

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4554 / October 18, 2016**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 32321 / October 18, 2016**

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

**In the Matter of**

**CALVERT INVESTMENT  
MANAGEMENT, INC.,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 203(e) 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**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against Calvert Investment Management, Inc. (“Calvert” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e) 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 (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### SUMMARY

1. These proceedings arise out of Respondent Calvert Investment Management, Inc.'s improper fair valuation of securities issued by Toll Road Investors Partnership II, L.P. (the "Toll Road Bonds"), which were held by certain registered investment companies that Calvert advised (the "Calvert Funds"). Between March 18, 2008 and October 18, 2011, Calvert misvalued the Toll Road Bonds, which, in turn, led the Calvert Funds to be priced at an incorrect net asset value ("NAV"). The Calvert Funds then executed shareholder transactions at the wrong NAV, and stated inaccurate performance figures. In addition, Calvert collected inflated asset-based fees.

2. After discovering that it had improperly valued the Toll Road Bonds, Calvert sought to remedy the harm by paying \$27 million to the Calvert Funds and shareholders. However, the initial remediation was based, in part, on an estimated loss amount, and Calvert did not precisely calculate fund and shareholder losses in accordance with the Calvert Funds' NAV error correction procedures. Calvert and the Calvert Funds never disclosed to investors and prospective investors that the initial remediation did not conform to the Calvert Funds' NAV error correction procedures, nor did they disclose that the process compensated shareholders differently, depending on whether they invested directly or through an intermediary. As a result, Calvert violated Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, and it caused the Calvert Funds to violate Section 34(b) of the Investment Company Act and Rules 22c-1 and 38a-1 under the Investment Company Act.

3. Separately, Calvert caused a violation of Section 17(a) of the Investment Company Act when, in July 2011, the Calvert Government Fund, a series of The Calvert Fund, engaged in a prohibited transaction in certain bonds issued by Toll Road Investors Partnership II, L.P. with another fund that Calvert sub-advised. Calvert did not timely report the transaction to the Fund's Board of Trustees, and, therefore, the transaction did not meet the Rule 17a-7 requirements for an exemption from Section 17(a)'s prohibitions.

#### RESPONDENT

4. **Calvert Investment Management, Inc.** is an investment adviser registered with the Commission and headquartered in Bethesda, Maryland. Calvert has served, and continues to serve, as an adviser to the Calvert Funds.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## OTHER RELEVANT ENTITIES

5. **Calvert Social Investment Fund** is a Massachusetts business trust registered with the Commission as an open-end, non-diversified investment company. **Calvert Balanced Portfolio** and **Calvert Bond Portfolio**, each a series of Calvert Social Investment Fund, held Toll Road Bonds during the time period between March 18, 2008 and October 19, 2011.

6. **Calvert Variable Series, Inc.** is a Maryland corporation registered with the Commission as an open-end, non-diversified investment company. **Calvert VP Income Portfolio** and **Calvert VP SRI Balanced Portfolio**, each a series of Calvert Variable Series, Inc., held Toll Road Bonds during the time period between March 18, 2008 and October 19, 2011.

7. **The Calvert Fund** is a Massachusetts business trust registered with the Commission as an open-end, non-diversified investment company. **Calvert Government Fund**, **Calvert Income Fund**, **Calvert Long-Term Income Fund**, **Calvert Short Duration Income Fund**, and **Calvert Ultra-Short Income Fund**, each a series of The Calvert Fund, held Toll Road Bonds during the time period between March 18, 2008 and October 19, 2011.

8. “**Calvert Funds**” refers to the series of Calvert Social Investment Fund, Calvert Variable Series, Inc. and The Calvert Fund that held Toll Road Bonds during the time period between March 18, 2008 and October 19, 2011.

## FACTS

### Improper Valuation of the Toll Road Bonds

9. Between March 18, 2008 and October 19, 2011, the Calvert Funds were open-end investment companies that offered their own securities to investors directly and through intermediaries on a redeemable basis. Rule 22c-1(a) promulgated under the Investment Company Act requires that the price at which an investor can purchase or redeem shares of such a fund be based on that fund’s net asset value (“NAV”). Rule 22c-1(b) generally required each of the Calvert Funds to calculate its NAV daily. The value of a fund’s individual securities holdings is a component of the fund’s NAV.

