

EATON VANCE CORP  
Form 10-Q  
September 04, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**  
For the quarterly period ended July 31, 2015

or

**Transition Report Pursuant to Section 13 or 15 (d) of The Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file no. 1-8100

**EATON VANCE CORP.**

(Exact name of registrant as specified in its charter)

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

Two International Place, Boston, Massachusetts 02110

(Address of principal executive offices) (zip code)

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(617) 482-8260

(Registrant's telephone number, including area code)

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 mark 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 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

Shares outstanding as of July 31, 2015:

Voting Common Stock – 429,005 shares

Non-Voting Common Stock – 116,214,971 shares

Eaton Vance Corp.

Form 10-Q

As of July 31, 2015 and for the

Three and Nine Month Periods Ended July 31, 2015

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**Part I - Financial Information****Item 1. Consolidated Financial Statements****Eaton Vance Corp.****Consolidated Balance Sheets (unaudited)**

(in thousands)	July 31, 2015	October 31, 2014
Assets		
Cash and cash equivalents	\$318,800	\$385,215
Investment advisory fees and other receivables	180,827	186,344
Investments	637,368	624,605
Assets of consolidated collateralized loan obligation (“CLO”) entity:		
Cash and cash equivalents	73	8,963
Bank loans and other investments	1,559	147,116
Other assets	3,549	371
Deferred sales commissions	22,845	17,841
Deferred income taxes	43,585	46,099
Equipment and leasehold improvements, net	45,428	45,651
Intangible assets, net	57,670	65,126
Goodwill	237,961	228,876
Other assets	76,230	103,879
Total assets	\$1,625,895	\$1,860,086

*See notes to Consolidated Financial Statements.*

**Eaton Vance Corp.****Consolidated Balance Sheets (unaudited) (continued)**

(in thousands, except share data)	July 31, 2015	October 31, 2014
Liabilities, Temporary Equity and Permanent Equity		
Liabilities:		
Accrued compensation	\$ 135,615	\$ 181,064
Accounts payable and accrued expenses	64,943	64,598
Dividend payable	30,931	30,057
Debt	573,772	573,655
Liabilities of consolidated CLO entity:		
Senior and subordinated note obligations	4,097	151,982
Other liabilities	56	298
Other liabilities	84,667	93,485
Total liabilities	894,081	1,095,139
Commitments and contingencies		
Temporary Equity:		
Redeemable non-controlling interests	111,694	107,466
Permanent Equity:		
Voting Common Stock, par value \$0.00390625 per share:		
Authorized, 1,280,000 shares	2	2
Issued and outstanding, 429,005 and 415,078 shares, respectively		
Non-Voting Common Stock, par value \$0.00390625 per share:		
Authorized, 190,720,000 shares	454	460
Issued and outstanding, 116,214,971 and 117,846,273 shares, respectively		
Additional paid-in capital	-	-
Notes receivable from stock option exercises	(8,360 )	(8,818 )
Accumulated other comprehensive loss	(47,192 )	(17,996 )
Appropriated retained earnings	1,028	2,467
Retained earnings	672,538	679,061
Total Eaton Vance Corp. shareholders' equity	618,470	655,176
Non-redeemable non-controlling interests	1,650	2,305
Total permanent equity	620,120	657,481
Total liabilities, temporary equity and permanent equity	\$ 1,625,895	\$ 1,860,086

*See notes to Consolidated Financial Statements.*

**Eaton Vance Corp.****Consolidated Statements of Income (unaudited)**

(in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	July 31, 2015	2014	July 31, 2015	2014
Revenue:				
Investment advisory and administrative fees	\$ 303,625	\$ 311,756	\$ 906,062	\$ 916,605
Distribution and underwriter fees	20,285	21,548	61,369	64,381
Service fees	29,265	31,977	87,573	95,097
Other revenue	2,336	2,309	7,101	5,829
Total revenue	355,511	367,590	1,062,105	1,081,912
Expenses:				
Compensation and related costs	124,400	117,632	364,667	351,110
Distribution expense	31,300	35,591	167,649	105,924
Service fee expense	26,978	29,780	81,116	87,266
Amortization of deferred sales commissions	3,767	4,084	11,187	13,408
Fund-related expenses	9,446	9,380	27,084	26,288
Other expenses	42,887	39,945	120,888	117,235
Total expenses	238,778	236,412	772,591	701,231
Operating income	116,733	131,178	289,514	380,681
Non-operating income (expense):				
Gains (losses) and other investment income, net	(850 )	2,917	2,299	2,592
Interest expense	(7,344 )	(7,443 )	(22,017 )	(22,247 )
Other income (expense) of consolidated CLO entities:				
Gains and other investment income, net	1,771	1,434	5,284	15,247
Interest and other expense	(1,161 )	(1,758 )	(2,966 )	(13,781 )
Total non-operating expense	(7,584 )	(4,850 )	(17,400 )	(18,189 )
Income before income taxes and equity in net income of affiliates	109,149	126,328	272,114	362,492
Income taxes	(43,435 )	(48,899 )	(104,101 )	(138,790 )
Equity in net income of affiliates, net of tax	3,260	3,840	9,363	12,344
Net income	68,974	81,269	177,376	236,046
Net income attributable to non-controlling and other beneficial interests	(265 )	(3,334 )	(9,280 )	(11,852 )
Net income attributable to Eaton Vance Corp. shareholders	\$ 68,709	\$ 77,935	\$ 168,096	\$ 224,194
Earnings per share:				
Basic	\$ 0.60	\$ 0.66	\$ 1.45	\$ 1.86
Diluted	\$ 0.57	\$ 0.63	\$ 1.39	\$ 1.78
Weighted average shares outstanding:				
Basic	113,406	116,145	113,890	117,248
Diluted	118,281	121,013	119,013	122,550
Dividends declared per share	\$ 0.25	\$ 0.22	\$ 0.75	\$ 0.66

*See notes to Consolidated Financial Statements.*



**Eaton Vance Corp.****Consolidated Statements of Comprehensive Income (unaudited)**

(in thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2015	2014	2015	2014
Net income	\$68,974	\$81,269	\$177,376	\$236,046
Other comprehensive income (loss):				
Amortization of net gains on derivatives, net of tax	3	4	10	10
Unrealized holding gains (losses) on available-for-sale investments and reclassification adjustments, net of tax	(1,965 )	228	(1,650 )	607
Foreign currency translation adjustments, net of tax	(12,858)	905	(27,556 )	(4,948 )
Other comprehensive income (loss), net of tax	(14,820)	1,137	(29,196 )	(4,331 )
Total comprehensive income	54,154	82,406	148,180	231,715
Comprehensive income attributable to non-controlling and other beneficial interests	(265 )	(3,334 )	(9,280 )	(11,852 )
Total comprehensive income attributable to Eaton Vance Corp. shareholders	\$53,889	\$79,072	\$138,900	\$219,863

*See notes to Consolidated Financial Statements.*

## Eaton Vance Corp.

## Consolidated Statements of Shareholders' Equity (unaudited)

(in thousands)	Permanent Equity							Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Temporary Equity
	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Loss	Appropriated Retained Earnings	Retained Earnings			
Balance, November 1, 2014	\$2	\$460	\$-	\$(8,818)	\$(17,996)	\$2,467	\$679,061	\$2,305	\$657,481	\$107,400
Net income	-	-	-	-	-	(1,439)	168,096	3,056	169,713	7,663
Other comprehensive loss	-	-	-	-	(29,196)	-	-	-	(29,196)	-
Dividends declared (\$0.75 per share)	-	-	-	-	-	-	(88,110)	-	(88,110)	-
Issuance of Voting Common Stock	-	-	77	-	-	-	-	-	77	-
Issuance of Non-Voting Common Stock:										
On exercise of stock options	-	7	41,307	(1,182)	-	-	-	-	40,132	-
Under employee stock purchase plans	-	-	3,324	-	-	-	-	-	3,324	-
Under employee stock purchase incentive plan	-	-	3,131	-	-	-	-	-	3,131	-
Under restricted stock plan, net of forfeitures	-	5	-	-	-	-	-	-	5	-
Stock-based compensation	-	-	52,803	-	-	-	-	-	52,803	-
Tax benefit of stock option exercises	-	-	7,834	-	-	-	-	-	7,834	-
Repurchase of Non-Voting Common Stock	-	(18)	(105,708)	-	-	-	(86,509)	-	(192,235)	-
Principal repayments on notes receivable from stock option exercises	-	-	-	1,640	-	-	-	-	1,640	-
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	(3,114)	(3,114)	1,925
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	-	-	(357)
Reclass to temporary equity	-	-	-	-	-	-	-	(597)	(597)	597

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Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	(8,368)
Other changes in non-controlling interests	-	-	(2,768 )	-	-	-	-	-	(2,768 )	2,768
Balance, July 31, 2015	\$2	\$454	\$-	\$(8,360)	\$(47,192)	\$1,028	\$672,538	\$1,650	\$620,120	\$111,650

*See notes to Consolidated Financial Statements.*

## Eaton Vance Corp.

## Consolidated Statements of Shareholders' Equity (unaudited) (continued)

(in thousands)	Permanent Equity							Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Temporary Equity	Redeemable Non-Controlling Interests
	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Loss	Appropriated Retained Earnings	Retained Earnings				
Balance, November 1, 2013	\$2	\$474	\$124,837	\$(7,122)	\$(177 )	\$10,249	\$541,521	\$1,755	\$671,539	\$74,856	
Net income	-	-	-	-	-	(2,005 )	224,194	4,396	226,585	9,461	
Other comprehensive loss	-	-	-	-	(4,331)	-	-	-	(4,331 )	-	
Dividends declared (\$0.66 per share)	-	-	-	-	-	-	(79,626 )	-	(79,626 )	-	
Issuance of Voting Common Stock	-	-	162	-	-	-	-	-	162	-	
Issuance of Non-Voting Common Stock:											
On exercise of stock options	-	7	39,501	(2,216)	-	-	-	-	37,292	-	
Under employee stock purchase plans	-	-	3,709	-	-	-	-	-	3,709	-	
Under employee stock purchase incentive plans	-	-	2,946	-	-	-	-	-	2,946	-	
Under restricted stock plan, net of forfeitures	-	4	-	-	-	-	-	-	4	-	
Stock-based compensation	-	-	46,492	-	-	-	-	-	46,492	-	
Tax benefit of stock option exercises	-	-	12,723	-	-	-	-	-	12,723	-	
Repurchase of Voting Common Stock	-	-	(77 )	-	-	-	-	-	(77 )	-	
Repurchase of Non-Voting Common Stock	-	(23 )	(216,294)	-	-	-	(11,597 )	-	(227,914)	-	
Principal repayments on notes receivable from stock option exercises	-	-	-	1,769	-	-	-	-	1,769	-	
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	(3,996)	(3,996 )	2,313	
Net consolidations (deconsolidations) of	-	-	-	-	-	(3,687 )	-	-	(3,687 )	(4,111)	

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sponsored investment funds											
Reclass to temporary equity	-	-	-	-	-	-	-	(352 )	(352 )	352	
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	(6,839)	
Issuance of subsidiary equity	-	-	-	-	-	-	-	-	-	9,935	
Other changes in non-controlling interests	-	-	(13,999 )	-	-	-	-	-	(13,999 )	13,999	
Balance, July 31, 2014	\$2	\$462	\$-	\$(7,569)	\$(4,508)	\$4,557	\$674,492	\$1,803	\$669,239	\$99,966	

*See notes to Consolidated Financial Statements.*

**Eaton Vance Corp.****Consolidated Statements of Cash Flows (unaudited)**

(in thousands)	Nine Months Ended	
	July 31, 2015	2014
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 177,376	\$ 236,046
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	16,489	15,822
Amortization of deferred sales commissions	11,195	13,464
Stock-based compensation	52,803	46,492
Deferred income taxes	3,219	10,831
Net losses on investments and derivatives	5,342	2,789
Equity in net income of affiliates, net of amortization	(9,920 )	(14,833 )
Dividends received from affiliates	13,092	11,654
Consolidated CLO entities' operating activities:		
Net gains on bank loans, other investments and note obligations	(1,654 )	(592 )
Amortization	(76 )	(715 )
Net increase (decrease) in other assets and liabilities, including cash	5,146	(128,945)
Changes in operating assets and liabilities:		
Investment advisory fees and other receivables	5,739	(1,090 )
Investments in trading securities	(107,205)	(181,897)
Deferred sales commissions	(16,198 )	(12,510 )
Other assets	12,649	11,376
Accrued compensation	(45,360 )	(27,871 )
Accounts payable and accrued expenses	216	10,632
Other liabilities	34,995	5,376
Net cash provided by (used for) operating activities	157,848	(3,971 )
<b>Cash Flows From Investing Activities:</b>		
Additions to equipment and leasehold improvements	(8,118 )	(5,756 )
Net cash paid in acquisition	(9,085 )	-
Proceeds from sale of investments	45,454	77,739
Purchase of investments	(5,541 )	(21,724 )
Consolidated CLO entities' investing activities:		
Proceeds from sales and maturities of bank loans and other investments	144,238	356,985
Purchase of bank loans and other investments	(1,790 )	(248,771)
Net cash provided by investing activities	165,158	158,473

