

UNITED STATES OF AMERICA

Before the

SECURITIES AND EXCHANGE COMMISSION

ADMIN. PROC. FILE NO. 3-11393

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In the Matter of )  
 )  
MASSACHUSETTS )  
FINANCIAL )  
SERVICES )  
COMPANY, )  
JOHN W. BALLEEN AND )  
KEVIN R. PARKE )

## PLAN OF DISTRIBUTION

### INTRODUCTION

This Plan of Distribution has been developed pursuant to an order of the Securities and Exchange Commission titled “Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act Of 1940 and Sections 9(b) and 9(f) of the Investment Company Act Of 1940, Making Findings, And Imposing Remedial Sanctions And A Cease-And-Desist Order”, dated February 5, 2004. The Plan provides for a Fair Fund distribution pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 of the disgorgement and penalty amount ordered by the Commission. The Order provides in Undertaking C.4 that the Plan be approved by the Commission pursuant to Rules 1100 and 1104 of the Commission’s Rules on Fair Fund and Disgorgement Plans [17 C.F.R. Sections 201.1100 and 201.1104]. Nothing in this Plan shall be deemed to be an expression by the Commission of any view regarding any other set of facts or any other matter that may come before the Commission.

This Plan of Distribution consists of four parts.

- Part I sets forth the purposes and background of the Plan, as well as certain administrative matters. (Paragraphs 1 to 5)
- Part II sets forth the methodology that will be used to allocate distributions under the Plan among the Record Owners of affected Funds. (Paragraphs 6 to 8)
- Part III sets forth the process for identifying persons or entities that will be deemed to be disqualified from receiving distributions under the Plan, as well as the process by which a

person or entity that asserts an entitlement under the Plan can assert an entitlement to be treated as a Record Owner or a person or entity that is receiving a distribution may dispute the calculation of their Distributable Share. (Paragraphs 9 to 15)

- Part IV sets forth the methodology for making distributions under the Plan, and miscellaneous provisions. (Paragraphs 16 to 23)

Defined terms used herein are capitalized and have the respective meaning set forth on Annex A attached hereto.

The general principles on which this Plan is based are as follows:

- The Plan is primarily intended to compensate Record Owners of the Funds for Losses due to late trading and market timing trading activity in such Funds.
- The Plan allocates distributions to certain Record Owners to reflect the Losses that the IDC estimates that each eligible Record Owner has suffered, based upon the Losses estimated separately for each day and for each Fund.
- To receive a distribution under the Plan, a Person must have been a Record Owner (subject to the disqualification provisions in Part III) or otherwise submit a Proof of Possible Entitlement form and all required documentation, as described in paragraph 11, and have that entitlement accepted by the IDC.
- All estimations of Losses are made based upon the application of the IDC's loss model to the Record Owners (excluding the four largest Record Owners) and the beneficial owners of accounts maintained in the names of the four largest Record Owners. Each of the four largest Record Owners is an Omnibus Account.
- All calculations of distributions under the Plan are determined, in the first instance, separately for each Record Owner and each Fund held by such Record Owner and not on the basis of the interests of beneficial owners underlying a Record Owner.
- This Plan directs Omnibus Accounts and Network Level Accounts on the manner in which such Omnibus Account or Network Level Accounts shall further distribute amounts received from the Qualified Settlement Fund to the Omnibus Account's or Network Level Account's Beneficial Shareholders.
- Based upon the methodology used for the calculation of Loss developed by the IDC, in consultation with the Boards of Trustees of the Funds and MFS, and found to be acceptable by the staff of the Commission, the Settlement Amount is sufficient to compensate for all Losses.
- To the extent that the Settlement Amount exceeds the allocated Losses, the remainder of the Settlement Amount relates to advisory fees and is allocated to Record Owners that held shares in the Eligible Funds to which a Loss Allocation has been made.
- The Plan does not provide for the calculation of loss for Beneficial Shareholders through an Omnibus Account that is a Record Owner or other nominee ownership or provide for the direct payment of distributions to Persons other than the Record Owners (or, in the case of a Network Level Account, the networking firm associated with the Network Level Account). The Plan provides that Omnibus Accounts and Network Level Accounts may elect to have the Consultants assist the Record Owners of the Omnibus Accounts and the network firm associated with Network Level Accounts in calculating and making the distributions to their Beneficial Shareholders. Beneficial Shareholders may look only

to the Record Owner who holds the Beneficial Shareholder's account for an interest in the distribution made to the Record Owner under the Plan.

- Omnibus Accounts and Network Level Accounts are required, subject to limited exceptions, as a condition to the acceptance of payment of their Distributable Share to agree to further distribute such distributions to their Beneficial Shareholders according to the methodologies specified in the Plan.
- Record Owners and Beneficial Shareholders (if identifiable) who have engaged in unlawful behavior relating to the Funds are not eligible to receive a distribution under the Plan as to the account(s) in which such activities took place.
- Distributions should be made as promptly as practicable following the approval and publication of the Plan. No distribution will be made to a Record Owner (or networking firm associated with a Network Level Account) for Losses corresponding to any one account of less than the De Minimis Amount.
- No Record Owner (or networking firm associated with a Network Level Account) shall make a distribution to a Beneficial Shareholder of less than the De Minimis Amount. The Record Owner (or networking firm associated with a Network Level Account) shall pay all such De Minimis Amounts back to the Qualified Settlement Fund.
- The Plan and Exhibits B and G(1) provide methodologies and information for Retirement Accounts and financial intermediaries in accordance with Field Assistance Bulletin 2006-1 (the "FAB").
- No portion of the Distributable Amount will be returned to MFS. All of the Distributable Amount will be used, as described herein, for the benefit of current and former shareholders of the Funds. Any Eligible Distributable Amount shall be distributed in the manner described herein.

## **PART I**

### **BACKGROUND AND PURPOSE OF THE PLAN; ADMINISTRATIVE MATTERS**

1. Relevant Provisions of the Order. Undertaking C.1 of the Order states: MFS "shall retain ... the services of an Independent Distribution Consultant acceptable to the staff of the Commission and the independent directors of the MFS Retail Funds [who] ... shall develop a Distribution Plan for the distribution of the total disgorgement and penalty ordered in ... [the Order] to the mutual funds and their shareholders to compensate fairly and proportionately the funds' shareholders for losses attributable to late trading and other market timing trading activity during the relevant period, according to a methodology developed in consultation with MFS and the independent trustees of the affected MFS Retail Funds and acceptable to the staff of the Commission." The Order specifies:

The Distribution Plan shall provide for fund investors to receive, in order of priority, (i) their aliquot share of losses suffered by the fund due to late trading and market timing trading activity, and (ii) a proportionate share of advisory fees paid by such fund during the period of such late trading and other market timing trading activity.

The Order states: “MFS had an internal policy not disclosed in its prospectuses that permitted market timing in a group of MFS Retail Funds internally designated as ‘Unrestricted Funds,’” during the Period. The Order identifies the “Unrestricted Funds” as the Funds. The foregoing is only a summary of a portion of the Order; a complete copy of the Order may be obtained at the following Internet address: <http://www.sec.gov/litigation/admin/ia-2213.htm>.

The Commission intends that the methods of calculation of each eligible investor’s share of the Qualified Settlement Fund, as set forth in this Plan below, will result in a payment to each eligible investor that restores the impaired value, if any, of the investor’s investment in each Fund, and the methods of calculation contemplated by this Plan are intended by the Commission to fairly estimate the impaired value that each investor has suffered and make a payment in that amount.

2. Payments of the Settlement Amount; Establishment and Administration of the Qualified Settlement Fund.

(a) Pursuant to the Order, the MFS Respondents by wire transfer paid the Settlement Amount to the Commission’s Office of Financial Management on or about March 4, 2004, which deposited the funds with the U.S. Treasury. The Settlement Amount constitutes a Qualified Settlement Fund under §468B(g) of the Internal Revenue Code, 26 U.S.C. §468B(g), and related regulations, 26 C.F.R. §§1.468B-1 through 1.468B-5. The Commission has custody of the Qualified Settlement Fund and shall retain control of the assets of the Qualified Settlement Fund. The IDC shall use the assets and earnings of the Qualified Settlement Fund to provide payments in accordance with this Plan and to provide the Tax Administrator with assets to pay the tax liabilities and tax compliance fees and costs, and the Tax Administrator shall use those assets to pay the tax liabilities and tax compliance fees and costs of the Qualified Settlement Fund.

(b) The IDC proposes that Rust be appointed the Fund Administrator pursuant to Rule 1101(b)(6) of the Commission’s Rules on Fair Fund and Disgorgement Plans. The Fund Administrator will serve as the administrator of the fund to oversee the fund, process distributions, and prepare accountings as provided for in this Plan. The Fund Administrator’s fees and expenses will be paid by MFS in accordance with the Contract among MFS, the IDC and the Fund Administrator dated May 24, 2004. The Fund Administrator shall establish one or more accounts at the Escrow Bank in the name of and bearing the Taxpayer Identification Number of the Qualified Settlement Fund. The Fund Administrator shall be the signator on the accounts in the name of the Qualified Settlement Fund, subject to the continuing jurisdiction and control of the Commission. The accounts in the name of the Qualified Settlement Fund shall be invested only in AAA rated money market mutual funds registered under the Investment Company Act of 1940 that directly invests only in short term U.S. Treasury securities and obligations backed by the full faith and credit of the U.S. Government; provided however, that the investments in short term U.S. Treasury securities will not be made through repurchase agreement or other derivative products.

(c) The Settlement Amount is currently held in an interest bearing account with the U.S. Treasury Bureau of Public Debt. Prior to the Transfer Date and any subsequent distribution of any portion of the Distributable Amount, the IDC shall certify the amount to be distributed to the

Bureau of Public Debt and the staff of the Commission, the staff of the Commission shall obtain authorization from the Commission to disburse such funds pursuant to Rule 1101(b)(6), and the Bureau of Public Debt shall transfer into an escrow account at the Escrow Bank such portion of the Distributable Amount that the IDC shall request to fund such distribution, and each such distribution (e.g., the mailing of checks) shall be made from the escrow account within two business days of each such transfer. Each certification from the IDC under this paragraph shall describe the payees and list the payment amounts and the total payment amount. The certification shall indicate that the payees and amounts they will receive have been validated at the IDC's direction by the Fund Administrator. The certification shall also state that the payees and the amounts they will receive were compiled in accordance with the Plan. Unless otherwise directed by the Commission, the Commission staff will direct the release of funds to the escrow account based upon the IDC certification and a representation by the Fund Administrator that the checks/wires will be issued within two business days of each such transfer. The funds will be held in the escrow account, separate from the assets of the Escrow Bank, until presentation of a check or wire. Upon presentation of a check, the appropriate amount of funds will be transferred to a controlled distribution account at the Escrow Bank. Checks will be cleared only upon satisfaction of the positive pay file and other controls described in paragraph 5 of Annex B. For any payment to be made by wire instruction, funds will be distributed by the Escrow Bank directly from the escrow account to the payee only upon satisfaction of the wire transfer controls described in paragraph 5 of Annex B.

(d) The Commission is hereby requested to waive for good cause shown the requirement that a bond be posted pursuant to Rule 1105(c) of the Commission's Rules on Fair Fund and Disgorgement Plans, for the reasons set forth in Annex B of this Plan.

(e) Until the distribution of the Qualified Settlement Fund is completed, the Fund Administrator shall provide the IDC and the staff of the Commission with an accounting of distributions from the Qualified Settlement Fund within 10 days after the end of each calendar quarter. Prior to the termination of the Qualified Settlement Fund, the Fund Administrator shall submit to the IDC and the staff of the Commission a full accounting of the distributions made from the Qualified Settlement Fund as required by Rule 1105(f) of the Commission's Rules on Fair Fund and Disgorgement Plans.