10. Pursuant to Section 2(a)(41)(B) of the Investment Company Act, a registered investment company generally must value any security for which market quotations are not readily available at fair value as determined in good faith by the board of directors. As a general principle, the fair value of a security generally is the amount that a fund might reasonably expect to receive for the security upon its current sale. *See* Accounting for Investment Securities by Registered Investment Companies, Investment Company Act Release No. 6295 (Accounting Series Release No. 118) (Dec. 23, 1970), Financial Reporting Codification (CCH) § 404.03; *see also* Financial Accounting Standards Board Accounting Standards Codification 820 – Fair Value Measurement

(“ASC 820”); Financial Accounting Standards Board Statement of Financial Accounting Standards 157 – Fair Value Measurements (“FAS 157”).<sup>2</sup>

11. Under the supervision of the Calvert Funds’ boards of trustees or directors and pursuant to the Calvert Funds’ valuation procedures, Calvert determined when a market quotation was not readily available for a particular security and made fair value calculations for such securities. Calvert determined that market quotations were not readily available for, and made fair value calculations with respect to, the Toll Road Bonds.<sup>3</sup>

12. Between March 18, 2008 and October 18, 2011, the Calvert Funds acquired more than \$1.2 billion principal amount of the Toll Road Bonds. The Toll Road Bonds were complex and illiquid securities that at times had minimal external data points regarding pricing. In conducting its fair value calculations during this period, Calvert, although it performed market research and internal modeling, utilized an approach that was primarily based upon the output of a third-party analytical tool.

13. Between March 18, 2008 and October 18, 2011, Calvert failed appropriately to incorporate indicia of fair value into its fair value calculations, including, among others, the prices at which the Calvert Funds traded the Toll Road Bonds, values assigned by other holders of the Toll Road Bonds, and other market data. Calvert also failed to back-test fair value determinations for the Toll Road Bonds, despite engaging in such back-testing for other holdings. On several occasions Calvert’s fair value price was significantly higher than prices at which the Calvert Funds had engaged in market purchases of the Toll Road Bonds, with no clear indication that those trades involved distressed sales that might be afforded less weight in fair value calculations. In addition, at the end of 2009, for example, Calvert fair valued certain Toll Road Bonds at a price that was approximately 65% higher than the price assigned to the same bonds by a major industry participant on that same day.

14. On October 19, 2011, Calvert discovered that the third-party analytical tool was flawed in that it did not properly account for the future cash flows of the Toll Road Bonds and therefore Calvert’s fair value calculations had not accurately incorporated certain characteristics of the Toll Road Bonds, which had the effect of substantially inflating Calvert’s fair value prices. Calvert then revised its approach and developed its own cash flow model to recalculate the fair value prices of the Toll Road Bonds. As a result of the reassessment, Calvert significantly reduced the fair value prices assigned to the Toll Road Bonds. For instance, on October 19, 2011, Calvert

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<sup>2</sup> FAS 157 became effective for financial reporting fiscal periods beginning after November 2007. FAS 157 became known as ASC 820 upon the codification of Generally Accepted Accounting Principles, which became effective for reporting periods ending after September 15, 2009.

<sup>3</sup> Although a fund’s directors cannot delegate their statutory duty to determine the fair value of fund portfolio securities for which market quotations are not readily available, the board may appoint others, such as the fund’s investment adviser or a valuation committee, to assist them in determining fair value, and to make the actual calculations pursuant to the fair valuation methodologies previously approved by the directors. *See, e.g.*, Final Rule: Money Market Reform; Amendments to Form PF, Investment Company Act Release No. 31166 (July 23, 2014).

marked down the fair value price assigned to the 2005B series of the Toll Road Bonds, one of the Calvert Funds' most significant Toll Road Bonds holdings, from \$29.669 to \$13.03, a decrease of more than 56 percent. The change in the fair value prices of the Toll Road Bonds caused a material reduction in the NAVs of the Calvert Funds.

