

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4696 / May 2, 2017

INVESTMENT COMPANY ACT OF 1940
Release No. 32624 / May 2, 2017

ADMINISTRATIVE PROCEEDING
File No. 3- 17964

In the Matter of

**CALVERT INVESTMENT
DISTRIBUTORS, INC.**

and

**CALVERT INVESTMENT
MANAGEMENT, INC.,**

Respondents.

**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 Distributors, Inc. (“Calvert Distributor”) and Calvert Investment Management, Inc. (“Calvert”) (together, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have 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 them and the subject matter of these proceedings, which are admitted, Respondents consent 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 Respondents’ Offer, the Commission finds¹ that:

SUMMARY

1. These proceedings arise from the improper use of mutual fund assets to pay nearly \$18 million for the distribution and marketing of fund shares outside of a written, approved Rule 12b-1 plan, as well as to pay expenses in excess of the mutual funds’ expense caps. Calvert Investment Management, Inc., a registered investment adviser, and Calvert Investment Distributors, Inc., its broker-dealer affiliate, caused Calvert-advised funds (the “Funds”) to pay intermediaries for distribution-related services. The distribution payments made to numerous intermediaries, however, were not paid pursuant to a written, approved 12b-1 plan, and were not paid by Respondents out of their own resources (*e.g.*, as so-called “revenue sharing payments”). In addition, the Funds’ prospectuses contained material misstatements concerning the Funds’ payments for distribution-related services. Finally, Respondents caused the Funds to incur expenses for sub-transfer agent services that exceeded established expense limits.

RESPONDENTS

2. **Calvert Investment Management, Inc.** is a Bethesda, Maryland-based investment adviser registered with the Commission. Between January 1, 2008 and December 31, 2014, Calvert served as an adviser to the Funds.

3. **Calvert Investment Distributors, Inc.** is a Bethesda, Maryland-based broker-dealer affiliated with Calvert and registered with the Commission. Between January 1, 2008 and December 31, 2014, Calvert Distributor was the principal distributor and underwriter for the Funds.

OTHER RELEVANT ENTITIES

4. The **Calvert Funds** are registered open-end investment companies that were advised by Calvert, and to which Calvert Distributor provided distribution services, between January 1, 2008 and December 31, 2014.

5. **Intermediary A** is dually registered with the Commission as a broker-dealer and investment adviser. Intermediary A provided distribution, marketing and sub-transfer agent (“sub-TA”) services to the Funds.

¹ The findings herein are made pursuant to Respondents’ Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

6. **Intermediary B** is dually registered with the Commission as a broker-dealer and investment adviser. Intermediary B provided distribution, marketing and sub-TA services to the Funds.

FACTS

7. By January 1, 2008, Calvert advised numerous mutual funds and Calvert Distributor had entered into distribution relationships with various financial intermediaries to distribute the Funds' shares.

8. Financial intermediaries often provide both distribution and shareholder services to mutual funds. As to distribution services, Section 12(b) of the Investment Company Act and Rule 12b-1 make it unlawful for a registered open-end fund to act as distributor of securities of which it is the issuer, outside of a written 12b-1 plan approved by the fund's board.² Rule 12b-1 states that a fund acts as a distributor if it "engages directly or indirectly in financing any activity which is primarily intended to result in the sale of [fund] shares." As a result, if there is no approved Rule 12b-1 plan that permits the fund's adviser to use fund assets to pay for distribution, then fund assets cannot be used to pay for such distribution. The adviser, however, may pay for those distribution services out of its own resources.

9. In addition to providing distribution services, intermediaries often provide shareholder services that typically would otherwise be provided by the fund's transfer agent. These services are commonly referred to as "sub-TA services" and are often paid out of the fund's assets. Pursuant to Calvert's and Calvert Distributor's agreements with the Funds, the Funds were not to incur expenses related to sub-TA services in excess of 30 basis points annually.

10. Although certain of Calvert Distributor's agreements with intermediaries, such as its agreements with Intermediary A and Intermediary B, called for the provision of distribution and marketing services, Calvert and Calvert Distributor, from January 1, 2008 through December 31, 2014, treated those agreements as being for sub-TA services, and improperly caused the Funds to pay approximately \$14.87 million for those services outside of a Rule 12b-1 plan. Furthermore, Calvert and Calvert Distributor, from January 1, 2008 through December 31, 2014, improperly caused the Funds to pay intermediaries approximately \$2.96 million for sub-TA services in excess of the annual 30-basis-point expense limitation that was in effect at that time pursuant to agreements with the Funds. Both of these categories of improper payments were in addition to payments made to the intermediaries pursuant to the Funds' written Rule 12b-1 plans.

