I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 9(f) of the Investment Company Act of 1940 ("Investment Company Act") against Peter S. Lynch ("Lynch" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent Lynch has submitted an Offer of Settlement ("Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing a Cease-and-Desist Order as to Peter S. Lynch ("Order"), as set forth below.

III.
On the basis of this Order and Respondent Lynch's Offer, the Commission finds\(^1\) that:

**Respondent**

1. **Lynch**, age 64, lives in Marblehead, Massachusetts. He has been associated with Fidelity Management & Research Company (FMR) and FMR Co., Inc. (FMR Co.) (collectively, Fidelity) in various capacities since 1969, and was the portfolio manager of Fidelity’s Magellan Fund from 1977 to 1990. Since retiring from Magellan, Lynch has been the vice chairman and a director of FMR and FMR Co. Lynch was a trustee of the complex of mutual funds marketed under the “Fidelity Investments” trade name (Fidelity Funds) from 1990 until February 2003, and has since served as a member of Advisory Board of the Fidelity Funds.

**Relevant Parties**

2. **FMR** is a privately held Massachusetts corporation registered with the Commission as an investment adviser pursuant to Section 203(c) of the Investment Advisers Act of 1940 (“Advisers Act”), with its principal place of business in Boston, Massachusetts. FMR is a wholly owned subsidiary of FMR LLC, a privately held Delaware limited liability company. FMR is an adviser to various institutional clients and has approximately $1.25 trillion in assets under management. FMR’s institutional clients include a group of approximately 350 registered investment companies marketed under the “Fidelity Investments” trade name and managed by FMR and its affiliates (hereafter “the Fidelity Funds”).

3. **FMR Co.** is a privately held Massachusetts corporation registered with the Commission as an investment adviser pursuant to Section 203(c) of the Advisers Act, with its principal place of business in Boston, Massachusetts. FMR Co. is a wholly owned subsidiary of FMR and provides portfolio management services as a sub-adviser to certain clients of FMR, including the Fidelity Funds.

**Summary**

4. This proceeding concerns Peter Lynch’s request and receipt of tickets to sporting and entertainment events from two traders on Fidelity’s equity trading desk at a time when he was serving as vice chairman and director of Fidelity and trustee or member of the Advisory Board of the Fidelity Funds. With Lynch’s knowledge, those traders obtained the requested tickets – often to sold-out events – from securities brokerage firms doing business or seeking to do business with Fidelity. In addition, the two traders – Robert Burns and Jeffrey Harris – directed transactions to the brokers who provided those tickets. During the period from 1999 to October 2004 (the “Relevant Period”), Lynch requested and received from Burns and Harris 61 tickets worth approximately $15,948 to 12 concerts and sporting and theater events, including fourteen, three-day passes to the 1999 Ryder Cup. By requesting that Burns and Harris obtain tickets for him, which they did by soliciting them from brokers, Lynch caused Burns’ and Harris’

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\(^1\) The findings herein are made pursuant to Lynch's Offer and are not binding on any other person or entity in this or any other proceeding.
violations of Section 17(e)(1) of the Investment Company Act.

**Background**

5. As portfolio manager of Fidelity Investments’ Magellan Fund from 1977 to 1990, Lynch directed securities transactions for the fund to certain traders on Fidelity’s equity trading desk. Since 1990, Lynch has not managed any investments for any Fidelity Investments fund.

6. During approximately the last five years that Lynch managed the Magellan Fund, Burns was one of Fidelity’s equity traders assigned to handle securities orders for the Magellan Fund. During the Relevant Period, Lynch periodically requested that Burns obtain tickets for him for various sporting and entertainment events. In response to requests from Lynch, Burns solicited those tickets from brokers doing business or seeking to do business with Fidelity’s equity trading desk. Burns directed transactions to the brokers who provided the tickets Lynch requested. Lynch was aware that tickets obtained for him by Burns were provided by brokers.

