Rust"), proposed in the Plan as the Fund Administrator, has not posted the bond generally required of third-parties under Fair Fund Rule 1105(c).<sup>1</sup> Rather, the Plan incorporates several layers of protection for the MFS Fair Fund. Among other things, under the Plan: (1) the Fund Administrator will have no custody, and restricted control, of the Fund; (2) the funds will be held by Treasury until immediately before transmittal of checks or wires to eligible investors; (3) upon transfer from Treasury, funds will be held in an escrow account, separate from Bank assets, until presentation of a check, at which time funds will be transferred to a controlled distribution account; (4) presented checks or wires will be subject to "positive pay" or similar controls before being honored by the bank; and (5) both the bank and the fund administrator will maintain, throughout this process, insurance and/or a financial institution bond that covers errors and omissions, misfeasance, and fraud.

On September 14, 2006, the Commission published the Plan and issued a Notice of Proposed Distribution Plan and Opportunity for Comment (Exchange Act Release No. 54440A) pursuant to Rule 1103 of the Fair Fund Rules, 17 C.F.R. § 201.1103. The Notice advised interested parties that they could obtain a copy of the Plan at <http://www.sec.gov/litigation/admin/2006/34-54440-pdp.pdf>, or by submitting a written request to Sheila D'Entremont, United States Securities and Exchange Commission, 33 Arch Street, 23<sup>rd</sup> Floor, Boston, MA 02110. The Notice also advised that all persons desiring to comment on the Plan could submit their comments, in writing, no later than "October 16, 2002."<sup>2</sup>

In response to the Notice, the Spark Institute, Inc. ("Spark"), the Coalition of Mutual Fund Investors ("CMFI"), and Merrill Lynch & Co., Inc. ("Merrill Lynch") submitted public comments to the Office of the Secretary.<sup>3</sup> The Commission staff engaged in subsequent communications with the IDC to discuss the issues that each

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<sup>1</sup> Based on estimates provided to the staff of the Commission, the cost of a bond could be in the millions of dollars.

<sup>2</sup> The Notice should have read "October 16, 2006."

<sup>3</sup> The Office of the Secretary also received comments from two individuals. The first, received on September 19, 2006 from MFS shareholder Michael Zabinsky, criticized (1) the size of the MFS settlement; (2) delays in publishing a distribution plan; (3) the complexity of the Plan; and (4) the IDC's conclusion that the MFS Emerging Growth Fund – the fund in which Mr. Zabinsky was a shareholder – did not suffer any net harm from the improper conduct at issue. The second, received on September 21, 2006 from Ruth Perko, simply requested the Plan be provided to her in another form. The staff did so on October 2, 2006.

commenter raised in its respective letter. In general, the Spark Letter seeks relief on behalf of intermediaries for non-IRA Retirement Accounts<sup>4</sup> eligible for a distribution under the Plan from time constraints, allocation requirements and costs arising in connection with distributions under the MFS Plan. The CMFI Letter, written on behalf of individual mutual fund investors, expresses concern about, among other things, the procedures by which the IDC will seek individual investor information from omnibus accounts, as well as how Fair Fund money provided to omnibus accounts will be distributed. Merrill Lynch's letter raises questions about, among other things, limitations on liability and security for data that omnibus accounts may submit to the IDC as part of the distribution process.

After careful consideration, the Commission has concluded that the Plan should be approved in accordance with the changes described below in Section II.B. The Commission has further determined that, for good cause shown, the bond required under Fair Fund Rule 1105(c) will be waived and that Rust Consulting, Inc. is appointed as the Fund Administrator.

## II.

### A. Public Comments on the Plan

#### 1. The Spark Letter

The Spark Letter, dated October 16, 2006, is written on behalf of "retirement plan service providers that will be responsible for reconstructing accountholder balance information, making certain allocations, receiving distributions, and making distributions to plan participants who are the intended beneficiaries of a substantial portion of the distribution at issue." In its letter, Spark sought (1) clarification of the time retirement plan service providers have to receive directions from plan sponsors for participant level allocations; (2) permission to make plan level allocations using a method other than historical cost balances; and (3) reimbursement for reasonable costs incurred in carrying out duties prescribed by the Plan. The Commission addresses these issues below.

The MFS Plan provides omnibus accounts, which would include retirement accounts, with options for how they wish the distributions to be made to beneficial shareholders. At a minimum, omnibus accounts are provided 45 days from the date of the MFS Plan's approval to make their selection. Thus, no retirement account, and no retirement plan service provider, will receive any funds from the MFS Fair Fund until at least 45 days after the MFS Plan is approved. Moreover, paragraph 4(a) of the MFS Plan provides that the "IDC may grant . . . any Omnibus Account or Network Level Account an extension of any time period" specified in the Plan. The Plan therefore provides retirement plan service providers sufficient time to contact and receive plan sponsor instructions.

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<sup>4</sup> "Retirement Account" as used in the Plan and herein, means any account of an employee benefit plan, as such plans are defined in section 3(3) of the Employee Retirement Income Security Act of 1974, 29 U.S.C. 1001, *et seq.* ("ERISA"), which is not an Individual Retirement Account, whether or not the plan is subject to Title I of ERISA.

Regarding Spark's request for permission to make plan level allocations using a method other than historical cost balances, Paragraph 17.A of the Plan states in part:

If an Omnibus Account is unable to make distributions as contemplated by the Plan because of operational limitations that make such distribution impracticable or require expenditures that are disproportionate to the Omnibus Account's Distributable Share, such Omnibus Account may . . . notify the IDC in writing. Such notice will describe the circumstances that prohibit the making of distributions in accordance with the Plan and will propose an alternative method of distribution to Beneficial Shareholders of such Omnibus Account. The IDC will respond to such proposal as soon as is practicable after receiving such notice and the determination of the IDC shall be controlling.

Thus, the Plan currently permits retirement plan accounts to propose alternative methodologies to the IDC when either cost or operational difficulties make compliance with the Plan impracticable. As such, there is no need for the Plan to provide a specific alternative methodology to the historical account balance information methodology.

Regarding Spark's request for reimbursement for reasonable costs incurred in carrying out duties prescribed by the Plan, the MFS Plan provides retirement plans with options designed to significantly reduce the costs of distribution for retirement plan service providers. Moreover, MFS has separately agreed that upon request it will reimburse omnibus accounts the reasonable costs they incur in calculating the amount that will be distributed to beneficial shareholders, with the IDC serving as the arbiter of disputes in the event MFS and the omnibus accounts cannot agree.

## **2. The CMFI Letter**

The CMFI comments are in furtherance of "the interests of individual mutual fund investors." In its Comment Letter dated October 16, 2006, CMFI expressed three concerns related to omnibus accounts: the true level of investment activity is incomplete without omnibus account data; the procedures for identifying investors and distributing fair fund monies in omnibus accounts are in need of substantial modification; and the Plan overly relies on the cooperation of financial intermediaries to obtain identity and transaction information. The Commission addresses these points below.

CMFI suggests that the Plan should require the MFS Funds to request from intermediaries, pursuant to Rule 22c-2 of the Investment Company Act of 1940 (17 C.F.R. § 270.22c-2) ("Rule 22c-2"), the information currently sought through cooperation. Rule 22c-2(a)(2) provides that a fund or its principal underwriter or transfer agent must enter into a written agreement with each financial intermediary of the fund under which the intermediary must agree to "provide promptly, upon request by a fund, the Taxpayer Identification Number of all shareholders who have purchased, redeemed, transferred, or exchanged..."<sup>5</sup> along with the amount and dates of such transactions.<sup>5</sup> Under Rule 22c-2, funds must enter into shareholder information agreements with their

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<sup>5</sup> See Rule 22c-2(c)(5) (defining "shareholder information agreement").

intermediaries by April 16, 2007, and must be able to request and promptly receive shareholder identity and transaction information pursuant to shareholder information agreements by October 16, 2007. *See Rules and Regulations Securities and Exchange Commission*, 71 Fed. Reg. 58,257, 58,262 (October 3, 2006). As a result, Rule 22c-2 cannot at this time be used as a means to request investor information from intermediaries.

CMFI also states that it is difficult to know which trades in omnibus accounts are market timing transactions because the trading data is aggregated, therefore a better estimate of market timing gains would result if the IDC evaluates all account data at the sub-account (i.e., the individual investor) level. However, the MFS Plan's approach is reasonable under the circumstances, and CMFI's proposal does not offer a demonstrably superior alternative. The IDC already received and analyzed sub-account data from approximately 80 percent of the omnibus accounts and concluded that applying that data to the loss model did not result in significant variation from results that did not use sub-account data. Moreover, obtaining and analyzing the remaining 20 percent of data would result in additional distribution costs, delays to the distribution process and additional costs to be incurred by those remaining omnibus account holders in generating and providing the additional information.<sup>6</sup> In addition, there would be no net benefit to investors overall, as the amount to be distributed is fixed.

CMFI also describes several situations in which an individual investor in an omnibus account may be treated differently than other investors.<sup>7</sup> One concern is that omnibus accounts may seek to make distributions in a way not contemplated by the Plan through utilizing paragraph 17.A of the Plan. CMFI asserts that this penalizes investors who are customers of intermediaries with less than efficient recordkeeping systems. While some investors may be at a disadvantage as a result of choosing intermediaries with less efficient systems, the extent of any actual disadvantage is uncertain, unquantified, and speculative.<sup>8</sup>

The second situation involves omnibus accounts receiving less than \$10,000 to elect either to make the distributions themselves or do so in another manner they deem appropriate and consistent with their legal obligations to the beneficial shareholders. The proposed \$10,000 threshold is one of a number of possible reasonable alternatives. The

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<sup>6</sup> The approximately eighty percent of sub-account data already received came from four primary omnibus accounts that traded in the relevant MFS funds. To gather the remaining twenty percent of data would necessitate contacting scores of additional omnibus accounts, some of whom may lack the ability to collect the additional data easily, if at all.

<sup>7</sup> CMFI is concerned that the Plan is "a vastly different approach than other Distribution Plans released earlier this year, in which the IDC engaged in an 'outreach process' to obtain certain omnibus information." We disagree. One Plan option calls for the omnibus accounts to provide account data to the IDC for the IDC to make distributions to omnibus accounts directly, a process similar to the "outreach process" used in other distribution plans. Moreover, the IDC already in fact received and analyzed sub-account data from approximately eighty percent of the omnibus accounts eligible to receive distributions under the Plan.

<sup>8</sup> In addition, CMFI is concerned with an intermediary blanketly refusing to accept a distribution on behalf of its omnibus investors. No provision of the Plan would permit such a refusal.

\$10,000 threshold is designed to ensure that the costs of distribution remain somewhat in line with the benefits to be distributed. The Plan still requires omnibus accounts receiving less than \$10,000 to distribute the funds to beneficiaries, but given the small dollar amount in need of distribution, provides them with a more flexible and cost effective way of accomplishing that goal.

The third situation involves the \$1,000 distribution threshold for omnibus accounts. CMFI believes that it is possible that investors within a small omnibus account may be left without a distribution if their total distribution is less than \$1,000. The proposed \$1,000 threshold is one of a number of possible reasonable alternatives. The \$1,000 threshold is designed to ensure that the costs of distribution remain somewhat in line with the benefits to be distributed. While it is conceivable that some omnibus accounts may indeed have a very small number of beneficiaries, MFS has indicated that each of the omnibus accounts set to receive distributions are institutional investors, thereby significantly decreasing the likelihood of such a possibility. Moreover, the Plan contains a provision that would permit the IDC, in his discretion, to use residual distributions to gross-up omnibus accounts that fall below the \$1,000 threshold.

### **3. The Merrill Lynch Letter**

Merrill Lynch's comment letter, dated October 16, 2006, seeks additional protections for financial intermediaries being required to gather data that is not readily available; to extend the limitation of liability to include the firms involved in the distribution of funds and the inclusion of protections related to the transmission of beneficial owner data. The Commission addresses these points below.

Merrill Lynch requests that the Plan acknowledge that omnibus accounts are expected to make only commercially reasonable efforts to acquire data that exceeds applicable record retention requirements. The Plan, however, need not be amended because it already contains a provision that explicitly permits omnibus accounts to propose alternative methodologies to the IDC when operational limitations prohibit the omnibus accounts from complying with the terms of the Plan.

Merrill Lynch also suggests that the Plan contain a clause limiting the liability of omnibus accounts in facilitating the distributions. Neither the Commission nor the IDC has authority to expand or contract the liability of financial intermediaries. If a financial intermediary is subject to any liability, it is as a result of the intermediary's relationship with its client.

Finally, Merrill Lynch is concerned that the transmission of client sensitive information (e.g., name, address, social security number) will expose financial intermediaries to regulatory and reputational risk if the data is mishandled, disclosed, or distributed in an unauthorized manner.<sup>9</sup> Merrill Lynch suggests that the Plan contain

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<sup>9</sup> To the extent Merrill Lynch's comment about regulatory risk refers to the Commission's Regulation S-P (17 C.F.R. Part 248), which limits the ability of financial intermediaries regulated by the Commission to disclose nonpublic personal information to nonaffiliated third parties, Regulation S-P provides exceptions for disclosures for certain purposes, including:

security and confidentiality obligations and indemnification of financial intermediaries for any misuse or loss of client data. However, the Plan does not require financial intermediaries to transmit client data to the Fund Administrator; that is necessary only if such a firm elects to have the Fund Administrator calculate or handle the distribution. In addition, paragraph 17.C of the Plan already provides in part that the Fund Administrator shall “keep any information received from each [omnibus account] . . . confidential from MFS and any other party, except as required by law or as permitted by such [omnibus account].” Moreover, in one-on-one communications with financial intermediaries, such firms are free to request that the Fund Administrator enter into a separate confidentiality agreement.

## **B. Modifications**

The IDC made the following modifications to the Plan in order to create more clarity in the distribution process.

- Language was added in ¶2.b to make clear the types of investments that the escrow bank is permitted to make.
- Paragraphs 9, 16.B and 17.A and assorted exhibits were modified to indicate that tax disclosure information will be placed on a website, as well as available through calling Rust.
- Because the initial version of the MFS Plan has already been posted on the Commission’s website, ¶11 was modified to indicate that proofs of possible entitlement forms or dispute forms must be submitted within 180 days of the Commission’s approval of the Plan.
- To correct a scrivener’s error, certain references to “Record Owner” in ¶17 were changed to “Beneficial Shareholder.”

