

EATON VANCE CORP  
Form 10-K  
December 18, 2015

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

FORM 10-K

(Mark One)

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended October 31, 2015

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-8100

**EATON VANCE CORP.**

(Exact name of registrant as specified in its charter)

Maryland                      04-2718215  
(State of incorporation) (I.R.S. Employer Identification No.)

Two International Place, Boston, Massachusetts 02110

(Address of principal executive offices) (Zip Code)

(617) 482-8260

(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

<u>Non-Voting Common Stock (\$0.00390625 par value per share)</u> (Title of each class)	<u>New York Stock Exchange</u> (Name of each exchange on which registered)
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Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Aggregate market value of Non-Voting Common Stock held by non-affiliates of the Registrant, based on the closing price of \$41.08 on April 30, 2015 on the New York Stock Exchange was \$4,662,467,304. Calculation of holdings by non-affiliates is based upon the assumption, for these purposes only, that executive officers, directors, and persons holding 5 percent or more of the registrant's Non-Voting Common Stock are affiliates.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the close of the latest practicable date.

Class:	Outstanding at October 31, 2015
Non-Voting Common Stock, \$0.00390625 par value	115,470,485
Voting Common Stock, \$0.00390625 par value	415,078

Eaton Vance Corp.

Form 10-K

**For the Fiscal Year Ended October 31, 2015**

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This Annual Report on Form 10-K for Eaton Vance Corp. (“Eaton Vance” or “the Company”) includes statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, intentions or strategies regarding the future. All statements, other than statements of historical facts, included in this Annual Report on Form 10-K regarding our financial position, business strategy and other plans and objectives for future operations are forward-looking statements. The terms “may,” “will,” “could,” “anticipate,” “plan,” “continue,” “project,” “intend,” “estimate,” “believe,” “expect” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Although we believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that they will prove to have been correct or that we will take any actions that may now be planned. Certain important factors that could cause actual results to differ materially from our expectations are disclosed in Item 1A “Risk Factors” of this Annual Report on Form 10-K. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by such factors. We disclaim any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

Item 1. Business

General

Our principal business is managing investment funds and providing investment management and advisory services to high-net-worth individuals and institutions. We seek to develop and sustain management expertise across a range of investment disciplines and to offer leading investment products and services through multiple distribution channels. In executing this strategy, we have developed broadly diversified investment management capabilities and a highly functional marketing, distribution and customer service organization. We measure our success as a Company based on investment performance delivered, reputation in the marketplace, progress achieving strategic objectives, employee development and satisfaction, business and financial results, and shareholder value created.

Through our subsidiaries Eaton Vance Management and Atlanta Capital Management, LLC (“Atlanta Capital”) and other affiliates, we manage active equity, income and alternative strategies across a range of investment styles and asset classes, including U.S. and global equities, floating-rate bank loans, municipal bonds, global income, high-yield

and investment grade bonds. Through our subsidiary Parametric Portfolio Associates LLC (“Parametric”), we manage a range of engineered alpha strategies, including systematic equity, systematic alternatives and managed options strategies. Through Parametric, we also provide portfolio implementation and overlay services, including tax-managed core and specialty index strategies, centralized portfolio management of multi-manager portfolios and customized exposure management services. We also oversee the management of, and distribute, investment funds sub-advised by unaffiliated third-party managers, including global, regional and sector equity and asset allocation strategies. Our breadth of investment management capabilities supports a wide range of products and services offered to fund shareholders, retail managed account investors, institutional investors and high-net-worth clients. Although we manage and distribute a wide range of investment products and services, we operate in one business segment, namely as an investment adviser to funds and separate accounts.

We distribute our funds and retail managed accounts principally through financial intermediaries. We have broad market reach, with distribution partners including national and regional broker-dealers, independent

broker-dealers, registered investment advisors, banks and insurance companies. We support these distribution partners with a team of approximately 130 sales professionals covering U.S. and international markets.

We also commit significant resources to serving institutional and high-net-worth clients who access investment management services on a direct basis and through investment consultants. Through our wholly owned affiliates and consolidated subsidiaries, we manage investments for a broad range of clients in the institutional and high-net-worth marketplace in the U.S. and internationally, including corporations, sovereign wealth funds, endowments, foundations, family offices and public and private employee retirement plans.

## **Company History**

We have been in the investment management business for over 90 years, tracing our history to two Boston-based investment managers: Eaton & Howard, formed in 1924, and Vance, Sanders & Company, organized in 1934. Eaton & Howard, Vance Sanders, Inc. (renamed Eaton Vance Management, Inc. in June 1984 and reorganized as Eaton Vance Management in October 1990) was formed upon the acquisition of Eaton & Howard, Incorporated by Vance, Sanders & Company, Inc. on April 30, 1979. Following the 1979 merger of these predecessor organizations to form Eaton Vance, our managed assets consisted primarily of open-end mutual funds marketed to U.S. retail investors under the Eaton Vance brand and investment counsel services offered directly to high-net-worth and institutional investors. Over the ensuing years, we have expanded our product and distribution efforts to include closed-end, private and offshore funds, retail managed accounts, a broad array of products and services for U.S. and international institutional and high-net-worth investors and, most recently, unit investment trusts.

Our long-term growth strategy focuses on developing and growing market-leading investment franchises and expanding our product distribution reach into new channels and geographic markets. The development of leading investment franchises may be achieved either organically or through acquisitions. Recent acquisitions include our fiscal 2012 purchase of a 49 percent interest in Hexavest Inc. (“Hexavest”) and Parametric’s fiscal 2013 purchase of The Clifton Group Investment Management Company (“Clifton”). The acquisition of Hexavest, a Montreal-based investment adviser, expanded our global equity investment capabilities. The purchase of Clifton, which now operates as Parametric’s Minneapolis investment center, provided Parametric with a market-leading position in futures- and options-based portfolio implementation services and risk-management strategies. Hexavest’s assets under management have grown from \$11.0 billion at purchase in August 2012 to \$13.9 billion on October 31, 2015. Managed assets of what is now Parametric’s Minneapolis investment center have grown from \$34.8 billion at purchase in December 2012 to \$69.6 billion on October 31, 2015.

## **Investment Managers and Distributors**

We conduct our investment management business through direct and indirect wholly owned subsidiaries Eaton Vance Management, Boston Management and Research (“BMR”), Eaton Vance Investment Counsel (“EVIC”), Eaton Vance (Ireland) Limited (“EVAI”), Eaton Vance Trust Company (“EVT”), and three other consolidated subsidiaries, Atlanta Capital, Parametric and Parametric Risk Advisors LLC (“Parametric Risk Advisors”), each with a range of investment management capabilities and one or more distinctive investment styles. Eaton Vance Management, BMR, EVIC, Atlanta Capital, Parametric and Parametric Risk Advisors (a wholly owned subsidiary of Parametric) are all registered with the U.S. Securities and Exchange Commission (“SEC”) as investment advisers under the Investment Advisers Act of 1940 (the “Advisers Act”). EVAI, registered under the Central Bank of Ireland, provides management services to the Eaton Vance International (Ireland) Funds Plc. EVT, a trust company, is exempt from registration under the Advisers Act. Eaton Vance Distributors, Inc. (“EVD”), a wholly owned broker-dealer registered under the Securities Exchange Act of 1934 (the “Exchange Act”), markets and sells the Eaton Vance and Parametric funds and retail managed accounts. Eaton Vance Management (International) Limited (“EVM”), a wholly owned financial services company registered under the Financial Services and Market



Act in the United Kingdom, markets our products and services in Europe and certain other international markets. Eaton Vance Management International (Asia) Private Limited (“EVMIA”), a wholly owned financial services company registered under the Singapore Companies Act by the Accounting and Corporate Regulatory Authority in Singapore, markets our products and services in the Asia Pacific region. Eaton Vance Australia Pty. Ltd., a wholly owned company registered as an Australian propriety company with the Australian Securities and Investment Commission, markets our products and services in Australia and New Zealand.

We are headquartered in Boston, Massachusetts and also maintain offices in Atlanta, Georgia; Minneapolis, Minnesota; New York, New York; Seattle, Washington; Westport, Connecticut; London, England; Singapore; and Sydney, Australia. Our sales representatives operate throughout the United States and in the United Kingdom, Europe, Asia Pacific and Latin America. We are represented in the Middle East through an agreement with a third-party distributor.

## **Recent Developments**

In fiscal 2015, we identified four primary near-term priorities to support our long-term growth strategy: 1) capitalize on our strong investment performance across a broad range of active investment strategies; 2) build out our global equity capabilities to address identified market opportunities; 3) further develop our custom beta separate account offerings and distribution; and 4) advance our NextShares™ exchange-traded managed fund initiative toward market introduction.

As of October 31, 2015, 51 of our mutual funds were rated 4 or 5 stars by Morningstar™ for at least one class of shares. Top-performers included funds in categories such as bank loans, mid-cap growth, high yield and municipal income in which we have well-established, category-leading franchises. Other top-performers, such as our five star-rated balanced, real estate, short-duration government income and short-duration strategic income funds, are not currently category leaders, but represent areas of opportunity in large asset classes. A top strategic priority for fiscal 2016 is to capitalize on strong performance to achieve growth in assets under management.

Edward J. Perkin, former Chief Investment Officer of International and Emerging Markets Equity for Goldman Sachs Asset Management in London, joined Eaton Vance Management as Chief Equity Investment Officer in fiscal 2014, assuming leadership of Eaton Vance Management’s equity management. In fiscal 2015, we launched an initiative to build out Eaton Vance Management’s global equity capability under Mr. Perkin’s direction, hiring a new global group leader and senior portfolio manager in London and building a staff of global team members operating from London, Boston and Tokyo. As they develop a track record and reputation in the marketplace, we believe the global group can contribute meaningfully to the development of Eaton Vance Management’s equity business.

Our custom beta initiative seeks to build on the success we have achieved with Parametric's tax-managed core and Eaton Vance Management's laddered municipal bond separate account offerings. For many years, Parametric's tax-managed core strategy has offered customized separate account exposure to client-specified equity benchmarks with initial and ongoing tax management and tax reporting. Parametric now also offers clients the ability to customize their exposures to reflect their social values and desired factor tilts. Complementing Parametric's custom core equity strategies are Eaton Vance Management's bond ladders, which offer clients low-cost fixed income market exposure through separate accounts holding individual securities. Value-added elements of laddered separate account strategies include initial and ongoing credit analysis, institutional buying power and, again, customization to fit individual client needs. With significant momentum achieved in fiscal 2015, we believe these strategies are well-positioned for further growth in fiscal 2016.

In fiscal 2015, we made significant progress in the development of NextShares exchange-traded managed funds.

NextShares are a new type of actively managed fund designed to provide better performance for investors. As exchange-traded products, NextShares have built-in cost and tax efficiencies. Unlike conventional exchange-traded funds (“ETFs”), NextShares protect the confidentiality of fund trading information and provide buyers and sellers of shares with transparency and control of their trading costs. NextShares can offer significant advantages over both mutual funds and ETFs as vehicles for active investment strategies.

The Company acquired the intellectual property supporting NextShares in November 2010 and subsequently formed a subsidiary, NextShares Solutions LLC (“NextShares Solutions”), to develop and commercialize NextShares. The Company’s NextShares business plan includes developing a family of Eaton Vance-sponsored NextShares funds and licensing the underlying technology and providing related services to other fund sponsors to support their offering of NextShares.

In December 2014, Eaton Vance Management received exemptive relief from the SEC to permit the offering of NextShares. The SEC subsequently issued corresponding exemptive relief permitting the offering of NextShares by 11 other investment advisers that have entered into preliminary license and services agreements with NextShares Solutions. Also during the fiscal year, the SEC approved a request by the NASDAQ Stock Market LLC (“Nasdaq”) to adopt a new rule governing the listing and trading of NextShares and approved Nasdaq’s request to list and trade 18 initial Eaton Vance-sponsored NextShares funds. In December 2015, the SEC declared effective the registration statements of the initial Eaton Vance NextShares funds, the last regulatory step required to launch.

The Company expects to begin the staged introduction of NextShares funds in the first calendar quarter of 2016. Broad market adoption and commercial success requires the development of expanded distribution, the launch of NextShares by other fund sponsors and acceptance by market participants, which cannot be assured.

#### Investment Management Capabilities

We provide investment advisory services to retail, high-net-worth and institutional investors through funds and separately managed accounts across a broad range of investment mandates. The following table sets forth consolidated assets under management by investment mandate for the dates indicated:

#### **Consolidated Assets under Management by Investment Mandate<sup>(1)(2)</sup>**

October 31,

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<i>(in millions)</i>	2015	% of Total	2014	% of Total	2013	% of Total
Equity <sup>(3)</sup>	\$90,013	29 %	\$96,379	33 %	\$93,585	34 %
Fixed income <sup>(4)</sup>	52,373	17 %	46,062	15 %	44,414	16 %
Floating-rate income	35,619	11 %	42,009	14 %	41,821	15 %
Alternative	10,173	3 %	11,241	4 %	15,212	5 %
Portfolio implementation <sup>(5)</sup>	59,487	19 %	48,008	16 %	42,992	15 %
Exposure management <sup>(5)</sup>	63,689	21 %	54,036	18 %	42,645	15 %
Total	\$311,354	100 %	\$297,735	100 %	\$280,669	100 %

<sup>(1)</sup> *Consolidated Eaton Vance Corp. See table on page 37 for managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.*

<sup>(2)</sup> *Assets under management for which we estimate fair value using significant unobservable inputs are not material to the total value of the assets we manage.*

(3) Includes assets in balanced accounts holding income securities.

(4) Includes assets in cash management accounts.

(5) Portfolio implementation and exposure management categories were previously reported as a single category, implementation services.

Our principal investment affiliates Eaton Vance Management, Parametric, Atlanta Capital and Hexavest offer a range of distinctive strategies. Investment approaches include bottom-up and top-down fundamental active management, rules-based systematic alpha investing and implementation of passive strategies. This broad diversification provides us the opportunity to address a wide range of investor needs and to offer products and services suited for various market environments.

The following table sets forth the strategies of our investment affiliates and their respective offerings within each of our investment mandates as of October 31, 2015:

<b>Eaton Vance Management</b>	<b>Parametric</b>	<b>Atlanta Capital</b>	<b>Hexavest</b>
<i>Equity, income and alternative strategies based on in-depth fundamental analysis</i>	<i>Rules-based alpha-seeking strategies and implementation services</i>	<i>High-quality U.S. stock and bond portfolios</i>	<i>Global equity and tactical allocation strategies</i>
<b>Equity:</b>			
Asset Allocation <sup>(1) (2)</sup>	Defensive Equity	Large-Cap Growth	Canadian
Dividend Income <sup>(1)</sup>	Dividend Income	Mid-Large Cap Core	Emerging Markets
Equity Option <sup>(1)</sup>	Dynamic Hedged Equity	Small-Cap Core	European
Global <sup>(3)</sup>	Emerging Markets <sup>(1)</sup>	SMID-Cap Core	Global – All Country
Global-Ex-U.S.	Enhanced Income	Socially Responsible	Global – Developed
Global-Ex-U.S. Small-Cap	Equity Option <sup>(1)</sup>		International
Global Small-Cap <sup>(1)</sup>	Global		
Health Sciences <sup>(4)</sup>	Global Small-Cap		
Large-Cap Core	International <sup>(1)</sup>		
Large-Cap Growth <sup>(1)</sup>	U.S.		
Large-Cap Value <sup>(1)</sup>			
Multi-Cap Growth <sup>(1)</sup>			
Real Estate			
Region Specific <sup>(5)</sup>			
Small-Cap Core <sup>(1)</sup>			
SMID-Cap Core			



**Eaton Vance Management**  
*Equity, income and alternative strategies based on in-depth fundamental analysis*

**Fixed Income:**

Cash Management  
 Core Bond  
 Core Plus Bond  
 Emerging Market Debt  
 High Yield  
 Inflation-Linked  
 Laddered Corporate  
 Laddered Municipal  
 Mortgage-Backed Securities  
 Multi-Sector Income  
 Multi-Strategy Income  
 Municipal Income  
 Preferred Securities  
 Tax-Advantaged Bond

**Floating-Rate Income:**

Floating-Rate Loans

**Alternative:**

Commodity  
 Currency  
 Global Macro Absolute Return  
 Hedged Equity  
 Multi-Strategy Absolute Return

**Portfolio Implementation:**

**Parametric**  
*Rules-based alpha-seeking strategies and implementation services*

Absolute Return  
 Commodity  
 Risk Parity

Centralized Portfolio Management  
 Specialty Index  
 Tax-Managed Core

**Atlanta Capital**  
*High-quality U.S. stock and bond portfolios*

High Quality Broad Market  
 High Quality Intermediate Term  
 High Quality Short Term

**Hexavest**  
*Global equity and tactical allocation strategies*

<b>Eaton Vance Management</b> <i>Equity, income and alternative strategies based on in-depth fundamental analysis</i>	<b>Parametric</b> <i>Rules-based alpha-seeking strategies and implementation services</i>	<b>Atlanta Capital</b> <i>High-quality U.S. stock and bond portfolios</i>	<b>Hexavest</b> <i>Global equity and tactical allocation strategies</i>
<b>Exposure Management:</b>	Customized Exposure Management		

(1) Includes tax-managed open-end and/or closed-end fund offerings.

(2) Includes Eaton Vance Richard Bernstein All Asset Strategy Fund and Eaton Vance Richard Bernstein Market Opportunities Fund, both sub-advised by Richard Bernstein Advisors LLC.

(3) Includes Eaton Vance Richard Bernstein Equity Strategy Fund, sub-advised by Richard Bernstein Advisors LLC.

(4) Includes Eaton Vance Worldwide Health Sciences Fund, advised by OrbiMed Advisors LLC.

(5) Includes Eaton Vance Greater China Growth Fund and Eaton Vance Greater India Fund, sub-advised by LGM Investments Limited.

## Investment Vehicles

Our consolidated assets under management are broadly diversified by distribution channel and vehicle. The following table sets forth our consolidated assets under management by investment vehicle for the dates identified:

### Consolidated Assets under Management by Investment Vehicle<sup>(1)</sup>

(in millions)	October 31,							
	2015	% of Total	2014	% of Total	2013	% of Total		
Fund assets:								
Open-end funds	\$74,838	24 %	\$83,176	28 %	\$86,990	31 %		
Closed-end funds	24,449	8 %	25,419	8 %	24,911	9 %		
Private funds <sup>(2)</sup>	26,647	8 %	25,969	9 %	21,500	8 %		
Total fund assets	125,934	40 %	134,564	45 %	133,401	48 %		
Separate account assets:								
Institutional account assets <sup>(3)</sup>	119,987	39 %	106,443	36 %	95,724	34 %		
High-net-worth account assets	24,516	8 %	22,235	7 %	19,699	7 %		
Retail managed account assets	40,917	13 %	34,493	12 %	31,845	11 %		
Total separate account assets	185,420	60 %	163,171	55 %	147,268	52 %		
Total	\$311,354	100 %	\$297,735	100 %	\$280,669	100 %		



*(1) Consolidated Eaton Vance Corp. See table on page 37 for managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.*

*(2) Includes privately offered equity, fixed income and floating-rate bank loan funds and collateralized loan obligation (“CLO”) entities.*

*(3) Includes assets in institutional cash management separate accounts.*

### *Open-end Funds*

As of October 31, 2015, we managed 114 open-end funds, including 10 tax-managed equity funds, 38 non-tax-managed equity funds, 29 state and national municipal income funds, 21 taxable fixed income and cash management funds, six floating-rate bank loan funds and 10 alternative funds sold to U.S. and non-U.S. investors.

We are a leading manager of equity funds designed to minimize the impact of taxes on investment returns, with \$7.3 billion in open-end tax-managed equity fund assets under management on October 31, 2015. We began building our tax-managed equity fund family in fiscal 1996 with the introduction of Eaton Vance Tax-Managed Growth Fund 1.1, and have since expanded offerings to include a variety of equity styles and market caps, including large-cap value, multi-cap growth, small-cap, global small-cap, equity asset allocation, equity option and global dividend income.

Our non-tax-managed equity fund offerings include large-cap, multi-cap and small-cap funds in value, core and growth styles, dividend and global dividend income funds, international, global, emerging markets, real estate and other sector-specific funds. Also included in the category are four hybrid funds that generally hold both equities and income securities. Assets under management in open-end non-tax-managed equity funds totaled \$21.3 billion on October 31, 2015.

Our family of municipal income mutual funds is one of the broadest in the industry, with 11 national and 18 state-specific funds in 16 different states. As of October 31, 2015, we managed \$9.0 billion in open-end municipal income fund assets.

Our taxable fixed income and cash management funds utilize our investment management capabilities in a broad range of fixed income mandates, including mortgage-backed securities, high-grade bond, high-yield bond, multi-sector bond and cash instruments. Assets under management in open-end taxable income funds totaled \$12.9 billion on October 31, 2015.

We introduced our first Eaton Vance floating-rate bank loan fund, Eaton Vance Floating-Rate Income Fund, in 1989 and we have consistently ranked as one of the largest managers of retail bank loan funds. Assets under management in open-end floating-rate bank loan funds totaled \$18.0 billion on October 31, 2015.

The alternative category includes a range of absolute return strategies, as well as commodity- and currency-linked investments. We currently offer four absolute return funds in the U.S. and a global macro strategy that we sell to fund investors outside of the United States. Assets under management in open-end alternative funds totaled \$6.4 billion on October 31, 2015.

In fiscal 2000, we introduced U.S. Charitable Gift Trust and its pooled income funds, which are designed to simplify the process of donating to qualified charities and to provide professional management of pools of donated assets. U.S. Charitable Gift Trust was one of the first charities to use professional investment advisors to assist individuals with their philanthropic, estate and tax planning needs. The pooled income funds sponsored by U.S. Charitable Gift Trust provide donors with income during their lifetimes and leave principal to U.S. Charitable Gift Trust and designated charities upon their deaths. Assets under management in U.S. Charitable Gift Trust and its pooled income funds, which are included in the fund assets described above, totaled \$477.9 million at October 31, 2015.

Over the past several years, we have launched a number of Ireland and Cayman Island-domiciled open-end funds, which offer a range of our investment strategies to non-U.S. investors. At October 31, 2015, managed assets in our 12 funds sold outside the U.S. totaled \$2.1 billion.

As of October 31, 2015, 51 of our open-end funds were rated 4 or 5 stars by Morningstar<sup>TM</sup> for at least one class of shares, including 17 equity and 34 income funds. A good source of performance-related information for our

funds is our website, [www.eatonvance.com](http://www.eatonvance.com). On our website, investors can also obtain other current information about our product offerings, including investment objective and principal investment policies, portfolio characteristics, expenses and Morningstar<sup>TM</sup> ratings.

### ***Closed-end Funds***

Our family of closed-end funds includes 22 municipal bond funds, 11 domestic and global equity funds, four bank loan funds and two multi-sector income funds. As of October 31, 2015, we managed \$24.4 billion in closed-end fund assets and ranked as the third largest manager of exchange-listed closed-end funds in the U.S. according to Strategic Insight, a fund industry data provider.

### ***Private Funds***

The private fund category includes privately offered equity funds designed to meet the diversification and tax-management needs of qualifying high-net-worth investors. We are recognized as a market leader for these types of privately offered equity funds, with \$12.7 billion in assets under management as of October 31, 2015. Also included in private funds are equity, floating-rate bank loan and fixed income funds offered to institutional investors. Assets under management in these funds, which include cash instrument CLO entities, collective trusts and leveraged and unleveraged loan funds, totaled \$13.7 billion as of October 31, 2015, including \$2.5 billion of assets in CLO entities.

### ***Institutional Separate Accounts***

We serve a broad range of clients in the institutional marketplace, both in the U.S. and internationally, including government, corporate and union retirement plans, endowments and foundations, nuclear decommissioning trusts and asbestos litigation trusts, sovereign wealth funds and investment funds sponsored by others for which we serve as a sub-adviser. Our diversity of capabilities allows us to offer domestic and international institutional investors a broad spectrum of equity, fixed and floating-rate income and alternative strategies, as well as portfolio implementation and exposure management services. Our broad expertise provides us the opportunity to customize solutions to help meet our clients' complex investment needs.

We have used EVTC, a non-depository trust company, as a platform to launch a series of commingled funds tailored to meet the needs of smaller institutional clients. The trust company also enables us to participate in qualified plan commingled investment platforms offered in the broker-dealer channel. In addition to management services, EVTC provides certain custody services and has obtained regulatory approval to provide institutional trustee services.

Institutional separate account assets under management totaled \$120.0 billion at October 31, 2015.

***High-net-worth Separate Accounts***

We offer high-net-worth and family office clients personalized investment counseling services through EVIC. At EVIC, investment counselors work directly with clients to establish long-term financial programs and implement strategies designed for achieving their objectives. The Company has been in this business since the founding of Eaton and Howard in 1924.

Also included in high-net-worth separate accounts are core equity portfolios managed by Parametric for family offices and high-net-worth individuals. Parametric's objective in managing these accounts is generally to match the returns of a client-specified equity benchmark and add incremental returns on an after-tax basis and/or reflect the investment restrictions and exposure tilts specified by the client. Parametric's offerings for the high-net-worth and family office market also include investment programs that utilize option overlay strategies to help clients customize their risk and return profiles through the use of disciplined options strategies.

High-net-worth separate account assets under management totaled \$24.5 billion at October 31, 2015, \$4.9 billion of which were managed by EVIC and \$19.6 billion of which were managed by Parametric and Parametric Risk Advisors.

### *Retail Managed Accounts*

Retail managed accounts include separate accounts managed for individual investors offered through the retail intermediary distribution channel. We entered this business in the 1990s, offering Eaton Vance Management-managed municipal bond separate accounts, and later expanded our offerings with the addition of Atlanta Capital, Parametric, Parametric Risk Advisors and TABS managed accounts. Our entry into the retail managed account business allowed us to leverage the strengths of our retail marketing organization and our relationships with major distributors. We now participate in over 50 retail managed account broker-dealer programs. According to Cerulli Associates, an investment research firm, Eaton Vance ranked as the fifth largest manager of retail managed account assets as of September 30, 2015. Our retail managed account assets totaled \$40.9 billion at October 31, 2015.

### Investment Management and Related Services

Our direct and indirect wholly owned subsidiaries Eaton Vance Management and BMR are investment advisers to all but one of the Eaton Vance-sponsored funds. Although the specifics of our fund advisory agreements vary, the basic terms are similar. Pursuant to the advisory agreements, Eaton Vance Management or BMR provides overall investment management services to each internally advised fund, subject, in the case of funds that are registered under the Investment Company Act of 1940 (“1940 Act”) (“Registered Funds”), to the supervision of the fund’s board of trustees or directors (together, “trustees”) in accordance with the fund’s investment objectives and policies. Atlanta Capital, Parametric, Parametric Risk Advisors or an unaffiliated advisory firm acts as a sub-adviser to Eaton Vance Management and BMR for certain funds. OrbiMed Advisors LLC (“OrbiMed”), an independent investment management company based in New York, is the investment adviser to Eaton Vance Worldwide Health Sciences Fund.

Eaton Vance Management provides administrative services, including personnel and facilities, necessary for the operation of all Eaton Vance and Parametric funds, subject to the oversight of each fund’s board of trustees. These services are provided under comprehensive management agreements with certain funds that also include investment advisory services and through separate administrative services agreements with other funds as discussed below. Administrative services include recordkeeping, preparing and filing documents required to comply with federal and state securities laws, legal, fund administration and compliance services, supervising the activities of the funds’ custodians and transfer agents, providing assistance in connection with the funds’ shareholder meetings and other administrative services, including providing office space and office facilities, equipment and personnel that may be necessary for managing and administering the business affairs of the funds. Each agreement remains in effect indefinitely, subject, in the case of Registered Funds, to annual approval by the fund’s board of trustees. The funds generally bear all expenses associated with their operation and the issuance and redemption or repurchase of their securities, except for the compensation of trustees and officers of the fund who are employed by us. Under some

circumstances, particularly in connection with the introduction of new funds, Eaton Vance Management or BMR may waive a portion of its management fee and/or pay some expenses of the fund.

For Registered Funds, a majority of the independent trustees (i.e., those unaffiliated with us or any adviser controlled by us and deemed “non-interested” under the 1940 Act) must review and approve the investment advisory and administrative agreements annually. The fund trustees generally may terminate these agreements upon 30 to 60 days’ notice without penalty. Shareholders of Registered Funds must approve any amendments to the investment advisory agreements.

Eaton Vance Management has entered into an investment advisory and administrative agreement with U.S. Charitable Gift Trust. In addition, U.S. Charitable Gift Trust and its pooled income funds have distribution agreements with EVD that provide for reimbursement of the costs of fundraising and servicing donor accounts.

Either Eaton Vance Management, BMR, EVIC, Atlanta Capital, Parametric or Parametric Risk Advisors has entered into an investment advisory agreement for each separately managed account and retail managed account program, which sets forth the account's investment objectives and fee schedule, and provides for management of assets in the account in accordance with the stated investment objectives. Our separate account portfolio managers may assist clients in formulating investment strategies.

EVTC is the trustee for each collective investment trust and is responsible for designing and implementing the trust's investment program or overseeing sub-advisers managing the trust's investment portfolios. As trustee, EVTC also provides certain administrative and accounting services to the trust. For services provided under each trust's declaration of trust, EVTC receives a monthly fee based on the average daily net assets of the trust.

Investment counselors and separate account portfolio managers employed by our wholly owned and other controlled subsidiaries make investment decisions for the separate accounts we manage. Investment counselors and separate account portfolio managers generally use the same research information as fund portfolio managers, but tailor investment decisions to the needs of particular clients. We generally receive investment advisory fees for separate accounts quarterly, based on the value of the assets managed on a particular date, such as the first or last calendar day of a quarter, or, in some instances, on the average assets for the period. These advisory contracts are generally terminable upon 30 to 60 days' notice without penalty.

The following table shows investment advisory and administrative fees earned for the three years ended October 31, 2015, 2014 and 2013 as follows:

(in thousands)	Investment Advisory and Administrative Fees		
	2015	2014	2013
Investment advisory fees –			
Funds	\$804,209	\$829,087	\$769,864
Separate accounts	331,075	330,709	306,886
Administrative fees – funds	61,582	71,392	58,577
<b>Total</b>	<b>\$1,196,866</b>	<b>\$1,231,188</b>	<b>\$1,135,327</b>





## Marketing and Distribution of Investment Products

We market and distribute shares of Eaton Vance and Parametric funds domestically through EVD. EVD sells fund shares through a network of financial intermediaries, including national and regional broker-dealers, banks, registered investment advisors, insurance companies and financial planning firms. The Eaton Vance International (Ireland) Funds Plc. are Undertakings for Collective Investments in Transferable Securities (“UCITS”) funds domiciled in Ireland and sold by EVM I through certain intermediaries, and in some cases directly, to investors who are citizens of the United Kingdom, member nations of the European Union and other countries outside the United States. The Eaton Vance International (Cayman Islands) Funds are Cayman Island-domiciled funds sold by EVM I and EVD through intermediaries to non-U.S. investors.

Although the firms in our domestic retail distribution network have each entered into selling agreements with EVD, these agreements (which generally are terminable by either party) do not legally obligate the firms to sell any specific amount of our investment products. EVD currently maintains a sales force of approximately 130 external and internal wholesalers who work closely with financial advisors in the retail distribution network to assist in placing Eaton Vance and Parametric funds.

Certain sponsored mutual funds have adopted distribution plans as permitted by the 1940 Act that provide for the fund to pay EVD distribution fees for the sale and distribution of shares and service fees for personal and/or shareholder account services (so-called “12b-1 fees”). Each distribution plan and distribution agreement with EVD for the Registered Funds is initially approved and its subsequent continuance must be approved annually by the board of trustees of the respective funds, including a majority of the independent trustees.

EVD makes payments to financial intermediaries that provide marketing support, transaction processing and/or administrative services to the Eaton Vance and Parametric mutual funds and, in some cases, include some or all of our funds in preferred or specialized selling programs. Payments are typically based on fund net assets, sales, transactions processed and/or accounts attributable to that financial intermediary. Financial intermediaries also may receive payments from EVD in connection with educational or due diligence meetings that include information concerning our funds.

EVD currently sells Eaton Vance and Parametric mutual funds under five primary pricing structures: front-end load commission (“Class A”); level-load commission (“Class C”); institutional no-load (“Class I,” “Class R6” and “Institutional Class,” referred to herein as “Class I”); retail no-load (“Investor Class” and “Advisers Class,” referred to herein as “Class N”); and retirement plan level-load (“Class R”).

For Class A shares, the shareholder may be required to pay a sales charge to the selling broker-dealer of up to five percent and an underwriting commission to EVD of up to 75 basis points of the dollar value of the shares sold. Under certain conditions, we waive the sales load on Class A shares and the shares are sold at net asset value. EVD generally receives (and then pays to authorized firms after one year) combined distribution and service fees of up to 30 basis points of average net assets annually on Class A shares. In recent years, a growing percentage of the Company's sales of Class A shares have been made on a load-waived basis through various fee-based programs. EVD does not receive underwriting commissions on such sales.

For Class C shares, the shareholder pays no front-end commissions but may be subject to a contingent deferred sales charge on redemptions made within the first twelve months of purchase. EVD pays a commission and the projected first year's service fees to the dealer at the time of sale. The fund makes monthly distribution plan and service fee payments to EVD at an annual rate of up to 75 basis points and 25 basis points, respectively, of average net assets of the Class. EVD retains the distribution and service fees paid to EVD for the first twelve months and pays the distribution and service fees to the dealer after one year.

Class I shares are offered at net asset value and are not subject to any sales charges, underwriter commissions, distribution fees or service fees. For designated Class I shares, a minimum investment of \$250,000 or higher is normally required. Designated Institutional Class shares are normally subject to a minimum investment of \$50,000. Sales of R6 shares are limited to participating retirement plans and certain other investors.

Class N shares are offered at net asset value and are not subject to any sales charges or underwriter commissions. EVD receives (and then pays to authorized firms after one year) combined distribution and service fees of 25 basis points of average net assets annually.

Class R shares are offered at net asset value with no front-end sales charge. The Company receives, and then generally pays to dealers, distribution fees of 25 basis points and service fees of 25 basis points of average net assets of the Class annually.

We also sponsor unregistered equity funds that are privately placed by EVD, as placement agent, and by various sub-agents to whom EVD and the subscribing shareholders make sales commission payments. The privately placed equity funds are managed by Eaton Vance Management and BMR.

The marketing and distribution of investment strategies to institutional and high-net-worth clients is subsidiary-specific. Eaton Vance Management has institutional sales, consultant relations and client service teams dedicated to supporting the U.S. marketing and sales of strategies managed by Eaton Vance Management and Hexavest. Hexavest maintains its own marketing and distribution team to service institutional clients in Canada. Parametric and Atlanta Capital each maintain subsidiary-specific marketing and distribution teams to sell their respective investment strategies to U.S.-based institutions and high-net-worth investors. Parametric also maintains a dedicated institutional marketing and distribution team focused on the Australian and New Zealand markets. EVMI, based in London, is otherwise responsible for the institutional marketing and distribution of all Eaton Vance Management, Parametric, Atlanta Capital and Hexavest-advised strategies to institutions outside North America.

During the fiscal year ended October 31, 2015 there were no customers that provided over 10 percent of our total revenue.

