EATON VANCE CORP
Form 10-K
December 19, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended October 31, 2014

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934**
For the transition period from _____________ to ____________

Commission File Number 1-8100

EATON VANCE CORP.

(Exact name of registrant as specified in its charter)

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

Two International Place, Boston, Massachusetts 02110

(Address of principal executive offices) (Zip Code)

(617) 482-8260

(Registrant's telephone number, including area code)

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

Non-Voting Common Stock ($0.00390625 par value per share)	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None.

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

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

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 x No ¨

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

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

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

Large accelerated filer	x	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 x

Aggregate market value of Non-Voting Common Stock held by non-affiliates of the Registrant, based on the closing price of $36.07 on April 30, 2014 on the New York Stock Exchange was $4,206,820,679. Calculation of holdings by non-affiliates is based upon the assumption, for these purposes only, that executive officers, directors, and persons holding 5 percent or more of the registrant's Non-Voting Common Stock are affiliates.

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

Class:	Outstanding at October 31, 2014
Non-Voting Common Stock, $0.00390625 par value	117,846,273
Voting Common Stock, $0.00390625 par value	415,078

Eaton Vance Corp.

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Item 1. Business

General

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

Through our subsidiaries Eaton Vance Management ("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, and provide portfolio implementation services, including tax-managed core and specialty index strategies, customized exposure management services and centralized portfolio management of multi-manager portfolios. 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. Although we manage and distribute a wide range of investment products and services, we operate in one business segment, namely as an investment adviser to funds and separate accounts.

We distribute our funds and separately managed accounts principally through financial intermediaries in the advisory channel. We have a broad reach in the retail 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.

Company History

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

Our long-term growth strategy focuses on developing and sustaining market-leading areas of investment expertise and expanding our product distribution reach into new channels and geographic markets. The development of leading investment franchises may be achieved either organically or through strategic acquisition. Recent examples of successful acquisitions include our fiscal 2012 purchase of a 49 percent interest in Hexavest Inc. (“Hexavest”) and Parametric’s fiscal 2013 purchase of The Clifton Group Investment Management Company (“Clifton”). The acquisition of Hexavest, a Montreal-based investment adviser, significantly expanded our global equity capabilities, while Parametric’s purchase of Clifton, which now operates as Parametric’s Minneapolis investment center, provided Parametric with a market-leading position in futures- and options-based portfolio implementation services and risk-management strategies. Hexavest’s assets under management have grown from $11.0 billion at deal inception in August 2012 to $16.7 billion on October 31, 2014, while managed assets of the former Clifton have grown from $34.8 billion at deal inception in December 2012 to $58.2 billion on October 31, 2014.

Investment Managers and Distributors

We conduct our investment management business through direct and indirect wholly owned subsidiaries EVM, Boston Management and Research ("BMR"), Eaton Vance Investment Counsel ("EVIC"), Eaton Vance (Ireland) Limited ("EVAI"), Eaton Vance Trust Company ("EVTC") and Fox Asset Management LLC ("Fox Asset Management"), and three other consolidated subsidiaries, Atlanta Capital, Parametric and Parametric Risk Advisors LLC ("Parametric Risk Advisors"), each with a range of investment management capabilities and one or more distinctive investment styles. EVM, BMR, EVIC, Fox Asset Management, Atlanta Capital, Parametric and Parametric Risk Advisors are all registered with the U.S. Securities and Exchange Commission ("SEC") as investment advisers under the Investment Advisers Act of 1940 (the "Advisers Act"). EVAI, registered under the Central Bank of Ireland, provides management services to the Eaton Vance International (Ireland) Funds Plc. EVTC, a trust company, is exempt from registration under the Advisers Act. Eaton Vance Distributors, Inc. ("EVD"), a wholly owned broker-dealer registered under the Securities Exchange Act of 1934 (the "Exchange Act"), markets and sells the Eaton Vance funds and retail managed accounts. Eaton Vance Management (International) Limited ("EVMI"), a wholly owned financial services company registered under the Financial Services and Market Act in the United Kingdom, markets and sells our investment products in Europe and certain other international markets. Eaton Vance Management International (Asia) Private Limited, ("EVMIA"), a wholly owned financial services company registered under the Singapore Companies Act by the Accounting and Corporate Regulatory Authority in Singapore, markets and sells our products in the Asia Pacific region. Eaton Vance Australia Pty. Ltd., a wholly owned company registered as an Australian propriety company with the Australian Securities and Investment Commission, markets our investment services to investors in Australia.

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

Recent Developments

Fiscal 2014 was a year of transition and investment for the Company. Edward J. Perkin joined EVM as Chief Equity Investment Officer on April 20, 2014 and assumed leadership of EVM's large-cap value team upon the retirement of Michael R. Mach at the end of June. Mr. Perkin was formerly Chief Investment Officer of International and Emerging Markets Equity for Goldman Sachs Asset Management in London. With new leadership and renewed energy and focus, we believe EVM's equity franchise, which includes $36.3 billion in U.S. and global value, core, growth and dividend income strategies, is well positioned for improved business contribution. Fiscal 2014 saw notably strong performance for most EVM equity strategies.

In fiscal 2014, we completed the build-out of an integrated institutional marketing and client service group at Parametric. This team supports all Parametric strategies and services in the institutional channel. Parametric implementation services were the fastest growing part of the Company in fiscal 2014, generating organic growth of 12 percent.

Within our broader sales organization, we focused attention on the development of four investment franchises for which we see significant near-term and long-term potential. These are: multi-sector income (managed by EVM's income group in Boston); laddered municipal bonds (managed by our Tax-Advantaged Bond Strategies ("TABS") team in New York); defensive equity (managed by Parametric's Minneapolis investment center); and our family of mutual funds sub-advised by Richard Bernstein Advisors LLC. We continue to expand our product offerings within these emerging franchises when we see opportunities to do so, introducing a version of the Eaton Vance Bond Fund strategy for the variable annuity market and a new Richard Bernstein long/short fund in September 2014 and Eaton Vance Bond Fund II in November 2014. As of October 31, 2014, combined managed assets in these four emerging franchises were $9.2 billion, an increase of 175 percent since October 31, 2013.

In fiscal 2014, we also made significant progress in the advancement and development of exchange-traded managed funds. Exchange-traded managed funds are a proposed new type of investment fund that seek to provide the performance and tax advantages of exchange-traded funds to investors in active fund strategies, while maintaining the confidentiality of current portfolio trading information.

The Company acquired the intellectual property supporting development of exchange-traded managed funds in November 2010 and subsequently formed a subsidiary, Navigate Fund Solutions LLC (“Navigate”), to develop and commercialize such funds. In fiscal 2013, the Company filed for exemptive relief from certain provisions of the Investment Company Act of 1940, as amended, to permit the offering of exchange-traded managed funds. The SEC issued a notice of its intent to grant us and related parties the requested relief on November 6, 2014 and issued an order granting the relief (the “Order”) on December 2, 2014. The Order applies to 18 initial exchange-traded managed funds for which the Company filed initial registration statements on July 30, 2014 and future funds managed by the Company and its affiliates that comply with the terms and conditions of the Order.

On November 7, 2014, the SEC also approved a request by the NASDAQ Stock Market LLC (“Nasdaq”) to adopt a new rule governing the listing and trading of exchange-traded managed funds. Pursuant to this rule, exchange-traded managed funds would be bought and sold on Nasdaq utilizing a new trading protocol called net asset value (“NAV”)-based trading, in which all bids, offers and trade execution prices are directly linked to the fund’s next end-of-day net asset value.

Concurrent with the SEC’s actions in November, Navigate announced NextShares™ as the branding of exchange-traded managed funds as well as its intent to enter into license and service agreements with EVM and other registered investment advisers (“Licensed Advisers”) to permit the offering of NextShares. The Company’s exemptive application provides that other Licensed Advisers may file requests for exemptive relief that incorporate by reference the terms and conditions of the Order. The commercial success of NextShares requires completion of enabling implementation technology and acceptance by market participants, which cannot be assured.

Investment Management Capabilities

We provide investment advisory services to retail clients through funds and retail managed accounts and to institutional and high-net-worth investors through private funds and separate accounts across a broad range of equity, fixed and floating-rate income, alternative and implementation services investment mandates. The following table sets forth consolidated assets under management by investment mandate for the dates indicated:

Consolidated Assets under Management by Investment Mandate[1][2]

	October 31,								
(in millions)	2014	% of Total		2013	% of Total		2012	% of Total	
Equity [3]	$96,952	33	%	$93,585	33	%	$80,782	41	%
Fixed income [4]	45,887	15	%	44,211	16	%	49,003	25	%
Floating-rate income	42,009	14	%	41,821	15	%	26,388	13	%
Alternative	11,241	4	%	15,212	5	%	12,864	6	%
Implementation services	101,471	34	%	85,637	31	%	30,302	15	%
Cash management	175	0	%	203	0	%	169	0	%
Total	$297,735	100	%	$280,669	100	%	$199,508	100	%

(1) *Consolidated Eaton Vance Corp. See table on page 36 for managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.*

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

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

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

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

The following table sets forth the strategies of our investment affiliates and their respective offerings within each of our investment mandates as of October 31, 2014:

Eaton Vance Management	**Parametric**	**Atlanta Capital**	**Hexavest**
Equity, income and alternative strategies based on in-depth fundamental analysis	*Rules-based alpha-seeking strategies and implementation services*	*High-quality U.S. stock and bond portfolios*	*Global equity and tactical allocation strategies*
Equity:			
Asset Allocation (1) (2)	Defensive Equity	Large-Cap Growth	Canadian
Dividend Income (1)	Dividend Income	Mid-Cap Growth	Emerging Markets
Health Sciences (3)	Dynamic Hedged Equity	Multi-Cap Core	European
Large-Cap Core	Enhanced Income	Small-Cap Core	Global - All Country
Large-Cap Growth (1)	Emerging Markets (1)	SMID-Cap Core	Global - Developed
Large-Cap Value (1)	Global – All Country		Global – Ex.-U.S.
Multi-Cap Growth (1)	Global – Small-Cap		U.S. Equity
Natural Resources (4)	Global – Ex-U.S.(1)		
Option Income (1)	Option Income (1)		
Real Estate	Risk Parity		
Region Specific (5)	U.S. Equity		
Small-Cap Core (1)			
Small-Cap Value (1)			
World Stock (6)			
Fixed Income:			
Cash Management		High Quality Short Term	
Emerging Market Local Debt		High Quality Intermediate Term	
High Yield		High Quality Broad Market	
Inflation-Protected Bond			
Investment-Grade Core Bond			
Laddered Corporate			
Laddered Municipal			
Mortgage-Backed Securities			
Multi-Sector Income			
Preferred Securities			
Municipal Income			
Multi-Strategy Income			
Tax-Advantaged Bond			

Floating-Rate Income:
Floating-Rate Loans

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Eaton Vance Management	Parametric	Atlanta Capital	Hexavest
Equity, income and alternative strategies based on in-depth fundamental analysis	*Rules-based alpha-seeking strategies and implementation services*	*High-quality U.S. stock and bond portfolios*	*Global equity and tactical allocation strategies*
Alternative:			
Commodity [7]	Commodity		Global Macro Global Tactical Asset Allocation
Currency	Currency		
Global Macro Absolute Return Hedged Equity Multi-Strategy Absolute Return	Market Neutral Option Absolute Return Risk Parity		
Implementation Services:			
	Centralized Portfolio Management Customized Exposure Management Specialty Index Tax-Managed Core		