15. On October 25, 2011, Calvert publicly stated that, on October 19, 2011, Calvert deemed it necessary to make a "pricing adjustment" to Toll Road Bonds held in various Calvert taxable bond portfolios. Calvert disclosed that the "pricing adjustment" had resulted in a decrease in the NAVs of the Calvert Income Fund, Calvert Bond Portfolio, Calvert Short Duration Income Fund, Calvert Long-Term Income Fund, Calvert Balanced Portfolio, Calvert Government Fund, Calvert Ultra-Short Income Fund and Calvert VP Income Portfolio.

16. As a result of Calvert's improper valuation of the Toll Road Bonds between March 18, 2008 and October 18, 2011, the Calvert Funds sold and redeemed fund shares at materially overstated NAVs. Consequently, certain shareholders redeemed their shares at prices higher than they should have received – to the detriment of remaining shareholders – and other shareholders purchased shares at higher prices than they should have paid. In addition, due to the overstatement of NAVs, the Calvert Funds included inflated performance returns in annual reports to shareholders and filings with the Commission on Form N-CSR, and Calvert received higher asset-based fees.

### **The Initial Remediation**

17. On December 27, 2011, Calvert contributed \$27 million to the Calvert Funds. Thereafter, Calvert distributed nearly all of the contributed amounts to accountholders of record as of October 19, 2011, and undistributed amounts were retained by the Calvert Funds.

18. Calvert's payment reflected an effort to compensate shareholders and the Calvert Funds for harm caused by the improper valuation of the Toll Road Bonds. However, the payment amount was derived from an insufficient process, since it was neither based on complete transactional data nor otherwise effectuated in accordance with the Calvert Funds' existing policies and procedures. As a result, Calvert failed to compensate some shareholders and undercompensated other shareholders and the Calvert Funds.

19. In particular, although the Calvert Funds had NAV error correction procedures designed to make the shareholders and the funds whole when a material change to the NAV occurred, the firm failed fully to implement them. Instead, Calvert contributed \$27 million to the Calvert Funds on the basis of, in part, an estimated amount of harm to accountholders of record as of October 19, 2011. This amount was not a precise measurement of shareholder and fund losses derived from the application of the Funds' NAV error correction procedures.

20. Calvert lacked data concerning underlying shareholder activity in subaccounts held through certain intermediary accounts, and it did not obtain that data to support calculations of an appropriate contribution and distribution amount. Instead, the remediation process was based on a netting out of subscription and redemption activity at the intermediary account level. This

methodology failed precisely to measure the harm to each underlying shareholder and likely understated the impact of the improper valuation. Furthermore, because the remediation process was flawed, a shareholder who transacted through an intermediary and a shareholder who transacted directly with the Calvert Funds potentially received different distribution amounts despite having engaged in identical transactions in shares of the Calvert Funds.

21. Notwithstanding the foregoing, the Calvert Funds' filings with the Commission on Form N-CSR and annual reports to shareholders, and Calvert's communications with shareholders, financial advisors and others, disclosed that shareholders harmed by the improper valuation were accurately identified and made whole. However, the Calvert Funds and Calvert omitted to disclose certain details of the remediation process, namely that it was based, in part, on an estimate and not on the full application of the Calvert Funds' NAV error correction procedures. The Calvert Funds and Calvert further failed to disclose that the remediation process disparately treated certain shareholders, depending on whether they transacted directly with the funds or through an intermediary.

### **Prohibited Securities Transaction**

22. Section 17(a) of the Investment Company Act, among other things, makes it unlawful, absent an exemption, for any affiliated person or promoter of or principal underwriter for a registered investment company, or any affiliated person of such person, promoter, or principal underwriter, acting as principal (1) knowingly to sell any security or other property to such registered company or to any company controlled by such registered company, or (2) knowingly to purchase from such registered company, or from any company controlled by such registered company, any security or other property. Rule 17a-7 allows for an exemption of this prohibition for transactions between two funds managed by the same investment adviser, subject to certain conditions, including that a majority of the disinterested directors of the investment company determine no less frequently than quarterly that the transactions made during the preceding quarter were effected in compliance with certain procedures required by the Rule.

