



MEBT Municipal Employees' Benefit Trust

Mailing Address: PO Box 90012 · Bellevue, WA 98009-9012

Google Trade Error Explanation for MEBT Eaton Vance Account

To: MEBT Participants:

Explanation of Error:

On October 4, 2013 Eaton Vance Management's (EVM's) Large Cap Value Portfolio Management Team made a strategic decision to adjust positioning within the strategy's technology sector exposure. The team intended to sell certain technology holdings and redeploy the proceeds to other names within the sector. While entering the trades into the trade management system (Charles River Development) the Portfolio Manager entered a sell order in error for 614 shares of GOOG at a price of \$873.06.

On a daily basis the Portfolio Managers review both a Daily Trade Summary Report of all completed orders as well as an Open Order Report. October 4th saw significant trading volume across all Large Cap Value accounts resulting in the Open Order Report containing over 200 open orders. With increased focus on that day's Open Order Report, the Portfolio Manager missed the sale of GOOG on the Daily Trade Summary Report.

The error occurred in multiple accounts managed in the strategy.

The impact on the Trust NAV begins on October 10, 2013 due to the trading/settlement process according to Wilmington Trust ("WT"). The sale did not appear on the WT valuation until October 10, 2013.

How was it caught?

During a performance review of all Large Cap Value accounts on October 18th it was discovered that the absence of GOOG in certain accounts was the result of the shares being sold in error.

Corrective Actions:

On October 21st the Portfolio Manager repurchased 614 shares of GOOG to regain the intended exposure for MEBT's account. The repurchase was made at a price of \$1,014.68 per share. MEBT's account effectively missed a gain of \$86,960.82 due to the share price increase of GOOG during the period from October 4th through October 18th.

EVM reimbursed MEBT's account for the amount of \$86,960.82 by wire on October 23rd.

Who was impacted and by how much?

Those participants who took a distribution during the period and were impacted by the error were entitled to additional proceeds for their shares that were redeemed, a combined value of \$95.97 which was paid from the proceeds of the amount paid to the trust by EVM to correct the error. These individuals will receive a residual distribution or allocation (if funds are still in the trust)



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to make them whole. For the remaining participants who took a distribution the amounts involved were less than \$2 (3 participants) and in most cases less than \$1 (22 participants). The total amount is less than \$10.

Similarly for contributions into the plan during the period the total amount is \$16.63 and the share difference is .8549. The amounts are immaterial and the cost to allocate these would outweigh any benefit. The best course of action was to allow the remainder of the corrective contribution by EV to merely impact the NAV for all participants in the trust rather than try to allocate less than \$30 of the total to several thousand participants. The better course was to allow it to become part of the NAV which benefited all participants.

What was done to correct the error?

In order to make the pooled fund whole while not affecting participants, we did the following:

Northwest Plan Services ("NWPS") calculated the residual distribution amounts and provided WT with the distribution instructions for processing. As stated above, EVM contributed \$86,960.82 to the Trust to correct the error. Of this \$95.97 was used to fund one residual distribution and two transfers to money market or partial distributions impacted by the error. WT transferred cash out of the unitization into the plan balances. Additional purchases were made to "add" to the participant's current account balances. Or, in the case of the full distribution, a check was cut.