(1) *Includes tax-managed open-end and/or closed-end fund offerings.*
(2) *Includes Eaton Vance Richard Bernstein All Asset Strategy Fund and Eaton Vance Richard Bernstein Market Opportunities Fund, both sub-advised by Richard Bernstein Advisors LLC.*
(3) *Includes Eaton Vance Worldwide Health Sciences Fund, sub-advised by Orbimed Advisors LLC.*
(4) *Includes Eaton Vance Global Natural Resources fund, sub-advised by AGF Investments America Inc.*
(5) *Includes Eaton Vance Greater China Fund and Eaton Vance Greater India Fund, both sub-advised by BMO Global Asset Management (Asia) Limited (formerly Lloyd George Management).*
(6) *Includes Eaton Vance Richard Bernstein Equity Strategy Fund, sub-advised by Richard Bernstein Advisors LLC.*
(7) *Includes Eaton Vance Commodity Strategy Fund, sub-advised by Armored Wolf, LLC.*

Investment Vehicles

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

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Consolidated Assets Under Management by Vehicle[1]

	October 31,					
(in millions)	2014	% of Total	2013	% of Total	2012	% of Total
Fund assets:						
Open-end funds	$83,176	28 %	$86,990	31 %	$72,189	36 %
Closed-end funds	25,419	8 %	24,911	9 %	23,217	12 %
Private funds[2]	25,969	9 %	21,500	8 %	18,012	9 %
Total fund assets	134,564	45 %	133,401	48 %	113,418	57 %
Separate account assets:						
Institutional account assets[3]	106,443	36 %	95,724	34 %	43,338	22 %
High-net-worth account assets	22,235	7 %	19,699	7 %	15,036	7 %
Retail managed account assets	34,493	12 %	31,845	11 %	27,716	14 %
Total separate account assets	163,171	55 %	147,268	52 %	86,090	43 %
Total	$297,735	100 %	$280,669	100 %	$199,508	100 %

(1) *Consolidated Eaton Vance Corp. See table on page 36 for managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.*

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

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

Open-end Funds

As of October 31, 2014, we managed 115 open-end funds, including 10 tax-managed equity funds, 40 non-tax-managed equity funds, 32 state and national municipal income funds, 18 taxable fixed income and cash management funds, five floating-rate bank loan funds and 10 alternative funds sold to U.S. and non-U.S. investors.

We are a leading manager of equity funds designed to minimize the impact of taxes on investment returns, with $8.2 billion in open-end tax-managed equity fund assets under management on October 31, 2014. We began building our tax-managed equity fund family in fiscal 1996 with the introduction of Eaton Vance Tax-Managed Growth Fund 1.1, and have since expanded offerings to include a variety of equity styles and market caps, including large-cap value, multi-cap growth, small-cap, small-cap value, equity asset allocation, equity option and global dividend income.

Our non-tax-managed equity fund offerings include large-cap, multi-cap and small-cap funds in value, core and growth styles, dividend and global dividend income funds, international, global, emerging markets, real estate and other sector-specific funds. Also included in the category are four hybrid funds that generally hold both equities and income securities. Assets under management in open-end non-tax-managed equity funds totaled $23.3 billion on October 31, 2014.

Our family of municipal income mutual funds is one of the broadest in the industry, with nine national and 23 state-specific funds in 20 different states. As of October 31, 2014, we managed $8.9 billion in open-end municipal income fund assets.

Our taxable fixed income and cash management funds utilize our investment management capabilities in a broad range of fixed income mandates, including mortgage-backed securities, high-grade bond, high-yield bond, multi-sector bond and cash instruments. Assets under management in open-end taxable income funds totaled $11.4 billion on October 31, 2014.

We introduced our first Eaton Vance floating-rate bank loan fund, Eaton Vance Floating-Rate Income Fund, in 1989 and we have consistently ranked as one of the largest managers of retail bank loan funds. Assets under management in open-end floating-rate bank loan funds totaled $23.7 billion on October 31, 2014.

The alternative category includes a range of absolute return strategies, as well as commodity- and currency-linked investments. We currently offer four absolute return funds in the U.S. and a version of the global macro strategy that we sell to fund investors outside of the United States. Assets under management in open-end alternative funds totaled $6.8 billion on October 31, 2014.

In fiscal 2000, we introduced The U.S. Charitable Gift Trust ("The Charitable Gift Trust") and its Pooled Income Funds, which are designed to simplify the process of donating to qualified charities and to provide professional management of pools of donated assets. The Trust was one of the first charities to use professional investment advisers to assist individuals with their philanthropic, estate and tax planning needs. The Pooled Income Funds sponsored by the Trust provide donors with income during their lifetimes and leave principal to the Trust and designated charities upon their deaths. Assets under management in the Trust and its Pooled Income Funds, which are included in the fund assets described above, totaled $461.8 million at October 31, 2014.

Over the past several years, we have launched a number of Ireland and Cayman Island-domiciled open-end funds, which offer a range of our investment strategies to non-U.S. investors. At October 31, 2014, managed assets in our 11 funds sold outside the U.S. totaled $3.4 billion.

As of October 31, 2014, 43 of our open-end funds were rated 4 or 5 stars by Morningstar™ for at least one class of shares, including 11 equity and 32 income funds. A good source of performance-related information for our funds is the Company's website, www.eatonvance.com. On the Company's website, investors can also obtain other current information about our product offerings, including investment objective and principal investment policies, portfolio characteristics, expenses and Morningstar™ ratings.

Closed-end Funds

Our family of closed-end funds includes 22 municipal bond funds, 11 domestic and global equity funds, four bank loan funds and two multi-sector income funds. As of October 31, 2014, we managed $25.4 billion in closed-end fund assets and ranked as the third largest manager of exchange-listed closed-end funds in the U.S. according to Strategic Insight, a fund industry data provider.

In fiscal 2008, consistent with broad market experience, our closed-end funds with outstanding auction preferred shares (“APS”) began experiencing unsuccessful auctions. This meant that the normal means for providing liquidity to APS holders was no longer functioning. Since then, we have taken action to restore liquidity to APS holders and to provide alternative sources of leverage to our closed-end funds. We were the first closed-end fund family to complete redemption of equity fund APS, the first to redeem taxable income fund APS and the first to redeem municipal income fund APS. Replacement financing has been provided by bank and commercial paper facility borrowings, through creation of tender option bonds by certain municipal funds and the issuance of variable rate term preferred stock. As of October 31, 2014, our closed-end funds had $1.1 billion of outstanding APS compared to $5.0 billion of outstanding APS when the crisis broke in fiscal 2008. We continue to work to develop and implement replacement financing solutions to our funds’ remaining APS.

Private Funds

The private fund category includes privately offered equity funds designed to meet the diversification and tax-management needs of qualifying high-net-worth investors. We are recognized as a market leader for these types of privately offered equity funds, with $11.3 billion in assets under management as of October 31, 2014. We also offer equity, floating-rate bank loan and fixed income funds to institutional investors. Assets under management in these funds, which include cash instrument collateralized loan obligation ("CLO") entities, collective trusts and leveraged and unleveraged loan funds, totaled $14.7 billion as of October 31, 2014, including $2.6 billion of assets in CLO entities.

Institutional Separate Accounts

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

In fiscal 2005, we chartered EVTC as a non-depository trust company. We have used EVTC as a platform to launch a series of commingled funds tailored to meet the needs of smaller institutional clients. The trust company also enables us to participate in qualified plan commingled investment platforms offered in the broker-dealer channel. In addition to management services, EVTC provides certain custody services and has obtained regulatory approval to provide institutional trustee services.

Institutional separate account assets under management totaled $106.4 billion at October 31, 2014.

High-net-worth Separate Accounts

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

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

High-net-worth separate account assets under management totaled $22.2 billion at October 31, 2014, $4.9 billion of which were managed by EVIC and $17.3 billion of which were managed by Parametric and Parametric Risk Advisors.

Retail Managed Accounts

Retail managed accounts include separate accounts managed for individual investors offered through the retail intermediary distribution channel. We entered this business in the 1990s, offering EVM-managed municipal bond separate accounts, and later expanded our offerings with the addition of Atlanta Capital, Fox Asset Management, Parametric, Parametric Risk Advisors and TABS managed accounts. Our entry into the retail managed account business allowed us to leverage the strengths of our retail marketing organization and our relationships with major distributors. We now participate in over 50 retail managed account broker-dealer programs. According to Cerulli Associates, an investment research firm, as of September 30, 2014 Eaton Vance ranked as the fifth largest manager of retail managed account assets. Our retail managed account assets totaled $34.5 billion at October 31, 2014.

Investment Management and Related Services

Our direct and indirect wholly owned subsidiaries EVM and BMR are investment advisers to all but one of the Eaton Vance-sponsored funds. Although the specifics of our fund advisory agreements vary, the basic terms are similar. Pursuant to the advisory agreements, EVM or BMR provides overall investment management services to each internally advised fund, subject, in the case of funds that are registered under the Investment Company Act of 1940 (“1940 Act”) (“Registered Funds”), to the supervision of the fund’s board of trustees or directors (together, “trustees”) in accordance with the fund’s investment objectives and policies. Our investment advisory agreements with the funds provide for fees ranging from eight to 125 basis points of average assets annually. Atlanta Capital, Fox Asset Management, Parametric, Parametric Risk Advisors or an unaffiliated advisory firm acts as a sub-adviser to EVM and BMR for certain funds. OrbiMed Advisors LLC (“OrbiMed”), an independent investment management company based in New York, is the investment adviser to Eaton Vance Worldwide Health Sciences Fund.

EVM provides administrative services, including personnel and facilities, necessary for the operation of all Eaton Vance funds, subject to the oversight of the each fund’s board of trustees. These services are provided under comprehensive management agreements with certain funds that also include investment advisory services and through separate administrative services agreements with other funds as discussed below. Administrative services include recordkeeping, preparing and filing documents required to comply with federal and state securities laws, legal, fund administration and compliance services, supervising the activities of the funds’ custodians and transfer agents, providing assistance in connection with the funds’ shareholder meetings and other administrative services, including providing office space and office facilities, equipment and personnel that may be necessary for managing and administering the business affairs of the funds. For the services provided under the agreements, certain funds pay EVM a monthly fee calculated at an annual rate of up to 50 basis points of average daily net assets. Each agreement remains in effect indefinitely, subject, in the case of Registered Funds, to annual approval by the fund’s board of trustees. The funds generally bear all expenses associated with their operation and the issuance and redemption or repurchase of their securities, except for the compensation of trustees and officers of the fund who are employed by us. Under some circumstances, particularly in connection with the introduction of new funds, EVM or BMR may waive a portion of its management fee and/or pay some expenses of the fund.

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

EVM has entered into an investment advisory and administrative agreement with The Charitable Gift Trust. In addition, The Charitable Gift Trust and its Pooled Income Funds have entered into distribution agreements with EVD that provide for reimbursement of the costs of fundraising and servicing donor accounts.

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

EVTC is the trustee for each collective investment trust and is responsible for designing and implementing the trust's investment program or overseeing sub-advisers managing the trust's investment portfolios. As trustee, EVTC also provides certain administrative and accounting services to the trust. For services provided under each trust's declaration of trust, EVTC receives a monthly fee calculated at an annual rate of up to 105 basis points of average daily net assets of the trust.

Investment counselors and separate account portfolio managers employed by our wholly owned and other controlled subsidiaries make investment decisions for the separate accounts we manage. Investment counselors and separate account portfolio managers generally use the same research information as fund portfolio managers, but tailor investment decisions to the needs of particular clients. We generally receive investment advisory fees for separate accounts quarterly, based on the value of the assets managed on a particular date, such as the first or last calendar day of a quarter, or, in some instances, on the average assets for the period. These fees generally range from ten to 100 basis points annually of assets under management and the associated advisory contracts are generally terminable upon 30 to 60 days' notice without penalty.