3. Development and Implementation of the Plan. Pursuant to the Order, MFS retained, and agreed to pay the compensation and expenses of, the IDC who was found to be acceptable to the staff of the Commission on April 26, 2004. The IDC developed this Plan. The development of the Plan entailed preparation of a damage model and related calculations, compilation and development of a distribution database and related software and populating that database with data and calculating individual awards pursuant to methodologies approved by the IDC. Implementation of the Plan will include processing the distribution of the Distributable Amount; tracing of returned notices and correspondence when possible or practicable within applicable time constraints; tracing and verifying distribution awards returned as undeliverable when possible or practicable within applicable time constraints and telephone support. In the course of developing the Plan and calculating Losses and the plan of distribution, the IDC reviewed, among other things, the operation and management of the Funds during the Period; data including all registration and trading data for all Record Owners of the Funds for the Period (consisting of a total of over 350 million records); data relating to the Funds' portfolio

composition, purchases and sales of portfolio securities, cash holdings, borrowings, net asset values, and total assets; and various types of market data; considered a number of alternative methodologies for allocating and distributing the Distributable Amount; analyzed the advantages and limitations of the alternative methodologies relative to the Plan, and tested the degree to which the allocation implied by alternative methodologies correlated with the allocation reflected in this Plan. The IDC discussed the Plan and various alternatives to the Plan with the independent trustees of the Funds, and their advisors; with the staff of the SEC, including representatives of the Office of Economic Analysis and the Boston Office of the Enforcement Division; and with counsel and advisors to plaintiffs in the civil action captioned In re MFS, Civil No. 04-md-15863 (Motz, J.). The IDC also consulted with counsel representing the Qualified Settlement Fund on tax and ERISA issues and counsel representing MFS on this Plan and related matters. Based on that review, analysis, and discussion, the IDC determined to recommend the method for allocating and distributing the Distributable Amount as set forth in this Plan. On June 2, 2006, the Plan was submitted by the IDC to the SEC staff to begin the approval process outlined in Section IV(c) of the Order. The Commission shall retain jurisdiction over the implementation of this Plan.

#### 4. Exceptions, Extensions and Amendments.

- (a) The IDC may grant MFS or any Omnibus Account or Network Level Account an extension of any time period specified under this Plan, may permit an Omnibus Account or a networking firm associated with a Network Level Account permission to use an alternative methodology for allocating any interest in a Distributable Share or addressing undeliverable mail and may waive any Person's obligations under this Plan.
- (b) The IDC, in his discretion, may cause all or any portion of any distribution required by paragraph 17 that would otherwise be impractical or require expenditures disproportionate to the Omnibus Account's or the Network Level Account's Distributable Share to be returned to the Qualified Settlement Fund and be treated as Residual Distributions.
- (c) Except as to the Commission, the IDC shall be entitled to interpret any provision of this Plan and, the IDC's interpretation shall be controlling.
- (d) Prior to interpreting any material provision of this Plan or exercising any material discretion provided to the IDC under this Plan, the IDC shall inform the staff of the Commission of such interpretation or exercise of discretion.
- (e) If, in implementing this Plan as to a particular class of investors, the IDC determines that it is desirable, for regulatory, legal or contractual reasons, due to guidance issued by the Department of Labor or the Internal Revenue Service, or due to the nature of the legal relationship between the Record Owner of Shares and the beneficial owner of such Shares, that one or more classes of investors be distributed payments under the Plan in an alternative manner from that set forth in the Plan or be permitted to allocate or apply payments received under the Plan in a manner different from that required under the Plan, the IDC may, but shall not be required to, propose to the staff of the Commission, and the staff of the Commission may authorize in writing, such alternative methodology. The IDC shall not implement any such alternative methodology without the consent of the staff of the Commission. The authority to

permit alternative methods of distribution or application of payments under the Plan as contemplated in this paragraph 4(e) is intended to be limited to circumstances where such measures are reasonably necessary to comply with regulatory, legal or contractual requirements or due to the nature of the legal relationship between the Record Owner of Shares and the beneficial owner of such Shares. By way of illustration, but not limitation, the authority intended by this paragraph 4(e) is intended to enable the IDC to satisfy regulatory, legal or contractual requirements to permit distributions to any Retirement Accounts to be applied in accordance with the requirements of ERISA or the governing documents of the Retirement Account.

(f) Persons receiving a distribution under this Plan who are not Omnibus Accounts but who nevertheless held Shares of record for the benefit of others are required to apply any such distribution in a manner consistent with such Person's fiduciary and contractual obligations to, or for the benefit of, such beneficial shareholders.

(g) The staff of the Commission has authority to extend any deadline or time period contained herein as requested by the IDC.

(h) The IDC will inform the Commission staff of any material changes in the Plan, and will obtain concurrence from the Respondents and approval from the Commission prior to their implementation. If material changes are required, this Plan may be amended upon the concurrence of the Respondent, the IDC and the Commission.

5. Tax Administrator and Related Matters: Department of Labor.<sup>1</sup> (a) Pursuant to Securities Exchange Act of 1934 Release No 51829 (June 13, 2005), the Commission appointed Damasco & Associates as the Tax Administrator ("Tax Administrator") of the Qualified Settlement Fund. Pursuant to that Release, MFS shall pay the fees and expenses of the Tax Administrator. The IDC, Consultants, MFS and the Tax Administrator shall cooperate as reasonably necessary to accomplish the income tax compliance, ruling and advice work assigned to the Tax Administrator by the Commission. The IDC shall authorize the Escrow Bank to provide account information to the Tax Administrator. Prior to distribution of the Distributable Amount, the IDC and the Tax Administrator shall cooperate as reasonably necessary so that the Qualified Settlement Fund shall retain adequate reserves for tax liabilities and the costs of tax compliance. The Qualified Settlement Fund has requested guidance from the Internal Revenue Service concerning the information reporting and withholding obligations with respect to distributions from the Qualified Settlement Fund and the tax consequences to shareholders of the Funds, including IRA Accounts and Non-IRA Retirement Accounts. In the event that the IRS guidance has not been issued or has been rejected or modified on the date on which the certification of the IDC described in paragraph 2(c) is submitted to the staff of the Commission, the notices distributed in accordance with the Plan may be modified to reflect the absence of such IRS guidance or its modified terms.

(b) The Department of Labor has issued the FAB regarding the administration of distributions from fair funds. Exhibits B and G(1) to this Plan provide, pursuant to the FAB, methodologies and information for (i) financial intermediaries making or allocating distributions to Retirement Accounts, (ii) financial intermediaries investing distribution proceeds

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<sup>1</sup> This section of the plan is subject to the outcome of the ruling requests submitted by the Commission to the IRS.

pending implementation of distribution to Retirement Accounts, and (iii) plan fiduciaries making allocations to Retirement Account participants. Financial intermediaries and other plan fiduciaries should comply with the interpretive positions set forth in the FAB, including the obligations of financial intermediaries with respect to the transfer of a distribution from the Qualified Settlement Fund to a successor financial intermediary, plan sponsor or fiduciary.

## PART II

### ALLOCATION OF DISTRIBUTIONS

6. Losses; Fee Allocation. The Order requires that investors receive, in order of priority, (a) their aliquot share of losses (the “Loss Allocation”), and (b) to the extent that such Losses are less than the Settlement Amount, their share of the advisory fees paid by the Funds for advisory services during the Period (the “Fee Allocation”); provided that the aggregate of the Loss Allocation and the Fee Allocation, plus interest as provided herein, does not exceed the Distributable Amount (without regard to the Eligible Distributable Amounts). Thus, the Order requires an estimation of Losses for each Fund in the Period. Losses have been estimated on a daily basis for each Fund and the daily Losses for each Fund are calculated for each class of shares of each Fund with positive Losses. A description of the model used to estimate losses is set forth in Exhibit A. The estimation of Losses indicates that the Settlement Amount will exceed the Loss Allocation and, consequently, both a Loss Allocation and a Fee Allocation will be required to comply with the Order. The Loss Allocation and the Fee Allocation are being allocated in accordance with paragraph 8(b). During the development of the Plan, the staff of the SEC informed the IDC that the staff interprets the Order to require that the Fee Allocation be a pro rata increase in the Loss Allocation for each Record Owner and that the staff views a Fee Allocation in proportion to the advisory fees paid by the Funds during the Period to be inconsistent with the Order; accordingly, the Plan provides for a Fee Allocation consistent with the staff’s interpretation of the Order.

7. Loss Allocation to Record Owners – General. As described more fully below and subject to the conditions and limitations in this Part II and in Part III, each Record Owner shall receive such Record Owner’s Distributable Share with respect to each account that is not associated with activities that resulted in the Record Owner being designated a Disqualified Person (as determined in accordance with Part III). A Record Owner’s Distributable Share shall be equal to the sum of the Record Owner’s daily Losses for each day in the Period, and the Record Owners’ participation, if any, in the Fee Allocation and any Eligible Distributable Amounts. If, for example, a Record Owner’s 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 daily Loss 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. MFS Service Center’s customary practices with respect to the effective date of any purchase and redemption transaction shall be used to determine whether Shares are outstanding on any given day. MFS Service Center’s customary practices with respect to “as of” transaction processing shall be used to determine if any Shares purchased or redeemed on an “as of” are outstanding on any day. If, for example, a Record Owner is entitled to \$300 on account of shares owned as of July 1, 2000, and \$200 on account of



shares owned as of July 2, 2000, and those were the only two days in which the Record Owner owned shares in Funds that suffered Losses in the Period, that Record Owner would be entitled to receive \$500. The calculation of Distributable Shares for any Record Owner is made on an account of record by account of record basis. Consequently, a Record Owner may have multiple Distributable Shares if the Record Owner is the Record Owner with respect to multiple accounts in one or more Funds or one or more classes of shares. In such circumstances, the Distributable Shares of, and any distributions made to such Record Owner may, but shall not be required to, be consolidated under the Plan.

8. Calculation of Distributable Shares.

(a) As soon as practicable after the Approval Date, the IDC and Consultants shall calculate (i) Losses and (ii) each Distributable Share.

(b) Each Record Owner's Distributable Share shall be determined first by allocating to each Record Owner an amount equal to such eligible Record Owner's Losses. If a Record Owner's allocation after this first stage of the calculation is a negative amount, the Record Owner's allocation shall be reset to zero. Each Record Owner's Distributable Share shall then be adjusted upward by allocating the Fee Allocation among Record Owners to which a positive allocation of Losses has been made pro rata in proportion to such allocated Losses. Consequently, a Record Owner will only participate in the Fee Allocation if that Record Owner was calculated to have had positive Losses in the Loss Allocation.

(c) Eligible Distributable Amounts, if any, shall be allocated among accounts as to which a positive allocation has been made pursuant to paragraph 8(b) pro rata in proportion to such positive allocations.

(d) The Distributable Share corresponding to each account associated with activities that result in a Record Owner being classified as a Disqualified Beneficiary (as determined in accordance with Paragraph 12, below) shall be set to zero and such Distributable Share shall be treated as Residual Distributions and applied as provided in paragraph 20.

(e) All Distributable Shares that are less than the De Minimis Amount shall be set to zero and such Distributable Share shall be treated as Residual Distributions and applied as provided in paragraph 20.

(f) A Record Owner's Distributable Share shall be the result of the calculations set forth in clauses (b), (c), (d) and (e) above.

(g) In the event that the IDC determines that, due to the netting of gains and losses within an Omnibus Account or the frequency of Beneficial Shareholder records used by the Omnibus Accounts, the Distributable Share of an Omnibus Account is not sufficient to fully compensate the Beneficial Shareholders of the Omnibus Account for their calculated Losses, the IDC may, but shall not be required to, increase the Distributable Share of such Omnibus Account by an amount the IDC determines to be equitable to compensate the Beneficial Shareholders for their Losses. Any such increase shall be funded solely from the Residual Distributions.