## Regulation

Eaton Vance Management, BMR, EVIC, Atlanta Capital, Parametric and Parametric Risk Advisors are each registered with the SEC under the Advisers Act. The Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary duties, recordkeeping requirements, operational requirements and disclosure obligations. Most Eaton Vance and Parametric funds are registered with the SEC under the 1940 Act. The 1940 Act imposes additional obligations on fund advisers, including governance, compliance, reporting and fiduciary obligations relating to the management of funds. Except for privately offered funds exempt from registration, each U.S. fund is also required to make notice filings with all states where it is offered for sale. Virtually all aspects of our investment management business in the U.S. are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to benefit shareholders of the funds and separate account clients and generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict us from carrying on our investment management business in the event we fail to comply with such laws and regulations. In such event, the possible sanctions that may be imposed include the suspension of individual employees, limitations on Eaton Vance Management, BMR, EVIC, Atlanta Capital, Parametric or Parametric Risk Advisors engaging in the investment management business for specified periods of time, the revocation of any such company's registration as an investment adviser, and other censures or fines.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was signed into law. The Dodd-Frank Act established enhanced regulatory requirements for non-bank financial institutions designated as "systemically important" by the Financial Stability Oversight Council ("FSOC"). Under a final

rule and interpretive guidance issued by FSOC in April 2012, certain non-bank financial companies have been designated as systemically important financial institutions (“SIFIs”). Additional non-bank financial companies, which may include large asset management companies such as us, may be designated as SIFIs in the future. If the Company were designated a SIFI, it would be subject to enhanced prudential measures, which could include capital and liquidity requirements, leverage limits, enhanced public disclosures and risk management requirements, annual stress testing by the Federal Reserve, credit exposure and concentration limits, supervisory and other requirements. These heightened regulatory obligations could, individually or in the aggregate, adversely impact the Company’s business and operations.

Eaton Vance Management, BMR and Parametric are registered with the Commodity Futures Trading Commission (“CFTC”) and the National Futures Association (“NFA”) as Commodity Pool Operators and Commodity Trading Advisors; other subsidiaries of the Company claim exemptions from registration. In August 2013, the CFTC adopted rules for operators of registered mutual funds that are subject to registration as Commodity Pool Operators generally allowing such commodity pools to comply with SEC disclosure, reporting and recordkeeping rules as the means of complying with CFTC’s similar requirements. These CFTC rules do not, however, relieve registered Commodity Pool Operators from compliance with applicable anti-fraud provisions as well as certain performance reporting and recordkeeping requirements. The Company may incur ongoing costs associated with monitoring compliance with these requirements, including but not limited to CFTC and NFA registration and exemption obligations and the periodic reporting requirements of Commodity Pool Operators and Commodity Trading Advisors.

The Eaton Vance mutual funds, privately offered funds and separate accounts that trade commodity interests are also regulated by the CFTC. In the event that Eaton Vance Management, BMR or Parametric fails to comply with applicable requirements, the CFTC may suspend or revoke its registration, prohibit it from trading or doing business with registered entities, impose civil penalties, require restitution and seek fines or imprisonment for criminal violations. In the event that the Eaton Vance clients that trade commodity interests fail to comply with requirements applicable to their trading, they would be subject to the foregoing remedies excluding suspension of license (provided they are not registered). In addition, to the extent any of the entities trade on a futures exchange or Swap Execution Facility, they would be subject to possible sanction for any violation of the facility’s rules.

EVTC is registered as a non-depository Maine Trust Company and is subject to regulation by the State of Maine Bureau of Financial Institutions (“Bureau of Financial Institutions”). EVTC is subject to certain capital requirements, as determined by the Examination Division of the Bureau of Financial Institutions. At periodic intervals, regulators from the Bureau of Financial Institutions examine the Company’s and EVTC’s financial condition as part of their legally prescribed oversight function. There were no violations by EVTC of these capital requirements in fiscal 2015 or prior years.

EVD is registered as a broker-dealer under the Exchange Act and is subject to regulation by the Financial Industry Reporting Authority (“FINRA”), the SEC and other federal and state agencies. EVD is subject to the SEC’s net capital rule designed to enforce minimum standards regarding the general financial condition and liquidity of broker-dealers.

Under certain circumstances, this rule may limit our ability to make withdrawals of capital and receive dividends from EVD. EVD's regulatory net capital consistently exceeded minimum net capital requirements during fiscal 2015. The securities industry is one of the most highly regulated in the United States, and failure to comply with related laws and regulations can result in the revocation of broker-dealer licenses, the imposition of censures or fines and the suspension or expulsion from the securities business of a firm, its officers or employees.

EVMI has the permission of the Financial Conduct Authority ("FCA") to conduct a regulated business in the United Kingdom. EVMI's primary business purpose is to distribute our investment products in Europe and certain other international markets. Under the Financial Services and Markets Act of the United Kingdom, EVMI is subject to

certain liquidity and capital requirements. Such requirements may limit our ability to make withdrawals of capital from EVM I. In addition, failure to comply with such requirements could jeopardize EVM I's approval to conduct business in the United Kingdom. There were no violations by EVM I of the liquidity and capital requirements in fiscal 2015 or prior years.

EVAI has the permission of the Central Bank of Ireland to conduct its business of providing management services to the Eaton Vance International (Ireland) Funds Plc. EVAI is subject to certain liquidity and capital requirements. Such requirements may limit our ability to make withdrawals of capital from EVAI. There were no violations by EVAI of the liquidity and capital requirements in fiscal 2015 or prior years.

EVMIA has the permission of the Accounting and Corporate Regulatory Authority ("ACRA") to conduct a regulated business in Singapore. Under the Monetary Authority of Singapore, EVMIA is subject to certain liquidity and capital requirements. Such requirements may limit our ability to make withdrawals of capital from EVMIA. There were no violations by EVMIA of the liquidity and capital requirements in fiscal 2015 or prior years.

Our officers, directors and employees may from time to time own securities that are held by one or more of the funds and separate accounts we manage. Our internal policies with respect to individual investments by investment professionals and other employees with access to investment information require prior clearance of most types of transactions and reporting of all securities transactions, and restrict certain transactions to help avoid the possibility of conflicts of interest. All employees are required to comply with all prospectus restrictions and limitations on purchases, sales or exchanges of our mutual fund shares and to pre-clear purchases and sales of shares of our closed-end funds.

## **Competition**

The investment management business is a highly competitive global industry and we are subject to substantial competition in each of our principal product categories and distribution channels. There are few barriers to entry for new firms and consolidation within the industry continues to alter the competitive landscape. According to the Investment Company Institute, there were more than 800 investment managers at the end of calendar 2014 that competed in the U.S. mutual fund market. We compete with these firms, many of which have substantially greater resources, on the basis of investment performance, diversity of products, distribution capability, scope and quality of service, fees charged, reputation and the ability to develop new investment strategies and products to meet the changing needs of investors.



In the retail fund channel, we compete with other mutual fund management, distribution and service companies that distribute through affiliated and unaffiliated sales forces, broker-dealers and direct sales to the public. According to the Investment Company Institute, at the end of calendar 2014 there were almost 9,300 open-end registered funds of varying sizes and investment objectives whose shares were being offered to the public in the United States. We rely primarily on intermediaries to distribute our products and pursue sales relationships with all types of intermediaries to broaden our distribution network. A failure to maintain strong relationships with intermediaries that distribute our products in the retail fund channel could adversely affect our gross and net sales, assets under management, revenue and financial condition.

We are also subject to substantial competition in the retail managed account channel from other investment management firms. Sponsors of retail managed account programs limit the number of approved managers within their programs and firms compete based on investment performance and other considerations to win and maintain positions in these programs.

In the high-net-worth and institutional separate account channels, we compete with other investment management firms based on the breadth of product offerings, investment performance, strength of reputation and the scope and quality of client service.

## Employees

On October 31, 2015, we and our controlled subsidiaries had 1,473 full-time and part-time employees. On October 31, 2014, the comparable number was 1,448.

## Available Information

We make available free of charge our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13 and 15(d) of the Exchange Act as soon as reasonably practicable after such filing has been made with the SEC. Reports may be viewed and obtained on our website at [www.eatonvance.com](http://www.eatonvance.com), or by calling Investor Relations at 617-482-8260. We have included our website address in this Annual Report on Form 10-K as inactive textual reference only. Information on our website is not incorporated by reference into this Annual Report on Form 10-K.

The public may read and copy any of the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxies and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

## Item 1A. Risk Factors

***We are subject to substantial competition in all aspects of our investment management business.*** Our funds and separate accounts compete against a large number of investment products and services sold to the public by investment management companies, investment dealers, banks, insurance companies and others. Many institutions we compete with have greater financial resources than us and there are few barriers to entry. We compete with these firms on the basis of investment performance, diversity of products, distribution capability, scope and quality of services, reputation and the ability to develop new investment strategies and products to meet the changing needs of investors. To the extent that current or potential customers decide to invest in products sponsored by our competitors, the sales of our products as well as our market share, revenue and net income could decline.

The investment management industry is highly competitive and investment management customers are increasingly fee sensitive. In the event that competitors charge lower fees for substantially similar products, we may be forced to compete on the basis of price in order to attract and retain customers. Rules and regulations applicable to registered investment companies provide, in substance, that each investment advisory agreement between a fund and its investment adviser continues in effect from year to year only if its continuation is approved at least annually by the fund's board of trustees. Periodic review of fund advisory agreements could result in a reduction in the Company's advisory fee revenues from funds. Fee reductions on existing or future business and/or the impact of evolving industry fee structures could have an adverse impact on our future revenue and profitability.

***The inability to access clients through intermediaries could have a material adverse effect on our business.*** Our ability to market investment products is highly dependent on access to the various distribution systems of national and regional securities dealer firms, which generally offer competing products that could limit the distribution of our investment products. There can be no assurance that we will be able to retain access to these intermediaries. The inability to have such access could have a material adverse effect on our business. To the extent that existing or potential customers, including securities broker-dealers, decide to invest in or broaden distribution relationships with our competitors, the sales of our products as well as our market share, revenue and net income could decline. Certain intermediaries with which we conduct business charge the Company fees to maintain access to their distribution networks. If we choose not to pay such fees, our ability to distribute through those intermediaries would be limited.

***Our investment advisory agreements are subject to termination on short notice or non-renewal.*** We derive almost all of our revenue from investment advisory and administrative fees, distribution income and service fees received from managed funds and separate accounts. As a result, we are dependent upon management contracts, administrative contracts, distribution contracts, underwriting contracts or service contracts under which these fees are paid. Generally, these contracts are terminable upon 30 to 60 days' notice without penalty. If any of these contracts are terminated, not renewed, or amended to reduce fees, our financial results could be adversely affected.

***Our assets under management, which impact revenue, are subject to significant fluctuations.*** Our major sources of revenue, including investment advisory, administrative, distribution and service fees, are generally calculated as percentages of assets under management. Fee rates for our investment products generally vary by investment mandate (e.g., equity, fixed income, floating-rate income, alternative, portfolio implementation or exposure management services) and vehicle (e.g., fund or separate account). An adverse change in asset mix by mandate or vehicle, independent of our level of assets under management, may result in a decrease in our overall effective fee rate, thereby reducing our revenue and net income. Any decrease in the level of our assets under management generally would also reduce our revenue and net income. Assets under management could decrease due to, among other things, a decline in securities prices, a decline in the sales of our investment products, an increase in open-end fund redemptions or client withdrawals, repurchases of or other reductions in

closed-end fund shares outstanding, or reductions in leverage used by investment vehicles. Adverse market conditions and/or lack of investor confidence in the financial markets could lead to a decrease in investor risk tolerance. A decrease in investor risk tolerance could result in investors withdrawing from markets or decreasing their rate of investment, thereby reducing our overall assets under management and adversely affecting our revenue, earnings and growth prospects. Changes in investor risk tolerance could also result in investor allocation away from higher fee products to lower fee products, which could adversely affect our revenue and earnings. Our overall assets under management may not change in tandem with overall market conditions, as changes in our total assets under management may lag improvements or declines in the market based upon product mix and investment performance.

***Poor investment performance of our products could affect our sales or reduce the amount of assets under management, negatively impacting revenue and net income.*** Investment performance is critical to our success. Poor investment performance on an absolute basis or as compared to third-party benchmarks or competitor products could lead to a decrease in sales and stimulate higher redemptions, thereby lowering the amount of assets under management and reducing the investment advisory fees we earn. A decline in investment performance of any investment franchise could have a material adverse effect on the level of assets under management, revenue and net income of that franchise. Past or present performance in the investment products we manage is not indicative of future performance.

***Our clients can withdraw the assets we manage on short notice, making our future client and revenue base unpredictable.*** Our open-end fund clients generally may redeem their investments in these funds each business day without prior notice. While not subject to daily redemption, closed-end funds that we manage may shrink in size due to repurchases of shares in open-market transactions or pursuant to tender offers, or in connection with distributions in excess of realized returns. Institutional and individual separate account clients can terminate their relationships with us generally at any time. In a declining stock market, the pace of open-end fund redemptions could accelerate. Poor performance relative to other asset management firms can result in decreased purchases of open-end fund shares, increased redemptions of open-end fund shares, and the loss of institutional or individual separate accounts. The decrease in revenue that could result from any of these events could have a material adverse effect on our business.

***We could be impacted by counterparty or client defaults.*** As we have seen in periods of significant market volatility, the deteriorating financial condition of one financial institution may materially and adversely impact the performance of others. We, and the funds and accounts we manage, have exposure to many different counterparties, and routinely execute transactions with counterparties across the financial industry. We, and the funds and accounts we manage, may be exposed to credit, operational or other risk in the event of a default by a counterparty or client, or in the event of other unrelated systemic market failures.

***Our success depends on key personnel and our financial performance could be negatively affected by the loss of their services.*** Our success depends upon our ability to attract, retain and motivate qualified portfolio managers, analysts, investment counselors, sales and management personnel and other key professionals, including our executive officers. Our key employees generally do not have employment contracts and may voluntarily terminate their employment at any time. Certain senior executives and the non-employee members of our Board of Directors are

subject to our mandatory retirement policy at age 65 and age 72, respectively. The loss of the services of key personnel or our failure to attract replacement or additional qualified personnel could negatively affect our financial performance. An increase in compensation to attract or retain personnel could result in a decrease in net income.

***Our expenses are subject to fluctuations that could materially affect our operating results.*** Our results of operations are dependent on the level of expenses, which can vary significantly from period to period. Our expenses may fluctuate as a result of, among other things, variations in the level of compensation, expenses incurred to support distribution of our investment products, expenses incurred to develop new products and

franchises, expenses incurred to enhance our infrastructure (including technology and compliance) and impairments of intangible assets or goodwill. Increases in our level of expenses, or our inability to reduce our level of expenses when necessary, could materially affect our operating results.

***Our business is subject to operational risk.*** In the management and administration of funds and client accounts, we are subject to the risk that we commit errors that cause the Company to incur financial losses and damage our reputation. Because they involve large numbers of accounts and operate at generally low fee rates, our portfolio implementation and exposure management services businesses may be particularly susceptible to losses from operational or trading errors.

***Our reputation could be damaged.*** We have built a reputation of high integrity, prudent investment management and superior client service. Our reputation is extremely important to our success. Any damage to our reputation could result in client withdrawals from funds or separate accounts that are advised by us and ultimately impede our ability to attract and retain key personnel. The loss of either client relationships or key personnel due to damage to our reputation could reduce the amount of assets under management and cause us to suffer a loss in revenue or a reduction in net income.

***Success of our NextShares initiative is highly uncertain.*** In recent years, the Company has devoted substantial resources to the development of NextShares exchange-traded managed funds, a new type of actively managed fund designed to provide better performance for investors. The Company made significant progress advancing its NextShares initiative in fiscal 2015 and expects to begin the staged introduction of the initial NextShares funds in the first calendar quarter of 2016. Broad market adoption and commercial success requires the development of expanded distribution, the launch of NextShares by other fund sponsors and acceptance by market participants, which cannot be assured.

***Support provided to new products may reduce fee income, increase expenses and expose us to potential loss on invested capital.*** We may support the development of new investment products by waiving all or a portion of the fees we receive for managing such products, by subsidizing expenses or by making seed capital investments. Seed investments in new products utilize Company capital that would otherwise be available for general corporate purposes and expose us to capital losses to the extent that realized investment losses are not offset by hedging gains. The risk of loss may be greater for seed capital investments that are not hedged, or if an intended hedge does not perform as expected. Failure to have or devote sufficient capital to support new products could have an adverse impact on our future growth.

***We may need to raise additional capital or refinance existing debt in the future, and resources may not be available to us in sufficient amounts or on acceptable terms.*** Significant future demands on our capital include contractual obligations to service our debt, satisfy the terms of non-cancelable operating leases and purchase non-controlling

interests in our majority-owned subsidiaries as described more fully in Contractual Obligations in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K and in Note 10 in Item 8 of this Annual Report on Form 10-K. Although we believe our existing cash flows from operations will be sufficient to meet our future capital needs, our ability to satisfy our long-term contractual obligations may be dependent on our ability to access capital markets. Our ability to access capital markets efficiently depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Non-Voting Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely impacted.

***We could be subject to losses and reputational harm if we, or our agents, fail to properly safeguard sensitive and confidential information or as a result of cyber attacks.*** We are dependent on the effectiveness of our information and cyber security policies, procedures and capabilities to protect our computer and telecommunications systems and the data that resides in or is transmitted through such systems. As part of our normal operations, we maintain and transmit confidential information about our clients and employees as well as



proprietary information relating to our business operations. We maintain a system of internal controls designed to provide reasonable assurance that fraudulent activity, including misappropriation of assets, fraudulent financial reporting and unauthorized access to sensitive or confidential data, is either prevented or detected on a timely basis. Nevertheless, all technology systems remain vulnerable to unauthorized access and may be corrupted by cyber attacks, computer viruses or other malicious software code, the nature of which threats are constantly evolving and becoming increasingly sophisticated. In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information. Although we take precautions to password protect and encrypt our mobile electronic hardware, if such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us. Breach or other failure of our technology systems, including those of third parties with which we do business, or failure to timely and effectively identify and respond to any such breach or failure, could result in the loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by the incident, additional security costs to mitigate against future incidents and litigation costs resulting from the incident. Moreover, loss of confidential customer identification information could harm our reputation, result in the termination of contracts by our existing customers and subject us to liability under laws that protect confidential personal data, resulting in increased costs or loss of revenues. Recent well-publicized security breaches at other companies have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber attacks, and may in the future result in heightened cyber security requirements, including additional regulatory expectations for oversight of vendors and service providers.

***Failure to maintain adequate infrastructure could impede our productivity and ability to support business growth.***

Our infrastructure, including our technological capacity, data centers and office space, is vital to the operations and competitiveness of our business. The failure to maintain an infrastructure commensurate with the size and scope of our business, including any expansion, could impede our productivity and growth, which could result in a decline in our earnings.

***Failure to maintain adequate business continuity plans could have a material adverse impact on us and our products.*** Significant portions of our business operations and those of our critical third-party service providers are concentrated in a few geographic areas, including Boston, Massachusetts and Seattle, Washington. Critical operations that are geographically concentrated in Boston and/or Seattle include trading operations, information technology, fund administration, and custody and portfolio accounting services for the Company's products. Should we, or any of our critical service providers, experience a significant local or regional disaster or other business continuity problem, our continued success will depend in part on the safety and availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. The failure by us, or any of our critical service providers, to maintain updated adequate business continuity plans, including backup facilities, could impede our ability to operate in the event of a disruption, which could cause our earnings to decline. We have developed various backup systems and contingency plans but we cannot be assured that they will be adequate in all circumstances that could arise or that material interruptions and disruptions will not occur. In addition, we rely to varying degrees on outside vendors for disaster contingency support, and we cannot be assured that these vendors will be able to perform in an adequate and timely manner. If we, or any of our critical service providers, are unable to respond adequately to such an event in a timely manner, we may be unable to continue our business operations, which could lead to a damaged reputation and loss of customers that results in a decrease in assets under management, lower revenues and reduced net income.

***We pursue growth in the United States and abroad in part through acquisitions, which exposes us to risks inherent in assimilating new operations, expanding into new jurisdictions and executing on new development opportunities.***

Our growth strategy is based in part on the selective development or acquisition of asset management or related businesses that we believe will add value to our business and generate positive net returns. This strategy may not be effective, and failure to successfully develop and implement such a strategy may decrease earnings and harm the Company's competitive position in the investment management industry.

We cannot guarantee that we will identify and consummate any such transactions on acceptable terms or have sufficient resources to accomplish such a strategy. In addition, any strategic transaction can involve a number of risks, including additional demands on our staff; unanticipated problems regarding integration of operating facilities, technologies and new employees; and the existence of liabilities or contingencies not disclosed to or otherwise known by us prior to closing a transaction. As a result, the Company may not be able to realize all of the benefits that it hoped to achieve from such transactions. In addition, we may be required to spend additional time or money on integration that would otherwise be spent on the development and expansion of our business and services.

***Expansion into international markets and the introduction of new products and/or services increases our operational, regulatory and other risks.*** We continue to increase our product offerings and international business activities. As a result of such expansion, we face increased operational, regulatory, compliance and reputational risks. The failure of our compliance and internal control systems to properly mitigate such additional risks, or of our operating infrastructure to support such expansion, could result in operational failures and regulatory fines or sanctions. Our operations in the United Kingdom, the European Economic Area, Australia and Singapore are subject to significant compliance, disclosure and other obligations. We incur additional costs to satisfy the requirements of the European Union Directive on Undertakings for Collective Investments in Transferable Securities and the Alternative Investment Fund Managers Directive (together, the “Directives”). The Directives may also limit our operating flexibility and impact our ability to expand in European markets. Activity in international markets also exposes us to fluctuations in currency exchange rates, which may adversely affect the U.S. dollar value of revenues, expenses and assets associated with our business activities outside the United States. Actual and anticipated changes in current exchange rates may also adversely affect international demand for our investment products and services, most of which represent investments primarily in U.S. dollar-based assets. Because many of our costs to support international business activities are based in U.S. dollars, the profitability of such activities may be adversely affected by a weakening of the U.S. dollar versus other currencies in which we derive significant revenues.

***Legal and regulatory developments affecting the investment industry could increase our regulatory costs and/or reduce our revenues.*** Our business is subject to complex and extensive regulation by various regulatory authorities in jurisdictions around the world. This regulatory environment may be altered without notice by new laws or regulations, revisions to existing regulations or new interpretations or guidance. Global financial regulatory reform initiatives are likely to result in more stringent regulation, and changes in laws or regulations and their application to us could have a material adverse impact on our business, our profitability and mode of operations. In recent years, regulators in both the United States and abroad have increased oversight of the financial sector of the economy. Some of the newly adopted and proposed regulations are focused directly on the investment management industry, while others are more broadly focused, but impact our industry.

In July 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act established enhanced regulatory requirements for non-bank financial institutions designated as “systemically important” by the FSOC. Under a final rule and interpretive guidance issued by FSOC in April 2012, certain non-bank financial companies have been designated as SIFIs. Additional non-bank financial companies, which may include large asset management companies such as us, may be designated as SIFIs in the future. If we are designated a SIFI, we would be subject to enhanced prudential measures, which could include capital and liquidity requirements, leverage limits, enhanced public disclosures and

risk management requirements, annual stress testing by the Federal Reserve, credit exposure and concentration limits, supervisory and other requirements. These heightened regulatory obligations could, individually or in the aggregate, adversely impact our business and operations.

In February 2012, the CFTC adopted certain amendments to existing rules that required additional registrations in connection with the operation of our mutual funds and certain other products we sponsor that use futures, swaps or other derivatives. Eaton Vance Management, BMR and Parametric are registered with the CFTC and the NFA as Commodity Pool Operators and Commodity Trading Advisors and other subsidiaries of the Company claim exemptions from registration. We may incur ongoing costs associated with monitoring

compliance with applicable CFTC and NFA requirements, including registration and exemption obligations and the periodic reporting requirements of Commodity Pool Operators and Commodity Trading Advisors.

Pursuant to the mandate of the Dodd-Frank Act, the CFTC and the SEC have promulgated rules that increase the regulation of over-the-counter derivatives markets. The regulations require many types of derivatives that were previously traded over-the-counter to be executed in regulated markets and submitted for clearing to regulated clearinghouses. Complying with the new regulations may significantly increase the costs of derivatives trading on behalf of our clients. The Dodd-Frank Act also expanded the CFTC's authority to limit the maximum long or short position that any person may take in futures contracts, options on futures contracts and certain swaps. Final rules implementing this authority may be adopted by the CFTC that could require all accounts owned or managed by Commodity Trading Advisors like Eaton Vance Management or BMR to be aggregated towards such "speculative position limits." Complying with these rules may negatively affect the Company's financial condition or performance by requiring changes to existing strategies or preventing an investment strategy from being fully implemented.

Certain of our subsidiaries are required to file quarterly reports on Form PF for private funds they manage, pursuant to systemic risk reporting requirements adopted by the SEC. These filings have required, and will continue to require, significant investments in people and systems to ensure timely and accurate reporting. In addition, proposals by the SEC in 2015 to revise Form ADV and establish Form N-PORT, which would require mutual funds to report information about their monthly portfolio holdings to the SEC in a structured data format, would impose further reporting obligations on us and the funds we manage, if adopted.

In October 2014, the SEC, the Federal Deposit Insurance Corporation, the Federal Reserve and certain other federal regulators finalized regulations that mandate risk retention for securitizations. The rules are effective for securitization transactions collateralized by residential mortgages beginning on December 24, 2015, and for all other securitization transactions beginning on December 24, 2016. Under the final rules, the Company may be required to hold interests equal to 5 percent of the credit risk of the assets of any new CLO entities that we manage (unless the CLO entity invests only in certain qualifying loans) and would be prohibited from selling or hedging those interests in accordance with the limitations on such sales or hedges set forth in the final rule. The new mandatory risk retention requirement for CLO entities may result in the Company having to invest money to launch new CLO entities that would otherwise be available for other uses. Such investments would also subject the Company to exposure to the underlying performance of the assets of the CLO entities and could have an adverse impact on our results of operations or financial condition.

In 2015, the U.S. Department of Labor re-proposed regulations seeking to change the definition of who is an investment advice fiduciary under the Employee Retirement Income Security Act of 1974 ("ERISA") and how advice can be provided to retirement account holders in 401(k) plans, individual retirement accounts and other qualified retirement programs. If the regulations are issued with provisions substantially similar to those of the current draft, they could materially impact the provision of investment services to retirement accounts, which could negatively affect our results of operations. In late 2015, the SEC proposed new rules addressing liquidity risk management by

registered open-end funds and the use of derivatives by registered open-end and closed-end funds. If adopted, these rules could limit investment opportunities for certain funds we manage and increase our management and administration costs, with potential adverse effects on our revenues, expenses and results of operations.

All of these new and developing laws and regulations will likely result in greater compliance and administrative burdens on us, increasing our expenses.

***Our business is subject to risk from regulatory investigation, potential securities laws, liability and litigation.*** We are subject to federal securities laws, state laws regarding securities fraud, other federal and state laws and rules, and regulations of certain regulatory, self-regulatory and other organizations, including, among others, the SEC, FINRA, the CFTC, the NFA, the FCA and the New York Stock Exchange. While we have focused significant attention and resources on the development and implementation of compliance policies,

procedures and practices, non-compliance with applicable laws, rules or regulations, either in the United States or abroad, or our inability to adapt to a complex and ever-changing regulatory environment could result in sanctions against us, which could adversely affect our reputation, business, revenue and earnings. From time to time, various claims against us arise in the ordinary course of business, including employment related claims. We carry insurance in amounts and under terms that we believe are appropriate. We cannot guarantee that our insurance will cover most liabilities and losses to which we may be exposed, or that our insurance policies will continue to be available at acceptable terms and fees. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or pay higher premiums, which would increase our expenses and reduce our net income.

***Changes in corporate tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and/or liquidity.*** Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes of these audits could have a material impact on our financial statements. We are subject to ongoing tax audits in various jurisdictions, including several states. Changes in tax laws or tax rulings could materially impact our effective tax rate.

***We could be impacted by changes in tax policy.*** Changes in U.S. tax policy may affect us to a greater degree than many of our competitors because we manage significant assets in funds and separate accounts with an after-tax return objective. We believe an increase in overall tax rates would likely have a positive impact on our municipal income and tax-managed equity businesses. An increase in the tax rate on qualified dividends could have a negative impact on our tax-advantaged equity income business. Changes in tax policy could also adversely affect our privately offered equity funds.

***Our Non-Voting Common Stock lacks voting rights.*** Our Non-Voting Common Stock has no voting rights under any circumstances. All voting power resides with our Voting Common Stock, all shares of which are held by officers of the Company and our subsidiaries and deposited in a voting trust (the "Voting Trust") in exchange for Voting Trust Receipts. As of October 31, 2015, there were 21 holders of Voting Trust Receipts representing Voting Common Stock, each holder of which is a Voting Trustee of the Voting Trust. Holders of Non-Voting Common Stock should understand that such ownership interests have no ability to vote in the election of the Company's Board of Directors or otherwise to influence the Company's management and strategic direction.

#### **Item 1B. Unresolved Staff Comments**

None.

Item 2. Properties

We conduct our principal operations through leased offices located in Boston, Massachusetts; Atlanta, Georgia; Minneapolis, Minnesota; New York, New York; Seattle, Washington; Westport, Connecticut; London, England; Singapore and Sydney, Australia. For more information, please see Note 20 of our Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

Item 3. Legal Proceedings

We are party to various legal proceedings that are incidental to our business. We believe these legal proceedings will not have a material effect on our consolidated financial condition, results of operations or cash flows.

**Item 4. Mine Safety Disclosures**

Not applicable.



## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

**Price Range of Non-Voting Common Stock, Dividend History and Policy**

Our Voting Common Stock, \$0.00390625 par value, is not publicly traded, and was held as of October 31, 2015 by 21 Voting Trustees pursuant to the Voting Trust described in Item 12 hereof, which Item is incorporated herein by reference. Dividends on our Voting Common Stock are paid quarterly and are equal to the dividends paid on our Non-Voting Common Stock (see below).

Our Non-Voting Common Stock, \$0.00390625 par value, is traded on the New York Stock Exchange under the symbol EV. The approximate number of registered holders of record of our Non-Voting Common Stock at October 31, 2015 was 980. The high and low common stock sales prices and dividends declared per share were as follows for the periods indicated:

	Fiscal 2015			Fiscal 2014		
	High Price	Low Price	Dividends Per Share	High Price	Low Price	Dividends Per Share
Quarter Ended:						
January 31	\$46.75	\$36.39	\$ 0.250	\$43.82	\$37.98	\$ 0.220
April 30	\$44.18	\$39.70	\$ 0.250	\$39.22	\$35.03	\$ 0.220
July 31	\$43.00	\$37.85	\$ 0.250	\$38.66	\$35.00	\$ 0.220
October 31	\$39.72	\$32.35	\$ 0.265	\$39.66	\$33.47	\$ 0.250

We currently expect to declare and pay quarterly dividends on our Voting and Non-Voting Common Stock that are comparable to those declared in the fourth quarter of fiscal 2015.

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## **Performance Graph**

The following graph compares the cumulative total shareholder return on our Non-Voting Common Stock for the period from November 1, 2010 through October 31, 2015 to that of the Morningstar Financial Services Sector Index and the Standard & Poor's 500 Stock Index ("S&P 500 Index") over the same period. The comparison assumes \$100 was invested on October 31, 2010 in our Non-Voting Common Stock and the compared indices at the closing price on that day and assumes reinvestments of all dividends paid over the period.

## **Comparison of Five-Year Cumulative Total Shareholder Return**

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The table below sets forth information regarding purchases by the Company of our Non-Voting Common Stock on a monthly basis during the fourth quarter of fiscal 2015:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or <b>Programs<sup>(1)</sup></b>	(d) Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
August 1, 2015 through August 31, 2015	250,330	\$ 34.55	250,330	5,613,058
September 1, 2015 through September 30, 2015	1,095,391	\$ 34.03	1,095,391	4,517,667
October 1, 2015 through October 31, 2015	1,290,535	\$ 35.03	1,290,535	3,227,132
Total	2,636,256	\$ 34.57	2,636,256	3,227,132

*We announced a share repurchase program on April 15, 2015, which authorized the repurchase of up to 8,000,000 (1) shares of our Non-Voting Common Stock in the open market and in private transactions in accordance with applicable securities laws. This repurchase program is not subject to an expiration date.*

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## Item 6. Selected Financial Data

The following table contains selected financial data for the last five years. This data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 and our Consolidated Financial Statements and Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

**Financial Highlights**

<i>(in thousands, except per share data)</i>	For the Years Ended October 31,				
	2015	2014	2013	2012	2011
<b>Income Statement Data:</b>					
Total revenue	\$1,403,563	\$1,450,294	\$1,357,503	\$1,209,036	\$1,248,606
Net income <sup>(1)</sup>	238,191	321,164	230,426	264,768	227,574
Net income attributable to non-controlling and other beneficial interests <sup>(2)</sup>	7,892	16,848	36,585	61,303	12,672
Net income attributable to Eaton Vance Corp. shareholders <sup>(1)</sup>	230,299	304,316	193,841	203,465	214,902
Adjusted net income attributable to Eaton Vance Corp. shareholders <sup>(3)</sup>	274,990	309,627	262,942	223,331	245,118
<b>Balance Sheet Data:</b>					
Total assets <sup>(4)</sup>	\$2,116,471	\$1,860,086	\$2,407,249	\$1,979,491	\$1,831,300
Debt <sup>(5)</sup>	573,811	573,655	573,499	500,000	500,000
Redeemable non-controlling interests (temporary equity)	88,913	107,466	74,856	98,765	100,824
Total Eaton Vance Corp. shareholders’ equity	620,231	655,176	669,784	612,072	460,415
Non-redeemable non-controlling interests	1,725	2,305	1,755	1,513	889
Total permanent equity	621,956	657,481	671,539	613,585	461,304
<b>Per Share Data:</b>					
<b>Earnings per share:</b>					
Basic	\$2.00	\$2.55	\$1.60	\$1.76	\$1.82
Diluted	1.92	2.44	1.53	1.72	1.75
Adjusted diluted <sup>(3)</sup>	2.29	2.48	2.08	1.89	2.00
Cash dividends declared	1.015	0.910	1.820	0.770	0.730

<sup>(1)</sup> Net income and net income attributable to Eaton Vance Corp. shareholders reflects a one-time payment of \$73.0 million to terminate certain closed-end fund service and additional compensation arrangements with a distribution

*partner in fiscal 2015.*

(2) *Net income attributable to non-controlling and other beneficial interests reflects an increase (decrease) of \$(0.2) million, \$5.3 million, \$24.3 million, \$19.9 million and \$30.2 million in the estimated redemption value of redeemable non-controlling interests in our majority-owned subsidiaries in fiscal 2015, 2014, 2013, 2012 and 2011, respectively. Net income attributable to non-controlling and other beneficial interests also includes net income (loss) of \$(5.8) million, \$(4.1) million, \$(8.5) million, \$22.6 million and \$(34.5) million, respectively, in fiscal 2015, 2014, 2013, 2012 and 2011 substantially borne by other beneficial interest holders of consolidated CLO entities.*

(3) *Represents a non-U.S. GAAP financial measure. The Company defines adjusted net income attributable to Eaton Vance Corp. shareholders*

*and adjusted earnings per diluted share as net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share, respectively, adjusted to exclude changes in the estimated redemption value of non-controlling interests in our affiliates redeemable at other than fair value (“non-controlling interest value adjustments”), closed-end fund structuring fees, payments to end closed-end fund service and additional compensation arrangements and other items management deems non-recurring or non-operating in nature, or otherwise outside the ordinary course of business (such as special dividends, costs associated with the extinguishment of debt and tax settlements). Adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share should not be construed to be a substitute for, or superior to, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share computed in accordance with accounting principles generally accepted in the United States of America. Our use of these adjusted numbers, including reconciliations of net income attributable to Eaton Vance Corp. shareholders to adjusted net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted earnings per diluted share, is discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of this Annual Report on Form 10-K.*

*(4) Total assets on October 31, 2015, 2014, 2013, 2012 and 2011 include \$467.1 million, \$156.5 million, \$728.1 million, \$468.4 million and \$481.8 million of assets held by consolidated CLO entities, respectively.*

*(5) In fiscal 2013, the Company tendered \$250 million of its 6.5 percent Senior Notes due 2017 and issued \$325 million of 3.625 percent Senior Notes due 2023. The Company recognized a loss on extinguishment of debt totaling \$53.0 million in conjunction with the tender in fiscal 2013.*

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## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

Our principal business is managing investment funds and providing investment management and advisory services to high-net-worth individuals and institutions. Our core strategy is to develop and sustain management expertise across a range of investment disciplines and to offer leading investment products and services through multiple distribution channels. In executing this strategy, we have developed broadly diversified investment management capabilities and a highly functional marketing, distribution and customer service organization. Although we manage and distribute a wide range of investment products and services, we operate in one business segment, namely as an investment adviser to funds and separate accounts.