Intermediary A Agreement

11. Calvert Distributor entered into a Marketing Support Agreement with Intermediary A, pursuant to which Intermediary A agreed to perform "marketing support and educational services and activities."

² A fund's Rule 12b-1 plan must also be approved by a majority of its shareholders, if the plan is adopted after any public offering of the fund's shares.

12. The agreement provides that Calvert Distributor “intends to ... provide financial support from its own resources to [Intermediary A] to help promote and support the offer, sale, and servicing of shares of the Funds.”

13. Pursuant to the terms of the Marketing Support Agreement, Calvert Distributor agreed to pay Intermediary A the following fees, among others:

- (i) 25 basis points of gross sales of equity fund shares through all Intermediary A sales platforms, paid monthly;
- (ii) 12.5 basis points of gross sales of fixed income fund shares through all Intermediary A sales platforms, paid monthly; and
- (iii) 15 basis points of the average daily aggregate value of fund shares held by Intermediary A customers through all Intermediary A sales platforms, paid monthly.

14. Between January 1, 2008 and December 31, 2014, Calvert and Calvert Distributor caused the Funds to pay millions of dollars in fees pursuant to the Marketing Support Agreement. However, Intermediary A primarily provided marketing and distribution services under the Marketing Support Agreement, not sub-TA services. As a result, Respondents were prohibited from using the Funds’ assets to compensate Intermediary A under this agreement, since the payments were made outside the Funds’ written, approved Rule 12b-1 plans.

15. The fees paid to Intermediary A pursuant to the Marketing Support Agreement were in addition to 12b-1 fees paid by the Funds to Intermediary A.

Intermediary B Agreements

16. Calvert Distributor entered into two agreements with Intermediary B: a Financial Services Agreement and a Selected Dealer Agreement.

The Financial Services Agreement

17. Pursuant to the terms of the Financial Services Agreement, Intermediary B agreed to provide a variety of sub-TA services that are typically paid for out of fund assets, including the following: (i) maintaining separate records for each customer in the omnibus account for each fund; (ii) transmitting purchase and redemption orders to the Funds; (iii) preparing and transmitting account statements for each customer; (iv) transmitting proxy statements, periodic reports, and other communications to customers; (v) providing periodic reports to the Funds to enable each fund to comply with state Blue Sky requirements; and (vi) providing standard monthly contingent deferred sales charge reports.

18. In exchange for providing these services, Intermediary B charged per-account fees ranging between \$16-19. The Funds paid these fees.

The Selected Dealer Agreement

19. The Selected Dealer Agreement states in its opening paragraph that Calvert Distributor “[has] invited [Intermediary B] to become a selected dealer *to distribute shares* of the [Funds].” (Emphasis added). The agreement describes the services to be provided under the contract, including “marketing services and other support for the sale of” shares of the Funds, as well as the following fees, which the agreement states are in addition to any Rule 12b-1 plan fees paid to Intermediary B by the Funds:

- (i) 25 basis points of gross sales of shares of funds (except level load shares, certain front-end load shares and shares of municipal bonds funds) sold by Intermediary B, paid monthly;
- (ii) 10 basis points of the value of gross sales of level load shares and shares of municipal bond funds sold by Intermediary B, paid monthly; and
- (iii) an annual fee of 5 to 10 basis points of the value of fund shares sold by Intermediary B that are held for more than one year.

20. In the agreement, Calvert Distributor represents and warrants that these fees “will be paid in cash from [Calvert Distributor’s] assets or those of [Calvert Distributor’s] affiliates and not from the assets of the Fund[s].” Nevertheless, between January 1, 2008 and December 31, 2014, Calvert and Calvert Distributor caused the Funds to pay more than \$1 million in fees pursuant to the Selected Dealer Agreement. Intermediary B primarily provided marketing and distribution services under the Selected Dealer Agreement, not sub-TA services. As a result, Respondents were prohibited from using the Funds’ assets to compensate Intermediary B under this agreement, since the payments were made outside the Funds’ written, approved Rule 12b-1 plans.

