

What Is Fidelity Investments Hiding?

“Fidelity Investments as a matter of policy does not disclose its vote decision with respect to a particular company, meeting or agenda item.”

Ed Corrao, Fidelity Legal Department

Shareholder Votes For Corporate Reform Could Have Made a Difference.

- As a top shareholder of companies such as Enron, WorldCom and other alleged corporate wrongdoers, Fidelity Investments Inc. helps shape these companies' corporate governance. It appears that Fidelity used its clients' share voting power to support captive boards of directors, to overpay corporate executives and to vote for conflicted audit committees at these troubled companies. Fidelity must disclose how it votes its equity holdings to allow its clients to monitor whether it supports corporate responsibility.

Fidelity Must Disclose How It Votes the Investments of Working Families.

- Investment advisors have a fiduciary duty to vote the shares of their clients in a manner consistent with the best interests of their clients. Under the Employee Retirement Income Security Act (ERISA), the voting rights attached to company stock are considered to be “plan assets” that must be managed in the best interests of pension plan beneficiaries. The chairman of the Security and Exchange Commission, Harvey Pitt, clarified in a letter dated February 12, 2002, to

John Higgins, president of Ram Trust Services, that the same fiduciary standards apply to all investment advisors, including mutual funds.

- Unlike investment managers of defined-benefit pension plans who routinely disclose their voting decisions, mutual fund firms that manage 401(k) money, such as Fidelity, refuse to tell their investors how they voted.
- Moreover, as the nation's No. 1 provider of company 401(k) plans, Fidelity may have an economic interest to vote shares to please company management, even if such a vote might not be in the best interests of Fidelity mutual funds or their beneficiaries. Fidelity faced conflicts of interests, for example, at Enron, which offered Fidelity funds in its 401(k) plan and at Lockheed Martin, where a Fidelity subsidiary was a co-fiduciary for employee benefit plans. The candidacy of an Enron director for a seat on Lockheed Martin's board faced significant investor opposition this year. By refusing to disclose its proxy voting, Fidelity prevents mutual fund investors from monitoring these conflicts of interest.
- Only this spring, Fidelity announced it is opposing companies' plans to reprice options that increased their value. However, such a policy has little value unless Fidelity says how it is applied at specific

companies. Disclosure of both the actual proxy votes cast and proxy voting guidelines will provide needed transparency, help reduce potential conflicts of interest and enable investors to make informed decisions about mutual funds.

As the World's Largest Mutual Fund Company, Fidelity Has a Responsibility For Corporate Accountability.

- Fidelity is the world's largest mutual fund company and one of the most influential investors in the capital market, managing a total of \$1.5 trillion in assets, including managed assets of \$859.8 billion and an additional \$653.9 billion for which Fidelity performs record-keeping and other administrative services, as of May 31, 2002. With its 12.5 percent market share, Fidelity provides financial services for 17 million individual and institutional shareholders, including 11.2 million American workers.
- Fidelity is the nation's No. 1 provider of 401(k) retirement savings plans and the No. 2 provider of 403(b) retirement plans for not-for-profit institutions. As part of Fidelity's retirement business, the firm offers services to individuals, institutional clients, not-for-profit institutions, government entities and large corporations.

“The Fidelity funds’ guidelines generally call for the funds to vote in support of management’s proposals.”

Statement of Eric D. Roiter, senior vice president and general counsel, Fidelity Management and Research, to the New York Stock Exchange Committee on Accountability and Listing Standards.

Is Fidelity Voting For Corporate Reform?

- Fidelity is a major shareholder of companies currently under Securities and Exchange Commission and/or U.S. Attorney investigation. Before the current corporate scandals came to light, shareholders filed proposals asking many of these companies’ boards to adopt corporate responsibility measures.

It appears that Fidelity voted against the following corporate governance reform proposals, given what is known about its proxy voting guidelines.

Company	Issue Under Investigation	Shareholder Proposal	Date	Fidelity Institutional Holding Rank	Fidelity Vote
Computer Associates	SEC and the U.S. Attorney's office are examining whether CA wrongly booked more than \$500 million in revenue in 1998 and 1999, while three senior executives enjoyed payouts triggered by stock price milestones.	Restrict executive compensation	1999	1*	?
Enron	Enron admitted it improperly inflated earnings and hid debt through business partnerships. The result was a \$63.4 billion bankruptcy.	Add cumulative voting Link executive pay to performance	1997 2000	5**	?
Halliburton	The SEC is investigating whether Halliburton improperly recorded revenue from cost overruns on big construction jobs.	Index stock option exercise price Restrict executive compensation No consulting by auditors	2001 2001 2002	4*	?