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- To comply with federal, State, or local laws, rules and other applicable legal requirements. *See* 17 C.F.R. § 248.15(a)(7)(i). For distributions ordered by the Commission, this exception would cover disclosures of nonpublic personal information necessary for making the distributions.
  - As necessary to effect, administer, or enforce a transaction that a consumer requests or authorizes, including if the disclosure is required, or is a usual, appropriate, or acceptable method to administer or service benefits or claims relating to the transaction or the product or service business of which it is a part. *See* 17 C.F.R. §§ 248.14(a), 248.14(b)(2)(ii). In the MFS Plan, disclosure is arguably required if the financial intermediary elects to have the Fund Administrator handle the distributions.

Moreover, Regulation S-P also imposes limits on the redisclosure and reuse of nonpublic personal information. *See* 17 C.F.R. 248.11. For example, if a financial intermediary subject to Regulation S-P were ordered by the Commission to transmit nonpublic personal information to a nonaffiliated third party for purposes of making distributions under the MFS Plan, and the intermediary did so in reliance on an exception in §§ 248.14 or 248.15, the third party receiving the information could use it only for the purpose of making the distributions.

- Language was added in ¶17.A clarifying that the deadline for omnibus accounts choosing Option 3 parallels the deadline for those choosing Option 2, and also that omnibus accounts choosing Option 3, like those choosing Option 2, will be deemed to have chosen Option 1 if their data is not provided to Rust in time.
- Language was added in ¶17.B clarifying that payments that would have been made to network level accounts that lack an identifiable beneficial shareholder must be returned to the MFS Fund for treatment as residual distributions.
- To avoid delays in distribution, language was deleted in ¶¶17.A, 17.B and 17.C that required omnibus and network level account firms to deliver certifications prior to receiving a distribution, and also that would have required the same firms to submit an affidavit verifying that they provided all needed information to the fund administrator.
- Language was added in ¶17.C to clarify that, in situations where omnibus or network level accounts consent, Rust may use the data provided by omnibus and network level accounts in connection with certain aspects of private civil market-timing lawsuit against MFS or its affiliates
- Because certain information related to disqualified beneficiaries may require some application of judgment, omnibus accounts were granted discretion in ¶18.g to send a notice to shareholders it believes are disqualified beneficiaries as opposed to mandating such notice.
- To clarify the limitation of liability clause and the ability of the Commission and the MFS Fair Fund to seek redress in certain circumstances, modifications and additions were made to portions of ¶19.
- To make clear the responsibilities for paying distribution costs incurred in connection with the Plan’s distribution of third party settlement funds and to clarify, language was added in ¶21 and the definition of “Additional Amounts”.
- Certain changes were made to the Plan exhibits to better reflect the IDC’s current understanding of the detailed mechanics of the distribution process. Such changes include:
  - In Plan Exhibits B, C, D, E, F, G(1), G(2) and G(3), adding a general reference that third party funds may be distributed.
  - In Plan Exhibits F, G(1), G(2) and G(3), adding the concept of omnibus/networking firms crediting cash management or brokerage accounts in the retirement account notices.
  - In Plan Exhibits F, G(1), G(2) and G(3), adding in the retirement account notices the concept of a check being issued to the trustee or custodian of a retirement account “or any successor trustee or custodian” so as to potentially eliminate the need to issue a new check if a custodian or trustee has changed.



- In Plan Exhibits B and D, making the notices more reader-friendly by highlighting which funds suffered losses and correcting typos.
- In Plan Exhibit B, deleting placeholder language requesting wire transfer instructions so as to reduce the likelihood of receiving unidentified or unanticipated wire information.
- In Plan Exhibits B, C, D, E, F, G(1), G(2) and G(3), deleting placeholder language for a hearing impaired number, as in the fund administrator's experience such numbers are rarely, if ever, used.
- In Plan Exhibit B, adding placeholder language to notify shareholders that a class action lawsuit against MFS is pending.

**C. The Bond Requirements of Fair Fund Rule 1105(c)**

Fair Fund Rule 1105(c) provides:

*Administrator to Post Bond.* If the administrator is not a Commission employee, the administrator shall be required to obtain a bond in the manner prescribed in 11 U.S. C. 322, in an amount to be approved by the Commission. The cost of the bond may be paid for as a cost of administration. The Commission may waive posting of a bond for good cause shown.

17 C.F.R. § 201.1105(c). The Commission believes that the risk protection provisions of the Plan, generally included in ¶¶2(b) and 2(c) and Annex B of the Plan, and the high cost of bond coverage, suffice to constitute good cause for waiving the posting of the bond under Rule 1105(c).

**D. Assets from Third Party Settlements**

In addition to the approximately \$226 million paid into the MFS Fair Fund by the Respondents in settlement of this matter, in October 2006 the MFS Fair Fund received approximately \$83 million pursuant to a court order in SEC v. Daniel Calugar and Security Brokerage, Inc., No. CV-S-03-1600-RCJ-RJJ (D.Nev. entered Oct. 16, 2006). The Plan provides for the allocation and distribution of the MFS Fair Fund, including any accrued interest, to eligible accountholders as compensation for their losses suffered due to late trading and market timing as well as their proportionate share of advisory fees paid during the period of such trading activity. In calculating eligible investors' proportionate share of losses, the IDC did not exclude trades conducted by the defendants in Calugar. As a result and after consultation with the MFS Fair Fund's Tax Administrator, all funds received from the Calugar action shall be deemed a return of eligible accountholders' proportionate share of advisory fees.

Accordingly, IT IS ORDERED that:

- A. Pursuant to Rule 1104 of the Fair Fund Rules, 17 C.F.R. § 201.1104, that the Distribution Plan is modified as described above, and approved with such modification;
- B. Rust Consulting, Inc. is appointed as the Fund Administrator; and
- C. The bond requirement of Rule 1105(c) of the Commission's Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. 201.1105(c), is waived for good cause shown.

By the Commission.

Nancy M. Morris  
Secretary

## SUMMARY OF PROPOSED LOSS MODEL

The Order requires a distribution based on (a) “losses” arising out of “late trading” and “other market timing activity” or (b) to the extent that such losses are less than the Settlement Amount, advisory fees paid by the Funds for advisory services during the Period. “Losses” have been estimated for the 11 Funds listed below for the period beginning on the date a Fund began including certain disclosures relating to MFS’s policies regarding market timing (specified in the Order) in its prospectus (such dates listed below) and ending on October 31, 2003. The Settlement Amount is fixed by the Order, and is not affected by estimates of Losses under the plan. Certain capitalized terms used in this exhibit are defined in Annex A to the Plan.

The Funds consist of:

Five large-cap domestic equity Funds (Equity Funds):

- MFS Emerging Growth Fund (MEG) (Period begins 4/1/00);
- MFS Research Fund (MFR) (Period begins 2/1/00);
- MFS Value Fund (EIF) (Period begins 1/1/00);
- Massachusetts Investors Trust (MIT) (Period begins 5/1/00);
- Massachusetts Investors Growth Stock Fund (MIG) (Period begins 4/1/00);

One “blended” fund (60% large-cap domestic equity, 40% bond):

- MFS Total Return Fund (MTR) (Period begins 2/1/00);
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Three bond funds (the Bond Funds):

- MFS Government Securities Fund (MFG) (Period begins 7/1/99);
- MFS Government Mortgage Fund (MGP) (Period begins 12/1/99);
- MFS Bond Fund (MFB) (Period begins 9/1/99); and,

Two money market funds (the Money Market Funds):

- MFS Money Market Fund (LMM) (Period begins 1/1/00); and
- MFS Cash Reserves Fund (MCM) (Period begins 1/1/00).

### I. Estimated Losses from Frequent Trading

Losses from frequent trading are estimated on a day-by-day basis for each Fund. These estimated losses (Losses) equal estimated Dilution and Related Losses from Excess Trades plus estimated Other Losses, each as defined below.

**SUMMARY OF PROPOSED LOSS MODEL**II. Estimates of Dilution and Related Losses from Excess Trades

Estimates of Dilution Related Losses from Excess Trades equal Net Trading Profits on Excess Trades plus Net Investment Losses Incurred by the Fund on Excess Trades, each as defined below.

Excess Trades are all Roundtrip Trades after the third Roundtrip Trade in an Account in a calendar year.

Roundtrip Trades are defined as exchange purchases and exchange redemptions of Class A shares of at least \$100,000 in any Account matched within 30 days using a last-in, first-out methodology. For Large Omnibus Accounts, all transactions identified as “buys,” “sells,” “trades” or “purchases” of Class A shares involving at least \$100,000 for each subaccount in the data provided by the nominal account holders to Consultants were matched with opposite-way transactions within 30 days using a last-in, first-out methodology.

Accounts are separate individual or institutional accounts as reflected on the books and records of the Funds, except with respect to Large Omnibus Accounts, for which Accounts are the separate individual or institutional accounts as reflected on the books and records of the institution that is the nominal account holder as reflected on the books of the Funds, as provided by such nominal account holders to Consultants.

Large Omnibus Accounts are the four largest Omnibus Accounts, based on assets as of July 1, 2004.

(1) Net Trading Profits on Excess Trades

Net Trading Profits equal the Profits realized on Excess Trades during the Period.

More specifically, Net Trading Profits for each Excess Trade equal the sum of (a) the product of (i) the number of shares involved in the Excess Trade and (ii) the difference between the NAV on the day of the redemption and the NAV on the day of the purchase plus (b) dividends earned by the Account during the Excess Trade (i.e., from the date of the purchase through the date of redemption).

(2) Net Investment Losses Incurred by the Fund on Excess Trades

Net Investment Losses Incurred by the Fund equal the dollar amount lost by the Fund during and after Excess Trades on the portion of net cash flows from Excess Trades that are invested in portfolio securities.

## SUMMARY OF PROPOSED LOSS MODEL

More specifically, Net Investment Losses Incurred by the Fund for each Excess Trade are estimated as follows:

- (a) The average effect of all trades by Accounts that engaged in Excess Trades on a Fund's portfolio investments (controlling for the average effect of trades by other Accounts) over the Period<sup>1</sup> is estimated by the following ordinary least squares regression:

$$\begin{aligned} \text{ACP}_t = a + & \quad b_1\text{FTCF}_t + \quad c_1\text{NFTCF}_t \quad + \\ & \quad b_2\text{FTCF}_{t-1} + \quad c_2\text{NFTCF}_{t-1} \quad + \\ & \quad \dots \quad \quad \quad \dots \\ & \quad b_k\text{FTCF}_{t-k-1} + \quad c_k\text{NFTCF}_{t-k-1} \quad + d\text{ACP}_{t-k} + \varepsilon \end{aligned}$$

where ACP means Adjusted Cash Position (as defined below), FTCF means Frequent Trader Cash Flow (as defined below), and NFTCF means Non-Frequent Trader Cash Flow (as defined below). Each of these variables is determined on a daily basis, with subscript “**t**” equal to the value of that variable on the day in question, subscript “**t-1**” equal to the value of that variable on the prior trading day, and so on.

The number of days included in the model – denoted by “**k**” in the formula above – is determined statistically, by examining the results of an F test of the hypothesis that the coefficient **b** on each successive day is equal to zero, and retaining that number of days (up to 22 trading days, roughly one calendar month) for which the F test rejects that hypothesis, using a confidence level of 95%.<sup>2</sup>

In addition, an F test was conducted of the hypothesis that the NAV return<sup>3</sup> for day **t** and **t-1** were uncorrelated with the ACP on day **t**, and the model retains those controls if the hypothesis is rejected, using a 95% confidence level, and

<sup>1</sup> One of the Funds (MTR) changed its asset allocation policy on 1/22/02, and immediately reduced its cash holdings (from an average of 15% in the prior part of the Period, to about 4% for the rest of the Period). We thus estimate two sets of coefficients, one for each period, and use those two sets of coefficients for the remaining steps in the estimation of losses for that fund. None of the other Funds experienced a similar shift in asset allocation policy in the Period.

<sup>2</sup> As sensitivity checks, alternative loss models were also developed to fix the number of trading days included in the model at 22, 11, and 6 for all funds, with and without controls for prior- and current-day NAV returns. Overall, the allocation of the losses among the funds was not particularly sensitive to these specifications. As additional sensitivity checks, alternative models were developed in which the dependent variable was the change in ACP from the prior day to the day in question; again, the allocation of the losses among the funds was not sensitive to this alternative specification. Finally, alternative loss models were also developed that identified accounts that engaged in trades the direction and/or magnitude of which correlated at a high level of statistical significance with after-hours movements in benchmark indices for the Funds, with a range of controls and specifications. These models will be used to identify Potentially Disqualified Beneficiaries, as described in the Plan.

<sup>3</sup> The NAV return for a day is (a) the NAV at the end of that day less the NAV at the end of the prior trading day, divided by (b) the NAV at the end of the prior trading day.

## SUMMARY OF PROPOSED LOSS MODEL

omits those controls if the hypothesis is not rejected. The specific models used for each fund are as follows:

Fund	Number of Trading Days	NAV controls?
MEG	22	Yes
MIT	22	No
MIG	10	Yes
MFR	22	No
MTR	22	Yes
EIF	22	Yes
MFB	22	No
MFG	21	No
MGP	2	No

Adjusted Cash Position on a given day equals the dollar amount of cash and cash equivalents held by a Fund, plus the product of (x) any per-share cash dividend paid on that day and (y) the number of shares outstanding on that day.

Frequent Trader Cash Flow for a given day equals the difference (positive or negative) between the dollar value of all purchases by Frequent Trading Accounts (as defined below) on the prior trading day and the dollar value of all redemptions by Frequent Trading Accounts on the prior trading day.

Frequent Trading Accounts are Accounts that engaged in more than six exchange purchases or exchange redemptions of at least \$100,000 of Class A Shares in a calendar year, of which at least one was an exchange purchase and at least one was an exchange redemption.

Non-Frequent Trader Cash Flow for each day equals (a) the prior day's NAV multiplied by the difference (positive or negative) between (i) the shares outstanding of the Fund on the day and (ii) the shares outstanding of the Fund on

## SUMMARY OF PROPOSED LOSS MODEL

the prior day, less (b) Frequent Trader Cash Flow for the day and (c) the product of any per-share cash dividend paid on the prior day and the number of shares outstanding on the prior day.