*See notes to Consolidated Financial Statements.*



**Eaton Vance Corp.****Consolidated Statements of Cash Flows (unaudited) (continued)**

(in thousands)	Nine Months Ended	
	July 31, 2015	2014
Cash Flows From Financing Activities:		
Purchase of additional non-controlling interest	(18,602 )	(26,872 )
Proceeds from issuance of Voting Common Stock	77	162
Proceeds from issuance of Non-Voting Common Stock	46,592	43,951
Repurchase of Voting Common Stock	-	(77 )
Repurchase of Non-Voting Common Stock	(192,235)	(227,914)
Principal repayments on notes receivable from stock option exercises	1,640	1,769
Excess tax benefit of stock option exercises	7,834	12,723
Dividends paid	(87,374 )	(79,928 )
Net subscriptions received from (redemptions/distributions paid to) non-controlling interest holders	(1,189 )	(1,683 )
Consolidated CLO entities' financing activities:		
Repayment of line of credit	-	(247,789)
Repayment of redeemable preferred shares	-	(60,000 )
Issuance of senior and subordinated notes and preferred shares	-	429,582
Principal repayments of senior note obligations	(144,166)	(97,769 )
Net cash used for financing activities	(387,423)	(253,845)
Effect of currency rate changes on cash and cash equivalents	(1,998 )	(546 )
Net decrease in cash and cash equivalents	(66,415 )	(99,889 )
Cash and cash equivalents, beginning of period	385,215	461,906
Cash and cash equivalents, end of period	\$318,800	\$362,017
Supplemental Cash Flow Information:		
Cash paid for interest	\$20,169	\$19,920
Cash paid for interest by consolidated CLO entities	2,388	5,943
Cash paid for income taxes, net of refunds	81,040	107,048
Supplemental Disclosure of Non-Cash Information:		
Increase in equipment and leasehold improvements due to non-cash additions	\$272	\$249
Exercise of stock options through issuance of notes receivable	1,182	2,216
Acquisition of non-controlling interests through issuance of subsidiary equity	-	9,935
Non-controlling interest call option exercise recorded in other liabilities	1,190	-
Deconsolidation of CLO Entity:		
Decrease in other assets, net of other liabilities	\$-	\$(19,210 )
Decrease in investments	-	(411,897)
Decrease in borrowings	-	(427,418)
Net Consolidations (Deconsolidations) of Sponsored Investment Funds:		
Increase (decrease) in investments	\$(18,620 )	\$(4,122 )
Increase (decrease) in other assets, net of other liabilities	(18,763 )	-
Increase (decrease) in non-controlling interests	(357 )	(4,111 )



*See notes to Consolidated Financial Statements.*

**Eaton Vance Corp.**

**Notes to Consolidated Financial Statements (unaudited)**

**1. Summary of Significant Accounting Policies**

*Basis of Presentation*

In the opinion of management, the accompanying unaudited interim Consolidated Financial Statements of Eaton Vance Corp. (“the Company”) include all adjustments necessary to present fairly the results for the interim periods in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Such financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures have been omitted pursuant to such rules and regulations. As a result, these financial statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Company’s latest Annual Report on Form 10-K.

*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 significant distribution partner. The payment was included as a component of distribution expense in the Company’s Consolidated Statement of Income for the nine months ended July 31, 2015.

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

*Consolidation*

In February 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 variable interest entities (“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 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 Company is currently evaluating the potential impact of this new guidance as well as the available transition methods.

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

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

(in thousands)	July 31, 2015	October 31, 2014
Investments	\$248,345	\$ 172,413
Other assets	10,967	19,474
Other liabilities	(31,284 )	(32,559 )
Redeemable non-controlling interests	(17,820 )	(8,983 )
Net interest in consolidated sponsored funds <sup>(1)</sup>	\$210,208	\$ 150,345

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

During the nine months ended July 31, 2015 and 2014, the Company deconsolidated two and three sponsored funds, respectively.

### **4. Investments**

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

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(in thousands)	July 31, 2015	October 31, 2014
Investment securities, trading:		
Short-term debt	\$ 115,400	\$ 156,972
Consolidated sponsored funds	248,345	172,413
Separately managed accounts	71,488	51,660
Total investment securities, trading	435,233	381,045
Investment securities, available-for-sale	18,035	30,167
Investments in non-consolidated CLO entities	9,204	4,033
Investments in equity method investees	172,019	206,352
Investments, other	2,877	3,008
Total investments <sup>(1)</sup>	\$637,368	\$ 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 following is a summary of the fair value of investments classified as trading at July 31, 2015 and October 31, 2014:

(in thousands)	July 31, 2015	October 31, 2014
Short-term debt	\$ 115,400	\$ 156,972
Other debt - consolidated sponsored funds and separately managed accounts	142,141	83,824
Equity securities - consolidated sponsored funds and separately managed accounts	177,692	140,249
Total investment securities, trading	\$435,233	\$ 381,045

During the nine months ended July 31, 2015, the Company seeded investments in nine consolidated sponsored funds and thirteen separately managed accounts. During the nine months ended July 31, 2014, the Company seeded investments in nine consolidated sponsored funds. The Company did not seed any separately managed accounts during the nine months ended July 31, 2014.

The Company recognized gains (losses) related to trading securities still held at the reporting date of \$(15.0) million and \$(0.8) million for the three months ended July 31, 2015 and 2014, respectively, and \$(13.8) million and \$1.1 million for the nine months ended July 31, 2015 and 2014, respectively.

*Investment securities, available-for-sale*

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

July 31, 2015 (in thousands)	Cost	Gross Unrealized Gains	Losses	Fair Value
Investment securities, available-for-sale	\$ 11,538	\$ 6,701	\$ (204 )	\$ 18,035

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

Net unrealized holding gains on investment securities classified as available-for-sale included in other comprehensive income (loss), net of tax, were \$0.2 million and \$0.4 million for the three months ended July 31, 2015 and 2014, respectively, and \$0.4 million and \$1.0 million for the nine months ended July 31, 2015 and 2014, respectively.

The Company evaluated gross unrealized losses of \$0.2 million as of July 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 July 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 three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended		Nine Months Ended	
	July 31, 2015	2014	July 31, 2015	2014
Gains	\$ 7,144	\$ 108	\$ 7,801	\$ 670
Losses	(3,569 )	-	(3,885 )	(898 )
Net realized gains (losses)	\$ 3,575	\$ 108	\$ 3,916	\$ (228 )

#### ***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 \$143.2 million and \$166.0 million at July 31, 2015 and October 31, 2014, respectively. At July 31, 2015, the Company's investment in Hexavest consisted of \$5.5 million of equity in the net assets of Hexavest, intangible assets of \$27.6 million and goodwill of \$117.5 million, net of a deferred tax liability of \$7.4 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).

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 July 31, 2015 and October 31, 2014, respectively.

The Company had equity method investments in the following Company-sponsored funds as of July 31, 2015 and October 31, 2014:

	Equity Ownership Interest (%)		Carrying Value (\$) <sup>(1)</sup>	
	July 31, 2015	October 31, 2014	July 31, 2015	October 31, 2014
(dollar amounts in thousands)				
Eaton Vance Tax-Advantaged Bond Strategies 5-to-15 Year Laddered Municipal Bond Fund	42 %	-	\$ 26,850	\$ -
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			\$ 26,850	\$ 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.

During the nine months ended July 31, 2015 and 2014, the Company received dividends of \$13.1 million and \$11.7 million, respectively, from its investments in equity method investees. No impairment losses were recognized during either nine month period.

## 5. Fair Value Measurements

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 July 31, 2015 and October 31, 2014:

July 31, 2015

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
<b>Financial assets:</b>					
Cash equivalents	\$ 15,918	\$ 21,559	\$ -	\$ -	\$ 37,477
Investments:					
Investment securities, trading:					
Short-term debt	-	115,400	-	-	115,400
Other debt - consolidated sponsored funds and separately managed accounts	1,814	140,327	-	-	142,141
Equity - consolidated sponsored funds and separately managed accounts	110,347	67,345	-	-	177,692
Investment securities, available-for-sale	15,848	2,187	-	-	18,035
Investments in non-consolidated CLO entities <sup>(1)</sup>	-	-	-	9,204	9,204
Investments in equity method investees <sup>(2)</sup>	-	-	-	172,019	172,019
Investments, other <sup>(3)</sup>	-	103	-	2,774	2,877
Derivative instruments	-	4,464	-	-	4,464
Assets of consolidated CLO entity:					
Bank loans and other investments	-	1,559	-	-	1,559
Total financial assets	\$ 143,927	\$ 352,944	\$ -	\$ 183,997	\$ 680,868
<b>Financial liabilities:</b>					
Derivative instruments	\$ -	\$ 1,621	\$ -	\$ -	\$ 1,621
Securities sold, not yet purchased	-	6,999	-	-	6,999
Liabilities of consolidated CLO entity:					
Senior and subordinated note obligations	-	-	4,097	-	4,097
Total financial liabilities	\$ -	\$ 8,620	\$ 4,097	\$ -	\$ 12,717

October 31, 2014

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
<b>Financial assets:</b>					
Cash equivalents	\$19,599	\$60,312	\$-	\$-	\$79,911
<b>Investments:</b>					
<b>Investment securities, trading:</b>					
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
<b>Assets of consolidated CLO entity:</b>					
Cash equivalents	8,697	-	-	-	8,697
Bank loans and other investments	-	146,315	801	-	147,116
<b>Total financial assets</b>	<b>\$149,199</b>	<b>\$501,413</b>	<b>\$801</b>	<b>\$213,332</b>	<b>\$864,745</b>
<b>Financial liabilities:</b>					
Derivative instruments	\$-	\$2,618	\$-	\$-	\$2,618
Securities sold, not yet purchased	-	981	-	-	981
<b>Liabilities of consolidated CLO entity:</b>					
Senior and subordinated note obligations	-	2,672	149,310	-	151,982
<b>Total financial liabilities</b>	<b>\$-</b>	<b>\$6,271</b>	<b>\$149,310</b>	<b>\$-</b>	<b>\$155,581</b>

*The Company's investments in these CLO entities are measured at fair value on a non-recurring basis using Level 3 (1) inputs. The investments are carried at amortized cost unless facts and circumstances indicate that the investments have been impaired, at which time the investments are written down to fair value.*

*(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 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 listed on a U.S. securities exchange generally are valued at the last sale or closing price on the day of valuation or, if no sales took place on such date, at the mean between the closing bid and ask prices on the exchange where such securities are principally traded. Equity securities listed on the NASDAQ Global or Global Select market generally are valued at the NASDAQ official closing price. Unlisted or listed securities for which closing prices or closing quotations are not available are valued at the mean between the latest available bid and ask prices. 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, interest rate futures contracts, interest rate swap contracts and total return swap 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 entity*

Assets of the Company's consolidated CLO entity include investments in bank loans, debt securities, money market funds, equity securities and warrants. 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 securities, equity securities and warrants 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 entity*

Liabilities of the Company's consolidated CLO entity 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 are valued utilizing an income-approach model in which one or more significant inputs are unobservable in the market. A full description of the valuation technique is included below within the valuation process disclosure. Depending on the nature of the inputs, these liabilities are classified as Level 2 or 3 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 three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended		Nine Months Ended	
	July 31, 2015	2014	July 31, 2015	2014
Transfers from Level 1 into Level 2 <sup>(1)</sup>	\$ 21,538	\$ 1,107	\$ 6,001	\$ 609
Transfers from Level 2 into Level 1 <sup>(2)</sup>	81	257	91	843

<sup>(1)</sup> 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.

<sup>(2)</sup> 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

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 three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended July 31, 2015		Three Months Ended July 31, 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 note obligations and redeemable preferred shares of consolidated CLO entities
Beginning balance	\$ 43	\$ 123,231	\$ 7	\$ 633,159
Deconsolidation of senior and subordinated notes and redeemable preferred shares	-	-	-	(419,193 )
Net gains (losses) on investments and note obligations included in net income <sup>(1)</sup>	94	(912 )	15	76
Sales	(137 )	-	(9 )	-
Principal paydown	-	(118,222 )	-	(33,989 )
Ending balance	\$ -	\$ 4,097	\$ 13	\$ 180,053
Change in unrealized gains (losses) included in net income relating to assets and liabilities held	\$ -	\$ (1,160 )	\$ -	\$ 76



(in thousands)	Nine Months Ended July 31, 2015		Nine Months Ended July 31, 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 note obligations and redeemable preferred shares of consolidated CLO entities
Beginning balance	\$ 801	\$ 149,310	\$ 1,245	\$ 276,476
Issuance of senior and subordinated notes and redeemable preferred shares	-	-	-	421,523
Deconsolidation of senior and subordinated notes and redeemable preferred shares	-	-	-	(419,193 )
Net gains (losses) on investments and note obligations included in net income <sup>(1)</sup>	(281 )	(2,426 )	(171 )	(1,059 )
Additions <sup>(2)</sup>	-	1,379	-	-
Sales	(137 )	-	(1,061 )	-
Amortization of original issue discount on senior notes	-	-	-	75
Principal paydown	-	(144,166 )	-	(97,769 )
Transfers out of Level 3 <sup>(3)</sup>	(383 )	-	-	-
Ending balance	\$ -	\$ 4,097	\$ 13	\$ 180,053
Change in unrealized gains (losses) included in net income relating to assets and liabilities held	\$ -	\$ (2,689 )	\$ -	\$ (1,346 )

*Substantially all net gains (losses) on investments, note obligations and redeemable preferred shares attributable (1) to the assets and borrowings of the Company's consolidated CLO entity 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 out of Level 3 into Level 2 of the fair value measurement hierarchy were due to an increase in the observability of inputs used in determining the fair value of certain investments.*

As discussed in Note 8, the senior notes 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 fair value of the subordinated notes as of July 31, 2015 was determined based on the fair value of the net assets of the consolidated CLO entity as of that date, less the residual value attributable to the incentive collateral management fee. The following table shows the valuation technique and significant unobservable inputs utilized in the fair value measurement of Level 3 liabilities of the consolidated CLO entity at October 31, 2014:



October 31, 2014 (\$ in thousands)	Fair Value	Valuation Technique	Unobservable <b>Inputs</b> <sup>(1)</sup>	Value/ Range
Senior and subordinated note obligations	\$ 149,310	Income-approach	Prepayment rate Recovery rate Default rate Discount rate	30 percent 70 percent 200 bps 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 (1) 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 entity 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 entity, 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 both the three months ended July 31, 2015 and 2014, the Company reclassified into interest expense \$50,000 of deferred gains related to a forward-starting interest rate swap entered into in connection with the offering of its 3.625 percent unsecured senior notes due June 15, 2023 (“2023 Senior Notes”). During both the nine months ended July 31, 2015 and 2014, the Company reclassified into interest expense \$0.2 million of this deferred gain. At July 31, 2015, the remaining unamortized gain on this transaction was \$1.6 million. During the next twelve months, the Company expects to reclassify approximately \$0.2 million of the gain into interest expense.