The following table shows investment advisory and administrative fees earned for the three years ended October 31, 2014, 2013 and 2012 as follows:

	Investment Advisory and Administrative Fees		
(in thousands)	2014	2013	2012
Investment advisory fees –			
Funds	$829,087	$769,864	$698,016
Separate accounts	330,709	306,886	243,706
Administrative fees – funds	71,392	58,577	46,336
Total	$1,231,188	$1,135,327	$988,058

Marketing and Distribution of Investment Products

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

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

Certain funds have adopted distribution plans as permitted by the 1940 Act, which provide for payment of ongoing distribution fees (so-called “12b-1 fees”) for the sale and distribution of shares, and service fees for personal and/or shareholder account services. Distribution fees reimburse us for sales commissions paid to financial intermediaries and for distribution services provided. Each distribution plan and distribution agreement with EVD for the Registered Funds is initially approved and its subsequent continuance must be approved annually by the board of trustees of the respective funds, including a majority of the independent trustees.

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

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

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

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

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

Class R shares are offered at net asset value with no front-end sales charge. Class R shares pay distribution fees of up to 25 basis points and service fees of up to 25 basis points of average net assets of the Class annually.

From time to time we sponsor unregistered equity funds that are privately placed by EVD, as placement agent, and by various sub-agents to whom EVD and the subscribing shareholders make sales commission payments to the intermediaries. The privately placed equity funds are managed by EVM and BMR.

The marketing and distribution of investment strategies to institutional and high-net-worth clients is subsidiary-specific. EVM has institutional sales, consultant relations and client service teams dedicated to supporting the U.S. marketing and sales of strategies managed by EVM and Hexavest. Hexavest maintains its own marketing and distribution team to service institutional clients in Canada. Parametric and Atlanta each maintain subsidiary-specific marketing and distribution teams to sell their respective investment strategies to U.S.-based institutions and high-net-worth investors. EVMI, based in London, is responsible for the institutional marketing and distribution of EVM, Parametric, Atlanta and Hexavest-advised strategies to institutions outside North America.

During the fiscal year ended October 31, 2014 there were no customers that provided over 10 percent of our total revenue.

Regulation

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

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was signed into law. The Dodd-Frank Act established enhanced regulatory requirements for non-bank financial institutions designated as "systemically important" by the Financial Stability Oversight Council ("FSOC"). Under this new systemic risk regulation regime, the Company could be designated a systemically important financial institution ("SIFI"). In April 2012, the FSOC issued a final rule and interpretive guidance regarding the process by which it will designate nonbank financial companies as systemically important. Certain nonbank financial companies have since been designated as SIFIs and it is expected that additional nonbank financial companies, which may include large asset management companies, may be designated as SIFIs in the future. If the Company were designated a SIFI, it would be subject to enhanced prudential measures, which could include capital and liquidity requirements, leverage limits, enhanced public disclosures and risk management requirements, annual stress testing by the Federal Reserve, credit exposure and concentration limits, supervisory and other requirements. These heightened regulatory obligations could, individually or in the aggregate, adversely impact the Company's business and operations.

In February 2012, the Commodity Futures Trading Commission ("CFTC") adopted certain amendments to existing rules that required additional registration for our mutual funds and certain other products we sponsor to use futures, swaps or other derivatives. EVM and BMR are registered with the CFTC and the National Futures Association ("NFA") as Commodity Pool Operators and Commodity Trading Advisors and other subsidiaries of the Company claim exemption from registration. On August 13, 2013, the CFTC adopted rules for operators of registered mutual funds that are subject to registration as Commodity Pool Operators generally allowing such commodity pools to comply with SEC disclosure, reporting and recordkeeping rules in lieu of complying with CFTC's related requirements. These CFTC rules do not, however, relieve registered Commodity Pool Operators from compliance with certain performance reporting and recordkeeping requirements. The Company may incur ongoing costs associated with monitoring compliance with the CFTC and NFA registration and exemption obligations and complying with the periodic reporting requirements of Commodity Pool Operators and Commodity Trading Advisors.

The Eaton Vance mutual funds and privately offered funds that trade commodity interests are also regulated by the CFTC. In the event that EVM or BMR fails to comply with applicable requirements, the CFTC may suspend or revoke its registration, prohibit it from trading or doing business with registered entities, impose civil penalties, require restitution and seek fines or imprisonment for criminal violations. In the event that the Eaton Vance mutual funds and privately offered funds that trade commodities fail to comply with requirements applicable to their trading, they would be subject to the foregoing remedies excluding suspension of license. In addition, to the extent any of the entities trade on a futures exchange or Swap Execution Facility, they would be subject to possible sanction for any violation of the facility's rules.

EVTC is registered as a non-depository Maine Trust Company and is subject to regulation by the State of Maine Bureau of Financial Institutions ("Bureau of Financial Institutions"). EVTC is subject to certain capital requirements, as determined by the Examination Division of the Bureau of Financial Institutions. At periodic intervals, regulators from the Bureau of Financial Institutions examine the Company's and EVTC's financial condition as part of their legally prescribed oversight function. There were no violations by EVTC of these capital requirements in fiscal 2014 or prior years.

EVD is registered as a broker-dealer under the Exchange Act and is subject to regulation by the Financial Industry Reporting Authority ("FINRA"), the SEC and other federal and state agencies. EVD is subject to the SEC's net capital rule designed to enforce minimum standards regarding the general financial condition and liquidity of broker-dealers. Under certain circumstances, this rule may limit our ability to make withdrawals of capital and receive dividends from EVD. EVD's regulatory net capital consistently exceeded minimum net capital requirements during fiscal 2014. The securities industry is one of the most highly regulated in the United States, and failure to comply with related laws and regulations can result in the revocation of broker-dealer licenses, the imposition of censures or fines and the suspension or expulsion from the securities business of a firm, its officers or employees.

EVMI has the permission of the Financial Conduct Authority ("FCA") to conduct a regulated business in the United Kingdom. EVMI's primary business purpose is to distribute our investment products in Europe and certain other international markets. Under the Financial Services and Markets Act of the United Kingdom, EVMI is subject to certain liquidity and capital requirements. Such requirements may limit our ability to make withdrawals of capital from EVMI. In addition, failure to comply with such requirements could jeopardize EVMI's approval to conduct business in the United Kingdom. There were no violations by EVMI of the liquidity and capital requirements in fiscal 2014 or prior years.

EVAI has the permission of the Central Bank of Ireland to conduct its business of providing management services to the Eaton Vance International (Ireland) Funds Plc. EVAI is subject to certain liquidity and capital requirements. Such requirements may limit our ability to make withdrawals of capital from EVAI. There were no violations by EVAI of the liquidity and capital requirements in fiscal 2014 or prior years.

EVMIA has the permission of the Accounting and Corporate Regulatory Authority ("ACRA") to conduct a regulated business in Singapore. Under the Monetary Authority of Singapore, EVMIA is subject to certain liquidity and capital requirements. Such requirements may limit our ability to make withdrawals of capital from EVMIA. There were no violations by EVMIA of the liquidity and capital requirements in fiscal 2014 or prior years.

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

Competition

The investment management business is a highly competitive global industry and we are subject to substantial competition in each of our principal product categories and distribution channels. There are few barriers to entry for new firms and consolidation within the industry continues to alter the competitive landscape. According to the Investment Company Institute, there were more than 800 investment managers at the end of calendar 2013 that competed in the U.S. mutual fund market. We compete with these firms, many of which have substantially greater resources, on the basis of investment performance, diversity of products, distribution capability, scope and quality of service, fees charged, reputation and the ability to develop new investment strategies and products to meet the changing needs of investors.

In the retail fund channel, we compete with other mutual fund management, distribution and service companies that distribute investment products through affiliated and unaffiliated sales forces, broker-dealers and direct sales to the public. According to the Investment Company Institute, at the end of calendar 2013 there were almost 9,000 open-end investment companies of varying sizes and investment objectives whose shares were being offered to the public in the United States. We rely primarily on intermediaries to distribute our products and pursue sales relationships with all types of intermediaries to broaden our distribution network. A failure to maintain strong relationships with intermediaries that distribute our products in the retail fund channel could adversely affect our gross and net sales, assets under management, revenue and financial condition.

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

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

Employees

On October 31, 2014, we and our controlled subsidiaries had 1,403 full-time and part-time employees. On October 31, 2013, the comparable number was 1,330.

Available Information

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

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

Item 1A. Risk Factors

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

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

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

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

Our assets under management, which impact revenue, are subject to significant fluctuations. Our major sources of revenue, including investment advisory, administrative, distribution and service fees, are generally calculated as percentages of assets under management. Fee rates for our investment products generally vary by investment mandate (e.g., equity, fixed income, floating-rate income, alternative or implementation services) and vehicle (e.g., fund or separate account). An adverse change in asset mix by mandate or vehicle, independent of our level of assets under management, may result in a decrease in our overall effective fee rate, thereby reducing our revenue and net income. Any decrease in the level of our assets under management generally would also reduce our revenue and net income. Assets under management could decrease due to a decline in securities prices, a decline in the sales of our investment products, an increase in open-end fund redemptions or client withdrawals, repurchases of or other reductions in closed-end fund shares outstanding, or reductions in leverage used by investment vehicles. Adverse market conditions and/or lack of investor confidence in the market could lead to a decrease in investor risk tolerance. A decrease in investor risk tolerance could result in investors withdrawing from markets or decreasing their rate of investment, thereby reducing our overall assets under management and adversely affecting our revenue, earnings and growth prospects. Changes in investor risk tolerance could also result in investor allocation away from higher fee products to lower fee products, which could adversely affect our revenue and earnings. Our overall assets under management may not change in tandem with overall market conditions, as changes in our total assets under management may lag improvements or declines in the market based upon product mix and investment performance.

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

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

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

Our success depends on key personnel and our financial performance could be negatively affected by the loss of their services. Our success depends upon our ability to attract, retain and motivate qualified portfolio managers, analysts, investment counselors, sales and management personnel and other key professionals, including our executive officers. Our key employees generally do not have employment contracts and may voluntarily terminate their employment at any time. Certain senior executives and the non-employee members of our Board of Directors are subject to our mandatory retirement policy at age 65 and age 72, respectively. The loss of the services of key personnel or our failure to attract replacement or additional qualified personnel could negatively affect our financial performance. An increase in compensation to attract or retain personnel could result in a decrease in net income.

Our expenses are subject to fluctuations that could materially affect our operating results. Our results of operations are dependent on the level of expenses, which can vary significantly from period to period. Our expenses may fluctuate as a result of variations in the level of compensation, expenses incurred to support distribution of our investment products, expenses incurred to enhance our infrastructure (including technology and compliance) and impairments of intangible assets or goodwill. Increases in our level of expenses, or our inability to reduce our level of expenses when necessary, could materially affect our operating results.

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

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

Success of our NextShares exchange-traded managed funds initiative is highly uncertain. In recent years, the Company has devoted substantial resources to the development NextShares exchange-traded managed funds, a proposed new type of open-end investment fund that seeks to provide the performance and tax advantages of exchange-traded funds to investors in active fund strategies, while maintaining the confidentiality of current portfolio trading information. On December 2, 2014, the SEC granted Eaton Vance and related parties an exemption from certain provisions of the Investment Company Act of 1940 to permit the offering of NextShares. Commercial implementation and success of NextShares requires development of enabling implementation technology and acceptance by market participants, which cannot be assured.

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

We may need to raise additional capital or refinance existing debt in the future, and resources may not be available to us in sufficient amounts or on acceptable terms. Significant future demands on our capital include contractual obligations to service our debt, satisfy the terms of non-cancelable operating leases and purchase non-controlling interests in our majority-owned subsidiaries as described more fully in Contractual Obligations in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K and in Note 11 in Item 8 of this Annual Report on Form 10-K. Although we believe our existing cash flows from operations will be sufficient to meet our future capital needs, our ability to satisfy our long-term contractual obligations may be dependent on our ability to access capital markets. Our ability to access capital markets efficiently depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Non-Voting Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely impacted.