The coefficients on Frequent Trader Cash Flows from the above regression represent the average percent of Frequent Trader Cash Flows not invested on day  $t$ . To the extent any coefficient is estimated to be greater than one or less than zero in the above regression, they are adjusted to equal one or zero, respectively.<sup>4</sup> If a coefficient is not statistically significant at the 95% level, that coefficient as well as coefficients for the following days are set equal to zero.<sup>5</sup> As so adjusted, these coefficients (i.e.,  $b_1$  through  $b_{22}$ ) are then used to estimate the effect on a Fund's investments of all Excess Trades in the Period, as follows:

- (b) The period during which the portfolio manager of a Fund responds to each Excess Trade is divided into two subperiods: the Investment Period and the Divestment Period. The Investment Period begins on the trading day after the exchange purchase and ends on the day of the matched exchange redemption. During an Investment Period it is assumed that the Fund portfolio manager invested a portion of the cash inflows from that purchase (Frequent Trader Cash In-Flow). For each day in an Investment Period, the Investment Balance, and the associated return on that balance, is determined as follows:
- At the end of the day of the purchase, zero is invested;
  - At the end of the first trading day after the purchase, the Investment Balance equals the Marginal Investment for that day, defined for that day as the product of the Frequent Trader Cash In-Flow and the difference between 1 and  $b_1$  from the above regression; and,
  - At the end of each subsequent trading day in the Investment Period, the Investment Balance equals (a) the Investment Balance at the end of the previous day, plus (b) the NAV return for that day on the Investment Balance at the end of the previous day, plus (c) the Marginal Investment for the current day, defined for each such day as the product of the Frequent Trader Cash In-Flow and the difference between coefficients  $b_{t-1}$  and  $b_t$ .

The Divestment Period begins on the trading day after the exchange redemption and ends on the earlier of (a) the day on which the Investment Balance accrued over the Investment Period has been completely divested, or (b)  $n$  trading days after the exchange redemption date, where  $n$  is defined by the duration of the

<sup>4</sup> Estimated losses are slightly lower if this adjustment is not made.

<sup>5</sup> Estimated losses are slightly lower if this adjustment is not made.

## SUMMARY OF PROPOSED LOSS MODEL

Excess Trade (i.e., the number of trading days from the purchase date through the redemption date). During a Divestment Period, it is assumed that the Fund portfolio manager divested all or a portion of the Investment Balance accrued during the Investment Period. For each day in the Divestment Period, the Investment Balance, and the associated return on that balance, is determined as follows:

- At the end of the day of the exchange redemption, the Investment Balance equals the sum of (a) the Investment Balance at the end of the previous day, plus (b) the NAV return on the Investment Balance at the end of the previous day, plus (c) any additional amount invested on that day; and zero is assumed to have been divested;
  - At the end of the first trading day after the exchange redemption, the Investment Balance equals (a) the Investment Balance at the end of the previous day, plus (b) the NAV return on the Investment Balance at the end of the previous day, less (c) the Marginal Divestment for that day, defined as the product of (x) the cash outflows associated with the exchange redemption (the Frequent Trader Cash Out-Flow) and (y) the difference between 1 and  $b_1$  from the above regression;
  - At the end of each subsequent trading day in the Divestment Period the Investment Balance equals (a) the Investment Balance at the end of the previous day, plus (b) the NAV return on the Investment Balance at the end of the previous day, less (c) the Marginal Divestment for the current day, defined for each such day as the product of the Frequent Trader Cash Out-Flow and the difference between the coefficients  $b_{t-1}$  and  $b_t$ .
- (c) For each Excess Trade, the return earned by the Fund is equal to the NAV return earned on the Investment Balance aggregated over all days in the Investment and Divestment Periods. The Loss Incurred by the Fund is the negative of the return earned by the Fund for each Excess Trade, so positive returns reduce estimated losses, and negative returns increase estimated losses.

### III. Estimates of Other Losses

For the Money Market Funds, Other Losses are Transfer Agent Costs. For all Funds other than the Money Market Funds, Other Losses are the sum of Transfer Agent Costs and Transaction Costs.

- (1) Transfer Agent Costs are the product of the Marginal Transfer Agent Cost per Trade and the number of Excess Trades. Marginal Transfer Agent Cost per Trade is defined as



## SUMMARY OF PROPOSED LOSS MODEL

follows: \$0.50 for Trades via the Internet; \$0.30 for Trades via telephone with MFS; \$0.125 for all other Trades.

(2) For the Equity Funds, Transaction Costs are the sum of Commissions/Fees and Price Impact. For the Bond Funds, Transaction Costs equal Commissions/Fees.

(a) For each day, Commissions/Fees represent the commissions and fees that were paid by the Fund but for the effect of excess trades, and are calculated as follows.

First, for that day, Net Marginal Investments (NMI) equal Marginal Investments less Marginal Divestments (each as defined above).

Second:

(1) For days on which NMI is positive, the dollar volume of actual purchases of securities by the portfolio manager (PM) are reduced by the amount of NMI, and if NMI is greater than actual purchases, then reduce actual purchases to zero and increase actual sales by the difference between NMI and the amount of actual purchases. That is, "but-for buys" are defined as the larger of (a) actual buys less NMI or (b) zero, and "but-for sells" are defined as actual sells plus the larger of (a) zero or (b) NMI less actual buys, i.e.,

But-for buys =  $\max(\text{actual purchases} - \text{NMI}, 0)$

But-for sells =  $\text{actual sales} + \max(\text{NMI} - \text{actual purchases}, 0)$

(2) For days on which NMI is negative, the dollar volume of actual sales of securities by the PM are reduced by the absolute value of NMI, and if the absolute value of NMI is greater than the amount of actual sales, then the amount of actual sales are reduced to zero and the amount of actual purchases are increased by the difference between the absolute value of NMI and the amount of actual sales. That is, "but-for sells" are defined as the larger of (a) actual sales less the absolute value of NMI or (b) zero, and "but-for buys" are defined as the sum of actual purchases and the greater of (a) zero or (b) the difference between the absolute value of NMI and actual sales, i.e.,

But for sells =  $\max(\text{actual sales} - \text{abs}(\text{NMI}), 0)$

But for buys =  $\text{actual purchases} + \max(\text{abs}(\text{NMI}) - \text{actual sales}, 0)$

The amounts of buy-for buys and but-for sales are multiplied by the average of commissions and fees paid on actual purchases and sales by the PM. The sum of

**SUMMARY OF PROPOSED LOSS MODEL**

the daily differences between actual commissions and fees and the commissions and fees on but-for buys and sells then represents the amount of Commissions/Fees estimated to have been caused by excess trades.

- (b) For each day, Price Impact is calculated as follows. The amounts of but-for buys and but-for sales (defined above) are multiplied by the quarterly average “price impact” estimated for MFS by the Plexus Group for funds managed by MFS with the same investment style as each of the Funds (“but-for price impact”). The same price impact estimates are then multiplied by actual purchases and actual sales (“actual price impact”). The sum of the daily differences between the actual price impact and the but-for price impact then represents the amount of Price Impact estimated to have been caused by excess trades.

## QUALIFIED SETTLEMENT FUND DISTRIBUTION NOTICE

*IN THE MATTER OF MASSACHUSETTS FINANCIAL SERVICES CO.,  
ADMINISTRATIVE PROCEEDING FILE NO. 3-11393*

Re: **Award of payment from the MFS Qualified Settlement Fund (*an SEC Fair Fund*)**

**If you are receiving this notice with respect to an account that is an Individual Retirement Account (IRA) or is part of a retirement plan, a separate notice is enclosed that addresses issues specific to those types of accounts. You should also read that notice because it has important information for you. If your account is an IRA or retirement plan and a separate notice is not enclosed, please call [toll free number] or see <http://www.rust-mfssettlement.com> to get a copy of the notice.**

Dear MFS Fund Shareholder:

On February 5, 2004, the Securities and Exchange Commission (“SEC”) entered an order (the “Order”) approving a settlement in connection with an administrative proceeding against Massachusetts Financial Services Company (“MFS”) and two of its officers. In connection with the settlement, an SEC Fair Fund (the “Qualified Settlement Fund”) was established with monies paid by MFS and two of its officers from which investors in certain funds, whom an independent distribution consultant (the “IDC”) determined were harmed by late trading and other market timing trading activity during the relevant period, are to be compensated. Pursuant to a distribution plan (the “Plan”) developed by the IDC and approved by the SEC after a public comment period, the IDC has calculated losses incurred by these funds and developed a plan for distributing the settlement money to eligible investors in the funds identified below (the “Eligible Funds”) during the period from September 1, 1999 (or in the case of certain Eligible Funds, a later date) through October 31, 2003 (the “Period”). To the extent that additional amounts from third party (non-MFS) sources were added to the Qualified Settlement Fund, those amounts will also be distributed in accordance with the Plan. **You are receiving this notice and the enclosed check because the IDC has determined that you are eligible to receive a payment from the Qualified Settlement Fund. This check will be cancelled (and you will no longer be entitled to a payment from the Qualified Settlement Fund) if the check is not cashed within one hundred eighty (180) days after issuance.**

The Order applies to the following Eligible Funds: Massachusetts Investors Growth Stock Fund, Massachusetts Investors Trust, MFS Bond Fund, MFS Cash Reserve Fund, MFS Emerging Growth Fund, MFS Value Fund, MFS Government Mortgage Fund, MFS Government Securities Fund, MFS Money Market Fund, MFS Research Fund and MFS Total Return Fund. While the Order applies to each of the Eligible Funds, **the IDC determined that only the Eligible Funds listed below incurred losses and consequently only certain shareholders of the below listed Eligible Funds are receiving a distribution under the Plan.**

Massachusetts Investors Growth Stock Fund  
Massachusetts Investors Trust  
MFS Value Fund

MFS Government Mortgage Fund  
MFS Research Fund  
MFS Total Return Fund

**QUALIFIED SETTLEMENT FUND DISTRIBUTION NOTICE**

This Notice explains:

1. Your payment amount
2. How payment amounts were calculated
3. Your right to dispute your payment amount and the appeal deadline
4. Certain Tax Information
5. Where you can get more information

**Special Notice for Financial Intermediaries:**

If you are a financial intermediary and hold shares in the Eligible Funds (as defined above) on behalf of others including Retirement Accounts, you can obtain additional information, including guidance on how to allocate the distribution from the Qualified Settlement Fund among the accounts on whose behalf you hold shares, by visiting <http://www.rust-mfssettlement.com>.

If you are a financial intermediary and receive a distribution on behalf of a Retirement Account for which you no longer act as a financial intermediary, you are required under the Plan and Department of Labor Field Assistance Bulletin (“FAB”) 2006-1 to transfer the distribution from the Qualified Settlement Fund with respect to such Retirement Plan to the new record keeper or an appropriate fiduciary or, in the case of a terminated plan, to make reasonable efforts to deliver assets to the plan sponsor or fiduciary. Under the FAB, while you are in possession of the distribution from the Qualified Settlement Fund, you are deemed to be a plan fiduciary even though your relationship with the plan has been previously terminated. As a fiduciary to the plan, you have an obligation to invest the distribution proceeds in a prudent manner until transferred to the new financial intermediary, plan sponsor or other fiduciary. In your determination of what would be an appropriate and prudent investment for the distributed assets, the following investment alternatives are being provided for your consideration when investing the distribution received from the Qualified Settlement Fund, provided the investment selected should not be a fund, account or other vehicle investment in which would constitute a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code: (a) direct obligations of the United States Government of a type and term necessary to meet cash requirements for such transfer or delivery, (b) an instrument that qualifies for the safe harbor for automatic rollovers to individual retirement plans in 29 C.F.R. Section 2550.404a-2 or (c) another instrument that you determine to be consistent with your fiduciary obligations to the Retirement Accounts. As a fiduciary to a plan, the responsibility for selecting a prudent investment is yours. If you receive a distribution with respect to a Retirement Account for which you no longer act as a financial intermediary, you have an obligation under the FAB to transfer the distribution to the new recordkeeper, fiduciary or plan sponsor. If you are not able to make such transfer, you should return such distribution to the Qualified Settlement Fund on the earlier of (i) 180 days after receipt of the distribution from the Qualified Settlement Fund and (ii) the date on which you determine that you have satisfied your obligations under the FAB. To return the distribution, you should contact the Qualified Settlement Fund Administrator at 1-xxx-xxx-xxxx (toll free). Please also refer to Paragraph 18(a) of the Plan.

**QUALIFIED SETTLEMENT FUND DISTRIBUTION NOTICE****1. Your payment amount**

The payment that the IDC has determined that you are entitled to receive and the account with respect to which the payment relates are set forth on the enclosed check. If you held of record another account that invested in an Eligible Fund during the Period, you may receive a separate check with respect to such account. If you held shares during the Period in an Eligible Fund through a broker or other financial intermediary, payments from the Qualified Settlement Fund, if any, would be made through the broker or financial intermediary rather than the Qualified Settlement Funds Administrator. Not all accounts are entitled to a payment under the Plan. If you hold another account and do not receive an additional check, the IDC may not have awarded any payment to that account. Please see “Where you get additional information” below for information on how to contact the Qualified Settlement Funds Administrator if you have questions.

**2. How payment amounts were calculated**

Payment amounts for all eligible investors from the Qualified Settlement Fund were calculated in the following way:

First, for each of the 11 Eligible Funds, the IDC estimated losses, if any, for each day of the Period. The IDC determined that only six of the eleven Eligible Funds incurred losses. As to each day, the IDC may have determined that the shareholders of an Eligible Fund realized gains from the activity addressed by the Order. In such circumstances, these gains offset all or part of the losses allocated to your account in determining the amount of your payment.

Second, each account of record in an Eligible Fund that incurred losses was allocated a dollar amount for each day in the Period equal to the account value in such account during that day times the estimated losses for that Eligible Fund for that day divided by the total value of all accounts on that day. For example, if an account was valued at \$10 out of a total asset value of \$1,000 of the MFS Value Fund on July 1, 2000, the account would be entitled to 1% (\$10 divided by the \$1,000 total asset value) of the MFS Value Fund’s estimated losses for July 1, 2000. If the estimated losses for that date were \$1,000, the account’s share would be \$10 (1% of \$1,000). An account value was determined by multiplying the number of shares owned by the Net Asset Value on each day in the Period.

Third, each record account’s losses for each day during the Period (net of any offsetting gains) as to an Eligible Fund were added together to reach the total payment amount to the account of record with respect to that Eligible Fund. If you held shares of Eligible Funds through more than one account, the losses attributable to the different accounts were not aggregated.

Finally, the entire settlement fund is greater than the amount necessary to compensate shareholders for losses as determined by the IDC. Therefore, you also are receiving a share of

**QUALIFIED SETTLEMENT FUND DISTRIBUTION NOTICE**

the excess portion of the Qualified Settlement Fund and, to the extent that additional amounts were added to the Qualified Settlement Fund from other (non-MFS) sources, a share of such additional amounts.