23. On July 26, 2011, Calvert caused the Calvert Government Fund, a series of The Calvert Fund, to purchase certain bonds issued by Toll Road Investors Partnership II, L.P. from another fund that Calvert sub-advised. The price at which the Calvert Government Fund was then fair valuing that security was approximately 30% higher than the July 26, 2011 transaction price. Calvert did not timely report this transaction to the Fund's Board of Trustees, and the Board did not evaluate the transaction within the time period set by Rule 17a-7(e)(3) under the Investment Company Act. The transaction did not meet the conditions precedent for an exemption from Section 17(a) of the Investment Company Act.

### **Failure to Implement Compliance Policies and Procedures**

24. Rule 38a-1 under the Investment Company Act requires each registered investment company to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws by the investment company, including policies and

procedures that provide for the oversight of compliance by each investment adviser, principal underwriter, administrator, and transfer agent of the investment company.

25. The Calvert Funds adopted written inter-portfolio transaction, NAV error correction, and valuation policies and procedures that were updated annually, between March 18, 2008 and October 18, 2011. However, Calvert failed properly to implement the Calvert Funds' inter-portfolio transaction, NAV error correction, and valuation policies and procedures, and did not ensure that policies and procedures were reasonably designed to establish appropriate controls related to its reliance on a third-party analytical tool in fair valuing securities.

## VIOLATIONS

26. Section 206(2) of the Advisers Act prohibits investment advisers from directly or indirectly engaging “in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.” A violation of Section 206(2) of the Advisers Act may rest on a finding of simple negligence; scienter is not required. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)). As a result of the negligent conduct described above, Calvert willfully violated Section 206(2) of the Advisers Act.<sup>4</sup>

27. Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder prohibits investment advisers from (1) making any untrue statement of a material fact or omitting to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle; or (2) otherwise engaging in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle. Proof of scienter is not required to establish a violation of Section 206(4) of the Advisers Act and the rules thereunder. *SEC v. Steadman*, 967 F.2d 636, 647 (D.C. Cir. 1992). As a result of the negligent conduct described above, Calvert willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

28. Section 17(a) of the Investment Company Act, among other things, makes it unlawful, absent an exemption, for any affiliated person or promoter of or principal underwriter for a registered investment company, or any affiliated person of such person, promoter, or principal underwriter, acting as principal (1) knowingly to sell any security or other property to such registered company or to any company controlled by such registered company, or (2) knowingly to purchase from such registered company, or from any company controlled by such registered company, any security or other property. As a result of the conduct described above, Calvert caused The Calvert Fund to violate Section 17(a) of the Investment Company Act.

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<sup>4</sup> A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

29. Section 34(b) of the Investment Company Act makes it unlawful for any person “to make any untrue statement of a material fact in any registration statement, application, report, account, record or other document filed or transmitted pursuant to [the Investment Company Act]” or “to omit to state therein any fact necessary in order to prevent the statements made therein, in light of the circumstances under which they were made, from being materially misleading.” As a result of the conduct described above, Calvert caused the Calvert Funds to violate Section 34(b) of the Investment Company Act.

30. Rule 22c-1, promulgated under Section 22(c) of the Investment Company Act, prohibits selling, redeeming, or repurchasing any redeemable security except at a price based on the current net asset value of such security. As a result of the conduct described above, Calvert caused the Calvert Funds to violate Rule 22c-1.

31. Rule 38a-1, promulgated under Section 38(a) of the Investment Company Act, requires a registered investment company to adopt and implement written policies and procedures reasonably designed to prevent violations of the federal securities laws. As a result of the conduct described above, Calvert caused the Calvert Funds to violate Rule 38a-1.

### **CALVERT’S REMEDIAL EFFORTS**

32. In determining whether to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff. Calvert enhanced its compliance and fair valuation policies and procedures. Calvert was prompt and responsive in addressing staff inquiries and provided detailed summaries of relevant information.

### **UNDERTAKINGS**

Respondent undertakes to complete the following actions:

33. NAV Reprocessing and Distribution of Funds:
- a. Respondent will recalculate the fair value of the Toll Road Bonds for the period from March 18, 2008 through October 18, 2011 (“Reprocessing Period”) using the valuation methodology and prices provided to the Commission staff. After Respondent determines the revised fair value for each of the Toll Road Bonds, Respondent will update the portfolio of the Calvert Government Fund, Calvert Income Fund, Calvert Long-Term Income Fund, Calvert Short Duration Income Fund, Calvert Ultra-Short Income Fund, Calvert VP Income Portfolio, Calvert Balanced Portfolio and Calvert Bond Portfolio (the “Affected Calvert Funds”) with the newly calculated prices. Based on the recalculated fair value prices of the Toll Road Bonds, Respondent will calculate new daily NAVs (“Value-Corrected NAVs”) during the Reprocessing Period for each of the Affected Calvert Funds and class within the Affected Calvert Funds.