We could be subject to losses and reputational harm if we, or our agents, fail to properly safeguard sensitive and confidential information and fail to implement effective cyber security policies. We are dependent on the effectiveness of our information and cyber security policies, procedures and capabilities to protect our computer and telecommunications systems and the data that reside in or are transmitted through them. As part of our normal operations, we maintain and transmit confidential information about our clients as well as proprietary information relating to our business operations. We maintain a system of internal controls designed to provide reasonable assurance that fraudulent activity, including misappropriation of assets, fraudulent financial reporting, and unauthorized access to sensitive or confidential data is either prevented or timely detected. Our technology systems may still be vulnerable to unauthorized access or may be corrupted by cyber attacks, computer viruses or other malicious software code, or authorized persons could inadvertently or intentionally release confidential or proprietary information. Although we take precautions to password protect and encrypt our mobile electronic hardware, if such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us. Breach of our technology systems could result in the loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by the breach, additional security costs to mitigate against future incidents and litigation costs resulting from the incident. Moreover, loss of confidential customer identification information could harm our reputation, result in the termination of contracts by our existing customers and subject us to liability under laws that protect confidential personal data, resulting in increased costs or loss of revenues.

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

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

We pursue growth in the United States and abroad in part through acquisitions, which exposes us to risks inherent in assimilating new operations, expanding into new jurisdictions and executing on new development opportunities. Our growth strategy is based in part on the selective development or acquisition of asset management or related businesses that we believe will add value to our business and generate positive net returns. This strategy may not be effective, and failure to successfully develop and implement such a strategy may decrease earnings and harm the Company's competitive position in the investment management industry. We cannot guarantee that we will identify and consummate any such transactions on acceptable terms or have sufficient resources to accomplish such a strategy. In addition, any strategic transaction can involve a number of risks, including additional demands on our staff; unanticipated problems regarding integration of operating facilities, technologies and new employees; and the existence of liabilities or contingencies not disclosed to or otherwise known by us prior to closing a transaction. As a result, the Company may not be able to realize all of the benefits that it hoped to achieve from such transactions. In addition, we may be required to spend additional time or money on integration that would otherwise be spent on the development and expansion of our business and services.

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

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

In July 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act established enhanced regulatory requirements for non-bank financial institutions designated as "systemically important" by the FSOC. Under this new systemic risk regulation regime, we could be designated a SIFI. In April 2012, the FSOC issued a final rule and interpretive guidance regarding the process by which it will designate nonbank financial companies as systemically important. Certain nonbank financial companies have since been designated as SIFIs and it is expected that additional nonbank financial companies, which may include large asset management companies may be designated as SIFIs in the future. If we are designated a SIFI, we would be subject to enhanced prudential measures, which could include capital and liquidity requirements, leverage limits, enhanced public disclosures and risk management requirements, annual stress testing by the Federal Reserve, credit exposure and concentration limits, supervisory and other requirements. These heightened regulatory obligations could, individually or in the aggregate, adversely impact our business and operations.

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

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obligations and complying with the periodic reporting requirements of Commodity Pool Operators and Commodity Trading Advisors.

Pursuant to the mandate of the Dodd-Frank Act, the CFTC and the SEC have promulgated rules that increase the regulation of over-the-counter derivatives markets. The implementing regulations require many types of derivatives that were previously traded over-the-counter to be executed in regulated markets and submitted for clearing to regulated clearinghouses. Complying with the new regulations may significantly increase the costs of derivatives trading on behalf of our clients.

Certain of our subsidiaries are required to file quarterly reports on Form PF for private funds they manage, pursuant to systemic risk reporting requirements adopted by the SEC. These filings have required, and will continue to require, significant investments in people and systems to ensure timely and accurate reporting.

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

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

Our business is subject to risk from regulatory investigation, potential securities laws, liability and litigation. We are subject to federal securities laws, state laws regarding securities fraud, other federal and state laws and rules, and regulations of certain regulatory, self-regulatory and other organizations, including, among others, the SEC, FINRA, the CFTC, the NFA, the FCA and the New York Stock Exchange. While we have focused significant attention and resources on the development and implementation of compliance policies, procedures and practices, non-compliance with applicable laws, rules or regulations, either in the United States or abroad, or our inability to adapt to a complex and ever-changing regulatory environment could result in sanctions against us, which could adversely affect our reputation, business, revenue and earnings. From time to time, various claims against us arise in the ordinary course of business, including employment related claims. We carry insurance in amounts and under terms that we believe are appropriate. We cannot guarantee that our insurance will cover most liabilities and losses to which we may be exposed, or that our insurance policies will continue to be available at acceptable terms and fees. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or pay higher premiums, which would increase our expenses and reduce our net income.

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

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

Our Non-Voting Common Stock lacks voting rights. Our Non-Voting Common Stock has no voting rights under any circumstances. All voting power resides with our Voting Common Stock, all shares of which are held by officers of the Company and our subsidiaries and deposited in a voting trust (the “Voting Trust”) in exchange for Voting Trust Receipts. As of October 31, 2014, there were 21 holders of Voting Trust Receipts representing Voting Common Stock, each holder of which is a Voting Trustee of the Voting Trust. Holders of Non-Voting Common Stock should understand that such ownership interests have no ability to vote in the election of the Company’s Board of Directors or otherwise to influence the Company’s management and strategic direction.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We conduct our principal operations through leased offices located in Boston, Massachusetts; Atlanta, Georgia; Minneapolis, Minnesota; New York, New York; Seattle, Washington; Shrewsbury, New Jersey; Westport, Connecticut; London, England; Singapore; and Sydney, Australia. For more information see Note 21 of our Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

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

Our Voting Common Stock, $0.00390625 par value, is not publicly traded, and was held as of October 31, 2014 by 21 Voting Trustees pursuant to the Voting Trust described in Item 12 hereof, which Item is incorporated herein by reference. Dividends on our Voting Common Stock are paid quarterly and are equal to the dividends paid on our Non-Voting Common Stock (see below).

Our Non-Voting Common Stock, $0.00390625 par value, is traded on the New York Stock Exchange under the symbol EV. The approximate number of registered holders of record of our Non-Voting Common Stock at October 31, 2014 was 1,091. The high and low common stock sales prices and dividends declared per share were as follows for the periods indicated:

	Fiscal 2014			Fiscal 2013			
	High Price	Low Price	Dividend Per Share	High Price	Low Price	Dividend Per Share	
Quarter Ended:							
January 31	$43.82	$37.98	$ 0.22	$36.48	$28.03	$ 1.20	(1)
April 30	$39.22	$35.03	$ 0.22	$42.18	$36.12	$ 0.20	
July 31	$38.66	$35.00	$ 0.22	$44.58	$36.07	$ 0.20	
October 31	$39.66	$33.47	$ 0.25	$42.65	$36.59	$ 0.22	

(1) *The Company declared and paid a special $1.00 dividend per share in the first quarter of fiscal 2013.*

We currently expect to declare and pay quarterly dividends on our Voting and Non-Voting Common Stock that are comparable to those declared in the fourth quarter of fiscal 2014.

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Performance Graph

The following graph compares the cumulative total shareholder return on our Non-Voting Common Stock for the period from November 1, 2009 through October 31, 2014 to that of the Morningstar Financial Services Sector Index and the Standard & Poor's 500 Stock Index ("S&P 500 Index") over the same period. The comparison assumes $100 was invested on October 31, 2009 in our Non-Voting Common Stock and the compared indices at the closing price on that day and assumes reinvestments of all dividends paid over the period.

Comparison of Five-Year Cumulative Total Shareholder Return

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The table below sets forth information regarding purchases by the Company of our Non-Voting Common Stock on a monthly basis during the fourth quarter of fiscal 2014:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	**(c)**[1] Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
August 1, 2014 through August 31, 2014	230,982	$ 39.00	230,982	6,948,642
September 1, 2014 through September 30, 2014	1,068,594	$ 38.61	1,068,594	5,880,048
October 1, 2014 through October 31, 2014	1,223,028	$ 35.84	1,223,028	4,657,020
Total	2,522,604	$ 37.30	2,522,604	4,657,020

(1) *We announced a share repurchase program on July 9, 2014, which authorized the repurchase of up to 8,000,000 shares of our Non-Voting Common Stock in the open market and in private transactions in accordance with applicable securities laws. This repurchase program is not subject to an expiration date.*

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Item 6. Selected Financial Data

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

Financial Highlights

	For the Years Ended October 31,			
(in thousands, except per share data)	2014	2013	2012	2011
Income Statement Data:				
Total revenue	$1,450,294	$1,357,503	$1,209,036	$1,248,606
Net income	321,164	230,426	264,768	227,574
Net income attributable to non-controlling and other beneficial interests(1)	16,848	36,585	61,303	12,672
Net income attributable to Eaton Vance Corp. shareholders	304,316	193,841	203,465	214,902
Adjusted net income attributable to Eaton Vance Corp. shareholders(2)	309,627	262,942	223,331	245,118
Balance Sheet Data:				
Total assets(3)	$1,860,086	$2,407,249	$1,979,491	$1,831,300
Debt(4)	573,655	573,499	500,000	500,000
Redeemable non-controlling interests (temporary equity)	107,466	74,856	98,765	100,824
Total Eaton Vance Corp. shareholders' equity	655,176	669,784	612,072	460,415
Non-redeemable non-controlling interests	2,305	1,755	1,513	889
Total permanent equity	657,481	671,539	613,585	461,304
Per Share Data:				
Earnings per share:				
Basic earnings	$2.55	$1.60	$1.76	$1.82
Diluted earnings	2.44	1.53	1.72	1.75
Adjusted diluted earnings (2)	2.48	2.08	1.89	2.00
Cash dividends declared	0.91	1.82	0.77	0.73

(1) *Net income attributable to non-controlling and other beneficial interests reflects an increase of $5.3 million, $24.3 million, $19.9 million, $30.2 million and $18.4 million in the estimated redemption value of redeemable non-controlling interests in our majority-owned subsidiaries in fiscal 2014, 2013, 2012, 2011 and 2010, respectively. Net income attributable to non-controlling and other beneficial interests also includes net income (loss) of $(4.1) million, $(8.5) million, $22.6 million and $(34.5) million, respectively, in fiscal 2014, 2013, 2012, and 2011 substantially borne by other beneficial interest holders of consolidated collateralized loan obligation ("CLO") entities.*

(2) *The Company defines adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share as net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share, respectively, adjusted to exclude changes in the estimated redemption value of non-controlling interests redeemable at other than fair value ("non-controlling interest value adjustments"), closed-end fund structuring fees and other items management deems non-recurring or non-operating in nature, or otherwise outside the ordinary course (such as special dividends, costs associated with the extinguishment of debt and tax settlements). Adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share should not be construed to be a substitute for, or superior to, net*

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income attributable to Eaton Vance Corp. shareholders and earnings per diluted share computed in accordance with accounting principles generally accepted in the United States of America. Our use of these adjusted numbers, including reconciliations of net income attributable to Eaton Vance Corp. shareholders to adjusted net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted earnings per diluted share, is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.

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

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

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

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, and provide portfolio implementation services, including tax-managed core and specialty index strategies, customized exposure management services and centralized portfolio management of multi-manager portfolios. 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 October 31, 2014, we had $297.7 billion in 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. During fiscal 2014, the S&P 500 Index, a broad measure of U.S. equity market performance, had total returns of 17.3%. Over the same period, the Barclays U.S. Aggregate Bond Index, a broad measure of U.S. bond market performance, had total returns of 4.1%.