Accounts with allocations of less than \$10.00 are not receiving a distribution under the Plan.

**3. Your right to dispute your payment amount and the appeal deadline**

If you disagree with the amount of your payment, you can appeal to the IDC by filling out a Dispute Form. To obtain a Dispute Form you should contact the Qualified Settlement Fund Administrator. See “Where you can obtain more information” below. The Dispute Form must be **postmarked by [day, month, year] and mailed to the following address or your dispute will be forever barred:**

MFS Qualified Settlement Fund Administrator  
P.O. Box XXY  
Faribault, MN

The decision of the IDC on any appeal is final.

**4. Certain Tax Information**

The Tax Administrator of the Qualified Settlement Fund has provided an information statement characterizing the distribution and describing the federal tax information reporting and material federal income tax consequences of the distribution. Please see [www.\\_\\_\\_\\_](http://www.____) or call the Qualified Settlement Fund Administrator for this information statement.

**IN ADDITION TO REVIEWING THE INFORMATION STATEMENT, YOU ARE URGED TO CONSULT YOUR TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES TO YOU OF RECEIVING THE PAYMENT, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX RULES AND THE EFFECT OF POSSIBLE CHANGES IN LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED IN THE INFORMATION STATEMENT.**

**5. Where you can get more information**

If you have any questions regarding this notice, you **can call the Qualified Settlement Fund Administrator toll free at 1-xxx-xxx-xxx**. To obtain Dispute Forms and special disclosure for holders of IRAs and administration of retirement plans, you can visit <http://www.rust-mfssettlement.com> or contact the Qualified Settlement Fund Administrator.

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**Information About Potential Private Litigation Settlement:** You also may be eligible to receive a distribution from the

**QUALIFIED SETTLEMENT FUND DISTRIBUTION NOTICE**

proceeds of a potential settlement (the "Potential Private Litigation Settlement") of private claims that have been or could have been asserted in various class and derivative lawsuits filed against MFS and others arising from alleged market timing, late-trading or short-term or excessive trading in mutual funds advised by MFS. It is contemplated that the Potential Private Litigation Settlement would resolve, among other things, all claims against MFS asserted in the actions that have been filed in or transferred to the United States District Court for the District of Maryland (the "Court") and assigned to the matter captioned *In re Alger, Columbia, Janus, MFS, One Group, Putnam, Allianz Dresdner* ("In re Alger"), MDL No. 1586 (D. Md.), including *Riggs v. MFS, et al.*, Civil Action No. 04-cv-01162-JFM (docket number 368 in *In re Alger*), *Walker v. MFS, et al.*, Civil Action No. 04-md-01758 (docket number 376 in *In re Alger*); and *Hammerslough v. MFS, et al.*, Civil Action No. 04-md01620, (docket number 361 in *In re Alger*); *Reaves v. MFS Series Trust I, et al.*, Case No. 05-1094 (Mass. Super. Ct.); and *Sayegh v. Janus Capital Corp., et al.*, Case No. BC304655 (Ca. Super. Ct.). As information about the Potential Private Litigation Settlement becomes available for public release, MFS expects counsel for one or more of the plaintiffs in the private actions referenced above to post information on the internet about the status of the potential settlement – including information about how to register to receive additional information (or "Notice") concerning the Potential Private Litigation Settlement that may be authorized by the Court. The website is [www.\\_\\_\\_\\_\\_](http://www._____.). The Potential Private Action Settlement remains subject to, among other things, completion of a definitive settlement agreement and judicial approval by the Court. Any Notice authorized by the Court concerning the Potential Private Litigation Settlement will contain important information concerning your rights. To help ensure that you receive a copy of any Court-authorized Notice, you should register to receive any Notice or additional information by following the directions at the website above ( [www.\\_\\_\\_\\_\\_](http://www._____.) ) or by calling the following toll-free number: (xxx) abc-defg.

**PROOF OF POSSIBLE ENTITLEMENT FORM – GENERAL INFORMATION AND  
INSTRUCTIONS**

*IN THE MATTER OF MASSACHUSETTS FINANCIAL SERVICES CO.,  
ADMINISTRATIVE PROCEEDING FILE NO. 3-11393*

**General Information**

**THIS FORM SHOULD BE USED IF YOU BELIEVE THAT YOU ARE ENTITLED TO A PAYMENT FROM THE QUALIFIED SETTLEMENT FUND BUT THE QUALIFIED SETTLEMENT FUND ADMINISTRATOR HAS NOT SENT YOU A CHECK. DO NOT COMPLETE THIS FORM IF YOU HAVE RECEIVED A CHECK FROM THE ADMINISTRATOR OF THE QUALIFIED SETTLEMENT. IF YOU RECEIVED A CHECK BUT DISAGREE WITH THE AMOUNT, YOU SHOULD COMPLETE THE “DISPUTE FORM” WHICH IS AVAILABLE BY CALLING THE ADMINISTRATOR OF THE QUALIFIED SETTLEMENT FUND AT 1-xxx-xxx-xxx OR AT <http://www.rust-mfssettlement.com>.**

**IF YOU HELD SHARES IN ONE OF THE ELIGIBLE MFS FUNDS THROUGH A BROKER OR OTHER FINANCIAL INTERMEDIARY AND BELIEVE YOU ARE ENTITLED TO PARTICIPATE IN THE DISTRIBUTION FROM THE QUALIFIED SETTLEMENT FUND, YOU SHOULD CONTACT YOUR BROKER RATHER THAN COMPLETING THIS FORM.**

**ONLY SHAREHOLDERS OF CERTAIN MFS FUNDS DURING THE PERIOD SPECIFIED BELOW ARE PARTICIPATING IN THE DISTRIBUTION. IF YOU WERE NOT A SHAREHOLDER OF ONE OF THE MFS FUNDS LISTED BELOW DURING THE PERIOD SPECIFIED BELOW, DO NOT COMPLETE THIS FORM. YOU ARE NOT ENTITLED TO A DISTRIBUTION FROM THE QUALIFIED SETTLEMENT FUND.**

**YOU ARE ALSO NOT ENTITLED TO PARTICIPATE IN THE DISTRIBUTION IF THE INDEPENDENT DISTRIBUTION CONSULTANT DETERMINED THAT YOUR ACCOUNT’S ALLOCATION, IF ANY, WAS LESS THAN \$10.00**

1. On February 5, 2004, the Securities and Exchange Commission (“SEC”) entered an order (the “Order”) approving a settlement in connection with an administrative proceeding against Massachusetts Financial Services Company (“MFS”) and two of its officers. In connection with the settlement, an SEC Fair Fund (the “Qualified Settlement Fund”) was established with monies paid by MFS and two of its officers from which investors in certain funds, whom an independent distribution consultant (the “IDC”) determined were harmed by late trading and other market timing trading activity during the relevant period, are to be compensated. The IDC has calculated losses incurred by these funds and developed a plan for distributing the settlement money to eligible investors in the funds identified below (the “Eligible Funds”) during the period from September 1, 1999 (or in the case of certain Eligible Funds, a later date) through October 31, 2003 (the “Period”). To the extent that additional amounts from third party (non-MFS)



**PROOF OF POSSIBLE ENTITLEMENT FORM – GENERAL INFORMATION AND  
INSTRUCTIONS**

sources were added to the Qualified Settlement Fund, those amounts are also being distributed in accordance with the Plan. The SEC case involving MFS is called *In the Matter of Massachusetts Financial Services Co., John W. Ballen and Kevin R. Parke*, Admin. Proceeding File No. 3-11393.

The Order applies to eleven funds but the IDC has determined that only the following six mutual funds incurred losses that are being compensated under the Plan:

Massachusetts Investors Growth Stock Fund	MFS Research Fund
Massachusetts Investors Trust	MFS Total Return Fund
MFS Value Fund	MFS Government Mortgage Fund

2. If the IDC has determined that you are entitled to a distribution from the Qualified Settlement Fund you should receive a check from the Qualified Settlement Fund Administrator by \_\_\_\_\_, 200\_\_. If you did not receive a check by that date, but believe you are entitled to a distribution, you may complete this form. Before completing this form, it is recommended that you contact the Administrator of the Qualified Settlement Fund at 1-xxx-xxx-xxx to confirm that no check has been mailed to you or to determine why the IDC has determined that you are not entitled to a payment from the Qualified Settlement Fund (e.g., you are not entitled to a distribution if the Eligible Fund you held was not harmed, you were not shown as a shareholder of record during the Period, the amount calculated with respect to your account is less than \$10).

**If you owned shares through a broker, benefit plan administrator or other financial intermediary, do not complete this form. You should contact your broker, plan administrator or intermediary to determine if they have received a payment on your behalf. Do not complete this Proof of Possible Entitlement Form prior to [month, day, year]. If the IDC has identified you as an eligible investor, you should receive a Qualified Settlement Fund distribution payment in the mail by that date. Complete this Proof of Possible Entitlement Form only if you do not receive a Qualified Settlement Fund Distribution payment by [month, day, 200\_\_], and you believe you are eligible for compensation.**

**Bar Date: Proof of Possible Entitlement Forms must be sent to the Qualified Settlement Fund Administrator and postmarked on or before \_\_\_\_\_ . Proof of Possible Entitlement Forms postmarked after that date will not be considered and will be forever barred.**

3. If you receive a notice from the IDC that you are a Disqualified Beneficiary, you will not be receiving a payment under the Plan. If you receive a notice from the IDC that you are an Allegedly Disqualified Beneficiary or a Potentially Disqualified Beneficiary, you will not receive a payment under the Plan except as specified in the notice from the IDC.

## PROOF OF POSSIBLE ENTITLEMENT FORM – GENERAL INFORMATION AND INSTRUCTIONS

### Instructions for Completion of Proof of Possible Entitlement Form

#### General

1. The Proof of Possible Entitlement Form has five Sections, I through V. You must complete Sections I through IV. Section V tells you where to mail your completed Form.
2. Please print neatly in dark ink or type all information that you enter on the Proof of Possible Entitlement Form.
3. If you need additional space to complete any information, you may attach separate sheets. Include the claimant's name, account number and social security or taxpayer identification number at the top of each attached sheet.
4. Failure to accurately provide information requested in the Proof of Possible Entitlement Form could result in delay of processing or a rejection of your claim.
5. Your completed Proof of Possible Entitlement Form and supporting documentation must be mailed to the Qualified Settlement Fund Administrator, postmarked by **[month, day, year]**. **Proofs of Possible Entitlement Forms postmarked after that date will not be considered and will be forever barred.**
6. You will be notified in writing if your dispute is accepted or rejected. If your dispute is accepted, you will be notified of the amount and the anticipated payment date.

#### Section I: Claimant Information

1. The claimant must be the actual record owner of shares in an Eligible Fund. If the shares you owned were registered in the name of a third party (such as shares you held in an account with a brokerage firm), you are not the record owner. If you held shares in an Eligible Fund through a broker or other financial intermediary, you will be contacted regarding any distribution that you may be entitled to receive by that financial intermediary.
2. If there are joint owners of the shares in an Eligible Fund (for example, if you and your spouse owned shares jointly, all must be listed on the Proof of Possible Entitlement Form. Enter any joint owner on line 3 of this section (Joint Claimant name).
3. If you jointly owned shares in an Eligible Fund, and also owned shares in an Eligible Fund individually, you must file a separate Proof of Possible Entitlement Form for the shares held individually. You can (and should), however, include all of the Eligible Fund shares you held jointly with the same person(s) in a single Proof of Possible Entitlement Form, and all of the Eligible Fund shares you held individually in another Proof of Possible Entitlement Form.

**PROOF OF POSSIBLE ENTITLEMENT FORM – GENERAL INFORMATION AND INSTRUCTIONS**

4. If the claimant is a corporation or other entity, line 7 must be completed. Fill in the name and title of the person who is authorized by the entity to submit the Proof of Possible Entitlement Form.
5. If you are the legal representative of the claimant (such as a guardian, the parent of a minor child, or the administrator of the estate of a deceased claimant), you must complete lines 8 through 11 of this Section. If requested at a later date, you must submit proof of your representative status. If you are not the claimant's legal representative, you should skip lines 8 through 11.
6. Contact information (lines 12 through 14) must be completed. Claimants that are corporations or other entities should enter the information of the agent identified in line 7. If the claimant has a legal representative, the representative's information should be entered. An individual claimant should enter his or her own phone numbers and email address.

**Section II: Holdings and Transactions in Eligible Funds**

1. You must complete Table A if you owned shares in any of the 6 Eligible Funds on August 31, 1999, and you claim that the associated account(s) should have been included in the distribution. Table A lists the name of each Eligible Fund in the left-hand column. Write or type in the number of shares you owned on August 31, 1999 in the right-hand column next to the appropriate fund. If you are not challenging your entitlement to a distribution for each account that you may have held in an Eligible Fund during the Period, you need only complete this Form as to those accounts for which you are claiming should have been included in the distribution.
2. If you completed Table A and held the same number of shares in the same funds listed until October 31, 2003, you should leave Table B blank. Table B must be completed if you purchased or sold shares in any of the Eligible Funds after August 31, 1999, and until October 31, 2003. Table B is intended to document share ownership quantity and time period for each fund, so you should enter separately each purchase or sale of shares in an Eligible Fund account for which you are making a challenge.

For example, if you purchased 100 shares of the MFS Value Fund on January 1, 2000, you should enter the fund name (MFS Value Fund), the purchase date (1/1/2000), and the number of shares (100) in the appropriate columns in one row of Table B. If you still held those 100 shares on October 31, 2003, you should not enter any other information about the Value Fund. Your single entry will mean you owned 100 shares of the Value Fund from 1/1/2000 to 10/31/2000. If, however, you purchased an additional 100 shares of the Value Fund on January 1, 2002, you should enter this purchase in another row in Table B. Your entries together would now show that you owned 200 shares from 1/1/2002 to 10/31/2003. Make similar entries if you sold shares of any other Eligible Fund in which you held an account that you claim should have been included in the distribution.

**PROOF OF POSSIBLE ENTITLEMENT FORM – GENERAL INFORMATION AND INSTRUCTIONS**

3. If you need additional space to list all your transactions, you can make copies of the tables and attach them to the Proof of Possible Entitlement Form. Please write your name and social security or taxpayer identification number on each extra page attached.
4. If you are filing as joint claimants, you should list in Tables A and B only the holdings and transactions that you owned or made jointly. If you also owned shares in any Eligible Funds individually, you must file a separate Proof of Possible Entitlement Form.