Kmart	FBI, SEC and the Kmart board are investigating accounting and corporate practices that led to the retailer's \$17 billion bankruptcy.	Require majority vote for director election Restrict executive compensation Repeal classified board No repricing of underwater stock options	1997 1997 1988, 1999, 2000 1999	2*	?
Lucent Technologies	SEC started investigation after Lucent adjusted 2000 revenues by \$679 million from sales to its distributors before the distributors were able to actually sell the products.	Repeal classified board Adopt confidential voting Restrict executive compensation	1988 to 2002 1999, 2000 1999	8*	?
Qwest Communications	SEC is investigating whether Qwest inflated 2000 and 2001 revenues through capacity swaps and equipment sales.	Shareholder approval for severance agreements	2001	2*	?
Tyco International	SEC is investigating whether Tyco used reserves and other questionable bookkeeping strategies to boost financial results. The SEC is also probing financial transactions involving former Tyco CEO Dennis Kozlowski.	Require majority of independent directors Re-incorporation from Bermuda to Delaware	1998, 1999 1999	2*	?
WorldCom - MCI Group - WorldCom Group	Admitted to improperly booking \$3.8 billion in expenses as capital expenditures, which led to a \$103.9 billion bankruptcy filing, the largest in U.S. history.	Redeem or vote on poison pill***	1998, 2000	2* 79*	?

*) Share holding as of March 31, 2002

**) Share holding as of Sept. 30, 2001

Source: Wall Street Journal, Business Week, IRRC, Company SEC filings, Factset

***) The proposal won a majority vote in 2000, but WorldCom never implemented it. Fidelity should have voted for it; however, we do not know what the actual vote was, because Fidelity does not disclose it.

Is Fidelity Holding Enron Directors Accountable?

As a top Lockheed Martin shareholder, Fidelity faced a conflict of interest because a Fidelity subsidiary is a co-fiduciary for employee benefit plans at subsidiaries of the defense contractor. As part of its Enron director accountability project, the AFL-CIO asked Lockheed Martin shareholders to withhold their votes for former Enron director Frank Savage because of his role on the

Enron board. Savage was a member of the Enron board's Finance Committee and Compensation and Management Development Committee. Savage was re-elected at Lockheed Martin's annual meeting in April, however 28 percent of shareholders opposed his candidacy. It appears that Fidelity supported his re-election, but never disclosed how it voted. If Fidelity and one more mutual fund had withheld their votes for Savage, he would not have been re-elected.

Based on the Lockheed Martin vote result, it appears that Fidelity cast its discretionary proxy votes for Enron director Frank Savage.

Company	Issue	Fidelity Institutional Holding Rank	%	Share Holding As of	Vote No Campaign	Date
Lockheed Martin	Fidelity did not disclose how it voted on Enron director Frank Savage, who was up for re-election to the Lockheed Martin board this year.	1	11.14	3/31/2002	Withhold vote from Enron director Frank Savage	2002

Source for share holding: Factset

Is Fidelity Supporting Reincorporations in Bermuda?

Fidelity is a major shareholder of companies that have reincorporated in Bermuda. It is the largest shareholder of Nabors Industries, a company that recently reincorporated in Bermuda. It is also the largest shareholder of Stanley Works, which is asking shareholders to approve

such a move. Worker pension funds ran vote-no initiatives against these two management reincorporation proposals this year. Already in 1999, worker pension funds filed a shareholder proposal asking Tyco's board to reincorporate the company from Bermuda to Delaware. Fidelity has not yet disclosed how it voted on these proposals.

It appears that Fidelity is supporting companies moving to Bermuda to evade taxes.

Company Name	Fidelity Institutional Holding Rank	%	Market Value 6/30/02
Accenture	1	3.23%	\$257,241,000
Cooper Industries	7	2.34%	\$85,519,119
Ingersoll-Rand	1	8.63%	\$666,108,079
Nabors Industries	1	10.55%	\$537,178,844
Stanley Works (reincorporation pending)	1	7.60%	\$266,161,913
Tyco International	2	5.33%	\$1,437,033,004

Source for share holding: Factset. Holdings as of 3/12/2002