During both the three months ended July 31, 2015 and 2014, the Company reclassified into interest expense \$56,000 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 (“2017 Senior Notes”). During both the nine months ended July 31, 2015 and 2014, the Company reclassified into interest expense \$0.2 million of deferred losses on this Treasury lock. At July 31, 2015, the remaining unamortized loss on this transaction was \$0.5 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***

The Company has entered into a series of foreign exchange contracts, stock index futures contracts, commodity futures contracts, interest rate futures contracts, total return swap contracts and interest rate swap 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 July 31, 2015 and October 31, 2014, excluding derivative financial instruments held in certain consolidated sponsored funds and separately managed accounts, the Company had 29 and 39 foreign exchange contracts outstanding with four counterparties with an aggregate notional value of \$31.4 million and \$16.8 million, respectively; 1,725 and 2,091 stock index futures contracts outstanding with one counterparty with an aggregate notional value of \$151.2 million and \$177.3 million, respectively; 289 and 566 commodity futures contracts outstanding with one counterparty with an aggregate notional value of \$13.9 million and \$32.3 million, respectively; and 55 and 122 interest rate futures contracts outstanding with one counterparty with an aggregate notional value of \$5.6 million and \$12.4 million, respectively. At July 31, 2015, the Company had seven total return swap contracts outstanding with one counterparty with an aggregate notional value of \$41.7 million and one interest rate swap contract with one counterparty with an aggregate notional value of \$2.9 million. As of October 31, 2014, the Company did not have any total return swap contracts or interest rate swap contracts outstanding. The number of derivative contracts outstanding and the notional values they represent at July 31, 2015 and October 31, 2014 are indicative of derivative balances throughout each respective period.

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 July 31, 2015 and October 31, 2014:

July 31, 2015

Assets

Liabilities



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(in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other assets	\$ 897	Other liabilities	\$ 278
Stock index futures contracts	Other assets	2,217	Other liabilities	887
Commodity futures contracts	Other assets	1,288	Other liabilities	362
Interest rate futures contracts	Other assets	-	Other liabilities	46
Total return swap contracts	Other assets	62	Other liabilities	40
Interest rate swap contracts	Other assets	-	Other liabilities	8
Total		\$ 4,464		\$ 1,621

October 31, 2014

(in thousands)	Assets		Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
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 three and nine months ended July 31, 2015 and 2014:

(in thousands)	Income Statement Location	Three Months Ended July 31,		Nine Months Ended July 31,	
		2015	2014	2015	2014
Foreign exchange contracts	Gains (losses) and other investment income, net	\$ 1,039	\$ (103 )	\$ 1,489	\$ 35
Stock index futures contracts	Gains (losses) and other investment income, net	3,281	(3,772 )	(4,027 )	(11,310 )
Commodity futures contracts	Gains (losses) and other investment income, net	866	431	3,190	(892 )
Interest rate futures contracts	Gains (losses) and other investment income, net	135	-	(123 )	-
Total return swap contracts	Gains (losses) and other investment income, net	549	-	(105 )	-
Interest rate swap contracts	Gains (losses) and other investment income, net	(8 )	-	(8 )	-
Total		\$ 5,862	\$ (3,444 )	\$ 416	\$ (12,167 )

## 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 July 31, 2015 and October 31, 2014:

(in thousands)	July 31, 2015		October 31, 2014		
	Carrying Value	Fair Value	Fair Value	Carrying Value	Fair Value

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			Level			Level
Investments, other	\$2,774	\$2,774	3	\$2,947	\$2,947	3
Other assets	\$6,381	\$6,381	3	\$7,363	\$7,363	3
Debt	\$573,772	\$602,847	2	\$573,655	\$611,015	2

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Included in investments, other, is a non-controlling capital interest in Atlanta Capital Management Holdings, LLC (“ACM Holdings”) carried at \$1.1 million and \$1.3 million at July 31, 2015 and October 31, 2014, respectively. 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 July 31, 2015 and October 31, 2014 is an option exercisable in 2017 to acquire an additional 26 percent interest in Hexavest carried at \$6.4 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

### *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 disclosed in Note 19.

#### *Consolidated CLO entities*

As of July 31, 2015, the Company deems itself to be the primary beneficiary of one non-recourse CLO entity, Eaton Vance CLO IX. 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. The Company continues to serve as

collateral manager of the entity and continues to hold variable interests in the entity in the form of collateral management fees. The Company concluded that it remains the primary beneficiary of the entity due to the significance of the variable interest represented by the incentive collateral management fee and, as a result, continues to consolidate Eaton Vance CLO IX subsequent to the disposition of its residual interest.

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 continues to manage the remaining collateral assets of Eaton Vance CLO IX.

The assets of the consolidated CLO entity 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 this CLO entity beyond the Company's management fees generated therefrom. The note holders and other creditors of the CLO entity 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 entity.

*Eaton Vance CLO IX*

The following tables present, as of July 31, 2015 and October 31, 2014, the fair value of Eaton Vance CLO IX's assets and liabilities that are subject to fair value accounting:

July 31, 2015

(in thousands)	CLO Bank Loan Investments		
	Total CLO bank loan investments	90 days or more past due	Subordinated note obligations
Unpaid principal balance	\$ 1,832	\$ -	\$ 21,358
Unpaid principal balance over fair value	(781 )	-	(17,261 )
Fair value	\$ 1,051	\$ -	\$ 4,097

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

Changes in the fair values of Eaton Vance CLO IX's bank loans and other investments resulted in net losses of \$2.9 million and \$0.1 million during the three months ended July 31, 2015 and 2014, respectively, while changes in the fair value of Eaton Vance CLO IX's note obligations resulted in net gains (losses) of \$3.6 million and \$(0.1) million, respectively. The combined net gains (losses) of \$0.7 million and \$(0.2) million for the three months ended July 31, 2015 and 2014, respectively, were recorded in gains and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statements of Income for those periods.

Changes in the fair values of Eaton Vance CLO IX's bank loans and other investments resulted in net losses of \$3.2 million and \$0.3 million during the nine months ended July 31, 2015 and 2014, respectively, while changes in the fair value of Eaton Vance CLO IX's note obligations resulted in net gains (losses) of \$5.1 million and \$(1.4) million, respectively. The combined net gains (losses) of \$1.9 million and \$(1.7) million for the nine months ended July 31, 2015 and 2014, respectively, were recorded in gains and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statements of Income for those periods.

During the nine months ended July 31, 2015 and 2014, \$144.2 million and \$97.8 million, respectively, of prepayments were used to pay down the entity's senior and subordinated 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 three months ended July 31, 2015 and 2014, the Company recorded net gains (losses) of \$0.4 million and \$(0.3) million, respectively, related to Eaton Vance CLO IX. The Company recorded net losses attributable to other beneficial interests of \$2.8 million and \$0.9 million for the three months ended July 31, 2015 and 2014, respectively. Net income attributable to Eaton Vance Corp. shareholders was \$3.2 million and \$0.6 million for the three months ended July 31, 2015 and 2014, respectively.

For the nine months ended July 31, 2015 and 2014, the Company recorded net gains (losses) of \$2.0 million (including the loss on disposal of its subordinated interest of \$(0.3) million) and \$(0.7) million, respectively, related to Eaton Vance CLO IX. The Company recorded net losses attributable to other beneficial interests of \$1.4 million and \$3.0 million for the nine months ended July 31, 2015 and 2014, respectively. Net income attributable to Eaton Vance Corp. shareholders was \$3.4 million and \$2.3 million for the nine months ended July 31, 2015 and 2014, respectively.

The following carrying amounts related to Eaton Vance CLO IX were included in the Company's Consolidated Balance Sheets at July 31, 2015 and October 31, 2014:

(in thousands)	July 31, 2015	October 31, 2014
Assets:		
Cash and cash equivalents	\$ 73	\$ 8,963
Bank loans and other investments	1,559	147,116
Other assets	3,549	371
Liabilities:		
Senior and subordinated note obligations	4,097	151,982
Other liabilities	56	298
Appropriated retained earnings	1,028	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*

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 deconsolidated the entity.



During the nine months ended July 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 during the nine months ended July 31, 2014, 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 nine months ended July 31, 2014. The combined net gains of \$2.4 million for the nine months ended July 31, 2014 were recorded in gains and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statement of Income.

For the nine months ended July 31, 2014, the Company recorded net income of \$2.0 million related to Eaton Vance CLO 2013-1. The Company recorded net income attributable to other beneficial interests of \$1.1 million for the nine months ended July 31, 2014. Net income attributable to Eaton Vance Corp. shareholders was \$0.9 million for the nine months ended July 31, 2014.

***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 \$2.3 billion and \$2.4 billion as of July 31, 2015 and October 31, 2014, respectively. The Company's variable interests in these entities consist of the Company's direct ownership in these entities and any collateral management fees earned but uncollected. The Company's investment in these entities totaled \$9.2 million and \$4.0 million as of July 31, 2015 and October 31, 2014, respectively. Collateral management fees receivable for these entities totaled \$1.9 million and \$2.6 million on July 31, 2015 and October 31, 2014, respectively. In the first nine months of fiscal 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 July 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 \$12.3 billion and \$11.3 billion as of July 31, 2015 and October 31, 2014, respectively. The Company has determined that these entities qualify for the deferral to certain provisions of FASB ASC Subtopic 810-10 – *Consolidation – Overall*, afforded by ASU 2010-10, *Consolidation – Amendments for Certain Investment Funds*, and thus determines whether it is the primary beneficiary of these entities by virtue of its 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 July 31, 2015 and October 31, 2014, respectively, and investment advisory fees receivable totaling \$0.7 million and \$0.6 million on July 31, 2015 and October 31, 2014, respectively. In the first nine months of fiscal 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 July 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. Acquisitions

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

In July 2015, the Company exercised a call option requiring the non-controlling interest holders of Atlanta Capital to sell a 0.2 percent profit interest in Atlanta Capital related to the original acquisition of the Company for \$1.4 million. The transaction settled in August 2015. The purchase price of this transaction was based on a multiple of Atlanta Capital's earnings before taxes for the fiscal year ended October 31, 2014.

In the fourth quarter of fiscal 2014, the non-controlling interest holders of Atlanta Capital exercised a put option related to the original acquisition in fiscal 2001 requiring the Company to purchase an additional 1.3 percent profit interest and a 0.1 percent capital interest in Atlanta Capital for \$6.6 million. The purchase price of this transaction was based on a multiple of Atlanta Capital's earnings before taxes for the fiscal year ended October 31, 2014. The transaction settled in the first quarter of fiscal 2015.

Also in the fourth quarter of fiscal 2014, an Atlanta Capital employee executed a put right related to indirect profit units issued pursuant to the Atlanta Capital Management, LLC Long-term Equity Incentive Plan (the "Atlanta Capital Plan"), requiring the Company to purchase an additional 0.3 percent profit interest in Atlanta Capital for \$0.3 million. The transaction settled in the first quarter of fiscal 2015.

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, were 13.1

percent on July 31, 2015, reflecting the put and call transactions described above and 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 the first quarter of fiscal 2015. Non-controlling interest holders did not hold any capital interests in Atlanta Capital as of July 31, 2015.

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

In the first quarter of fiscal 2015, certain non-controlling interest holders of Parametric exercised a put option and the Company exercised a call option related to non-controlling interests in Parametric issued in conjunction with the Clifton acquisition that resulted in the Company’s overall acquisition of an additional 0.5 percent profit interest and a 0.5 percent capital interest in Parametric for \$6.7 million. These transactions settled in the first quarter of fiscal 2015.

In the fourth quarter of fiscal 2014, certain employees of Parametric executed a put right related to indirect profit units issued pursuant to the Parametric Portfolio Associates LLC Long-term Equity Incentive Plan

(the “Parametric Plan”), requiring the Company to purchase an additional 0.5 percent profit interest in Parametric. The transaction settled in the first quarter of fiscal 2015 for \$5.7 million.

Total profit and capital interests in Parametric held by non-controlling interest holders were 7.4 percent and 2.2 percent, respectively, as of July 31, 2015, reflecting the execution of the put and call transactions described above as well as the grant of an additional 0.5 percent profit interest to employees of Parametric pursuant to the terms of the Parametric Plan in the first quarter of fiscal 2015.

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

In fiscal 2009, the Company acquired the TABS business of M.D. Sass Investors Services for cash and future consideration. During the second quarter of 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. The payment increased goodwill by \$9.1 million 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.