Through our subsidiaries Eaton Vance Management and Atlanta Capital Management, LLC ("Atlanta Capital") and other affiliates, we manage active equity, income and alternative strategies across a range of investment styles and asset classes, including U.S. and global equities, floating-rate bank loans, municipal bonds, global income, high-yield and investment grade bonds. Through our subsidiary Parametric Portfolio Associates LLC ("Parametric"), we manage a range of engineered alpha strategies, including systematic equity, systematic alternatives and managed options strategies. Through Parametric, we also provide portfolio implementation and overlay services, including tax-managed core and specialty index strategies, centralized portfolio management of multi-manager portfolios and customized exposure management services. We also oversee the management of, and distribute, investment funds sub-advised by unaffiliated third-party managers, including global, regional and sector equity, and asset allocation strategies. Our breadth of investment management capabilities supports a wide range of products and services offered to fund shareholders, retail managed account investors, institutional investors and high-net-worth clients. Our equity strategies encompass a diversity of investment objectives, risk profiles, income levels and geographic representation. Our income investment strategies cover a broad duration and credit quality range and encompass both taxable and tax-free investments. We also offer a range of alternative investment strategies, including commodity- and currency-based investments and a spectrum of absolute return strategies. As of October 31, 2015, we had \$311.4 billion in consolidated assets under management.

We distribute our funds and retail managed accounts principally through financial intermediaries. We have broad market reach, with distribution partners including national and regional broker-dealers, independent broker-dealers, registered investment advisors, banks and insurance companies. We support these distribution partners with a team of approximately 130 sales professionals covering U.S. and international markets.

We also commit significant resources to serving institutional and high-net-worth clients who access investment management services on a direct basis and through investment consultants. Through our wholly owned affiliates and consolidated subsidiaries, we manage investments for a broad range of clients in the institutional and high-net-worth

marketplace in the U.S. and internationally, including corporations, sovereign wealth funds, endowments, foundations, family offices and public and private employee retirement plans.

Our revenue is derived primarily from investment advisory, administrative, distribution and service fees received from Eaton Vance and Parametric funds and investment advisory fees received from separate accounts. Our fees are based primarily on the value of the investment portfolios we manage and fluctuate with changes in the total value and mix of assets under management. As a matter of course, investors in our sponsored open-end funds and separate accounts have the ability to redeem their investments at any time, without prior notice, and there are no material restrictions that would prevent them from doing so. Our major expenses are employee compensation, distribution-related expenses, facilities expense and information technology expense.

Our discussion and analysis of our financial condition, results of operations and cash flows is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these financial



statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to goodwill and intangible assets, income taxes, investments and stock-based compensation. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under current circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

## **Business Developments**

Please see “Recent Developments” within the Item 1 Business Section of this Annual Report on Form 10-K for a summary of recent developments in our business.

## **Consolidated Assets under Management**

Consolidated assets under management were \$311.4 billion on October 31, 2015, an increase of \$13.6 billion, or 5 percent, from \$297.7 billion of consolidated assets under management on October 31, 2014. Consolidated net inflows totaled \$16.7 billion in fiscal 2015, representing an organic growth rate of 6 percent. Market price declines in managed assets reduced consolidated assets under management by \$3.1 billion in fiscal 2015. Average consolidated assets under management increased by \$15.6 billion, or 5 percent, to \$303.8 billion for the year.

During fiscal 2015, the S&P 500 Index, a broad measure of U.S. equity market performance, returned 3.0 percent and the Barclays U.S. Aggregate Bond Index, a broad measure of U.S. bond market performance, returned 2.0 percent. The MSCI Emerging Market Index, a broad measure of emerging market equity performance, returned -16.6 percent in the period.

We report managed assets and flow data by investment mandate. In fiscal 2015, we provided an additional breakout of our assets and flows, separating “Exposure Management” from “Portfolio Implementation.” This separation better highlights the distinctive aspects of these growing business lines. The “Portfolio Implementation” category consists of Parametric’s tax-managed core and specialty index strategies and centralized portfolio management services. The “Exposure Management” category consists of Parametric’s futures- and options-based customized exposure management services.

**Consolidated Assets under Management by Investment Mandate<sup>(1) (2)</sup>**

<i>(in millions)</i>	October 31,						2015	2014
	2015	% of Total	2014	% of Total	2013	% of Total	vs. 2014	vs. 2013
Equity <sup>(3)</sup>	\$90,013	29 %	\$96,379	33 %	\$93,585	34 %	-7 %	3 %
Fixed income <sup>(4)</sup>	52,373	17 %	46,062	15 %	44,414	16 %	14 %	4 %
Floating-rate income	35,619	11 %	42,009	14 %	41,821	15 %	-15 %	0 %
Alternative	10,173	3 %	11,241	4 %	15,212	5 %	-10 %	-26 %
Portfolio implementation <sup>(5)</sup>	59,487	19 %	48,008	16 %	42,992	15 %	24 %	12 %
Exposure management <sup>(5)</sup>	63,689	21 %	54,036	18 %	42,645	15 %	18 %	27 %
<b>Total</b>	<b>\$311,354</b>	<b>100 %</b>	<b>\$297,735</b>	<b>100 %</b>	<b>\$280,669</b>	<b>100 %</b>	<b>5 %</b>	<b>6 %</b>

<sup>(1)</sup> Consolidated Eaton Vance Corp. See table on page 37 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

<sup>(2)</sup> Assets under management for which we estimate fair value using significant unobservable inputs are not material to the total value of the assets we manage.

<sup>(3)</sup> Includes assets in balanced accounts holding income securities.

<sup>(4)</sup> Includes assets in cash management accounts.

<sup>(5)</sup> Portfolio implementation and exposure management categories were previously reported as a single category, implementation services.

Equity assets under management included \$31.7 billion, \$31.7 billion and \$29.4 billion of assets managed for after-tax returns on October 31, 2015, 2014 and 2013, respectively. Portfolio implementation assets under management included \$40.0 billion, \$34.1 billion and \$29.7 billion of custom core assets managed for after-tax returns on October 31, 2015, 2014 and 2013, respectively. Fixed income assets included \$30.3 billion, \$27.4 billion and \$25.8 billion of tax-exempt municipal bond assets on October 31, 2015, 2014 and 2013, respectively.

The following tables summarize our consolidated assets under management and asset flows by investment mandate and investment vehicle for the fiscal years ended October 31, 2015, 2014 and 2013:

*Consolidated Net Flows by Investment Mandate<sup>(1)</sup>*

<i>(in millions)</i>	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Equity assets - beginning of period <sup>(2)</sup>	\$96,379	\$93,585	\$80,782	3 %	16 %
Sales and other inflows	18,082	14,473	16,989	25 %	-15 %
Redemptions/outflows	(22,993 )	(19,099 )	(19,459 )	20 %	-2 %
Net flows	(4,911 )	(4,626 )	(2,470 )	6 %	87 %
Assets acquired <sup>(4)</sup>	-	-	1,572	NM <sup>(3)</sup>	NM
Exchanges	50	567	328	-91 %	73 %
Market value change	(1,505 )	6,853	13,373	NM	-49 %
<b>Equity assets - end of period</b>	<b>\$90,013</b>	<b>\$96,379</b>	<b>\$93,585</b>	<b>-7 %</b>	<b>3 %</b>
Fixed income assets - beginning of period <sup>(5)</sup>	46,062	44,414	49,172	4 %	-10 %
Sales and other inflows	18,516	12,024	10,881	54 %	11 %
Redemptions/outflows	(11,325 )	(11,867 )	(14,015 )	-5 %	-15 %
Net flows	7,191	157	(3,134 )	NM	NM
Assets acquired <sup>(4)</sup>	-	-	472	NM	NM
Exchanges	52	96	(510 )	-46 %	NM
Market value change	(932 )	1,395	(1,586 )	NM	NM
<b>Fixed income assets - end of period</b>	<b>\$52,373</b>	<b>\$46,062</b>	<b>\$44,414</b>	<b>14 %</b>	<b>4 %</b>
Floating-rate income assets - beginning of period	42,009	41,821	26,388	0 %	58 %
Sales and other inflows	9,336	15,669	21,729	-40 %	-28 %
Redemptions/outflows	(14,376 )	(14,742 )	(6,871 )	-2 %	115 %
Net flows	(5,040 )	927	14,858	NM	-94 %
Exchanges	(136 )	(145 )	397	-6 %	NM
Market value change	(1,214 )	(594 )	178	104 %	NM
<b>Floating-rate income assets - end of period</b>	<b>\$35,619</b>	<b>\$42,009</b>	<b>\$41,821</b>	<b>-15 %</b>	<b>0 %</b>
Alternative assets - beginning of period	11,241	15,212	12,864	-26 %	18 %
Sales and other inflows	3,219	3,339	8,195	-4 %	-59 %
Redemptions/outflows	(3,892 )	(7,237 )	(5,688 )	-46 %	27 %
Net flows	(673 )	(3,898 )	2,507	-83 %	NM
Assets acquired <sup>(4)</sup>	-	-	650	NM	NM
Exchanges	24	(89 )	(184 )	NM	-52 %
Market value change	(419 )	16	(625 )	NM	NM
<b>Alternative assets - end of period</b>	<b>\$10,173</b>	<b>\$11,241</b>	<b>\$15,212</b>	<b>-10 %</b>	<b>-26 %</b>
Portfolio implementation assets - beginning of period <sup>(6)</sup>	48,008	42,992	30,302	12 %	42 %
Sales and other inflows	18,034	8,331	9,674	116 %	-14 %
Redemptions/outflows	(7,217 )	(7,449 )	(5,493 )	-3 %	36 %
Net flows	10,817	882	4,181	NM	-79 %
Assets acquired <sup>(4)</sup>	-	-	32	NM	NM
Exchanges	-	(461 )	(118 )	NM	291 %
Market value change	662	4,595	8,595	-86 %	-47 %
<b>Portfolio implementation assets - end of period</b>	<b>\$59,487</b>	<b>\$48,008</b>	<b>\$42,992</b>	<b>24 %</b>	<b>12 %</b>
Exposure management assets - end of period <sup>(6)</sup>	54,036	42,645	-	27 %	NM

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Sales and other inflows	57,586	52,914	30,167	9 %	75 %
Redemptions/outflows	(48,286 )	(43,604 )	(21,394 )	11 %	104 %
Net flows	9,300	9,310	8,773	0 %	6 %
Assets acquired <sup>(4)</sup>	-	-	32,032	NM	NM
Market value change	353	2,081	1,840	-83 %	13 %
<b>Exposure management assets - end of period</b>	<b>\$63,689</b>	<b>\$54,036</b>	<b>\$42,645</b>	<b>18 %</b>	<b>27 %</b>
Total fund and separate account assets - beginning of period	297,735	280,669	199,508	6 %	41 %
Sales and other inflows	124,773	106,750	97,635	17 %	9 %
Redemptions/outflows	(108,089)	(103,998)	(72,920 )	4 %	43 %
Net flows	16,684	2,752	24,715	506 %	-89 %
Assets acquired <sup>(4)</sup>	-	-	34,758	NM	NM
Exchanges	(10 )	(32 )	(87 )	-69 %	-63 %
Market value change	(3,055 )	14,346	21,775	NM	-34 %
<b>Total assets under management - end of period</b>	<b>\$311,354</b>	<b>\$297,735</b>	<b>\$280,669</b>	<b>5 %</b>	<b>6 %</b>

<sup>(1)</sup> Consolidated Eaton Vance Corp. See table on page 37 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

<sup>(2)</sup> Includes assets in balanced accounts holding income securities.

<sup>(3)</sup> Not meaningful ("NM").

<sup>(4)</sup> Represents assets acquired in the purchase of The Clifton Group Investment Management Company on December 31, 2012.

<sup>(5)</sup> Includes assets in cash management accounts.

<sup>(6)</sup> Portfolio implementation and exposure management categories were previously reported as a single category, implementation services.

*Consolidated Net Flows by Investment Vehicle<sup>(1)</sup>*

(in millions)	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Fund assets - beginning of period <sup>(2)</sup>	\$134,564	\$133,401	\$113,418	1 %	18 %
Sales and other inflows	32,029	35,408	43,606	-10 %	-19 %
Redemptions/outflows	(36,330 )	(38,077 )	(29,970 )	-5 %	27 %
Net flows	(4,301 )	(2,669 )	13,636	61 %	NM
Assets acquired <sup>(3)</sup>	-	-	638	NM	NM
Exchanges	181	(32 )	(279 )	NM	-89 %
Market value change	(4,510 )	3,864	5,988	NM	-35 %
<b>Fund assets - end of period</b>	<b>\$125,934</b>	<b>\$134,564</b>	<b>\$133,401</b>	<b>-6 %</b>	<b>1 %</b>
Institutional separate account assets - beginning of period <sup>(4)</sup>	106,443	95,724	43,338	11 %	121 %
Sales and other inflows	75,568	59,938	41,108	26 %	46 %
Redemptions/outflows	(61,569 )	(54,957 )	(31,548 )	12 %	74 %
Net flows	13,999	4,981	9,560	181 %	-48 %
Assets acquired <sup>(3)</sup>	-	-	34,120	NM	NM
Exchanges	(208 )	216	183	NM	18 %
Market value change	(247 )	5,522	8,523	NM	-35 %
<b>Institutional separate account assets - end of period</b>	<b>\$119,987</b>	<b>\$106,443</b>	<b>\$95,724</b>	<b>13 %</b>	<b>11 %</b>
High-net-worth separate account assets - beginning of period	22,235	19,699	15,036	13 %	31 %
Sales and other inflows	4,816	3,532	4,763	36 %	-26 %
Redemptions/outflows	(2,933 )	(3,620 )	(3,699 )	-19 %	-2 %
Net flows	1,883	(88 )	1,064	NM	NM
Exchanges	(99 )	286	(16 )	NM	NM
Market value change	497	2,338	3,615	-79 %	-35 %
<b>High-net-worth separate account assets - end of period</b>	<b>\$24,516</b>	<b>\$22,235</b>	<b>\$19,699</b>	<b>10 %</b>	<b>13 %</b>
Retail managed account assets - beginning of period	34,493	31,845	27,716	8 %	15 %
Sales and other inflows	12,360	7,872	8,158	57 %	-4 %
Redemptions/outflows	(7,257 )	(7,344 )	(7,703 )	-1 %	-5 %
Net flows	5,103	528	455	866 %	16 %
Exchanges	116	(502 )	25	NM	NM
Market value change	1,205	2,622	3,649	-54 %	-28 %
<b>Retail managed account assets - end of period</b>	<b>\$40,917</b>	<b>\$34,493</b>	<b>\$31,845</b>	<b>19 %</b>	<b>8 %</b>
Total fund and separate account assets - beginning of period	297,735	280,669	199,508	6 %	41 %
Sales and other inflows	124,773	106,750	97,635	17 %	9 %
Redemptions/outflows	(108,089)	(103,998)	(72,920 )	4 %	43 %
Net flows	16,684	2,752	24,715	506 %	-89 %
Assets acquired <sup>(3)</sup>	-	-	34,758	NM	NM
Exchanges	(10 )	(32 )	(87 )	-69 %	-63 %
Market value change	(3,055 )	14,346	21,775	NM	-34 %
<b>Total assets under management - end of period</b>	<b>\$311,354</b>	<b>\$297,735</b>	<b>\$280,669</b>	<b>5 %</b>	<b>6 %</b>

*(1) Consolidated Eaton Vance Corp. See table on page 37 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.*

*(2) Includes assets in cash management funds.*

*(3) Represents assets acquired in the purchase of The Clifton Group Investment Management Company on December 31, 2012.*

*(4) Includes assets in cash management separate accounts.*

The following table summarizes our assets under management by investment affiliate as of October 31, 2015, 2014 and 2013:

***Consolidated Assets under Management by Investment Affiliate*** <sup>(1)</sup>

	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
<i>(in millions)</i>					
Eaton Vance Management <sup>(2)</sup>	\$ 141,415	\$ 143,100	\$ 144,729	-1 %	-1 %
Parametric	152,506	136,176	117,008	12 %	16 %
Atlanta Capital	17,433	18,459	18,932	-6 %	-2 %
Total	\$ 311,354	\$ 297,735	\$ 280,669	5 %	6 %

<sup>(1)</sup> *Consolidated Eaton Vance Corp. See table on page 37 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.*

<sup>(2)</sup> *Includes managed assets of wholly owned subsidiaries, as well as certain Eaton Vance-sponsored funds and accounts managed by Hexavest and unaffiliated third-party advisers under Eaton Vance supervision.*

As of October 31, 2015, 49 percent-owned affiliate Hexavest Inc. (“Hexavest”) managed \$13.9 billion of client assets, a decrease of 16 percent from \$16.7 billion of managed assets on October 31, 2014. Other than Eaton Vance-sponsored funds for which Hexavest is adviser or sub-adviser, the managed assets of Hexavest are not included in Eaton Vance consolidated totals.

The following table summarizes assets under management and asset flow information for Hexavest for the fiscal years ended October 31, 2015, 2014 and 2013:

*Hexavest Assets under Management and Net Flows*

<i>(in millions)</i>	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
<b>Eaton Vance distributed:</b>					
Eaton Vance sponsored funds – beginning of period <sup>(1)</sup>	\$227	\$211	\$37	8 %	470 %
Sales and other inflows	22	58	162	-62 %	-64 %
Redemptions/outflows	(21 )	(57 )	(15 )	-63 %	280 %
Net flows	1	1	147	0 %	-99 %
Market value change	1	15	27	-93 %	-44 %
<b>Eaton Vance sponsored funds – end of period</b>	<b>\$229</b>	<b>\$227</b>	<b>\$211</b>	<b>1 %</b>	<b>8 %</b>
Eaton Vance distributed separate accounts – beginning of period <sup>(1)</sup>	\$2,367	\$1,574	\$-	50 %	NM
Sales and other inflows	535	531	1,381	1 %	-62 %
Redemptions/outflows	(488 )	(260 )	(33 )	88 %	688 %
Net flows	47	271	1,348	-83 %	-80 %
Exchanges	-	389	-	NM	NM
Market value change	26	133	226	-80 %	-41 %
<b>Eaton Vance distributed separate accounts – end of period</b>	<b>\$2,440</b>	<b>\$2,367</b>	<b>\$1,574</b>	<b>3 %</b>	<b>50 %</b>
<b>Total Eaton Vance distributed – beginning of period</b>	<b>\$2,594</b>	<b>\$1,785</b>	<b>\$37</b>	<b>45 %</b>	<b>NM</b>
Sales and other inflows	557	589	1,543	-5 %	-62 %
Redemptions/outflows	(509 )	(317 )	(48 )	61 %	560 %
Net flows	48	272	1,495	-82 %	-82 %
Exchanges	-	389	-	NM	NM
Market value change	27	148	253	-82 %	-42 %
<b>Total Eaton Vance distributed – end of period</b>	<b>\$2,669</b>	<b>\$2,594</b>	<b>\$1,785</b>	<b>3 %</b>	<b>45 %</b>
Hexavest directly distributed – beginning of period <sup>(1)</sup>	\$14,101	\$15,136	\$12,073	-7 %	25 %
Sales and other inflows	786	1,637	2,703	-52 %	-39 %
Redemptions/outflows	(3,503 )	(3,046 )	(1,853 )	15 %	64 %
Net flows	(2,717 )	(1,409 )	850	93 %	NM
Exchanges	-	(389 )	-	NM	NM
Market value change	(105 )	763	2,213	NM	-66 %
<b>Hexavest directly distributed – end of period</b>	<b>\$11,279</b>	<b>\$14,101</b>	<b>\$15,136</b>	<b>-20 %</b>	<b>-7 %</b>
<b>Total Hexavest assets – beginning of period</b>	<b>\$16,695</b>	<b>\$16,921</b>	<b>\$12,110</b>	<b>-1 %</b>	<b>40 %</b>
Sales and other inflows	1,343	2,226	4,246	-40 %	-48 %
Redemptions/outflows	(4,012 )	(3,363 )	(1,901 )	19 %	77 %
Net flows	(2,669 )	(1,137 )	2,345	135 %	NM
Exchanges	-	-	-	NM	NM
Market value change	(78 )	911	2,466	NM	-63 %
<b>Total Hexavest assets – end of period</b>	<b>\$13,948</b>	<b>\$16,695</b>	<b>\$16,921</b>	<b>-16 %</b>	<b>-1 %</b>

*Managed assets and flows of Eaton Vance-sponsored pooled investment vehicles for which Hexavest is adviser or (1)sub-adviser. Eaton Vance receives management and/or distribution revenue on these assets, which are included in the Eaton Vance consolidated results.*



*Managed assets and flows of Eaton Vance-distributed separate accounts managed by Hexavest. Eaton Vance (2) receives distribution revenue, but not investment advisory fees, on these assets, which are not included in the Eaton Vance consolidated results.*

*Managed assets and flows of pre-transaction Hexavest clients and post-transaction Hexavest clients in Canada. (3) Eaton Vance receives no investment advisory or distribution revenue on these assets, which are not included in the Eaton Vance consolidated results.*

We currently sell open-end mutual funds under the Eaton Vance and Parametric brands in five primary pricing structures: front-end load commission (“Class A”); level-load commission (“Class C”); institutional no-load (“Class I,” “Class R6” and “Institutional Class,” referred to herein as “Class I”); retail no-load (“Investor Class” and “Advisers Class,” referred to herein as “Class N”); and retirement plan level-load (“Class R”). We waive the front-end sales load on Class A shares under certain circumstances and sell such shares at net asset value. Class A shares are offered at net asset value (without a sales charge) to tax-deferred retirement plans and deferred

compensation plans, and to clients of financial intermediaries who charge an ongoing fee for advisory, investment, consulting or similar services. Class A shares are also offered at net asset value to clients of financial intermediaries that have entered into an agreement with EVD to offer Class A shares through a no-load network or platform, to certain separate account clients of Eaton Vance and its affiliates, and to certain persons affiliated with Eaton Vance.

**Consolidated Ending Assets under Management by Investment Vehicle<sup>(1)</sup>**

(in millions)	October 31,						2015		2014	
	2015	% of Total	2014	% of Total	2013	% of Total	vs. 2014	%	vs. 2013	%
Open-end funds:										
Class A	\$23,593	8 %	\$26,955	9 %	\$29,989	11 %	-12 %		-10 %	
Class B	299	0 %	449	0 %	662	0 %	-33 %		-32 %	
Class C	8,891	3 %	9,466	3 %	9,800	3 %	-6 %		-3 %	
Class I <sup>(2)</sup>	38,168	12 %	42,073	14 %	42,331	15 %	-9 %		-1 %	
Class N	1,461	0 %	1,773	1 %	2,311	1 %	-18 %		-23 %	
Class R	516	0 %	445	0 %	373	0 %	16 %		19 %	
Other	1,910	1 %	2,015	1 %	1,524	1 %	-5 %		32 %	
Total open-end funds	74,838	24 %	83,176	28 %	86,990	31 %	-10 %		-4 %	
Private funds <sup>(3)</sup>	26,647	8 %	25,969	9 %	21,500	8 %	3 %		21 %	
Closed-end funds	24,449	8 %	25,419	8 %	24,911	9 %	-4 %		2 %	
Total fund assets	125,934	40 %	134,564	45 %	133,401	48 %	-6 %		1 %	
Institutional account assets <sup>(4)</sup>	119,987	39 %	106,443	36 %	95,724	34 %	13 %		11 %	
High-net-worth account assets	24,516	8 %	22,235	7 %	19,699	7 %	10 %		13 %	
Retail managed account assets	40,917	13 %	34,493	12 %	31,845	11 %	19 %		8 %	
Total separate account assets	185,420	60 %	163,171	55 %	147,268	52 %	14 %		11 %	
Total	\$311,354	100 %	\$297,735	100 %	\$280,669	100 %	5 %		6 %	

<sup>(1)</sup> Consolidated Eaton Vance Corp. See table on page 37 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

<sup>(2)</sup> Includes Class R6 shares.

<sup>(3)</sup> Includes privately offered equity, fixed income and floating-rate income funds and CLO entities.

<sup>(4)</sup> Includes assets in institutional cash management separate accounts.

Consolidated average assets under management presented in the following tables represent a monthly average by investment vehicle and mandate. These tables are intended to provide information useful in the analysis of our asset-based revenue and distribution expenses. Separate account investment advisory fees are generally calculated as a percentage of either beginning, average or ending quarterly assets. Fund investment advisory, administrative, distribution and service fees, as well as certain expenses, are generally calculated as a percentage of average daily assets.



**Consolidated Average Assets under Management by Product<sup>(1)</sup>**

<i>(in millions)</i>	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Open-end funds:					
Class A	\$25,103	\$27,338	\$29,550	-8 %	-7 %
Class B	370	571	813	-35 %	-30 %
Class C	9,198	9,656	9,814	-5 %	-2 %
Class I <sup>(2)</sup>	40,585	42,245	36,986	-4 %	14 %
Class N	1,561	3,888	1,885	-60 %	106 %
Class R	482	412	329	17 %	25 %
Other	1,810	1,795	923	1 %	94 %
Total open-end funds	79,109	85,905	80,300	-8 %	7 %
Private funds <sup>(3)</sup>	26,141	23,617	19,756	11 %	20 %
Closed-end funds	24,956	25,395	23,945	-2 %	6 %
Total fund assets	130,206	134,917	124,001	-3 %	9 %
Institutional account assets <sup>(4)</sup>	112,309	99,224	80,028	13 %	24 %
High-net-worth account assets	23,472	20,681	17,521	13 %	18 %
Retail managed account assets	37,783	33,384	29,701	13 %	12 %
Total separate account assets	173,564	153,289	127,250	13 %	20 %
Total	\$303,770	\$288,206	\$251,251	5 %	15 %

<sup>(1)</sup> Assets under management attributable to acquisitions that closed during the relevant periods are included on a weighted average basis for the period from their respective closing dates.

<sup>(2)</sup> Includes Class R6 shares.

<sup>(3)</sup> Includes privately offered equity, fixed income and floating-rate bank loan funds and CLO entities.

<sup>(4)</sup> Includes assets in institutional cash management separate accounts.

**Consolidated Average Assets under Management by Investment Mandate**

	October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
<i>(in millions)</i>					
Equity <sup>(1)</sup>	\$93,413	\$94,822	\$87,355	-1 %	9 %
Fixed income <sup>(2)</sup>	49,263	44,372	48,014	11 %	-8 %
Floating-rate income	38,238	43,635	33,695	-12 %	29 %
Alternative	10,584	12,555	15,034	-16 %	-16 %
Portfolio implementation	52,703	45,961	36,748	15 %	25 %
Exposure management	59,569	46,861	30,405	27 %	54 %
Total	\$303,770	\$288,206	\$251,251	5 %	15 %

*(1) Includes assets in balanced accounts holding income securities.*

*(2) Includes assets in cash management accounts.*

**Results of Operations**

In evaluating operating performance, we consider net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share, which are calculated on a basis consistent with U.S. GAAP, as well as adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, both of which are internally derived non-U.S. GAAP performance measures.

We define adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share as net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share, respectively, adjusted to exclude changes in the estimated redemption value of non-controlling interests in our affiliates redeemable at other than fair value (“non-controlling interest value adjustments”), closed-end fund structuring fees, payments to end service and additional compensation arrangements in place for certain Eaton Vance closed-end funds and other items management deems non-recurring or non-operating in nature, or otherwise outside the ordinary course of business (such as the impact of special dividends, costs associated with the extinguishment of debt and tax settlements). Adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share should not be construed to be a substitute for, or superior to, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share computed in accordance with U.S. GAAP. We provide disclosures of adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share to reflect the fact that our management and Board of Directors, as well as our investors, consider these adjusted numbers a measure of the Company’s underlying operating performance.

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The following table provides a reconciliation of net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, respectively, for the fiscal years ended October 31, 2015, 2014 and 2013:

<i>(in thousands, except per share data)</i>	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Net income attributable to Eaton Vance Corp. shareholders	\$230,299	\$304,316	\$193,841	-24 %	57 %
Non-controlling interest value adjustments <sup>(1)</sup>	(204 )	5,311	24,320	NM	-78 %
Payments to end certain closed-end fund service and additional compensation arrangements, net of tax <sup>(2)</sup>	44,895	-	-	NM	NM
Closed-end fund structuring fees, net of tax <sup>(3)</sup>	-	-	2,851	NM	NM
Loss on extinguishment of debt, net of tax <sup>(4)</sup>	-	-	35,239	NM	NM
Settlement of state tax audit <sup>(5)</sup>	-	-	6,691	NM	NM
Adjusted net income attributable to Eaton Vance Corp. shareholders	\$274,990	\$309,627	\$262,942	-11 %	18 %
Earnings per diluted share	\$1.92	\$2.44	\$1.53	-21 %	59 %
Non-controlling interest value adjustments	-	0.04	0.19	NM	-79 %
Payments to end certain closed-end fund service and additional compensation arrangements, net of tax	0.37	-	-	NM	NM
Closed-end fund structuring fees, net of tax	-	-	0.02	NM	NM
Loss on extinguishment of debt, net of tax	-	-	0.28	NM	NM
Settlement of state tax audit	-	-	0.05	NM	NM
Special dividend adjustment <sup>(6)</sup>	-	-	0.01	NM	NM
Adjusted earnings per diluted share	\$2.29	\$2.48	\$2.08	-8 %	19 %

<sup>(1)</sup> Please see page 52 “Net Income Attributable to Non-controlling and Other Beneficial Interests,” for a further discussion of the non-controlling interest value adjustments referenced above.

<sup>(2)</sup> Reflects a \$73.0 million payment, net of tax, to end certain fund services and additional compensation arrangements for certain Eaton Vance closed-end funds. See page 47 for a further discussion.

<sup>(3)</sup> Reflects closed-end fund structuring fees, net of tax, associated with the initial public offering of Eaton Vance Municipal Income Term Trust and Eaton Vance Floating-Rate Income Plus Fund in fiscal 2013.

<sup>(4)</sup> Reflects a loss on the Company’s retirement of \$250 million of its outstanding Senior Notes due in 2017. The loss on extinguishment of debt, net of tax, consists of the make-whole provision, acceleration of deferred financing costs and discounts tied to the original issuance, transaction costs associated with the tender offer, the loss recognized on a reverse treasury lock entered into in conjunction with the tender and accelerated amortization of a treasury rate lock tied to the original issuance.

<sup>(5)</sup> Please see page 51, “Income Taxes” for further discussion of the tax settlement adjustment referenced above.

<sup>(6)</sup> Reflects the impact of the special dividend paid in the first quarter of fiscal 2013 due to the disproportionate allocation of distributions in excess of earnings to common shareholders under the two-class method.

We reported net income attributable to Eaton Vance Corp. shareholders of \$230.3 million, or \$1.92 per diluted share, in fiscal 2015 compared to net income attributable to Eaton Vance Corp. shareholders of \$304.3 million, or \$2.44 per diluted share, in fiscal 2014. We reported adjusted net income attributable to Eaton Vance Corp.





shareholders of \$275.0 million, or \$2.29 per diluted share, in fiscal 2015 compared to adjusted net income attributable to Eaton Vance Corp. shareholders of \$309.6 million, or \$2.48 per diluted share, in fiscal 2014. The change in net income attributable to Eaton Vance Corp. shareholders in fiscal 2015 compared to fiscal 2014 can be primarily attributed to the following:

A decrease in revenue of \$46.7 million, or 3 percent, primarily reflecting lower average managed assets in relatively high fee-rate floating-rate income, alternative and equity mandates, partially offset by growth in lower fee-rate exposure management, portfolio implementation and fixed income mandates.

An increase in expenses of \$72.7 million, or 8 percent, primarily reflecting the payment of \$73.0 million to terminate certain closed-end fund service and additional compensation arrangements in the first quarter of fiscal 2015.

Year-over-year increases in compensation and other corporate expenses were largely offset by decreases in other distribution expenses, including the amortization of deferred sales commissions and service fee expenses.

A \$1.2 million decline in net investment gains (losses) and other investment income, net, primarily reflecting increases in net losses recognized on our seed capital portfolio, offset by an increase in interest and other income recognized on our seed capital portfolio.

A \$1.7 million decline in income (expense) of the Company's consolidated CLO entities.

A decrease in income taxes of \$43.5 million, or 23 percent, reflecting a decrease in the Company's income before taxes. Consolidated CLO entity income that is allocated to other beneficial interest holders is not subject to tax in the Company's provision.

A decrease in equity in net income of affiliates, net of tax, of \$4.7 million, reflecting a decrease in the Company's net interest in the earnings of sponsored funds accounted for under the equity method.

A decrease in net income attributable to non-controlling interests of \$9.0 million, reflecting a decrease in the annual adjustments made to the estimated redemption value of non-controlling interests in the Company's majority-owned subsidiaries redeemable at other than fair value, an increase in net losses of the Company's consolidated CLO entities that are borne by other beneficial interests and an increase in net losses attributable to non-controlling interest holders in the Company's consolidated sponsored funds.

Weighted average diluted shares outstanding decreased by 3.4 million shares, or 3 percent, in fiscal 2015 compared to fiscal 2014. The change reflects the impact of shares repurchased over the course of the fiscal year, partially offset by the impact of employee stock option exercises and the annual vesting of restricted stock.

We reported net income attributable to Eaton Vance Corp. shareholders of \$304.3 million, or \$2.44 per diluted share, in fiscal 2014 compared to net income attributable to Eaton Vance Corp. shareholders of \$193.8 million, or \$1.53 per diluted share, in fiscal 2013. We reported adjusted net income attributable to Eaton Vance Corp. shareholders of \$309.6 million, or \$2.48 per diluted share, in fiscal 2014 compared to adjusted net income attributable to Eaton Vance Corp. shareholders of \$262.9 million, or \$2.08 per diluted share, in fiscal 2013. The change in net income attributable to Eaton Vance Corp. shareholders can be primarily attributed to the following:

An increase in revenue of \$92.8 million, or 7 percent, reflecting a 15 percent increase in consolidated average assets under management offset by a decrease in our annualized effective fee rate to 50 basis points in fiscal 2014 from 54

basis points in fiscal 2013 due to a shift in product mix toward lower fee-rate mandates.

An increase in expenses of \$25.9 million, or 3 percent, reflecting increases in compensation, distribution and service fee expenses, fund-related expenses and other operating expenses, offset by reduced amortization of deferred sales commissions.

A \$3.7 million improvement in net investment gains (losses) and other investment income, net. Net investment losses in fiscal 2013 include a \$3.1 million loss on a reverse treasury lock entered into in

conjunction with the retirement of \$250 million of the 6.5 percent Senior Notes due in October 2017 (the “2017 Senior Notes”).

A \$3.8 million decline in interest expense, reflecting the retirement of \$250 million of the 2017 Senior Notes and the contemporaneous issuance of \$325 million of 3.625 percent Senior Notes due 2023 (the “2023 Senior Notes”) in fiscal 2013.

The non-recurrence of a \$53.0 million loss on extinguishment of debt related to the retirement of the 2017 Senior Notes referenced above.

A \$4.3 million decline in other expenses of the Company’s consolidated CLO entities, reflecting a decrease in interest and other expenses recognized by those entities in fiscal 2014.

An increase in income taxes of \$42.8 million, or 30 percent, reflecting an increase in the Company’s income before taxes, offset by a fiscal 2013 tax adjustment of \$6.7 million related to the settlement of a state tax audit. Consolidated CLO entity income that is allocated to other beneficial interest holders is not subject to tax in the Company’s provision.

An increase in equity in net income of affiliates, net of tax, of \$1.9 million, reflecting an increase in our proportionate net interest in Hexavest’s earnings and an increase in the Company’s net interest in the earnings of sponsored funds accounted for under the equity method.

A decrease in net income attributable to non-controlling interests of \$19.7 million, reflecting a decrease in the annual adjustments made to the estimated redemption value of non-controlling interests in the Company’s majority-owned subsidiaries redeemable at other than fair value, a decrease in net gains recognized by the Company’s consolidated CLO entities that are borne by other beneficial interests and a decrease in net income attributable to non-controlling interest holders in the Company’s majority-owned subsidiaries, offset by an increase in net income attributable to non-controlling interest holders in the Company’s consolidated sponsored funds.