**INSTEAD OF COMPLETING THE TABLES IN SECTION II, YOU MAY ATTACH ACCOUNT STATEMENTS FOR EACH QUARTER DURING THE PERIOD.**

**Section III: Documentation Requirements**

1. You must submit documents with your Proof of Possible Entitlement Form that verify the number of shares you held in accounts in Eligible Funds as of August 31, 1999 that you claim should have been included in the distribution (those you listed per section II above). You must also submit documents that verify the date of each purchase and sale of shares in Eligible Funds, and the number of shares purchased or sold, for the time period from August 31, 1999 to October 31, 2003. This Section describes the types of documents you can include. Place a checkmark by each document type you submit with your claim.
2. If the documents are not in your possession, you should obtain copies from your financial professional.
3. Do not send originals of your supporting documentation. Keep the originals for your records and submit copies with the Proof of Possible Entitlement Form. We will not return any documents that you send with this Form.

**Section IV: Certification and Signature**

1. You must sign and date your Proof of Possible Entitlement Form in this section. By signing, you are: (a) consenting to the use of the information you provide to verify your claim; (b) authorizing the release of the trading records you provided to the IDC or Qualified Settlement Fund Administrator, and; (c) certifying under penalty of perjury to the truthfulness of the information you have provided and the genuineness of the documentation submitted.
2. Sign the Proof of Possible Entitlement Form in the appropriate place, depending on whether you are submitting this Form in your individual capacity, or on behalf of a corporation or other entity. If there are joint claimants, all claimants must sign.

**Section V: Filing the Proof of Possible Entitlement Form**

This section provides the address and mailing instructions for your completed Proof of Possible Entitlement Form and supporting documentation. Please make sure you have completed all sections, signed your Form, and copied all documents before mailing.



**PROOF OF POSSIBLE ENTITLEMENT FORM – GENERAL INFORMATION AND INSTRUCTIONS**

**Section II. HOLDINGS AND TRANSACTIONS IN ELIGIBLE FUNDS**

**INSTEAD OF COMPLETING THE TABLES IN THIS SECTION II, YOU MAY ATTACH ACCOUNT STATEMENTS FOR EACH QUARTER DURING THE PERIOD.**

**TABLE A: SHARES OWNED AS OF 8/31/1999**

**Beginning Holdings:** In the table below, list the number of shares you held in each Eligible Fund on August 31, 1999 (for those accounts which you claim should have received a distribution). If you didn't own any shares in a fund on that date or if you are not challenging your entitlement to a distribution for an Eligible Funds account, enter "0".

Name of Eligible Fund	Account Number	Broker Name	Number of Shares Held on 8/31/1999
Massachusetts Investors Growth Stock Fund			
Massachusetts Investors Trust			
MFS Research Fund			
MFS Total Return Fund			
MFS Value Fund			
MFS Government Mortgage Fund			

**TABLE B: SHARES PURCHASED OR SOLD FROM 9/1/1999 TO 10/31/2003**

**Subsequent Transactions:** In the table below, separately list the date and number of each of your purchases and sales of shares in the Eligible Funds listed in Table A between September 1, 1999 and October 31, 2003. If you need additional space, make copies of this blank page, and write your name and social security number/taxpayer identification number on each extra page. You need not enter sales or purchases for Eligible Fund accounts that you are not claiming should have been included in the distribution.

Name of Fund	Account Number	Date of Purchase of Shares	Number of Shares Purchased	Date of Sale of Shares	Number of Shares Sold

**PROOF OF POSSIBLE ENTITLEMENT FORM – GENERAL INFORMATION AND  
INSTRUCTIONS**

**Section III. DOCUMENTATION REQUIREMENTS**

If you qualify for a payment from the Qualified Settlement Fund, your payment amount will be calculated based on the number of shares you held and the time period that you held those shares in each of the Eligible Funds during the Period. Therefore you must provide documentation that verifies the holdings and transactions you have listed in Section II of this Proof of Possible Entitlement and is sufficient to show:

- For each account, the number of shares in an Eligible Fund you owned on August 31, 1999
- For each account, each date between 9/1/1999 and 10/31/2003 that you purchased shares in an Eligible Fund, and the number of shares purchased
- For each account, each date between 9/1/1999 and 10/31/2003 that you sold shares in an Eligible Fund, and the number of shares sold

This documentation could include (but isn't limited to): (1) account statements; (2) trade confirmation slips; or (3) signed letters from your investment professional, on their firms' letterheads, verifying your holdings and the dates and number of shares involved in your purchases or sales of shares in the Eligible Funds.

Check below the type(s) of documentation you are submitting with this Proof of Possible Entitlement:

- Account statements
- Letter(s) from your investment professional
- Trade confirmation slips
- Other documentation showing holdings, purchases or sales

**Do not send originals of your supporting documentation.**  
**Provide copies only.**

**Section IV. CERTIFICATION AND SIGNATURE**

Each of the undersigned certifies and agrees (**you must sign this form on the next page or your claim will not be considered**):

1. I submit to the jurisdiction of the U.S. Securities and Exchange Commission for all purposes in connection with this claim.





**DISPUTE FORM – GENERAL INFORMATION AND INSTRUCTIONS**

*IN THE MATTER OF MASSACHUSETTS FINANCIAL SERVICES CO.,  
ADMINISTRATIVE PROCEEDING FILE NO. 3-11393*

**General Information**

**IF YOU RECEIVED A CHECK FROM THE ADMINISTRATOR OF THE QUALIFIED SETTLEMENT FUND AND AGREE WITH THE AMOUNT DISTRIBUTED, YOU DO NOT NEED TO TAKE ANY ACTION. IF YOU RECEIVED THE CHECK BUT DISAGREE WITH THE AMOUNT, YOU MAY APPEAL TO THE IDC BY COMPLETING THIS FORM.**

**IF YOU HAVE NOT RECEIVED A CHECK FROM THE ADMINISTRATOR OF THE QUALIFIED SETTLEMENT FUND AND HAVE RECORDS INDICATING THAT YOU OWNED SHARES OF THE FUNDS AS RECORD OWNER AND BELIEVE YOU ARE ENTITLED TO A DISTRIBUTION FROM THE QUALIFIED SETTLEMENT FUND, DO NOT COMPLETE THIS FORM. YOU SHOULD OBTAIN A PROOF OF POSSIBLE ENTITLEMENT FORM FROM THE QUALIFIED SETTLEMENT FUND ADMINISTRATOR AND FOLLOW THE INSTRUCTIONS ON SUCH FORM. YOU CAN OBTAIN A PROOF OF POSSIBLE ENTITLEMENT FORM BY CALLING 1-xxx-xxx-xxx OR AT <http://www.rust-mfssettlement.com>.**

**IF YOU HELD SHARES IN ONE OF THE ELIGIBLE MFS FUNDS DURING THE PERIOD INDICATED BELOW THROUGH A BROKER AND BELIEVE YOU ARE ENTITLED TO PARTICIPATE IN THE QUALIFIED SETTLEMENT FUND DISTRIBUTION, YOU SHOULD CONTACT YOUR BROKER RATHER THAN COMPLETING THIS FORM.**

**ONLY SHAREHOLDERS OF CERTAIN MFS FUNDS DURING THE PERIOD ARE PARTICIPATING IN THE DISTRIBUTION. IF YOU WERE NOT A SHAREHOLDER DURING THE PERIOD OF ONE OF THE MFS FUNDS LISTED BELOW, DO NOT COMPLETE THIS FORM. YOU ARE NOT ENTITLED TO PARTICIPATE IN THE DISTRIBUTION IF THE INDEPENDENT CONSULTANT DETERMINED THAT YOUR ACCOUNT'S ALLOCATION, IF ANY, WAS LESS THAN \$10.00**

1. On February 5, 2004, the Securities and Exchange Commission ("SEC") entered an order (the "Order") approving a settlement in connection with an administrative proceeding against Massachusetts Financial Services Company ("MFS") and two of its officers. In connection with the settlement, an SEC Fair Fund (the "Qualified Settlement Fund") was established with monies paid by MFS and two of its officers from which investors in certain funds, whom an independent distribution consultant (the "IDC") determined were harmed by late trading and other market timing trading activity during the relevant period, are to be compensated. The IDC has calculated losses incurred by these funds and developed a plan for distributing the settlement money to eligible investors in the funds identified below (the "Eligible Funds") during the period from September 1, 1999 (or in the case of certain Eligible Funds, a later date) through October 31, 2003 (the "Period"). To the extent that additional amounts from third party (non-MFS)

**DISPUTE FORM – GENERAL INFORMATION AND INSTRUCTIONS**

sources were added to the Qualified Settlement Fund, those amounts are also being distributed in accordance with the Plan. The SEC case involving MFS is called *In the Matter of Massachusetts Financial Services Co., John W. Ballen and Kevin R. Parke*, Admin. Proceeding File No. 3-11393.

The Order applies to eleven funds but the IDC has determined that only the following six mutual funds incurred losses that are compensated under the Plan:

Massachusetts Investors Growth Stock Fund	MFS Research Fund
Massachusetts Investors Trust	MFS Total Return Fund
MFS Value Fund	MFS Government Mortgage Fund

2. If the IDC has determined that you are entitled to a distribution from the Qualified Settlement Fund you should have received a check from the Qualified Settlement Fund Administrator by \_\_\_\_\_, 200\_\_\_\_. If you received a check but (i) disagree with the amount calculated as your distribution and (ii) have documentation to support your determination, you may complete this Form. For example, if the Notice that accompanied the check listed one Eligible Fund that you held but you held shares in another Eligible Fund, or if you believe the amount of the check you received was incorrect (even if the Eligible Fund listed was correct) you may use this Form.

**Bar Date: Dispute Forms must be sent to the Qualified Settlement Fund Administrator and postmarked by \_\_\_\_\_ . Dispute Forms postmarked after that date will not be considered and will be forever barred.**

3. If you receive notification from the IDC that you are a Disqualified Beneficiary, you will not be receiving a payment under the Plan. If you receive notice from the IDC that you are an Allegedly Disqualified Beneficiary or a Potentially Disqualified Beneficiary, you will not receive a payment under the Plan except as specified in the notice from the IDC.

**Instructions for Completion of Dispute Form**

**General**

1. The Dispute Form has six Sections, I through VI. You must complete Sections I through V. Section VI tells you where to mail your completed Form.

2. Please print neatly in dark ink or type all information that you enter on the Dispute Form.

3. If you need additional space to complete any information, you may attach separate sheets. Include the claimant’s name, account number and social security or taxpayer identification number at the top of each attached sheet.

4. Failure to accurately provide information requested in the Dispute Form could result in delay of processing or a rejection of your claim.

**DISPUTE FORM – GENERAL INFORMATION AND INSTRUCTIONS**

5. Your completed Dispute Form and supporting documentation must be mailed to the Qualified Settlement Fund Administrator, postmarked by [month, day, year]. **Dispute Forms postmarked after that date will not be considered and will be forever barred.**
6. You will be notified in writing if your claim is accepted or rejected. If your claim is accepted, you will be notified of the amount and the estimated date that you will receive payment.

**Section I: Claimant Information**

1. The claimant must be the actual record owner of shares in an Eligible Fund. If the shares you owned were registered in the name of a third party (such as shares you held in an account with a brokerage firm), you are not the record owner. If you held shares in an Eligible Fund through a broker or other financial intermediary, you will be contacted regarding any distribution that you may be entitled to receive by that financial intermediary.
2. If there are joint owners of the shares in an Eligible Fund (for example, if you and your spouse owned shares jointly, all must be listed on the Dispute Form. Enter any joint owner on line 3 of this section (Joint Claimant name).
3. If you jointly owned shares in an Eligible Fund, and also owned shares in an Eligible Fund individually, you must file a separate Dispute Form for the shares held individually. You can (and should), however, include all of the Eligible Fund shares you held jointly with the same person(s) in a single Dispute Form, and all of the Eligible Fund shares you held individually in another Dispute Form.
4. If the claimant is a corporation or other entity, line 7 must be completed. Fill in the name and title of the person who is authorized by the entity to submit the Dispute Form.
5. If you are the legal representative of the claimant (such as a guardian, the parent of a minor child, or the administrator of the estate of a deceased claimant), you must complete lines 8 through 11 of this Section. If requested at a later date, you must submit Dispute of your representative status. If you are not the claimant's legal representative, you should skip lines 8 through 11.
6. Contact information (lines 12 through 14) must be completed. Claimants that are corporations or other entities should enter the information of the agent identified in line 7. If the claimant has a legal representative, the representative's information should be entered. An individual claimant should enter his or her own phone numbers and email address.

**Section II: Holdings and Transactions in Eligible MFS Funds**

1. You must complete Table A if you owned shares in any of the 6 Eligible Funds on August 31, 1999, and you claim that the associated account(s) did not receive the correct amount from the distribution. Table A lists the name of each Eligible Fund in the left-hand column. Write or type in the number of shares you owned on August 31, 1999 in the right-hand column next to the

**DISPUTE FORM – GENERAL INFORMATION AND INSTRUCTIONS**

appropriate fund. You need only complete this form as to those Eligible Fund accounts that you are claiming you were incorrectly compensated by the check you received.

2. If you completed Table A and held the same number of shares in the same funds listed until October 31, 2003, you should leave Table B blank. Table B must be completed if you purchased or sold shares in any of the Eligible Funds after August 31, 1999, and until October 31, 2003. Table B is intended to document share ownership quantity and time period for each fund, so you should enter separately each purchase or sale of shares in an Eligible Fund account for which you are disputing the amount of the distribution.

For example, if you purchased 100 shares of the MFS Value Fund on January 1, 2000, you should enter the fund name (MFS Value Fund), the purchase date (1/1/2000), and the number of shares (100) in the appropriate columns in one row of Table B. If you still held those 100 shares on October 31, 2003, you should not enter any other information about the Value Fund. Your single entry will mean you owned 100 shares of the Value Fund from 1/1/2000 to 10/31/2000. If, however, you purchased an additional 100 shares of the Value Fund on January 1, 2002, you should enter this purchase in another row in Table B. Your entries together would now show that you owned 200 shares from 1/1/2002 to 10/31/2003. Make similar entries if you sold shares of any other Eligible Fund in which you held an account during the Period that you claim received an incorrect amount.

3. If you need additional space to list all your transactions, you can make copies of the tables and attach them to the Dispute Form. Please write your name and social security or taxpayer identification number on each extra page attached.