## **10. Intangible Assets**

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

July 31, 2015

(in thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizing intangible assets:			
Client relationships acquired	\$ 133,927	\$ (84,230 )	\$ 49,697
Intellectual property acquired	1,000	(303 )	697
Trademark acquired	900	(332 )	568
Non-amortizing intangible assets:			
Mutual fund management contracts acquired	6,708	-	6,708
Total	\$ 142,535	\$ (84,865 )	\$ 57,670



October 31, 2014

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

Amortization expense was \$2.8 million and \$2.4 million for the three months ended July 31, 2015 and 2014 respectively, and \$7.5 million and \$7.1 million for the nine months ended July 31, 2015 and 2014, respectively. Estimated remaining amortization expense for fiscal 2015 and the next five fiscal years, on a straight-line basis, is as follows:

Year Ending October 31, (in thousands)	Estimated Amortization Expense
Remaining 2015	\$ 2,237
2016	8,647
2017	8,534
2018	8,505
2019	4,529
2020	3,508

## 11. Stock-Based Compensation Plans

The Company recognized total cost related to its stock-based compensation plans as follows:

(in thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2015	2014	2015	2014
Omnibus Incentive Plans:				
Stock options	\$4,718	\$4,541	\$13,347	\$12,733



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Restricted shares	11,637	10,606	31,811	27,051
Phantom stock units	48	62	197	176
Employee Stock Purchase Plans	444	224	624	607
Employee Stock Purchase Incentive Plans	68	56	470	335
Atlanta Capital Plan	601	579	1,891	1,805
Parametric Plan	1,550	997	4,660	3,961
Total stock-based compensation expense	\$19,066	\$17,065	\$53,000	\$46,668

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The total income tax benefit recognized for stock-based compensation arrangements was \$6.1 million and \$5.5 million for the three months ended July 31, 2015 and 2014, respectively, and \$17.6 million and \$15.4 million for the nine months ended July 31, 2015 and 2014, respectively.

### Stock Options

Stock option transactions under the Company's Omnibus Incentive Plans for the nine months ended July 31, 2015 are summarized as follows:

(share and intrinsic value figures in thousands)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding, beginning of period	21,892	\$ 30.49		
Granted	2,782	36.99		
Exercised	(1,600 )	25.82		
Forfeited/expired	(80 )	35.74		
Options outstanding, end of period	22,994	\$ 31.58	4.8	\$ 187,798
Options exercisable, end of period	14,736	\$ 30.74	3.1	\$ 138,416
Vested or expected to vest at July 31, 2015	22,952	\$ 31.58	4.8	\$ 187,697

The Company received \$40.1 million and \$37.3 million related to the exercise of options for the nine months ended July 31, 2015 and 2014, respectively.

As of July 31, 2015, there was \$48.3 million of compensation cost related to unvested stock options granted not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.5 years.

### Restricted Shares

A summary of the Company's restricted share activity for the nine months ended July 31, 2015 under the Company's Omnibus Incentive Plans is as follows:

Weighted-Average

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(share figures in thousands)	Shares	Grant Date Fair Value
Unvested, beginning of period	3,784	\$ 32.08
Granted	1,420	37.45
Vested	(1,056)	30.15
Forfeited	(98 )	34.43
Unvested, end of period	4,050	\$ 34.41

As of July 31, 2015, there was \$97.9 million of compensation cost related to unvested awards not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.9 years.

### Phantom Stock Units

During the nine months ended July 31, 2015, 7,075 phantom stock units were issued to non-employee Directors pursuant to the Company's 2013 Omnibus Incentive Plan. As of July 31, 2015, there was \$0.2 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 1.1 years.

## 12. Common Stock Repurchases

The Company's current Non-Voting Common Stock share repurchase program was announced on April 15, 2015. The Board authorized management to repurchase and retire up to 8.0 million shares of its Non-Voting Common Stock on the open market and in private transactions in accordance with applicable securities laws. The timing and amount of share purchases are subject to management's discretion. The Company's share repurchase program is not subject to an expiration date.

In the first nine months of fiscal 2015, the Company purchased and retired approximately 2.1 million shares of its Non-Voting Common Stock under the current repurchase authorization and approximately 2.6 million shares under a previous repurchase authorization. Approximately 5.9 million additional shares may be repurchased under the current repurchase authorization as of July 31, 2015.

## 13. Non-operating Income (Expense)

The components of non-operating income (expense) for the three and nine months ended July 31, 2015 and 2014 were as follows:

(in thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2015	2014	2015	2014
Non-operating income (expense):				
Interest and other income	\$ 2,090	\$ 2,777	\$ 7,770	\$ 6,328
Net gains (losses) on investments and derivatives	(2,172 )	120	(5,342 )	(2,789 )
Net foreign currency gains (losses)	(768 )	20	(129 )	(947 )
Gains (losses) and other investment income, net	(850 )	2,917	2,299	2,592
Interest expense	(7,344 )	(7,443 )	(22,017)	(22,247)

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Other income (expense) of consolidated CLO entities:

Interest income	1,031	1,695	3,630	14,655
Net gains (losses) on bank loans, other investments, note obligations and preferred shares	740	(261 )	1,654	592
Gains and other investment income, net	1,771	1,434	5,284	15,247
Structuring and closing fees	-	-	-	(4,847 )
Interest expense	(1,161 )	(1,758 )	(2,966 )	(8,934 )
Interest and other expenses	(1,161 )	(1,758 )	(2,966 )	(13,781)
Total non-operating expense	\$ (7,584 )	\$ (4,850 )	\$ (17,400)	\$ (18,189)

**14. Income Taxes**

The provision for income taxes was \$43.4 million and \$48.9 million, or 39.8 percent and 38.7 percent of pre-tax income, for the three months ended July 31, 2015 and 2014, respectively. The provision for income taxes was \$104.1 million and \$138.8 million, or 38.3 percent of pre-tax income, for both the nine months

ended July 31, 2015 and 2014. The provision for income taxes in the three and nine months ended July 31, 2015 and 2014 is comprised of federal, state, and foreign taxes. The difference between the Company's effective tax rate and the statutory federal rate of 35.0 percent for each period presented reflects state income taxes, non-controlling interests and the tax benefit of disqualifying dispositions of incentive stock options.

The Company records a valuation allowance when necessary to reduce deferred tax assets to an amount that is more likely than not to be realized. There was no valuation allowance recorded as of July 31, 2015 or October 31, 2014.

The Company considers the undistributed earnings of its Canadian and Australian subsidiaries as of July 31, 2015 to be indefinitely reinvested in foreign operations. Accordingly, no U.S. income taxes have been provided thereon. As of July 31, 2015, the Company had approximately \$31.0 million of undistributed earnings in our Canadian and Australian subsidiaries that are 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 this temporary difference is estimated to be \$3.6 million. The Company does not have a current plan to repatriate these funds.

The Company is generally no longer subject to income tax examinations by U.S. federal, state, local or non-U.S. taxing authorities for fiscal years prior to fiscal 2011.

## 15. Non-controlling and Other Beneficial Interests

The components of net income attributable to non-controlling and other beneficial interests for the three and nine months ended July 31, 2015 and 2014 were as follows:

(in thousands)	Three Months Ended		Nine Months Ended	
	July 31, 2015	2014	July 31, 2015	2014
Consolidated sponsored funds	\$ 1,027	\$ (42 )	\$ 1,226	\$ (259 )
Majority-owned subsidiaries	(4,066 )	(4,261 )	(11,742 )	(11,268 )
Non-controlling interest value adjustments <sup>(1)</sup>	(6 )	59	(203 )	(2,330 )
Consolidated CLO entities	2,780	910	1,439	2,005
Net income attributable to non-controlling and other beneficial interests	\$ (265 )	\$ (3,334 )	\$ (9,280 )	\$ (11,852 )

<sup>(1)</sup>Relates to non-controlling interests redeemable at other than fair value.



**16. Accumulated Other Comprehensive Income (Loss)**

The components of accumulated other comprehensive income (loss), net of tax, for the three months ended July 31, 2015 and 2014 are as follows:

(in thousands)	Unamortized net gains (losses) on derivatives (1)	Net unrealized holding gains (losses) on available-for- sale investments (2)	Foreign currency translation adjustments (3)	Total
Balance at April 30, 2015	\$ 668	\$ 5,943	\$ (38,983 )	\$ (32,372)
Other comprehensive income (loss) before reclassifications and tax	-	210	(13,142 )	(12,932)
Tax impact	-	(81 )	-	(81 )
Reclassification adjustments, before tax	5	(3,422 )	463	(2,954 )
Tax impact	(2 )	1,328	(179 )	1,147
Net current period other comprehensive income (loss)	3	(1,965 )	(12,858 )	(14,820)
Balance at July 31, 2015	\$ 671	\$ 3,978	\$ (51,841 )	\$ (47,192)
Balance at April 30, 2014	\$ 654	\$ 4,883	\$ (11,182 )	\$ (5,645 )
Other comprehensive income (loss) before reclassifications and tax	-	480	1,472	1,952
Tax impact	-	(185 )	(567 )	(752 )
Reclassification adjustments, before tax	6	(109 )	-	(103 )
Tax impact	(2 )	42	-	40
Net current period other comprehensive income	4	228	905	1,137
Balance at July 31, 2014	\$ 658	\$ 5,111	\$ (10,277 )	\$ (4,508 )

The components of accumulated other comprehensive income (loss), net of tax, for the nine months ended July 31, 2015 and 2014 are as follows:



<i>(in thousands)</i>	Unamortized net gains (losses) on derivatives <sup>(1)</sup>	Net unrealized holding gains (losses) on available-for- sale investments <sup>(2)</sup>	Foreign currency translation adjustments <sup>(3)</sup>	Total
Balance at October 31, 2014	\$ 661	\$ 5,628	\$ (24,285 )	\$ (17,996)
Other comprehensive income (loss) before reclassifications and tax	-	356	(27,745 )	(27,389 )
Tax impact	-	(133 )	(95 )	(228 )
Reclassification adjustments, before tax	16	(2,992 )	463	(2,513 )
Tax impact	(6 )	1,119	(179 )	934
Net current period other comprehensive income (loss)	10	(1,650 )	(27,556 )	(29,196)
Balance at July 31, 2015	\$ 671	\$ 3,978	\$ (51,841 )	\$ (47,192)
Balance at October 31, 2013	\$ 648	\$ 4,504	\$ (5,329 )	\$ (177 )
Other comprehensive income (loss) before reclassifications and tax	-	897	(8,078 )	(7,181 )
Tax impact	-	(367 )	3,130	2,763
Reclassification adjustments, before tax	16	130	-	146
Tax impact	(6 )	(53 )	-	(59 )
Net current period other comprehensive income (loss)	10	607	(4,948 )	(4,331 )
Balance at July 31, 2014	\$ 658	\$ 5,111	\$ (10,277 )	\$ (4,508 )

*Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent the amortization of*  
<sup>(1)</sup>*net gains (losses) on interest rate swaps over the life of the Company's Senior Notes into interest expense on the Consolidated Statements of Income.*

*Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent gains (losses) on*  
<sup>(2)</sup>*disposal of available-for-sale securities that were recorded in gains (losses) and other investment income, net, on the Consolidated Statements of Income.*

*Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent the realization of*  
<sup>(3)</sup>*foreign currency translation losses on a consolidated sponsored fund denominated in Euros that was deconsolidated during the third quarter of fiscal 2015. These amounts were recorded in gains (losses) and other investment income, net, on the Consolidated Statements of Income.*

## 17. Earnings per Share

The following table sets forth the calculation of earnings per basic and diluted share for the three and nine months ended July 31, 2015 and 2014 using the two-class method:

(in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	July 31, 2015	2014	July 31, 2015	2014
Net income attributable to Eaton Vance Corp. shareholders	\$68,709	\$77,935	\$168,096	\$224,194
Less: Allocation of earnings to participating restricted shares	1,115	1,882	2,881	5,678
Net income available to common shareholders	\$67,594	\$76,053	\$165,215	\$218,516
Weighted-average shares outstanding – basic	113,406	116,145	113,890	117,248
Incremental common shares	4,875	4,868	5,123	5,302
Weighted-average shares outstanding – diluted	118,281	121,013	119,013	122,550
Earnings per share:				
Basic	\$0.60	\$0.66	\$1.45	\$1.86
Diluted	\$0.57	\$0.63	\$1.39	\$1.78

Antidilutive common shares related to stock options and unvested restricted stock excluded from the computation of earnings per diluted share were approximately 7.5 million and 4.8 million for the three months ended July 31, 2015 and 2014, respectively, and approximately 7.8 million and 5.1 million for the nine months ended July 31, 2015 and 2014, respectively.

## 18. Commitments and Contingencies

In the normal course of business, the Company enters into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, information technology agreements, distribution agreements and service agreements. In certain circumstances, these indemnities in favor of third parties relate to service agreements entered into by investment funds managed and/or advised by Eaton Vance Management or Boston Management and Research, both wholly owned subsidiaries of the Company. The Company has also agreed to indemnify its directors, officers and employees in accordance with the Company's Articles of Incorporation, as amended. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities. In certain cases, the Company has recourse against third parties with respect to these indemnities. Further, the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

The Company and its subsidiaries are subject to various legal proceedings. In the opinion of management, after discussions with legal counsel, the ultimate resolution of these matters will not have a material effect on the consolidated financial condition, results of operations or cash flows of the Company.