7. Annually during the Relevant Period, Lynch signed a form acknowledging his receipt of Fidelity’s Code of Ethics for Personal Investing and certifying that he had read and understood the policies and conducted himself in accordance with them. Accompanying the acknowledgement forms that Lynch signed was Fidelity’s Code of Ethics, which in several versions contained, among other things, a prohibition: “The Fidelity Companies generally prohibit employees from receiving gifts or other gratuities from any person or entity that does business with the Funds…”

8. From 1995 to 2003, as an interested trustee of the Fidelity Funds (and since 2003 as an advisory trustee), Lynch attended annual trustee meetings at which Fidelity’s gifts and gratuities policies applicable to the independent trustees were discussed. Each year, the materials provided at those meetings included a statement concerning the general prohibition against receiving gifts worth more than $100.

**Lynch Sought and Obtained Tickets through Fidelity’s Equity Traders**

9. During the Relevant Period, Lynch obtained, through his requests to Burns, and in one instance, Harris, approximately 61 tickets to 12 events. Lynch knew those tickets were provided by various brokers who handled and/or sought Fidelity’s brokerage business. The total value of those tickets was approximately $15,948.

10. The tickets Lynch received included seats to various events, including eleven tickets to a U2 concert and fourteen, three-day passes to the 1999 Ryder Cup golf tournament held at The Country Club in Brookline, Massachusetts. After Lynch had been unsuccessful in obtaining tickets to the 1999 Ryder Cup on his own, he asked Burns to obtain the tickets for him. To satisfy Lynch’s request, Burns enlisted the assistance of other traders on Fidelity’s equity trading desk. Lynch also obtained through Burns tickets to the Ryder Cup golf tournament in Michigan in 2004 (at least six tickets), and sporting events, concerts, and theater events. Lynch also obtained tickets to a Santana concert from Harris, who requested and received the
tickets from a brokerage firm doing business with Fidelity.

11. Contrary to Fidelity policy, Lynch did not attend any of the events with representatives of the brokerage firms that provided the tickets. Furthermore, Lynch did not reimburse brokers for any of the tickets they obtained for him.

**Certain Fidelity Traders and Brokers Doing Business with Fidelity Were Aware That Lynch Obtained Tickets From Brokers**

12. In addition to Burns and Harris, at least seven other traders on FMR Co.’s equity trading desk were aware during the Relevant Period that Lynch obtained tickets from brokers through requests to the equity trading desk. Lynch’s conduct was the subject of comment between certain traders. Each of those Fidelity traders accepted tickets and/or other gifts for themselves from brokers.

13. The broker Burns solicited most often for tickets on behalf of Lynch also was aware that Lynch had requested the tickets.

**Lynch Caused Violations of Section 17(e)(1) of the Investment Company Act**

14. As a result of the conduct described above, Lynch caused Burns’ and Harris’ violations of Section 17(e)(1) of the Investment Company Act, which makes it unlawful for an affiliated person of a registered investment company, or an affiliate of an affiliate, when acting as an agent, to accept compensation from any source (other than a salary or wages from the registered investment company) for the purchase or sale of any property to or for the registered investment company. Burns and Harris were affiliated persons of FMR Co., which, at all relevant times, was an affiliated person of investment companies (Fidelity Investments’ complex of mutual funds) because FMR Co. is an investment adviser to those funds. Burns and Harris accepted compensation in violation of Section 17(e)(1) of the Investment Company Act in the form of tickets they solicited and obtained from brokers at Lynch’s request. By requesting the tickets from Burns and Harris, Lynch caused those violations.

**Undertakings**

15. In connection with this proceeding and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Respondent Lynch (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by or on behalf of the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Respondent Lynch’s attorney in this proceeding as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony
reimburses Respondent Lynch’s travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Respondent Lynch in any United States District Court for purposes of enforcing any such subpoena.

16. In determining whether to accept the Offer, the Commission considered these undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Lynch’s Offer.

Accordingly, pursuant to Section 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Lynch cease and desist from committing or causing any violations and any future violations of Section 17(e)(1) of the Investment Company Act; and

B. IT IS FURTHER ORDERED that Respondent Lynch shall, within ten (10) days of the entry of this Order, pay disgorgement of $15,948.68 and prejudgment interest of $4,183.83 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be: (A) made by United States postal money order, certified check, bank cashier’s check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Respondent Lynch as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to David P. Bergers, Regional Director, Division of Enforcement, U.S. Securities and Exchange Commission, Boston Regional Office, 33 Arch Street, 23rd Floor, Boston, MA 02110.

By the Commission.

Nancy M. Morris
Secretary