21. In addition to the payments made to Intermediary A and Intermediary B pursuant to the Marketing Support Agreement and Selected Dealer Agreement, respectively, Calvert and Calvert Distributor also caused the Funds to pay several million dollars in fees for marketing and distribution services to numerous other intermediaries. Calvert and Calvert Distributor similarly were prohibited from using the Funds’ assets to make such payments to these intermediaries, because the payments were made outside the Funds’ written, approved Rule 12b-1 plans.

22. From January 1, 2008 through December 31, 2014, Calvert and Calvert Distributor improperly caused the Funds to pay approximately \$14.87 million to numerous intermediaries for distribution and marketing services that were outside of the Funds’ written, approved Rule 12b-1 plans.

Calvert’s Disclosures to the Funds’ Boards of Trustees and Directors

23. Calvert periodically reported to the Funds’ boards of trustees and directors regarding payments for distribution and sub-TA services. In certain reports provided to the boards, Calvert inaccurately disclosed that the fees paid for distribution and marketing services under the

Marketing Support Agreement, Selected Dealer Agreement and other agreements with intermediaries were sub-TA fees.

Fund Disclosures Regarding Distribution Payments

24. The Funds' disclosures contained material misstatements concerning payments for distribution-related services. The Funds' prospectuses included the following statement:

[D]istribution and shareholder servicing expenses are paid to broker/dealers through sales charges (paid by the investor) and 12b-1 Plan expenses (paid by the Funds as part of the annual operating expenses). In addition to these payments, [Calvert], [Calvert Distributor] and/or their affiliates, *at their own expense*, may incur costs and pay expenses associated with the distribution of shares of the Funds. [Calvert], [Calvert Distributor] and/or their affiliates have agreed to pay certain firms compensation based on sales of Fund shares or on assets held in those firms' accounts for their marketing, distribution, and shareholder servicing of Fund shares, above the usual sales charges, distribution and service fees.

(Emphasis added). However, in connection with the Marketing Support Agreement, Selected Dealer Agreement and other intermediary agreements, the Funds, and not Calvert, Calvert Distributor or their affiliates, bore distribution and marketing expenses that were above the fees covered by the Funds' Rule 12b-1 plans.

Annual Limits on Sub-TA Expenses

25. Pursuant to Calvert's and Calvert Distributor's agreements with the Funds, the Funds' assets were not to be used to pay intermediaries for sub-TA services in excess of 30 basis points annually. Nevertheless, between January 1, 2008 and December 31, 2014, Calvert and Calvert Distributor improperly caused the Funds to pay approximately \$2.96 million worth of expenses in excess of these annual expense limits.

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.³

³ 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

27. Section 12(b) of the Investment Company Act and Rule 12b-1 thereunder make it unlawful for any registered open-end investment management company “to engage[] directly or indirectly in financing any activity which is primarily intended to result in the sale of shares issued by such company” unless such financing is made pursuant to a written plan that meets the requirements of Investment Company Act Rule 12b-1(b). As a result of the conduct described above, Calvert and Calvert Distributor caused the Funds to violate Section 12(b) of the Investment Company Act and Rule 12b-1 thereunder.

28. 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 negligent conduct described above, Calvert willfully violated Section 34(b) of the Investment Company Act.

RESPONDENTS’ REMEDIAL EFFORTS AND COOPERATION

29. The Commission has agreed to impose a reduced penalty that reflects the Respondents’ self-reporting of the improper fee payments, significant cooperation, and prompt remediation. For instance, upon discovery of some of the improper fees referenced herein, Respondents initiated an in-depth review of intermediary agreements and promptly self-reported their findings to the Commission staff. After self-reporting the improper fee payments, Respondents provided significant cooperation with the Commission’s investigation. Respondents’ efforts and cooperation assisted the Commission staff in efficiently investigating the conduct. Finally, after discovering the improper fee payments, Respondents promptly implemented enhanced policies and procedures regarding payments for distribution and sub-TA services, and informed the staff that they intend to reimburse affected shareholder accounts.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents’ 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. Calvert shall cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act, Section 12(b) of the Investment Company Act and Rule 12b-1 thereunder, and Section 34(b) of Investment Company Act.

B. Calvert is censured.

violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

C. Calvert Distributor shall cease and desist from committing or causing any violations and any future violations of Section 12(b) of the Investment Company Act and Rule 12b-1 thereunder.