The Company has entered into transactions in financial instruments in which it has sold securities, not yet purchased, as part of its corporate hedging program. As of July 31, 2015, the Company has \$7.0 million included within other liabilities on its Consolidated Balance Sheet related to securities sold, not yet purchased.

## **19. Related Party Transactions**

### ***Sponsored Funds***

The Company is an investment adviser to, and has administrative agreements with, certain sponsored funds, privately offered equity funds and closed-end funds for which certain employees are officers and/or

directors. Revenues for services provided or related to these funds for the three and nine months ended July 31, 2015 and 2014 are as follows:

(in thousands)	Three Months Ended		Nine Months Ended	
	July 31, 2015	2014	July 31, 2015	2014
Investment advisory and administrative fees	\$220,329	\$229,099	\$657,721	\$673,995
Distribution fees	18,538	19,621	55,678	58,488
Service fees	29,265	31,977	87,573	95,097
Shareholder services fees	599	493	2,016	1,732
Other revenue	599	835	1,914	1,567
Total	\$269,330	\$282,025	\$804,902	\$830,879

For the three months ended July 31, 2015 and 2014, the Company had investment advisory agreements with certain sponsored funds pursuant to which the Company contractually waived \$3.0 million and \$3.1 million, respectively, of investment advisory fees it was otherwise entitled to receive. For the nine months ended July 31, 2015 and 2014, the Company waived \$9.4 million and \$8.6 million, respectively, of investment advisory fees it was otherwise entitled to receive.

Sales proceeds and net realized gains (losses) for three and nine months ended July 31, 2015 and 2014 from investments in sponsored funds classified as available-for-sale, including sponsored funds accounted for under the equity method, are as follows:

(in thousands)	Three Months Ended		Nine Months Ended	
	July 31, 2015	2014	July 31, 2015	2014
Proceeds from sales	\$ 2,653	\$ 682	\$34,700	\$64,533
Net realized gains (losses)	3,575	108	3,916	(228 )

The Company bears the non-advisory expenses of certain sponsored funds for which it earns an all-in management fee and provides subsidies to startup and other smaller sponsored funds to enhance their competitiveness. For the three months ended July 31, 2015 and 2014, expenses of \$6.2 million and \$5.8 million, respectively, were incurred by the Company pursuant to these arrangements. For the nine months ended July 31, 2015 and 2014, expenses of \$16.7 million and \$16.2 million were incurred by the Company pursuant to these arrangements.

Included in investment advisory fees and other receivables at July 31, 2015 and October 31, 2014 are receivables due from sponsored funds of \$93.5 million and \$94.5 million, respectively.

***Employee Loan Program***

The Company has established an Employee Loan Program under which a program maximum of \$20.0 million is available for loans to officers (other than executive officers) and other key employees of the Company for purposes of financing the exercise of employee stock options. Loans outstanding under this program, which are full recourse in nature, are reflected as notes receivable from stock option exercises in shareholders' equity and amounted to \$8.4 million and \$8.8 million at July 31, 2015 and October 31, 2014, respectively.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Item 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 Form 10-Q 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 the "Risk Factors" in Item 1A in our latest 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 do not assume any obligation to update any forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*The discussion and analysis below should be read in conjunction with the consolidated financial statements appearing elsewhere in this report. Management has presumed that the readers of this interim financial information have read or have access to Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the year ended October 31, 2014.*

### General

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 ("EVM") 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 services, including tax-managed core and specialty index strategies and 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 third-party managers, including global, regional and sector equity, commodity 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 July 31, 2015, we had \$312.6 billion in consolidated assets under management.

Our principal retail marketing strategy is to distribute funds and separately managed accounts principally through financial intermediaries in the advisory channel. We have a broad reach in this marketplace, 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. 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 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 and results of operations 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**

Prevailing equity and income market conditions and investor sentiment affect the sales and redemptions of our investment products, managed asset levels, operating results and the recoverability of our investments. For the third quarter and first nine months of fiscal 2015, the S&P 500 Index, a broad measure of U.S. equity market performance, had total returns of -0.2% and 4.3%, respectively. Over the same periods, the Barclays U.S. Aggregate Bond Index, a broad measure of U.S. bond market performance, had total returns of -0.6% and 1.4%, respectively.



Our ending consolidated assets under management increased by \$1.5 billion from the end of the prior quarter to \$312.6 billion on July 31, 2015, reflecting net inflows partially offset by market declines. Consolidated net inflows of \$3.9 billion in the third quarter of fiscal 2015 represent a 5 percent annualized internal growth rate. For comparison, the Company had consolidated net outflows of \$2.0 billion in the third quarter of fiscal 2014. Average consolidated assets under management increased from the prior quarter by 2 percent, or \$6.4 billion, to \$309.8 billion in the third quarter of fiscal 2015.

The primary drivers of our average effective fee rates are the mix of our assets by product, distribution channel and investment mandate, and the timing and amount of performance fees recognized. Shifts in managed assets among products, distribution channels and investment mandates with differing fee schedules can impact the average effective fee rates earned on our assets under management. Our overall average annualized effective fee rate decreased to 46 basis points in both the third quarter and first nine months of fiscal 2015 from 51 basis

points in the third quarter of fiscal 2014 and 50 basis points in the first nine months of fiscal 2014. Our average annualized effective investment advisory and administrative fee rate similarly decreased to 39 and 40 basis points, respectively, in the third quarter and first nine months of fiscal 2015 from 43 basis points in both the third quarter and first nine months of fiscal 2014.

During the third quarter of fiscal 2015, the Company and its wholly owned subsidiary Navigate Fund Solutions LLC (“Navigate”) made further progress advancing NextShares toward market introduction. In July, the U.S. Securities and Exchange Commission (“SEC”) approved the listing and trading of the 18 initial Eaton Vance NextShares funds on the NASDAQ Stock Market LLC (“Nasdaq”). To date, 11 fund advisers, including Eaton Vance, have indicated their intent to offer NextShares funds by entering into preliminary agreements with Navigate and filing request for exemptive relief with the SEC. These 11 firms collectively manage approximately \$500 billion in mutual fund assets. Following the end of the third quarter, Envestnet, Inc. announced an initiative to make NextShares available on its advisor platform. Envestnet is a leading provider of unified wealth management technology and services to financial advisors, supporting over 41,000 advisors.

### **Consolidated Assets under Management**

Consolidated assets under management of \$312.6 billion on July 31, 2015 increased \$24.4 billion, or 8 percent, from the \$288.2 billion reported a year earlier. Fund net outflows of \$4.3 billion over the last twelve months reflect gross inflows \$31.2 billion offset by outflows of \$35.5 billion. Institutional separate account net inflows were \$17.3 billion, high-net-worth separate account net inflows were \$2.0 billion and retail managed account net inflows were \$3.8 billion over the past twelve months. Net price appreciation in managed assets increased assets under management by \$5.5 billion over the last twelve months.

We report managed assets and flow data by investment mandate. In the first quarter of 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 includes Parametric’s tax-managed core and specialty index strategies and centralized portfolio management services. The “Exposure Management” category includes Parametric’s futures and options-based overlay services.

**Consolidated Assets under Management by Investment Mandate (1)(2)**

(in millions)	July 31,		2014	July 31,		% Change
	2015	% of Total		2014	% of Total	
Equity <sup>(3)</sup>	\$93,366	30 %	\$95,668	33 %	-2 %	
Fixed income <sup>(4)</sup>	51,266	16 %	44,474	16 %	15 %	
Floating-rate income	37,220	12 %	43,752	15 %	-15 %	
Alternative	10,333	3 %	11,691	4 %	-12 %	
Portfolio implementation	59,234	19 %	46,954	16 %	26 %	
Exposure management <sup>(5)</sup>	61,137	20 %	45,655	16 %	34 %	
Total	\$312,556	100 %	\$288,194	100 %	8 %	

<sup>(1)</sup> Consolidated Eaton Vance Corp. See table on page 46 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> Category includes amounts reclassified from the equity category for the period ended July 31, 2014.

Equity assets under management included \$32.4 billion and \$31.0 billion of assets managed for after-tax returns on July 31, 2015 and 2014, respectively. Portfolio implementation assets under management included \$39.4 billion and \$32.9 billion of assets managed for after-tax returns on July 31, 2015 and 2014, respectively. Fixed income assets included \$29.5 billion and \$26.2 billion of municipal income assets on July 31, 2015 and 2014, respectively.

The following tables summarize our consolidated assets under management and asset flows by investment mandate and investment vehicle for the three and nine months ended July 31, 2015 and 2014:

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

(in millions)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Equity assets - beginning of period <sup>(2)</sup>	\$97,167	\$93,733	4 %	\$96,379	\$93,585	3 %
Sales and other inflows	5,191	3,451	50 %	13,670	10,905	25 %
Redemptions/outflows	(8,371 )	(4,052 )	107 %	(17,876 )	(14,688 )	22 %
Net flows	(3,180 )	(601 )	429 %	(4,206 )	(3,783 )	11 %
Exchanges	(19 )	16	NM <sup>(3)</sup>	40	548	-93 %
Market value change	(602 )	2,520	NM	1,153	5,318	-78 %
Equity assets - end of period	\$93,366	\$95,668	-2 %	\$93,366	\$95,668	-2 %
Fixed income assets - beginning of period <sup>(4)</sup>	49,690	44,094	13 %	46,062	44,414	4 %
Sales and other inflows	5,370	3,344	61 %	13,997	8,421	66 %
Redemptions/outflows	(3,212 )	(3,299 )	-3 %	(8,158 )	(9,336 )	-13 %
Net flows	2,158	45	NM	5,839	(915 )	NM
Exchanges	(27 )	59	NM	52	22	136 %
Market value change	(555 )	276	NM	(687 )	953	NM
Fixed income assets - end of period	\$51,266	\$44,474	15 %	\$51,266	\$44,474	15 %
Floating-rate income assets - beginning of period	38,269	45,115	-15 %	42,009	41,821	0 %
Sales and other inflows	2,032	4,139	-51 %	6,720	13,095	-49 %
Redemptions/outflows	(2,554 )	(5,491 )	-53 %	(10,941 )	(11,038 )	-1 %
Net flows	(522 )	(1,352 )	-61 %	(4,221 )	2,057	NM
Exchanges	2	(62 )	NM	(124 )	(57 )	118 %
Market value change	(529 )	51	NM	(444 )	(69 )	543 %
Floating-rate income assets - end of period	\$37,220	\$43,752	-15 %	\$37,220	\$43,752	-15 %
Alternative assets - beginning of period	10,582	12,112	-13 %	11,241	15,212	-26 %
Sales and other inflows	721	774	-7 %	2,351	2,630	-11 %
Redemptions/outflows	(869 )	(1,208 )	-28 %	(3,076 )	(6,164 )	-50 %
Net flows	(148 )	(434 )	-66 %	(725 )	(3,534 )	-79 %
Exchanges	45	(15 )	NM	27	(83 )	NM
Market value change	(146 )	28	NM	(210 )	96	NM
Alternative assets - end of period	\$10,333	\$11,691	-12 %	\$10,333	\$11,691	-12 %
Portfolio implementation assets - beginning of period	52,879	45,753	16 %	48,008	42,992	12 %
Sales and other inflows	8,395	2,320	262 %	14,493	6,320	129 %
Redemptions/outflows	(1,988 )	(2,061 )	-4 %	(5,352 )	(5,519 )	-3 %
Net flows	6,407	259	NM	9,141	801	NM
Exchanges	-	(4 )	NM	-	(462 )	NM
Market value change	(52 )	946	NM	2,085	3,623	-42 %
Portfolio implementation assets - end of period	\$59,234	\$46,954	26 %	\$59,234	\$46,954	26 %
Exposure management assets - beginning of period <sup>(5)</sup>	62,459	45,062	39 %	54,036	42,645	27 %
Sales and other inflows	11,113	12,123	-8 %	42,668	37,093	15 %
Redemptions/outflows	(11,909 )	(12,069 )	-1 %	(36,391 )	(35,726 )	2 %
Net flows	(796 )	54	NM	6,277	1,367	359 %
Market value change	(526 )	539	NM	824	1,643	-50 %

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Exposure management assets - end of period	\$61,137	\$45,655	34 %	\$61,137	\$45,655	34 %
Total fund and separate account assets - beginning of period	311,046	285,869	9 %	297,735	280,669	6 %
Sales and other inflows	32,822	26,151	26 %	93,899	78,464	20 %
Redemptions/outflows	(28,903 )	(28,180 )	3 %	(81,794 )	(82,471 )	-1 %
Net flows	3,919	(2,029 )	NM	12,105	(4,007 )	NM
Exchanges	1	(6 )	NM	(5 )	(32 )	-84 %
Market value change	(2,410 )	4,360	NM	2,721	11,564	-76 %
Total assets under management - end of period	\$312,556	\$288,194	8 %	\$312,556	\$288,194	8 %

<sup>(1)</sup> Consolidated Eaton Vance Corp. See table on page 46 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> Includes assets in cash management accounts.

<sup>(5)</sup> Category includes amounts reclassified from the equity category for the three and nine months ended July 31, 2014.

