

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 63240 / November 3, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-11393

In the Matter of

**MASSACHUSETTS FINANCIAL
SERVICES COMPANY, JOHN W.
BALLEN AND KEVIN R. PARKE**

Respondents.

**ORDER MODIFYING
DISTRIBUTION PLAN AND
DIRECTING DISBURSEMENT**

On July 19, 2006, the Commission published a notice of the proposed Plan of Distribution proposed by the Division of Enforcement in connection with this proceeding (Exchange Act Release No. 54175). The Commission received comments and, on July 24, 2007, the Plan of Distribution was approved after certain clarifying modifications were made. See Exchange Act Release No. 56122 (July 24, 2007) (Order Approving Modified Distribution Plan). The Order approving the Modified Plan of Distribution was subsequently revised. See Exchange Act Release No. 56527 (September 25, 2007) (Revised Order Approving Modified Distribution Plan).

The Modified Plan of Distribution (“Plan”) provides that a Fair Fund consisting of disgorgement and civil penalties, plus amounts from third parties and any accrued interest, be transferred in portions to Deutsche Bank to be distributed by the Fund Administrator to injured investors according to the methodology set forth in the Plan. Pursuant to the Plan, and following a series of Orders Directing Disbursement, the Independent Distribution Consultant (“IDC”) and the Fund Administrator, in a series of

thirteen tranches, distributed \$312,042,489.07 to injured investors.¹ There is a significant amount remaining in the Fair Fund after those amounts were distributed, which is considered Residual Distributions pursuant to the Plan. Paragraph 20 of the Plan provides that any Residual Distributions shall be distributed pro rata to the MFS Funds, based on each Fund's percentage of Losses estimated from all Funds during the Period to which this matter relates.

A significant portion of the Residual Distributions is comprised of amounts that were distributed but which were not claimed (i.e. checks that were not presented for payment within the time period prescribed by the Plan and checks that were returned to the Fund Administrator as undeliverable). Consistent with the Plan's primary objective to distribute funds directly to affected investors at the time of the misconduct and with the concurrence of the IDC and MFS, the Plan is modified in the following respects:

A. Additional Steps: The IDC and the Fund Administrator will take the following additional steps ("Additional Steps") relating to the distribution: (1) make further commercially reasonable efforts to locate investors who are entitled to a check in the amount of \$5,000 or more and whose original check was returned as undeliverable; (2) reissue and mail checks to any investors located as a result of the efforts described in (1) above; (3) reissue and mail all checks in the amount of \$100 or more to investors who failed to present those checks for payment within the time prescribed by the Plan and whose check was not otherwise previously reissued; (4) reissue checks totaling \$82,510.02 to certain Southwest Securities, Inc. accountholders whose accounts were undercompensated as a result of administrative error.

B. Stale Dates for Reissued Checks: Checks reissued as a result of the Additional Steps shall have a stale date of 60 days after issuance. The IDC may, in his discretion, reissue a check which was issued pursuant to the Additional Steps (to replace a lost or damaged check, for example), but only if the request for reissuance is made before the stale date of the original reissued check (i.e. within 60 days after original reissuance). Any check so reissued will have a stale date no later than 30 days after the stale date of the original reissued check. Except as provided in this paragraph, the IDC will not reissue any other checks. The procedures in Paragraph 11 of the Plan which provide for Proof of Possible Entitlement and Dispute Forms shall not be applicable to any reissued check.

¹ See Exchange Act Rel. Nos. 34-56527 (November 5, 2007), 34-56743 (December 6, 2007), 34-57177 (January 9, 2008), 34-57276 (February 6, 2008), 34-57396 (February 28, 2008), 34-57687 (April 18, 2008), 34-57783 (May 6, 2008), 34-57915 (June 4, 2008), 34-57980 (June 17, 2008), 34-58090 (July 2, 2008), 34-58320 (August 6, 2008), 34-58412 (August 22, 2008), 34-59048 (December 3, 2008), 34-59741 (April 9, 2009).

C. Remaining Uncashed Checks to be Returned to Residual: Any checks issued pursuant to the Additional Steps which remain uncashed after their stale date or which are returned as undeliverable, shall be cancelled and returned to the Qualified Settlement Fund as Residual Distributions to be distributed as part of the Second Residual Distribution, described in Paragraph G, below.

D. Costs of Additional Steps: MFS will pay, but shall be reimbursed from the Fair Fund for actual costs attributable to the Additional Steps which are found not to be unreasonable by the IDC, including without limitation, costs and fees of the Fund Administrator. MFS will pay, but shall be reimbursed from the Fair Fund for the Fees and Expenses of the IDC which are attributable to the Additional Steps which are found not to be unreasonable by the Commission staff. Such reimbursable costs, however are not to exceed \$475,000 (“Total Reimbursable Amount”). Costs incurred by the Fund Administrator which are not attributable to the Additional Steps, as determined by the IDC, shall be borne by MFS in accordance with Paragraph 2(b) of the Plan and shall not be reimbursed from the Qualified Settlement Fund. Fees and expenses of the IDC which are not attributable to the Additional Steps, as determined by the staff of the Commission, shall be borne by MFS in accordance with the Order Instituting Administrative and Cease and Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act of 1940 and Section 9(b) and 9(f) of the Investment Company Act of 1940 and Making Findings and imposing Remedial Sanctions and a Cease and Desist Order, dated February 5, 2004, (“February 2004 Order”) and shall not be reimbursed from the Qualified Settlement Fund. Costs attributable to the Additional Steps but which exceed the Total Reimbursable Amount shall not be reimbursed.

E. Amount to be Reserved From Residual: The amount of \$35,657,789 will be reserved from the Fair Fund (“Reserved Amount”) to pay (1) any reissues which result from the Additional Steps; (2) the reimbursable costs of the Additional Steps as described above; and (3) estimated tax liabilities of the Fund.

F. First Residual Distribution: The current balance of the Qualified Settlement Fund less the Reserved Amount shall be considered Residual Distributions and shall be distributed to the affected MFS Funds in accordance with the Plan. Those Residual Distributions may be made while the Additional Steps are being taken.

G. Second Residual Distribution: After the stale date for all checks reissued as a result of the Additional Steps, any funds from the Reserved Amount remaining in the Qualified Settlement Fund, shall be considered Residual Distributions. Upon certification that a validated payment file has been received by Commission staff and the distribution information has also been received by the affected mutual funds, the Secretary shall issue an Order to Disburse those Residual Distributions pursuant to the Plan.

Accordingly, IT IS ORDERED that:

A. Pursuant to Rule 1104 of the Fair Fund Rules, 17 C.F.R. §201.1104, that the Distribution Plan is modified as described above, and approved with such modification; and

B. the Commission staff shall transfer \$17,353,284.98 of the Fair Fund to Deutsche Bank and the Fund Administrator shall include such monies in its distributions to the affected MFS Funds, as provided for in the Plan of Distribution and in paragraph C, below.

C. The Fund Administrator shall disburse the Residual Distributions as described above in Paragraph F to the affected MFS Funds, in the amount stated in the validated payment file of \$38,631,356.04, as provided for in the Plan of Distribution as hereby modified.

By the Commission.

Elizabeth M. Murphy
Secretary