Weighted average diluted shares outstanding decreased by 0.8 million shares, or 1 percent, in fiscal 2014 compared to fiscal 2013. The change reflects the impact of shares repurchased over the course of the fiscal year, partially offset by the impact of employee stock option exercises and the annual vesting of restricted stock.

## Revenue

Our revenue declined by \$46.7 million, or 3 percent, in fiscal 2015, reflecting lower investment advisory and administrative fees, distribution and underwriter fees, and service fees, partially offset by higher other revenue. Fee revenue declined despite a 5 percent increase in average consolidated assets under management, as the revenue impact of growth in lower fee-rate exposure management, portfolio implementation and fixed income mandates was more than offset by lower average managed assets in higher fee-rate floating-rate income, alternative and equity mandates.

The following table shows our investment advisory and administrative fees, distribution and underwriter fees, service fees and other revenue for the fiscal years ended October 31, 2015, 2014 and 2013:

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(in thousands)	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Investment advisory and administrative fees	\$1,196,866	\$1,231,188	\$1,135,327	-3 %	8 %
Distribution and underwriter fees	80,815	85,514	89,234	-5 %	-4 %
Service fees	116,448	125,713	126,560	-7 %	-1 %
Other revenue	9,434	7,879	6,382	20 %	23 %
Total revenue	\$1,403,563	\$1,450,294	\$1,357,503	-3 %	7 %

*Investment advisory and administrative fees*

Investment advisory and administrative fees are determined by contractual agreements with our sponsored funds and separate accounts and are generally based upon a percentage of the market value of assets under management. Net asset flows and changes in the market value of managed assets affect the amount of managed assets on which investment advisory and administrative fees are earned, while changes in asset mix among different strategies and services affect our average effective fee rate. Investment advisory and administrative fees represented 85 percent of total revenue in fiscal 2015, 85 percent in fiscal 2014 and 84 percent in fiscal 2013.

The decrease in investment advisory and administrative fees of 3 percent, or \$34.3 million, in fiscal 2015 from fiscal 2014 can be primarily attributed to a shift in asset mix driven by the loss of assets in higher-fee investment mandates and growth in assets in lower-fee investment mandates. This shift in asset mix is reflected in the decrease in our annualized effective investment advisory and administrative fee rate to 39 basis points in fiscal 2015 from 43 basis points in fiscal 2014.

The increase in investment advisory and administrative fees of 8 percent, or \$95.9 million, in fiscal 2014 from fiscal 2013 can be primarily attributed to the 15 percent increase in average assets under management, offset by a decline in our average effective fee rates. The decline in our effective investment advisory and administrative fee rate to 43 basis points in fiscal 2014 from 45 basis points in fiscal 2013 can be primarily attributed to the impact of a shift in product mix from higher-fee to lower-fee investment mandates.

Average effective investment advisory and administrative fee rates for the fiscal years ended October 31, 2015, 2014 and 2013 by investment mandate were as follows:

(percent of average daily net assets)	Years Ended October			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Equity	0.64 %	0.65 %	0.65 %	-2 %	-1 %
Fixed income	0.43 %	0.45 %	0.44 %	-2 %	1 %
Floating-rate income	0.53 %	0.54 %	0.55 %	-2 %	-1 %
Alternatives	0.63 %	0.62 %	0.64 %	1 %	-2 %
Portfolio implementation	0.16 %	0.16 %	0.16 %	-1 %	-2 %
Exposure management	0.05 %	0.05 %	0.06 %	2 %	-4 %
Average effective investment advisory and administrative fee rate	0.39 %	0.43 %	0.45 %	-9 %	-4 %

Performance fees reflected in the average effective advisory and administrative fee rates shown above totaled \$3.7 million, \$8.3 million and \$4.4 million in fiscal 2015, 2014 and 2013, respectively.

*Distribution and underwriter fees*

Distribution plan payments, which are made under contractual agreements with certain sponsored funds, are calculated as a percentage of average assets under management of the applicable funds and fund share classes. These fees fluctuate with both the level of average assets under management and sales of sponsored funds and fund share classes that are subject to these fees.

The following table shows the total distribution payments with respect to our Class A, Class B, Class C, Class N, Class R and private equity funds for the fiscal years ended October 31, 2015, 2014 and 2013:

(in thousands)	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Class A	\$876	\$1,241	\$1,105	-29 %	12 %
Class B	2,173	3,540	5,298	-39 %	-33 %
Class C	64,809	67,739	69,081	-4 %	-2 %
Class N	136	273	142	-50 %	92 %
Class R	1,208	1,030	821	17 %	25 %
Private funds	4,267	3,874	3,626	10 %	7 %
Total distribution plan payments	\$73,469	\$77,697	\$80,073	-5 %	-3 %

Underwriter commissions are earned on sales of shares of our sponsored mutual funds on which investors pay a sales charge at the time of purchase (Class A share sales). Sales charges and underwriter commissions are waived or reduced on shareholder purchases that exceed specified minimum amounts and on purchases by certain categories of investors. Underwriter commissions vary with the level of Class A share sales and the mix of Class A shares offered with and without sales charges.

Underwriter fees and other distribution income decreased 6 percent, or \$0.5 million, to \$7.3 million in fiscal 2015, primarily reflecting a decrease of \$0.2 million in underwriter fees received on sales of Class A shares and a decrease of \$0.3 million in contingent deferred sales charges received on certain Class A redemptions.

Underwriter fees and other distribution income decreased 15 percent, or \$1.3 million, to \$7.8 million in fiscal 2014, primarily reflecting a decrease of \$1.2 million in underwriter fees received on sales of Class A shares and a decrease of \$0.3 million in contingent deferred sales charges received on certain Class A redemptions.

### *Service fees*

Service fees, which are paid to EVD pursuant to distribution or service plans adopted by our sponsored mutual funds, are calculated as a percent of average assets under management in specific mutual fund share classes (principally Classes A, B, C, N and R). Certain private funds also make service fee payments to EVD. Service fees are paid to EVD as principal underwriter or placement agent to the funds for service and/or the maintenance of shareholder accounts.

Service fee revenue decreased 7 percent, or \$9.3 million, to \$116.4 million in fiscal 2015 from fiscal 2014, primarily reflecting a decrease in average assets under management in certain classes of funds subject to service fees.

Service fee revenue decreased 1 percent, or \$0.8 million, to \$125.7 million in fiscal 2014 from fiscal 2013, primarily reflecting a decrease in average assets under management in certain classes of funds subject to service fees.

*Other revenue*

Other revenue, which consists primarily of sub-transfer agent fees, miscellaneous dealer income, custody fees, Hexavest-related distribution and service revenue, and sub-lease income, increased by \$1.6 million in fiscal 2015, primarily reflecting an increase in Hexavest-related revenue. Other revenue increased by \$1.5 million in fiscal 2014, primarily reflecting an increase in Hexavest-related revenue.



*Expenses*

Operating expenses increased 8 percent, or \$72.7 million, in fiscal 2015 from fiscal 2014, reflecting increases in distribution, compensation, fund-related and other expenses, offset by lower service fees and reduced amortization of deferred sales commissions as more fully described below. Included in distribution expense for fiscal 2015 is a one-time payment of \$73.0 million to terminate certain closed-end fund service and additional compensation arrangements with a distribution partner. Expenses in connection with the Company's NextShares initiative totaled approximately \$7.4 million in fiscal 2015, an increase of 97 percent from \$3.7 million in fiscal 2014.

The following table shows our operating expenses for the fiscal years ended October 31, 2015, 2014 and 2013:

(in thousands)	Years Ended October 31,			2015		2014	
	2015	2014	2013	vs. 2014	vs. 2013		
Compensation and related costs:							
Cash compensation	\$414,307	\$400,890	\$387,343	3 %	3 %		
Stock-based compensation	69,520	60,548	59,791	15 %	1 %		
Total compensation and related costs	483,827	461,438	447,134	5 %	3 %		
Distribution expense	198,155	141,544	139,618	40 %	1 %		
Service fee expense	106,663	116,620	115,149	-9 %	1 %		
Amortization of deferred sales commissions	14,972	17,590	19,581	-15 %	-10 %		
Fund-related expenses	35,886	35,415	34,230	1 %	3 %		
Other expenses	163,613	157,830	148,784	4 %	6 %		
Total expenses	\$1,003,116	\$930,437	\$904,496	8 %	3 %		

*Compensation and related costs*

The following table shows our compensation and related costs for the fiscal years ended October 31, 2015, 2014 and 2013:

(in thousands)	Years Ended October 31,			2015		2014	
	2015	2014	2013	vs. 2014	vs. 2013		
Base salaries and employee benefits	\$217,289	\$204,935	\$187,734	6 %	9 %		
Stock-based compensation	69,520	60,548	59,791	15 %	1 %		
Operating income-based incentives	134,052	137,563	130,359	-3 %	6 %		
Sales incentives	57,716	54,989	64,730	5 %	-15 %		

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Other compensation expense	5,250	3,403	4,520	54 %	-25 %
Total	\$483,827	\$461,438	\$447,134	5 %	3 %

The increase in base salaries and employee benefits in fiscal 2015 reflects the impact of a 4 percent increase in average headcount to support growth initiatives as well as annual merit increases. The increase in stock-based compensation in fiscal 2015 reflects higher average headcount, an increase in annual stock-based compensation awards and the impact of certain employee retirements and terminations. The decrease in operating income-based incentives in fiscal 2015 reflects lower pre-bonus adjusted operating income. The increase in sales incentives in fiscal 2015 reflects an increase in compensation-eligible sales. Other compensation expense increased due to higher severance costs primarily associated with closing our New Jersey-based affiliate Fox Asset Management LLC (“Fox Asset Management”), as well as additional compensation expense associated with the expansion of our global investment teams in London.

The increase in base salaries and employee benefits in fiscal 2014 primarily reflects an increase in base compensation associated with an increase in headcount, annual merit increases and a corresponding increase in employee benefits. The increase in stock-based compensation in fiscal 2014 primarily reflects the increase in headcount. The increase in operating income-based incentives in fiscal 2014 reflects higher pre-bonus adjusted operating income partially offset by a modest decrease in bonus payouts relative to pre-bonus adjusted operating income. The decrease in sales incentives in fiscal 2014 reflects lower compensation-eligible sales. Other compensation expense, which decreased year over year, primarily reflects a reduction in signing bonuses paid.

#### *Distribution expense*

Distribution expense consists primarily of commissions paid to broker-dealers on the sale of Class A shares at net asset value, ongoing asset-based payments made to distribution partners pursuant to third-party distribution arrangements for certain Class C shares and closed-end funds, marketing support arrangements to distribution partners and other discretionary marketing expenses.

The following table shows our distribution expense for the fiscal years ended October 31, 2015, 2014 and 2013:

(in thousands)	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Class A share commissions	\$2,628	\$4,264	\$6,507	-38 %	-34 %
Class C share distribution fees	53,462	54,423	54,631	-2 %	0 %
Payments to end certain fund service and additional compensation arrangements	73,000	-	-	NM	NM
Closed-end fund structuring fees	-	-	4,614	NM	NM
Closed-end fund dealer compensation payments	6,575	18,833	17,701	-65 %	6 %
Intermediary marketing support payments	41,901	46,950	40,442	-11 %	16 %
Discretionary marketing expenses	20,589	17,074	15,723	21 %	9 %

Total	\$ 198,155	\$ 141,544	\$ 139,618	40 %	1 %
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Class A share commissions decreased in fiscal 2015 and fiscal 2014, in both cases reflecting a decrease in certain Class A sales on which we pay commissions. Class C share distribution fees also decreased in fiscal 2015 and fiscal 2014, reflecting declines in Class C share assets held more than one year. As noted above, distribution expense for fiscal 2015 includes a one-time payment of \$73.0 million to terminate certain closed-end fund service and additional compensation arrangements with a distribution partner pursuant to which we were obligated to make recurring payments over time based on the assets of the respective closed-end funds. The absence of closed-end fund structuring fees in fiscal 2015 and fiscal 2014 reflects the fact that no closed-end funds were offered during those fiscal years. Closed-end fund dealer compensation payments decreased in fiscal 2015, reflecting the impact of the termination of the service and additional compensation arrangements

described above and increased in fiscal 2014, reflecting increases in closed-end fund assets under management. The decrease in marketing support payments to our distribution partners in fiscal 2015 reflects lower average assets subject to those arrangements. Intermediary marketing support payments increased in fiscal 2014 due primarily to an increase in average assets subject to those arrangements. Discretionary marketing expenses increased in fiscal 2015 and fiscal 2014, primarily reflecting an increase in the use of outside agencies in support of marketing efforts related to NextShares and other strategic initiatives.

#### *Service fee expense*

Service fees we receive from sponsored funds are generally retained in the first year and paid to broker-dealers thereafter pursuant to third-party selling agreements. These fees are calculated as a percent of average assets under management in certain share classes of our mutual funds (principally Classes A, B, C, N and R), as well as certain private funds. Service fee expense decreased by 9 percent in fiscal 2015, reflecting a decrease in average fund assets retained more than one year in funds and share classes that are subject to service fees. Service fee expense increased by 1 percent in fiscal 2014, reflecting modest increases in average assets retained more than one year in funds and share classes that are subject to service fees.

#### *Amortization of deferred sales commissions*

Amortization expense is affected by ongoing sales and redemptions of mutual fund Class C shares and certain private funds and redemptions of Class B shares. Amortization expense decreased 15 percent in fiscal 2015, reflecting a decrease in average Class B shares and Class C shares deferred sales commissions, partially offset by an increase in deferred sales commissions related to privately offered equity funds. In fiscal 2015, 8 percent of total amortization expense related to Class B shares, 70 percent to Class C shares and 22 percent to privately offered equity funds.

Amortization expense decreased 10 percent in fiscal 2014, reflecting a decrease in average Class B shares and Class C shares deferred sales commissions, partially offset by an increase in deferred sales commissions related to privately offered equity funds. In fiscal 2014, 9 percent of total amortization expense related to Class B shares, 83 percent to Class C shares and 8 percent to privately offered equity funds.

#### *Fund-related expenses*

Fund-related expenses consist primarily of fees paid to sub-advisers, compliance costs and other fund-related expenses we incur. Fund-related expenses increased 1 percent, or \$0.5 million, in fiscal 2015, primarily reflecting an increase in other fund-related expenses borne by the Company on funds in which it earns an all-in fee, offset by decreases in sub-advisory expenses and fund subsidies.

Fund-related expenses increased 3 percent, or \$1.2 million, in fiscal 2014, primarily reflecting an increase in sub-advisory expenses associated with the use of unaffiliated sub-advisers on certain funds, offset by a decrease other fund-related expenses.

*Other expenses*

Other expenses consist primarily of travel, professional services, information technology, facilities, communications and other miscellaneous corporate expenses, including the amortization of intangible assets.

The following table shows our other expense for the fiscal years ended October 31, 2015, 2014 and 2013:

(in thousands)	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Information technology	\$67,834	\$64,051	\$57,040	6 %	12 %
Facilities-related	40,771	38,761	39,536	5 %	-2 %
Travel	16,360	16,480	14,739	-1 %	12 %
Professional services	13,854	12,065	12,415	15 %	-3 %
Communications	5,272	5,250	5,273	0 %	0 %
Other corporate expense	19,522	21,223	19,781	-8 %	7 %
Total	\$163,613	\$157,830	\$148,784	4 %	6 %

The increase in information technology expense in fiscal 2015 over fiscal 2014 can be primarily attributed to increases in software maintenance fees, market data costs and project-related consulting associated with budgeted technology projects. The increase in facilities-related expenses can be primarily attributed to an increase in rent and depreciation expense. The decrease in travel expense relates to a decrease in travel activity. The increase in professional services expense can be primarily attributed to an increase in corporate consulting engagements (including engagements related to our NextShares initiative) and external legal costs. The decrease in other corporate expenses reflects a decrease in other corporate taxes offset by increases in amortization of intangible assets related to closing Fox Asset Management, and higher corporate membership and professional development expenses.

The increase in information technology expense in fiscal 2014 over fiscal 2013 can be primarily attributed to increases in software maintenance fees, market data costs and project-related consulting associated with budgeted technology projects. The decrease in facilities-related expenses can be primarily attributed to lower depreciation expense. The increase in travel expense relates to an increase in travel activity. The decrease in professional services expense can be primarily attributed to a decrease in external legal costs. The increase in other corporate expenses reflects an increase in amortization of acquisition-related intangible assets and increases in charitable giving.

### *Non-operating Income (Expense)*

The main categories of non-operating income (expense) for the fiscal years ended October 31, 2015, 2014 and 2013 are as follows:

(in thousands)	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Gains (losses) and other investment income, net	\$(31 )	\$1,139	\$(2,513 )	NM	NM
Interest expense	(29,357)	(29,892)	(33,708)	-2 %	-11 %
Loss on extinguishment of debt	-	-	(52,996)	NM	NM

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Other income (expense) of consolidated CLO entities:

Gains and other investment income, net	5,092	14,892	14,815	-66 %	1 %
Interest and other expense	(6,767 )	(14,847)	(19,152)	-54 %	-22 %
Total non-operating expense	\$(31,063)	\$(28,708)	\$(93,554)	8 %	-69 %



Gains (losses) and other investment income, net, declined by \$1.2 million in fiscal 2015 compared to fiscal 2014, primarily reflecting increases in net investment and foreign currency losses of \$2.2 million and \$0.1 million, respectively, offset by an increase of \$1.2 million in interest income earned. In fiscal 2015, we recognized \$9.2 million of net losses related to our seed capital investments and associated hedges, compared to \$6.9 million of net losses in fiscal 2014.

Gains (losses) and other investment income, net, improved by \$3.7 million in fiscal 2014 compared to fiscal 2013, primarily reflecting an increase of \$1.7 million in interest income earned, a \$1.2 million decline in net investment losses and a \$0.8 million decline in foreign currency losses. In fiscal 2014 we recognized \$6.9 million of net losses related to our seed capital investments and associated hedges, compared to \$8.2 million of net losses in fiscal 2013. Gains (losses) and other investment income, net, in fiscal 2013 reflect a loss of \$3.1 million recognized on a reverse treasury lock entered into in conjunction with the retirement of the 2017 Senior Notes.

Interest expense was substantially unchanged in fiscal 2015 compared to fiscal 2014. Interest expense decreased \$3.8 million in fiscal 2014, reflecting the retirement of \$250 million of the 2017 Senior Notes and the contemporaneous issuance of \$325 million of the 2023 Senior Notes during the third quarter of fiscal 2013.

Loss on extinguishment of debt of \$53.0 million in fiscal 2013 consisted of the tender premium associated with the retirement of \$250 million of the 2017 Senior Notes, acceleration of certain deferred financing costs and discounts tied to the retired portion of the 2017 Senior Notes, and transaction costs associated with the debt retirement.

Net losses of consolidated CLO entities were \$1.7 million in fiscal 2015. Approximately \$5.8 million of consolidated CLO entities' losses were included in net income attributable to non-controlling and other beneficial interests during fiscal 2015, reflecting third-party note holders' proportionate interests in the net income (loss) of each consolidated CLO entity. Net income attributable to Eaton Vance Corp. shareholders included \$4.1 million of income associated with the consolidated CLO entities for fiscal 2015, representing management fees earned by the Company offset by the Company's proportionate interest in net losses of the consolidated CLO entities.

Net losses of consolidated CLO entities were \$0.3 million in fiscal 2014. Approximately \$4.1 million of consolidated CLO entities' losses were included in net income attributable to non-controlling and other beneficial interests during fiscal 2014, reflecting third-party note holders' proportionate interests in the net income (loss) of each consolidated CLO entity. Net income attributable to Eaton Vance Corp. shareholders included \$3.8 million of income associated with the consolidated CLO entities for fiscal 2014, representing management fees earned by the Company offset by the Company's proportionate interest in net losses of the consolidated CLO entities.

Net losses of consolidated CLO entities totaled \$4.7 million in fiscal 2013, representing \$4.3 million of other losses and \$0.4 million of other operating expenses. Approximately \$8.5 million of consolidated CLO entity net losses were included in net income attributable to non-controlling and other beneficial interests, reflecting third-party note holders' proportionate interests in the net loss of each entity. Net income attributable to Eaton Vance Corp. shareholders included \$3.8 million of income associated with the consolidated CLO entities in fiscal 2013, representing management fees earned by the Company offset by the Company's proportionate interest in net losses of the entities.

## Income Taxes

Our effective tax rate, calculated as income taxes as a percentage of income before income taxes and equity in net income of affiliates, was 38.8 percent, 38.0 percent and 40.0 percent in fiscal 2015, 2014 and 2013, respectively. During fiscal 2013, we reached a settlement with one state to resolve all matters relating to such state's audit of our fiscal years 2004 through 2009 for a lump sum payment of \$19.6 million. The \$19.6 million payment resulted in a net increase to income tax expense of \$6.7 million, equal to the amount of the payment less previously recorded reserves of \$9.3 million and a federal tax benefit on the increased state tax of \$3.6 million. Excluding the effect of the consolidated CLO entities' net income (loss) allocated to other beneficial interest holders and the impact of the tax settlement, our effective tax rate would have been 38.2 percent, 37.7 percent and 37.3 percent in fiscal 2015, 2014 and 2013, respectively.

Our policy for accounting for income taxes includes monitoring our business activities and tax policies for compliance with federal, state and foreign tax laws. In the ordinary course of business, various taxing authorities may not agree with certain tax positions we have taken, or applicable law may not be clear. We periodically review these tax positions and provide for and adjust as necessary estimated liabilities relating to such positions as part of our overall tax provision.

***Equity in Net Income of Affiliates, Net of Tax***

Equity in net income of affiliates, net of tax, for fiscal 2015 primarily reflects our 49 percent equity interest in Hexavest, our seven percent minority equity interest in a private equity partnership managed by a third party and equity interests in certain funds we sponsor or manage. Equity in net income of affiliates, net of tax, was \$12.0 million, \$16.7 million and \$14.9 million in fiscal 2015, 2014 and 2013, respectively.

The following table summarizes the components of equity in net income of affiliates, net of tax, for the fiscal years ended October 31, 2015, 2014 and 2013:

(in thousands)	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Investments in sponsored funds, net of tax	\$315	\$5,245	\$4,821	-94 %	9 %
Investment in private equity partnership, net of tax	849	517	369	64 %	40 %
Investment in Hexavest, net of tax and amortization	10,857	10,963	9,679	-1 %	13 %
Total	\$12,021	\$16,725	\$14,869	-28 %	12 %



***Net Income Attributable to Non-controlling and Other Beneficial Interests***

The following table summarizes the components of net income attributable to non-controlling and other beneficial interests for the fiscal years ended October 31, 2015, 2014 and 2013:

(in thousands)	Years Ended October 31,			2015	2014
	2015	2014	2013	vs. 2014	vs. 2013
Consolidated sponsored funds	\$1,752	\$318	\$(4,095 )	451 %	NM
Majority-owned subsidiaries	(15,673)	(15,950)	(16,620)	-2 %	-4 %
Non-controlling interest value adjustments <sup>(1)</sup>	204	(5,311 )	(24,320)	NM	-78 %
Consolidated CLO entities	5,825	4,095	8,450	42 %	-52 %
Net income attributable to non-controlling and other beneficial interests	\$(7,892 )	\$(16,848)	\$(36,585)	-53 %	-54 %

*(1) Relates to non-controlling interests redeemable at other than fair value.*

Net income attributable to non-controlling and other beneficial interests is not adjusted for taxes due to the underlying tax status of our consolidated subsidiaries, which are treated as partnerships or other pass-through entities for tax purposes. Funds and the CLO entities we consolidate are registered investment companies or private funds that are treated as pass-through entities for tax purposes.

In fiscal 2014, increases in the estimated redemption value of non-controlling interests in Parametric Risk Advisors and Atlanta Capital redeemable at other than fair value were \$1.3 million and \$4.0 million, respectively.

In fiscal 2013, the increases in the estimated redemption value of non-controlling interests in Parametric, Parametric Risk Advisors and Atlanta Capital redeemable at other than fair value were \$10.9 million, \$0.5 million and \$12.9 million, respectively.

#### Changes in Financial Condition, Liquidity and Capital Resources

The assets and liabilities of our consolidated CLO entities do not affect our liquidity or capital resources. The collateral assets of our consolidated CLO entities are held solely to satisfy the obligations of these entities and we

have no right to these assets beyond our direct investment in, and management fees generated from, these entities. The note holders of these entities have no recourse to the general credit of the Company. As a result, the assets and liabilities of our consolidated CLO entities are excluded from the discussion of liquidity and capital resources below.

The following table summarizes certain key financial data relating to our liquidity and capital resources on October 31, 2015, 2014 and 2013 and uses of cash for the years then ended:

***Balance Sheet and Cash Flow Data***

(in thousands)	October 31,		
	2015	2014	2013
Balance sheet data:			
Assets:			
Cash and cash equivalents	\$465,558	\$385,215	\$461,906
Investment advisory fees and other receivables	187,753	186,344	170,220
Total liquid assets	\$653,311	\$571,559	\$632,126
Investments	\$507,020	\$624,605	\$536,323
Liabilities:			
Debt	\$573,811	\$573,655	\$573,499

(in thousands)	Years Ended October 31,		
	2015	2014	2013
Cash flow data:			
Operating cash flows	\$219,867	\$98,785	\$116,367
Investing cash flows	84,266	185,460	177,028
Financing cash flows	(221,446)	(359,378)	(293,018)

***Liquidity and Capital Resources***

Liquid assets consist of cash and cash equivalents and investment advisory fees and other receivables. Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to cash. Investment advisory fees and other receivables primarily represent receivables due from sponsored funds and separately managed accounts for investment advisory and distribution services provided. Liquid assets represented 40 percent and 34 percent of total assets on October 31, 2015 and 2014, respectively, excluding those assets identified as assets of consolidated CLO entities. Not included in the liquid asset amounts are \$77.4 million and \$157.0 million of highly liquid short-term debt securities with remaining maturities between three and 12 months held as of October 31, 2015 and 2014, respectively, which are included within investments on our Consolidated Balance Sheets. Our seed investments in consolidated funds and separate accounts are not treated as liquid assets because they may be longer term in nature.

The \$81.8 million increase in liquid assets in fiscal 2015 primarily reflects net cash provided by operating activities of \$219.9 million, net proceeds from sales and purchases of available-for-sale securities of \$59.4 million, proceeds from the issuance of Non-Voting Common Stock of \$89.7 million in connection with the exercise of employee stock options and other employee stock purchases, excess tax benefits of \$10.0 million associated with stock option

exercises and \$149.2 million from the investing and financing activities of consolidated CLO entities, offset by the payment of \$116.0 million of dividends to shareholders, the repurchase of \$283.4 million of Non-Voting Common Stock, the payment of \$20.0 million to acquire additional interests in Atlanta Capital and Parametric, a \$9.1 million contingent payment related to the Company's acquisition of the Tax Advantaged Bond Strategies ("TABS") business and the addition of \$11.5 million in equipment and leasehold improvements.



The \$60.6 million decrease in liquid assets in fiscal 2014 primarily reflects the payment of \$105.9 million of dividends to shareholders, the repurchase of \$322.0 million of Non-Voting Common Stock and the payment of \$26.9 million to acquire additional interests in Atlanta Capital, offset by net cash provided by operating activities of \$98.8 million, net proceeds from sales and purchases of available-for-sale securities of \$67.9 million, proceeds from the issuance of Non-Voting Common Stock of \$88.2 million, excess tax benefits of \$18.6 million associated with stock option exercises and \$118.5 million from the investing and financing activities of consolidated CLO entities.

In fiscal 2013, we issued \$325 million of 2023 Senior Notes. The proceeds of the issuance were used primarily to purchase \$250 million in aggregate principal amount of the 2017 Senior Notes. The Company paid \$305.4 million to retire the 2017 Senior Notes, which included an early tender premium and accrued and unpaid interest. Executing these transactions enabled us to stagger the maturities of our debt, with \$250 million now due in 2017 and \$325 million due in 2023.

We also maintain a \$300 million unsecured revolving credit facility with several banks that expires on October 21, 2019. The facility provides that we may borrow at LIBOR-based rates of interest that vary depending on the level of usage of the facility and our credit ratings. The agreement contains financial covenants with respect to leverage and interest coverage and requires us to pay an annual facility fee on any unused portion. We had no borrowings under our revolving credit facility at October 31, 2015 or at any point during the fiscal year. We were in compliance with all debt covenants as of October 31, 2015.

We continue to monitor our liquidity daily. We remain committed to growing our business and expect that our main uses of cash will be paying dividends, acquiring shares of our Non-Voting Common Stock, making seed investments in new products and strategic acquisitions, enhancing our technology infrastructure and paying the operating expenses of our business, which are largely variable in nature and fluctuate with revenue and assets under management. We believe that our existing liquid assets, cash flows from operations and borrowing capacity under our existing credit facility are sufficient to meet our current and forecasted operating cash needs for the next twelve months. The risk exists, however, that if we need to raise additional capital or refinance existing debt in the future, resources may not be available to us in sufficient amounts or on acceptable terms. Our ability to enter the capital markets in a timely manner depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Non-Voting Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely affected.

We have a “well-known seasoned issuer” shelf registration statement on Form S-3 on file with the U.S. Securities and Exchange Commission (“SEC”) that registers an unspecified amount of Non-Voting Common Stock, debt securities, depositary shares, warrants, stock purchase contracts and stock purchase units for future issuance. We would expect to use the net proceeds of future securities sales under the shelf registration for general corporate purposes.

***Recoverability of our Investments***

Our \$507.0 million of investments as of October 31, 2015 consisted of our 49 percent equity interest in Hexavest, positions in Company-sponsored funds and separate accounts entered into for investment and business development purposes, and certain other investments held directly by the Company. Investments in Company-sponsored funds and separate accounts and direct investments by the Company are generally in liquid debt or equity securities and are carried at fair market value. We test our investments, other than equity method investments, for impairment on a quarterly basis. We evaluate our investments in non-consolidated CLO entities and investments classified as available-for-sale for impairment using quantitative factors, including how long the investment has been in a net unrealized loss position, and qualitative factors, including the credit

quality of the underlying issuer and our ability and intent to continue holding the investment. If markets deteriorate in the quarters ahead, our assessment of impairment on a quantitative basis may lead us to impair investments in future quarters that were in an unrealized loss position at October 31, 2015.

We test our investments in equity method investees, goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year, or as facts and circumstances indicate that additional analysis is warranted. There have been no significant changes in financial condition in fiscal 2015 that would indicate that an impairment loss exists at October 31, 2015.

We periodically review our deferred sales commissions and identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. There have been no significant changes in financial condition in fiscal 2015 that would indicate that an impairment loss exists at October 31, 2015.

### *Operating Cash Flows*

Our operating cash flows are calculated by adjusting net income to reflect other significant sources and uses of cash, certain significant non-cash items and timing differences in the cash settlement of other assets and liabilities. Significant sources and uses of cash that are not reflected in either revenue or operating expenses include net cash flows associated with our deferred sales commission assets (capitalized sales commissions paid net of contingent deferred sales charges received), as well as net cash flows associated with the purchase and sale of investments within the portfolios of our consolidated sponsored funds and separate accounts (proceeds received from the sale of trading investments net of cash outflows associated with the purchase of trading investments). Significant non-cash items include the amortization of deferred sales commissions and intangible assets, depreciation, stock-based compensation and net change in deferred income taxes.

Cash provided by operating activities totaled \$219.9 million in fiscal 2015, an increase of \$121.1 million from \$98.8 million in fiscal 2014. The increase in net cash provided by operating activities year-over-year primarily reflects an increase in the net sales of trading securities and an increase in the timing differences in the cash settlement of other assets and liabilities, offset by an increase in the net cash used in the operating activities of our consolidated CLO entities.

Cash provided by operating activities totaled \$98.8 million in fiscal 2014, a decrease of \$17.6 million from \$116.4 million in fiscal 2013. The decrease in net cash provided by operating activities year-over-year primarily reflects an increase in the net cash used in the operating activities of our consolidated CLO entities, partially offset by an increase

in deferred taxes and a decrease in the net purchase of trading securities.

### *Investing Cash Flows*

Cash flows from investing activities consist primarily of the purchase of equipment and leasehold improvements, cash paid in acquisitions and the purchase and sale of available-for-sale investments in sponsored funds that we do not consolidate.

Cash provided by investing activities totaled \$84.3 million in fiscal 2015 compared to \$185.5 million in fiscal 2014. The decrease in cash provided by investing activities year-over-year can be primarily attributed to a \$9.1 million payment to the sellers of the TABS business in fiscal 2015, offset by a decrease of \$8.6 million in the net proceeds from the sales and purchases of available-for-sale securities and a decrease of \$79.6 million in the net proceeds from the sales of consolidated CLO entities investments.

Cash provided by investing activities totaled \$185.5 million in fiscal 2014 compared to \$177.0 million in fiscal 2013. The increase in cash provided by investing activities year-over-year can be primarily attributed to a

decrease in cash utilized for acquisitions in fiscal 2014, offset by a decrease of \$32.0 million in the net proceeds from the sales and purchases of available-for-sale securities and a decrease of \$45.0 million in the net proceeds from the sales of consolidated CLO entity investments. Net cash paid in acquisitions in fiscal 2013 included payments to the sellers of Clifton and TABS under the terms of the respective acquisition agreements of \$72.3 million and \$14.1 million, respectively.

### ***Financing Cash Flows***

Financing cash flows primarily reflect distributions to non-controlling interest holders of our majority-owned subsidiaries and consolidated funds, the purchase of additional non-controlling interests in our majority-owned subsidiaries, the issuance and repurchase of our Non-Voting Common Stock, excess tax benefits associated with stock option exercises, the payment of dividends to our shareholders and the proceeds and payments associated with the Company's debt. Financing cash flows also include proceeds from the issuance of capital stock by consolidated funds and cash paid to meet redemptions by non-controlling interest holders of these funds.

Cash used for financing activities totaled \$221.4 million, \$359.4 million and \$293.0 million in fiscal 2015, 2014 and 2013, respectively. In fiscal 2015, we paid \$20.0 million to acquire additional interests in Atlanta Capital and Parametric, repurchased and retired approximately 7.4 million shares of our Non-Voting Common Stock for \$283.4 million under our authorized repurchase programs and issued 5.0 million shares of our Non-Voting Common Stock in connection with the grant of restricted share awards, the exercise of stock options and other employee stock purchases for total proceeds of \$89.7 million. As of October 31, 2015, we have authorization to purchase an additional 3.2 million shares under our current share repurchase authorization and anticipate that future repurchases will continue to be an ongoing use of cash. Our dividends declared per share were \$1.015 in fiscal 2015, \$0.91 in fiscal 2014 and \$1.82 in fiscal 2013. Fiscal 2013 dividends included a one-time special dividend of \$1.00 per share declared and paid in December 2012. We currently expect to declare and pay quarterly dividends on our Voting and Non-Voting Common Stock comparable to the dividend declared in the fourth quarter of fiscal 2015.

In fiscal 2015, cash used for financing activities also included \$381.5 million in principal payments made on senior notes, lines of credit and redeemable preferred shares of consolidated CLO entities, as well as \$485.2 million related to the proceeds from the line of credit and the issuance of new senior notes and redeemable preferred shares of those entities. In fiscal 2014, cash used for financing activities included \$436.2 million in principal payments made on senior notes, lines of credit and redeemable preferred shares of consolidated CLO entities, as well as \$429.6 million related to the issuance of new senior notes and redeemable preferred shares of those entities. In fiscal 2013, cash used for financing activities included \$177.5 million in principal payments made on senior notes of consolidated CLO entities.