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

(in millions)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Fund assets - beginning of period <sup>(2)</sup>	\$132,161	\$135,119	-2 %	\$134,564	\$133,401	1 %
Sales and other inflows	7,016	8,634	-19 %	23,385	27,552	-15 %
Redemptions/outflows	(7,570 )	(10,272 )	-26 %	(26,698 )	(29,285 )	-9 %
Net flows	(554 )	(1,638 )	-66 %	(3,313 )	(1,733 )	91 %
Exchanges	1	(6 )	NM	185	41	351 %
Market value change	(1,397 )	1,681	NM	(1,225 )	3,447	NM
Fund assets - end of period	\$130,211	\$135,156	-4 %	\$130,211	\$135,156	-4 %
Institutional separate account assets - beginning of period <sup>(3)</sup>	115,942	96,564	20 %	106,443	95,724	11 %
Sales and other inflows	21,764	14,717	48 %	57,678	42,620	35 %
Redemptions/outflows	(18,424 )	(14,912 )	24 %	(47,323 )	(44,633 )	6 %
Net flows	3,340	(195 )	NM	10,355	(2,013 )	NM
Exchanges	(34 )	377	NM	(207 )	281	NM
Market value change	(1,162 )	1,647	NM	1,495	4,401	-66 %
Institutional separate account assets - end of period	\$118,086	\$98,393	20 %	\$118,086	\$98,393	20 %
High-net-worth separate account assets - beginning of period	24,226	20,968	16 %	22,235	19,699	13 %
Sales and other inflows	1,177	794	48 %	3,803	2,476	54 %
Redemptions/outflows	(877 )	(953 )	-8 %	(2,291 )	(3,045 )	-25 %
Net flows	300	(159 )	NM	1,512	(569 )	NM
Exchanges	-	(433 )	NM	(94 )	(31 )	203 %
Market value change	(34 )	475	NM	839	1,752	-52 %
High-net-worth separate account assets - end of period	\$24,492	\$20,851	17 %	\$24,492	\$20,851	17 %
Retail managed account assets - beginning of period	38,717	33,218	17 %	34,493	31,845	8 %
Sales and other inflows	2,865	2,006	43 %	9,033	5,816	55 %
Redemptions/outflows	(2,032 )	(2,043 )	-1 %	(5,482 )	(5,508 )	0 %
Net flows	833	(37 )	NM	3,551	308	NM
Exchanges	34	56	-39 %	111	(323 )	NM
Market value change	183	557	-67 %	1,612	1,964	-18 %
Retail managed account assets - end of period	\$39,767	\$33,794	18 %	\$39,767	\$33,794	18 %
Total fund and separate account assets - beginning of period	311,046	285,869	9 %	297,735	280,669	6 %
Sales and other inflows	32,822	26,151	26 %	93,899	78,464	20 %
Redemptions/outflows	(28,903 )	(28,180 )	3 %	(81,794 )	(82,471 )	-1 %
Net flows	3,919	(2,029 )	NM	12,105	(4,007 )	NM
Exchanges	1	(6 )	NM	(5 )	(32 )	-84 %
Market value change	(2,410 )	4,360	NM	2,721	11,564	-76 %
Total assets under management - end of period	\$312,556	\$288,194	8 %	\$312,556	\$288,194	8 %

- (1) *Consolidated Eaton Vance Corp. See table on page 46 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) *Includes assets in cash management separate accounts.*

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

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

(in millions)	July 31,		%
	2015	2014	Change
Eaton Vance Management <sup>(2)</sup>	\$ 142,987	\$ 143,373	0 %
Parametric	150,983	126,741	19 %
Atlanta Capital	18,586	18,080	3 %
Total	\$ 312,556	\$ 288,194	8 %

<sup>(1)</sup> *Consolidated Eaton Vance Corp. See table on page 46 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 advisors under Eaton Vance supervision.*

As of July 31, 2015, 49 percent-owned affiliate Hexavest Inc. (“Hexavest”) managed \$14.8 billion of client assets, a decrease of 13 percent from the \$17.0 billion of managed assets on July 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 three and nine months ended July 31, 2015 and 2014:



*Hexavest Assets under Management and Net Flows*

(in millions)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Eaton Vance distributed:						
Eaton Vance sponsored funds - beginning of period <sup>(1)</sup>	\$ 247	\$ 221	12 %	\$ 227	\$ 211	8 %
Sales and other inflows	2	6	-67 %	21	49	-57 %
Redemptions/outflows	(6 )	(10 )	-40 %	(15 )	(53 )	-72 %
Net flows	(4 )	(4 )	0 %	6	(4 )	NM
Market value change	(4 )	4	NM	6	14	-57 %
Eaton Vance sponsored funds - end of period	\$ 239	\$ 221	8 %	\$ 239	\$ 221	8 %
Eaton Vance distributed separate accounts - beginning of period <sup>(2)</sup>	2,401	2,354	2 %	2,367	1,574	50 %
Sales and other inflows	11	136	-92 %	395	519	-24 %
Redemptions/outflows	(39 )	(122 )	-68 %	(475 )	(201 )	136 %
Net flows	(28 )	14	NM	(80 )	318	NM
Exchanges	-	-	0 %	-	389	NM
Market value change	(11 )	29	NM	75	116	-35 %
Eaton Vance distributed separate accounts - end of period	\$ 2,362	\$ 2,397	-1 %	\$ 2,362	\$ 2,397	-1 %
Total Eaton Vance distributed - beginning of period	2,648	2,575	3 %	2,594	1,785	45 %
Sales and other inflows	13	142	-91 %	416	568	-27 %
Redemptions/outflows	(45 )	(132 )	-66 %	(490 )	(254 )	93 %
Net flows	(32 )	10	NM	(74 )	314	NM
Exchanges	-	-	0 %	-	389	NM
Market value change	(15 )	33	NM	81	130	-38 %
Total Eaton Vance distributed - end of period	\$ 2,601	\$ 2,618	-1 %	\$ 2,601	\$ 2,618	-1 %
Hexavest directly distributed - beginning of period <sup>(3)</sup>	12,999	14,477	-10 %	14,101	15,136	-7 %
Sales and other inflows	286	597	-52 %	711	1,392	-49 %
Redemptions/outflows	(780 )	(904 )	-14 %	(2,804 )	(2,546 )	10 %
Net flows	(494 )	(307 )	61 %	(2,093 )	(1,154 )	81 %
Exchanges	-	-	0 %	-	(389 )	NM
Market value change	(297 )	253	NM	200	830	-76 %
Hexavest directly distributed - end of period	\$ 12,208	\$ 14,423	-15 %	\$ 12,208	\$ 14,423	-15 %
Total Hexavest assets - beginning of period	15,647	17,052	-8 %	16,695	16,921	-1 %
Sales and other inflows	299	739	-60 %	1,127	1,960	-43 %
Redemptions/outflows	(825 )	(1,036 )	-20 %	(3,294 )	(2,800 )	18 %
Net flows	(526 )	(297 )	77 %	(2,167 )	(840 )	158 %
Market value change	(312 )	286	NM	281	960	-71 %
Total Hexavest assets - end of period	\$ 14,809	\$ 17,041	-13 %	\$ 14,809	\$ 17,041	-13 %

<sup>(1)</sup> Managed assets and flows of Eaton Vance-sponsored pooled investment vehicles for which Hexavest is adviser or 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.*

*Consolidated Ending Assets under Management by Asset Class<sup>(1)</sup>*

(in millions)	July 31, 2015	% of Total	2014	% of Total	% Change
Open-end funds:					
Class A	\$24,746	8 %	\$28,644	10 %	-14 %
Class B	336	0 %	529	0 %	-36 %
Class C	9,229	3 %	9,567	3 %	-4 %
Class I <sup>(2)</sup>	41,049	13 %	41,613	14 %	-1 %
Class N	1,518	0 %	1,904	1 %	-20 %
Class R	518	0 %	428	0 %	21 %
Other	1,536	1 %	1,918	1 %	-20 %
Total open-end funds	78,932	25 %	84,603	29 %	-7 %
Private funds <sup>(3)</sup>	26,202	9 %	25,173	9 %	4 %
Closed-end funds	25,077	8 %	25,380	9 %	-1 %
Total fund assets	130,211	42 %	135,156	47 %	-4 %
Institutional account assets <sup>(4)</sup>	118,086	38 %	98,393	34 %	20 %
High-net-worth account assets	24,492	8 %	20,851	7 %	17 %
Retail managed account assets	39,767	12 %	33,794	12 %	18 %
Total separate account assets	182,345	58 %	153,038	53 %	19 %
Total	\$312,556	100%	\$288,194	100%	8 %

<sup>(1)</sup> Consolidated Eaton Vance Corp. See page 46 for directly 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 bank loan funds and CLO entities.

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

Consolidated average assets under management presented in the following table represent a monthly average by asset class. This table is 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 Asset Class<sup>(1)</sup>**

(in millions)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Open-end funds:						
Class A	\$24,974	\$29,470	-15 %	\$25,573	\$29,753	-14 %
Class B	352	551	-36 %	389	595	-35 %
Class C	9,257	9,650	-4 %	9,303	9,698	-4 %
Class I <sup>(2)</sup>	41,470	42,023	-1 %	41,273	42,167	-2 %
Class N	1,580	1,951	-19 %	1,605	2,086	-23 %
Class R	503	424	19 %	477	403	18 %
Other	1,565	1,955	-20 %	1,772	1,728	3 %
Total open-end funds	79,701	86,024	-7 %	80,392	86,430	-7 %
Private funds <sup>(3)</sup>	26,417	24,230	9 %	26,270	23,008	14 %
Closed-end funds	25,122	25,575	-2 %	25,207	25,353	-1 %
Total fund assets	131,240	135,829	-3 %	131,869	134,791	-2 %
Institutional account assets <sup>(4)</sup>	115,032	98,615	17 %	110,877	97,716	13 %
High-net-worth account assets	24,309	21,029	16 %	23,492	20,354	15 %
Retail managed account assets	39,201	33,845	16 %	37,361	33,106	13 %
Total separate account assets	178,542	153,489	16 %	171,730	151,176	14 %
Total	\$309,782	\$289,318	7 %	\$303,599	\$285,967	6 %

<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.

**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 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 (such as the impact of special dividends, costs associated with the extinguishment of debt and tax settlements) or non-operating in nature. 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 consider these adjusted numbers a measure of the Company's underlying operating performance.

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 three and nine months ended July 31, 2015 and 2014:

(in thousands, except per share data)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Net income attributable to Eaton Vance Corp. shareholders	\$68,709	\$77,935	-12 %	\$168,096	\$224,194	-25 %
Non-controlling interest value adjustments <sup>(1)</sup>	6	(59)	NM	203	2,330	-91 %
Payments to end certain closed-end fund service and additional compensation arrangements, net of tax <sup>(2)</sup>	-	-	-	44,895	-	NM
Adjusted net income attributable to Eaton Vance Corp. shareholders	\$68,715	\$77,876	-12 %	\$213,194	\$226,524	-6 %
Earnings per diluted share	\$0.57	\$0.63	-10 %	\$1.39	\$1.78	-22 %
Non-controlling interest value adjustments <sup>(1)</sup>	-	-	-	-	0.02	NM
Payments to end certain closed-end fund service and additional compensation arrangements, net of tax <sup>(2)</sup>	-	-	-	0.37	-	NM
Adjusted earnings per diluted share	\$0.57	\$0.63	-10 %	\$1.76	\$1.80	-2 %

<sup>(1)</sup> Please see page 57, "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 service and additional compensation arrangements for certain Eaton Vance closed-end funds.

We reported net income attributable to Eaton Vance Corp. shareholders of \$68.7 million, or \$0.57 per diluted share, in the third quarter of fiscal 2015 compared to net income attributable to Eaton Vance Corp. shareholders of \$77.9 million, or \$0.63 per diluted share, in the third quarter of fiscal 2014. Adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share were the same as reported GAAP figures for the third quarters of fiscal 2015 and 2014. The change in net income attributable to Eaton Vance Corp. shareholders can be primarily attributed to the following:

A decrease in revenue of \$12.1 million, or 3 percent, primarily reflecting a decrease in our annualized effective fee rate to 46 basis points from 51 basis points due to a shift in product mix, partially offset by a 7 percent increase in average assets under management.

An increase in expenses of \$2.4 million, or 1 percent, reflecting increases in compensation and other operating expenses, offset by lower distribution and service fee expenses and reduced amortization of deferred sales commissions.

A \$3.8 million decline in gains (losses) and other investment income, net, primarily reflecting increases in net losses recognized on our seed capital portfolio and an increase in foreign currency losses.

A \$0.9 million improvement in income (expense) of the Company's consolidated collateralized loan obligation ("CLO") entities, reflecting an increase in gains and other investment income and a decrease in interest and other expenses.

A decrease in income taxes of \$5.5 million, or 11 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 \$0.6 million, primarily reflecting a decrease in the Company's proportionate net interest of sponsored funds accounted for under the equity method offset by an increase in the net income of a private equity partnership.

A \$3.1 million decrease in net income attributable to non-controlling and other beneficial interest holders, primarily reflecting an increase in net income attributable to non-controlling interest holders of the Company's CLO entity offset by a decrease in the Company's proportionate net interest in earnings of sponsored funds accounted for under the equity method.

Weighted average diluted shares outstanding decreased by 2.7 million shares, or 2 percent, from the third quarter of fiscal 2014. The decrease primarily reflects the impact of share repurchases over the last twelve months.