4. If you are filing as joint claimants, you should list in Tables A and B only the holdings and transactions that you owned or made jointly. If you also owned shares in any Eligible Funds individually, you must file a separate Dispute Form.

**Section III: Documentation Requirements**

1. You must submit documents with your Dispute Form that verify the number of shares you held in accounts in Eligible Funds as of August 31, 1999 that you claim received an incorrect amount (those you listed per Section II above). You must also submit documents that verify the date of each purchase and sale of shares in Eligible Funds, and the number of shares purchased or sold, for the time period from August 31, 1999 to October 31, 2003. This Section describes the types of documents you can include. Place a checkmark by each document type you submit with your claim.

2. If the documents are not in your possession, you should obtain copies from your investment professional.

3. Do not send originals of your supporting documentation. Keep the originals for your records and submit copies with the Dispute Form. We will not return any documents that you send with this Form.

**DISPUTE FORM – GENERAL INFORMATION AND INSTRUCTIONS**

**INSTEAD OF COMPLETING THE TABLES IN SECTION III, YOU MAY ATTACH COPIES OF YOUR QUARTERLY ACCOUNT STATEMENTS FOR EACH QUARTER IN THE PERIOD.**

**Section IV: Certification and Signature**

1. You must sign and date your Dispute Form in this section. By signing, you are: (a) agreeing to submit to the jurisdiction of the SEC; (b) consenting to the use of the information you provide to verify your claim; (c) authorizing the release of your trading records to the IDC or Qualified Settlement Fund Administrator, and; (d) certifying under penalty of perjury to the truthfulness of the information you have provided and the genuineness of the documentation submitted.
2. Sign the Dispute Form in the appropriate place, depending on whether you are submitting the Form in your individual capacity, or on behalf of a corporation or other entity. If there are joint claimants, all claimants must sign.

**Section V: Filing the Dispute Form**

This section provides the address and mailing instructions for your completed Dispute Form and supporting documentation. Please make sure you have completed all sections, signed your Form, and copied all documents before mailing.

**DISPUTE FORM – GENERAL INFORMATION AND INSTRUCTIONS**

**Section I. CLAIMANT INFORMATION**

1.	Claimant name (If an individual enter last name, first name, middle initial)				
2.	Claimant social security number or taxpayer identification number				
3.	Joint Claimant name (If an individual enter last name, first name, middle initial)				
4.	Joint Claimant social security number or taxpayer identification number				
5.	<table style="width: 100%; border: none;"> <tr> <td style="width: 35%; border-bottom: 1px solid black;">Claimant Street address</td> <td style="width: 25%; border-bottom: 1px solid black;">City</td> <td style="width: 20%; border-bottom: 1px solid black;">State</td> <td style="width: 20%; border-bottom: 1px solid black;">Zip code</td> </tr> </table>	Claimant Street address	City	State	Zip code
Claimant Street address	City	State	Zip code		
6.	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border-bottom: 1px solid black;">Foreign province (if applicable)</td> <td style="width: 50%; border-bottom: 1px solid black;">Foreign Country (if applicable)</td> </tr> </table>	Foreign province (if applicable)	Foreign Country (if applicable)		
Foreign province (if applicable)	Foreign Country (if applicable)				
7.	Agent name and title (If Claimant is a corporation or other entity, enter the name and title of the person authorized to submit this Proof of Possible Entitlement.)				
<p><b>Representative information:</b> Complete numbers 8 to 11 below <i><b>only</b></i> if you are the legal representative of the claimant (for example, a guardian, the parent of a minor child, or the administrator of the estate of a deceased claimant). Otherwise, leave these lines blank.</p>					
8.	Representative name (If an individual enter last name, first name, middle initial)				
9.	Representative title				
10.	<table style="width: 100%; border: none;"> <tr> <td style="width: 35%; border-bottom: 1px solid black;">Representative street address</td> <td style="width: 25%; border-bottom: 1px solid black;">City</td> <td style="width: 20%; border-bottom: 1px solid black;">State</td> <td style="width: 20%; border-bottom: 1px solid black;">Zip code</td> </tr> </table>	Representative street address	City	State	Zip code
Representative street address	City	State	Zip code		
11.	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border-bottom: 1px solid black;">Foreign province (if applicable)</td> <td style="width: 50%; border-bottom: 1px solid black;">Foreign Country (if applicable)</td> </tr> </table>	Foreign province (if applicable)	Foreign Country (if applicable)		
Foreign province (if applicable)	Foreign Country (if applicable)				
<p><b>Contact Information:</b> The person completing this Proof of Possible Entitlement should provide the information requested in numbers 12 to 14 below: (a) the agent authorized to submit the Proof of Possible Entitlement if the claimant is a corporation or other entity; (b) the representative, if the claimant has a legal representative, or; (c) the claimant, if he or she is an individual.</p>					
12.	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border-bottom: 1px solid black;">Daytime phone number</td> <td style="width: 50%; border-bottom: 1px solid black;">Evening phone number</td> </tr> <tr> <td colspan="2" style="text-align: center; padding-top: 5px;">(Include area code, or country code if applicable in all telephone number listings)</td> </tr> </table>	Daytime phone number	Evening phone number	(Include area code, or country code if applicable in all telephone number listings)	
Daytime phone number	Evening phone number				
(Include area code, or country code if applicable in all telephone number listings)					
13.	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border-bottom: 1px solid black;">Cellular phone or pager number</td> <td style="width: 50%; border-bottom: 1px solid black;">Facsimile number</td> </tr> </table>	Cellular phone or pager number	Facsimile number		
Cellular phone or pager number	Facsimile number				
14.	Email address (if available)				

**DISPUTE FORM – GENERAL INFORMATION AND INSTRUCTIONS**

**Section II. HOLDINGS AND TRANSACTIONS IN ELIGIBLE FUNDS**

**INSTEAD OF COMPLETING THE TABLES IN THIS SECTION II, YOU MAY ATTACH COPIES OF YOUR ACCOUNT STATEMENT FOR EACH QUARTER DURING THE PERIOD OF AUGUST 31, 1999 THROUGH OCTOBER 31, 2003.**

**TABLE A: SHARES OWNED AS OF 8/31/1999**

**Beginning Holdings:** In the table below, list the number of shares you held in each Eligible Fund on August 31, 1999 (for those accounts which you claim received an incorrect distribution). If you didn't own any shares in a fund on that date or if you are not disputing the amount received for an account in an Eligible Fund, enter "0".

Name of Eligible Fund	Account Number	Broker Name	Number of Shares Held on 8/31/1999
Massachusetts Investors Growth Stock Fund			
Massachusetts Investors Trust			
MFS Research Fund			
MFS Total Return Fund			
MFS Value Fund			
MFS Government Mortgage Fund			

**TABLE B: SHARES PURCHASED OR SOLD FROM 9/1/1999 TO 10/31/2003**

**Subsequent Transactions:** In the table below, separately list the date and number of each of your purchases and sales of shares in the Eligible Funds listed in Table A between September 1, 1999 and October 31, 2003. If you need additional space, make copies of this blank page, and write your name and social security number/taxpayer identification number on each extra page. You need not enter sales or purchases for any of your Eligible Fund accounts that you are not claiming received an incorrect amount.

Name of Fund	Account Number	Date of Purchase of Shares	Number of Shares Purchased	Date of Sale of Shares	Number of Shares Sold





**DISPUTE FORM – GENERAL INFORMATION AND INSTRUCTIONS**

letterheads, verifying your holdings and the dates and number of shares involved in your purchases or sales of shares in the Eligible Funds.

Check below the type(s) of documentation you are submitting with this Dispute:

Account statements

Letter(s) from your investment professional

Trade confirmation slips

Other documentation showing holdings, purchases or sales

**Do not send originals of your supporting documentation.**  
**Provide copies only.**



**NOTICE OF STATUS AS A DISQUALIFIED BENEFICIARY, ALLEGED DISQUALIFIED  
BENEFICIARY OR POTENTIAL DISQUALIFIED BENEFICIARY**

**MFS QUALIFIED SETTLEMENT FUND DISTRIBUTION**

*IN THE MATTER OF MASSACHUSETTS FINANCIAL SERVICES CO.,  
ADMINISTRATIVE PROCEEDING FILE NO. 3-11393*

On February 5, 2004, the Securities and Exchange Commission (“SEC”) entered an order (the “Order”) approving a settlement in connection with an administrative proceeding against Massachusetts Financial Services Company (“MFS”) and two of its officers. In connection with the settlement, an SEC Fair Fund (the “Qualified Settlement Fund”) was established with monies paid by MFS and two of its officers from which investors in certain funds, whom an independent distribution consultant (the “IDC”) determined were harmed by late trading and other market timing trading activity during the relevant period, are to be compensated. The IDC has calculated losses incurred by shareholders of these funds and developed a plan (the “Plan”) for distributing the settlement money to eligible investors in the funds identified below (the “Eligible Funds”) during the period from September 1, 1999 (or in the case of certain Eligible Funds, a later date) through October 31, 2003 (the “Period”). To the extent that additional amounts from third party (non-MFS) sources were added to the Qualified Settlement Fund, those amounts will also be distributed in accordance with the Plan. The SEC case involving MFS is called *In the Matter of Massachusetts Financial Services Co., John W. Ballen and Kevin R. Parke*, Admin. Proceeding File No. 3-11393.

The Order applies to the following mutual funds: Massachusetts Investors Growth Stock Fund, Massachusetts Investors Trust, MFS Bond Fund, MFS Cash Reserve Fund, MFS Emerging Growth Fund, MFS Value Fund, MFS Government Mortgage Fund, MFS Government Securities Fund, MFS Money Market Fund, MFS Research Fund and MFS Total Return Fund. While the Order applies to each of these Funds, **the IDC determined that only the Eligible Funds listed below incurred losses and consequently only certain shareholders of those Eligible Funds are receiving a distribution under the Plan.**

Massachusetts Investors Growth Stock Fund	MFS Government Mortgage Fund
Massachusetts Investors Trust	MFS Research Fund
MFS Value Fund	MFS Total Return Fund

***[Insert in letters to Disqualified Beneficiaries*** - Under the Plan, certain investors in the Eligible Funds may be designated as Disqualified Beneficiaries, Allegedly Disqualified Beneficiaries and Potentially Disqualified Beneficiaries. The IDC has designated you as a Disqualified Beneficiary because either MFS or the staff of the SEC have identified you as a person or entity which has (a) been found in a final and non-appealable order of a court or regulatory body of competent jurisdiction to have engaged in unlawful behavior affecting the Funds during the Period, (b) has entered into a settlement of any proceeding before a court or regulatory body in which such unlawful behavior has been alleged, unless the IDC determines that the settlement should not be deemed an admission of such unlawful behavior, or (c) admitted in writing to such behavior. As a Disqualified Beneficiary, you are not entitled to receive any payment from the

**NOTICE OF STATUS AS A DISQUALIFIED BENEFICIARY, ALLEGED DISQUALIFIED  
BENEFICIARY OR POTENTIAL DISQUALIFIED BENEFICIARY**

Qualified Settlement Fund. The determination of the IDC of your status as a Disqualified Beneficiary is not appealable.]

*[Insert in letters to Allegedly Disqualified Beneficiaries* - Under the Plan, certain investors in the Eligible Funds may be designated as Disqualified Beneficiaries, Allegedly Disqualified Beneficiaries and Potentially Disqualified Beneficiaries. The IDC has designated you as an Allegedly Disqualified Beneficiary because the IDC became aware of pending proceedings before a court or regulatory body of competent jurisdiction in which you are alleged by the SEC or another party to have engaged in behavior affecting the Funds during the Period that would constitute unlawful behavior if such allegations were true, and the IDC determined that such alleged behavior is likely to have caused Losses if such allegations are true. Any distribution that would otherwise be made to you under the Plan is instead being segregated in an escrow account pending resolution of your proceedings. Upon resolution of such proceeding, including resolution of any available appeals, the escrowed payments shall be disbursed as follows. If you are specifically found in such proceeding to have engaged in unlawful behavior (or if the proceeding is settled, you shall be deemed to have engaged in unlawful behavior unless the IDC determines that the settlement should not be deemed an admission of such unlawful behavior) and the IDC determines that such behavior is likely to have caused Losses, you shall be a Disqualified Beneficiary and the escrowed payments that would otherwise have been paid to you (including interest accrued on such escrowed payments) related to the accounts associated with the activity that resulted in you being deemed a Disqualified Beneficiary shall be returned to the Qualified Settlement Fund. If the proceeding is resolved and you are either not found to have engaged in unlawful behavior relating to the Funds or the IDC determines that your behavior is not likely to have caused Losses, then the escrowed payments shall be paid to you (including interest accrued on such escrowed payments). No payment shall be made to you until you have provided a written certification, in a form approved by the IDC that you did not engage in any unlawful activity in connection with its investment in the Fund. If such certification is not provided to the IDC within 18 months after the Transfer Date, you shall no longer be entitled to any distribution under the Plan. If you have evidence that a proceeding involving you that gave raise to your designation as an Allegedly Disqualified Beneficiary has been resolved, you should submit that information to the Qualified Settlement Funds Administrator at the address at the end of this letter.]

*[Insert in letters to Potentially Disqualified Beneficiaries* - Under the Plan, certain investors in the Eligible Funds may be designated as Disqualified Beneficiaries, Allegedly Disqualified Beneficiaries and Potentially Disqualified Beneficiaries. The IDC has designated you as a Potentially Disqualified Beneficiary because the analysis undertaken by the IDC in connection with the determination of Losses indicates that it is likely that trading in your account caused Losses that exceed \$5,000. Any distribution that would otherwise be made to you is instead being segregated in an escrow account pending determination of your entitlement thereto. **If you do not contest such designation in writing sent to the IDC by \_\_\_\_\_, 200\_\_\_\_, you shall be a Disqualified Beneficiary and shall not be entitled to any payment under the Plan.** If you provide timely notice of contest of your designation as a Potentially Disqualified Beneficiary, any distributions that would otherwise be made to you shall instead be segregated in the escrow

**NOTICE OF STATUS AS A DISQUALIFIED BENEFICIARY, ALLEGED DISQUALIFIED BENEFICIARY OR POTENTIAL DISQUALIFIED BENEFICIARY**

account pending resolution of any proceedings regarding your investment in the Fund. Upon resolution of each such proceeding or if no proceeding is commenced by \_\_\_\_\_, 200[ ], including resolution of any available appeals, the escrowed payments shall be disbursed as follows. If you are specifically found in such proceeding to have engaged in unlawful behavior (or if the proceeding is settled, you shall be deemed to have engaged in unlawful behavior unless the IDC determines that the settlement should not be deemed an admission of such unlawful behavior) and the IDC determines that such behavior is likely to have caused Losses, you shall be a Disqualified Beneficiary and the escrowed payments that would otherwise have been paid to you (including interest accrued on such escrowed payments) related to the accounts associated with the activity that resulted in your being deemed a Disqualified Beneficiary shall be returned to the Qualified Settlement Fund. If no proceeding is commenced or a proceeding is resolved and you are either not found to have engaged in unlawful behavior relating to the Funds or the IDC determines that such behavior is not likely to have caused Losses, then the escrowed payments shall be paid to you (including interest accrued on such escrowed payments). No payment shall be made to you until you have provided a written certification, in a form approved by the IDC, that you did not engage in any unlawful activity in connection with its investment in the Fund. If such certification is not provided to the IDC within 18 months after the Transfer Date, the Potentially Disqualified Beneficiary shall no longer be entitled to any distribution under this Plan]

If you have any questions, you can call the MFS Qualified Settlement Fund Administrator toll free at 1-xxx-xxx-xxx.