D. Respondents Calvert and Calvert Distributor shall pay disgorgement, prejudgment interest, and a civil monetary penalty totaling \$22,614,534 as follows:

i. Respondents Calvert and Calvert Distributor shall, jointly and severally, pay disgorgement totaling \$17,829,804, and prejudgment interest totaling \$3,784,730, consistent with the provisions of this Subsection D.

ii. Respondents Calvert and Calvert Distributor shall, jointly and severally, pay a civil monetary penalty in the amount of \$1,000,000, consistent with the provisions of this Subsection D.

iii. Within 10 days of the entry of this Order, Respondents shall deposit \$22,614,534 (the "Distribution Fund") into an escrow account acceptable to the Commission staff and Respondents shall provide the Commission staff with evidence of such deposit in a form acceptable to the Commission staff. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 [17 C.F.R. § 201.600] or 31 U.S.C. § 3717.

iv. Respondents shall be responsible for administering the Distribution Fund and may hire professionals to assist them in the administration of the distribution. Respondents shall pay from the Distribution Fund to each current and former shareholder account that held shares of the Funds at any time during the period from January 1, 2008 through December 31, 2014 (the "Relevant Period") (collectively, the "affected shareholder accounts"), an amount representing the full amount of each affected shareholder account's proportion of improper fees paid by the Funds during the Relevant Period pursuant to the Marketing Support Agreement, Selected Dealer Agreement, and other intermediary agreements and/or in excess of the Funds' 30-basis-point expense caps for sub-transfer agent services, foregone appreciation in the relevant Fund portfolio during the period shares were held, and reasonable interest at the Federal Short-Term rate from the date shares of the Funds were sold through the estimated date of the distribution, pursuant to a disbursement calculation (the "Calculation") that will be submitted to, reviewed, and approved by the Commission staff in accordance with this Subsection D. Such calculation shall be subject to a *de minimis* threshold, as described below. No portion of the Distribution Fund shall be paid to any affected shareholder account in which Respondent Calvert, Respondent Calvert Distributor, or any of their officers or directors, has a financial interest.

v. Respondents shall not be required to make any distribution to any affected shareholder account if that account is due less than a \$10 *de minimis* distribution amount in the aggregate (including all applicable foregone appreciation and interest). For affected shareholder accounts due less than \$10, Respondents shall apply a Gross-Up Formula. The Gross-Up Formula requires that distributions be ranked in descending order of the size of the provisional distribution. Respondents shall then calculate the total amount of the distributions that were expected to be less than \$10 (the "*de minimis* distribution"). Respondents shall 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.

vi. Respondents shall, within 60 days from the date of this Order, submit a proposed Calculation to the Commission staff for its review and approval that sets forth the methodology by which each affected shareholder account will be compensated. In the event of one or more objections by the Commission staff to Respondents' proposed Calculation or any of its information or supporting documentation, Respondents shall submit a revised Calculation for the review and approval of the Commission staff or additional information or supporting documentation within 10 days of the date that Respondents are notified of the objection, which revised Calculation shall be subject to all of the provisions of this Subsection D.

vii. Respondents shall, within 270 days from the date of this Order, submit a payment file to the Commission staff for its review and approval, which shall identify at a minimum, (a) the name of each affected shareholder account, and (b) the exact amount of the payment to be made from the Distribution Fund to each affected shareholder account. Respondents also shall provide to the Commission staff such additional information and supporting documentation as the Commission staff may require for the purpose of its review. In the event of one or more objections by the Commission staff to Respondents' proposed payment file or any of its information or supporting documentation, Respondents shall submit a revised payment file for the review and approval of the Commission staff or additional information or supporting documentation within 10 days of the date that Respondents are notified of the objection, which revised payment file shall be subject to all of the provisions of this Subsection D.

viii. Respondents, or their agent, shall collect account and fund data for Relevant Period into a master database to identify all affected shareholder accounts, whether, direct, disclosed (or networked), or omnibus. The calculation methodology initially shall be applied to this data to calculate preliminary disbursements and to determine those disclosed or omnibus intermediary accounts with preliminary disbursements of \$10,000 or more. Respondents, or their agent, shall conduct an outreach process by which they 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 Respondents with underlying account identifying information, omnibus account intermediaries may provide the relevant account activity data to Respondents by using unique identification numbers for underlying accounts. Respondents shall apply the Calculation 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 Respondents of confirmation by the account intermediary that it will distribute the funds consistent with the results provided, Respondents shall 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 Respondents within 180 days of disbursement of such amounts by Respondents. Omnibus account intermediaries will have 30 days after being contacted by Respondents to notify Respondents whether they intend to produce the requested information pursuant to this paragraph and will have 60 days thereafter to provide the requested

data to Respondents. Respondents shall 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 Respondents within 60 days of submission of all requested records to Respondents. 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.