Our ending consolidated assets under management increased by $17.1 billion, or 6 percent, in fiscal 2014 to $297.7 billion on October 31, 2014, reflecting a 1 percent organic growth rate and market appreciation. Average consolidated assets under management increased by $37.0 billion, or 15 percent, to $288.2 billion in fiscal 2014.

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

The primary drivers of our overall and investment advisory 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 alter the total effective fee rate earned on our assets under management. Our overall average effective fee rate decreased to 50 basis points in fiscal 2014 from 54 basis points in fiscal 2013. Our average effective investment advisory and administrative fee rate similarly decreased to 43 basis points in fiscal 2014 from 45 basis points in fiscal 2013.

Consolidated Assets under Management

Consolidated assets under management of $297.7 billion on October 31, 2014 increased $17.1 billion, or 6 percent from the $280.7 billion reported a year earlier. Long-term fund and separate account net inflows totaled $2.8 billion in fiscal 2014, representing an organic growth rate of 1 percent. Net market appreciation in managed assets contributed $14.4 billion in fiscal 2014.

We report managed assets and flow data by investment mandate. The “Alternative” category includes a range of absolute return strategies, as well as commodity- and currency-linked investments. The “Implementation Services” category includes Parametric’s tax-managed core, specialty index, customized exposure management and centralized portfolio management strategies and services.

Consolidated Assets under Management by Investment Mandate[1] [2]

	October 31,							
(in millions)	2014	% of Total	2013	% of Total	2012	% of Total	2014 vs. 2013	2013 vs. 2012
Equity [3]	$96,952	33 %	$93,585	33 %	$80,782	41 %	4 %	16 %
Fixed income[4]	45,887	15 %	44,211	16 %	49,003	25 %	4 %	-10 %
Floating-rate income	42,009	14 %	41,821	15 %	26,388	13 %	0 %	58 %
Alternative	11,241	4 %	15,212	5 %	12,864	6 %	-26 %	18 %
Implementation services	101,471	34 %	85,637	31 %	30,302	15 %	18 %	183 %
Cash management funds	175	0 %	203	0 %	169	0 %	-14 %	20 %
Total	$297,735	100 %	$280,669	100 %	$199,508	100 %	6 %	41 %

(1) Consolidated Eaton Vance Corp. See table on page 36 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

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

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

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

Equity and implementation services assets under management included $68.6 billion, $59.1 billion and $51.4 billion of assets managed for after-tax returns on October 31, 2014, 2013 and 2012, respectively. Fixed income assets included $27.5 billion, $25.8 billion and $29.5 billion of tax-exempt municipal bond assets on October 31, 2014, 2013 and 2012, respectively.

The following tables summarize our consolidated assets under management and asset flows by investment mandate and investment vehicle for the fiscal years ended October 31, 2014, 2013 and 2012:

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Consolidated Net Flows by Investment Mandate[1]

(in millions)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Equity assets - beginning of period[2]	$93,585	$80,782	$84,281	16 %	-4 %
Sales and other inflows	14,687	16,989	16,572	-14 %	3 %
Redemptions/outflows	(19,183)	(19,459)	(26,033)	-1 %	-25 %
Net flows	(4,496)	(2,470)	(9,461)	82 %	-74 %
Assets acquired[4]	-	1,572	-	NM[3]	NM
Exchanges	1,019	328	15	211 %	NM
Market value change	6,844	13,373	5,947	-49 %	125 %
Equity assets - end of period	$96,952	$93,585	$80,782	4 %	16 %
Fixed income assets - beginning of period[5]	44,211	49,003	43,708	-10 %	12 %
Sales and other inflows	12,024	10,881	12,278	11 %	-11 %
Redemptions/outflows	(11,867)	(14,015)	(9,455)	-15 %	48 %
Net flows	157	(3,134)	2,823	NM	NM
Assets acquired[4]	-	472	-	NM	NM
Exchanges	96	(510)	84	NM	NM
Market value change	1,423	(1,620)	2,388	NM	NM
Fixed income assets - end of period	$45,887	$44,211	$49,003	4 %	-10 %
Floating-rate income assets - beginning of period	41,821	26,388	24,322	58 %	8 %
Sales and other inflows	15,669	21,729	7,401	-28 %	194 %
Redemptions/outflows	(14,742)	(6,871)	(5,662)	115 %	21 %
Net flows	927	14,858	1,739	-94 %	754 %
Exchanges	(145)	397	45	NM	782 %
Market value change	(594)	178	282	NM	-37 %
Floating-rate income assets - end of period	$42,009	$41,821	$26,388	0 %	58 %
Alternative assets - beginning of period	15,212	12,864	10,650	18 %	21 %
Sales and other inflows	3,339	8,195	6,736	-59 %	22 %
Redemptions/outflows	(7,237)	(5,688)	(4,348)	27 %	31 %
Net flows	(3,898)	2,507	2,388	NM	5 %
Assets acquired[4]	-	650	-	NM	NM
Exchanges	(89)	(184)	(94)	-52 %	96 %
Market value change	16	(625)	(80)	NM	681 %
Alternative assets - end of period	$11,241	$15,212	$12,864	-26 %	18 %
Implementation services assets - beginning of period[5]	85,637	30,302	24,574	183 %	23 %
Sales and other inflows	61,031	39,841	7,096	53 %	461 %
Redemptions/outflows	(50,969)	(26,887)	(4,411)	90 %	510 %
Net flows	10,062	12,954	2,685	-22 %	382 %
Assets acquired[4]	-	32,064	-	NM	NM
Exchanges	(913)	(118)	(1)	674 %	NM
Market value change	6,685	10,435	3,044	-36 %	243 %
Implementation services assets - end of period	$101,471	$85,637	$30,302	18 %	183 %
Total long-term fund and separate account assets - beginning of period	280,466	199,339	187,535	41 %	6 %
Sales and other inflows	106,750	97,635	50,083	9 %	95 %
Redemptions/outflows	(103,998)	(72,920)	(49,909)	43 %	46 %

Net flows	2,752	24,715	174	-89 %	NM
Assets acquired[4]	-	34,758	-	NM	NM
Exchanges	(32)	(87)	49	-63 %	NM
Market value change	14,374	21,741	11,581	-34 %	88 %
Total long-term fund and separate account assets - end of period	$297,560	$280,466	$199,339	6 %	41 %
Cash management fund assets - end of period	175	203	169	-14 %	20 %
Total assets under management - end of period	$297,735	$280,669	$199,508	6 %	41 %

(1) *Consolidated Eaton Vance Corp. See table on page 36 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.*

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

(3) *Not meaningful ("NM")*

(4) *Represents assets gained in the acquisition of The Clifton Group Investment Management Company on December 31, 2012.*

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

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Consolidated Net Flows by Investment Vehicle[1]

(in millions)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Long-term fund assets - beginning of period	$133,198	$113,249	$111,705	18 %	1 %
Sales and other inflows	35,408	43,606	27,080	-19 %	61 %
Redemptions/outflows	(38,077)	(29,970)	(30,895)	27 %	-3 %
Net flows	(2,669)	13,636	(3,815)	NM	NM
Assets acquired[2]	-	638	-	NM	NM
Exchanges	(32)	(279)	(13)	-89 %	NM
Market value change	3,892	5,954	5,372	-35 %	11 %
Long-term fund assets - end of period	$134,389	$133,198	$113,249	1 %	18 %
Institutional separate account assets - beginning of period[3]	95,724	43,338	38,003	121 %	14 %
Sales and other inflows	59,938	41,108	12,496	46 %	229 %
Redemptions/outflows	(54,957)	(31,548)	(10,514)	74 %	200 %
Net flows	4,981	9,560	1,982	-48 %	382 %
Assets acquired[2]	-	34,120	-	NM	NM
Exchanges	216	183	38	18 %	382 %
Market value change	5,522	8,523	3,315	-35 %	157 %
Institutional separate account assets - end of period	$106,443	$95,724	$43,338	11 %	121 %
High-net-worth separate account assets - beginning of period	19,699	15,036	13,256	31 %	13 %
Sales and other inflows	3,532	4,763	3,609	-26 %	32 %
Redemptions/outflows	(3,620)	(3,699)	(2,283)	-2 %	62 %
Net flows	(88)	1,064	1,326	NM	-20 %
Exchanges	286	(16)	(990)	NM	-98 %
Market value change	2,338	3,615	1,444	-35 %	150 %
High-net-worth separate account assets - end of period	$22,235	$19,699	$15,036	13 %	31 %
Retail managed account assets - beginning of period	31,845	27,716	24,571	15 %	13 %
Sales and other inflows	7,872	8,158	6,898	-4 %	18 %
Redemptions/outflows	(7,344)	(7,703)	(6,217)	-5 %	24 %
Net flows	528	455	681	16 %	-33 %
Exchanges	(502)	25	1,014	NM	-98 %
Market value change	2,622	3,649	1,450	-28 %	152 %
Retail managed account assets - end of period	$34,493	$31,845	$27,716	8 %	15 %
Total long-term fund and separate account assets - beginning of period	280,466	199,339	187,535	41 %	6 %
Sales and other inflows	106,750	97,635	50,083	9 %	95 %
Redemptions/outflows	(103,998)	(72,920)	(49,909)	43 %	46 %
Net flows	2,752	24,715	174	-89 %	NM
Assets acquired[2]	-	34,758	-	NM	NM
Exchanges	(32)	(87)	49	-63 %	NM
Market value change	14,374	21,741	11,581	-34 %	88 %
Total long-term fund and separate account assets - end of period	$297,560	$280,466	$199,339	6 %	41 %
Cash management fund assets - end of period	175	203	169	-14 %	20 %
Total assets under management - end of period	$297,735	$280,669	$199,508	6 %	41 %

(1) *Consolidated Eaton Vance Corp. See table on page 36 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.*

(2) *Represents assets gained in the acquisition of The Clifton Group Investment Management Company on December 31, 2012.*

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

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The following table summarizes our assets under management by investment affiliate as of October 31, 2014, 2013 and 2012:

Consolidated Assets under Management by Investment Affiliate *[1]*

	Years Ended October 31,			2014 vs.	2013 vs.
(in millions)	2014	2013	2012	2013	2012
Eaton Vance Management [2]	$143,100	$144,729	$131,055	-1 %	10 %
Parametric	136,176	117,008	53,281	16 %	120 %
Atlanta Capital	18,459	18,932	15,172	-2 %	25 %
Total	$297,735	$280,669	$199,508	6 %	41 %

(1) Consolidated Eaton Vance Corp. See table on page 36 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

(2) Includes managed assets of wholly owned subsidiaries Eaton Vance Investment Counsel and Fox Asset Management LLC, as well as certain Eaton Vance-sponsored funds and accounts managed by Hexavest and unaffiliated third-party advisers under Eaton Vance supervision.

As of October 31, 2014, 49 percent-owned affiliate Hexavest Inc. (“Hexavest”) managed $16.7 billion of client assets, a decrease of 1 percent from $16.9 billion of managed assets on October 31, 2013. Other than Eaton Vance-sponsored funds for which Hexavest is adviser or sub-adviser, the managed assets of Hexavest are not included in Eaton Vance consolidated totals.