(h) Disqualified Beneficiaries shall not be eligible to receive a distribution from the Qualified Settlement Fund under Part IV of this Plan with respect to accounts which are associated with activities that resulted in the Person being classified as a Disqualified Beneficiary; however, each Disqualified Beneficiary may be eligible to receive a distribution with respect to such accounts from the Qualified Settlement Fund as provided in paragraph 20. Allegedly Disqualified Beneficiaries and Potentially Disqualified Beneficiaries shall not be eligible to receive a distribution from the Qualified Settlement Fund under Part IV of this Plan with respect to accounts which are associated with activities that resulted in the Person being classified as an Allegedly Disqualified Beneficiary or Potentially Disqualified Beneficiaries, respectively; however, such Allegedly Disqualified Beneficiary and Potentially Disqualified Beneficiary may be eligible to receive a distribution from the Qualified Settlement Fund as provided in paragraphs 13 and 14.

### **PART III**

#### **NOTICE; DISPUTES; AND DISQUALIFIED BENEFICIARIES**

9. Notice and Tax Disclosure to Record Owners. At the time that a Record Owner receives payment of its Distributable Share, the Consultants shall provide each Record Owner with a notice which contains or is accompanied by: (a) a summary of this Plan; (b) a statement of the amount of such Record Owner's Distributable Share the Record Owner is receiving pursuant to the terms of the Plan; (c) a reference to a website containing such tax disclosures as the IDC, the staff of the Commission and the Tax Administrator deem appropriate, including an information statement characterizing the distribution and describing the federal tax information reporting and material federal income tax consequences of the distribution; (d) a statement that checks will be void after 180 days; and (e) the name of a person to contact, to be used in the event of any questions regarding the distribution. The notice, including any related instructions and disclosures, shall be substantially in the forms attached as Exhibit B, E, G(1), G(2) or G(3). Any such information letter or other mailing to recipients characterizing their distributions shall be submitted to Commission staff for review and approval. Distribution checks, on their face, or in the accompanying mailing will clearly indicate that money is being distributed from "an SEC Fair Fund." No notice need be provided to any Record Owner concerning accounts for which the Distributable Share was reset to zero pursuant to paragraph 8(e); however, each Disqualified Person with an account for which its Distributable Share was reset to zero in accordance with paragraph 8(d) shall be provided with the notice required by paragraph 12. The IDC and Consultants shall have no responsibility or liability whatsoever for the preparation or content of the notices (other than, in the case of Consultants, the calculation of the Distributable Share amounts contained in such notices), for the creation, maintenance, or verification of the information contained in the books and records of the Funds, or for the determination of the identity of the Record Owners.

10. Publication of Plan.

(a) Notice of the Plan will be published in the SEC Docket, on the Commission web site [<http://www.sec.gov>] and [www.Rust-MFSSettlement.com](http://www.Rust-MFSSettlement.com). Any person or entity wishing to comment on the Plan must do so in writing by submitting their comments within thirty days of the date of the notice (i) to the Office of the Secretary, United States Securities and Exchange

Commission, 100 F Street, N.E., Washington, D.C. 20549-1090; (ii) by using the Commission's Internet comment form ([www.sec.gov/litigation/admin.shtml](http://www.sec.gov/litigation/admin.shtml)); or (iii) by sending an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Such comments should include the Administrative Proceeding File Number (Admin. Proc. File No. 3-11393) in the subject line. Comments received will be publicly available. Persons should submit only information that they wish to make publicly available.

(b) The Commission may approve this Plan with such further insubstantial modifications as the IDC may propose without further publication of the Plan or such modifications. Notice that the Plan has been approved shall be published on the Commission's website. The Fund Administrator, or another services provider selected by MFS and acceptable to the IDC, will provide customer support and communications programs which will become active at least by the time the first distribution occurs. These services will include a toll free number and a website to the public. The Commission retains the right to review and approve any material posted on the Fund Administrator's website. MFS may take such additional reasonable steps as the IDC may direct to publicize the Plan so as to apprise potential beneficiaries of its terms.

11. Proofs of Possible Entitlement; Dispute Forms; Bar Date. This Plan does not provide for a claims-made process, and standard procedures for providing notice and for making and approving claims in the context of litigation settlement funds are not applicable to the Plan. Absent clear and convincing evidence to the contrary, as determined by the IDC, subject to the terms of paragraphs 12 through 14 below, Record Owners shall be conclusively deemed to have submitted valid and sufficient proofs of possible entitlement to a portion of the Distributable Amount solely by virtue of being listed as the registered owner of Shares on the books and records of the Funds; provided, that no Record Owner will be eligible to receive amounts in excess of their Distributable Share as calculated by the IDC unless the Record Owner files a Dispute Form in accordance with the terms and conditions of this paragraph 11. Any Person who believes that it is eligible to receive a portion of the Distributable Amount because such person was incorrectly excluded from the list of Record Owners may submit a Proof of Possible Entitlement to that effect. A Dispute Form and a Proof of Possible Entitlement may only be used to contest the accuracy of a Person's status as a Record Owner during the Period or the number of shares of the Funds held of record. Dispute Forms and Proofs of Possible Entitlement may not be used to contest any other aspect of the Plan or any Record Owner's Distributable Share. As to all such other issues, the determination of the IDC is conclusive and shall control and no process for disputing, contesting or appealing the determinations of the IDC are contemplated by this Plan. A Record Owner who believes it is entitled to a Distributable Share other than specified in its notice, may submit a Dispute Form to that effect. To be valid, a Proof of Possible Entitlement or Dispute Form must be postmarked on or before the 180<sup>th</sup> day after the Approval Date and mailed to the IDC at the address set forth on Exhibit C or Exhibit D, as applicable. Further, each Proof of Possible Entitlement or Dispute Form must be supported by documents specified in the Proof of Possible Entitlement form or Dispute Form form, as applicable, and such other documents as may be reasonably requested by the IDC. The IDC, in his sole discretion, shall determine whether a Person is entitled to be treated as an eligible Record Owner or to have a different Distributable Share. The IDC shall provide any Record Owner with information reasonably requested in connection with the submission of a Proof of Possible Entitlement or Dispute Form regarding the Loss calculated for such Funds and such days as are relevant to such Proof of Possible Entitlement or Dispute Form. Any Person (a) who is not a Record Owner who

believes it is entitled to be a Record Owner, or (b) who is a Record Owner who disputes the amount of its Distributable Share, but fails to submit a valid Proof of Possible Entitlement or Dispute Form that is postmarked on or before the 180<sup>th</sup> day after the Approval Date, shall be forever barred from receiving any distributions pursuant to the Plan, or disputing the amount of its Distributable Share, as applicable. If any Proof of Possible Entitlement or Dispute Form resolved by the IDC results in a determination that the Person that submitted the Proof of Possible Entitlement or Dispute Form is entitled to be treated as an eligible Record Owner or to have a different Distributable Share, as applicable, the IDC shall cause an amount to be distributed to any Person whose Proof of Possible Entitlement or Dispute Form is accepted by the IDC equal to the Distributable Share that would have been allocated to such Person in accordance with paragraph 8 (and such Person shall be treated as a Record Owner for purposes of this Plan, including but not limited to the requirements of Part IV), which distribution shall be made from amounts that would otherwise constitute Residual Distributions. In the event that the funds that constitute the Residual Distributions are not sufficient to satisfy all accepted Dispute Form and Proof of Possible Entitlements (as well as other approved uses of the Residual Distributions), the amount otherwise distributable to the holder of such Dispute Form or Proof of Possible Entitlement shall be reduced pro rata, based upon the value of the respective claims, with other obligations payable from the Residual Distributions. The IDC shall resolve any Proofs of Possible Entitlement or Dispute Forms as soon as practicable after the 180<sup>th</sup> day after the Approval Date and the determination of the IDC shall be controlling for purposes of establishing the Persons who are entitled to a distribution from the Qualified Settlement Fund and the amounts of such distributions. The Consultant shall notify each Person who submitted a Proof of Possible Entitlement or Dispute Form as to the IDC's determination with respect to such Proof of Possible Entitlement or Dispute Form but the Consultant shall not be required to state in such notice any basis of the IDC's determination.

12. Disqualified Beneficiaries. Concurrently with the determination of Distributable Shares, as provided in paragraph 8 above, the IDC shall inquire of MFS and the staff of the Commission which if any of the Record Owners are persons who have either (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. Each MFS Respondent (including any account for their benefit or their interest in Shares through a Retirement Plan) shall be a Disqualified Beneficiary, but accounts held by such MFS Respondents for the benefit of others shall not be Disqualified Beneficiaries solely because a MFS Respondent is a Record Owner. Based upon any information provided in response to such inquiries, the IDC shall determine which if any of the Record Owners are Disqualified Beneficiaries. In making any such determination, the IDC may rely on documents and other information provided by MFS, the Commission, or courts of competent jurisdiction. Any Record Owner determined to be a Disqualified Beneficiary shall receive a notice in substantially the form attached as Exhibit E from the IDC or the Consultant. A Disqualified Beneficiary shall not receive any portion of the Distributable Amount on behalf of those accounts that are associated with activities that result in such Disqualified Beneficiary being designated a Disqualified Beneficiary, and any Distributable Share that would otherwise have been payable to a Disqualified Beneficiary with respect to those accounts shall be applied as set forth in paragraph 8 hereof.

13. Allegedly Disqualified Beneficiaries. If the IDC becomes aware of any pending proceeding before a court or regulatory body of competent jurisdiction in which any Record Owner is alleged by the Commission or any other 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 determines that such alleged behavior is likely to have caused Losses if such allegations are true, each such Record Owner shall be deemed an “Allegedly Disqualified Beneficiary” without any independent assessment by the IDC, the Commission, or any other party as to the truth of the allegations. Any Record Owner deemed by the IDC to be an Allegedly Disqualified Beneficiary shall receive written notice from the IDC or the Consultant of such determination as soon as practicable after such determination has been made. Any distributions that would otherwise be made to each Allegedly Disqualified Beneficiary shall instead be segregated in the escrow account holding the Allegedly Disqualified Beneficiary’s Distributable Share, pending resolution of proceedings regarding such Allegedly Disqualified Beneficiary. Upon resolution of each such proceeding, including resolution of any available appeals, the escrowed payments shall be disbursed as follows: (a) if the Allegedly Disqualified Beneficiary is specifically found in such proceeding to have engaged in unlawful behavior (or if the proceeding is settled, the Allegedly Disqualified Beneficiary 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, such Allegedly Disqualified Beneficiary shall be a Disqualified Beneficiary and the escrowed payments that would otherwise have been paid to such Disqualified Beneficiary (including interest accrued on such escrowed payments) related to the accounts associated with the activity that resulted in the person being deemed a Disqualified Beneficiary shall be treated as Residual Distributions and applied as provided in paragraph 20; or (b) if the proceeding is resolved and the Allegedly Disqualified Beneficiary is 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 such Allegedly Disqualified Beneficiary (including interest accrued on such escrowed payments). No payment shall be made to a Allegedly Disqualified Beneficiary pursuant to clause (b) in the preceding sentence until the Allegedly Disqualified Beneficiary has provided a written certification, in a form approved by the IDC, that the Allegedly Disqualified Beneficiary 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 Allegedly Disqualified Beneficiary shall no longer be entitled to any distribution under this Plan.