## INSTRUCTION AND TAX NOTICE TO HOLDERS OF IRA RETIREMENT ACCOUNTS

On February 5, 2004, the Securities and Exchange Commission (“SEC”) entered an order (the “Order”) approving a settlement in connection with an administrative proceeding against Massachusetts Financial Services Company (“MFS”) and two of its officers. Pursuant to the Order, a Qualified Settlement Fund (an SEC Fair Fund) was established (the “Settlement Fund”) from which settlement monies will be distributed to eligible investors of certain mutual funds advised by MFS (“Affected Investors”) who were harmed by late trading and other market timing trading activity during the relevant period. Your IRA Retirement Account may have had an account at one of those mutual funds, or may have invested in the mutual fund through an insurance company annuity or a broker or other third party that maintained one or more accounts at the mutual fund for its clients.

A distribution plan has been developed by the independent distribution consultant and approved by the SEC to distribute the assets of the Settlement Fund to Affected Investors (the “Distribution Plan”). To the extent that additional amounts from separate third party (non-MFS) sources were added to the Settlement Fund, those amounts will also be distributed in accordance with the Distribution Plan.

### PAYMENT

Under the Distribution Plan, the IRA trustee or custodian itself is the investor eligible to receive a payment from the Settlement Fund, not the individual for whose benefit the IRA Retirement Account is maintained (the “IRA Owner”). If you are the IRA Owner, you have received this letter because your address is the address shown on the mutual fund’s, broker’s or other third party’s records as the address of the IRA. (If you are the IRA trustee or custodian, your address was shown on the records.)

**Payment By Check:** If this notice is accompanied by a check, the check is made payable to the trustee or custodian of the IRA, as shown on the mutual fund’s, broker’s or other third party’s records. *As described below, to avoid a taxable distribution, this check should be deposited in the IRA, not cashed by the IRA Owner. This check will be cancelled if it is not cashed within one hundred eighty (180) days after issuance.*

**Payment By Credit:** If no check is included in this package, the broker or financial intermediary that maintained or serviced an account with the applicable mutual fund through which the IRA Retirement Account was invested will be forwarding the payment, by electronic funds transfer or by account credit to a brokerage or cash management account of the IRA, as shown on its records. *As described below, to avoid a taxable distribution, this account credit is being made to the brokerage or cash management account of the IRA, not distributed to the IRA Owner.*

**INSTRUCTION AND TAX NOTICE TO HOLDERS OF  
IRA RETIREMENT ACCOUNTS**

**HANDLING THE PAYMENT**

**A. If the Payment Was Made By Check**

**Nontaxable Distribution:** To avoid a currently taxable distribution from the IRA, it is important that the Settlement Fund distribution check be handled properly. Briefly, to avoid a currently taxable distribution:

- (1) If the IRA still has the same trustee or custodian, the IRA custodian or trustee, as shown on the check, simply can cash the enclosed check and deposit it in the IRA.

**Note.** If you are the IRA Owner, send the check to the IRA trustee or custodian with instructions to deposit the check in your IRA account, as well as instructions on how to invest the deposit. It is important to instruct the trustee or custodian that the amount represents a payment from a Settlement Fund and should not be designated as a contribution to the IRA, but instead should be treated in the same manner as a non-taxable trustee-to-trustee transfer of assets.

- (2) If the IRA Owner no longer maintains an IRA with the trustee or custodian to whom the check is payable and the check is made payable to “[the name of the previous trustee or custodian] *or any successor trustee or custodian*”, the IRA Owner can forward the check to the successor Trustee or Custodian. **See the Note in (1) above.** If the IRA Owner no longer maintains an IRA with the trustee or custodian to whom the check is payable but the check is not issued in that manner (i.e., it does not include the words “*and any successor trustee or custodian*” in the *payee line*) that check can be cancelled and a new check can be issued to the trustee or custodian of any IRA currently maintained for the benefit of the IRA Owner. Note that this could include an IRA newly established by the IRA Owner. **Review the Note in (1) above** before sending such new check to the IRA trustee or custodian.
- (3) As an alternative to (2) above, if the IRA trustee or custodian receives a Settlement Fund distribution check but no longer maintains an IRA for the IRA Owner, it may transfer (including by means of endorsing over) the Settlement Fund distribution amount directly to a successor trustee or custodian of another IRA that is maintained for the benefit of the IRA Owner, provided that each IRA trustee or custodian shall make its own determination whether or not to use this method (3). An IRA Owner can not endorse a check issued to an IRA trustee or custodian.

If you are the IRA Owner, please contact the IRA trustee or custodian named on the check or the person(s) identified in “Questions?” below for further information and to assure proper handling of the Distribution Plan payment to avoid a currently taxable IRA distribution. **You can find a form of letter that you can use to direct the deposit and investment of the check with the trustee or custodian of your IRA Retirement Account** [*insert page reference*]

## INSTRUCTION AND TAX NOTICE TO HOLDERS OF IRA RETIREMENT ACCOUNTS

*within exhibit*] and on <http://www.rust-mfssettlement.com>. IRA Owners who need a new check issued (see option (2) above) can contact the MFS Qualified Settlement Fund Administrator.

***Taxable Distribution:*** The distribution also in some circumstances could be taxable. If the IRA Owner no longer maintains an IRA, a check can be issued to the IRA Owner (the IRA Owner should contact the person(s) identified in “Questions?” below to request such a check), and

(1) If the IRA Owner cashes the check, he or she will be subject to tax on the amount received, and also will be subject to an excise tax on the amount if the IRA Owner is under age 59 1/2, unless one of the other exceptions to the excise tax on early distributions applies. The distribution will be reported in the same manner as any other IRA distribution.

(2) Alternatively, to avoid current taxation, if the IRA Owner cashes the check, he or she may elect to roll over the proceeds within sixty (60) days of the distribution to another IRA, provided all the requirements for IRA rollover contributions are satisfied.

Any IRA Owner who is considering electing a taxable distribution is encouraged to seek professional advice prior to making that election.

### **B. If the Payment Is Being Made By Credit:**

***Nontaxable Distribution:*** The electronic funds transfer or account credit to the Owner's IRA brokerage/cash management account represents a payment from a Settlement Fund and should not be designated as a contribution to the IRA, but instead should be treated in the same manner as a non-taxable trustee-to-trustee transfer or direct rollover of assets. The IRA Owner should follow-up with the trustee or custodian of the IRA with any instructions as to the future investment of the payment.

***Taxable Distribution:*** If the IRA Owner wants to receive a distribution of the payment from his or her IRA after the electronic funds transfer or account credit to a brokerage or cash management account of the IRA, the IRA Owner should contact the trustee or custodian of the IRA; such distribution may be taxable, in the same manner as other IRA distributions. Any IRA Owner who is considering electing a taxable distribution is encouraged to seek professional advice prior to making that election.

### **CERTAIN TAX INFORMATION**

The Tax Administrator of the Qualified Settlement Fund has provided an information statement characterizing the distribution and describing the federal tax information reporting and material federal income tax consequences of the distribution. Please see [www.\\_\\_\\_\\_](http://www.____) or call the MFS Qualified Settlement Fund Administrator for this information statement, to the extent applicable.

**IN ADDITION TO REVIEWING THE INFORMATION STATEMENT, YOU ARE URGED TO CONSULT YOUR TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX**



**INSTRUCTION AND TAX NOTICE TO HOLDERS OF  
IRA RETIREMENT ACCOUNTS**

**CONSEQUENCES TO YOU OF RECEIVING THE PAYMENT, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX RULES AND THE EFFECT OF POSSIBLE CHANGES IN LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED IN THE INFORMATION STATEMENT.**

**Questions?**

The MFS Qualified Settlement Fund Administrator is available to assist IRA custodians, trustees and Owners in dealing with the Settlement Fund distribution. If an IRA custodian, trustee or Owner, or any other person assisting in the allocation and treatment of Settlement Fund distribution payments to an IRA, has any questions, please contact the Qualified Settlement Fund Administrator toll free at 1-xxx-xxx-xxx.

**You can find a question and answer guide for IRA Retirement Accounts and a form of letter that you can use to direct the deposit and investment of the check with the trustee or custodian of your IRA Retirement Account at <http://www.rust-mfssettlement.com>. The form of letter to your trustee or custodian is also printed [*insert page reference within exhibit*].**

**INSTRUCTION AND TAX NOTICE FOR NON-IRA RETIREMENT ACCOUNTS  
OTHER THAN SALARY REDUCTION ONLY 403(B) ACCOUNTS AND  
DEFINED BENEFIT PLANS**

On February 5, 2004, the Securities and Exchange Commission (“SEC”) entered an order (the “Order”) approving a settlement in connection with an administrative proceeding against Massachusetts Financial Services Company (“MFS”) and two of its officers. Pursuant to the Order, a Qualified Settlement Fund (an SEC Fair Fund) was established (the “Settlement Fund”) from which settlement monies will be distributed to eligible investors in certain mutual funds advised by MFS (“Affected Investors”) who were harmed by late trading and other market timing trading activity during the relevant period. The retirement plan<sup>6</sup> entitled to the enclosed payment (the “Plan”) may have had an account at one of those mutual funds or may have invested through an insurance company annuity or a broker or other third party that maintained one or more accounts at the mutual fund for its clients.

A distribution plan has been developed by the independent distribution consultant and approved by the SEC to distribute the assets of the Settlement Fund to Affected Investors (the “Distribution Plan”). To the extent that additional amounts from third party (non-MFS) sources were added to the Qualified Settlement Fund, those amounts will also be distributed in accordance with the Distribution Plan.

**PAYMENT**

Under the Distribution Plan, the Plan itself is the investor eligible to receive a payment from the Settlement Fund. If you are the Plan participant, you have received this letter because your address is the address shown on the mutual fund’s, broker’s or other third party’s records as the address of the Plan or Plan account.

**Payment By Check:** If this notice is accompanied by a check, the check is made payable to the to the Plan itself or to the trustee or other holder acting on behalf of the Plan, as shown on the mutual fund’s, broker’s or other third party’s records (“Trustee”). A participant should send the check, with this notice, to the Plan Trustee or employer sponsor for allocation to the Plan. A participant should not cash the check. **This check will be cancelled if it is not cashed within one hundred eighty (180) days after issuance.**

**Payment By Credit:** If no check is included in this package, the broker or financial intermediary that maintained or serviced an account with the applicable mutual fund through which the Plan was invested will be forwarding the payment, by electronic funds transfer or by account credit to a brokerage or cash management account of the Plan’s Trust, as shown on the broker’s or other third party’s records.

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<sup>6</sup> The plan may be a defined contribution plan, such as a 401(k) plan, profit sharing plan or money purchase pension plan, a nonqualified deferred compensation plan, or a 403(b) plan where there is employer involvement.

**INSTRUCTION AND TAX NOTICE FOR NON-IRA RETIREMENT ACCOUNTS  
OTHER THAN SALARY REDUCTION ONLY 403(B) ACCOUNTS AND  
DEFINED BENEFIT PLANS**

**HANDLING THE PAYMENT**

**A. If the Payment Was Made By Check:** If you received a check with this package and the check is made payable to the current Trustee of the Plan or to the Plan without reference to a Trustee, the Trustee simply can cash the Settlement Fund distribution check and deposit it in the Plan's trust.

If the recipient of the check is no longer the Plan's Trustee and the check is made payable to the Plan without reference to a Trustee or made payable to "[the name of the previous trustee] or any successor Trustee", the check recipient can forward the check, with this notice, to the employer sponsor or the successor Trustee for deposit into the Plan's trust. If the Trustee to whom the Settlement Fund distribution check is made payable is no longer the Plan's Trustee, but the check is not issued as described in the previous sentence, such Trustee may transfer (including by means of endorsing over) the Settlement Fund distribution amount directly to the successor Trustee or contact the MFS Qualified Settlement Fund Administrator to have the check cancelled and a new check issued to the successor Trustee. Alternatively (for example, if the Trustee to whom the Settlement Fund distribution check is made payable does not know the identity of the current Plan Trustee), the former Trustee can send the check to the employer plan sponsor with this notice and have the plan sponsor contact the MFS Qualified Settlement Fund Administrator to have a replacement check issued. See below for Allocation of Payment.

**B. If the Payment Is Being Made By Credit:** If no check is included in the package, the Settlement Fund payment was made by electronic funds transfer or account credit to a brokerage or cash management account of the Plan's Trust. See below for Allocation of Payment.

**ALLOCATION OF PAYMENT**

The "plan administrator" of the Plan (or other fiduciary that has the responsibility for such determinations) must decide how the distribution from the Settlement Fund should be allocated among the participants and beneficiaries under the Plan. The plan administrator's decision regarding how to allocate the Settlement Fund distribution must be in accordance with the terms of the Plan, and also must be in accordance with any fiduciary duties under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or other applicable law. The plan administrator's decision also must be in accordance with other applicable provisions of ERISA and the Internal Revenue Code or 1986, as amended (the "Code") and/or other applicable law.