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

Hexavest Assets under Management and Net Flows

(in millions)	Years Ended October 31, 2014	2013	**2012** (1)	2014 vs. 2013	2013 vs. 2012
Eaton Vance distributed:					
Eaton Vance sponsored funds – beginning of period(2)	$211	$37	$-	470 %	NM
Sales and other inflows	58	162	36	-64 %	350 %
Redemptions/outflows	(57)	(15)	-	280 %	NM
Net flows	1	147	36	-99 %	308 %
Market value change	15	27	1	-44 %	NM
Eaton Vance sponsored funds – end of period	$227	$211	$37	8 %	470 %
Eaton Vance distributed separate accounts – beginning of period(3)	$1,574	$-	$-	NM	NM
Sales and other inflows	531	1,381	-	-62 %	NM
Redemptions/outflows	(260)	(33)	-	688 %	NM
Net flows	271	1,348	-	-80 %	NM
Exchanges	389	-	-	NM	NM
Market value change	133	226	-	-41 %	NM
Eaton Vance distributed separate accounts – end of period	$2,367	$1,574	$-	50 %	NM
Total Eaton Vance distributed – beginning of period	$1,785	$37	$-	NM	NM
Sales and other inflows	589	1,543	36	-62 %	NM
Redemptions/outflows	(317)	(48)	-	560 %	NM
Net flows	272	1,495	36	-82 %	NM
Exchanges	389	-	-	NM	NM
Market value change	148	253	1	-42 %	NM
Total Eaton Vance distributed – end of period	$2,594	$1,785	$37	45 %	**NM**
Hexavest directly distributed – beginning of period(4)	$15,136	$12,073	$10,956	25 %	10 %
Sales and other inflows	1,637	2,703	1,047	-39 %	158 %
Redemptions/outflows	(3,046)	(1,853)	(318)	64 %	483 %
Net flows	(1,409)	850	729	NM	17 %
Exchanges	(389)	-	-	NM	NM
Market value change	763	2,213	388	-66 %	470 %
Hexavest directly distributed – end of period	$14,101	$15,136	$12,073	-7 %	25 %
Total Hexavest assets – beginning of period	$16,921	$12,110	$10,956	40 %	11 %
Sales and other inflows	2,226	4,246	1,083	-48 %	292 %
Redemptions/outflows	(3,363)	(1,901)	(318)	77 %	498 %
Net flows	(1,137)	2,345	765	NM	207 %
Market value change	911	2,466	389	-63 %	534 %
Total Hexavest assets – end of period	$16,695	$16,921	$12,110	-1 %	40 %

(1) Reflects activity from August 6, 2012, the date that Eaton Vance acquired its 49 percent equity interest in Hexavest, through October 31, 2012.

(2) 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.

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

Vance consolidated results.

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

We currently sell open-end mutual funds under the Eaton Vance and Parametric brands in five primary pricing structures: front-end load commission ("Class A"); level-load commission ("Class C"); institutional no-load ("Class I, also referred to as "Institutional Class"); retail no-load ("Class N," referred to as "Investor Class" or "Advisors Class"); and retirement plan no-load ("Class R"). We waive the front-end sales load on Class A shares under certain circumstances and sell such shares at net asset value. Class A shares are offered at net asset

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value (without a sales charge) to tax-deferred retirement plans and deferred compensation plans, and to clients of financial intermediaries who charge an ongoing fee for advisory, investment, consulting or similar services. Class A shares are also offered at net asset value to clients of financial intermediaries that have entered into an agreement with Eaton Vance Distributors, Inc. ("EVD") to offer Class A shares through a no-load network or platform, to certain separate account clients of Eaton Vance and its affiliates, and to certain persons affiliated with Eaton Vance.

Consolidated Ending Assets under Management by Asset Class[(1)]

	October 31,						2014	2013
		% of		% of		% of	vs.	vs.
(in millions)	2014	Total	2013	Total	2012	Total	2013	2012
Open-end funds:								
Class A	$26,955	9 %	$29,989	11 %	$28,926	15 %	-10 %	4 %
Class B	449	0 %	662	0 %	959	0 %	-32 %	-31 %
Class C	9,466	3 %	9,800	3 %	9,662	5 %	-3 %	1 %
Class I[(2)]	42,073	14 %	42,331	15 %	30,224	15 %	-1 %	40 %
Class N	1,773	1 %	2,311	1 %	1,566	1 %	-23 %	48 %
Class R	445	0 %	373	0 %	312	0 %	19 %	20 %
Other	2,015	1 %	1,524	1 %	540	0 %	32 %	182 %
Total open-end funds	83,176	28 %	86,990	31 %	72,189	36 %	-4 %	21 %
Private funds[(3)]	25,969	9 %	21,500	8 %	18,012	9 %	21 %	19 %
Closed-end funds	25,419	8 %	24,911	9 %	23,217	12 %	2 %	7 %
Total fund assets	134,564	45 %	133,401	48 %	113,418	57 %	1 %	18 %
Institutional account assets[(4)]	106,443	36 %	95,724	34 %	43,338	22 %	11 %	121 %
High-net-worth account assets	22,235	7 %	19,699	7 %	15,036	7 %	13 %	31 %
Retail managed account assets	34,493	12 %	31,845	11 %	27,716	14 %	8 %	15 %
Total separate account assets	163,171	55 %	147,268	52 %	86,090	43 %	11 %	71 %
Total	$297,735	100 %	$280,669	100 %	$199,508	100 %	6 %	41 %

(1) *Consolidated Eaton Vance Corp. See table on page 36 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.*

(2) *Includes Class R6 shares.*

(3) *Includes privately offered equity, fixed income and floating-rate income funds and CLO entities.*

(4) *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.

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***Consolidated Average Assets under Management by Asset Class*[1]**

(in millions)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Open-end funds:					
Class A	$27,338	$29,550	$30,105	-7 %	-2 %
Class B	571	813	1,118	-30 %	-27 %
Class C	9,656	9,814	9,628	-2 %	2 %
Class I[2]	42,245	36,986	28,240	14 %	31 %
Class N	3,888	1,885	1,339	106 %	41 %
Class R	412	329	340	25 %	-3 %
Other	1,795	923	604	94 %	53 %
Total open-end funds	85,905	80,300	71,374	7 %	13 %
Private funds[3]	23,617	19,756	17,870	20 %	11 %
Closed-end funds	25,395	23,945	23,086	6 %	4 %
Total fund assets	134,917	124,001	112,330	9 %	10 %
Institutional account assets[4]	99,224	80,028	39,733	24 %	101 %
High-net-worth account assets	20,681	17,521	14,005	18 %	25 %
Retail managed account assets	33,384	29,701	26,829	12 %	11 %
Total separate account assets	153,289	127,250	80,567	20 %	58 %
Total	$288,206	$251,251	$192,897	15 %	30 %

(1) *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.*

(2) *Includes Class R6 shares.*

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

(4) *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 and items management deems non-recurring or non-operating in nature, or otherwise outside the ordinary course (such as

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the impact of special dividends, costs associated with the extinguishment of debt and tax settlements). Adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share should not be construed to be a substitute for, or superior to, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share computed in accordance with U.S. GAAP. We provide disclosures of adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share to reflect the fact that our management and Board of Directors 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 fiscal years ended October 31, 2014, 2013 and 2012:

(in thousands, except per share data)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Net income attributable to Eaton Vance Corp. shareholders	$304,316	$193,841	$203,465	57 %	-5 %
Non-controlling interest value adjustments[(1)]	5,311	24,320	19,866	-78 %	22 %
Closed-end fund structuring fees, net of tax[(2)]	-	2,851	-	NM	NM
Loss on extinguishment of debt, net of tax[(3)]	-	35,239	-	NM	NM
Settlement of state tax audit[(4)]	-	6,691	-	NM	NM
Adjusted net income attributable to Eaton Vance Corp. shareholders	$309,627	$262,942	$223,331	18 %	18 %
Earnings per diluted share	$2.44	$1.53	$1.72	59 %	-11 %
Non-controlling interest value adjustments	0.04	0.19	0.17	-79 %	12 %
Closed-end fund structuring fees, net of tax	-	0.02	-	NM	NM
Loss on extinguishment of debt, net of tax	-	0.28	-	NM	NM
Settlement of state tax audit	-	0.05	-	NM	NM
Special dividend adjustment[(5)]	-	0.01	-	NM	NM
Adjusted earnings per diluted share	$2.48	$2.08	$1.89	19 %	10 %

(1) *Please see page 49, "Net Income Attributable to Non-controlling and Other Beneficial Interests," for a further discussion of the non-controlling interest value adjustments referenced above.*

(2) *Closed-end fund structuring fees, net of tax, associated with the initial public offering of Eaton Vance Municipal Income Term Trust and Eaton Vance Floating-Rate Income Plus Fund in fiscal 2013.*

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

(4) *Please see page 48, "Income Taxes" for further discussion of the tax settlement adjustment referenced above.*

(5)

Reflects the impact of the special dividend paid in the first quarter of fiscal 2013 due to the disproportionate allocation of distributions in excess of earnings to common shareholders under the two-class method.

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

- An increase in revenue of $92.8 million, or 7 percent, reflecting a 15 percent increase in consolidated average assets under management offset by a decrease in our annualized effective fee rate to 50 basis points in fiscal 2014 from 54 basis points in fiscal 2013 due to a shift in product mix.
- An increase in expenses of $25.9 million, or 3 percent, reflecting increases in compensation, distribution and service fee expenses, fund-related expenses and other operating expenses, offset by reduced amortization of deferred sales commissions.
- A $3.7 million improvement in net investment gains (losses) and other investment income, net, primarily reflecting an increase of $1.7 million in interest income, a $1.2 million decline in net investment losses and a $0.8 million decline in foreign currency losses. Net investment losses in fiscal 2013 include a $3.1 million loss on a reverse treasury lock entered into in conjunction with the retirement of $250 million of our 6.5 percent Senior Notes due in October 2017 (the “2017 Senior Notes”).
- A $3.8 million decline in interest expense, reflecting the retirement of $250 million of our 2017 Senior Notes and the contemporaneous issuance of $325 million of 3.625 percent Senior Notes due 2023 (the “2023 Senior Notes”) in the third quarter of fiscal 2013.
- The non-recurrence of a $53.0 million loss on extinguishment of debt related to the retirement of the 2017 Senior Notes referenced above.
- A $4.3 million decline in other expenses of the Company’s consolidated CLO entities, reflecting a decrease in interest and other expenses recognized by those entities in fiscal 2014.
- An increase in income taxes of $42.8 million, or 30 percent, reflecting an increase in the Company’s income before taxes, offset by a fiscal 2013 tax adjustment of $6.7 million related to the settlement of a state tax audit. Consolidated CLO entity income that is allocated to other beneficial interest holders is not subject to tax in the Company’s provision.
- An increase in equity in net income of affiliates, net of tax, of $1.9 million, reflecting an increase in our proportionate net interest in Hexavest’s earnings and an increase in the Company’s net interest in the earnings of sponsored funds accounted for under the equity method.
- A decrease in net income attributable to non-controlling interests of $19.7 million, primarily reflecting a decrease in the annual adjustments made to the estimated redemption value of non-controlling interests in the Company’s majority-owned subsidiaries redeemable at other than fair value, a decrease in net gains recognized by the Company’s consolidated CLO entities that are borne by other beneficial interests and a decrease in net income attributable to non-controlling interest holders in the Company’s majority-owned subsidiaries, offset by an increase in net income attributable to non-controlling interest holders in the Company’s consolidated sponsored funds.

Weighted average diluted shares outstanding decreased by 0.8 million shares, or 1 percent, in fiscal 2014 versus fiscal 2013. The change reflects a decrease in the total number of shares outstanding due to the impact of shares repurchased, offset by the exercise of employee stock options and the impact of annual vesting of restricted stock.