14. Potentially Disqualified Beneficiaries. If the analysis described in Exhibit A to this Plan undertaken by the IDC and Consultants in connection with the determination of Losses indicates that a Record Owner is likely to have engaged in unlawful conduct that caused Losses that exceed \$5,000, the IDC shall designate such Record Owner as a “Potentially Disqualified Beneficiary.” Any Record Owner deemed by the IDC to be a Potentially Disqualified Beneficiary shall receive written notice from the IDC or the Consultant of such determination as soon as practicable after such determination is made. Any distributions that would otherwise be made to each Potentially Disqualified Beneficiary shall instead be segregated in an escrow account with the Escrow Bank holding the Potentially Disqualified Beneficiary’s Distributable Share, pending determination of the Potentially Disqualified Beneficiary’s entitlement thereto. If the Potentially Disqualified Beneficiary does not contest such designation in writing sent to the IDC within 90 days of the date of the written notice that such Person has been designated a

Potentially Disqualified Beneficiary, such Person shall be a Disqualified Beneficiary. If a timely notice of contest of the designation is made, any distributions that would otherwise be made to such Potentially Disqualified Beneficiary shall instead be segregated in the escrow account holding the Potentially Disqualified Beneficiary's Distributable Share, pending resolution of any proceedings regarding such Potentially Disqualified Beneficiary. Upon resolution of each such proceeding or if no proceeding is commenced within one year after the Transfer Date, including resolution of any available appeals, the escrowed payments shall be disbursed as follows: (a) if the Potentially Disqualified Beneficiary is specifically found in such proceeding to have engaged in unlawful behavior (or if the proceeding is settled, the Potentially Disqualified Beneficiary 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, such Potentially Disqualified Beneficiary shall be a Disqualified Beneficiary and the escrowed payments that would otherwise have been paid to such Disqualified Beneficiary (including interest accrued on such escrowed payments) related to the accounts associated with the activity that resulted in the person being deemed a Disqualified Beneficiary shall be treated as Residual Distributions and applied as provided in paragraph 20; or (b) if no proceeding is commenced or a proceeding is resolved and the Potentially Disqualified Beneficiary is 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 such Potentially Disqualified Beneficiary (including interest accrued on such escrowed payments). No payment shall be made to a Potentially Disqualified Beneficiary pursuant to clause (b) in the preceding sentence until the Potentially Disqualified Beneficiary has provided a written certification, in a form approved by the IDC, that the Potentially Disqualified Beneficiary 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.

15. Status of an Omnibus Account as a Disqualified Beneficiary, Allegedly Disqualified Beneficiary or a Potentially Disqualified Beneficiary.

(a) To the extent that the IDC is aware that a Record Owner is an Omnibus Account and the IDC determines that, or MFS in good faith alleges (which allegations the IDC determines to have a reasonable basis) that, any Indirect Disqualified Beneficiaries had an interest during the Period in such Omnibus Account, the Omnibus Account shall be deemed to consist of two accounts, one representing the interests of such Indirect Disqualified Beneficiaries – which account shall be deemed for purposes of this Plan to be a Disqualified Beneficiary under paragraph 12 - and the other representing the interest of all other Beneficial Shareholders. To the extent that the IDC cannot determine with certainty the allocation of the Omnibus Account between Disqualified Beneficiaries and other Beneficial Shareholders, the IDC shall estimate such amount in good faith and the IDC's determination shall be conclusive and binding.

(b) To the extent that the IDC is aware that a Record Owner is an Omnibus Account and the IDC determines that, or MFS in good faith alleges (which allegations the IDC determines to have a reasonable basis) that, any Indirect Allegedly Disqualified Beneficiaries had an interest during

the Period in such Omnibus Account, the Omnibus Account shall be deemed to consist of two accounts, one representing the interests of such Indirect Allegedly Disqualified Beneficiaries – which account shall be deemed for purposes of this Plan to be an Allegedly Disqualified Beneficiary - and the other representing the interest of all other Beneficial Shareholders. To the extent that the IDC cannot determine with certainty the allocation of the Omnibus Account between Allegedly Disqualified Beneficiaries and other Beneficial Shareholders, the IDC shall estimate such amount in good faith and the IDC’s determination shall be conclusive and binding.

(c) To the extent that the IDC is aware that a Record Owner is an Omnibus Account and the IDC determines that, or MFS in good faith alleges (which allegations the IDC determines to have a reasonable basis) that, any Indirect Potentially Disqualified Beneficiaries had an interest during the Period in such Omnibus Account, the Omnibus Account shall be deemed to consist of two accounts, one representing the interests of such Indirect Potentially Disqualified Beneficiaries – which account shall be deemed for purposes of this Plan to be a Potentially Disqualified Beneficiary - and the other representing the interest of all other Beneficial Shareholders. To the extent that the IDC cannot determine with certainty the allocation of the Omnibus Account between Potentially Disqualified Beneficiaries and other Beneficial Shareholders, the IDC shall estimate such amount in good faith and the IDC’s determination shall be conclusive and binding.

(d) Where the IDC determines that, or MFS in good faith alleges (which allegations the IDC determines to have a reasonable basis) that, an Omnibus Account falls within more than one of clauses (a), (b) and (c) above, the Omnibus Account shall be deemed to consist of such number of accounts as shall be necessary to carry out the purposes of this paragraph 15.

(e) The IDC may, but shall not be required to, make inquiries of any Omnibus Account whether any Indirect Disqualified Beneficiaries, Indirect Allegedly Disqualified Beneficiaries or Indirect Potentially Disqualified Beneficiaries were, during the Period, Beneficial Shareholders in the records of the Omnibus Account. If an Omnibus Account does not reasonably cooperate with the IDC, the IDC may, but shall not be required to, deem such Record Owner as a Disqualified Beneficiary.

**PART IV**  
**DISTRIBUTIONS**

16. Distribution of Distributable Amount; Methods of Distribution to Record Owners Other than Omnibus Accounts and Network Level Accounts.

A. Distribution of Distributable Amount.

On the Transfer Date, each Record Owner other than an Omnibus Account and a Network Level Account shall be paid its Distributable Share. A Record Owner may have multiple accounts registered in its name and a Distributable Share will be calculated separately for each such account. In accordance with this Part IV, Distributable Shares may be, but shall not be required to be, distributed separately by the Qualified Settlement Fund to a single Record Owner or distributions under the Plan to a Record Owner may be, but shall not be required to be, consolidated. Within ten (10) days following the delivery (by mail or wire transfer, as the case may be) of each substantial portion of the distribution contemplated by this Plan, the Consultants shall notify the Associate District Administrator and the IDC, at the addresses set forth below, of the dollar amount and percentage of the distribution so completed, the number of Record Owners that has been paid its Distributable Share, and the date(s) on which each such portion was completed. "Substantial portion" for purposes of the prior sentence shall mean at least 10% of the Distributable Amount.

B. Method of Distribution to Record Owners other than Omnibus Accounts and Network Level Accounts.

Each Record Owner other than Omnibus Accounts and Network Level Accounts will receive payment of its Distributable Share by check. All checks delivered with respect to Retirement Accounts shall be made payable to the trustee or custodian of the Retirement Account identified as the Record Owner. All distributions made with respect to IRA Accounts shall be accompanied or preceded by instructions to the Record Owner as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit F, as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts that are salary reduction only 403(b) accounts shall be accompanied or preceded by instructions to the Record Owner as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit G(2), as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts that are Defined Benefit Plans shall be accompanied or preceded instructions to the Record Owner as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit G(3), as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts other than salary reduction only 403(b) accounts and Defined Benefit Plans shall be accompanied or preceded by an instruction to the administrator of such retirement plan that the distribution should be paid and applied in accordance with the terms of its plan, ERISA and/or any other applicable law, such instructions to be substantially in the form attached to this Plan as Exhibit G(1), as well as a reference to a website as described in Paragraph 9(c) of the Plan. Distributions made by check to



each Record Owner that is a Retirement Account shall be delivered to such Record Owner's address of record as reflected on the books and records of the Funds unless such Record Owner, or person acting on behalf of such Record Owner, has provided the Consultants with a different address.

17. Methods and Procedures Related to Distributions to Omnibus Accounts and Network Level Accounts.

A. Distributions to Omnibus Accounts

Each Omnibus Account shall have the options specified in this paragraph 17 for delivering distributions under the Plan to the Beneficial Shareholders of such Omnibus Account.

Each Omnibus Account which is anticipated to receive a Distributable Share of \$10,000 or more for that single Omnibus Account must elect Option 1, Option 2 or Option 3. Prior to making such election, authorized representatives of the Omnibus Account shall be entitled to consult with the Consultants as to the information that will be required if Option 2 or Option 3 is selected and the format in which such information will be required to be delivered to the Consultants. The election of Option 1, Option 2 or Option 3 must be in writing and postmarked within 45 days after the Approval Date to the Consultants at the address specified in paragraph 23. If no election is made by such date, the Omnibus Account shall be deemed to have elected Option 1. 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 either (a) make such distribution on the basis of annual, semi-annual, quarterly or monthly data (but otherwise in accordance with this Plan) or (b) 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.

With respect to any single Omnibus Account the Distributable Share of which is less than \$10,000, the Omnibus Account may elect either (i) to distribute the Omnibus Account's Distributable Share to its beneficial owners (or otherwise apply the Omnibus Account's Distributable Share for the benefit of its beneficial owners) in a manner that the Omnibus Account determines to be appropriate and consistent with its legal obligations to the beneficial owners or (ii) to elect Option 1.

Option 1: Distribution by Omnibus Account

If an Omnibus Account chooses to make the distribution of its Distributable Share to its Beneficial Shareholders, such Omnibus Account will receive one check or wire transfer for its Distributable Share with respect to that single Omnibus Account. If the Omnibus Account wishes to receive its distribution via wire transfer, a Payment Instruction Form containing wiring instructions must be delivered to the Consultants no later than forty-five (45) days after the Approval Date.

Upon receipt of funds representing the Distributable Share, the Omnibus Account shall promptly (i) calculate amounts owed to its Beneficial Shareholders strictly in accordance with the methodology established by the Plan, and (ii) distribute such amounts to its Beneficial Shareholders. To assist in this distribution, the Consultants will provide a spreadsheet which identifies the amount of Losses incurred by each Fund for each day of the Period and provides other information useful in making such distributions. All distributions shall be completed within one hundred eighty (180) days of the receipt of the funds from the Qualified Settlement Fund, unless the Record Owner can demonstrate hardship circumstances to the IDC and the IDC grants a deadline extension for distributions. All distributions to a Retirement Account shall be made by check and all checks delivered with respect to Retirement Accounts shall be made payable to the trustee or custodian of the Retirement Account identified as the Beneficial Shareholder. All distributions made with respect to IRA Accounts shall be accompanied or preceded by instructions to the Beneficial Shareholder as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit F, as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts that are salary reduction only 403(b) accounts shall be accompanied or preceded by instructions to the Beneficial Shareholder as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit G(2), as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts that are Defined Benefit Plans shall be accompanied or preceded by instructions to the Beneficial Shareholder as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit G(3), as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts other than salary reduction only 403(b) accounts and Defined Benefit Plans shall be accompanied or preceded by an instruction to the administrator of such retirement plan that the distribution should be paid and applied in accordance with the terms of its plan, ERISA and/or any other applicable law, which instructions shall be substantially in the form of instructions attached to this Plan as Exhibit G(1), as well as a reference to a website as described in Paragraph 9(c) of the Plan. Distributions made by check to each Beneficial Shareholder that is a Retirement Account shall be delivered to such Beneficial Shareholder's address of record as reflected on the books and records of the Omnibus Account unless such Beneficial Shareholder, or person acting on behalf of such Beneficial Shareholder, has provided the Omnibus Account with a different address.