ix. With respect to disclosed accounts (or networked accounts) for which Respondents have transactional data, but does not have the complete accountholder's name, address, and tax identification number, Respondents, or their agent, shall conduct an outreach process by which they will contact the intermediary associated with each disclosed account for which payment of funds is required under the Calculation and request such information for each account. When Respondents receive such information, they shall make the distribution for each account. As an alternative to providing Respondents with the disclosed accountholder identifying information, an intermediary may provide Respondents with confirmation that it will distribute the funds from Respondents to the accountholder and that they will return any undistributed amounts to Respondents. If a confirmation is received, Respondents 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 Respondents to notify Respondents whether they intend to produce the requested information pursuant to this paragraph and will have 60 days thereafter to provide the requested data to Respondents. Respondents shall 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 Respondents within 60 days of submission of all requested records to Respondents. 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.

x. The outreach processes contemplated Paragraphs viii and ix above will be commenced within 90 days of the entry of this Order. Respondents shall 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. Respondents shall provide the Commission staff with information relating to each omnibus account and disclosed account intermediary that does not provide the requested information under Paragraphs viii and ix above. This information will be provided to the staff within 5 business days after Respondents receive notice from any account intermediary that it will not provide the requested information under Paragraphs viii and ix above, or, if no response is received, within 5 business days after the 30-day period provided for such response under Paragraphs viii and ix above elapses.

xi. 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 Respondents 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 Calculation's 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).

xii. Respondents shall complete the disbursement of all amounts payable to affected shareholder accounts within 90 days of the date that the Commission staff has approved both the Calculation and payment file, unless such time period is extended as provided in Paragraph xvii of this Subsection D.

xiii. If Respondents are unable to distribute or return any portion of the Distribution Fund for any reason, including an inability to locate an affected shareholder account or a beneficial owner in an affected shareholder account or any factors beyond Respondents' control, Respondents shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury in accordance with Section 21F(g)(3) of the Securities Exchange Act of 1934 before the final accounting provided for in Paragraph xv of this Subsection D is submitted to the Commission staff. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents 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) Respondents 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. and Calvert Investment Distributors, Inc. as Respondents 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.

xiv. Respondents shall be responsible for any and all tax compliance responsibilities associated with the Distribution Fund and may retain any professional services necessary. The tax obligations and costs of any such professional services shall be borne by Respondents and shall not be paid out of the Distribution Fund. All distribution checks will bear a stale date of 90 days and will be voided thereafter.

xv. Within 90 days after Respondents complete the disbursement of all amounts payable to affected shareholder accounts, Respondents shall submit to the Commission staff a final accounting and certification of the disposition of the Distribution Fund, which final accounting and certification shall be in a format to be provided by the Commission's staff. The final accounting and certification shall 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) the total amount, if any, forwarded to the Commission for transfer to the United States Treasury; and (8) an affirmation that Respondents have made the payments from the Distribution Fund to affected shareholder accounts in accordance with the Calculation approved and payment file by Commission staff. Respondents shall submit proof and supporting documentation of such payment (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. and Calvert Investment Distributors, Inc. as Respondents 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. Respondents shall provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request and shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification. Respondents 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.

xvi. The Commission staff may extend any of the procedural dates set forth in this Subsection D for good cause shown. Deadlines for dates relating to the Distribution Fund shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday the next business day shall be considered to be the last day.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalties, disgorgement, and prejudgment interest described above for distribution to affected shareholder accounts. Regardless of whether any such Fair Fund distribution is made, 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, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they 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 Respondents 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.

F. Respondents acknowledge that the Commission is not imposing a civil penalty in excess of \$1,000,000 based upon their 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 Respondents knowingly provided materially false or misleading information or materials to the Commission or in a related proceeding, or did not implement the distribution described above, the Division may, at its sole discretion and with prior notice to Respondents, petition the Commission to reopen this matter and seek an order directing that Respondents pay an additional civil penalty. Respondents may contest by way of defense in any resulting administrative proceeding whether they knowingly provided materially false or misleading information or did not implement the above distribution, 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