- b. Respondent will adjust the Value-Corrected NAVs to account for purchases and redemptions that occurred at incorrect NAVs. For each day during the Reprocessing Period, using the net aggregate daily accountholder activity, Respondent will measure the increase or decrease to each of the Affected Calvert Funds' cash and multiply that difference by each of the Affected Calvert Funds' performance that day, using the Affected Calvert Funds' contemporaneous rate of return ("Performance Adjustment"). During periods when the Affected Calvert Funds' rate of return was negative, the Performance Adjustment will be assumed to be zero so that the adjustment will not be used to decrease the should-have-been assets under management. In addition, after accounting for the Performance Adjustment, Respondent will adjust the Value-Corrected NAVs to account for asset-based management and administration fees that were charged to the Affected Calvert Funds based on the incorrect amount of assets ("Fee Adjustment"). For each day during the Reprocessing Period, the daily accrual of management and administration fees will be calculated using the difference in net assets of the Affected Calvert Funds as a result of the valuation correction and Performance Adjustment multiplied by the then effective management and administration fee rates for each of the Affected Calvert Funds and class within the Affected Calvert Funds. The Performance and Fee Adjustments will be made to the Value-Corrected NAVs to determine the daily repriced NAVs for each of the Affected Calvert Funds (the "Final Repriced NAVs").
- c. As soon as practicable, and no later than 360 days from the entry of this Order, Respondent will make distributions to accountholders based on the application of the following methodology ("Distribution Methodology"). With respect to each of the Affected Calvert Funds, for each trading day during the Reprocessing Period, accountholders' transactions will be recalculated using the Final Repriced NAVs and contemporaneous number of shares. The recalculated transactions will be compared to the transactions that occurred at the incorrect NAVs to measure each accountholder's gains or losses during the Reprocessing Period. The impact on each accountholder will be considered and netted across all trading days in the Reprocessing Period, *i.e.*, each accountholder's repriced losses will be offset by that accountholder's gains ("Initial Calculation of Impact"). The Initial Calculation of Impact for each accountholder will be adjusted for the following: (i) any payments already received by that accountholder resulting from the prior distribution made in connection with Respondent's December 27, 2011 payment to the Affected Calvert Funds; and (ii) additional economic harm for the time value of money since the Reprocessing Period (calculated using interest at the Federal Short-Term rate, compounded quarterly, and beginning on October 19, 2011 through the estimated date of distribution) ("Adjusted Impact Amount"). For each accountholder with an Adjusted Impact Amount that reflects a net loss, Respondent will distribute to the accountholder the Adjusted Impact Amount, subject to the provisions below. No distribution will be paid to an account in which Respondent, or any of its officers or directors, has a financial interest. Respondent will, within 270 days from the date of this Order, submit a proposed calculation to the Commission staff for its review

and approval, that identifies, at a minimum, (i) the name of each affected account; and (ii) the exact amount of the payment to be made to each affected accountholder. In the event of one or more objections by the Commission staff to Respondent's proposed calculations, recalculations or any of its information or supporting documentation, regarding any of the undertakings set forth in this Paragraph 33 or its subsections, Respondent will submit a revised calculation or recalculation for the review and approval of the Commission staff or additional information or supporting documentation within 10 days of the date that Respondent is notified of the objection.