We reported net income attributable to Eaton Vance Corp. shareholders of \$168.1 million, or \$1.39 per diluted share, in the first nine months of fiscal 2015 compared to net income attributable to Eaton Vance Corp. shareholders of \$224.2 million, or \$1.78 per diluted share, in the first nine months of fiscal 2014. We reported adjusted net income attributable to Eaton Vance Corp. shareholders of \$213.2 million, or \$1.76 adjusted earnings per diluted share, in the first nine months of fiscal 2015 compared to adjusted net income attributable to Eaton Vance Corp. shareholders of \$226.5 million, or \$1.80 adjusted earnings per diluted share, in the first nine months of fiscal 2014. The change in net income attributable to Eaton Vance Corp. shareholders can be primarily attributed to the following:

A decrease in revenue of \$19.8 million, or 2 percent, primarily reflecting a decrease in our annualized effective fee rate to 46 basis points from 50 basis points due to a shift in product mix, partially offset by a 6 percent increase in average assets under management.

An increase in expenses of \$71.4 million, or 10 percent, primarily reflecting the payment of \$73 million to terminate certain closed-end fund service and additional compensation arrangements in the first quarter of fiscal 2015.

Excluding this payment, expenses were substantially unchanged, reflecting decreases in distribution and service fees and reduced amortization of deferred sales commissions, offset by increases in compensation, fund-related expenses and other corporate expenses.

A \$0.3 million decline in gains (losses) and other investment income, net, due to an increase in losses recognized on our seed capital portfolio offset by an increase in interest and other income recognized on our seed capital portfolio and a decrease in foreign currency losses.

A \$0.9 million improvement in income (expense) of the Company's consolidated CLO entities, reflecting a decrease in interest and other expenses offset by a decrease in gains and other investment income.

A decrease in income taxes of \$34.7 million, or 25 percent, reflecting a decrease in the Company's income before taxes.

A decrease in equity in net income of affiliates, net of tax, of \$3.0 million, primarily reflecting a decrease in the Company's proportionate net interest in earnings of sponsored funds accounted for under the equity method.



A decrease in net income attributable to non-controlling and other beneficial interest holders of \$2.6 million, primarily reflecting a decrease in the annual adjustment made to the estimated redemption value of non-controlling interests in the Company's majority-owned subsidiaries and a decrease in net income attributable to non-controlling interest holders in the Company's consolidated funds.

Weighted average diluted shares outstanding decreased by 3.5 million shares, or 3 percent, in the first nine months of fiscal 2015 over the first nine months of fiscal 2014. The decrease primarily reflects the impact of share repurchases.

## Revenue

Our overall average annualized effective fee rate (total revenue, excluding other revenue, as a percentage of average assets under management) was 46 basis points in both the third quarter and first nine months of fiscal 2015, compared to 51 basis points in the third quarter of fiscal 2014 and 50 basis points in the first nine months of fiscal 2014. The decrease in our overall average effective fee rate can be primarily attributed to the strong growth of our portfolio implementation and exposure management businesses, which operate at fee rates well below corporate averages. Product mix continues to be the most significant determinant of our overall average effective fee rate.

The following table shows our investment advisory and administrative fees, distribution and underwriter fees, service fees and other revenue for the three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Investment advisory and administrative fees	\$303,625	\$311,756	-3 %	\$906,062	\$916,605	-1 %
Distribution and underwriter fees	20,285	21,548	-6 %	61,369	64,381	-5 %
Service fees	29,265	31,977	-8 %	87,573	95,097	-8 %
Other revenue	2,336	2,309	1 %	7,101	5,829	22 %
Total revenue	\$355,511	\$367,590	-3 %	\$1,062,105	\$1,081,912	-2 %

### *Investment advisory and administrative fees*

The decline in investment advisory and administrative fees in the third quarter and first nine months of fiscal 2015 versus the same periods a year earlier can be primarily attributed to a shift in asset mix driven by the loss of assets in higher fee mandates and growth in assets in lower-fee mandates. This shift in asset mix is also reflected in the decrease in our annualized effective investment advisory and administrative fee rate to 39 basis points and 40 basis points in the third quarter and first nine months of fiscal 2015, respectively, from 43 basis points in both the third quarter and first nine months of fiscal 2014. Performance fees were \$1.7 million and \$0.9 million in the third quarter of fiscal 2015 and fiscal 2014, respectively. Performance fees totaled \$1.7 million and \$2.0 million in the first nine months of fiscal 2015 and fiscal 2014, respectively.

### *Distribution and underwriter fees*

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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 three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Class A	\$ 203	\$ 343	-41 %	\$ 688	\$ 995	-31 %
Class B	516	869	-41 %	1,722	2,797	-38 %
Class C	16,440	17,113	-4 %	48,974	50,831	-4 %
Class N	28	71	-61 %	110	212	-48 %
Class R	317	269	18 %	892	754	18 %
Private funds	1,034	954	8 %	3,291	2,898	14 %
Total distribution plan payments	\$ 18,538	\$ 19,619	-6 %	\$ 55,677	\$ 58,487	-5 %

Underwriter fees and other distribution income were \$1.7 million in the third quarter of fiscal 2015, a decrease of 9 percent, or \$0.2 million, from the third quarter of fiscal 2014, reflecting a corresponding decrease in contingent deferred sales charges received on certain Class A share redemptions.

Underwriter fees and other distribution income were \$5.7 million in the first nine months of fiscal 2015, a decrease of 3 percent, from the same period a year earlier, primarily reflecting a decrease of \$0.2 million in contingent deferred sales charges received on certain Class A share redemptions.

#### *Service fees*

Service fee revenue decreased 8 percent in both the third quarter and first nine months of fiscal 2015 from the same periods a year earlier, 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, was substantially unchanged in the third quarter of fiscal 2015 versus the third quarter of fiscal 2014 and increased by \$1.3 million in the first nine months of fiscal 2015 from the same period a year earlier, primarily reflecting an increase in Hexavest-related revenue.

#### *Expenses*

Operating expenses increased by 1 percent, or \$2.4 million, in the third quarter of fiscal 2015 from the same period a year earlier, reflecting increases in compensation and other operating expenses, offset by decreased distribution and service fee expenses and reduced amortization of deferred sales commissions. Expenses in connection with the Company's NextShares initiative totaled approximately \$2.0 million in the third quarter of fiscal 2015, an increase of 107 percent from \$1.0 million in the third quarter of fiscal 2014.

Operating expenses increased by 10 percent, or \$71.4 million, in the first nine months of fiscal 2015 from the same period a year earlier, reflecting increases in compensation, distribution expense, fund-related expenses and other operating expenses, offset by decreased service fee expenses and reduced amortization of deferred sales commissions. Included in distribution expense for the first nine months of fiscal 2015 is a one-time payment of \$73.0 million to terminate certain closed-end fund service and additional compensation arrangements with a significant distribution partner. Expenses in connection with the Company's NextShares initiative totaled approximately \$5.1 million in the first nine months of fiscal 2015, an increase of 92 percent from \$2.7 million in the first nine months of fiscal 2014.

The following table shows our operating expenses for the three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Compensation and related costs:						
Cash compensation	\$105,334	\$100,567	5 %	\$311,667	\$304,442	2 %
Stock-based compensation	19,066	17,065	12 %	53,000	46,668	14 %
Total compensation and related costs	124,400	117,632	6 %	364,667	351,110	4 %
Distribution expense	31,300	35,591	-12 %	167,649	105,924	58 %
Service fee expense	26,978	29,780	-9 %	81,116	87,266	-7 %
Amortization of deferred sales commissions	3,767	4,084	-8 %	11,187	13,408	-17 %
Fund-related expenses	9,446	9,380	1 %	27,084	26,288	3 %
Other expenses	42,887	39,945	7 %	120,888	117,235	3 %
Total expenses	\$238,778	\$236,412	1 %	\$772,591	\$701,231	10 %

#### *Compensation and related costs*

The following table shows our compensation and related costs for the three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Base salaries and employee benefits	\$54,430	\$51,877	5 %	\$163,363	\$153,442	6 %
Stock-based compensation	19,066	17,065	12 %	53,000	46,668	14 %
Operating income-based incentives	34,860	34,062	2 %	100,844	107,413	-6 %
Sales incentives	13,790	13,824	0 %	43,808	40,878	7 %
Other compensation expense	2,254	804	180 %	3,652	2,709	35 %
Total	\$124,400	\$117,632	6 %	\$364,667	\$351,110	4 %

The increase in base salaries and employee benefits in the third quarter of fiscal 2015 reflects the impact of higher average headcount to support growth initiatives as well as annual merit increases. The increase in stock-based compensation reflects higher average headcount, an increase in annual stock-based compensation awards and the impact of certain employee retirements and terminations. 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 signing bonuses associated with expanding our global investment teams.

The increase in base salaries and employee benefits in the first nine months of fiscal 2015 reflects the impact of higher average headcount to support growth initiatives as well as annual merit increases. The increase in stock-based compensation 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 year-over-year reflects a decrease in pre-bonus adjusted operating income and a modest decrease in bonus accrual rates. Sales incentives increased primarily due to an increase in compensation-eligible sales. Other

compensation expense increased due to higher severance costs primarily associated with closing Fox Asset Management, as well as signing bonuses associated with expanding our global investment teams.

### *Distribution expense*

The following table shows our distribution expense for the three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Class A share commissions	\$ 789	\$ 997	-21 %	\$ 2,185	\$ 3,240	-33 %
Class C share distribution fees	13,570	13,923	-3 %	40,413	40,535	0 %
Payments to end certain fund service and additional compensation arrangements	-	-	-	73,000	-	NM
Closed-end fund dealer compensation payments	1,044	4,811	-78 %	5,564	14,078	-60 %
Intermediary marketing support payments	10,379	11,781	-12 %	31,757	35,408	-10 %
Discretionary marketing expenses	5,518	4,079	35 %	14,730	12,663	16 %
Total	\$ 31,300	\$ 35,591	-12 %	\$ 167,649	\$ 105,924	58 %

Class A share commissions decreased in the third quarter and first nine months of fiscal 2015 due to lower Class A fund sales on which we pay commissions. Class C share distribution fee expense decreased modestly in the third quarter of fiscal 2015 due to decreases in Class C share assets held more than one year. As noted above, distribution expense for the first nine months of fiscal 2015 includes a one-time payment of \$73.0 million to terminate certain closed-end fund service and additional compensation arrangements with a major distribution partner pursuant to which we were obligated to make recurring payments over time based on the assets of the respective closed-end funds. Closed-end fund dealer compensation payments decreased in the third quarter and first nine months of fiscal 2015, reflecting the impact of the termination of the service and additional compensation arrangements described above. The decrease in marketing expenses associated with intermediary marketing support payments to our distribution partners reflects lower average assets subject to those arrangements. The increase in discretionary marketing expenses primarily reflects an increase in the use of outside agencies.

### *Service fee expense*

Service fee expense decreased by 9 percent, or \$2.8 million, in the third quarter of fiscal 2015 from the same quarter a year earlier, reflecting a decrease in average fund assets retained more than one year in funds and share classes that are subject to service fee payments. Service fee expense decreased 7 percent, or \$6.2 million, in the first nine months of fiscal 2015 versus the same period a year earlier for the same reason.



*Amortization of deferred sales commissions*

Amortization expense decreased 8 percent, or \$0.3 million, in the third quarter of fiscal 2015 from the same period a year earlier, reflecting decreases in Class B share and Class C share amortization expense offset by increases in private fund amortization expense. In the third quarter of fiscal 2015, 70 percent of total amortization related to Class C shares, 7 percent to Class B shares and 23 percent to private funds. In the third quarter of fiscal 2014, 81 percent of total amortization related to Class C shares, 9 percent to Class B shares and 10 percent to private funds.

Amortization expense decreased 17 percent, or \$2.2 million, in the first nine months of fiscal 2015 compared to the same period a year earlier, reflecting a decrease in average Class B share and Class C share amortization expense offset by an increase in private fund share amortization expense.

#### *Fund-related expenses*

Fund-related expenses were substantially unchanged in the third quarter of fiscal 2015 versus the same period a year earlier and increased 3 percent, or \$0.8 million, in the first nine months of fiscal 2015 over the same period a year earlier. The increase in the first nine months of fiscal 2015 primarily reflects increases in other fund-related expenses borne by the Company on funds for which it earns an all-in fee and increases in sub-advisory expenses resulting from growth in Company-sponsored funds managed by unaffiliated sub-advisers, offset by a decrease in fund subsidies.

#### *Other expenses*

The following table shows our other expense for the three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Information technology	\$ 16,164	\$ 17,282	-6 %	\$ 49,173	\$ 47,209	4 %
Facilities-related	9,869	9,566	3 %	30,215	28,924	4 %
Travel	4,638	4,083	14 %	12,226	12,004	2 %
Professional services	4,639	2,437	90 %	9,767	9,240	6 %
Communications	1,199	1,315	-9 %	3,929	3,928	0 %
Other corporate expense	6,378	5,262	21 %	15,578	15,930	-2 %
Total	\$ 42,887	\$ 39,945	7 %	\$ 120,888	\$ 117,235	3 %

The decrease in information technology expense in the third quarter of fiscal 2015 from the third quarter a year ago can be primarily attributed to decreases in project-related consulting, software licensing fees and market data costs. The increase in facilities-related expenses over the same period can be attributed to an increase in depreciation and insurance expense. The increase in travel expense over the same period can be attributed to an increase in travel activity. The increase in professional services expense is attributable to increases in corporate consulting engagements (including engagements related to our NextShares initiative), external legal costs and recruiting costs in the third quarter of fiscal 2015 related to the build-out of our global investment teams. The increase in other corporate expenses primarily reflects an increase in amortization of intangible assets related to closing Fox Asset Management, higher corporate memberships and professional development expense, offset by decreases in other corporate taxes.