## Contractual Obligations

The following table details our contractual obligations as of October 31, 2015:

(in millions)	Payments due by period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Operating leases – facilities and equipment <sup>(1)</sup>	\$353	\$ 21	\$43	\$ 43	\$ 246
Senior notes	575	-	250	-	325
Interest payment on senior notes	127	28	40	24	35
Payments to non-controlling interest holders of majority-owned subsidiaries	10	10	-	-	-
Investment in private equity partnership	1	-	1	-	-
Unrecognized tax benefits <sup>(2)</sup>	3	1	2	-	-
<b>Total</b>	<b>\$1,069</b>	<b>\$ 60</b>	<b>\$ 336</b>	<b>\$ 67</b>	<b>\$ 606</b>
Contractual obligations of consolidated CLO entity:					
Senior and subordinated note obligations	\$409	\$ -	\$-	\$ -	\$ 409
Interest payments on senior and subordinated note obligations	108	10	20	20	58
<b>Total contractual obligations of consolidated CLO entity</b>	<b>\$517</b>	<b>\$ 10</b>	<b>\$ 20</b>	<b>\$ 20</b>	<b>\$ 467</b>

<sup>(1)</sup> *Minimum payments have not been reduced by minimum sublease rentals of \$0.4 million to be received in the future under non-cancelable subleases.*

<sup>(2)</sup> *This amount includes unrecognized tax benefits along with accrued interest and penalties.*

In July 2006, we committed to invest up to \$15.0 million in a private equity partnership that invests in companies in the financial services industry. We had invested \$14.5 million of the maximum \$15.0 million as of October 31, 2015. The remaining commitment is included in the table above.

Interests held by non-controlling interest holders of Atlanta Capital and Parametric are not subject to mandatory redemption. The purchase of non-controlling interests is predicated on the exercise of a series of puts held by non-controlling interest holders and calls held by us. The puts provide the non-controlling interest holders the right to require us to purchase these retained interests at specific intervals over time, while the calls provide us with the right to require the non-controlling interest holders to sell their retained equity interests to us at specified intervals over time, as well as upon the occurrence of certain events such as death or permanent disability. As a result, there is significant uncertainty as to the timing of any non-controlling interest purchase in the future. Non-controlling interests are redeemable at fair value or based on a multiple of earnings before interest and taxes of the subsidiary, which is a measure that is intended to represent fair value. As a result, there is significant uncertainty as to the amount of any non-controlling interest purchase in the future. Accordingly, future payments to be made to purchase non-controlling

interests have been excluded from the above table, unless a put or call option has been exercised and a mandatory firm commitment exists for us to purchase such non-controlling interests. Although the timing and amounts of these purchases cannot be predicted with certainty, we anticipate that the purchase of non-controlling interests in our consolidated subsidiaries may be a significant use of cash in future years.

We have presented all redeemable non-controlling interests at redemption value on our Consolidated Balance Sheet as of October 31, 2015. We have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at fair value as a component of additional paid-in capital and have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at other than fair value (non-controlling interests redeemable based on a multiple of earnings before interest and taxes of the subsidiary) as a component of net income attributable to non-controlling and other beneficial interests. Based on our calculations, the estimated redemption value of our non-controlling interests, redeemable at either fair value or other than fair value, totaled \$88.9 million on October 31, 2015 compared to \$107.5 million on October 31, 2014.

Redeemable non-controlling interests as of October 31, 2015 consisted of third-party investors' ownership in consolidated investment funds of \$11.9 million, non-controlling interests in Parametric issued in conjunction with the Clifton acquisition of \$18.6 million, non-controlling interests in Parametric issued in conjunction with the Parametric Risk Advisors final put option of \$10.8 million and profit interests granted under the long-term incentive plans of Parametric and Atlanta Capital of \$28.5 million and \$16.4 million, respectively, all of which are redeemable at fair value. Redeemable non-controlling interests as of October 31, 2015 also included non-controlling interests in Atlanta Capital redeemable at other than fair value of \$2.7 million. Redeemable non-controlling interests as of October 31, 2014 consisted of third-party investors' ownership in consolidated investment funds of \$8.9 million, non-controlling interests in Parametric issued in conjunction with the Clifton acquisition of \$27.0 million, non-controlling interests in Parametric issued in conjunction with the Parametric Risk Advisors final put option of \$11.7 million, and redeemable interests in profit interests granted under the long-term incentive plans of Parametric and Atlanta Capital of \$33.6 million and \$16.2 million, respectively, all of which are redeemable at fair value. Redeemable non-controlling interests as of October 31, 2014 also included non-controlling interests in Atlanta Capital redeemable at other than fair value of \$10.0 million.

We have included in the table above \$4.2 million related to Parametric employees' exercises of put options related to indirect profit interests granted under a long-term incentive plan that occurred in September 2015. We have also included in the table above \$5.9 million related to the execution of a put option by the non-controlling interest holders of Atlanta Capital and Atlanta Capital employees' exercises of put options related to indirect profit interests granted under a long-term incentive plan, both of which occurred in September 2015 and settled in December and November 2015, respectively.

Related to our acquisition of the TABS business in December 2008, we are obligated to make two additional annual contingent payments based on prescribed multiples of TABS's revenue for the twelve months ending December 31, 2015 and 2016. There is no defined floor or ceiling on such payments, resulting in significant uncertainty as to the amount of any payment in the future. Accordingly, future payments to be made have been excluded from the above table.

We have the option to acquire an additional 26 percent interest in Hexavest in 2017. There is no defined floor or ceiling related to this payment, resulting in significant uncertainty as to the amount of any payment in the future.



Accordingly, any future payment to be made has been excluded from the above table until such time as the uncertainty has been resolved. Although the amounts of this payment cannot be predicted with certainty, we anticipate that it may represent a significant use of cash in fiscal 2017.

In November 2010, we acquired patents and other intellectual property from Managed ETFs LLC, a developer of intellectual property in the field of exchange-traded funds. This intellectual property is the foundation of the Company's NextShares™ exchange-traded managed funds initiative. The success of NextShares became reasonably possible when, on December 2, 2014, the SEC issued the Company an exemption from certain provisions of the Investment Company Act of 1940 to permit the offering of NextShares. The SEC subsequently granted similar exemptive relief to 11 other fund advisers that have entered into preliminary licensing and services agreements for NextShares.

We expect to begin the staged introduction of the first Eaton Vance-sponsored NextShares funds in the first calendar quarter of 2016. Broad market adoption and commercial success requires the development of expanded distribution, the launch of NextShares by other fund sponsors and acceptance by market participants, which cannot be assured.

The terms of the acquisition of the patents and other intellectual property of Managed ETFs LLC include approximately \$9.0 million in aggregate contingent milestone payments that are based on specific events representing key developments in the commercialization of NextShares. There is no defined timing on these payments, resulting in significant uncertainty as to when the amount of any payment is due in the future. Accordingly, future payments to be made have been excluded from the above table until such time as the uncertainty has been resolved. If and when the milestones are reached, Managed ETFs LLC is also entitled to revenue-sharing payments that are calculated as a percentage of licensing revenue that we receive for use of the acquired intellectual property.

### **Foreign Subsidiaries**

We consider the undistributed earnings of certain of our foreign subsidiaries to be indefinitely reinvested in foreign operations as of October 31, 2015. Accordingly, no U.S. income taxes have been provided thereon. As of October 31, 2015, the Company had approximately \$34.1 million of undistributed earnings in certain Canadian, UK and Australian foreign subsidiaries that is not available to fund domestic operations or to distribute to shareholders unless repatriated. Repatriation would require the Company to accrue and pay U.S. corporate income taxes. The unrecognized deferred income tax liability on these un-repatriated funds, or temporary difference, is estimated to be \$4.0 million. The Company does not intend to repatriate these funds, has not previously repatriated funds from these entities, and has the financial liquidity to permanently leave these funds offshore.

### **Off-Balance Sheet Arrangements**

We do not invest in any off-balance sheet vehicles that provide financing, liquidity, market or credit risk support or engage in any leasing activities that expose us to any liability that is not reflected in our Consolidated Financial Statements.

### **Critical Accounting Policies**

We believe the following critical accounting policies reflect our accounting policies that require significant judgments and estimates used in the preparation of our Consolidated Financial Statements. Actual results may differ from these

estimates.

#### Consolidation of Variable Interest Entities

Accounting guidance provides a framework for determining whether an entity should be considered a variable interest entity (“VIE”), and, if so, whether our involvement with the entity results in a variable interest in the entity. If we determine that we do have a variable interest in the entity, we must then perform an analysis to determine whether we are the primary beneficiary of the VIE. If we determine that we are the primary beneficiary of the VIE, we are required to consolidate the assets, liabilities, results of operations and cash flows of the VIE into the Consolidated Financial Statements of the Company.

A company is the primary beneficiary of a VIE if it has a controlling financial interest in the VIE. A company is deemed to have a controlling financial interest in a VIE if it has both (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb the losses

of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Our evaluation of whether we qualify as the primary beneficiary of a VIE is highly complex. In our analysis, we must make significant estimates and assumptions regarding future cash flows of the VIE. These estimates and assumptions relate primarily to market interest rates, credit default rates, pre-payment rates, discount rates, the marketability of certain securities and the probability of certain outcomes. There is also judgment involved in assessing whether we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the entity.

While we believe that our evaluation is appropriate, future changes in estimates, judgments, assumptions and/or in the ownership interests of the Company in a VIE may affect the determination of the primary beneficiary status and the resulting consolidation or de-consolidation of the assets, liabilities and results of operations of the VIE in our Consolidated Financial Statements.

#### Fair Value Measurements

Accounting standards define fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy established in these standards prioritizes the inputs to valuation techniques and gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories based on the nature of the inputs that are significant to the fair value measurements in their entirety. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value measurement hierarchy. In such cases, an investment's classification within the fair value measurement hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Observable inputs other than Level 1 unadjusted quoted market prices, such as quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active, and inputs other than quoted prices that are observable or corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity.

*Goodwill*

Goodwill represents the excess of the cost of our investment in the net assets of acquired companies over the fair value of the underlying identifiable net assets at the dates of acquisition. We attribute all goodwill associated with the acquisitions of Atlanta Capital, Parametric and its wholly owned subsidiaries, which share similar economic characteristics, to a single reporting unit. Management believes that the inclusion of these entities in a single reporting unit for the purposes of goodwill impairment testing most accurately reflects the synergies achieved in acquiring these entities, namely centralized distribution of similar products and services to similar clients. We attribute all goodwill associated with the acquisition of TABS and other acquisitions to a second reporting unit.

Goodwill is not amortized but is tested annually for impairment in the fourth quarter of each fiscal year by comparing the fair value of the reporting units to the carrying amounts, including goodwill. We establish fair

value for the purpose of impairment testing by averaging fair value established using an income approach and fair value established using a market approach for each reporting unit.

The income approach employs a discounted cash flow model that takes into account (1) assumptions that marketplace participants would use in their estimates of fair value, (2) current period actual results, and (3) budget projections for future periods that have been vetted by senior management at the reporting unit level. Budget projections for future periods are most significantly impacted by assumptions made as to the growth in assets under management, future revenue run rates and future operating margins. The discounted cash flow model incorporates the same fundamental pricing concepts used to calculate fair value in the acquisition due diligence process and a discount rate that takes into consideration our estimated cost of capital adjusted for the uncertainty inherent in the acquisition.

The market approach employs market multiples for comparable transactions in the financial services industry obtained from industry sources, taking into consideration the nature, scope and size of the acquired reporting unit. Estimates of fair value are established using a multiple of assets under management and current and forward multiples of both revenue and earnings before interest, tax, depreciation and amortization (“EBITDA”) adjusted for size and performance level relative to peer companies. A weighted average calculation is then performed, giving greater weight to fair value calculated based on multiples of revenue and EBITDA and lesser weight to fair value calculated as a multiple of assets under management. Fair values calculated using one-year and two-year forward and trailing twelve-month revenue multiples, and one-year, two-year and trailing twelve-month EBITDA multiples are each weighted 15 percent, while fair value calculated based on a multiple of assets under management is weighted 10 percent. We believe that fair value calculated based on multiples of revenue and EBITDA is a better indicator of fair value in that these fair values provide information as to both scale and profitability.

To evaluate the sensitivity of the goodwill impairment testing to the calculation of fair value, we apply a hypothetical 10 percent and 20 percent decrease to the fair value of each reporting unit. If the carrying amount of the reporting unit exceeds its calculated fair value, the second step of the goodwill impairment test will be performed to measure the amount of the impairment loss, if any.

#### *Intangible Assets*

Amortized identifiable intangible assets generally represent the cost of client relationships and management contracts acquired. In valuing these assets, we make assumptions regarding useful lives and projected growth rates, and significant judgment is required. We periodically review identifiable intangibles for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of the assets exceed their respective fair values, additional impairment tests are performed to measure the amount of the impairment loss, if any.

Non-amortizing intangible assets generally represent the cost of mutual fund management contracts acquired. Non-amortizing intangible assets are tested for impairment in the fourth quarter of each fiscal year by comparing the fair value of the management contracts acquired to their carrying values. The Company establishes fair value for purposes of impairment testing using the income approach. If the carrying value of a management contract acquired exceeds its fair value, an impairment loss is recognized equal to that excess.

*Accounting for Income Taxes*

Our effective tax rate reflects the statutory tax rates of the many jurisdictions in which we operate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions. In the ordinary course of business, many transactions occur for which the ultimate tax outcome is uncertain, and we adjust our income tax provision in the period in which we determine that actual outcomes will likely be different from our estimates. Accounting standards require that the tax effects of a position be recognized only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not

threshold must continue to be met in each reporting period to support continued recognition of a benefit. Unrecognized tax benefits, as well as the related interest, are adjusted regularly to reflect changing facts and circumstances. While we have considered future taxable income and ongoing tax planning in assessing our taxes, changes in tax laws may result in a change to our tax position and effective tax rate. We classify any interest or penalties incurred as a component of income tax expense.

Management is required to estimate the timing of the recognition of deferred tax assets and liabilities and to make assumptions about the future deductibility of deferred tax assets. We assess whether a valuation allowance should be established against our deferred tax assets based on consideration of all available evidence, using a more-likely-than-not standard. This assessment takes into account our forecast of future profitability, the duration of statutory carryback and carry-forward periods, our experience with the tax attributes expiring unused, tax planning alternatives and other tax considerations.

#### *Stock-Based Compensation*

Stock-based compensation expense reflects the fair value of stock-based awards measured at grant date, is recognized on a straight-line basis over the relevant service period (generally five years), and is adjusted each period for anticipated forfeitures.

The fair value of option awards granted is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, volatility, an appropriate risk-free interest rate and the expected life of the option. Many of these assumptions require management's judgment but are not subject to significant variability. Management must also apply judgment in developing an expectation of awards that may be forfeited. If actual experience differs significantly from these estimates, stock-based compensation expense and our results of operations could be materially affected.

The fair value of profit interests granted under subsidiary long-term equity plans is estimated on the date of grant by averaging fair value established using an income approach and fair value established using a market approach for each subsidiary.

The income and fair value approaches used to establish fair value of subsidiary profit interests mirror those described in our significant accounting policy for Goodwill as described above.

#### *Non-controlling interests*



Certain interests in our majority-owned subsidiaries are puttable at established multiples of earnings before interest and taxes and, as such, are considered redeemable at other than fair value. The Company's non-controlling interests redeemable at other than fair value are recorded in temporary equity at estimated redemption value and changes in estimated redemption value are recorded in earnings. As a result, net income attributable to Eaton Vance Corp. shareholders and earnings per basic and diluted share are impacted by changes in the estimated redemption values of such redeemable non-controlling interests.

## **Accounting Developments**

### *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*, which provides a measurement alternative for an entity that consolidates collateralized financing entities ("CFE's"). If elected, the alternative method results in the reporting entity measuring both the financial assets and financial liabilities of the CFE using the more observable of the two fair value measurements, which effectively removes measurement differences between the financial assets and financial liabilities of the CFE previously recorded as net income (loss) attributable to non-controlling and other

beneficial interests and as an adjustment to appropriated retained earnings. The reporting entity continues to measure its own beneficial interests in the CFE (other than those that represent compensation for services) at fair value. The new guidance is effective for the Company's fiscal year that begins on November 1, 2016 and requires either a retrospective or modified retrospective approach to adoption, with early adoption permitted. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

#### *Consolidation*

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which amends the consolidation requirements in Accounting Standards Codification ("ASC") 810, *Consolidation*. Based on the guidance provided in this ASU, all entities are now within the scope of ASC 810, unless a specific scope exception applies. Additional amendments remove the presumption that a general partner controls a limited partnership and place more emphasis on variable interests other than fee arrangements in the consolidation evaluation of VIEs. This ASU also eliminates the deferral under ASU 2010-10 for certain investment funds. The new guidance is effective for annual periods, and interim periods within those annual periods, for the Company's fiscal year that begins on November 1, 2016 and allows for either a full retrospective or a modified retrospective adoption approach. Early adoption is allowed, but the guidance must be applied as of the beginning of the annual period containing the adoption date. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

#### *Presentation of Debt Issuance Costs*

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which changes the presentation of debt issuance costs in the balance sheet. The new guidance requires that debt issuance costs be presented as a deduction from the carrying amount of the related debt rather than being presented as an asset. Amortization of debt issuance costs will continue to be reported as interest expense. The new guidance is effective for the Company's fiscal year that begins on November 1, 2016 and requires retrospective application for each prior period presented. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the impact on its Consolidated Financial Statements.

#### *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance about whether a cloud computing arrangement includes a software license. The guidance does not change the current treatment for accounting for software licenses or service contracts. The new guidance is effective for the Company's fiscal year that begins on November 1, 2016. Early adoption is permitted. The update allows for either prospective or retrospective adoption. The Company is currently evaluating the available transition methods and the potential impact on its Consolidated Financial Statements and related disclosures.

#### *Revenue from Contracts with Customers*

In August 2015, the FASB issued ASU 2015-14, *Revenue From Contracts with Customers* (Topic 606), *Deferral of the Effective Date*, which defers the effective date of ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) to November 1, 2018 for the Company, with early adoption permitted as of its original effective date of November 1, 2017. The new guidance requires either a retrospective or a modified retrospective approach to adoption. The Company is currently evaluating the available transition methods and the potential impact on its Consolidated Financial Statements and related disclosures.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

In the normal course of business, our financial position is subject to different types of risk, including market risk. Market risk is the risk that we will incur losses due to adverse changes in equity and bond prices, interest rates, credit events or currency exchange rates. Management is responsible for identifying, assessing and managing market and other risks.

In evaluating market risk, it is important to note that most of our revenue is based on the market value of assets under management. As noted in “Risk Factors” in Item 1A of this Annual Report on Form 10-K, declines of financial market values negatively impact our revenue and net income.

Our primary direct exposure to equity price risk arises from investments in equity securities made by consolidated sponsored funds, investments in equity securities held in separately managed accounts seeded for new product development purposes and our investments in sponsored equity funds that are not consolidated. Equity price risk as it relates to these investments represents the potential future loss of value that would result from a decline in the fair values of the fund shares or underlying equity securities.

The following is a summary of the effect that a 10 percent increase or decrease in equity prices would have on our investments subject to equity price fluctuations at October 31, 2015:

(in thousands)	Carrying Value	Carrying Value	Carrying Value
		Assuming a 10% Increase	Assuming a 10% Decrease
Investment securities, trading:			
Consolidated sponsored funds and separately managed accounts	\$ 116,295	\$ 127,925	\$ 104,666
Investment securities, available-for-sale:			
Sponsored funds	15,306	16,837	13,775
Total	\$ 131,601	\$ 144,762	\$ 118,441

At October 31, 2015, we were exposed to interest rate risk and credit spread risk as a result of approximately \$224.1 million in investments in fixed and floating-rate income funds sponsored or managed by us, debt securities held by sponsored funds we consolidate, debt securities held in separately managed accounts seeded for new product development purposes and short-term debt securities held directly by us. Management considered a hypothetical 100 basis point change in interest rates and determined that an increase of such magnitude would result in a decrease of approximately \$2.2 million in the carrying amount of our debt investments and that a decrease of 100 basis points would increase the carrying amount of such investments by approximately \$2.2 million.

Currently we have a corporate hedging program in place to hedge currency risk, interest rate risk and market price exposures on certain investments in consolidated sponsored funds and separately managed accounts seeded for new product development purposes. As part of this program, we enter into forwards, futures and swap contracts to hedge certain exposures held within the portfolios of these consolidated sponsored funds and separately managed accounts. The contracts negotiated are short term in nature. We do not enter into derivative instruments for speculative purposes.

At October 31, 2015, we had outstanding foreign currency forward contracts, stock index futures contracts, commodity futures contracts and total return swap contracts with aggregate notional values of approximately \$27.2

million, \$97.2 million, \$3.1 million and \$49.5 million, respectively. We estimate that a 10 percent adverse change in market prices would result in a decrease of approximately \$41,000, \$0.5 million, \$7,000 and \$13,000, respectively, in the fair value of open currency, equity, commodity and swap derivative contracts held at October 31, 2015.

In addition to utilizing forwards, futures and swap contracts, we have also entered into transactions in which securities not yet purchased have been sold. In our short sales, we have sold securities that have been borrowed from third-party brokers with the intention of buying back identical assets at a later date to return to the lender, thereby incurring a liability. As of October 31, 2015, we had \$3.0 million included in other liabilities on our Consolidated Balance Sheets related to securities sold, not yet purchased. We estimate that a 10 percent adverse change in market prices would result in a decrease of approximately \$0.3 million in the value of these securities.

We are required to maintain cash collateral for margin accounts established to support certain derivative positions and securities sold short, not yet purchased. Our initial margin requirements are currently equal to five percent of the initial underlying value of the stock index futures contracts and commodity futures contracts. Additional margin requirements include daily posting of variation margin equal to the daily change in the position value and up to 150 percent of the underlying value of securities sold, not yet purchased. We do not have a collateral requirement related to foreign currency forward contracts or total return swap contracts. Cash collateral supporting margin requirements is classified as restricted cash and is included as a component of other assets on our Consolidated Balance Sheets. At October 31, 2015, cash collateral included in other assets on our Consolidated Balance Sheets totaled \$13.1 million.

Direct exposure to credit risk arises from our interest in non-consolidated CLO entities that are included in investments in our Consolidated Balance Sheets, as well as our interests in consolidated CLO entities that are eliminated in consolidation. Our CLO entity investments entitle us only to a residual interest in the CLO entity, making these investments highly sensitive to the default and recovery experiences of the underlying instruments held by the CLO entity. Our CLO investments are subject to an impairment loss in the event that the cash flows generated by the collateral securities are not sufficient to allow equity holders to recover their investments. If there is deterioration in the credit quality of collateral and reference securities and a corresponding increase in defaults, CLO entity cash flows may be adversely impacted and we may be unable to recover our investment. Our total investments in non-consolidated and consolidated CLO entities were \$4.4 million and \$4.6 million, respectively, as of October 31, 2015, representing our total value at risk with respect to such entities as of October 31, 2015.

We are subject to foreign currency exchange risk through our international operations. While we operate primarily in the United States and, accordingly, most of our consolidated revenue and associated expenses are denominated in U.S. dollars, we also provide services and earn revenue outside of the United States. Revenue and expenses denominated in foreign currencies may be impacted by movements in foreign currency exchange rates. The exposure to foreign currency exchange risk in our Consolidated Balance Sheets relates primarily to an equity method investment and cash and cash equivalents that are denominated in foreign currencies, principally Canadian dollars. This risk will likely increase as our business outside of the United States grows. We generally do not use derivative financial instruments to manage the foreign currency exchange risk exposure we assume in connection with investments in international

operations. As a result, both positive and negative currency fluctuations against the U.S. dollar may affect our results of operations and accumulated other comprehensive income (loss). We do not enter into foreign currency transactions for speculative purposes.

Item 8. Financial Statements and Supplementary Data

**Index to Consolidated Financial Statements and Supplementary Data**

**For the Fiscal Years Ended October 31, 2015, 2014 and 2013**

<b>Contents</b>	<b>Page number reference</b>
Consolidated Financial Statements of Eaton Vance Corp.:	
<u>Consolidated Statements of Income for each of the three years in the period ended October 31, 2015</u>	67
<u>Consolidated Statements of Comprehensive Income for each of the three years in the period ended October 31, 2015</u>	68
<u>Consolidated Balance Sheets as of October 31, 2015 and 2014</u>	69
<u>Consolidated Statements of Shareholders' Equity for each of the three years in the period ended October 31, 2015</u>	70
<u>Consolidated Statements of Cash Flows for each of the three years in the period ended October 31, 2015</u>	73
<u>Notes to Consolidated Financial Statements</u>	75
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All schedules have been omitted because they are not required, are not applicable or the information is otherwise shown in the consolidated financial statements or notes thereto.



**Consolidated Statements of Income**

(in thousands, except per share data)	Years Ended October 31,		
	2015	2014	2013
Revenue:			
Investment advisory and administrative fees	\$1,196,866	\$1,231,188	\$1,135,327
Distribution and underwriter fees	80,815	85,514	89,234
Service fees	116,448	125,713	126,560
Other revenue	9,434	7,879	6,382
Total revenue	1,403,563	1,450,294	1,357,503
Expenses:			
Compensation and related costs	483,827	461,438	447,134
Distribution expense	198,155	141,544	139,618
Service fee expense	106,663	116,620	115,149
Amortization of deferred sales commissions	14,972	17,590	19,581
Fund-related expenses	35,886	35,415	34,230
Other expenses	163,613	157,830	148,784
Total expenses	1,003,116	930,437	904,496
Operating income	400,447	519,857	453,007
Non-operating income (expense):			
Gains (losses) and other investment income, net	(31 )	1,139	(2,513 )
Interest expense	(29,357 )	(29,892 )	(33,708 )
Loss on extinguishment of debt	-	-	(52,996 )
Other income (expense) of consolidated collateralized loan obligation (“CLO”) entities:			
Gains and other investment income, net	5,092	14,892	14,815
Interest and other expense	(6,767 )	(14,847 )	(19,152 )
Total non-operating expense	(31,063 )	(28,708 )	(93,554 )
Income before income taxes and equity in net income of affiliates	369,384	491,149	359,453
Income taxes	(143,214 )	(186,710 )	(143,896 )
Equity in net income of affiliates, net of tax	12,021	16,725	14,869
Net income	238,191	321,164	230,426
Net income attributable to non-controlling and other beneficial interests	(7,892 )	(16,848 )	(36,585 )
Net income attributable to Eaton Vance Corp. shareholders	\$230,299	\$304,316	\$193,841
Earnings per share:			
Basic	\$2.00	\$2.55	\$1.60
Diluted	\$1.92	\$2.44	\$1.53
Weighted average shares outstanding:			
Basic	113,318	116,440	116,597
Diluted	118,155	121,595	122,444
Dividends declared per share	\$1.015	\$0.910	\$1.820

*See notes to Consolidated Financial Statements.*



**Consolidated Statements of Comprehensive Income**

(in thousands)	Years Ended October 31,		
	2015	2014	2013
Net income	\$238,191	\$321,164	\$230,426
Other comprehensive income (loss):			
Change in unrealized gains on derivative instruments, net of tax	-	-	1,227
Amortization of net gains on derivatives, net of tax	13	13	845
Unrealized holding gains (losses) on available-for-sale investments and reclassification adjustments, net of tax	(1,895 )	1,124	(957 )
Foreign currency translation adjustments, net of tax	(28,708 )	(18,956 )	(5,215 )
Other comprehensive loss, net of tax	(30,590 )	(17,819 )	(4,100 )
Total comprehensive income	207,601	303,345	226,326
Comprehensive income attributable to non-controlling and other beneficial interests	(7,892 )	(16,848 )	(36,585 )
Total comprehensive income attributable to Eaton Vance Corp. shareholders	\$199,709	\$286,497	\$189,741

*See notes to Consolidated Financial Statements.*

**Consolidated Balance Sheets**

(in thousands, except share data)	October 31,	
	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$465,558	\$385,215
Investment advisory fees and other receivables	187,753	186,344
Investments	507,020	624,605
Assets of consolidated CLO entity:		
Cash and cash equivalents	162,704	8,963
Bank loans and other investments	304,250	147,116
Other assets	128	371
Deferred sales commissions	25,161	17,841
Deferred income taxes	42,164	46,099
Equipment and leasehold improvements, net	44,943	45,651
Intangible assets, net	55,433	65,126
Goodwill	237,961	228,876
Other assets	83,396	103,879
<b>Total assets</b>	<b>\$2,116,471</b>	<b>\$1,860,086</b>
<b>Liabilities, Temporary Equity and Permanent Equity</b>		
<b>Liabilities:</b>		
Accrued compensation	\$178,875	\$181,064
Accounts payable and accrued expenses	65,249	64,598
Dividend payable	32,923	30,057
Debt	573,811	573,655
Liabilities of consolidated CLO entity:		
Senior and subordinated note obligations	397,039	151,982
Other liabilities	70,814	298
Other liabilities	86,891	93,485
<b>Total liabilities</b>	<b>1,405,602</b>	<b>1,095,139</b>
Commitments and contingencies (Note 20)		
<b>Temporary Equity:</b>		
Redeemable non-controlling interests	88,913	107,466
<b>Permanent Equity:</b>		
Voting Common Stock, par value \$0.00390625 per share:		
Authorized, 1,280,000 shares		
Issued and outstanding, 415,078 and 415,078 shares, respectively	2	2
Non-Voting Common Stock, par value \$0.00390625 per share:		
Authorized, 190,720,000 shares		
Issued and outstanding, 115,470,485 and 117,846,273 shares, respectively	451	460
Additional paid-in capital	-	-
Notes receivable from stock option exercises	(11,143 )	(8,818 )

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Accumulated other comprehensive loss	(48,586 )	(17,996 )
Appropriated (deficit) retained earnings	(5,338 )	2,467
Retained earnings	684,845	679,061
Total Eaton Vance Corp. shareholders' equity	620,231	655,176
Non-redeemable non-controlling interests	1,725	2,305
Total permanent equity	621,956	657,481
Total liabilities, temporary equity and permanent equity	\$2,116,471	\$1,860,086

*See notes to Consolidated Financial Statements.*

## Consolidated Statements of Shareholders' Equity

(in thousands)	Permanent Equity				Notes Receivable from Stock Option Exercises	Accumulated			Non- Redeemable Non- Controlling Interests	Total Permanent Equity
	Voting and Non-Voting Common Shares	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital		Other Comprehensive Income (Loss)	Appropriated Retained Earnings	Retained Earnings		
Balance, November 1, 2012	116,292	\$2	\$453	\$26,730	\$(4,155)	\$3,923	\$18,699	\$566,420	\$1,513	\$613,585
Net income	-	-	-	-	-	-	(8,450)	193,841	5,827	191,218
Other comprehensive loss	-	-	-	-	-	(4,100)	-	-	-	(4,100)
Dividends declared (\$1.820 per share)	-	-	-	-	-	-	-	(218,740)	-	(218,740)
Issuance of Non-Voting Common Stock:										
On exercise of stock options	5,687	-	22	118,728	(5,102)	-	-	-	-	113,648
Under employee stock purchase plan	141	-	1	3,516	-	-	-	-	-	3,517
Under employee stock purchase incentive plan	69	-	-	2,079	-	-	-	-	-	2,079
Under restricted stock plan, net of forfeitures	1,460	-	6	-	-	-	-	-	-	6
Stock-based compensation	-	-	-	59,285	-	-	-	-	-	59,285
Tax benefit of stock option exercises	-	-	-	20,584	-	-	-	-	-	20,584
Repurchase of Voting Common Stock	(14 )	-	-	(73 )	-	-	-	-	-	(73)
Repurchase of Non-Voting Common Stock	(2,003 )	-	(8 )	(73,933 )	-	-	-	-	-	(73,941)
Principal repayments on notes receivable from stock option exercises	-	-	-	-	2,135	-	-	-	-	2,135
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	-	(5,361)	(5,361)
	-	-	-	-	-	-	-	-	-	-

Net consolidations  
(de-consolidations) of  
sponsored investment funds  
and CLO entities

Reclass to temporary equity	-	-	-	(27,444 )	-	-	-	-	(224 )	(27,668
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-
Issuance of subsidiary equity	-	-	-	-	-	-	-	-	-	-
Other changes in non-controlling interests	-	-	-	(4,635 )	-	-	-	-	-	(4,635
Balance, October 31, 2013	121,632	\$2	\$474	\$124,837	\$(7,122)	\$(177 )	\$10,249	\$541,521	\$1,755	\$671,539

*See notes to Consolidated Financial Statements.*

## Consolidated Statements of Shareholders' Equity (continued)

(in thousands)	Permanent Equity				Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Loss	Appropriated Retained Earnings	Retained Earnings	Non- Redeemable Non- Controlling Interests	Total Permanent Equity
	Voting and Non-Voting Common Shares	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital						
Balance, November 1, 2013	121,632	\$2	\$474	\$124,837	\$(7,122)	\$(177 )	\$10,249	\$541,521	\$1,755	\$671,533
Net income	-	-	-	-	-	-	(4,095 )	304,316	6,228	306,449
Other comprehensive loss	-	-	-	-	-	(17,819)	-	-	-	(17,819)
Dividends declared (\$0.910 per share)	-	-	-	-	-	-	-	(109,020)	-	(109,020)
Issuance of Voting Common Stock	30	-	-	162	-	-	-	-	-	162
Issuance of Non-Voting Common Stock:										
On exercise of stock options	3,732	-	14	84,704	(3,549)	-	-	-	-	81,169
Under employee stock purchase plans	110	-	-	3,709	-	-	-	-	-	3,709
Under employee stock purchase incentive plans	99	-	-	3,353	-	-	-	-	-	3,353
Under restricted stock plans, net of forfeitures	1,176	-	5	-	-	-	-	-	-	5
Stock-based compensation	-	-	-	60,281	-	-	-	-	-	60,281
Tax benefit of stock option exercises	-	-	-	18,570	-	-	-	-	-	18,570
Repurchase of Voting Common Stock	(14 )	-	-	(77 )	-	-	-	-	-	(77)
Repurchase of Non-Voting Common Stock	(8,504 )	-	(33 )	(266,561)	-	-	-	(55,426 )	-	(322,024)
Principal repayments on notes receivable from stock option exercises	-	-	-	-	1,853	-	-	-	-	1,853
Net subscriptions (redemptions/distributions) of non-controlling interest	-	-	-	-	-	-	-	-	(5,326)	(5,326)



holders

Net consolidations (de-consolidations) of sponsored investment funds and CLO entities	-	-	-	-	-	-	(3,687)	-	-	(3,687)
Reclass to temporary equity	-	-	-	-	-	-	-	-	(352)	(352)
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-
Issuance of subsidiary equity	-	-	-	-	-	-	-	-	-	-
Other changes in non-controlling interests	-	-	-	(28,978)	-	-	-	(2,330)	-	(31,308)
Balance, October 31, 2014	118,261	\$2	\$460	\$-	\$(8,818)	\$(17,996)	\$2,467	\$679,061	\$2,305	\$657,488

*See notes to Consolidated Financial Statements.*

## Consolidated Statements of Shareholders' Equity (continued)

(in thousands)	Permanent Equity				Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Loss	Appropriated (Deficit) Retained Earnings	Non- Redeemable Non- Controlling Interests	Total Permanent Equity	
	Voting and Non-Voting Common Shares	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital						
Balance, November 1, 2014	118,261	\$2	\$460	\$-	\$(8,818 )	\$(17,996)	\$2,467	\$679,061	\$2,305	\$657,4
Net income	-	-	-	-	-	-	(5,825)	230,299	4,049	228,5
Other comprehensive loss	-	-	-	-	-	(30,590)	-	-	-	(30,5
Dividends declared (\$1.015 per share)	-	-	-	-	-	-	-	(118,719)	-	(118,7
Issuance of Voting Common Stock	14	-	-	77	-	-	-	-	-	77
Issuance of Non-Voting Common Stock:										
On exercise of stock options	3,500	-	14	87,625	(4,752 )	-	-	-	-	82,88
Under employee stock purchase plans	101	-	-	3,324	-	-	-	-	-	3,324
Under employee stock purchase incentive plan	94	-	-	3,483	-	-	-	-	-	3,483
Under restricted stock plan, net of forfeitures	1,304	-	5	-	-	-	-	-	-	5
Stock-based compensation	-	-	-	69,279	-	-	-	-	-	69,27
Tax benefit of stock option exercises	-	-	-	9,979	-	-	-	-	-	9,979
Repurchase of Voting Common Stock	(14 )	-	-	(77 )	-	-	-	-	-	(77
Repurchase of Non-Voting Common Stock	(7,374 )	-	(28 )	(177,548)	-	-	-	(105,796)	-	(283,3
Principal repayments on notes receivable from stock option exercises	-	-	-	-	2,427	-	-	-	-	2,427
Net subscriptions (redemptions/distributions) of non-controlling interest	-	-	-	-	-	-	-	-	(4,032)	(4,032)

holders

Net consolidations (de-consolidations) of sponsored investment funds and CLO entities	-	-	-	-	-	-	(1,980)	-	-	(1,980)
Reclass to temporary equity	-	-	-	-	-	-	-	-	(597 )	(597 )
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-
Other changes in non-controlling interests	-	-	-	3,858	-	-	-	-	-	3,858
Balance, October 31, 2015	115,886	\$2	\$451	\$-	\$(11,143)	\$(48,586)	\$(5,338)	\$684,845	\$1,725	\$621,9