- d. Respondent will be responsible for administering the distribution and may hire professionals to assist it in the administration of the distribution. Respondent, or its agent, will collect account and fund data for the period March 18, 2008 through October 19, 2011, into a master database to identify all accountholders of the Affected Calvert Funds, whether, direct, disclosed (or networked), or omnibus. The Distribution Methodology initially will be applied to this data to calculate provisional distributions and to determine those disclosed or omnibus intermediary accounts with estimated distributions of \$10,000 or more.
- e. Respondent, or its agent, will conduct an outreach process by which it will contact the intermediaries associated with each omnibus account with estimated distributions of \$10,000 or more and request records for each underlying account, including the underlying accountholder's name, address, tax identification number and transaction activity. As an alternative to providing Respondent with underlying account identifying information, omnibus account intermediaries may provide the relevant account activity data to Respondent by using unique identification numbers for underlying accounts. Respondent will apply the Distribution Methodology to the underlying account data and provide the results to the intermediary sufficient for the intermediary to allocate distribution amounts to the individual underlying accounts. Upon receipt by Respondent of confirmation by the account intermediary that it will distribute the funds consistent with the results provided, Respondent will make the appropriate distribution to the intermediary, which will then distribute the amounts to the underlying accounts within 60 days. Such intermediaries will also confirm that they will return any undistributed amounts to Respondent within 180 days of disbursement of such amounts by Respondent. Omnibus account intermediaries will have 30 days after being contacted by Respondent to notify Respondent whether they intend to produce the requested information pursuant to this paragraph and will have 60 days thereafter to provide the requested data to Respondent. Respondent will pay the reasonable administrative costs incurred by the omnibus account intermediaries for providing data pursuant to this paragraph. Requests for reimbursement from omnibus account intermediaries will be made to Respondent within 60 days of submission of all requested records to Respondent. Any omnibus account intermediary that elects to make the distribution directly to its underlying accountholders pursuant to this paragraph will bear all costs and expenses associated with that distribution.

- f. With respect to disclosed accounts (or networked accounts) for which Respondent has transactional data, but does not have the complete accountholder's name, address, and tax identification number, Respondent, or its agent, will conduct an outreach process by which it will contact the intermediary associated with each disclosed account for which payment of funds is required under the Distribution Methodology and request such information for each account. When Respondent receives such information, it will make the distribution for each account. As an alternative to providing Respondent with the disclosed accountholder identifying information, an intermediary may provide Respondent with confirmation that it will distribute the funds from Respondent to the accountholder and that they will return any undistributed amounts to Respondent. If a confirmation is received, Respondent will make the appropriate distribution to the intermediary, which will then distribute the amounts to the accountholder within 60 days. Such intermediaries will also confirm that they will return any undistributed amounts to Respondent within 180 days of disbursement of such amounts by Respondent. Disclosed account intermediaries will have 30 days after being contacted by Respondent to notify Respondent whether they intend to produce the requested information pursuant to this paragraph and will have 60 days thereafter to provide the requested data to Respondent. Respondent will pay the reasonable administrative costs incurred by the disclosed account intermediaries for providing data pursuant to this paragraph. Requests for reimbursement from disclosed account intermediaries will be made to Respondent within 60 days of submission of all requested records to Respondent. Any disclosed account intermediary that elects to make the distribution directly to its underlying accountholders pursuant to this paragraph will bear all costs and expenses associated with that distribution.
- g. The outreach processes contemplated by Paragraphs 33(e) and 33(f) above will be commenced within 30 days of the entry of this Order. Respondent will keep records of each attempt to obtain information from an omnibus account and disclosed account, each response received, if any, and the reason for not providing the requested information, if any. Respondent will provide the Commission staff with information relating to each omnibus account and disclosed account intermediary that does not provide the requested information under Paragraphs 33(e) and 33(f) above. This information will be provided to the staff within 5 business days after Respondent receives notice from any account intermediary that it will not provide the requested information under Paragraphs 33(e) and 33(f) above, or, if no response is received, within 5 business days after the 30-day period provided for such response under Paragraphs 33(e) and 33(f) above elapses.
- h. For each omnibus or disclosed intermediary account with a provisional distribution less than \$10,000, the amount of funds allocated will be paid directly to the omnibus or disclosed intermediary account and no outreach by Respondent will be required. Any omnibus or disclosed intermediary with preliminary payments totaling less than \$10,000 will distribute the payments to the underlying account(s) using the Distribution Methodology, and/or based on the intermediary's fiduciary,

legal, and/or contractual obligation. The intermediary will bear the costs and expenses associated with the distribution to the underlying account(s).