The increase in information technology expense in the first nine months of fiscal 2015 from the first nine months of fiscal 2014 can be attributed to increases in project-related consulting, maintenance fees and market data costs. The increase in facilities-related expenses can be primarily attributed to an increase in rent, depreciation and insurance expense. The higher travel expense can be attributed to an increase in travel activity. The increase in professional services expense can be attributed primarily to increases in corporate consulting engagements, offset by decreases in recruiting costs and external legal costs. The decrease in other corporate expenses reflects a decrease in other corporate taxes, offset by an increase in amortization of intangible assets related to closing Fox Asset Management and higher corporate memberships and professional development expense.

*Non-operating Income (Expense)*

The main categories of non-operating income (expense) for the three and nine months ended July 31, 2015 and 2014 are as follows:

(in thousands)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Gains (losses) and other investment income, net	\$(850 )	\$2,917	NM	\$2,299	\$2,592	-11 %
Interest expense	(7,344 )	(7,443 )	-1 %	(22,017)	(22,247)	-1 %
Other income (expense) of consolidated CLO entities:						
Gains and other investment income, net	1,771	1,434	24 %	5,284	15,247	-65 %
Interest and other expense	(1,161 )	(1,758 )	-34 %	(2,966 )	(13,781)	-78 %
Total non-operating expense	\$(7,584 )	\$(4,850 )	56 %	\$(17,400)	\$(18,189)	-4 %

Gains (losses) and other investment income, net, declined by \$3.8 million in the third quarter of fiscal 2015 compared to the same period a year earlier, reflecting increases in net losses on investments and foreign currency losses. In the third quarter of fiscal 2015, we recognized \$2.2 million of losses related to our seed capital investments and associated hedges, compared to a net gain of \$0.1 million in the third quarter of fiscal 2014.

Gains (losses) and other investment income, net, declined by \$0.3 million in the first nine months of fiscal 2015 compared to the same period a year earlier, primarily reflecting an increase of \$1.4 million in interest income earned, offset by an increase of \$2.6 million in net losses on investments and a decrease of \$0.8 million in foreign currency losses. In the first nine months of fiscal 2015 we recognized \$5.3 million of losses related to our seed capital investments and associated hedges, compared to net losses of \$2.8 million in the first nine months of fiscal 2014.

Interest expense was substantially unchanged in both periods presented.

## 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 39.8 percent and 38.3 percent in the third quarter and first nine months of fiscal 2015, respectively, compared to 38.7 percent and 38.3 percent in the third quarter and first nine months of fiscal 2014, respectively. Excluding the effect of the consolidated CLO entities' net income (losses) allocated to other beneficial

interest holders, our effective tax rate would have been 38.9 percent and 38.1 percent in the third quarter and first nine months of fiscal 2015, 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 the third quarter of 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 \$3.3 million and \$9.4 million in the third quarter and first nine months of fiscal 2015, respectively, and \$3.8 million and \$12.3 million in the respective periods a year earlier.

The following table summarizes the components of equity in net income of affiliates, net of tax, for the three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Investments in sponsored funds, net of tax	\$ 23	\$ 922	-98 %	\$ 123	\$ 3,712	-97 %
Investment in private equity partnership, net of tax	376	3	NM	792	326	143 %
Investment in Hexavest, net of tax and amortization	2,861	2,915	-2 %	8,448	8,306	2 %
Total	\$ 3,260	\$ 3,840	-15 %	\$ 9,363	\$ 12,344	-24 %

***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 three and nine months ended July 31, 2015 and 2014:

(in thousands)	Three Months Ended			Nine Months Ended		
	July 31, 2015	2014	% Change	July 31, 2015	2014	% Change
Consolidated sponsored funds	\$ 1,027	\$ (42 )	NM	\$ 1,226	\$ (259 )	NM
Majority-owned subsidiaries	(4,066 )	(4,261 )	-5 %	(11,742)	(11,268)	4 %
Non-controlling interest value adjustments <sup>(1)</sup>	(6 )	59	NM	(203 )	(2,330 )	-91 %
Consolidated CLO entities	2,780	910	205 %	1,439	2,005	-28 %
Net income attributable to non-controlling and other beneficial interests	\$ (265 )	\$ (3,334 )	-92 %	\$ (9,280 )	\$ (11,852)	-22 %

(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.

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

The assets and liabilities of our consolidated CLO entity do not affect our liquidity or capital resources. The collateral assets of our consolidated CLO entity are held solely to satisfy the obligations of the entity and we have no right to these assets beyond our direct investment in, and management fees generated from, the entity.

The note holders of the entity have no recourse to the general credit of the Company. As a result, the assets and liabilities of our consolidated CLO entity 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 July 31, 2015 and October 31, 2014 and uses of cash for the nine months ended July 31, 2015 and 2014:

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

(in thousands)	July 31, 2015	October 31, 2014
Balance sheet data:		
Assets:		
Cash and cash equivalents	\$318,800	\$385,215
Investment advisory fees and other receivables	180,827	186,344
Total liquid assets	\$499,627	\$571,559
Investments	\$637,368	\$624,605
Liabilities:		
Debt	\$573,772	\$573,655

(in thousands)	Nine Months Ended July 31,	
	2015	2014
Cash flow data:		
Operating cash flows	\$157,848	\$(3,971 )
Investing cash flows	165,158	158,473
Financing cash flows	(387,423)	(253,845)

***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 31 percent and 34



percent of total assets on July 31, 2015 and October 31, 2014, respectively, excluding those assets identified as assets of the Company's consolidated CLO entity. Not included in the liquid asset amounts are \$115.4 million and \$157.0 million of highly liquid short-term debt securities with remaining maturities between three and twelve months at July 31, 2015 and October 31, 2014, respectively, which are included in 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 \$71.9 million decrease in liquid assets in the first nine months of fiscal 2015 primarily reflects the payment of \$87.4 million of dividends to shareholders, the repurchase of \$192.2 million of Non-Voting Common Stock, the payment of \$18.6 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 \$8.1 million in equipment and leasehold improvements, offset by proceeds from the

issuance of Non-Voting Common Stock of \$46.7 million, net proceeds of \$39.9 million from the sale of investments classified as available-for-sale and net cash from operating activities of \$157.8 million.

On July 31, 2015, our debt consisted of \$250 million in aggregate principal amount of 2017 Senior Notes and \$325 million in aggregate principal amount of 2023 Senior Notes. 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 commitment fee on any unused portion. We had no borrowings under our revolving credit facility at July 31, 2015 or at any point during the first nine months of fiscal 2015. We were in compliance with all debt covenants as of July 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.

### ***Recoverability of our Investments***

Our \$637.4 million of investments as of July 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 July 31, 2015.

We test our investments in equity method investees, goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year and as facts and circumstances indicate that additional analysis is warranted. There have been no significant changes in financial condition in the first nine months of fiscal 2015 that would indicate that an impairment loss exists at July 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 amounts of such assets may not be recoverable. There have been no significant changes in financial condition in the first nine months of fiscal 2015 that would indicate that an impairment loss exists at July 31, 2015.

### ***Operating Cash Flows***

Cash provided by operating activities totaled \$157.8 million in the first nine months of fiscal 2015, an increase of \$161.8 million from cash used for operating activities of \$4.0 million in the first nine months of fiscal 2014. The increase in net cash provided by operating activities year-over-year primarily reflects a decrease in net cash used in the operating activities of our consolidated CLO entities and a decrease in the net purchase of trading securities, partially offset by a decrease in deferred taxes and a decrease in the timing differences in the cash settlements of our other assets and liabilities.

### ***Investing Cash Flows***

Cash provided by investing activities totaled \$165.2 million in the first nine months of fiscal 2015 compared to \$158.5 million in the first nine months of fiscal 2014. The increase in cash provided by investing activities year-over-year can be primarily attributed to an increase of \$34.2 million in the net proceeds from the purchase, sale and maturities of consolidated CLO entity investments, a decrease of \$16.1 million in the net proceeds from purchases and sales of available-for-sale securities and the \$9.1 million payment to the sellers of the TABS business in the second quarter of fiscal 2015.

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

Cash used for financing activities totaled \$387.4 million in the first nine months of fiscal 2015 compared to \$253.8 million in the first nine months of fiscal 2014. In the first nine months of fiscal 2015 we paid \$18.6 million to acquire additional interests in Atlanta Capital and Parametric, we repurchased and retired approximately 4.7 million shares of our Non-Voting Common Stock for \$192.2 million under our authorized repurchase programs, and issued 3.1 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 \$46.6 million. As of July 31, 2015, we have authorization to purchase an additional 5.9 million shares under our current share repurchase authorization and anticipate that future repurchases will continue to be an ongoing use of cash. Our dividends per share were \$0.75 in the first nine months of fiscal 2015, compared to \$0.66 per share in the first nine months of fiscal 2014. We currently expect to declare and pay comparable regular dividends on our Voting and Non-Voting Common Stock on a quarterly basis.

In the first nine months of fiscal 2015, cash used for financing activities also included \$144.2 million in principal payments made on senior notes of our consolidated CLO entity.

*Contractual Obligations*

We have future obligations under various contracts relating to debt, interest payments and operating leases. During the first nine months of fiscal 2015, our consolidated CLO entity made payments totaling \$144.2 million on its senior and subordinated notes associated with the wind down of the entity. During the nine months ended July 31, 2015, there were no other material changes to our contractual obligations as previously reported in our Annual Report on Form 10-K for the year ended October 31, 2014.

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. 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 July 31, 2015. We have recorded the current quarter 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 quarter 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 \$111.7 million on July 31, 2015 compared to \$107.5 million on October 31, 2014.

Redeemable non-controlling interests as of July 31, 2015 consist of third-party investors' ownership in consolidated investment funds of \$17.8 million; non-controlling interests in Parametric issued in conjunction with the Clifton acquisition of \$20.2 million, non-controlling interests in Parametric issued in conjunction with the Parametric Risk Advisors final put option of \$11.7 million, profit interests granted under the long-term incentive plans of Parametric and Atlanta Capital of \$36.1 million and \$17.2 million, respectively, all of which are redeemable at fair value. Redeemable non-controlling interests as of July 31, 2015 also include non-controlling interests in Atlanta Capital redeemable at other than fair value of \$8.6 million. Redeemable non-controlling interests as of October 31, 2014 consist 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 include non-controlling interests in Atlanta Capital redeemable at other than fair value of \$10.0 million.

On July 31, 2015 we exercised a call option requiring the non-controlling interest holders of Atlanta Capital to sell a 0.2 percent profit interest to us for \$1.4 million. The purchase price of the call option was based on a multiple of earnings before taxes based on the financial results of Atlanta Capital for the fiscal year ended October 31, 2014. Upon execution of the call we reduced redeemable non-controlling interests and recorded a liability within other liabilities on our Consolidated Balance Sheet. The transaction settled in August of 2015.

### *Foreign Subsidiaries*

We consider the undistributed earnings of our Canadian and Australian subsidiaries as of July 31, 2015 to be indefinitely reinvested in foreign operations. Accordingly, no U.S. income taxes have been provided thereon. As of July 31, 2015, the Company had approximately \$31.0 million of undistributed earnings in our Canadian and Australian 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 this temporary difference is estimated to be \$3.6 million. The Company does not have a current plan to repatriate these funds.

### **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

There have been no updates to our critical accounting policies from those disclosed in Management's Discussion and Analysis of Financial Condition in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014.

## Accounting Developments

### *Consolidation*

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 variable interest entities ("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 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 Company is currently evaluating the potential impact of this new guidance as well as the available transition methods.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in our Quantitative and Qualitative Disclosures About Market Risk from those previously reported in our Annual Report on Form 10-K for the year ended October 31, 2014.

### **Item 4. Controls and Procedures**

We evaluated the effectiveness of our disclosure controls and procedures as of July 31, 2015. Disclosure controls and procedures are designed to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rule and forms. Disclosure controls and procedures include, without limitation, controls and procedures accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure. Our CEO and CFO participated in this evaluation and concluded that, as of the date of their evaluation, our disclosure controls and procedures were effective.

In the ordinary course of business, the Company may routinely modify, upgrade and enhance its internal controls and procedures for financial reporting. However, there have been no changes in our internal control over financial reporting as defined by Rule 13a-15(f) under the Exchange Act that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Part II - Other Information**

### **Item 1. Legal Proceedings**

There have been no material developments in litigation previously reported in our SEC filings.

### **Item 1A. Risk Factors**

There have been no material changes to our Risk Factors from those previously reported in our Form 10-K for the year ended October 31, 2014.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

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

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

Period	(a) Total Number of Shares Purchased	(b) Average price paid per share	(c) Total Number of Shares Purchased of Publicly Announced Plans or Programs <sup>(1)</sup>	(d) Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
May 1, 2015 through May 31, 2015	139,400	\$ 40.61	139,400	7,445,379
June 1, 2015 through June 30, 2015	811,687	\$ 40.46	811,687	6,633,692
July 1, 2015 through July 31, 2015	770,304	\$ 38.98	770,304	5,863,388
Total	1,721,391	\$ 39.81	1,721,391	5,863,388

*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 plan is not subject to an expiration date.*

**Item 6. Exhibits**

**(a) Exhibits**

Exhibit No. Description

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Materials from the Eaton Vance Corp. Quarterly Report on Form 10-Q for the quarter ended July 31, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) related Notes to the Consolidated Financial Statements, tagged in detail (furnished herewith).

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**Signatures**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EATON VANCE CORP.  
(Registrant)

DATE: September 4, 2015

/s/Laurie G. Hylton  
(Signature)  
Laurie G. Hylton  
Chief Financial Officer

(Duly Authorized Officer and Principal  
Financial Officer)