Each Omnibus Account electing this Option 1 will distribute its Distributable Share to its Beneficial Shareholders in accordance with the Plan; provided that if the Omnibus Account can make a distribution to its Beneficial Shareholders by electronic funds transfer or by crediting amounts to a brokerage or cash management account, such methods of distribution shall be deemed to be in accordance with this Plan as long as (i), prior to or concurrently with the funds transfer or crediting of the brokerage or cash management account, the Omnibus Account provides to the Beneficial Shareholders the notices required by this paragraph 17 and (ii) all distributions to Retirement Accounts are made in accordance with the requirements of the preceding paragraph and the Exhibits to this Plan other than the requirement that the form of distribution be by check. The receipt by the Omnibus Account of its Distributable Share shall be deemed to constitute an agreement that such Omnibus Account will further distribute such proceeds in accordance with the Plan and will provide such documentation regarding such

distribution as the IDC shall reasonably request. The Omnibus Account shall also be deemed to agree to provide the IDC with such interim reports regarding the implementation of the Plan by the Omnibus Account as the IDC shall reasonably request. Any checks that have not been cashed within one hundred eighty (180) days of issuance shall be cancelled and the amount thereof shall be returned to the Qualified Settlement Fund and be treated as Residual Distributions and applied as provided in paragraph 20. Any Omnibus Account that elected or is deemed to have elected Option 1 shall not make distributions to any Beneficial Shareholder if such distribution is less than the De Minimis Amount. Such De Minimis Amounts shall be returned to the Qualified Settlement Fund and be treated as Residual Distributions and applied as provided in paragraph 20.

Option 2: Distributions by Consultants directly to Beneficial Shareholders of Omnibus Accounts.

An Omnibus Account may elect to have the Consultants (i) calculate the allocation in accordance with the methodology of the Plan to each Beneficial Shareholder of such Omnibus Account, and (ii) make distributions of such amounts to such Beneficial Shareholders. If the Omnibus Account so elects to have the Consultants make the calculations and distributions described in the previous sentence, the Omnibus Account shall comply with the provisions set forth in subsection C of this paragraph 17.

Option 3: Distribution by Omnibus Account with calculation assistance by Consultants.

An Omnibus Account may elect to have the Consultants calculate the allocation among Beneficial Shareholders of the Omnibus Account's Distributable Share but to make the actual distribution to Beneficial Shareholders itself. Such Omnibus Account will receive one check or wire transfer for its Distributable Share with respect to that single Omnibus Account. If the Omnibus Account wishes to receive its distribution via wire transfer, a Payment Instruction Form containing wiring instructions must be delivered to the Consultants no later than the forty-five (45) days after the Approval Date.

The Omnibus Account shall provide the Consultants with data specified by the Consultants sufficient to enable the Consultants to calculate a payment schedule for the Beneficial Shareholders of the Omnibus Account but which only identifies the Beneficial Shareholders by broker identification number or other identifying information. Upon receipt of funds representing an Omnibus Account's Distributable Share, the Omnibus Account shall promptly distribute the funds to its Beneficial Shareholders in accordance with a payment schedule prepared by the Consultants identifying each Beneficial Shareholder by broker identification number or other identifying information supplied by the Omnibus Account. The payment schedule prepared by the Consultants shall not provide for distributions to Beneficial Shareholders if each such distribution is less than the De Minimis Amount. All distributions shall be completed within one hundred eighty (180) days of the receipt of the funds from the Qualified Settlement Fund. All distributions to a Retirement Account shall be made by check and all checks delivered with respect to Retirement Accounts shall be made payable to the trustee or custodian of the Retirement Account identified as the Beneficial Shareholder. All distributions made with respect to IRA Accounts shall be accompanied or preceded by

instructions to the Beneficial Shareholder as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit F, as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts that are salary reduction only 403(b) accounts shall be accompanied or preceded by instructions to the Beneficial Shareholder as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit G(2), as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts that are Defined Benefit Plans shall be accompanied or preceded by instructions to the Beneficial Shareholder as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit G(3), as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts other than salary reduction only 403(b) accounts and Defined Benefit Plans shall be accompanied by an instruction to the administrator of such retirement plan that the distribution should be paid and applied in accordance with the terms of its plan, ERISA and/or any other applicable law, such instructions to be substantially in the form attached to this Plan as Exhibit G(1), as well as a reference to a website as described in Paragraph 9(c) of the Plan. Distributions made by check to each Beneficial Shareholder that is a Retirement Account shall be delivered to such Beneficial Shareholder's address of record as reflected on the books and records of the Omnibus Account unless such Beneficial Shareholder, or person acting on behalf of such Beneficial Shareholder, has provided the Omnibus Account with a different address. Distributions by Omnibus Accounts may be made by check or, if the Omnibus Account can make a distribution to its Beneficial Shareholders by electronic funds transfer or by crediting amounts to a brokerage or cash management account, the Omnibus Account may make the distribution by such methods as long as (i), prior to or concurrently with the funds transfer or crediting of the brokerage or cash management account, the Omnibus Account provides to its Beneficial Shareholders the notices required by this paragraph 17 and (ii) all distributions to Retirement Accounts are made in accordance with the requirements of the preceding paragraph and the Exhibits to this Plan other than the requirement that the form of distribution be by check.

Each Omnibus Account selecting Option 3 will distribute the Distributable Shares to its Beneficial Shareholders in accordance with the Plan. The receipt by the Omnibus Account of its Distributable Share shall be deemed to constitute an agreement that such Omnibus Account will further distribute such proceeds in accordance with the Plan and will provide such documentation regarding such distribution as the IDC shall reasonably request. The Omnibus Account shall also be deemed to have agreed to provide the IDC with such interim reports regarding the implementation of the Plan by the Omnibus Account as the IDC shall reasonably request. Any checks that have not been cashed within one hundred eighty (180) days of issuance shall be cancelled and the amount thereof shall be returned to the Qualified Settlement Fund and be treated as Residual Distributions.

If the Omnibus Account has elected this Option 3 but has failed to deliver to the Consultants the information necessary to complete calculations within forty-five (45) days after the date by which Option 1, 2 or 3 must be selected, the Omnibus Account shall be deemed instead to have elected Option 1 and will receive a check for its Distributable Share and will be responsible for making the distributions to the Beneficial Shareholders of such Omnibus Account.

B. Distributions to Network Level Accounts.

The Consultants will calculate the amount of the Distributable Share that should be allocated to each Beneficial Shareholder of a Network Level Account. If it is determined that a Network Level Account has no identifiable Beneficial Shareholder, then the amount of the Distributable Share otherwise allocable to that Network Level Account shall be returned to the Qualified Settlement Fund to be treated as Residual Distribution. The networking firm that is associated with a Network Level Account shall have two options for the making of distributions to the Beneficial Shareholder of such Network level Account. The networking firm that is associated with the Network Level Account must elect Option 1 or Option 2 below and notify the Consultants in writing, postmarked within 45 days after the Approval Date of the election option. Prior to making such election, authorized representatives of the networking firm associated with a Network Level Account shall be entitled to consult with the Consultants as to the information that will be required if Option 2 is selected and the format in which such information must be delivered to the Consultants. The election must be in writing and delivered to the Consultants at the address specified in paragraph 23. If no timely election is made, the networking firm that is associated with the Network Level Account shall be deemed to have elected Option 1.

Option 1: Distribution of the Distributable Share by the Networking Firm Associated with the Network Level Account

If the networking firm associated with a Network Level Account chooses to make the distribution of its Distributable Share to the Beneficial Shareholders of the Network level Account itself, such networking firm will receive one check or wire transfer representing the aggregate of all Distributable Shares to which the Network Level Accounts associated with such networking firm is entitled under the Plan. If the networking firm associated with the Network Level Account wishes to receive payment via wire transfer, such networking firm must deliver a Payment Instruction Form to the Consultants containing wiring instructions no later than forty-five (45) days after the Approval Date.

Upon receipt of funds representing a Network Level Account's Distributable Share, the networking firm associated with a Network Level Account shall promptly distribute the funds to the Beneficial Shareholders of the applicable Network Level Accounts in accordance with a payment schedule prepared by the Consultants identifying each Beneficial Shareholder by broker identification number (or other unique identifier if applicable). The payment schedule prepared by the Consultants shall not provide for distributions to Beneficial Shareholders if each such distribution is less than the De Minimis Amount. All distributions shall be completed within one hundred eighty (180) days of the receipt of the funds from the Qualified Settlement Fund. All distributions to a Retirement Account shall be made by check and all checks delivered with respect to Retirement Accounts shall be made payable to the trustee or custodian of the Retirement Account identified as the Beneficial Shareholder. All distributions made with respect to IRA Accounts shall be accompanied or preceded by instructions to the Beneficial Shareholder as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit F, as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts that are salary reduction only 403(b) accounts shall be accompanied or preceded by instructions to the Beneficial Shareholder as to how to handle the Distributable Share, such instructions to be

substantially in the form attached to this Plan as Exhibit G(2), as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts that are Defined Benefit Plans shall be accompanied or preceded by instructions to the Beneficial Shareholder as to how to handle the Distributable Share, such instructions to be substantially in the form attached to this Plan as Exhibit G(3), as well as a reference to a website as described in Paragraph 9(c) of the Plan. All distributions made with respect to Non-IRA Retirement Accounts other than salary reduction only 403(b) accounts and Defined Benefit Plans shall be accompanied by an instruction to the administrator of such retirement plan that the distribution should be paid and applied in accordance with the terms of its plan, ERISA and/or any other applicable law, and such instructions to be substantially in the form attached to this Plan as Exhibit G(1), as well as a reference to a website as described in Paragraph 9(c) of the Plan. Distributions made by check to each Beneficial Shareholder that is a Retirement Account shall be delivered to such Beneficial Shareholder's address of record as reflected on the books and records of the networking firm associated with the Network Level Account unless such Beneficial Shareholder, or person acting on behalf of such Beneficial Shareholder, has provided the networking firm associated with the Network Level Account with a different address. Distributions by networking firms associated with Network Accounts may be made by check or, if the networking firm associated with a Network Level Account can make a distribution to the Beneficial Shareholders of the Network Level Accounts by electronic funds transfer or by crediting amounts to a brokerage or cash management account, the networking firm associated with a Network Level Account may make the distribution by such methods as long as (i), prior to or concurrently with the funds transfer or crediting of the brokerage or cash management account, the networking firm associated with the Network Level Account provides to its Beneficial Shareholders the notices required by this paragraph 17 and (ii) all distributions to Retirement Accounts are made in accordance with the requirements of the preceding paragraph and the Exhibits to this Plan, other than the requirement that the form of distribution be by check.

Each networking firm associated with a Network Level Account will distribute the Distributable Shares to a Network Level Account's Beneficial Shareholders in accordance with the Plan. The receipt by the networking firm of the Network Level Account's Distributable Share shall be deemed to constitute an agreement that such networking firm will further distribute such proceeds in accordance with the Plan and will provide such documentation regarding such distribution as the IDC shall reasonably request. The networking firm associated with the Network Level Account shall also be deemed to have agreed to provide the IDC with such interim reports regarding the implementation of the Plan by the Network Level Account as the IDC shall reasonably request. Any checks that have not been cashed within one hundred eighty (180) days of issuance shall be cancelled and the amount thereof shall be returned to the Qualified Settlement Fund and be treated as Residual Distributions.

Option 2: Distributions by Consultants directly to Beneficial Shareholders of Network Level Accounts.

A networking firm associated with a Network Level Account may elect to have the Consultants make distributions directly to Beneficial Shareholders of the Network Level Account. If the networking firm associated with the Network Level Account elects to have the

Consultants make the distributions described in the previous sentence, the networking firm shall comply with the provisions set forth in subsection C of this paragraph 17.

C. Procedures Related to Distributions Made by the Consultants to Beneficial Shareholders on Behalf of Record Owners of Omnibus Accounts and Networking Firm Associated with Network Level Accounts.