*See notes to Consolidated Financial Statements.*

**Consolidated Statements of Cash Flows**

(in thousands)	Years Ended October 31,		
	2015	2014	2013
<b>Cash Flows From Operating Activities:</b>			
Net income	\$238,191	\$321,164	\$230,426
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	21,749	21,398	25,397
Unamortized gain on derivative instrument	-	-	2,015
Amortization of deferred sales commissions	14,976	17,664	19,643
Stock-based compensation	69,279	60,281	59,285
Deferred income taxes	4,784	11,382	(7,293 )
Net losses on investments and derivatives	9,151	6,946	5,080
Equity in net income of affiliates, net of amortization	(12,734 )	(20,274 )	(18,020 )
Dividends received from affiliates	15,908	16,079	16,869
Loss on extinguishment of debt	-	-	52,996
Consolidated CLO entities' operating activities:			
Net (gains) losses on bank loans, other investments and note obligations	(1,625 )	1,282	7,151
Amortization	3	(754 )	(808 )
Net increase (decrease) in other assets and liabilities, including cash	(141,450)	(114,974)	9,943
Changes in operating assets and liabilities:			
Investment advisory fees and other receivables	(1,151 )	(16,206 )	(30,571 )
Investments in trading securities	639	(187,295)	(251,437)
Deferred sales commissions	(22,294 )	(17,580 )	(18,230 )
Other assets	3,466	(8,092 )	17,501
Accrued compensation	(2,078 )	11,140	22,620
Accounts payable and accrued expenses	1,308	5,911	(4,872 )
Other liabilities	21,745	(9,287 )	(21,328 )
Net cash provided by operating activities	219,867	98,785	116,367
<b>Cash Flows From Investing Activities:</b>			
Additions to equipment and leasehold improvements	(11,480 )	(7,580 )	(6,274 )
Net cash paid in acquisition	(9,085 )	-	(86,429 )
Cash paid for intangible assets	-	-	(300 )
Proceeds from sale of investments	69,946	95,788	107,285
Purchase of investments	(10,583 )	(27,846 )	(7,356 )
Consolidated CLO entities' investing activities:			
Proceeds from sales and maturities of bank loans and other investments	147,766	378,100	354,806
Purchase of bank loans and other investments	(102,298)	(253,002)	(184,704)
Net cash provided by investing activities	84,266	185,460	177,028

*See notes to Consolidated Financial Statements.*



**Consolidated Statements of Cash Flows (continued)**

(in thousands)	Years Ended October 31,		
	2015	2014	2013
<b>Cash Flows From Financing Activities:</b>			
Purchase of additional non-controlling interest	(19,964 )	(26,872 )	(43,507 )
Proceeds from issuance of subsidiary equity	-	-	1,092
Line of credit issuance costs	-	(1,111 )	-
Debt issuance costs	-	-	(2,940 )
Proceeds from issuance of debt	-	-	323,440
Repayment of debt	-	-	(250,000)
Loss on extinguishment of debt	-	-	(52,996 )
Proceeds from issuance of Voting Common Stock	77	162	-
Proceeds from issuance of Non-Voting Common Stock	89,699	88,236	119,250
Repurchase of Voting Common Stock	(77 )	(77 )	(73 )
Repurchase of Non-Voting Common Stock	(283,372)	(322,020)	(73,941 )
Principal repayments on notes receivable from stock option exercises	2,427	1,853	2,135
Excess tax benefit of stock option exercises	9,979	18,570	20,584
Dividends paid	(116,016)	(105,848)	(215,539)
Net subscriptions received from (redemptions/distributions paid to) non-controlling interest holders	(7,895 )	(5,702 )	56,977
<b>Consolidated CLO entities' financing activities:</b>			
Proceeds from line of credit	83,612	-	-
Repayment of line of credit	(202,357)	(247,789)	-
Repayment of redeemable preferred shares	-	(60,000 )	-
Issuance of senior and subordinated notes and preferred shares	401,607	429,582	-
Principal repayments of senior and subordinated note obligations	(179,166)	(128,362)	(177,500)
Net cash used for financing activities	(221,446)	(359,378)	(293,018)
Effect of currency rate changes on cash and cash equivalents	(2,344 )	(1,558 )	(547 )
Net increase (decrease) in cash and cash equivalents	80,343	(76,691 )	(170 )
Cash and cash equivalents, beginning of year	385,215	461,906	462,076
Cash and cash equivalents, end of year	\$465,558	\$385,215	\$461,906
<b>Supplemental Cash Flow Information:</b>			
Cash paid for interest	\$28,390	\$29,298	\$28,712
Cash paid for interest by consolidated CLO entities	2,388	7,103	13,220
Cash paid for income taxes, net of refunds	120,496	172,119	145,343
<b>Supplemental Disclosure of Non-Cash Information:</b>			
Increase in equipment and leasehold improvements due to non-cash additions	\$389	\$154	\$379
Exercise of stock options through issuance of notes receivable	4,752	3,549	5,102
Acquisition of non-controlling interests through issuance of subsidiary equity	-	9,935	-
Non-controlling interest call option exercises recorded in other liabilities	10,105	11,594	34,488
<b>Initial Consolidation of CLO Entity:</b>			
Increase in other assets, net of other liabilities	\$(54,578 )	\$-	\$(113,731)
Increase in investments	207,371	-	424,152
Increase in borrowings	153,745	-	307,789

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De-consolidation of CLO Entity:			
Decrease in other assets, net of other liabilities	\$(3,566 )	\$(19,210 )	\$-
Decrease in investments	(1,559 )	(411,897)	-
Decrease in borrowings	(4,097 )	(427,418)	-
Net Consolidations (De-consolidations) of Sponsored Investment Funds:			
Decrease in investments	\$(21,029 )	\$(4,122 )	\$(92,399 )
Increase in other assets, net of other liabilities	18,992	-	-
Decrease in non-controlling interests	(2,623 )	(4,111 )	(93,689 )

*See notes to Consolidated Financial Statements.*

## Notes to Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

#### *Business and organization*

Eaton Vance Corp. and its subsidiaries (the “Company”) manage investment funds and provide investment management and advisory services to high-net-worth individuals and institutions in the United States, Europe and certain other international markets. The Company distributes its funds and retail managed accounts principally through financial intermediaries. The Company also commits significant resources to serving institutional and high-net-worth clients who access investment management services on a direct basis.

Revenue is largely dependent on the total value and composition of assets under management, which include sponsored funds and separate accounts. Accordingly, fluctuations in financial markets and changes in the composition of assets under management impact revenue and the results of operations.

#### *Basis of presentation*

The preparation of the Company’s consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make judgments, estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and related notes to the Consolidated Financial Statements. Management believes that the accounting estimates are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual results could differ from those estimates.

#### *Payments to end certain closed-end fund service and additional compensation arrangements*

During the first quarter of fiscal 2015, the Company made a one-time payment of \$73.0 million to terminate certain closed-end fund service and additional compensation arrangements with a distribution partner. The payment was included as a component of distribution expense in the Company’s Consolidated Statement of Income for the fiscal year ended October 31, 2015.



*Principles of consolidation*

The Consolidated Financial Statements include the accounts of the Company and its controlled affiliates. The Company consolidates any voting interest entity in which the Company's ownership exceeds 50 percent or where the Company has control. In addition, the Company consolidates any variable interest entity ("VIE"), including the consolidated collateralized loan obligation ("CLO") entity referred to below, for which the Company is considered the primary beneficiary. The Company recognizes non-controlling and other beneficial interests in consolidated affiliates in which the Company's ownership is less than 100 percent. All intercompany accounts and transactions have been eliminated in consolidation.

The Company may be considered the primary beneficiary of certain CLO entities for which it acts as collateral manager. In these instances, the Company consolidates the assets, liabilities, results of operations and cash flows of such entities in the Company's Consolidated Financial Statements. The assets of consolidated CLO entities cannot be used by the Company, and senior and subordinated interest holders of the CLO entities have no recourse to the general credit or assets of the Company. There is generally a one-month lag between the Company's fiscal year end and that of consolidated CLO entities for reporting purposes. There were no intervening events during that one-month period that would materially affect the

Company's consolidated financial position, results of operations or cash flows as of and for the year ended October 31, 2015.

The Company may maintain a controlling interest in an open-end registered investment company that it sponsors (a "sponsored fund"). Under the specialized accounting guidance for investment companies, underlying investments held by consolidated sponsored funds are carried at fair value, with corresponding changes in fair value reflected in gains (losses) and other investment income, net, in the Company's Consolidated Statements of Income. Upon consolidation, the Company retains the specialized accounting treatment of the sponsored fund.

With limited exceptions, each of the Company's sponsored mutual funds is organized as a separately managed component (or "series") of a series trust. All assets of a series irrevocably belong to that series and are subject to the liabilities of that series; under no circumstances are the liabilities of one series payable by another series. Series trusts themselves have no equity investment at risk, but decisions regarding the trustees of the trust and certain key activities of each sponsored fund within the trust, such as appointment of each sponsored fund's investment adviser, typically reside at the trust level. As a result, shareholders of a sponsored fund that is organized as a series of a series trust lack the ability to control the key decision-making processes that most directly affect the performance of the sponsored fund. Accordingly, the Company believes that each trust is a VIE and each sponsored fund is a silo of a VIE that also meets the definition of a VIE. Having concluded that each silo is a VIE, the primary beneficiary evaluation is focused on an analysis of economic interest. The Company may hold the majority of the shares of a sponsored fund corresponding to a majority economic interest during the seed investment stage when the fund's investment track record is being established or when the fund is in the early stages of soliciting outside investors. The Company consolidates the fund as primary beneficiary during this period. While the sponsored fund is consolidated, the Company records fee revenue, but eliminates this fee revenue in consolidation.

The Company regularly seeds new sponsored funds and therefore may consolidate a variety of sponsored funds during a given reporting period. Due to the similarity of risks related to the Company's involvement with each sponsored fund, disclosures required under the VIE model are aggregated, such as those disclosures regarding the carrying amount and classification of assets of the sponsored funds and the gains and losses that the Company recognizes from the sponsored funds.

When the Company is no longer deemed to hold a controlling financial interest in a sponsored fund, which occurs when either the Company redeems its shares or shares held by third parties exceed the number of shares held by the Company, the Company de-consolidates the sponsored fund and removes the related assets, liabilities and non-controlling interests from its balance sheet and classifies the Company's remaining investment as either an equity method investment or as available-for-sale, as applicable. Because consolidated sponsored funds utilize fair value measurements, there is no incremental gain or loss recognized upon de-consolidation.

The extent of the Company's exposure to loss with respect to a consolidated sponsored fund is the amount of the Company's investment in the sponsored fund. The Company is not obligated to provide financial support to sponsored funds. Only the assets of a sponsored fund are available to settle its obligations. Beneficial interest holders of sponsored funds do not have recourse to the general credit of the Company.

*Consolidation of VIEs*

Accounting guidance provides a framework for determining whether an entity should be considered a VIE and, if so, whether a company's involvement with the entity results in a variable interest in the entity. If the Company determines that it does have a variable interest in an entity, it must perform an analysis to determine whether it is the primary beneficiary of the VIE. If the Company determines it is the primary

beneficiary of the VIE, it is required to consolidate the assets, liabilities, results of operations and cash flows of the VIE into the Consolidated Financial Statements of the Company.

A company is the primary beneficiary of a VIE if it has a controlling financial interest in the VIE. A company is deemed to have a controlling financial interest in a VIE if it has both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company's evaluation of whether it qualifies as the primary beneficiary of a VIE is highly complex. The Company uses two models for determining whether it is the primary beneficiary of a VIE.

For investments in VIEs other than CLOs that qualify for the deferral afforded by Accounting Standards Update ("ASU") 2010-10, *Consolidation – Amendments for Certain Investment Funds* (the "Investment Company deferral"), the Company must make significant estimates and assumptions regarding future cash flows of each VIE to determine whether it has the majority of the risks and rewards of ownership and thus is the primary beneficiary of these VIEs.

For CLOs, the Company has concluded that it does not qualify for the Investment Company deferral and therefore the Company must evaluate estimates and assumptions relating primarily to market interest rates, credit default rates, pre-payment rates, discount rates, the marketability of certain securities and the probability of certain outcomes. There is also judgment involved in assessing whether the Company has the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the entity.

While the Company believes its overall evaluation of VIEs is appropriate, future changes in estimates, judgments and assumptions and/or changes in the ownership interests of the Company in a VIE may affect the resulting consolidation, or de-consolidation, of the assets, liabilities, results of operations and cash flows of a VIE.

### ***Segment information***

Management has determined that the Company operates in one segment, namely as an investment adviser managing funds and separate accounts. The Company's determination that it operates in one business segment is based on the fact that the Company's chief operating decision maker (namely, the Company's Chief Executive Officer) reviews the

Company's financial performance at an aggregate level. All of the products and services provided by the Company relate to investment management and are subject to a similar regulatory framework. Investment management teams at the Company are generally not aligned with specific product lines or distribution channels; in many instances, the investment professionals who manage the Company's funds are the same investment professionals who manage the Company's separately managed accounts.

***Cash and cash equivalents***

Cash and cash equivalents consist principally of cash and short-term, highly liquid investments in money market funds, commercial paper and holdings of Treasury and government agency securities, which are readily convertible to cash. Cash equivalents have maturities of less than three months on the date of acquisition and are stated at fair value or cost, which approximates fair value due to the short-term maturities of the underlying investments.

### *Restricted cash*

Restricted cash consists principally of cash collateral required for margin accounts established to support derivative positions and securities sold, not yet purchased. Restricted cash is included as a component of other assets on the Company's Consolidated Balance Sheets and is not available to the Company for general corporate use. Such derivatives and securities sold, not yet purchased, are used to hedge certain investments in consolidated sponsored funds and separately managed accounts seeded for product development purposes. Because the accounts are used to support trading activities, changes in restricted cash balances are reflected as operating cash flows in the Company's Consolidated Statements of Cash Flows.

### *Investments*

#### *Investment securities, trading*

Marketable securities classified as trading securities consist of investments in debt and equity securities held in the portfolios of consolidated sponsored funds and separately managed accounts seeded by the Company for product development purposes, and bank obligations, certificates of deposit, commercial paper and corporate debt securities with remaining maturities (upon purchase by the Company) ranging from three months to 12 months.

Investment securities held in the portfolios of consolidated sponsored funds, separately managed accounts and/or held directly by the Company are carried at fair value based on quoted market prices. Net realized and unrealized gains or losses are reflected as a component of gains (losses) and other investment income, net, within non-operating income (expense). The specific identified cost method is used to determine the realized gains or losses on all trading securities sold.

#### *Investment securities, available-for-sale*

Marketable securities classified as available-for-sale consist primarily of investments in shares of sponsored funds and are carried at fair value based on quoted market prices. Unrealized holding gains or losses (to the extent such losses are considered temporary) are reported net of deferred tax as a separate component of accumulated other comprehensive income (loss) until realized. Realized gains or losses are reflected as a component of gains (losses) and other investment income, net, within non-operating income (expense). The specific identified cost method is used to determine the realized gains or losses on the sale of shares of sponsored funds.

The Company evaluates the carrying value of marketable securities classified as available-for-sale for impairment on a quarterly basis. In its impairment analysis, the Company takes into consideration numerous criteria, including the duration and extent of any decline in fair value and the Company's intent with respect to a given security. If the decline in value is determined to be other-than-temporary, the carrying value of the security is written down to fair value through net income.

*Investments in non-consolidated CLO entities*

Investments in non-consolidated CLO entities are carried at amortized cost unless impaired. The excess of actual and anticipated future cash flows over the initial investment at the date of purchase is recognized in gains (losses) and other investment income, net, over the life of the investment using the effective yield method. The Company reviews cash flow estimates throughout the life of each non-consolidated CLO entity. If the updated estimate of future cash flows (taking into account both timing and amounts) is less than the last revised estimate, an impairment loss is recognized to the extent the carrying amount of the investment exceeds its fair value.

*Investments in equity method investees*

Investments in non-controlled affiliates in which the Company's ownership ranges from 20 to 50 percent, or in instances in which the Company is able to exercise significant influence but not control, are accounted for under the equity method of accounting. Under the equity method of accounting, the Company's share of the investee's underlying net income or loss is recorded as equity in net income of affiliates, net of tax. Distributions received from the investment reduce the Company's investment balance. Investments in equity method investees are evaluated for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of the assets exceed their respective fair values, additional impairment tests are performed to measure the amounts of the impairment losses, if any.

*Investments, other*

Certain investments are carried at cost. The fair values of cost-method investments are not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair values of the investments.

*Fair value measurements*

The accounting standards for fair value measurement provide a framework for measuring fair value and require expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standards establish a fair value measurement hierarchy, which requires an entity to maximize the use of observable inputs where available. This fair value measurement hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The Company utilizes third-party pricing services to value investments in various asset classes, including interests in senior floating-rate loans and other debt obligations, derivatives and certain foreign equity securities, as further discussed below. Valuations provided by the pricing services are subject to exception reporting that identifies securities with significant movements in valuation, as well as investments with no movements in valuation. These exceptions are reviewed by the Company on a daily basis. The Company compares the price of trades executed by the Company to the valuations provided by the third-party pricing services to identify and research significant variances. The Company periodically compares the pricing service valuations to valuations provided by a secondary independent source when available. Market data provided by the pricing services and other market participants, such as the Loan Syndication and Trading Association ("LSTA") trade study, is reviewed by the Company to assess the reliability of the provided data. The Company's Valuation Committee reviews the general assumptions underlying the methodologies used by the pricing services to value various asset classes at least annually. Throughout the year, members of the Company's Valuation Committee or its designees meet with the service providers to discuss any significant changes to



the service providers' valuation methodologies or operational processes.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories based on the nature of the inputs that are significant to the fair value measurements in their entirety. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value measurement hierarchy. In such cases, an investment's classification within the fair value measurement hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities at the reporting date.

Observable inputs other than Level 1 unadjusted quoted market prices, such as quoted market prices for Level 2 similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active, and inputs other than quoted prices that are observable or corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity.

The Company recognizes any transfers between levels at the end of each quarter.

### *Derivative financial instruments*

The Company may utilize derivative financial instruments to hedge market risk and currency risk associated with its investments in separate accounts and certain consolidated sponsored funds seeded for new product development purposes, exposures to fluctuations in foreign currency exchange rates associated with investments denominated in foreign currencies and interest rate risk inherent in debt offerings. These derivative financial instruments may or may not qualify as hedges for accounting purposes. In addition, certain consolidated sponsored funds and separately managed accounts may enter into derivative financial instruments within their portfolios to achieve stated investment objectives. The Company does not use derivative financial instruments for speculative purposes.

The Company records all derivative financial instruments as either assets or liabilities on its Consolidated Balance Sheets and measures these instruments at fair value. Derivative transactions are presented on a gross basis in the Company's Consolidated Balance Sheets. For a derivative financial instrument that is designated as a cash flow hedging instrument, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into earnings over the life of the hedge. The ineffective portion of the gain or loss is reported in earnings immediately. Changes in the fair value of the Company's other derivative financial instruments are recognized in earnings in the current period.

### *Deferred sales commissions*

Sales commissions paid to broker-dealers in connection with the sale of certain classes of shares of open-end funds and private funds are generally capitalized and amortized over the period during which redemptions by the purchasing shareholder are subject to a contingent deferred sales charge, which does not exceed six years from purchase. Distribution plan payments received from these funds are recorded in revenue as earned. Contingent deferred sales charges and early withdrawal charges received from redeeming shareholders of these funds are generally applied to reduce the Company's unamortized deferred sales commission assets. Should the Company lose its ability to recover such sales commissions through distribution plan payments and contingent deferred sales charges, the value of its deferred sales commission asset would immediately decline, as would related future cash flows.

The Company evaluates the carrying value of its deferred sales commission assets for impairment on a quarterly basis. In its impairment analysis, the Company compares the carrying value of the deferred sales commission asset to the undiscounted cash flows expected to be generated by the asset in the form of distribution fees over its remaining useful life to determine whether impairment has occurred. If the carrying value of the asset exceeds the undiscounted cash flows, the asset is written down to fair value based on discounted cash flows. Impairment adjustments are recognized in operating income as a component of amortization of deferred sales commissions.

### *Income taxes*

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax bases of the Company's assets and liabilities measured using rates expected to be in effect when such differences reverse. To the extent that deferred tax assets are considered more likely than not to be unrealizable, valuation allowances are provided.

The Company's effective tax rate reflects the statutory tax rates of the many jurisdictions in which it operates. Significant judgment is required in determining its effective tax rate and in evaluating its tax positions. In the ordinary course of business, many transactions occur for which the ultimate tax outcome is uncertain. Accounting standards governing the accounting for uncertainty in income taxes for a tax position taken or expected to be taken in a tax return require that the tax effects of a position be recognized only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold must be met in each reporting period to support continued recognition of the benefit. The difference between the tax benefit recognized in the financial statements for a tax position and the tax benefit claimed in the income tax return is referred to as an unrecognized tax benefit. Unrecognized tax benefits, as well as the related interest and penalties, are adjusted regularly to reflect changing facts and circumstances. The Company classifies any interest or penalties incurred as a component of income tax expense.

### *Equipment and leasehold improvements*

Equipment and other fixed assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, which range from three to five years. Accelerated methods are used for income tax purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the terms of the leases. Expenditures for repairs and maintenance are charged to expense when incurred. Equipment and leasehold improvements are tested for impairment whenever changes in facts or circumstances indicate that the carrying amount of an asset may not be recoverable.

Certain internal and external costs incurred in connection with developing or obtaining software for internal use are capitalized and amortized on a straight-line basis over the shorter of the estimated useful life of the software or three years, beginning when the software project is complete and the application is put into production. These costs are included in equipment and leasehold improvements on the Company's Consolidated Balance Sheets.

### *Goodwill*

Goodwill represents the excess of the cost of the Company's investment in the net assets of acquired companies over the fair value of the underlying identifiable net assets at the dates of acquisition. The Company attributes all goodwill associated with its acquisitions of Atlanta Capital Management, LLC ("Atlanta Capital"), Parametric Portfolio Associates LLC ("Parametric") and The Clifton Group Investment Management Company ("Clifton"), which share similar economic characteristics, to one reporting unit. The Company attributes all goodwill associated with its acquisitions of the Tax Advantaged Bond Strategies ("TABS") business of M.D. Sass Investor Services and other acquisitions to a second reporting unit.

Goodwill is not amortized but is tested annually for impairment in the fourth quarter of each fiscal year by comparing the fair values of identified reporting units to their respective carrying amounts, including goodwill. The Company establishes fair value for the purpose of impairment testing for each reporting unit by averaging fair value established using an income approach and fair value established using a market approach.

The income approach employs a discounted cash flow model that takes into account (1) assumptions that market participants would use in their estimates of fair value, (2) current period actual results and (3) budget projections for future periods that have been vetted by senior management. The discounted cash flow model incorporates the same fundamental pricing concepts used to calculate fair value in the acquisition due diligence process and a discount rate that takes into consideration the Company's estimated cost of capital adjusted for the uncertainty inherent in the forecasted information.

The market approach employs market multiples based on comparable publicly traded companies in the financial services industry, calculated with data from industry sources. Estimates of fair value are established using a multiple of assets under management and current and forward multiples of both revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted for size and performance of the reporting unit relative to peer companies. A weighting of the value indications is then performed, giving greater weight to fair value calculated based on multiples of revenue and EBITDA and lesser weight to fair value calculated as a multiple of assets under management. Fair values calculated using one-year and two-year forward and trailing twelve-month revenue multiples, and one-year, two-year and trailing twelve-month EBITDA multiples are each weighted 15 percent, while fair value calculated based on a multiple of assets under management is weighted 10 percent.

If the carrying amount of the reporting unit exceeds its calculated fair value, the second step of the goodwill impairment test will be performed to measure the amount of the impairment loss, if any.

### ***Intangible assets***

Amortizing identifiable intangible assets generally represent the cost of client relationships, intellectual property and management contracts acquired. In valuing these assets, the Company makes assumptions regarding useful lives and projected growth rates, and significant judgment is required. The Company periodically reviews its identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of those assets exceed their respective fair values, additional impairment tests are performed to measure the amounts of the impairment losses, if any.

Non-amortizing intangible assets generally represent the cost of mutual fund management contracts acquired. Non-amortizing intangible assets are tested for impairment in the fourth quarter of each fiscal year by comparing the fair values of the management contracts acquired to their carrying values. The Company establishes fair value for purposes of impairment testing using the income approach. If the carrying value of a management contract acquired exceeds its fair value, an impairment loss is recognized equal to that excess.

*Debt issuance costs*

Deferred debt issuance costs are amortized using the effective interest method over the related term of the debt and are included in other assets. The amortization of deferred debt issuance costs is included in interest expense.

*Appropriated retained earnings (deficit)*

The Company records appropriated retained earnings (deficit) equal to the difference between the fair value of consolidated CLO assets and the fair value of consolidated CLO liabilities that can be attributed to external investors. The amount is recorded as appropriated retained earnings (deficit) since the other holders of the CLOs' beneficial interests, not the Company, will receive the benefits or absorb the losses associated with their proportionate share of the CLOs' assets and liabilities. For all periods presented, the net changes

in the fair value of consolidated CLO assets and liabilities that can be attributed to the CLOs' other beneficial interest holders have been recorded as net income attributable to non-controlling and other beneficial interests and as an adjustment to appropriated retained earnings (deficit).

### ***Revenue recognition***

#### *Investment advisory and administrative fees*

Investment advisory and administrative fees for the funds and investment advisory fees for separate accounts managed by the Company are recorded in revenue as the services are performed. Such fees are based primarily on predetermined percentages of the market values of the assets under management. The Company's fund investment advisory and administrative fees are calculated principally as a percentage of average daily net assets. The Company's separate account investment advisory fees are calculated as a percentage of either beginning, average or ending monthly or quarterly net assets. Investment advisory and administrative fees for the funds are earned daily and paid monthly; investment advisory fees for separate accounts are earned daily and paid either monthly or quarterly. The Company may waive certain fees for investment and administrative services at its discretion.

The Company has contractual arrangements with third parties to provide certain fund-related services, including sub-advisory and distribution-related services. Management's determination of whether revenue should be reported gross based on the amount paid by the funds or net of payments to third-party service providers is based on management's assessment of whether the Company is acting as the principal service provider or is acting as an agent. The primary factors considered in assessing the nature of the Company's role include (1) whether the Company is responsible for the fulfillment of the obligation, including the acceptability of the services provided; (2) whether the Company has reasonable latitude to establish the price of the service provided; (3) whether the Company has the discretion to select the service provider; and (4) whether the Company assumes credit risk in the arrangement.

Pursuant to management's assessment of the criteria described above, investment advisory and administrative fees are recorded gross of any sub-advisory payments, with the corresponding fees paid to any sub-adviser based on the terms of those arrangements included in fund-related expenses in the Company's Consolidated Statements of Income.

#### *Distribution, underwriter and service fees*

Eaton Vance Distributors, Inc. ("EVD") currently sells the Company's open-end mutual funds under five primary pricing structures: front-end load commission ("Class A"); level-load commission ("Class C"); institutional no-load ("Class I," "Class R6" and "Institutional Class," referred to herein as "Class I"); retail no-load ("Investor Class" and "Advisers Class," referred to herein as "Class N"); and retirement plan level-load ("Class R"). Distribution and service fees for all share classes, as further described below, are calculated as a percentage of average daily net assets and recorded in revenue as earned,



gross of any third-party distribution and service fee payments made. Distribution and service fees are earned daily and paid monthly. The expenses associated with third-party distribution and service fee arrangements are recorded in distribution and service fee expense, respectively, as the services are provided by the third party. These expenses are also paid monthly.

For Class A shares, the shareholder pays an underwriter commission to EVD of up to 75 basis points of the dollar value of the shares sold. Underwriter commissions are recorded in revenue at the time of sale. Under certain conditions, the Company may waive the front-end sales load on Class A shares and sell the shares at net asset value. EVD does not receive underwriter commissions on such sales. In addition, for most Class A shares EVD generally receives (and then pays to authorized firms after one year) a combined distribution and service fee of up to 30 basis points of average net assets annually.

In January 2012, the Company suspended sales of Class B shares. Additional investment in this share class is limited to exchanges and the reinvestment of distributions by existing Class B shareholders. EVD continues to recover dealer commissions previously paid on behalf of Class B shareholders through distribution fees limited to 75 basis points annually of the average net assets of the Class B shares. In addition, EVD receives, and then pays to authorized firms, a service fee not to exceed 25 basis points annually of average net assets. Class B shares automatically convert to Class A shares after eight years of ownership.

For Class C shares, the shareholder pays no front-end commissions and no contingent deferred sales charges on redemptions after the first year. EVD pays a commission and the projected first year service fees to the dealer at the time of sale, which together are capitalized and amortized over the first year. EVD receives distribution fees and service fees at an annual rate of up to 75 basis points and 25 basis points, respectively, of average net assets of the Class. EVD pays both the distribution fee and service fee to the dealer after one year. Redemptions of Class C shares within twelve months of purchase are generally subject to deferred sales charges of one percent.

Class I shares are offered at net asset value and are not subject to any sales charges, underwriter commissions, distribution fees or service fees.

Class N shares are offered at net asset value and are not subject to any sales charges or underwriter commissions. Class N shares pay a combined distribution and service fee of 25 basis points of average net assets of the Class annually. EVD pays the service fee to the dealer after one year.

Class R shares are offered at net asset value with no front-end sales charge. The Company receives and then generally pays to dealers distribution and service fees each of 25 basis points of average net assets of the Class annually.

### ***Advertising and promotion***

The Company expenses all advertising and promotional costs as incurred. Advertising costs incurred were not material to the Company's Consolidated Financial Statements in the fiscal years ended October 31, 2015, 2014 or 2013.

### ***Leases***

The Company leases office space under various leasing arrangements. As leases expire, they are normally renewed or replaced in the ordinary course of business. Most lease agreements contain renewal options, rent escalation clauses and/or other inducements provided by the landlord. Rent expense is recorded on a straight-line basis, including escalations and inducements, over the lease term.

### *Earnings per share*

Earnings per basic and diluted share are calculated under the two-class method. Pursuant to the two-class method, the Company's unvested restricted stock awards with non-forfeitable rights to dividends, which relate exclusively to restricted stock awards granted on or before November 1, 2012, are considered participating securities. Under the two-class method, earnings per basic share is calculated by dividing net income available to Eaton Vance Corp. shareholders by the weighted-average number of common shares outstanding during the period. The two-class method includes an earnings allocation formula that determines earnings per share for each participating security according to dividends declared and undistributed earnings for the period. Net income available to Eaton Vance Corp. shareholders is reduced by the amount allocated to participating restricted shares to arrive at the earnings allocated to common stock shareholders for purposes of calculating earnings per share. Dividends declared per share on the unvested restricted shares are equal to the dividends declared per common share on the Company's Voting and Non-Voting Common Stock. Earnings per diluted

share is computed on the basis of the weighted-average number of common shares outstanding during the period plus the dilutive effect of any potential common shares outstanding during the period using the more dilutive of the treasury method or two-class method.

### ***Stock-based compensation***

The Company accounts for stock-based compensation expense at fair value. Under the fair value method, stock-based compensation expense, which reflects the fair value of stock-based awards measured at grant date, is recognized on a straight-line basis over the relevant service period (generally five years) and is adjusted each period for anticipated forfeitures.

The fair value of each option award granted is estimated using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, volatility, an appropriate risk-free interest rate and the expected life of the option.

The fair value of profit interests granted under subsidiary long-term equity plans is estimated on the grant date by averaging fair value established using an income approach and fair value established using a market approach for each subsidiary. The income and fair value approaches used in the determination of grant date fair value of profit interests are consistent with those described in Goodwill above.

Tax benefits realized upon the exercise of stock options that are in excess of the expense previously recognized for financial reporting purposes are recorded in shareholders' equity and reflected as a financing activity in the Company's Consolidated Statements of Cash Flows. If the tax benefit realized is less than the expense previously recorded, the shortfall is recorded in shareholders' equity. To the extent the expense exceeds available windfall tax benefits, it is recorded in the Company's Consolidated Statements of Income and reflected as an operating activity on the Company's Consolidated Statements of Cash Flows.

### ***Foreign currency translation***

Substantially all of the Company's foreign subsidiaries have a functional currency that is something other than the U.S. dollar. Assets and liabilities of these subsidiaries are translated into U.S. dollars at current exchange rates as of the end of each accounting period. Related revenue and expenses are translated at average exchange rates in effect during the accounting period. Net translation exchange gains and losses are excluded from income and recorded in accumulated

other comprehensive income (loss). Foreign currency transaction gains and losses are reflected in gains (losses) and other investment income, net, as they occur.

*Comprehensive income*

The Company reports all changes in comprehensive income in its Consolidated Statements of Comprehensive Income. Comprehensive income includes net income, the change in unrealized gains on certain derivatives, the amortization of net gains and losses on certain derivatives, unrealized holding gains and losses on investment securities classified as available-for-sale and foreign currency translation adjustments, in each case net of tax. When the Company has established an indefinite reinvestment assertion for a foreign subsidiary, deferred income taxes are not provided on the related foreign currency translation exchange gains and losses.

### *Non-controlling interests*

Non-redeemable non-controlling interests consist entirely of unvested interests granted to employees of the Company's majority-owned subsidiaries under subsidiary-specific long-term equity plans. These grants become subject to holder put rights upon vesting and are reclassified to temporary equity as vesting occurs.

Non-controlling interests redeemable at fair value consist of interests in the Company's consolidated sponsored funds and certain vested interests held by employees of our majority-owned subsidiaries under the subsidiaries' long-term equity plans. The Company's non-controlling interests redeemable at fair value are recorded in temporary equity at estimated redemption value and changes in the estimated redemption value of these interests are recognized as increases or decreases to additional paid-in capital.

Non-controlling interests redeemable at other than fair value consist of certain other interests in the Company's majority-owned subsidiaries. These interests are subject to holder put rights and Company call rights at established multiples of earnings before interest and taxes and, as such, are considered redeemable at other than fair value. The put and call rights are not legally detachable or separately exercisable and are deemed to be embedded in the related non-controlling interests. Non-controlling interests redeemable at other than fair value are recorded on the Company's Consolidated Balance Sheets in temporary equity at estimated redemption value, and changes in estimated redemption value of these interests are recorded to the Company's Consolidated Statements of Income as increases or decreases to net income attributable to non-controlling and other beneficial interests.

### *Loss contingencies*

The Company continuously reviews any investor, employee or vendor complaints and pending or threatened litigation. The Company evaluates the likelihood that a loss contingency exists under the criteria of applicable accounting standards through consultation with legal counsel and records a loss contingency, inclusive of legal costs, if the contingency is probable and reasonably estimable at the date of the financial statements. There are no losses of this nature that are currently deemed probable and reasonably estimable, and, thus, none have been recorded in the accompanying Consolidated Financial Statements.