The following methodologies are provided for allocating the Settlement Fund distribution pursuant to the Distribution Plan. These methodologies are made available by the IDC for purposes of U.S. Department of Labor Field Assistance Bulletin No. 2006-01 (the "FAB"). These are not necessarily the only possible methods. It is imperative, however, that whatever allocation method the plan administrator ultimately chooses be in accordance with the Plan and

**INSTRUCTION AND TAX NOTICE FOR NON-IRA RETIREMENT ACCOUNTS  
OTHER THAN SALARY REDUCTION ONLY 403(B) ACCOUNTS AND  
DEFINED BENEFIT PLANS**

its fiduciary duties under ERISA or other applicable law. Neither the Internal Revenue Service nor the U.S. Department of Labor has reviewed these methods.

**Alternative 1**

Allocate the distribution payment pro rata among the accounts of all persons who are currently participants in the Plan (whether or not they are currently employees).

**Alternative 2**

Allocate the distribution payment per capita among the accounts of all persons who are currently participants in the Plan (whether or not they are currently employees).

**Alternative 3**

If the plan administrator determines that it is impracticable to allocate the distribution the Plan receives among Plan participants and beneficiaries because the amount that would be allocable to participants under Alternative 1 or Alternative 2 is too small, a third alternative is to allocate the distribution payment to the Plan's forfeiture account and allocate those amounts, together with other amounts credited to the forfeiture account, in accordance with the terms of the Plan.

**Alternative 4**

Allocate the distribution payment in any other administratively feasible method that the Plan Administrator determines to be in accordance with the Plan, the FAB, ERISA and the Code or other applicable law.

*Again, it is the plan administrator's responsibility to determine the method for allocating Settlement Fund distributions that is appropriate for the Plan. The plan administrator may wish to seek professional advice to assist in making this determination.*

**CERTAIN TAX INFORMATION**

The Tax Administrator of the Qualified Settlement Fund has provided an information statement characterizing the distribution and describing the federal tax information reporting and material federal income tax consequences of the distribution. Please see [www.\\_\\_\\_\\_](http://www.____) or call the MFS Qualified Settlement Fund Administrator for this information statement, to the extent applicable.

**IN ADDITION TO REVIEWING THE INFORMATION STATEMENT, YOU ARE URGED TO CONSULT YOUR TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES TO YOU OF RECEIVING THE PAYMENT, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX RULES AND THE EFFECT OF POSSIBLE CHANGES IN LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED IN THE INFORMATION STATEMENT.**

**INSTRUCTION AND TAX NOTICE FOR NON-IRA RETIREMENT ACCOUNTS  
OTHER THAN SALARY REDUCTION ONLY 403(B) ACCOUNTS AND  
DEFINED BENEFIT PLANS**

**Questions?**

The MFS Qualified Settlement Fund Administrator is available to assist the plan administrator in dealing with the Settlement Fund distribution. If the plan administrator, or any other person assisting in the allocation and treatment of Settlement Fund distribution payments to the Plan, has any questions, please contact the Qualified Settlement Fund Administrator toll free at 1-xxx-xxx-xxx.

**INSTRUCTION AND TAX NOTICE TO CUSTODIANS OF NON-IRA RETIREMENT  
ACCOUNTS THAT ARE SALARY REDUCTION ONLY 403(B) ACCOUNTS**

On February 5, 2004, the Securities and Exchange Commission (“SEC”) entered an order (the “Order”) approving a settlement in connection with an administrative proceeding against Massachusetts Financial Services Company (“MFS”) and two of its officers. Pursuant to the Order, a Qualified Settlement Fund (as SEC Fair Fund) was established (the “Settlement Fund”) from which settlement monies will be distributed to eligible investors in certain mutual funds advised by MFS (“Affected Investors”) who were harmed by late trading and other market timing trading activity during the relevant period. The 403(b) account entitled to the enclosed payment (“403(b)” or “403(b) account”) may have had an account at one of those mutual funds or may have invested through an insurance company annuity or a broker or other third party that maintained one or more accounts at the mutual fund for its clients.

A distribution plan has been developed by the independent distribution consultant and approved by the SEC to distribute the assets of the Settlement Fund to Affected Investors (the “Distribution Plan”). To the extent that additional amounts from third party (non-MFS) sources were added to the Settlement Fund, those amounts will also be distributed in accordance with the Distribution Plan.

**PAYMENT**

Under the Distribution Plan, the 403(b) itself is the investor eligible to receive a payment from the Settlement Fund. If you are the individual for whose benefit the 403(b) is maintained (the “Participant”), you have received this letter because your address is the address shown on the mutual fund’s, broker’s or other third party’s records as the address of the 403(b). (If you are the custodian, your address was shown on the records.)

**Payment By Check:** If this notice is accompanied by a check, the check is made payable to the custodian or other holder acting on behalf of the 403(b), as shown on the mutual fund’s, broker’s or other third party’s records. *As described below, to avoid a taxable distribution and possible disqualification of the 403(b), this check should be deposited in the Participant’s 403(b); it must not be cashed by the Participant. This check will be cancelled if it is not cashed within one hundred eighty (180) days after issuance.*

**Payment By Credit:** If no check is included in this package, the broker or other third party that maintained or serviced an account with the applicable mutual fund through which your 403(b) was invested will be forwarding the payment, by electronic funds transfer or by account credit to a brokerage or cash management account of the 403(b), as shown on its records.

**HANDLING THE PAYMENT**

Under Section 403(b) of the Internal Revenue Code of 1986, as amended (the “Code”), it is not permissible for a distribution to be made from a 403(b) account until attainment of age 59 1/2, severance from employment, disability, death, or (in certain cases) hardship (a “Distribution Event”). It is important that the Settlement Fund distributions be handled properly to avoid an impermissible distribution, as follows.

**INSTRUCTION AND TAX NOTICE TO CUSTODIANS OF NON-IRA RETIREMENT  
ACCOUNTS THAT ARE SALARY REDUCTION ONLY 403(B) ACCOUNTS**

**Nontaxable Distribution:**

**A. If the Payment Was Made By Check:** The check issued to the 403(b) custodian must be deposited in the 403(b) account or in another 403(b) that is eligible to receive and hold a transfer or rollover from a 403(b) account. It is important that the Settlement Fund distributions be handled properly to avoid an impermissible distribution, as follows.

- (1) If the 403(b) still has the same custodian, the 403(b) custodian simply can cash the Settlement Fund distribution check and deposit it in the 403(b).

**Note.** If you are the 403(b) Participant, send the check to the 403(b) custodian with instructions to deposit the check in your 403(b) account, as well as instructions as to how to invest the deposit. It is important to instruct the custodian that the amount represents a payment from a Settlement Fund and should not be designated as a contribution to the 403(b), but instead should be treated in the same manner as a non-taxable trustee-to-trustee transfer or direct rollover of assets.

- (2) If the Participant no longer maintains a 403(b) with the custodian to whom the check is payable and the check is made payable to the “[the name of the previous custodian] *or any successor custodian*”, the 403(b) Participant can forward the check to the successor custodian. **See the Note in (1) above.** If the Participant no longer maintains an 403(b) with the trustee or custodian to whom the check is payable but the check is not issued in that manner (i.e., it does not include the words “*and any successor custodian*” in the payee line) that check can be cancelled and a new check can be issued to the custodian of any 403(b) currently maintained for the benefit of the Participant. Note that this could include a 403(b) newly established by the Participant. **Review the Note in (1) above** before sending such new check to the 403(b) custodian.
- (3) As an alternative to (2) above, if the 403(b) custodian receives a Settlement Fund distribution check but no longer maintains a 403(b) for the Participant, it may transfer (including by means of endorsing over) the Settlement Fund distribution amount directly to a successor custodian of another 403(b) that is maintained for the benefit of the Participant, provided that each 403(b) custodian shall make its own determination whether or not to use this method (3).

In general, please contact the 403(b) custodian named on the check or the person(s) identified in “Questions?” below for further information and to assure proper handling of the Distribution Plan payment.

**B. If the Payment Is Being Made By Credit:** The electronic funds transfer or account credit to the brokerage/cash management account of the 403(b) represents a payment from a Settlement Fund and should not be designated as a contribution to the 403(b), but instead should be treated in the same manner as a non-taxable trustee-to-trustee transfer or direct rollover

**INSTRUCTION AND TAX NOTICE TO CUSTODIANS OF NON-IRA RETIREMENT  
ACCOUNTS THAT ARE SALARY REDUCTION ONLY 403(B) ACCOUNTS**

of assets. If you are the 403(b) Participant you should contact the 403(b) custodian with instructions as to the future investment of the payment.

**Taxable Distribution**

If the Participant has had a Distribution Event and wishes to receive a distribution of the Settlement Fund payment from his or her 403(b) after the check has been deposited or the account credited, as applicable, the Participant should contact the 403(b) custodian. The Participant might wish to consult a competent adviser regarding the tax consequences of such a distribution.

**CERTAIN TAX INFORMATION**

The Tax Administrator of the Qualified Settlement Fund has provided an information statement characterizing the distribution and describing the federal tax information reporting and material federal income tax consequences of the distribution. Please see [www.\\_\\_\\_\\_](http://www.____) or call the Qualified Settlement Fund Administrator for this information statement, to the extent applicable.

**IN ADDITION TO REVIEWING THE INFORMATION STATEMENT, YOU ARE URGED TO CONSULT YOUR TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES TO YOU OF RECEIVING THE PAYMENT, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX RULES AND THE EFFECT OF POSSIBLE CHANGES IN LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED IN THE INFORMATION STATEMENT.**

**Questions?**

The Qualified Settlement Fund Administrator is available to assist 403(b) custodians and Participants in dealing with the Settlement Fund distribution. If a 403(b) custodian, Participant, or any other person assisting in the allocation and treatment of Settlement Fund distribution payments to a 403(b), has any questions, please contact the Qualified Settlement Fund Administrator toll free at 1-xxx-xxx-xxx.

**You can find a question and answer guide for salary reduction only 403(b) accounts and a form of letter that you can use to direct the deposit and investment of the check with the custodian of your 403(b) account on <http://www.rust-mfssettlement.com>. The form of letter to your custodian can also be found [insert page reference within exhibit].**



**INSTRUCTION AND TAX NOTICE FOR DEFINED BENEFIT  
NON-IRA RETIREMENT ACCOUNTS**

On February 5, 2004, the Securities and Exchange Commission (“SEC”) entered an order (the “Order”) approving a settlement in connection with an administrative proceeding against Massachusetts Financial Services Company (“MFS”) and two of its officers. Pursuant to the Order, a Qualified Settlement Fund (an SEC Fair Fund) was established (the “Settlement Fund”) from which settlement monies will be distributed to eligible investors in certain mutual funds advised by MFS (“Affected Investors”) who were harmed by late trading and other market timing trading activity during the relevant period. The defined benefit retirement plan entitled to the enclosed payment (the “Plan”) may have had an account at one of those mutual funds or may have invested through an insurance company annuity or a broker or other third party that maintained one or more accounts at the mutual fund for its clients.

A distribution plan has been developed by the independent distribution consultant and approved by the SEC to distribute the assets of the Settlement Fund to Affected Investors (the “Distribution Plan”). To the extent that additional amounts from third party (non-MFS) sources were added to the Settlement Fund, those amounts will also be distributed in accordance with the Distribution Plan.

**PAYMENT**

Under the Distribution Plan, the Plan itself is the investor eligible to receive a payment from the Settlement Fund.

**Payment By Check:** If this notice is accompanied by a check, the check is made payable to the Plan itself or to the trustee or other holder acting on behalf of the Plan (“Trustee”), as shown on the mutual fund’s, broker’s or other third party’s records. **This check will be cancelled if it is not cashed within one hundred eighty (180) days after issuance.**

**Payment By Credit:** If no check is included in this package, the broker or other third party that maintained or serviced an account with the mutual fund through which the Plan was invested will forward the payment, by electronic funds transfer or by account credit, to a brokerage or cash management account of the Plan’s Trust, as shown on the broker’s or other third party’s records.

**HANDLING THE PAYMENT**

The Trustee of the Plan (or other fiduciary that has the responsibility for such determinations), must decide how to handle the distribution from the Settlement Fund. The Trustee’s decision regarding application of the Settlement Fund distribution must be in accordance with the terms of the Plan, and also must be in accordance with any fiduciary duties under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or other applicable law. The Trustee’s decision also must be in accordance with other applicable provisions of ERISA and the Internal Revenue Code or 1986, as amended (the “Code”) and/or other applicable law.

**INSTRUCTION AND TAX NOTICE FOR DEFINED BENEFIT  
NON-IRA RETIREMENT ACCOUNTS**

**If the Payment Was Made By Check:** If the check is made payable to the current Trustee of the Plan or to the Plan without reference to a Trustee, the Trustee simply can cash the Settlement Fund distribution check and deposit it in the Plan's trust.

If the recipient of the check is no longer the Plan's Trustee and the check is made payable to the Plan without reference to a specific Trustee or made payable to "[the name of the previous trustee] or any successor trustee", the recipient of the check can forward it, with this notice, to the employer sponsor or the successor Trustee for deposit into the Plan's trust. If the Trustee to whom the Settlement Fund distribution check is made payable is no longer the Plan's Trustee but the check is not issued as described in the previous sentence, such Trustee may transfer it (including by means of endorsing over) the Settlement Fund distribution amount directly to the successor Trustee.

Alternatively (for example, if the Trustee to whom the Settlement Fund distribution check is made payable does not know the identity of the current Plan Trustee), the former Trustee can contact the MFS Qualified Settlement Fund Administrator. That check can be cancelled and a new check can be issued to the current Plan Trustee. *If a new check is to be issued, please contact the Qualified Settlement Fund Administrator.*

**If the Payment Is Being Made By Credit:** The electronic funds transfer or account credit will be made to the brokerage or cash management account of the Plan's Trust.

**CERTAIN TAX INFORMATION**

The Tax Administrator of the Qualified Settlement Fund has provided an information statement characterizing the distribution and describing the federal tax information reporting and material federal income tax consequences of the distribution. Please see [www.\\_\\_\\_\\_](http://www.____) or call the Qualified Settlement Fund Administrator for this information statement, to the extent applicable.

**IN ADDITION TO REVIEWING THE INFORMATION STATEMENT, YOU ARE URGED TO CONSULT YOUR TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES TO YOU OF RECEIVING THE PAYMENT, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX RULES AND THE EFFECT OF POSSIBLE CHANGES IN LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED IN THE INFORMATION STATEMENT.**

**Questions?**

The Qualified Settlement Fund Administrator is available to assist the Trustee in dealing with the Settlement Fund distribution. If the Trustee, or any other person assisting in handling Settlement Fund distribution payments to the Plan, has any questions, please contact the Qualified Settlement Fund Administrator toll free at 1-xxx-xxx-xxx.