Consistent with the provisions of Section 17A. above, each Electing Omnibus or Network Level Account shall provide the Consultants with the information regarding each Beneficial Shareholder as the Consultants shall determine to be necessary in order to permit the Consultants to calculate the amount of the Electing Omnibus or Network Level Account's Distributable Share which should be allocated to each Beneficial Shareholder of such account and to make the distribution to such Beneficial Shareholders. An Electing Omnibus or Network Level Account must provide information identifying its Beneficial Shareholders, including any information required to comply with the Qualified Settlement Fund's IRS reporting obligations.

As soon as practicable after receipt of sufficient information from each Electing Omnibus or Network Level Account, the Consultants shall complete such calculation and distribution. All such information required by the Consultants to make the calculations and distributions requested shall be in such format as Consultants shall reasonably request to permit such calculation and distribution to be completed reasonably promptly. If an Electing Omnibus or Network Level Account has requested that the Consultants make such calculation and distribution but have failed to deliver to the Consultants the information necessary to complete such calculation and distribution within forty-five (45) days after the date by which Option 1, 2 or 3 must be selected, the Electing Omnibus or Network Level Account shall be deemed instead to have elected Option 1 and will receive a check for its Distributable Share and will be responsible for making distributions to the Beneficial Shareholders of such accounts.

Consultants shall keep any information received from each Electing Omnibus or Network Level Account pursuant to this subsection C of paragraph 17 confidential from MFS and any other party, except as required by law or as permitted by such Electing Omnibus or Network Level Account, and in any event will not use such information for any purpose other than implementing this Plan except, in those circumstances where an Electing Omnibus or Network Level Account consents, to determine distributions under a settlement fund in connection with the settlement of any private civil market-timing lawsuit against MFS and its affiliates or in connection with the claims administration of any settlement fund arising from any private civil market-timing lawsuit against MFS or its affiliates. If necessary, the Consultants will enter into a separate confidentiality agreement with an Electing Omnibus or Network Level Account upon terms reasonably satisfactory to the parties. All correspondence by an Electing Omnibus or Network Level Account relating to the Plan shall be directed to Consultants at the address below.

18. General Rules Applicable to Distributions. The following general rules shall apply to all distributions under this Plan:

(a) All checks must be cashed within one hundred eighty (180) days after the check is originally issued; after 180 days all checks shall be cancelled and the amount so cancelled shall be returned to the Qualified Settlement Fund as Residual Distributions. In the event that a

financial intermediary that no longer has a service relationship with a Retirement Account complies with its obligations under the FAB but is unable to transfer the distribution from the Qualified Settlement Fund to the plan sponsor or fiduciary, the financial intermediary shall return the distribution with respect to such Retirement Account to the Qualified Settlement Fund as Residual Distributions no later than the earlier of (i) 180 days after receipt of the distribution from the Qualified Settlement Fund and (ii) the date on which the financial intermediary determines that it has satisfied its obligations under the FAB and is not able to transfer the distribution to the plan sponsor or fiduciary. If the Qualified Settlement Fund makes a distribution to a financial intermediary with respect to a Retirement Account and the financial intermediary 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 Retirement Plan's Distributable Share, such financial intermediary may either (a) make such distribution on the basis of monthly, quarterly, semi-annual or annual data (but otherwise in accordance with this Plan) or (b) if (a) is not practicable or requires disproportionate expenditures, reallocate the distribution among its other affected clients or otherwise handle in accordance with the FAB.

(b) The Consultants shall use their commercially reasonable efforts (which shall entail at least an attempt) to trace Record Owners with respect to checks that have been returned as undeliverable and to deliver such checks to the extent practicable in the applicable time period, provided that none of MFS, the Consultants, any Omnibus Account or a networking firm associated with a Network Level Account shall be required (i) to take any action to locate any account as to which any check or notice mailed in accordance to this Plan is returned as undeliverable unless the amount of the distribution to such Person is over \$25.00 or (ii) to make more than one attempt to locate the Record Owner or Beneficial Shareholder as to which any check or notice mailed in accordance to this Plan is returned as undeliverable for amounts in excess thereof. After such required efforts, checks which are undeliverable or remain uncashed 180 days after the check is issued shall be cancelled and the amount so cancelled shall be returned to the Qualified Settlement Fund as Residual Distributions.

(c) Any request for a wire transfer in an amount less than \$100.00, may be assessed a customary fee for wire transfers.

(d) None of MFS, the Consultants, any Omnibus Account or a networking firm associated with a Network Level Account shall make any distribution to any Record Owner or a Beneficial Shareholder in an amount less than the De Minimis Amount.

(e) In the case of Network Level Accounts, notwithstanding any language to the contrary contained in this Plan, the Person responsible for receiving distributions and notices for further distribution to the Beneficial Shareholders of the Network Level Account (and taking other actions under the Plan with respect to a Network Level account) is the networking firm associated with the Network Level Account even if it is not the Record Owner of the Network Level Account. The IDC may, however, in certain circumstances and in his discretion, determine to require the Record Owner of the Network Level Account, rather than the networking firm associated with the Network Level Account (if not the Record Owner) to take such actions under the Plan. In such cases, references to a networking firm associated with a Network Level Account in paragraphs 17(B) and (C) and elsewhere in this Plan shall include



references to the Record Owner to the extent that the Record Owner, rather than the networking firm associated with the Network Level Account, will be processing the distribution.

(f) If a Network Level Account converted to an Omnibus Account during the Period, or vice versa, the Network Level Account and the Omnibus Account may be treated as two separate Record Owners for purposes of this Plan and the Distributable Shares shall not be required to be combined.

(g) Any Omnibus Account that believes any of its Beneficial Shareholders are Disqualified Persons shall send to such Beneficial Shareholder a notice in the form attached as Exhibit E and shall return the amount otherwise payable to such Beneficial Shareholders relating to activities that resulted in the Beneficial Shareholder being classified as a Disqualified Person to the Qualified Settlement Fund as Residual Distributions.

(h) Neither the Qualified Settlement Fund nor any Omnibus Account or networking firm associated with a Network Level Account shall be required to send any notices or checks in payment of distributions to an address known to the Consultant or MFS Service Center or the relevant Omnibus Account or networking firm associated with a Network Level Account, as applicable, to have generated returned, undeliverable mail after using commercially reasonable efforts to trace a Record Owner or Beneficial Shareholder. Any checks which are undeliverable shall be cancelled and the amount so cancelled shall be returned to the Qualified Settlement Fund as Residual Distributions.

(i) Notwithstanding anything in this Plan to the contrary, the IDC shall not commence the distribution of the Distributable Amount under Part IV of this Plan prior to the receipt of the Internal Revenue Service private letter ruling relating to the Qualified Settlement Fund. Notwithstanding anything in this Plan to the contrary, the IDC shall not be required to commence the distribution of the Distributable Amount under Part IV of this Plan until the Trigger Date. The IDC will use his best efforts to commence the distribution process on the Trigger Date and will use all reasonable efforts to complete the distribution promptly. Notwithstanding the foregoing, in the event any Internal Revenue Service tax ruling requires reporting of all or a portion of the payments, the IDC will use his best efforts to commence the distribution process no later than three months after the date of such Internal Revenue Service tax ruling. In addition, the periods in paragraph 17 during which Omnibus Accounts and Network Level Accounts must elect distribution options set forth in such paragraph shall not commence until the Trigger Date. The IDC may defer any other action required to be taken after the Approval Date until the Trigger Date if the IDC determines such delay to be consistent with the objectives of this Plan.

(j) The Exhibits to this Plan, including the notices, attached as Exhibits F, G(1), G(2) and G(3) may be modified, with the consent of the IDC and the staff of the Commission, in order to facilitate the implementation of this Plan, including to reflect the specific distribution arrangements being implemented by the Omnibus Accounts or networking firm associated with Network Level Accounts.

19. Verification of Data and Calculations; Limitation on Liability; Hold Harmless. At the direction of the IDC, MFS has taken and shall take such steps as are reasonable to verify the accuracy of the data referred to herein, and that such amounts conform in all material respects to

this Plan and the Order. The IDC shall not have any liability to any Record Owner, Beneficial Shareholder or other Person submitting a Proof of Possible Entitlement, Dispute Form or otherwise in connection with the development or implementation of the Plan. The IDC and Consultants had and shall have no involvement in or responsibility or liability whatsoever for the payment or investment of the Settlement Amount. None of the Qualified Settlement Fund, MFS, the IDC or the Consultants shall be liable to an indirect shareholder in any Fund in the event payment of a Distributable Share is made to the Record Owner through which the shareholder holds an interest in a Fund and such Record Owner does not make a payment to the indirect shareholder or fails to follow the methodology specified by the Plan. If a Person held its interest in any of the Funds at any time in the Period in the form of certificates which have been transferred, and such transfer was not duly recorded with MFS Service Center, none of the Qualified Settlement Fund, MFS, the IDC or the Consultants shall be liable to such Person in the event payment of a Distributable Share is made to the Record Owner of such certificates and the holder of the certificates shall look only to the Record Owner for any payment. No person shall have any claim against the IDC or Consultants or other agent designated by the IDC based on data provided to the IDC or Consultants by MFS or any other third party, or based on distributions made substantially in accordance with the Plan, or in accordance with further orders from the Commission or its authorized representatives, or otherwise in accordance with law. Other than to the IDC and the Consultants or as specifically provided for in the Plan, MFS shall not have any liability to any person or entity in excess of the Settlement Amount, which amount has already been paid in full, in connection with the Qualified Settlement Fund or the implementation of the Plan. Nothing in this paragraph shall limit the ability of the Commission or the Qualified Settlement Fund to take any action, legal or otherwise, against the Fund Administrator or the IDC for their own misappropriation, conversion or embezzlement, or loss or misuse (but only to the extent that such loss or misuse arises from their own gross negligence), of any funds deposited in the Qualified Settlement Fund to the extent such funds are in the Fund Administrator's or IDC's own control. This paragraph is not intended, nor should it be deemed to be, a representation to or an indemnification of the IDC or the Fund Administrator or their designees, agents and assistants by the Commission. Subject to all limitations contained in this paragraph, neither the Commission nor the Qualified Settlement Fund is precluded from seeking any recovery for any act or omission in the course of administering the Qualified Settlement Fund or from seeking recovery from any insurance or bond provided as set forth in this Plan. In addition to and without limiting the foregoing, any actions taken or not taken by the IDC or any decisions made by the IDC in reliance on receiving approval by the Commission or its staff or no written objection from the Commission or its staff after presentation of such proposed action or decision to the Commission or its staff, shall not be actionable.

20. Residual Distributions. Subject to prior approval by the IDC in each instance, any Residual Distributions shall be available on a pro rata basis (based on the dollar value of such potential entitlement) to (a) Omnibus Accounts the Distributable Share of which is increased pursuant to paragraph 8(g), (b) Disqualified Beneficiaries if they are determined in a non-appealable judgment of a court of competent jurisdiction to be entitled to be compensated for losses due to late trading or market timing activities in the Funds, or if the IDC determines that a settlement of the proceeding that resulted in Disqualified Beneficiaries being deemed Disqualified Beneficiaries should not be deemed to be an admission that such persons were Disqualified Beneficiaries, but only up to the amounts such Persons would have received if they were not Disqualified Beneficiaries, and (c) any Person that submitted a Proof of Possible

Entitlement or Dispute Form to the IDC, which Proof of Possible Entitlement or Dispute Form was either (i) rejected by the IDC, if the Proof of Possible Entitlement or Dispute Form is determined to be valid in a non-appealable judgment of a court of competent jurisdiction or in a settlement of the kind described in the previous clause (b) (or if no Proof of Possible Entitlement or Dispute Form was timely submitted, if a court of competent jurisdiction nevertheless finds such Person entitled to a payment) (the forgoing references in this paragraph 20 to a court of competent jurisdiction are not intended to confer, and shall not confer, jurisdiction upon any court or to agree to the jurisdiction of any court) or (ii) approved (or approved in part) by the IDC. Notwithstanding the forgoing, no later than 365 days after the Transfer Date, the IDC may establish a reserve to provide for estimated distributions that may be required under clauses (a), (b) and (c) above and, subject to prior approval of the IDC, any unreserved Residual Distributions shall be distributed (on such date as the IDC shall determine) pro rata to the Funds, based on each Fund's percentage of Losses estimated from all Funds during the Period. If any Fund has been or shall be merged into or transferred substantially all of its assets to a successor fund prior to the distribution of the Residual Distributions, its portion of the Residual Distributions shall be paid to the successor entity of such merger or asset transfer. If any Fund has been or shall be liquidated prior to such distribution of the Residual Distributions, its portion of the Residual Distribution Funds shall be paid pro rata to the remaining Funds (or successors) based on each Fund's percentage of Losses estimated for such remaining Funds. In the event that any amount reserved for distributions pursuant to clauses (a), (b) or (c) above are determined by the IDC not to be required to fund such distributions, such amounts shall be released from the reserve and distributed to the Funds as provided in this paragraph 20.