## **2. New Accounting Standards Not Yet Adopted**

### *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*

In August 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*, which provides a measurement alternative for an entity that consolidates collateralized financing entities (“CFEs”). If elected, the alternative method results in the reporting entity measuring both the financial assets and financial liabilities of the CFE using the more observable of the two fair value measurements, which effectively removes measurement differences between the financial assets and financial liabilities of the CFE previously recorded as net income (loss) attributable to non-controlling and other beneficial interests and as an adjustment to appropriated retained earnings. The reporting entity continues to measure its own beneficial interests in the CFE (other than those that represent compensation for services) at fair value. The new guidance is effective for the Company’s fiscal year that begins on November 1, 2016 and requires either a retrospective or modified retrospective approach to adoption, with early adoption permitted. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

### ***Consolidation***

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which amends the consolidation requirements in ASC 810, *Consolidation*. Based on the guidance provided in this ASU, all entities are now within the scope of ASC 810, unless a specific scope exception applies. Additional amendments remove the presumption that a general partner controls a limited partnership and place more emphasis on variable interests other than fee arrangements in the consolidation evaluation of VIEs. This ASU also eliminates the deferral under ASU 2010-10 for certain investment funds. The new guidance is effective for annual periods, and interim periods within those annual periods, for the Company's fiscal year that begins on November 1, 2016 and allows for either a full retrospective or a modified retrospective adoption approach. Early adoption is allowed, but the guidance must be applied as of the beginning of the annual period containing the adoption date. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

### ***Presentation of Debt Issuance Costs***

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which changes the presentation of debt issuance costs in the balance sheet. The new guidance requires that debt issuance costs be presented as a deduction from the carrying amount of the related debt rather than being presented as an asset. Amortization of debt issuance costs will continue to be reported as interest expense. The new guidance is effective for the Company's fiscal year that begins on November 1, 2016 and requires retrospective application for each prior period presented. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the impact on its Consolidated Financial Statements.

### ***Customer's Accounting for Fees Paid in a Cloud Computing Arrangement***

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance about whether a cloud computing arrangement includes a software license. The guidance does not change the current treatment for accounting for software licenses or service contracts. The new guidance is effective for the Company's fiscal year that begins on November 1, 2016. Early adoption is permitted. The update allows for either prospective or retrospective adoption. The Company is currently evaluating the available transition methods and the potential impact on its Consolidated Financial Statements and related disclosures.

### ***Revenue from Contracts with Customers***

In August 2015, the FASB issued ASU 2015-14, *Revenue From Contracts with Customers (Topic 606), Deferral of the Effective Date*, which defers the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* to November 1, 2018 for the Company, with early adoption permitted as of its original effective date of November 1, 2017. The new guidance requires either a retrospective or a modified retrospective approach to adoption. The Company is currently evaluating the available transition methods and the potential impact on its Consolidated Financial Statements and related disclosures.



### **3. Consolidated Sponsored Funds**

Underlying investments held by consolidated sponsored funds were included in investments on the Company's Consolidated Balance Sheets and classified as trading securities at October 31, 2015 and 2014. Net investment income or loss related to consolidated sponsored funds was included in gains (losses) and other investment income, net, on the Company's Consolidated Statements of Income for all periods presented. The impact of consolidated sponsored funds' net income or (loss) on net income attributable to Eaton Vance Corp. shareholders was reduced by amounts attributable to non-controlling interest holders, which are recorded in net income attributable to non-controlling and other beneficial interests on the Company's Consolidated Statements of Income for all periods presented.

The following table sets forth the balances related to consolidated sponsored funds at October 31, 2015 and 2014, as well as the Company's net interest in these funds:

(in thousands)	2015	2014
Investments	\$196,395	\$172,413
Other assets	6,011	19,474
Other liabilities	(25,729 )	(32,559 )
Redeemable non-controlling interests	(11,939 )	(8,983 )
Net interest in consolidated sponsored funds <sup>(1)</sup>	\$164,738	\$150,345

<sup>(1)</sup>Excludes the Company's investment in its consolidated CLO entity, which is discussed in Note 8.

During the fiscal years ended October 31, 2015 and 2014, the Company de-consolidated a total of five and four sponsored funds, respectively.

#### 4. Investments

The following is a summary of investments at October 31, 2015 and 2014:

(in thousands)	2015	2014
Investment securities, trading:		
Short-term debt	\$77,395	\$156,972
Consolidated sponsored funds	196,395	172,413
Separately managed accounts	56,859	51,660
Total investment securities, trading	330,649	381,045
Investment securities, available-for-sale	25,720	30,167
Investments in non-consolidated CLO entities	4,363	4,033
Investments in equity method investees	144,137	206,352
Investments, other	2,151	3,008
Total investments <sup>(1)</sup>	\$507,020	\$624,605

<sup>(1)</sup>Excludes the Company's investment in its consolidated CLO entity, which is discussed in Note 8.

#### ***Investment securities, trading***

The Company seeds new fund and separate account investment strategies on a regular basis as a means of establishing investment records that can be used in marketing those strategies to retail and institutional clients. A separately managed account seeded by the Company for product development purposes is not a legal entity subject to consolidation, but rather an individual portfolio of securities in the Company's name. As a result, the Company looks through the construct of the portfolio to the underlying debt and equity securities and treats these securities as trading securities for accounting and disclosure purposes. The following is a summary of the fair value of investments classified as trading at October 31, 2015 and 2014:

(in thousands)	2015	2014
Short-term debt	\$77,395	\$156,972
Other debt - consolidated sponsored funds and separately managed accounts	136,959	83,824
Equity securities - consolidated sponsored funds and separately managed accounts	116,295	140,249
Total investment securities, trading	\$330,649	\$381,045

During the fiscal year ended October 31, 2015, the Company seeded investments in nine sponsored funds and 21 separately managed accounts. During the fiscal year ended October 31, 2014, the Company seeded investments in 15 sponsored funds and one separately managed account.

The Company recognized gains (losses) related to trading securities still held at the reporting date of \$(14.7) million, \$(6.9) million and \$16.5 million for the years ended October 31, 2015, 2014 and 2013, respectively, within gains (losses) and other investment income, net, in the Company's Consolidated Statements of Income.

#### *Investment securities, available-for-sale*

The following is a summary of the gross unrealized gains (losses) included in accumulated other comprehensive income (loss) related to securities classified as available-for-sale at October 31, 2015 and 2014:

October 31, 2015	Gross Unrealized			
(in thousands)	Cost	Gains	Losses	Fair Value
Investment securities, available-for-sale	\$19,586	\$6,450	\$(316)	\$25,720

October 31, 2014	Gross Unrealized			
(in thousands)	Cost	Gains	Losses	Fair Value
Investment securities, available-for-sale	\$21,032	\$9,159	\$(24)	\$30,167

Net unrealized holding gains (losses) on investment securities classified as available-for-sale included in other comprehensive income (loss), net of tax on the Company's Consolidated Statements of Comprehensive Income were \$(8,000), \$1.9 million and \$(1.5) million for the years ended October 31, 2015, 2014 and 2013, respectively.

The Company evaluated gross unrealized losses of \$(0.3) million as of October 31, 2015 and determined that these losses were not other-than-temporary, primarily because the Company has both the ability and intent to hold the investments for a period of time sufficient to recover such losses. The aggregate fair value of investments with

unrealized losses was \$5.4 million at October 31, 2015. No investment with a gross unrealized loss has been in a loss position for greater than one year.

The following is a summary of the Company's realized gains and losses upon disposition of investments classified as available-for-sale for the years ended October 31, 2015, 2014 and 2013:

(in thousands)	2015	2014	2013
Gains	\$7,828	\$823	\$5,978
Losses	(3,885)	(904)	(235)
Net realized gains (losses)	\$3,943	\$(81)	\$5,743

### *Investments in non-consolidated CLO entities*

The Company provides investment management services for, and has made investments in, a number of CLO entities that it does not consolidate on its Consolidated Financial Statements. The Company's ownership interests in non-consolidated CLO entities are carried at amortized cost unless impaired. The Company earns investment management fees, including subordinated management fees, for managing the collateral of the CLO entities. At October 31, 2015 and 2014, combined assets under management in the pools of non-consolidated CLO entities were \$2.1 billion and \$2.4 billion, respectively. The Company's maximum exposure to loss as a result of its investments in the equity of non-consolidated CLO entities is the carrying value of such investments, which was \$4.4 million and \$4.0 million at October 31, 2015 and 2014, respectively. Investors in these CLO entities have no recourse against the Company for any losses sustained in the CLO structures.

The Company did not recognize any impairment losses on investments in non-consolidated CLO entities in fiscal 2015, 2014 or 2013.

### *Investments in equity method investees*

The Company has a 49 percent interest in Hexavest Inc. ("Hexavest"), a Montreal, Canada-based investment adviser. The carrying value of this investment was \$142.1 million and \$166.0 million at October 31, 2015 and 2014, respectively. At October 31, 2015, the Company's investment in Hexavest consisted of \$5.5 million of equity in the net assets of Hexavest, intangible assets of \$27.0 million and goodwill of \$116.9 million, net of a deferred tax liability of \$7.3 million. At October 31, 2014, the Company's investment in Hexavest consisted of \$5.9 million of equity in the net assets of Hexavest, intangible assets of \$33.5 million and goodwill of \$135.6 million, net of a deferred tax liability of \$9.0 million. The investment is denominated in Canadian dollars and is subject to foreign currency translation adjustments, which are recorded in accumulated other comprehensive income (loss).

During fiscal 2014, the Company made a contingent payment of \$5.0 million to the Hexavest selling group based upon prescribed multiples of Hexavest's revenue for the twelve months ended August 31, 2014. The payment increased equity method goodwill.

The Company has an option, exercisable in fiscal 2017, to purchase an additional 26 percent interest in Hexavest. As part of the purchase price allocation, a value of \$8.3 million was assigned to this option. The option is included in other assets in the Company's Consolidated Balance Sheets at October 31, 2015 and 2014.

The Company has a seven percent equity interest in a private equity partnership managed by a third party that invests in companies in the financial services industry. The Company's investment in the partnership was \$2.0 million and \$4.2 million at October 31, 2015 and 2014, respectively.

At October 31, 2015, the Company did not account for any Eaton Vance-sponsored funds under the equity method. The Company had equity method investments in the following Company-sponsored funds at October 31, 2014:

	<b>Equity Ownership Interest (%)</b>	<b>Carrying Value (\$)<sup>(1)</sup></b>
(dollar amounts in thousands)	2014	2014
Eaton Vance Real Estate Fund	34	% \$ 11,953
Eaton Vance Focused Growth Opportunities Fund	33	% 9,559
Eaton Vance Focused Value Opportunities Fund	32	% 7,588
Eaton Vance Tax-Advantaged Bond Strategies Long Term Fund	27	% 6,105
Eaton Vance Currency Income Advantage Fund	43	% 973
Total		\$ 36,178

<sup>(1)</sup> The carrying value of equity method investments in Company-sponsored funds is measured based on the funds' net asset values. The Company has the ability to redeem its investments in these funds at any time.

Summarized financial information for the Company's equity method investees at October 31, 2015 and 2014 and for the years ended October 31, 2015, 2014 and 2013 is as follows:

	2015			2014		
(in thousands)	Hexavest	<b>Other Investees</b>	Total	Hexavest	<b>Other Investees</b>	Total
<b>Balance Sheets</b>						
Total assets	\$27,268	\$ 34,912	\$62,180	\$30,989	\$194,981	\$225,970
Total liabilities	11,668	311	11,979	13,854	1,757	15,611
Outside equity interests	10,150	32,520	42,670	11,290	152,825	164,115

	2015			2014		
(in thousands)	Hexavest	<b>Other Investees</b>	Total	Hexavest	<b>Other Investees</b>	Total
<b>Statements of Income<sup>(1)</sup></b>						
Revenue	\$50,727	\$ 2,172	\$52,899	\$57,981	\$ 300	\$58,281
Operating income (loss)	30,532	946	31,478	34,957	(2,337 )	32,620
Net income	22,656	28,357	51,013	24,876	43,090	67,966



2013

(in thousands)	<b>Other</b>		Total
	Hexavest	Investees	
<i>Statements of Income<sup>(1)</sup></i>			
Revenue	\$45,680	\$ 1,241	\$46,921
Operating income (loss)	27,386	(2,315 )	25,071
Net income	20,870	29,665	50,535

<sup>(1)</sup> *Statement of income figures are included only for the time in which the investees were accounted for under the equity method.*

The Company did not recognize any impairment losses related to its investments in equity method investees during the years ended October 31, 2015, 2014 or 2013.

During the years ended October 31, 2015, 2014 and 2013, the Company received dividends of \$15.9 million, \$16.1 million and \$16.9 million, respectively, from its investments in equity method investees.

### *Investments, other*

Investments, other, consist of certain investments carried at cost totaling \$2.2 million and \$3.0 million as of October 31, 2015 and 2014, respectively, including a non-controlling capital interest in Atlanta Capital Management Holdings, LLC (“ACM Holdings”), a partnership that owns certain non-controlling interests of Atlanta Capital. The Company’s interest in ACM Holdings is non-voting and entitles the Company to receive a portion of the proceeds when put or call options for certain non-controlling interests of Atlanta Capital are exercised. The Company’s investment in ACM Holdings decreased to \$0.4 million at October 31, 2015 from \$1.3 million at October 31, 2014, reflecting the call options exercised in fiscal 2015 as disclosed in Note 10. Management believes that the carrying value of the Company’s other investments approximates fair value.

## **5. Fair Value Measurements**

As discussed in Note 1, accounting standards define fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standards establish a fair value measurement hierarchy that prioritizes inputs to valuation techniques and gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The following tables summarize financial assets and liabilities measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy at October 31, 2015 and 2014:

October 31, 2015

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Financial assets:					
Cash equivalents	\$14,599	\$39,447	\$ -	\$ -	\$54,046
Investments:					
Investment securities, trading:					
Short-term debt	-	77,395	-	-	77,395
Other debt - consolidated sponsored funds and separately managed accounts	20,822	116,137	-	-	136,959
Equity - consolidated sponsored funds and separately managed accounts	71,535	44,760	-	-	116,295
Investment securities, available-for-sale	23,544	2,176	-	-	25,720
Investments in non-consolidated CLO entities <sup>(1)</sup>	-	-	-	4,363	4,363
Investments in equity method investees <sup>(2)</sup>	-	-	-	144,137	144,137
Investments, other <sup>(3)</sup>	-	103	-	2,048	2,151
Derivative instruments	-	298	-	-	298
Assets of consolidated CLO entity:					
Bank loan investments	-	304,250	-	-	304,250
Total financial assets	\$130,500	\$584,566	\$ -	\$ 150,548	\$865,614
Financial liabilities:					
Derivative instruments	\$-	\$5,423	\$ -	\$ -	\$5,423
Securities sold, not yet purchased	-	3,034	-	-	3,034
Liabilities of consolidated CLO entity:					
Senior and subordinated note obligations	-	397,039	-	-	397,039
Total financial liabilities	\$-	\$405,496	\$ -	\$ -	\$405,496

October 31, 2014

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Financial assets:					
Cash equivalents	\$19,599	\$60,312	\$-	\$-	\$79,911
Investments:					
Investment securities, trading:					
Short-term debt	-	156,972	-	-	156,972
Other debt - consolidated sponsored funds and separately managed accounts	10,799	73,025	-	-	83,824
Equity - consolidated sponsored funds and separately managed accounts	86,504	53,745	-	-	140,249
Investment securities, available-for-sale	23,600	6,567	-	-	30,167
Investments in non-consolidated CLO entities <sup>(1)</sup>	-	-	-	4,033	4,033
Investments in equity method investees <sup>(2)</sup>	-	-	-	206,352	206,352
Investments, other <sup>(3)</sup>	-	61	-	2,947	3,008
Derivative instruments	-	4,416	-	-	4,416
Assets of consolidated CLO entity:					
Cash equivalents	8,697	-	-	-	8,697
Bank loans and other investments	-	146,315	801	-	147,116
Total financial assets	\$149,199	\$501,413	\$801	\$213,332	\$864,745
Financial liabilities:					
Derivative instruments	\$-	\$2,618	\$-	\$-	\$2,618
Securities sold, not yet purchased	-	981	-	-	981
Liabilities of consolidated CLO entity:					
Senior and subordinated note obligations	-	2,672	149,310	-	151,982
Total financial liabilities	\$-	\$6,271	\$149,310	\$-	\$155,581

*The Company's investments in these CLO entities are measured at fair value on a non-recurring basis using Level 3 inputs. The investments are carried at amortized cost unless facts and circumstances indicate that the investments*<sup>(1)</sup> *have been impaired, at which time the investments are written down to fair value. There was no re-measurement of these assets during the years ended October 31, 2015 or 2014.*

*(2) Investments in equity method investees are not measured at fair value in accordance with GAAP.*

*(3) Investments, other, include investments carried at cost that are not measured at fair value in accordance with GAAP.*

#### **Valuation methodologies**

*Cash equivalents*

Cash equivalents include investments in money market funds, holdings of U.S. Treasury and government agency securities, and commercial paper with original maturities of less than three months. Cash investments in actively traded money market funds are valued using published net asset values and are

classified as Level 1 within the fair value measurement hierarchy. Treasury and government agency securities are valued based upon quoted market prices for similar assets in active markets, quoted prices for identical or similar assets that are not active, and inputs other than quoted prices that are observable or corroborated by observable market data. The carrying amounts of commercial paper are measured at amortized cost, which approximates fair value due to the short time between the purchase and expected maturity of the investments. Depending on the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

*Investment securities, trading – short-term debt*

Short-term debt securities include certificates of deposit, commercial paper and corporate debt obligations with remaining maturities from three months to 12 months. Short-term debt securities held are generally valued on the basis of valuations provided by third-party pricing services, as derived from such services' pricing models. Inputs to the models may include, but are not limited to, reported trades, executable bid and ask prices, broker-dealer quotations, prices or yields of securities with similar characteristics, benchmark curves or information pertaining to the issuer, as well as industry and economic events. The pricing services may use a matrix approach, which considers information regarding securities with similar characteristics to determine the valuation for a security. Depending on the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

*Investment securities, trading – other debt*

Other debt securities classified as trading include debt obligations held in the portfolios of consolidated sponsored funds and separately managed accounts. Other debt securities held are generally valued on the basis of valuations provided by third-party pricing services as described above for investment securities, trading – short-term debt. Other debt securities purchased with a remaining maturity of 60 days or less (excluding those that are non-U.S. denominated, which typically are valued by a third-party pricing service or dealer quotes) are generally valued at amortized cost, which approximates fair value. Depending upon the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

*Investment securities, trading – equity*

Equity securities classified as trading include foreign and domestic equity securities held in the portfolios of consolidated sponsored funds and separately managed accounts. Equity securities are valued at the last sale, official close or, if there are no reported sales on the valuation date, at the mean between the latest available bid and ask prices on the primary exchange on which they are traded. When valuing foreign equity securities that meet certain criteria, the portfolios use a fair value service that values such securities to reflect market trading that occurs after the close of the applicable foreign markets of comparable securities or other instruments that have a strong correlation to the fair-valued securities. In addition, the Company performs its own independent back test review of fair values versus the subsequent local market opening prices when available. Depending upon the nature of the inputs, these assets generally are classified as Level 1 or 2 within the fair value measurement hierarchy.

*Investment securities, available-for-sale*

Investment securities classified as available-for-sale include investments in sponsored mutual funds and privately offered equity funds. Sponsored mutual funds are valued using published net asset values and are classified as Level 1 within the fair value measurement hierarchy. Investments in sponsored privately offered equity funds and portfolios that are not listed on an active exchange but have net asset values that are comparable to mutual funds and have no redemption restrictions are classified as Level 2 within the fair value measurement hierarchy.

*Derivative instruments*

Derivative instruments, which include foreign exchange contracts, stock index futures contracts, commodity futures contracts, total return swap contracts, interest rate swap contracts and interest rate futures contracts, are recorded as either other assets or other liabilities on the Company's Consolidated Balance Sheets. Foreign exchange contracts and interest rate swap contracts are valued by interpolating a value using the spot foreign exchange rate and forward points, which are based on spot rate and currency interest rate differentials. Stock index futures contracts, commodity futures contracts, interest rate futures contracts and total return swap contracts are valued using a third-party pricing service that determines fair value based on bid and ask prices. Derivative instruments generally are classified as Level 2 within the fair value measurement hierarchy.

*Assets of consolidated CLO entities*

Assets of the Company's consolidated CLO entities include investments in bank loans, debt securities, money market funds and equity securities. Fair value is determined utilizing unadjusted quoted market prices when available. Investments in money market funds are valued using published net asset values and are classified as Level 1 within the fair value measurement hierarchy. Debt and equity securities are valued using the same techniques as described above for trading securities. Interests in senior floating-rate loans for which reliable market quotations are readily available are valued generally at the average mid-point of bid and ask quotations obtained from a third-party pricing service. Fair value may also be based upon valuations obtained from independent third-party brokers or dealers utilizing matrix pricing models that consider information regarding securities with similar characteristics. In certain instances, fair value has been determined utilizing discounted cash flow analyses or single broker non-binding quotes. Depending on the nature of the inputs, these assets are classified as Level 1, 2 or 3 within the fair value measurement hierarchy.

*Securities sold, not yet purchased*

Securities sold, not yet purchased, are recorded as other liabilities on the Company's Consolidated Balance Sheets and are valued by a third-party pricing service that determines fair value based on bid and ask prices. Securities sold, not yet purchased, generally are classified as Level 2 within the fair value measurement hierarchy.

*Liabilities of consolidated CLO entities*

Liabilities of the Company's consolidated CLO entities include debt securities and senior and subordinated note obligations. Debt securities are valued based upon quoted prices for identical or similar liabilities that are not active and inputs other than quoted prices that are observable or corroborated by observable market data. Senior and subordinated notes generally are valued utilizing an income-approach model in which one or more significant inputs are unobservable in the market. A full description of this valuation technique is included within the valuation process disclosure below. Depending on the nature of the inputs, these liabilities are classified as Level 2 or 3 within the fair value measurement hierarchy. As of October 31, 2015, the liabilities of Eaton Vance CLO 2015-1 include senior and subordinated notes issued at closing of the entity on October 29, 2015. As a result, these liabilities are valued based on



the closing transaction price and are classified as Level 2 within the fair value measurement hierarchy.

*Transfers in and out of Levels*

The following table summarizes fair value transfers between Level 1 and Level 2 of the fair value measurement hierarchy for the years ended October 31, 2015 and 2014:

(in thousands)	2015	2014
Transfers from Level 1 into Level 2 <sup>(1)</sup>	\$314	\$249
Transfers from Level 2 into Level 1 <sup>(2)</sup>	29	1,192

(1) *Transfers from Level 1 into Level 2 primarily represent debt and equity securities formerly classified as Level 1 for which unadjusted quoted market prices in active markets became unavailable in the current period.*

(2) *Transfers from Level 2 into Level 1 primarily represent debt and equity securities formerly classified as Level 2 for which unadjusted quoted market prices in active markets became available in the current period.*

**Level 3 assets and liabilities**

As discussed more fully in Note 8, the Company de-consolidated Eaton Vance CLO IX on August 1, 2015 and Eaton Vance CLO 2013-1 on May 1, 2014. The following table shows a reconciliation of the beginning and ending fair value measurements of assets and liabilities valued on a recurring basis and classified as Level 3 within the fair value measurement hierarchy for the years ended October 31, 2015 and 2014:

	2015		2014	
	Bank loans and other investments of consolidated CLO entity	Senior and subordinated note obligations of consolidated CLO entity	Bank loans and other investments of consolidated CLO entities	Senior and subordinated obligations and redeemable preferred shares of consolidated CLO entities
(in thousands)				
Beginning balance	\$801	\$ 149,310	\$1,245	\$ 276,476
Issuance of senior and subordinated notes and redeemable preferred shares	-	-	-	421,523
De-consolidation of senior and subordinated notes and redeemable preferred shares	-	(4,097)	-	(419,193)
Net gains (losses) on investments and note obligations included in net income <sup>(1)</sup>	(281)	(2,426)	(183)	(1,209)
Additions <sup>(2)</sup>	-	1,379	-	-
Sales	(137)	-	(1,061)	-
Amortization of original issue discount on senior notes	-	-	-	75

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Principal paydown	-	(144,166 )	-	(128,362 )
Transfers into Level 3 <sup>(3)</sup>	-	-	800	-
Transfers out of Level 3 <sup>(4)</sup>	(383)	-	-	-
Ending balance	\$-	\$-	\$801	\$ 149,310
Change in unrealized gains (losses) included in net income relating to assets and liabilities held	\$-	\$-	\$35	\$ (1,196 )

*Substantially all net gains (losses) on investments, note obligations and redeemable preferred shares attributable to (1) the assets and borrowings of the Company's consolidated CLO entities are allocated to non-controlling and other beneficial interests on the Company's Consolidated Statements of Income.*

*(2) Represents the Company's subordinated interest, which was previously eliminated in consolidation. The Company sold its interest in the first quarter of fiscal 2015. Refer to Note 8.*

*(3) Transfers into Level 3 were the result of a reduction in the availability of significant observable inputs used in determining the fair value*

of the securities, including a loan that utilized a discount applied to the demanded yield.

<sup>(4)</sup> Transfers out of Level 3 into Level 2 of the fair value measurement hierarchy were due to an increase in the observability of the inputs used in determining the fair value of certain instruments.

As discussed in Note 8, the senior notes of Eaton Vance CLO IX were paid down in full in the third quarter of fiscal 2015 in conjunction with a subordinated note holder vote to liquidate the consolidated CLO entity.

The following table shows the valuation technique and significant unobservable inputs utilized in the fair value measurement of Level 3 liabilities of Eaton Vance CLO IX at October 31, 2014:

October 31, 2014 (\$ in thousands)	Fair Value	Valuation Technique	Unobservable Inputs <sup>(1)</sup>	Value/ Range
			Prepayment rate	30 percent
			Recovery rate	70 percent
Senior and subordinated note obligations	\$ 149,310	Income-approach	Default rate	200 bps
			Discount rate	75-250 bps

*Discount rate refers to spread over LIBOR. Lower spreads relate to the more senior tranches in the CLO note structure; higher spreads relate to the less senior tranches. The default rate refers to the constant annual default rate. The recovery rate is the expected recovery of defaulted amounts received through asset sales, recovery through bankruptcy restructuring or other settlement processes. The prepayment rate is the rate at which the underlying collateral is expected to repay principal.*

#### *Valuation process*

Senior and subordinated note obligations of the Company's consolidated CLO entities are issued in various tranches with different risk profiles. The notes are valued on a quarterly basis by the Company's bank loan investment team utilizing an income approach that projects the cash flows of the collateral assets using the team's projected default rate, prepayment rate, recovery rate and discount rate, as well as observable assumptions about market yields, collateral reimbursement assumptions, callability and other market factors that vary based on the nature of the investments in the underlying collateral pool. Once the undiscounted cash flows of the collateral assets have been determined, the bank loan team applies appropriate discount rates that it believes a reasonable market participant would use to determine the discounted cash flow valuation of the notes. The bank loan team routinely monitors market conditions and model inputs for cyclical and secular changes in order to identify any material factors that could influence the Company's valuation method. The bank loan team reports directly to the Chief Income Investment Officer.

#### *Sensitivity to changes in significant unobservable inputs*

For senior and subordinated notes issued by the Company's consolidated CLO entities, increases (decreases) in discount rates, default rates or prepayment rates in isolation would result in lower (higher) fair value measurements, while increases (decreases) in recovery rates in isolation would result in higher (lower) fair value measurements. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for discount rates and a directionally opposite change in the assumptions used for prepayment and recovery rates.

Although the Company believes the valuation methods described above are appropriate, the use of different methodologies or assumptions to determine fair value could result in different estimates of fair value at the reporting date.

## 6. Derivative Financial Instruments

### *Derivative financial instruments designated as cash flow hedges*

During the fiscal years ended October 31, 2015, 2014 and 2013, the Company reclassified into interest expense \$0.2 million, \$0.2 million and \$0.1 million, respectively, of deferred gains related to a forward-starting interest rate swap entered into in connection with the issuance of its 3.625 percent senior notes due June 15, 2023 (the “2023 Senior Notes”). The Company is reclassifying the remaining unamortized gain on the forward-starting interest rate swap recorded in other comprehensive income (loss) to earnings as a component of interest expense over the term of the debt. At October 31, 2015, the remaining unamortized gain was \$1.5 million. During the next twelve months, the Company expects to reclassify approximately \$0.2 million of the gain into interest expense.

During the fiscal years ended October 31, 2015, 2014 and 2013, the Company reclassified into interest expense \$0.2 million, \$0.2 million and \$1.3 million, respectively, of deferred losses related to a Treasury lock transaction entered into in connection with the issuance of its 6.5 percent unsecured senior notes due October 2, 2017 (the “2017 Senior Notes”). Amounts for the year ended October 31, 2013 include \$0.9 million in interest expense related to the accelerated amortization of the treasury lock tied to the portion of the 2017 Senior Notes retired on June 28, 2013. The Company is reclassifying the remaining unamortized loss on the Treasury lock transaction recorded in other comprehensive income (loss) to earnings as a component of interest expense over the term of the debt. At October 31, 2015, the remaining unamortized loss was \$0.4 million. During the next twelve months, the Company expects to reclassify approximately \$0.2 million of the loss on the Treasury lock transaction into interest expense.

### *Other derivative financial instruments not designated for hedge accounting*

In fiscal 2013, the Company entered into a reverse treasury lock in conjunction with the Company’s tender offer to purchase up to \$250 million of the 2017 Senior Notes. The transaction effectively locked in the benchmark interest rate to be used in determining the premium above par to be paid to note holders in conjunction with the repurchase of the 2017 Senior Notes tendered. The reference U.S. Treasury rate increased during the time the reverse treasury lock was outstanding and the Company recognized a \$3.1 million loss upon termination in fiscal 2013. This loss was included in gains (losses) and other investment income, net, on the Company’s Consolidated Statement of Income.

The Company has entered into a series of foreign exchange contracts, stock index futures contracts, commodity futures contracts, total return swap contracts, interest rate swap contracts and interest rate futures contracts to hedge currency risk and market risk associated with its investments in certain consolidated sponsored funds and separately managed accounts seeded for new product development purposes. Certain of the consolidated sponsored funds and separately managed accounts may utilize derivative financial instruments within their portfolios in pursuit of their

stated investment objectives.

At October 31, 2015, 2014 and 2013, excluding derivative financial instruments held in certain consolidated sponsored funds and separately managed accounts, the Company had 28, 39 and 42 foreign exchange contracts outstanding with four, four and five counterparties with an aggregate notional value of \$27.2 million, \$16.8 million and \$59.1 million, respectively; 1,366, 2,091 and 2,711 stock index futures contracts outstanding with one counterparty with an aggregate notional value of \$97.2 million, \$177.3 million and \$200.7 million, respectively; and 56, 566 and 217 commodity futures contracts outstanding with one counterparty with an aggregate notional value of \$3.1 million, \$32.3 million and \$12.9 million, respectively. At October 31, 2015, the Company had two total return swap contracts outstanding with one counterparty with an aggregate notional value of \$49.5 million. As of October 31, 2014 and 2013, the Company did not have any total return swap contracts outstanding. At October 31, 2014, the Company had 122 interest rate

futures contracts outstanding with one counterparty with an aggregate notional value of \$12.4 million. While the Company had outstanding interest rate futures contracts for certain periods during fiscal 2015, as of October 31, 2015 and 2013, the Company did not have any interest rate futures contracts outstanding. While the Company had outstanding interest rate swap contracts for certain periods during fiscal 2015, as of October 31, 2015, 2014 and 2013, the Company did not have any interest rate swap contracts outstanding. The number of derivative contracts outstanding and the notional values they represent at October 31, 2015, 2014 and 2013 are indicative of derivative balances throughout each respective year.

The following tables present the fair value of derivative financial instruments, excluding derivative financial instruments held in certain consolidated sponsored funds and separately managed accounts, not designated as hedging instruments as of October 31, 2015 and 2014:

#### October 31, 2015

	Assets		Liabilities	
	Balance Sheet	Fair	Balance Sheet	Fair
(in thousands)	<b>Location</b>	<b>Value</b>	<b>Location</b>	<b>Value</b>
Foreign exchange contracts	Other assets	\$ 133	Other liabilities	\$540
Stock index futures contracts	Other assets	53	Other liabilities	4,712
Commodity futures contracts	Other assets	112	Other liabilities	43
Total return swap contracts	Other assets	-	Other liabilities	128
Total		\$ 298		\$5,423

#### October 31, 2014

	Assets		Liabilities	
	Balance Sheet	Fair	Balance Sheet	Fair
(in thousands)	<b>Location</b>	<b>Value</b>	<b>Location</b>	<b>Value</b>
Foreign exchange contracts	Other assets	\$289	Other liabilities	\$290
Stock index futures contracts	Other assets	2,685	Other liabilities	1,614
Commodity futures contracts	Other assets	1,442	Other liabilities	631
Interest rate futures contracts	Other assets	-	Other liabilities	83
Total		\$4,416		\$2,618



The following is a summary of the net gains (losses) recognized in income for the years ended October 31, 2015, 2014 and 2013:

(in thousands)	Income Statement			
	Location	2015	2014	2013
Foreign exchange contracts	Gains (losses) and other investment income, net	\$1,948	\$15	\$1,293
Stock index futures contracts	Gains (losses) and other investment income, net	640	(12,902)	(31,861)
Commodity futures contracts	Gains (losses) and other investment income, net	3,396	720	842
Total return swap contracts	Gains (losses) and other investment income, net	157	-	-
Interest rate futures contracts	Gains (losses) and other investment income, net	(181 )	(75 )	-
Interest rate swap contracts	Gains (losses) and other investment income, net	(21 )	-	-
Interest rate contracts	Gains (losses) and other investment income, net	-	-	(3,075 )
Total		\$5,939	\$(12,242)	\$(32,801)

## 7. Fair Value Measurements of Other Financial Instruments

Certain financial instruments are not carried at fair value, but their fair value is required to be disclosed. The following is a summary of the carrying amounts and estimated fair values of these financial instruments at October 31, 2015 and 2014:

(in thousands)	2015		Fair Value Level	2014		Fair Value Level
	Carrying Value	Fair Value		Carrying Value	Fair Value	
Investments, other	\$2,048	\$2,048	3	\$2,947	\$2,947	3
Other assets	\$6,345	\$6,345	3	\$7,363	\$7,363	3
Debt	\$573,811	\$600,930	2	\$573,655	\$611,015	2

Included in investments, other, is a non-controlling capital interest in ACM Holdings carried at \$0.4 million and \$1.3 million at October 31, 2015 and 2014, respectively (see Note 4). The carrying value of this investment approximates fair value. Fair value of this investment is determined using a cash flow model that projects future cash flows based upon contractual obligations, to which the Company then applies an appropriate discount rate. The fair value of this

investment falls within Level 3 of the fair value measurement hierarchy.

Included in other assets at October 31, 2015 and 2014 is an option exercisable in 2017 to acquire an additional 26 percent interest in Hexavest carried at \$6.3 million and \$7.4 million, respectively. The carrying value of this option approximates fair value. The fair value of this option is determined using a Monte Carlo model, which simulates potential future market multiples of earnings before interest and taxes (“EBIT”) and compares this to the contractually fixed multiple of Hexavest’s EBIT at which the option can be exercised. The Monte Carlo model uses this array of simulated multiples and their difference from the contractual multiple times the projected EBIT for Hexavest to estimate the future exercise value of the option, which is then adjusted to present value. The fair value of this investment falls within Level 3 of the fair value measurement hierarchy.

The fair value of the Company’s debt has been determined based on quoted prices in inactive markets and falls within Level 2 of the fair value measurement hierarchy.

## 8. VIEs

In the normal course of business, the Company maintains investments in sponsored CLO entities, sponsored funds and privately offered equity funds that are considered VIEs. These variable interests generally represent seed investments made by the Company, as collateral manager or investment adviser, to launch or market these vehicles. The Company receives management fees for the services it provides as collateral manager or investment adviser to these entities. These fees may also be considered variable interests.

### *Investments in VIEs that are consolidated*

#### *Consolidated sponsored funds*

The Company invests in investment companies that meet the definition of a VIE. Disclosure regarding such consolidated sponsored funds is included in Note 3. In the ordinary course of business, the Company may elect to contractually waive investment advisory fees that it is entitled to receive from sponsored funds. Such waivers are described in Note 21.