We reported net income attributable to Eaton Vance Corp. shareholders of $193.8 million, or $1.53 per diluted share, in fiscal 2013 compared to net income attributable to Eaton Vance Corp. shareholders of $203.5 million, or $1.72 per diluted share, in fiscal 2012. We reported adjusted net income attributable to Eaton Vance Corp. shareholders of $262.9 million, or $2.08 per diluted share, in fiscal 2013 compared to adjusted net income attributable to Eaton Vance Corp. shareholders of $223.3 million, or $1.89 per diluted share, in fiscal 2012. The change in net income and adjusted net income attributable to Eaton Vance Corp. shareholders can be primarily attributed to the following:

- An increase in revenue of $148.5 million, or 12 percent, reflecting a 30 percent increase in consolidated average assets under management offset by a decrease in our annualized effective fee rate to 54 basis points in fiscal 2013 from 62 basis points in fiscal 2012, largely as a result of the Clifton acquisition.
- An increase in expenses of $88.5 million, or 11 percent, reflecting increases in compensation, distribution and service fee expenses, fund-related expenses and other operating expenses, offset by reduced amortization of deferred sales commissions.
- A decrease of $20.9 million in gains (losses) and other investment income, net, reflecting a decline in investment gains and income recognized on our seed capital investments as well as a $3.1 million loss on the reverse treasury lock entered into in conjunction with the retirement of $250 million of our 2017 Senior Notes.
- A $53.0 million loss on extinguishment of debt related to the retirement of $250 million of our 2017 Senior Notes as referenced above.
- A $30.6 million decline in other expenses of the Company’s consolidated CLO entities, reflecting a decrease in investment gains recognized by those entities in fiscal 2013.
- An increase in income taxes of $1.5 million, or 1 percent, reflecting a $6.7 million tax adjustment related to the settlement of a state tax audit partially offset by a decrease in taxable income attributable to Eaton Vance Corp. shareholders. Consolidated CLO entity income that is allocated to other beneficial interest holders is not subject to tax in the Company’s provision.
- An increase in equity in net income of affiliates, net of tax, of $11.5 million, reflecting an increase in our proportionate net interest in Hexavest’s earnings and an increase in our net interest in the earnings of sponsored funds accounted for under the equity method of accounting.
- A decrease in net income attributable to non-controlling interests of $24.7 million, primarily reflecting a decrease in the net gains recognized by the Company’s consolidated CLO entities that are borne by other beneficial interest holders, partially offset by an increase in the annual adjustments made to the estimated redemption value of non-controlling interests in the Company’s majority-owned subsidiaries and an increase in net income attributable to non-controlling interest holders in the Company’s majority-owned subsidiaries.

Weighted average diluted shares outstanding increased by 7.3 million shares, or 6 percent, in fiscal 2013 over fiscal 2012. The change reflects an increase in the total number of shares outstanding due to the exercise of employee stock options, an increase in the dilutive effect of in-the-money options resulting from a 44 percent increase in the average share price of the Company’s Non-Voting Common Stock during the period, and the impact of annual vesting of restricted stock, offset by share repurchases.

Revenue

Our overall average effective fee rate (total revenue, excluding other revenue, as a percentage of average assets under management) was 50 basis points in fiscal 2014 compared to 54 basis points in fiscal 2013 and 62 basis points in fiscal 2012. The decrease in our average overall effective fee rate in fiscal 2014 and fiscal 2013 can be primarily attributed to the acquisition of Clifton in December 2012 and the subsequent strong growth of the acquired customized exposure management business, which operates at fee rates well below corporate averages. Product mix continues to be the most significant determinant of our overall effective fee rate.

The following table shows our investment advisory and administrative fees, distribution and underwriter fees, service fees and other revenue for the fiscal years ended October 31, 2014, 2013 and 2012:

(in thousands)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Investment advisory and administrative fees	$1,231,188	$1,135,327	$988,058	8 %	15 %
Distribution and underwriter fees	85,514	89,234	89,410	-4 %	0 %
Service fees	125,713	126,560	126,345	-1 %	0 %
Other revenue	7,879	6,382	5,223	23 %	22 %
Total revenue	$1,450,294	$1,357,503	$1,209,036	7 %	12 %

Investment advisory and administrative fees

Investment advisory and administrative fees are determined by contractual agreements with our sponsored funds and separate accounts and are generally based upon a percentage of the market value of assets under management. Net asset flows and changes in the market value of managed assets affect the amount of managed assets on which investment advisory and administrative fees are earned, while changes in asset mix among different strategies and services affect our average effective fee rate. Investment advisory and administrative fees represented 85 percent of total revenue in fiscal 2014 compared to 84 percent in fiscal 2013 and 82 percent in fiscal 2012.

The increase in investment advisory and administrative fees of 8 percent, or $95.9 million, in fiscal 2014 from fiscal 2013 can be primarily attributed to the 15 percent increase in average assets under management, offset by a decline in our average effective fee rates. The decline in our effective investment advisory and administrative fee rate to 43 basis points in fiscal 2014 from 45 basis points in fiscal 2013 can be primarily attributed to the impact of a shift in product mix from higher-fee to lower-fee mandates. Fund assets, which had an average effective fee rate of 67 basis points in both fiscal 2014 and fiscal 2013, decreased to 45 percent of total assets under management on October 31, 2014 from 48 percent of total assets under management on October 31, 2013, while separately managed account assets, which had an average effective fee rate of 22 basis points in fiscal 2014 and 24 basis points in fiscal 2013, increased to 55 percent of total assets under management on October 31, 2014 from 52 percent of total assets under management on October 31, 2013. Performance fees totaled $8.3 million and $4.4 million in fiscal 2014 and fiscal 2013, respectively.

The increase in investment advisory and administrative fees of 15 percent, or $147.3 million, in fiscal 2013 from fiscal 2012 can be primarily attributed to the 30 percent increase in average assets under management, offset by lower average effective fee rates due primarily to a shift in product mix resulting from the Clifton acquisition. Fund assets, which had an average effective fee rate of 67 basis points in fiscal 2013 and 66 basis points in fiscal 2012, decreased to 48 percent of total assets under management on October 31, 2013 from 57 percent of total assets under management on October 31, 2012, while separately managed account assets, which had an average effective fee rate of 24 basis points in fiscal 2013 and 30 basis points in fiscal 2012, increased to 52 percent of total assets under management on October 31, 2013 from 43 percent of total assets under management on October 31, 2012.

Distribution and underwriter fees

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

The following table shows the total distribution payments with respect to our Class A, Class B, Class C, Class N, Class R and private equity funds for the fiscal years ended October 31, 2014, 2013 and 2012:

(in thousands)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Class A	$1,241	$1,105	$671	12 %	65 %
Class B	3,540	5,298	7,459	-33 %	-29 %
Class C	67,739	69,081	67,974	-2 %	2 %
Class N	273	142	4	92 %	NM
Class R	1,030	821	844	25 %	-3 %
Private funds	3,874	3,626	3,967	7 %	-9 %
Total distribution plan payments	$77,697	$80,073	$80,919	-3 %	-1 %

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

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

Underwriter fees and other distribution income increased 8 percent, or $0.7 million, to $9.2 million in fiscal 2013, reflecting an increase of $0.7 million in contingent deferred sales charges received on certain Class A redemptions.

Service fees

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

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

Service fee revenue was $126.6 million in both fiscal 2013 and fiscal 2012, reflecting substantially unchanged average assets under management in funds and classes of funds subject to service fees.

Other revenue

Other revenue, which consists primarily of sub-transfer agent fees, miscellaneous dealer income, custody fees, Hexavest-related distribution and service revenue, and sub-lease income, increased by $1.5 million in fiscal 2014, primarily reflecting an increase in Hexavest-related revenue. Other revenue increased by $1.2 million in fiscal 2013, primarily reflecting an increase in Hexavest-related revenue.

Expenses

Operating expenses increased by 3 percent, or $25.9 million, in fiscal 2014 from fiscal 2013, reflecting increases in compensation, distribution and service fees, and fund-related and other expenses, offset by reduced amortization of deferred sales commissions as more fully described below.

The following table shows our operating expenses for the fiscal years ended October 31, 2014, 2013 and 2012:

(in thousands)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Compensation and related costs:					
Cash compensation	$400,890	$387,343	$329,088	3 %	18 %
Stock-based compensation	60,548	59,791	56,307	1 %	6 %
Total compensation and related costs	461,438	447,134	385,395	3 %	16 %
Distribution expense	141,544	139,618	130,914	1 %	7 %
Service fee expense	116,620	115,149	113,485	1 %	1 %
Amortization of deferred sales commissions	17,590	19,581	20,441	-10 %	-4 %
Fund-related expenses	35,415	34,230	27,375	3 %	25 %
Other expenses	157,830	148,784	138,434	6 %	7 %
Total expenses	$930,437	$904,496	$816,044	3 %	11 %

Compensation and related costs

The following table shows our compensation and related costs for the fiscal years ended October 31, 2014, 2013 and 2012:

(in thousands)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Base salaries and employee benefits	$204,935	$187,734	$167,085	9 %	12 %
Stock-based compensation	60,548	59,791	56,307	1 %	6 %
Operating income-based incentives	137,563	130,359	111,754	6 %	17 %
Sales incentives	54,989	64,730	45,591	-15 %	42 %
Other compensation expense	3,403	4,520	4,658	-25 %	-3 %
Total	$461,438	$447,134	$385,395	3 %	16 %

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

The increase in base salaries and employee benefits in fiscal 2013 primarily reflects the Clifton acquisition, an increase in base compensation driven by the increase in headcount and annual merit increases, and an increase in payroll taxes associated with the increase in base salaries and incentives. The increase in stock-based compensation in fiscal 2013 reflects the increase in headcount. Operating income-based incentives increased in fiscal 2013, primarily reflecting higher pre-bonus adjusted operating income and the impact of the Clifton acquisition. Sales incentives increased in fiscal 2013, reflecting a 55 percent increase in long-term fund and retail managed account gross sales and a modest decrease in our average retail incentive rate. Other compensation expense, which was down slightly year over year, primarily reflects a reduction in severance costs and signing bonuses paid.

Distribution expense

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

The following table shows our distribution expense for the fiscal years ended October 31, 2014, 2013 and 2012:

(in thousands)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Class A share commissions	$4,264	$6,507	$5,492	-34 %	18 %
Class C share distribution fees	54,423	54,631	55,528	0 %	-2 %
Closed-end fund structuring fees	-	4,614	-	NM	NM
Closed-end fund dealer compensation payments	18,833	17,701	16,977	6 %	4 %
Intermediary marketing support payments	46,950	40,442	36,332	16 %	11 %
Discretionary marketing expenses	17,074	15,723	16,585	9 %	-5 %
Total	$141,544	$139,618	$130,914	1 %	7 %

Class A share commissions decreased in fiscal 2014 and increased in fiscal 2013, in both cases reflecting changes in Class A sales on which we pay commissions. Class C share distribution fees decreased in fiscal 2014 and fiscal 2013, reflecting declines in Class C share assets held more than one year. The absence of closed-end fund structuring fees in fiscal 2014 reflects the fact that no closed-end funds were offered during the fiscal year. Closed-end fund dealer compensation payments increased in fiscal 2014 and fiscal 2013, reflecting increases in closed-end fund assets under management. Marketing expenses associated with intermediary marketing support payments to our distribution partners increased in fiscal 2014 and fiscal 2013, reflecting changes in average assets subject to those arrangements. Discretionary marketing expenses increased in fiscal 2014, primarily reflecting an increase in the use of outside agencies, and decreased in fiscal 2013, primarily reflecting a decrease in the use of outside agencies.

Service fee expense

Service fees we receive from sponsored funds are generally retained in the first year and paid to broker-dealers thereafter pursuant to third-party selling agreements. These fees are calculated as a percent of average assets under management in certain share classes of our mutual funds (principally Classes A, B, C, N and R), as well as certain private funds. Service fee expense increased by 1 percent in both fiscal 2014 and fiscal 2013, reflecting modest increases in average assets retained more than one year in funds and share classes that are subject to service fees.

Amortization of deferred sales commissions

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

Amortization expense decreased 4 percent in fiscal 2013, reflecting a decrease in average deferred sales commissions related to Class B shares and privately offered equity funds, partially offset by an increase in average Class C share deferred sales commissions. In fiscal 2013, 19 percent of total amortization related to Class B shares, 76 percent to Class C shares and 5 percent to privately offered equity funds.