21. Application of Payments from Other Plans. Persons whom the Commission determines participated in alleged late trading and market timing may enter into settlements with the Commission or may be subject to orders of courts or other governmental authorities or other distribution plans similar to this Plan directing or permitting such persons to make payments to the Qualified Settlement Fund. The Other Plan Administrator making an Other Plan Payment to the Qualified Settlement Fund may request or direct that the Other Plan Payment be distributed by the Qualified Settlement Fund in a specific manner. In the event that the Qualified Settlement Fund receives any Other Plan Payment a reasonable period (as determined by the IDC) prior to the Approval Date, the IDC is authorized, in the IDC's discretion, to (i) allocate and distribute such payments in accordance with this Plan, or (ii) to allocate and distribute such payments in accordance with the instructions of the Other Plan Administrator. Any distribution of any Other Plan Payment by the Qualified Settlement Fund shall be subject to the policies incorporated into this Plan, including, without limitation, the limitations on distributions of any De Minimis Amount and the requirement of a written cost sharing agreement or the deduction related to cost sharing as set forth in the definition of "Additional Amounts". If the Distributable Share of Record Owners has already been calculated when the Other Plan Payment is received, the IDC shall cause the Other Plan Payment to be distributed as if it were a Residual Distribution under paragraph 20 or in such other manner that the IDC determines to be appropriate and consistent with the purposes of this Plan. In the event that the Other Plan Administrator directs the Qualified Settlement Fund to distribute any Other Plan Payment in a manner that the IDC determines to be inconsistent with the purposes of this Plan, the IDC is authorized to make such adjustments to the proposed distribution of the Other Plan Payment as the IDC shall determine to be consistent with this Plan and appropriate in light of the circumstances.

22. Termination of Plan. This Plan shall terminate upon the later of the final distribution of all Residual Distributions as provided in paragraph 20 and the final accounting by the Fund Administrator has been submitted and approved by the Commission. Prior to the termination of the Plan, the IDC and the Tax Administrator shall cooperate so that the Plan shall adequately reserve amounts for tax liabilities and the cost of tax compliance.

23. Notices. All notices required to be delivered hereunder to the Commission shall be delivered to this address:

Office of Financial Management  
Securities and Exchange Commission  
Operations Center  
6432 General Green Way  
Alexandria, Stop 0-3, VA 22312

under cover letter that identified MFS as a Respondent and the file number of the proceedings, a copy of which cover letter was sent to

David P. Bergers  
Regional Director  
Boston Regional Office  
Securities and Exchange Commission  
33 Arch Street  
Boston, MA 02110-1424

and to the IDC at this address:

John C. Coates IV  
c/o Rust Consulting, Inc.  
P.O. Box 1828  
Faribault, MN 55021-1876

and to Consultants at this address:

Rust Consulting, Inc.  
P.O. Box 1828  
Faribault, MN 55021-1876

All notices required to be delivered to the IDC and Consultants hereunder shall be delivered to the respective above address, with copies to the Commission at the above addresses.

MFS shall receive a copy of all notices to any of the Commission, the IDC, or the Consultants. All notices required to be delivered hereunder to MFS shall be delivered to this address:

Massachusetts Financial Services Company  
500 Boylston Street  
Boston, MA 02166  
Attn: General Counsel

with copies to the IDC and the Commission at the above addresses.

Submitted on: June , 2006

  
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Professor John C. Coates IV

Independent Distribution Consultant for  
Massachusetts Financial Services, Inc.

## EXHIBITS

- Exhibit A — Summary of Loss Model
- Exhibit B — Notice Pursuant to Paragraph 9
- Exhibit C — Proof of Possible Entitlement
- Exhibit D — Dispute Form
- Exhibit E — Notice to Disqualified Beneficiary
- Exhibit F — Instructions and Tax Disclosure to Holders of Individual Retirement Accounts
- Exhibit G(1) — Instructions and Tax Disclosure to Non-IRA Retirement Account Other than Salary Reduction Only 403(b) Accounts and Defined Benefit Plans
- Exhibit G(2) — Instructions and Tax Disclosure to Non-IRA Retirement Accounts that are Salary Reduction Only 403(b) Accounts
- Exhibit G(3) — Instructions and Tax Disclosure to Non-IRA Retirement Accounts that are Defined Benefit Plans

## ANNEX A

### Definitions

“Additional Amounts” mean: (i) Other Plan Payments which are paid into the Qualified Settlement Fund by a Person acting on behalf of an Other Plan that agrees in writing for the benefit of MFS to pay such portion of the costs of distribution contemplated by the Plan, such portion to be reasonably determined by the IDC or, (ii) if no Person has been appointed to act on behalf of an Other Plan, Other Plan Payments from such Other Plan minus a portion of such Other Plan Payments to be paid to MFS (such payment to MFS to occur immediately prior to the payment of the Other Plan Payments into the Qualified Settlement Fund, unless the payment of the Other Plan Payments has already been made into the Qualified Settlement Fund, in which case the payment to MFS shall be made from the Qualified Settlement Fund and shall occur immediately prior to the Transfer Date) for the costs of distribution contemplated by the Plan, such portion to be determined on the date of calculation as the product of (x) the amount of such Other Plan Payments divided by the Distributable Amount and (y) all costs of distribution contemplated by the Plan (to the extent not yet incurred, as estimated jointly by the Fund Administrator and MFS, and found not to be unreasonable by the IDC and not unacceptable by the staff of the SEC) (such product, the "Cost Amount"), provided that, if the Cost Amount exceeds actual costs (as determined by the IDC after a reasonable investigation and verification of cost information provided by MFS and the Fund Administrator), MFS will deposit the unused portion into the Qualified Settlement Fund to be treated as Residual Distributions after all final distributions are made.

“Allegedly Disqualified Beneficiary” means any Record Owner subject to any proceeding pending before a court or regulatory body of competent jurisdiction at the time the calculation of Distributable Shares pursuant to paragraph 8 of the Plan in which the Record Owner is alleged by the Commission or any other party to have engaged in behavior affecting the Funds in the Period that would constitute unlawful behavior if such allegations were true, and the IDC determines that such alleged behavior is likely to have caused Losses if such allegations are true.

“Approval Date” means the date on which the Commission enters an order approving the Plan.

“Beneficial Shareholder” means any Person (i) who during the Period is the beneficial holder of an interest in an Omnibus Account if such interest is reflected in the records maintained by the Record Owners of such Omnibus Account or (ii) who during the Period is the beneficial owner of an account designated as a Network Level Account as identified by the broker identification number (BIN) or other unique identifier corresponding to the account if reflected in the records available to both the Fund and the networking firm associated with the Network Level Account. For purposes of the Plan, a Retirement Account and not the underlying plan participants or beneficiaries shall be treated as the Beneficial Shareholder.

“Code” means the Internal Revenue Code of 1986 and regulations and rulings thereunder, as they may be amended from time to time.

“Commission” means the Securities and Exchange Commission (or successors thereto).

“Consultants” means, collectively, Rust and ERS; provided that the IDC may substitute any consultant at any time or to cause additional consultants to be engaged to perform some or all of the work to be performed by the Consultants under the Plan.

“Defined Benefit Plan” means a defined benefit plan within the meaning of Section 3(35) of ERISA or Section 414(j) of the Code.

“De Minimis Amount” means \$10.00; provided, however, if the Record Owner is an Omnibus Account, the De Minimis Amount applied to such Record Owner in paragraph 8(e) shall be \$1,000.

“Disqualified Beneficiary” means any Record Owner has either (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) 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 provided in paragraph 12.

“Disqualified Person” means any Disqualified Beneficiary, Allegedly Disqualified Beneficiary or Potentially Disqualified Beneficiary.

“Distributable Amount” means: (i) \$225,629,142.87 *plus* (ii) interest, if any, actually earned on the foregoing amounts through the Approval Date *plus* (iii) any Eligible Distributable Amounts *less* (iv) any federal, state or local taxes imposed on the Settlement Amount. Amounts sufficient to cover any taxes owed on the interest earned on the Settlement Amount as of the time of the distributions under the Plan shall be set aside and not distributed. Any earnings on the amounts set aside to pay applicable taxes shall be distributed, net of taxes owing on such earnings, as part of the Distributable Amount.

“Distributable Share” means a positive number representing the amount determined as the Distributable Share of any Record Owner as calculated pursuant to paragraph 8.

“Electing Omnibus or Network Level Account” means any Omnibus Account that elects Option 2 under paragraph 17A and any networking firm that is associated with a Network Level Account that elects Option 2 under paragraph 17B.

“Eligible Distributable Amount” means all Additional Amounts received by the Qualified Settlement Fund prior to the calculation of Distributable Shares pursuant to paragraph 8.

“ERISA” means the Employee Retirement Income Security Act of 1974 and regulations, rulings and other guidance issued thereunder, as they may be amended from time to time.

“ERS” means ERS Group, Inc. (an affiliate of Rust), experts in the economic analysis of large data sets.

“Escrow Bank” means Deutsche Bank or such other bank as shall be selected by the IDC and determined to be acceptable by the staff of the Commission.



“Fee Allocation” has the meaning set forth in paragraph 6.

“Fund Administrator” means Rust, the entity proposed by the IDC to serve as the administrator of the Qualified Settlement Fund.

“Funds” means, collectively, MFS Emerging Growth Fund, MFS Research Fund, MFS Value Fund, Massachusetts Investors Trust, Massachusetts Investors Growth Stock Fund, MFS Total Return Fund, MFS Government Securities Fund, MFS Government Mortgage Fund, MFS Bond Fund, MFS Money Market Fund, and MFS Cash Reserve Fund.

“IDC” means Professor John C. Coates IV, the Independent Distribution Consultant retained by MFS pursuant to the terms of the Order.

“Indirect Allegedly Disqualified Beneficiary” means any Beneficial Shareholder subject to any proceeding pending before a court or regulatory body of competent jurisdiction at the time the calculation of Distributable Shares pursuant to paragraph 8 of the Plan in which the Beneficial Shareholder is alleged by the Commission or any other party to have engaged in behavior affecting the Funds in the Period that would constitute unlawful behavior if such allegations were true, and the IDC determines that such alleged behavior is likely to have caused Losses if such allegations are true.

“Indirect Disqualified Beneficiary” means any Beneficial Shareholder which has either (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 in 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. The determinations of the IDC shall be conclusive as to a Beneficial Shareholder’s entitlement to participate in a payment under the Plan.

“Indirect Disqualified Person” means any Indirect Disqualified Beneficiary, Indirect Allegedly Disqualified Person or any Indirect Potentially Disqualified Person.