#### *Consolidated CLO entities*

As of October 31, 2015, the Company deems itself to be the primary beneficiary of two non-recourse CLO entities, Eaton Vance CLO 2015-1 and Eaton Vance CLO IX. In developing its conclusion that it is the primary beneficiary of Eaton Vance CLO 2015-1, the Company determined that it has a more than insignificant economic interest in the entity by virtue of its 16 percent residual interest, which exposes the Company to a more than insignificant amount of the entity’s variability relative to its anticipated economic performance. In its role as collateral manager of the entity,

the Company has the power to direct the activities that most significantly impact the economic performance of the entity. The Company's variable interest represents an obligation to absorb losses of, or a right to receive benefits from, the entity that could potentially be significant to the entity. The Company determined that it is the primary beneficiary of Eaton Vance CLO IX due to the significance of its variable interest represented by the incentive collateral management fee. In consideration of these factors, the Company concluded that it is the primary beneficiary of Eaton Vance CLO 2015-1 and Eaton Vance CLO IX for consolidation accounting purposes.

On November 13, 2014, the Company sold its residual 8 percent interest in Eaton Vance CLO IX to an unrelated third party and recognized a loss on disposal of \$0.3 million. During the third quarter of fiscal 2015, a majority of the holders of the subordinated notes elected to liquidate Eaton Vance CLO IX, with redemption occurring nearly in full on the scheduled July 20, 2015 payment date. The Company will remain the collateral manager of Eaton Vance CLO IX through resolution of the disposal of all remaining collateral assets. The Company is not a related party to the subordinated note holders of Eaton Vance CLO IX and there are neither explicit arrangements nor does the Company hold implicit variable interests that would require the Company to provide any ongoing financial support to the entity. While the Company still deems

itself to be the primary beneficiary of Eaton Vance CLO IX, the remaining net assets of Eaton Vance CLO IX are not material to the Company's financial position as of October 31, 2015, and the related income statement and cash flow amounts for the period from August 1, 2015 to October 31, 2015 are not material to the Company's results of operations. As a result, the Company de-consolidated Eaton Vance CLO IX on August 1, 2015.

On May 1, 2014, the Company sold its 20 percent residual interest in Eaton Vance CLO 2013-1, which it had initially consolidated on October 11, 2013. Although the Company continues to serve as collateral manager of the entity and therefore has the power to direct the activities that most significantly impact the economic performance of the entity, the Company concluded that it was no longer the primary beneficiary of the entity upon disposition of its 20 percent residual interest, at which time the Company de-consolidated the entity.

The assets of the consolidated CLO entities are held solely as collateral to satisfy the obligations of the entity. The Company has no right to the benefits from, nor does the Company bear the risks associated with, the assets held by these CLO entities beyond the Company's beneficial interest therein and management fees generated from the entities. The note holders and other creditors of the CLO entities have no recourse to the Company's general assets. There are neither explicit arrangements nor does the Company hold implicit variable interests that would require the Company to provide any ongoing financial support to the entities.

Interest income and expense are recorded on an accrual basis and reported as gains (losses) and other investment income, net, and as interest expense in interest and other expense, respectively, of the consolidated CLO entities in the Company's Consolidated Statements of Income for the fiscal years ended October 31, 2015, 2014 and 2013. Substantially all ongoing gains (losses) related to the consolidated CLO entities' bank loans, other investments and note obligations and redeemable preferred shares recorded in earnings for the periods presented are attributable to changes in instrument-specific credit considerations.

#### *Eaton Vance CLO 2015-1*

Eaton Vance CLO 2015-1 began as a warehouse-stage CLO in February 2015. During the warehouse phase, the company held a 16.7 percent subordinated interest in the entity, which it did not consolidate. The Company determined that it did not hold the power to direct the activities that most significantly impacted Eaton Vance CLO 2015-1 during the warehouse phase because that power was shared with the majority holder of the equity, an unrelated third party. The pricing of Eaton Vance CLO 2015-1 occurred on October 6, 2015, at which time the Company assumed the power to direct the activities that most significantly affect the financial performance of the entity. As a result, the Company began consolidating Eaton Vance CLO 2015-1 at pricing on October 6, 2015.

The Company irrevocably elected the fair value option for measurement of substantially all financial assets of Eaton Vance CLO 2015-1 upon initial consolidation. At pricing, the Company entered into a trade commitment to acquire

approximately 16 percent of the subordinated interests to be issued at closing on October 29, 2015, representing a controlling financial interest in the entity.

The Company did not elect the fair value option on the warehouse line of credit and preferred shares at pricing, as these liabilities were temporary in nature. The warehouse line of credit and the preferred shares were extinguished and the new senior and subordinated note obligations were issued at closing on October 29, 2015. The Company irrevocably elected the fair value option for the senior and subordinated note obligations of Eaton Vance CLO 2015-1 upon their issuance. Although the subordinated note obligations of Eaton Vance CLO 2015-1 have certain equity characteristics, the Company determined that they should be recorded as liabilities on its Consolidated Balance Sheet.

The Company elected the fair value option in these instances to mitigate any accounting mismatches between the carrying value of the new senior and subordinated note obligations of Eaton Vance CLO 2015-1 and the carrying value of the assets that are held to provide the cash flows for those note obligations. Unrealized gains and losses on assets and liabilities for which the fair value option has been elected are reported in gains (losses) and other investment income, net, of consolidated CLO entities in the Consolidated Statements of Income.

The following tables present, as of October 31, 2015, the fair value of Eaton Vance CLO 2015-1's assets and liabilities that were subject to fair value accounting:

### October 31, 2015

(in thousands)	CLO Bank Loan Investments		
	Total CLO bank loan investments	90 days or more past due	Senior and subordinated note obligations
Unpaid principal balance	\$ 306,483	\$ -	\$ 397,039
Unpaid principal balance over fair value	(2,233 )	-	-
Fair value	\$ 304,250	\$ -	\$ 397,039

During the fiscal year ended October 31, 2015, the Company recorded approximately \$2.4 million of organizational and structuring costs and other expenses associated with the closing of Eaton Vance CLO 2015-1 in interest and other expense of consolidated CLO entities in the Company's Consolidated Statement of Income.

Changes in the fair values of Eaton Vance CLO 2015-1's bank loans and other investments resulted in a net loss of \$28,550 for the fiscal year ended October 31, 2015, which was recorded in gains (losses) and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statement of Income.

Eaton Vance CLO 2015-1 has note obligations that bear interest at a fixed rate of 4.0 percent, as well as note obligations that bear interest at variable rates based on LIBOR plus a pre-defined spread ranging from 1.5 percent to 8.1 percent. The principal amounts outstanding of the note obligations issued by Eaton Vance CLO 2015-1 mature on October 20, 2026. The CLO entity may elect to reinvest any prepayments received on bank loans or other investments prior to July 2020. Any subsequent prepayments received must be used to pay down its note obligations. The holders of a majority of the subordinated notes have the option to liquidate Eaton Vance CLO 2015-1, provided there is sufficient value of the entity's assets to repay the senior notes in full.

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For the fiscal year ended October 31, 2015, the Company recorded a net loss of \$4.2 million related to Eaton Vance CLO 2015-1. The Company recorded a net loss attributable to other beneficial interests of \$4.4 million for the fiscal year ended October 31, 2015. Net income attributable to Eaton Vance Corp. shareholders was \$0.2 million for the fiscal year ended October 31, 2015.

The following carrying amounts related to Eaton Vance CLO 2015-1 were included in the Company's Consolidated Balance Sheet at October 31, 2015:



(in thousands)	2015
Assets:	
Cash and cash equivalents	\$ 162,704
Bank loans and other investments	304,250
Other assets	128
Liabilities:	
Senior and subordinated note obligations	397,039
Other liabilities	70,814
Appropriated deficit	(5,338 )
Net interest in Eaton Vance CLO 2015-1	\$4,567

The Company had a subordinated interest in Eaton Vance CLO 2015-1 of \$4.6 million as of October 31, 2015, which was eliminated in consolidation.

#### *Eaton Vance CLO IX*

The Company irrevocably elected the fair value option for all financial assets and liabilities of Eaton Vance CLO IX upon its initial consolidation on November 1, 2010. Unrealized gains and losses on assets and liabilities carried at fair value were reported in gains (losses) and other investment income, net, of the consolidated CLO entities in the Company's Consolidated Statements of Income. Although the subordinated note obligations of Eaton Vance CLO IX had certain equity characteristics, the Company determined that the subordinated notes should be recorded as liabilities on the Company's Consolidated Balance Sheet.

The following tables present, as of October 31, 2014, the fair value of Eaton Vance CLO IX's assets and liabilities that were subject to fair value accounting:

#### **October 31, 2014**

(in thousands)	CLO Bank Loan Investments		
	Total CLO bank loan investments	90 days or more past due	Senior and subordinated note obligations
Unpaid principal balance	\$ 144,723	\$ 500	\$ 165,696
Unpaid principal balance over fair value	(3,282 )	(500 )	(13,714 )
Fair value	\$ 141,441	\$ -	\$ 151,982

On November 13, 2014, the Company sold its residual 8 percent interest in Eaton Vance CLO IX to an unrelated third party and recognized a loss on disposal of \$0.3 million. During the third quarter of fiscal 2015, a majority of the holders of the subordinated notes elected to liquidate Eaton Vance CLO IX, with redemption occurring nearly in full

on the scheduled July 20, 2015 payment date. The Company will remain the collateral manager of Eaton Vance CLO IX through resolution of the disposal of all remaining collateral assets. The Company is not a related party to the subordinated note holders of Eaton Vance CLO IX and there are neither explicit arrangements nor does the Company hold implicit variable interests that would require the Company to provide any ongoing financial support to the entity. The Company de-consolidated Eaton Vance CLO IX on August 1, 2015 and removed the associated assets, liabilities and appropriated retained earnings from its Consolidated Balance Sheet as of that date, as the remaining balances are not material to the Company's results of operations or financial condition.

Changes in the fair values of Eaton Vance CLO IX's bank loans and other investments resulted in net gains (losses) of \$(3.2) million, \$(2.4) million and \$0.2 million for the fiscal years ended October 31, 2015, 2014 and 2013, respectively, while changes in the fair value of Eaton Vance CLO IX's note obligations resulted in net gains (losses) of \$5.1 million, \$(1.2) million and \$(10.0) million, respectively, for the fiscal years ended October 31, 2015, 2014 and 2013. The combined net gains (losses) of \$1.9 million, \$(3.6) million and \$(9.8) million, respectively, for the fiscal years ended October 31, 2015, 2014 and 2013 were recorded in gains (losses) and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statements of Income for these periods.

During the fiscal years ended October 31, 2015, 2014 and 2013, \$144.2 million, \$128.4 million and \$177.5 million, respectively, of prepayments were used to pay down the entity's note obligations. The entity's senior notes were paid down in full as a result of a majority of the holders of the subordinated notes electing to liquidate Eaton Vance CLO IX during the third quarter of fiscal 2015.

For the fiscal years ended October 31, 2015, 2014 and 2013, the Company recorded net gains (losses) of \$2.0 million (including the loss on disposal of its subordinated interest of \$(0.3) million), \$(2.2) million and \$(7.3) million, respectively, related to Eaton Vance CLO IX. The Company recorded net losses attributable to other beneficial interests of \$1.4 million, \$5.1 million and \$11.1 million for the fiscal years ended October 31, 2015, 2014 and 2013, respectively. Net income attributable to Eaton Vance Corp. shareholders was \$3.4 million, \$2.9 million and \$3.8 million for the fiscal years ended October 31, 2015, 2014 and 2013, respectively.

The following carrying amounts related to Eaton Vance CLO IX were included in the Company's Consolidated Balance Sheets at October 31, 2014:

(in thousands)	2014
Assets:	
Cash and cash equivalents	\$8,963
Bank loans and other investments	147,116
Other assets	371
Liabilities:	
Senior and subordinated note obligations	151,982
Other liabilities	298
Appropriated retained earnings	2,467
Net interest in Eaton Vance CLO IX	\$1,703

The Company had a subordinated interest in Eaton Vance CLO IX of \$1.4 million as of October 31, 2014, which was eliminated in consolidation.

*Eaton Vance CLO 2013-1*

Eaton Vance CLO 2013-1 began as a warehouse stage CLO in December 2012. During the warehouse stage, all of the subordinated interests of the entity in the form of redeemable preferred shares were controlled by affiliates of an investment manager unrelated to the Company. The Company irrevocably elected the fair value option for measurement of substantially all financial assets of Eaton Vance CLO 2013-1 upon its initial consolidation on October 11, 2013, when the senior note obligations and redeemable preferred shares of the CLO were priced. At pricing, the Company entered into a trade commitment to acquire 20 percent of the redeemable preferred shares of the entity to be issued at closing on November 13, 2013, representing a variable, although not beneficial, interest in the entity.

The Company did not elect the fair value option on the warehouse line of credit and redeemable preferred shares at pricing, as these liabilities were temporary in nature. The warehouse line of credit and the redeemable preferred shares were extinguished, and new senior note obligations and redeemable preferred shares were issued, at closing on November 13, 2013. The Company irrevocably elected the fair value option for the senior note obligations and redeemable preferred shares of Eaton Vance CLO 2013-1 upon their issuance.

Unrealized gains and losses on assets and liabilities for which the fair value option was elected are reported in gains and other investment income, net, of the consolidated CLO entities in the Company's Consolidated Statement of Income.

On May 1, 2014, the Company sold its 20 percent residual interest in Eaton Vance CLO 2013-1, which it had initially consolidated on October 11, 2013. The Company continues to hold a \$1.4 million beneficial interest in note obligations issued by Eaton Vance CLO 2013-1, which is carried at amortized cost. The Company considered the collateral management fees that it receives from CLO 2013-1 and determined that these fees are not significant to the VIE. Although the Company continues to serve as collateral manager of the entity and therefore has the power to direct the activities that most significantly impact the economic performance of the entity, the Company concluded that it was no longer the primary beneficiary of the entity upon disposition of its 20 percent residual interest, at which time the Company deconsolidated the entity and derecognized the associated assets, liabilities and appropriated retained earnings from its Consolidated Balance Sheet as of that date. The Company recognized a loss of \$19,000 on de-consolidation, which is included in gains (losses) and other investment income, net, on the Company's Consolidated Statement of Income for the fiscal year ended October 31, 2014.

During the fiscal year ended October 31, 2014, approximately \$4.8 million of organizational and structuring costs associated with the closing of Eaton Vance CLO 2013-1 were recorded in interest and other expense of consolidated CLO entities in the Company's Consolidated Statement of Income.

Changes in the fair values of Eaton Vance CLO 2013-1's bank loans and other investments resulted in net losses of \$39,000 and net gains of \$2.6 million during the fiscal years ended October 31, 2014 and 2013, respectively, while changes in the fair value of Eaton Vance CLO 2013-1's note obligations resulted in net gains of \$2.4 million during the fiscal year ended October 31, 2014. The combined net gains of \$2.4 million and \$2.6 million, respectively, for the fiscal years ended October 31, 2014 and 2013 were recorded as gains and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statements of Income.

For the fiscal years ended October 31, 2014 and 2013 the Company recorded net income of \$2.0 million and \$2.6 million, respectively, related to Eaton Vance CLO 2013-1. The Company recorded net income attributable to other beneficial interests of \$1.1 million and \$2.6 million, respectively, for the fiscal years ended October 31, 2014 and 2013. Net income attributable to Eaton Vance Corp. shareholders was \$0.9 million during the fiscal year ended

October 31, 2014. Since the Company held no beneficial interest during the year, there was no income attributable to Eaton Vance Corp. shareholders for the fiscal year ended October 31, 2013.

***Investments in VIEs that are not consolidated***

*Sponsored funds*

The Company classifies its investments in certain sponsored funds that are considered VIEs as either equity method investments (generally when the Company owns more than 20 percent but less than 50 percent of the fund) or as available-for-sale investments (generally when the Company owns less than 20 percent of the

fund) when it is not considered the primary beneficiary of these VIEs. The Company provides aggregated disclosures with respect to these non-consolidated sponsored fund VIEs in Note 4.

#### *Non-consolidated CLO entities*

The Company is not deemed the primary beneficiary of several CLO entities in which it holds variable interests. In its role as collateral manager, the Company often has the power to direct the activities of the CLO entities that most significantly impact the economic performance of these entities. In developing its conclusion that it is not the primary beneficiary of these entities, the Company determined that, for certain of these entities, although it has variable interests in each by virtue of its residual interests therein and the collateral management fees it receives, its variable interests neither individually nor in the aggregate represent an obligation to absorb losses of, or a right to receive benefits from, any such entity that could potentially be significant to that entity. Quantitative factors supporting the Company's qualitative conclusion in each case included the relative size of the Company's residual interest (in all but one instance representing less than 6 percent of the residual interest tranche and less than 1 percent of the total capital of the entity) and the overall magnitude and design of the collateral management fees within each structure.

Non-consolidated CLO entities had total assets of \$2.1 billion and \$2.4 billion as of October 31, 2015 and 2014, respectively. The Company's variable interests in these entities consist of the Company's direct ownership in these entities and any subordinated management fees earned but uncollected. The Company's investment in these entities totaled \$4.4 million and \$4.0 million as of October 31, 2015 and 2014, respectively. Collateral management fees receivable for these entities totaled \$1.8 million and \$2.6 million on October 31, 2015 and 2014, respectively. In the fiscal year ended October 31, 2015, the Company did not provide any financial or other support to these entities that it was not previously contractually required to provide. The Company's risk of loss with respect to these managed CLO entities is limited to the carrying value of its investments in, and collateral management fees receivable from, these entities as of October 31, 2015.

The Company's investment in non-consolidated CLO entities is carried at amortized cost and is disclosed as a component of investments in Note 4. Income from these entities is recorded as a component of gains and other investment income, net, in the Company's Consolidated Statements of Income, based upon projected investment yields.

#### *Other entities*

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain sponsored privately offered equity funds with total assets of \$12.7 billion and \$11.3 billion as of October 31, 2015 and 2014, respectively. The Company has determined that these entities qualify for the deferral afforded by ASU 2010-10, *Consolidation – Amendments for Certain Investment Funds*, and thus assesses whether it is the primary beneficiary of these entities based on the Company's exposure to the expected losses and expected residual returns of the entity. The Company's variable interests in these entities consist of the Company's direct ownership therein, which in each case is

insignificant relative to the total ownership of the fund, and any investment advisory fees earned but uncollected. The Company held investments in these entities totaling \$2.2 million and \$6.6 million on October 31, 2015 and 2014, respectively, and investment advisory fees receivable totaling \$0.7 million and \$0.6 million on October 31, 2015 and 2014, respectively. In the fiscal year ended October 31, 2015, the Company did not provide any financial or other support to these entities that it was not contractually required to provide. The Company's risk of loss with respect to these managed entities is limited to the carrying value of its investments in, and investment advisory fees receivable from, the entities as of October 31, 2015. The Company does not consolidate these VIEs because it does not hold the majority of the risks and rewards of ownership.



The Company's investments in privately offered equity funds are carried at fair value and included in investment securities, available-for-sale, which are disclosed as a component of investments in Note 4. The Company records any change in fair value, net of income tax, in other comprehensive income (loss).

## 9. Equipment and Leasehold Improvements

The following is a summary of equipment and leasehold improvements at October 31, 2015 and 2014:

(in thousands)	2015	2014
Equipment	\$75,492	\$71,367
Leasehold improvements	56,364	53,796
Subtotal	131,856	125,163
Less: Accumulated depreciation and amortization	(86,913 )	(79,512 )
Equipment and leasehold improvements, net	\$44,943	\$45,651

Depreciation and amortization expense was \$11.4 million, \$10.9 million and \$13.0 million for the years ended October 31, 2015, 2014 and 2013, respectively.

## 10. Acquisitions, Goodwill and Intangible Assets

### *Atlanta Capital Management, LLC ("Atlanta Capital")*

In fiscal 2015 and 2014, the Company purchased an additional 0.4 percent and 0.3 percent profits interest in Atlanta Capital for \$0.5 million and \$0.3 million, respectively, pursuant to the put and call provisions of the Atlanta Capital Plan. Please see Note 12 for additional information related to the Atlanta Capital Plan.

In fiscal 2015, the Company purchased an additional 1.4 percent profit interest for \$6.8 million pursuant to the terms of the original acquisition agreement, as amended. In fiscal 2014, the Company purchased an additional 1.3 percent profit interest and a 0.1 percent capital interest in Atlanta Capital for \$6.6 million pursuant to the terms of the original acquisition agreement, as amended. The purchase price in each instance was based on a multiple of Atlanta Capital's earnings before taxes for the relevant fiscal period.

As of October 31, 2015, non-controlling interest holders of Atlanta Capital retained a 1.6 percent profit interest in Atlanta Capital associated with the original acquisition. Pursuant to the terms of the original acquisition agreement, as amended, the non-controlling interest holders of Atlanta Capital have the right to sell an additional 0.1 percent profit interest in Atlanta Capital to the Company at a multiple of Atlanta Capital's earnings before taxes for the fiscal year ended October 31, 2016. To the extent that the put is not fully exercised based on fiscal 2016 results, non-controlling interest holders have the opportunity to sell the 0.1 percent profit interest, less any portion sold in prior years, based on the financial results of Atlanta Capital for each fiscal year thereafter. Also pursuant to the terms of the original acquisition agreement, as amended, the Company has the right to purchase 100 percent of the profit interests related to the original acquisition retained by non-controlling interest holders as of October 31, 2017 and annually thereafter, at prices based on the financial results of Atlanta Capital for those fiscal years. Neither the exercise of the puts nor the exercise of the calls is contingent upon the non-controlling interest holders of Atlanta Capital remaining employees.

Total profit interests in Atlanta Capital held by non-controlling interest holders, including direct profit interests related to the original acquisition as well as indirect profit interests issued pursuant to the Atlanta Capital Plan, decreased to 13.1 percent on October 31, 2015 from 13.8 percent on October 31, 2014, reflecting the exercise of puts and calls as described above, as well as the grant of an additional 1.1 percent profit interest to employees of Atlanta Capital pursuant to the terms of the Atlanta Capital Plan in fiscal

2015. Non-controlling interest holders did not hold any capital interests in Atlanta Capital as of October 31, 2015. Total capital interests in Atlanta Capital held by non-controlling interest holders as of October 31, 2014 were 0.1 percent.

***Parametric Portfolio Associates LLC (“Parametric”)***

In November 2013, the non-controlling interest holders of Parametric Risk Advisors entered into a Unit Acquisition Agreement with Parametric to exchange their remaining ownership interests in Parametric Risk Advisors (representing a 20 percent ownership interest in the entity) for additional ownership interests in Parametric Portfolio LP (“Parametric LP”), whose sole asset is ownership interests in Parametric. The Parametric LP ownership interests issued in the exchange, representing a 0.8 percent profit interest and a 0.8 percent capital interest, contain put and call features that become exercisable over a four-year period starting in 2018. As a result of this exchange, Parametric Risk Advisors became a wholly owned subsidiary of Parametric.

In December 2012, Parametric acquired Clifton. As part of the transaction, the Company issued indirect ownership interests in Parametric LP to certain former Clifton employees. These indirect interests, representing a 1.9 percent profit interest and a 1.9 percent capital interest, are subject to certain put and call features that are exercisable over a four-year period that began at closing. In January 2015, the associated holders exercised a put option and the Company exercised a call option with respect to the Parametric LP ownership interests issued in conjunction with the Clifton acquisition, resulting in the Company’s acquisition of an indirect 0.5 percent profit interest and a 0.5 percent capital interest in Parametric for a total of \$6.7 million.

In fiscal 2015 and 2014, the Company purchased additional 0.5 percent and 0.5 percent profit interests in Parametric for \$4.2 million and \$5.7 million, respectively, in transactions under the Parametric Plan. Please see Note 12 for additional information related to the Parametric Plan.

Total profit interests in Parametric held by non-controlling interest holders, including indirect profit interests issued pursuant to the Parametric Plan, decreased from 7.9 percent as of October 31, 2014 to 7.4 percent as of October 31, 2015, reflecting the transactions described above, as well as the grant of 0.5 percent profit interest to employees of Parametric pursuant to the terms of the Parametric Plan in fiscal 2015. Total capital interests in Parametric held by non-controlling interest holders decreased from 2.7 percent as of October 31, 2014 to 2.2 percent as of October 31, 2015.

***Tax Advantaged Bond Strategies (“TABS”)***

In fiscal 2009, the Company acquired the TABS business of M.D. Sass Investors Services, a privately held investment manager based in New York, New York for cash and future consideration. Subsequent to closing, the TABS business

was reorganized as the Tax-Advantaged Bond Strategies division of Eaton Vance Management. The acquisition was completed prior to the change in accounting for contingent purchase price consideration. Accordingly, all contingent purchase price payments related to this acquisition are treated as adjustments to the purchase price allocation.

During fiscal 2015, the Company made a contingent payment of \$9.1 million to the selling group based upon prescribed multiples of TABS's revenue for the twelve months ended December 31, 2014, increasing goodwill by the payment amount, as the acquisition was completed prior to the change in accounting for contingent purchase price consideration.

The Company is obligated to make two additional annual contingent payments to the selling group based on prescribed multiples of TABS's revenue for the twelve months ending December 31, 2015 and 2016. All future payments will be in cash and will result in an addition to goodwill. These payments are not contingent upon any member of the selling group remaining an employee of the Company.

***Goodwill***

The changes in the carrying amount of goodwill for the years ended October 31, 2015 and 2014 are as follows:

(in thousands)	October 31,	
	2015	2014
Balance, beginning of period	\$228,876	\$228,876
Goodwill acquired	9,085	-
Balance, end of period	\$237,961	\$228,876

All acquired goodwill is deductible for tax purposes.

The Company completed its most recent goodwill impairment testing in the fourth quarter of fiscal 2015 and determined that there was no impairment in the carrying value of this asset as of September 30, 2015. To evaluate the sensitivity of the goodwill impairment testing to the calculation of fair value, the Company applied a hypothetical 10 percent and 20 percent decrease to the fair value of each reporting unit. Based on such hypothetical scenarios, the results of the Company's impairment testing would not change, as the reporting units still had an excess of fair value over the carrying value under both hypothetical scenarios. There were no significant changes in the assumptions, methodologies or weightings used in the Company's current year goodwill impairment testing.

No impairment in the value of goodwill was recognized during the years ended October 31, 2015, 2014 and 2013.

***Intangible assets***

The following is a summary of intangible assets at October 31, 2015 and 2014:

**October 31, 2015**

(dollars in thousands)	Weighted-	Gross	Accumulated	Net
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	<b>average remaining amortization period (in years)</b>	<b>carrying amount</b>	<b>amortization</b>	<b>carrying amount</b>
Amortizing intangible assets:				
Client relationships acquired	8.8	\$ 133,927	\$ (86,419 )	\$ 47,508
Intellectual property acquired	10.6	1,000	(319 )	681
Trademark acquired	4.2	900	(364 )	536
Non-amortizing intangible assets:				
Mutual fund management contracts acquired		6,708	-	6,708
Total		\$ 142,535	\$ (87,102 )	\$ 55,433

October 31, 2014

(dollars in thousands)	Weighted- average remaining amortization period  (in years)	Gross carrying amount	Accumulated amortization	Net
				carrying amount
Amortizing intangible assets:				
Client relationships acquired	9.3	\$133,927	\$ (76,918)	) \$57,009
Intellectual property acquired	11.6	1,000	(255)	) 745
Trademark acquired	5.2	900	(236)	) 664
Non-amortizing intangible assets:				
Mutual fund management contracts acquired		6,708	-	) 6,708
Total		\$142,535	\$ (77,409)	) \$65,126

No impairment in the value of amortizing or non-amortizing intangible assets was recognized during the years ended October 31, 2015, 2014 or 2013.

Amortization expense was \$9.7 million, \$9.4 million and \$9.2 million for the years ended October 31, 2015, 2014 and 2013, respectively. Estimated amortization expense to be recognized by the Company over the next five years is as follows:

Year Ending October 31,	Estimated amortization expense
(in thousands)	
2016	\$ 8,647
2017	8,534
2018	8,505
2019	4,529
2020	3,508

**11.**

**Debt**

*Senior notes due 2017*

During fiscal 2007, the Company issued \$500 million in aggregate principal amount of 6.5 percent unsecured senior notes due October 2, 2017 (“2017 Senior Notes”). Interest is payable semi-annually in arrears on April 2 and October 2 of each year. There are no covenants associated with the 2017 Senior Notes.

During fiscal 2013, the Company announced a tender offer to purchase for cash up to \$250 million in aggregate principal amount of the outstanding 2017 Senior Notes and ultimately accepted for purchase \$250 million of the 2017 Senior Notes (“Tendered Notes”) on June 28, 2013. Pursuant to the terms of the Indenture that governs the 2017 Senior Notes, the consideration paid to the holders of the Tendered Notes, which totaled \$301.5 million, was calculated as the sum of the present values of the remaining scheduled payments of principal and interest through October 2, 2017, discounted to June 28, 2013 using a reference



U.S. Treasury security rate (0.625 percent U.S. Treasury Notes due September 30, 2017) plus 30 basis points. The holders of the Tendered Notes were also paid \$3.9 million in interest that accrued from April 2, 2013 (the last interest payment date) through June 28, 2013.

During fiscal 2013, the Company recognized a \$53.0 million loss on extinguishment of debt, which includes the tender premium paid (\$51.5 million excess of the Consideration Amount over the \$250 million face amount of the 2017 Senior Notes tendered), acceleration of certain deferred financing costs and original issue discount associated with the Tendered Notes, and transaction costs associated with the tender offer.

The remaining \$250 million in aggregate principal amount of the 2017 Senior Notes is due October 2, 2017.

### ***Senior notes due 2023***

During fiscal 2013, the Company issued \$325 million in aggregate principal amount of 3.625 percent ten-year senior notes due June 15, 2023 (“2023 Senior Notes”), resulting in net proceeds of approximately \$321.3 million after underwriting discounts and transaction fees. Interest is payable semi-annually in arrears on June 15th and December 15th of each year. At October 31, 2015 and 2014, the carrying value of the 2023 Senior Notes was \$323.8 million and \$323.7 million, respectively. The 2023 Senior Notes are unsecured and unsubordinated obligations of the Company. There are no covenants associated with the 2023 Senior Notes.

### ***Corporate credit facility***

The Company entered into a \$300 million senior unsecured revolving credit facility on October 21, 2014. The credit facility has a five-year term, expiring on October 21, 2019. Under the facility, the Company may borrow up to \$300 million at LIBOR-based rates of interest that vary depending on the level of usage of the facility and credit ratings of the Company. The credit facility is unsecured, contains financial covenants with respect to leverage and interest coverage, and requires the Company to pay an annual commitment fee on any unused portion. As of October 31, 2015, the Company had no borrowings under its unsecured revolving credit facility.

The Company's stock-based compensation plans include the Omnibus Incentive Plans, defined as the 2013 Omnibus Incentive Plan, as amended and restated (the "2013 Plan") and the 2008 Omnibus Incentive Plan, as amended and restated (the "2008 Plan"); the Employee Stock Purchase Plans, defined as the 2013 Employee Stock Purchase Plan (the "Qualified ESPP"), the 2013 Nonqualified Employee Stock Purchase Plan, as amended and restated (the "Nonqualified ESPP") and the 1986 Employee Stock Purchase Plan; the Employee Stock Purchase Incentive Plans, defined as the 2013 Incentive Compensation Nonqualified Employee Stock Purchase Plan, as amended and restated (the "Incentive ESPP") and the 1992 Incentive Plan – Stock Alternative; the Atlanta Capital Management Company, LLC Long-term Equity Incentive Plan (the "Atlanta Capital Plan"); and the Parametric Portfolio Associates LLC Long-term Equity Incentive Plan, as amended and restated (the "Parametric Plan"). The Company recognized compensation cost related to its plans for the years ended October 31, 2015, 2014 and 2013 as follows:

(in thousands)	2015	2014	2013
Omnibus Incentive Plans:			
Stock options	\$17,606	\$16,291	\$14,945
Restricted shares	41,789	35,672	32,894
Phantom stock units	241	267	506
Employee Stock Purchase Plans	624	607	1,235
Employee Stock Purchase Incentive Plans	512	393	308
Atlanta Capital Plan	2,534	2,360	3,071
Parametric Plan	6,214	4,958	6,832
Total stock-based compensation expense	\$69,520	\$60,548	\$59,791

The total income tax benefit recognized for stock-based compensation arrangements was \$23.3 million, \$20.5 million and \$19.3 million for the years ended October 31, 2015, 2014 and 2013, respectively.

#### Omnibus Incentive Plans

The 2013 Plan, which is administered by the Compensation Committee of the Board and replaced the 2008 Plan, allows for awards of stock options, restricted shares and phantom stock units to eligible employees and non-employee Directors. Options to purchase Non-Voting Common Stock granted under the 2013 Plan expire ten years from the date of grant, vest over five years and may not be granted with an exercise price that is less than the fair market value of the stock as of the close of business on the date of grant. Restricted shares of Non-Voting Common Stock granted under the 2013 Plan vest over five years and may be subject to performance goals. These performance goals generally relate to the achievement of specified levels of adjusted operating income. Phantom stock units granted under the 2013 Plan vest over two years. The 2013 Plan contains change in control provisions that may accelerate the vesting of awards. A total of 18.5 million shares of Non-Voting Common Stock have been reserved for issuance under the 2013 Plan. Through October 31, 2015, 2.5 million restricted shares and options to purchase 4.6 million shares have been issued pursuant to the 2013 Plan.

#### Stock options

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, volatility, an appropriate risk-free interest rate and the expected life of the option. Many of these assumptions require management's judgment. The dividend yield assumption represents the Company's expected dividend yield based on its historical dividend payouts and the stock price at the date of grant. The Company's stock volatility assumption is based upon its historical stock price fluctuations. The Company uses historical data to estimate option forfeiture rates and the expected term of options granted. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve at the time of grant.

The weighted-average fair values per share of stock options granted during the years ended October 31, 2015, 2014 and 2013 using the Black-Scholes option valuation model were as follows:

	2015	2014	2013
Weighted-average grant date fair value of options granted	\$10.13	\$13.25	\$7.69
Assumptions:			
Dividend yield	2.3% to 2.7%	2.1% to 2.4%	2.8% to 5.5%
Volatility	27% to 34%	36% to 37%	36% to 37%
Risk-free interest rate	1.7% to 2.1%	2.1% to 2.4%	1.2% to 2.1%
Expected life of options	6.7 years	6.9 years	7.1 years

Stock option transactions under the 2013 Plan and predecessor plans for the year ended October 31, 2015 are summarized as follows:

(share and intrinsic value figures in thousands)	Shares	Weighted-		
		Weighted- Average Exercise Price	Average Remaining Contractual Term  (in years)	Aggregate Intrinsic Value
Options outstanding, beginning of period	21,892	\$ 30.49		
Granted	2,782	36.99		
Exercised	(3,500 )	25.04		
Forfeited/expired	(98 )	36.33		
Options outstanding, end of period	21,076	\$ 32.23	4.9	\$ 126,237
Options exercisable, end of period	12,829	\$ 31.68	3.2	\$ 89,994
Vested or expected to vest at October 31, 2015	21,044	\$ 32.22	4.9	\$ 126,202

The Company received \$82.9 million, \$81.2 million and \$113.6 million related to the exercise of options for the fiscal years ended October 31, 2015, 2014 and 2013, respectively. Options exercised represent newly issued shares. The total intrinsic value of options exercised during the years ended October 31, 2015, 2014 and 2013 was \$46.2 million, \$59.9 million and \$86.3 million, respectively. The total fair value of options that vested during the year ended October 31, 2015 was \$20.0 million.

As of October 31, 2015, there was \$44.0 million of compensation cost related to unvested stock options granted under the Omnibus Incentive Plans not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.3 years.

In November 2015, the Company granted options to purchase 3.1 million shares of the Company's Non-Voting Common Stock under the 2013 Plan at a price of \$36.76 per share, the then current trading price of the underlying securities.

*Restricted shares*

The Company's restricted share awards are generally subject to graduated vesting schedules. Compensation expense is adjusted for estimated forfeitures and is recognized on a straight-line basis over the service periods underlying the awards. As of October 31, 2015, there was \$86.7 million of compensation cost

related to unvested awards granted under the Omnibus Incentive Plans not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.7 years.

A summary of the Company's restricted share activity for the year ended October 31, 2015 under the Omnibus Incentive Plans is presented below:

Weighted-  
Average  
Grant Date