- i. Respondent will not be required to make any distribution to any Affected Calvert Fund shareholder if that shareholder is due less than a \$10 de minimis distribution amount in the aggregate under the Distribution Methodology. For shareholders due less than \$10, Respondent will apply a Gross-Up Formula. The Gross-Up Formula requires that distributions be ranked in descending order of the size of the provisional distribution. Respondent will then calculate the total amount of the distributions that were expected to be less than \$10 (the “de minimis distribution”). Respondent will then redistribute the de minimis distribution in sequence to the accounts with the largest distributions less than \$10, sequentially assigning a distribution of \$10 to each account until the de minimis distribution is depleted.
- j. All distribution checks will bear a stale date of 90 days and will be voided thereafter.
- k. Respondent agrees to be responsible for any and all tax compliance responsibilities associated with the distributions and may retain any professional services necessary. The costs and expenses of any such professional services will not be paid out of the distribution amounts.
- l. Within 90 days of the date Respondent effectuates the completion of the distributions described above, Respondent will submit to the Commission staff for the Commission’s approval a final accounting and certification of the disposition of the monies paid pursuant to Paragraph 33 and its sub-paragraphs. The final accounting and certification should be in a form provided by the Commission’s staff, and will include, but not be limited to: (1) each payee’s name and address; (2) the amount paid to each payee; (3) the date of each payment; (4) the check number or other identifier of money transferred; (5) the amount of any returned payment and the date received; (6) a description of any effort to locate a prospective payee whose payment was returned, or to whom payment was not made due for any reason; (7) an affirmation that Respondent has made the payments to accountholders required by Paragraph 33(c) above and in accordance with the calculation approved by Commission staff; and (8) a final statement totaling all payments, which shall reconcile with the amounts required under the Distribution Methodology. Respondent will submit the final accounting and certification, together with proof and supporting documentation, including but not limited to documentation of the payments to accountholders referenced above (whether in the form of electronic payments or cancelled checks), in a form acceptable to Commission staff, under a cover letter that identifies Calvert Investment Management, Inc. as a Respondent in these proceedings and the file number of these proceedings to: Brendan P. McGlynn, Assistant Regional Director, Asset Management Unit, Philadelphia Regional Office, Securities and Exchange Commission, 1617 JFK Blvd, Suite 520, Philadelphia, PA 19103. Respondent

will provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request and will cooperate with any additional requests by the Commission staff in connection with the accounting and certification. Respondent may provide certain of the required information for the final accounting and certification in redacted form to protect the confidentiality of shareholder information, although the Commission staff reserves the right to request and be provided with such information in unredacted form.

- m. After Respondent has submitted the final accounting to the Commission staff, the staff shall submit the final accounting to the Commission for approval and shall request Commission approval to send any undistributed amount to the United States Treasury.
- n. The Commission may extend any of the procedural dates set forth in this Paragraph 33 for good cause shown. Deadlines for dates relating to the undertakings outlined in the Paragraph 33 and all sub-paragraphs will be counted in calendar days, except that if the last day falls on a weekend or a federal holiday, the next business day will be considered the last day.

34. Respondent will certify, in writing, compliance with the undertakings set forth above. The certification will identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material will be submitted to Brendan P. McGlynn, Assistant Regional Director, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than 90 days from the date of the completion of the undertakings.

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

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Calvert's Offer.

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act, and Sections 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Calvert shall cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder, Sections 17(a) and 34(b) of Investment Company Act, and Rules 22c-1 and 38a-1 under the Investment Company Act.

B. Respondent Calvert is censured.

C. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$3,900,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Calvert Investment Management, Inc. as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Brendan P. McGlynn, Assistant Regional Director, Asset Management Unit, Philadelphia Regional Office, Securities and Exchange Commission, 1617 JFK Blvd, Suite 520, Philadelphia, PA 19103.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

E. Respondent acknowledges that the Commission is not imposing a civil penalty in excess of \$3,900,000 based upon its cooperation in the Commission's investigation. If at any time

following the entry of the Order, the Division of Enforcement (“Division”) obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission or in a related proceeding, or did not implement the undertakings described above, including making the distributions, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay appropriate disgorgement, prejudgment interest, and an additional civil penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information or did not implement the above undertakings, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Brent J. Fields  
Secretary