“Indirect Potentially Disqualified Beneficiary” means any Beneficial Shareholder as to which the analysis undertaken to determine Losses indicates that the Beneficial Shareholder is likely to have engaged in unlawful conduct that caused Losses that are material (in the good faith judgment of the IDC). The IDC in his discretion may designate such Beneficial Shareholder as a “Potentially Disqualified Beneficiary” based upon such criteria that he may establish from time to time.

“IRA Account” means any individual retirement account or annuity established pursuant to Section 408 or Section 408A of the Code, including individual retirement accounts established in connection with a simplified employee pension plan (“SEP”) or a SIMPLE plan.

“Loss Allocation” has the meaning set forth in paragraph 6.

“Losses” means the amount of losses suffered by the Funds arising out of late trading and other market timing activity during the Period, as determined by the IDC.

“MFS” means Massachusetts Financial Services Company.

“MFS Service Center” means MFS Service Center, Inc., the transfer agent for each of the Funds.

“MFS Funds” means registered investment companies for which MFS is the investment adviser.

“MFS Respondents” means MFS, John W. Ballen and Kevin R. Parke.

“Network Level Account” means an account during the Period controlled by a broker and designated as a Network Level 3 Account, Network Level 2 Account or a Network Level 1 Account as defined by the National Securities Clearing Corporation; provided that any account which is both a Network Level Account and an Omnibus Account shall be deemed to be an Omnibus Account for purposes of the Plan. MFS Service Center shall determine in its sole discretion the identity of the Network Level Accounts. In general, with respect to such Network Level Accounts, certain account information, but not the identity of the beneficial owner of the account, is maintained on the records of MFS Service Center, but other account information, including the identity of the beneficial owner of the account is maintained by the broker of record.

“Non-IRA Retirement Accounts” means any account maintained by any “retirement plan” that is not an IRA Account. For purposes of this definition, a “retirement plan” means any “employee benefit plan” within the meaning of Section 3(3) of ERISA, whether or not subject to Title I of ERISA, and any “plan” within the meaning of Section 4975 of the Code, whether or not subject thereto, which includes governmental plans, church plans, non-qualified deferred compensation plans and non-U.S. retirement plans or arrangements.

“Omnibus Account” means an account registered in the name of a broker-dealer or other financial intermediary which holds shares as the Record Owner for the benefit of more than one Beneficial Shareholder and for which any of the MFS Funds have made payments for administrative services (which services include the maintaining of beneficial owner-level records) during the Period pursuant to an agreement with MFS, MFS Service Center or an MFS Fund. MFS Service Center shall determine in its sole discretion the identity of the Omnibus Accounts. For purposes of this Plan, no Retirement Account shall be treated as an Omnibus Account, but a single account of a Fund maintained by a third party administrator with respect to multiple retirement plans and for which any of the MFS Funds have made payments for administrative services shall be deemed to be an Omnibus Account.

“Order” means the Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 203(e), 203(f) And 203(k) of the Investment Advisers Act Of 1940 and Sections 9(b) and 9(f) of the Investment Company Act Of 1940, Making Findings, And Imposing Remedial Sanctions And A Cease-And-Desist Order, entered by the Commission on February 5, 2004.

“Other Plan” means any settlement fund, other than the Qualified Settlement Fund, established to remediate losses arising out of late trading or market timing in the Funds or other investment companies.

“Other Plan Administrator” means the administrator, distribution consultant or person acting in a similar capacity with respect to any Other Plan.

“Other Plan Payment” means a distribution to the Qualified Settlement Fund from an Other Plan.

“Period” means, as to each Fund, the time period specified as to such Fund on Exhibit A to the Plan.

“Person” means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other entity of whatever nature.

“Plan” means this Plan of Distribution as developed by the IDC and approved by the Commission.

“Potentially Disqualified Beneficiary” has the meaning set forth in paragraph 14.

“Proof of Possible Entitlement” means the Proof of Possible Entitlement form attached hereto as Exhibit C.

“Publication Date” means the date on which notice of this Plan is published on the Commission’s website.

“Qualified Settlement Fund” means the fund created as a result of the payment of the Settlement Amount to the Commission by the MFS Respondents.

“Record Owner” means the Person identified by the books and records of any Fund as the registered owner of the Fund’s Shares in an account of the Fund during the Period. For purposes of the Plan, any Retirement Account appearing on the books and records of a Fund as the registered owner of Shares of the Fund during the Period shall be treated as the ultimate beneficiary of any Distributable Share to which such Retirement Account is eligible.

“Record Owner’s Losses” means that portions of the Losses suffered by any particular Record Owner.

“Residual Distribution” means (i) any amount that has not been claimed (i.e., any check that has not been cashed by the Record Owner or Beneficial Shareholder) within one hundred eighty days (180) days of issuance and has been cancelled, (ii) any additional amount specifically directed in any court order or settlement (other than the Order) to be included as Residual Distributions, (iii) interest on the Settlement that accrues after the Approval Date, (iv) Additional Amounts other than Eligible Distributable Amounts and (v) other amounts that are otherwise deemed to be Residual Distribution pursuant to the Plan.

“Retirement Accounts” means any IRA Account or a Non IRA Retirement Account.

“Rust” means Rust Consulting, Inc., experts in the development and implementation of plans for the distribution of settlement funds.

“Settlement Amount” means the \$225,629,142.87 paid by the MFS Respondents to the Commission in connection with the Order.

“Shares” means any and all shares, units, interests, participations or other equivalents representing ownership interests in a Fund.

“Transfer Date” means the date of the initial distribution of payments from the Qualified Settlement Fund.

“Trigger Date” means the date that shall be 14 days after the latest to occur of (i) the Approval Date and (ii) the delivery of all tax rulings (including ruling necessary to provide shareholders with appropriate tax disclosure) from the Internal Revenue Service in connection with the distribution of a fair funds settlement.

## ANNEX B

### Qualifications of the Fund Administrator and Reasons for Waiver of Bond Requirement

*The Fund Administrator has provided information regarding the Fund Administrator and its procedures to the IDC for inclusion in this Annex.*

#### 1. Qualifications of the Fund Administrator and Custody Procedures

The Fund Administrator specializes in claims administration and the development and implementation of plans for the distribution of settlement funds, and has administered more than 500 cases worth billions of dollars with class sizes ranging from 80 class members to more than 100 million. It has handled both large distributions (including some of the largest in the claims administration industry) and smaller settlements. Over the past three years alone, the Fund Administrator has distributed approximately \$1.8 billion in settlement disbursements to approximately 9.6 million recipients without incident. It has been in existence since 1976 and it *never* had any occurrence of employee or vendor problems or claims against its Errors & Omissions insurance due to employee theft or dishonesty.

#### 2. Custody / Risk Protection

The Plan provides that money from the Qualified Settlement Fund, which is currently being held in the U.S. Treasury Bureau of Public Debt (BPD), would be transferred to one or more escrow accounts to be established by Qualified Settlement Fund at the Escrow Bank, no more than two business days prior to the date on which checks would be mailed to beneficiaries, and that on behalf of the Qualified Settlement Fund, the Fund Administrator would manage the printing and mailing of checks that would be drawn on those escrow accounts, subject to procedures described below to protect against misappropriation. The Fund Administrator will oversee the check printing process and rely on a third-party check-printing vendor. The Fund Administrator has informed the IDC that it would be cost-prohibitive to obtain a bond that would (absent a waiver by the Commission) be required by the Commission's Rules on Fair Fund and Disgorgement Plans.

#### 3. Relevant Specifics Regarding the Distribution

Because the distribution of the Qualified Settlement Fund will take place in several steps, rather than all at once, the Plan makes explicit that monies will be transferred from the BPD to the Escrow Bank two business days before each of those steps, minimizing the amount of time that the monies are held pending actual distribution to beneficiaries. The Fund Administrator currently contemplates that the steps in the distribution of the Qualified Settlement Fund will include:

- Initial check mailings to retail holders and other direct record owners (“direct accounts”) in at least three “blocks” or “tranches”.
- Distributions to Omnibus Accounts and Network Level Accounts, which will not be transferred from the Qualified Settlement Fund to the Escrow Bank until the Omnibus

Account or Network Level Account is prepared to complete the further distribution of any payment they receive under the Plan to its Beneficial Shareholders.

As a result, much less than the full amount of the Qualified Settlement Fund will ever be in the control of the Escrow Bank and/or the Fund Administrator.

#### 4. Databases

The Fund Administrator's databases are configured so that modifications can only be made to data through programs; individuals are not allowed direct access to underlying production databases. Only designated individuals with security clearances at the Fund Administrator can access data used in completing the distribution. If an individual has security clearance to make changes in data (e.g., to update an address through an on-line screen), all original data (e.g., the original address) is automatically maintained by the Fund Administrator's systems, and the system records the identity of the individual who made the change. Individuals cannot alter award amounts. Duties are segregated: award calculations are separate from the preparation of checks, which is in turn separate from submission of files to a bank, so that no individual or working team could affect more than one of these processes.

#### 5. Printing of Checks and Transferring of Wires

A "positive pay file" will be used for clearing checks at the Escrow Bank, and will be provided to the Escrow Bank separately from the physical checks themselves. The Escrow Bank will clear only checks matching entries in the positive pay file and for the amount in the file. When checks are printed, a reconciliation report will be provided which lists the total number of checks and sequenced numbers printed. These totals will be compared to the total records from the payment file to confirm all checks were printed. Printed checks will be kept in a secured area until they are mailed and are generally printed just in time for mailing. Only authorized individuals will be allowed access to the check area for printing and performing quality control procedures. Processing of the mailing of checks will subject to appropriate security procedures. For wires, the Fund Administrator will provide the Escrow Bank with wire transfer instructions signed by both the IDC and an authorized representative of the Fund Administrator. Wire instructions received by the Escrow Bank will be reviewed by an administrative employee of the Escrow Bank for content, required signatures and all necessary data. The administrative employee will input the instructions into the Escrow Bank's computer system, and an Officer of the Escrow Bank will compare the computer entries to the original wire instructions before giving final approval on the transfer.

#### 6. Additional Risk Protection

The Escrow Bank, which will hold Plan assets during the check-cashing period, maintains a Financial Institutions (FI) Bond including errors and omissions coverage with an aggregate limit of 200 MM Euro. The primary insurer is American International Group, which, as of its most recent renewal, was rated A+ by A.M. Best. The Escrow Bank has 200 MM Euro of E&O insurance. In addition, the Escrow Bank has a bankers blanket bond of 250 MM Euro from Chubb (which is rated A++ by A.M. Best), which the Escrow Bank has advised the IDC includes coverage for wrongful acts (i.e., an act, errors and omissions, misstatement etc.) or failure to

safeguard proprietary information in connection with rendering of professional services. The Fund Administrator has \$10 million in E&O insurance, as well as \$2 million fiduciary insurance. The Escrow Bank annually assesses the adequacy of its policy limits through extensive analysis of historical loss data, exposure to loss and internal company controls.

The Fund Administrator maintains and will continue to maintain until termination of Plan, an errors and omissions insurance policy. The primary insurer, Illinois Union Insurance Co, is a company which, as of its most recent renewal, was rated A+ by A.M. Best. The policy is in the amount of \$10 million per occurrence. The Fund Administrator also maintains, and will continue to maintain until termination of Plan, a fiduciary insurance policy. The primary insurer, St. Paul Companies, is a company which, as of its most recent renewal, was rated A+ by A.M. Best. The policy is in the amount of \$2 million per occurrence. The Fund Administrator's print vendor maintains and will continue to maintain until termination of Plan, an errors and omissions insurance policy. The primary insurer, Illinois Union Insurance Company, is a company which, as of its most recent renewal, was rated A+ by A.M. Best. The policy is in the amount of \$40 million per occurrence. Under the Plan of Distribution, at no time will there be funds under the custody and control of the Fund Administrator that exceed the amount covered by insurance. Certificates of insurance for these policies have been provided to the assigned SEC staff for review and have been deemed "not unacceptable."