

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17630**

**Mutual Fund Adviser Settles with SEC for Fair Valuation and Disclosure Failures**

**October 18, 2016** – The Securities and Exchange Commission announced today that Bethesda, Maryland-based mutual fund adviser Calvert Investment Management, Inc. (Calvert) has agreed to settle charges that it improperly fair valued certain fund holdings and failed to disclose key aspects of its attempt to remediate the resulting harm.

According to the SEC’s order, between March 18, 2008 and October 18, 2011, Calvert improperly valued certain securities held by mutual funds that Calvert advised. This, in turn, led the mutual funds to be priced at an incorrect net asset value (NAV). The mutual funds then executed shareholder transactions at the wrong NAV, and stated inaccurate performance figures. In addition, Calvert collected inflated asset-based fees.

After discovering the improper valuation, Calvert sought to remedy the harm by paying \$27 million to the mutual funds and the funds’ shareholders. However, the remediation was based, in part, on an estimated loss amount, and Calvert did not precisely calculate fund and shareholder losses in accordance with the funds’ NAV error correction procedures. Calvert and the funds did not disclose to investors and prospective investors that the remediation did not conform to the NAV error correction procedures, nor did they disclose that the process compensated shareholders differently, depending on whether they invested directly or through an intermediary.

Also according to the SEC’s order, Calvert caused a mutual fund it advised to engage in a securities transaction with another fund that Calvert sub-advised, without meeting the requirements for an exemption from the prohibitions against transactions between affiliated persons.

The SEC’s order finds that Calvert violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-8 thereunder, and caused violations of Sections 17(a) and 34(b) of the Investment Company Act of 1940 and Rules 22c-1 and 38a-1 thereunder.

Without admitting or denying the findings in the SEC’s order, Calvert agreed to the entry of a cease-and-desist order and a censure, to pay a civil penalty of \$3.9 million, and to undertake a self-administered distribution to affected shareholders.

The SEC’s investigation in this matter was conducted by Oreste P. McClung and Brendan P. McGlynn of the Enforcement Division’s Asset Management Unit. The SEC examination that led to the investigation was conducted by Kelli Byrne, Matt Guthier, Erin Harrison, John Jackson, Bill Lavin, Andrea Muller, Brian Carroll, Michelle Heid, and Steven Dittert of the Office of Compliance Inspections and Examinations.

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