Fund-related expenses

Fund-related expenses consist primarily of fees paid to sub-advisers, compliance costs and other fund-related expenses we incur. Fund-related expenses increased 3 percent, or $1.2 million, in fiscal 2014, primarily reflecting an increase in sub-advisory expenses associated with the use of unaffiliated sub-advisers on certain funds, offset by a decrease other fund-related expenses.

Fund-related expenses increased 25 percent, or $6.9 million, in fiscal 2013, primarily reflecting an increase in sub-advisory expenses associated with the use of unaffiliated sub-advisers on certain funds, an increase in other fund-related expenses and the recognition of $0.6 million of fund-related costs incurred in conjunction with the launch of closed-end funds during the year.

Other expenses

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

The following table shows our other expense for the fiscal years ended October 31, 2014, 2013 and 2012:

(in thousands)	Years Ended October 31, 2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Information technology	$64,051	$57,040	$46,839	12 %	22 %
Facilities-related	38,761	39,536	43,816	-2 %	-10 %
Travel	16,480	14,739	13,176	12 %	12 %
Professional services	12,065	12,415	11,544	-3 %	8 %
Communications	5,250	5,273	5,307	0 %	-1 %
Other corporate expense	21,223	19,781	17,752	7 %	11 %
Total	$157,830	$148,784	$138,434	6 %	7 %

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

The increase in information technology expense in fiscal 2013 over fiscal 2012 can be primarily attributed to increases in outside custody and other back-office services, other information technology consulting expense and software licenses and maintenance associated with budgeted technology projects. The decrease in facilities-related expenses in fiscal 2013 from fiscal 2012 can be primarily attributed to lower depreciation expense, offset by a modest increase in consolidated rent expense. The increase in travel expense relates to an increase in travel activity in fiscal 2013. The increase in professional services expense can be primarily attributed to an increase in external legal costs. The increase in other corporate expenses reflects the amortization of intangible assets related to the Clifton acquisition and increases in charitable giving and other corporate taxes.

Non-operating Income (Expense)

The main categories of non-operating income (expense) for the fiscal years ended October 31, 2014, 2013 and 2012 are as follows:

	Years Ended October 31,			2014 vs.	2013 vs.
(in thousands)	2014	2013	2012	2013	2012
Gains (losses) and other investment income, net	$1,139	$(2,513)	$18,417	NM	NM
Interest expense	(29,892)	(33,708)	(33,930)	-11 %	-1 %
Loss on extinguishment of debt	-	(52,996)	-	NM	NM
Other income (expense) of consolidated CLO entities:					
Gains and other investment income, net	14,892	14,815	44,706	1 %	-67 %
Interest and other expense	(14,847)	(19,152)	(18,447)	-22 %	4 %
Total non-operating income (expense)	$(28,708)	$(93,554)	$10,746	-69 %	NM

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

Gains (losses) and other investment income, net, declined $20.9 million in fiscal 2013 compared to fiscal 2012, primarily reflecting a decrease of $1.4 million in interest income earned, a $19.1 million decrease in gains recognized on our seed capital investments and a $0.4 million increase in foreign currency losses. In fiscal 2013, we recognized $8.2 million of losses related to our seed capital investments and associated hedges, compared to $10.9 million of net gains in fiscal 2012. In fiscal 2012, we recognized $2.4 million of investment gains related to the fiscal 2011 sale of our equity interest in Lloyd George Management, representing additional settlement payments received.

Interest expense decreased $3.8 million in fiscal 2014, reflecting the retirement of $250 million of our 2017 Senior Notes and the contemporaneous issuance of $325 million of the 2023 Senior Notes during the third quarter of fiscal 2013.

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

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

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

Consolidated CLO entity net income totaled $25.9 million in fiscal 2012, representing $26.3 million of other income and $0.4 million of other operating expenses. Approximately $22.6 million of the consolidated CLO entity net income was included in net income attributable to non-controlling and other beneficial interests, reflecting third-party note holders' proportionate interests in consolidated CLO entity net income. The remaining $3.3 million in fiscal 2012 was included in net income attributable to Eaton Vance Corp. shareholders, representing the Company's proportionate interest in entity net income and management fees earned.

Income Taxes

Our effective tax rate calculated as income taxes as a percentage of income before income taxes and equity in net income of affiliates was 38.0 percent, 40.0 percent and 35.3 percent in fiscal 2014, 2013 and 2012, respectively. During fiscal 2013, we reached a settlement with one state to resolve all matters relating to such state's audit of our fiscal years 2004 through 2009 for a lump sum payment of $19.6 million. The $19.6 million payment resulted in a net increase to income tax expense of $6.7 million, equal to the amount of the payment less previously recorded reserves of $9.3 million and a federal tax benefit on the increased state tax of $3.6 million. Excluding the effect of the consolidated CLO entities' net income (loss) allocated to other beneficial interest holders and the impact of the tax settlement, our effective tax rate would have been 37.7 percent, 37.3 percent and 37.2 percent in fiscal 2014, 2013 and 2012, respectively.

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

Equity in Net Income of Affiliates, Net of Tax

Equity in net income of affiliates, net of tax, for fiscal 2014 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 $16.7 million, $14.9 million and $3.4 million in fiscal 2014, 2013, and 2012, respectively.

The following table summarizes the components of equity in net income of affiliates, net of tax, for the fiscal years ended October 31, 2014, 2013 and 2012:

	Years Ended October 31,			2014 vs.	2013 vs.
(in thousands)	2014	2013	2012	2013	2012
Investments in sponsored funds, net of tax	$5,245	$4,821	$466	9 %	935 %
Investment in private equity partnership, net of tax	517	369	1,086	40 %	-66 %
Investment in Hexavest, net of tax and amortization	10,963	9,679	1,863	13 %	420 %
Total	$16,725	$14,869	$3,415	12 %	335 %

Net Income Attributable to Non-controlling and Other Beneficial Interests

The following table summarizes the components of net income attributable to non-controlling and other beneficial interests for the fiscal years ended October 31, 2014, 2013 and 2012:

	Years Ended October 31,			2014 vs.	2013 vs.
(in thousands)	2014	2013	2012	2013	2012
Consolidated sponsored funds	$318	$(4,095)	$(4,353)	NM	-6 %
Majority-owned subsidiaries	(15,950)	(16,620)	(14,518)	-4 %	14 %
Non-controlling interest value adjustments[(1)]	(5,311)	(24,320)	(19,866)	-78 %	22 %
Consolidated CLO entities	4,095	8,450	(22,566)	-52 %	NM
Net income attributable to non-controlling and other beneficial interests	$(16,848)	$(36,585)	$(61,303)	-54 %	-40 %

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

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

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

In fiscal 2013, the increases in the estimated redemption value of non-controlling interests in Parametric, Parametric Risk Advisors and Atlanta Capital redeemable at other than fair value were $10.9 million, $0.5 million and $12.9 million, respectively. In fiscal 2012, increases in the estimated redemption value of non-controlling interests in Parametric, Parametric Risk Advisors and Atlanta Capital redeemable at other than fair value were $8.1 million, $1.4 million and $10.4 million, respectively.

Changes in Financial Condition, Liquidity and Capital Resources

The assets and liabilities of our consolidated CLO entities do not affect our liquidity or capital resources. The collateral assets of our consolidated CLO entities are held solely to satisfy the obligations of these entities and we have no right to these assets beyond our direct investment in, and management fees generated from, these entities. The note holders of these entities have no recourse to the general credit of the Company. As a result, the assets and liabilities of our consolidated CLO entities are excluded from the discussion of liquidity and capital resources below.

The following table summarizes certain key financial data relating to our liquidity and capital resources on October 31, 2014, 2013 and 2012 and uses of cash for the years then ended:

Balance Sheet and Cash Flow Data

	October 31,		
(in thousands)	2014	2013	2012
Balance sheet data:			
Assets:			
Cash and cash equivalents	$385,215	$461,906	$462,076
Investment advisory fees and other receivables	186,344	170,220	133,589
Total liquid assets	$571,559	$632,126	$595,665
Investments	$624,605	$536,323	$486,933
Liabilities:			
Debt	$573,655	$573,499	$500,000

	Years Ended October 31,		
(in thousands)	2014	2013	2012
Cash flow data:			
Operating cash flows	$98,785	$116,367	$178,778
Investing cash flows	185,460	177,028	(90,905)
Financing cash flows	(359,378)	(293,018)	(136,748)

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 34 percent and 38 percent of total assets on October 31, 2014 and 2013, respectively, excluding those assets identified as assets of consolidated CLO entities. Not included in the liquid asset amounts are $157.0 million and $20.1 million of highly liquid short-term debt securities with remaining maturities between three and 12 months held as of October 31, 2014 and October 31, 2013, respectively, which are included within Investments on our Consolidated Balance Sheets. Our seed investments in consolidated funds and separate accounts are not treated as liquid assets because they may be longer term in nature.

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

The $36.5 million increase in liquid assets in fiscal 2013 primarily reflects $116.4 million of net cash provided by operating activities, net proceeds of $17.5 million from the debt transactions described below, net inflows into consolidated funds from non-controlling interest holders of $57.0 million, proceeds from the issuance of Non-Voting Common Stock of $119.3 million, net proceeds of $99.9 million from the sale of available-for-sale securities, excess tax benefits of $20.6 million associated with stock option exercises and the $8.9 million impact of consolidated CLO entity operating, investing and financing activities, offset by the repurchase of $73.9 million of Non-Voting Common Stock, the payment of $215.5 million of dividends to shareholders, the payment of $43.5 million to acquire additional interests in Parametric, contingent payments of $14.1 million to the sellers of the former Tax-Advantaged Bond Strategies ("TABS") business of M.D. Sass Investors Services and the $72.3 million net cash paid to acquire Clifton.

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

We also maintain a $300 million unsecured revolving credit facility with several banks that expires on October 21, 2019. The facility, which we entered into on October 21, 2014, provides that we may borrow at LIBOR-based rates of interest that vary depending on the level of usage of the facility and our credit ratings. The agreement contains financial covenants with respect to leverage and interest coverage and requires us to pay an annual facility fee on any unused portion. We had no borrowings under our revolving credit facility at October 31, 2014 or at any point during the fiscal year. We were in compliance with all debt covenants as of October 31, 2014.

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

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

Recoverability of our Investments

Our $624.6 million of investments as of October 31, 2014 consisted of our 49 percent equity interest in Hexavest, positions in Company-sponsored funds and separate accounts entered into for investment and business development purposes, and certain other investments held directly by the Company. Investments in Company-sponsored funds and separate accounts and direct investments by the Company are generally in liquid debt or equity securities and are carried at fair market value. We test our investments, other than equity method investments, for impairment on a quarterly basis. We evaluate our investments in non-consolidated CLO entities and investments classified as available-for-sale for impairment using quantitative factors, including how long the investment has been in a net unrealized loss position, and qualitative factors, including the credit quality of the underlying issuer and our ability and intent to continue holding the investment. If markets deteriorate in the quarters ahead, our assessment of impairment on a quantitative basis may lead us to impair investments in future quarters that were in an unrealized loss position at October 31, 2014.

We test our investments in equity method investees, goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year, or as facts and circumstances indicate that additional analysis is warranted. There have been no significant changes in financial condition in fiscal 2014 that would indicate that an impairment loss exists at October 31, 2014.

We periodically review our deferred sales commissions and identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. There have been no significant changes in financial condition in fiscal 2014 that would indicate that an impairment loss exists at October 31, 2014.

Operating Cash Flows

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

Cash provided by operating activities totaled $98.8 million in fiscal 2014, a decrease of $17.7 million from $116.4 million in fiscal 2013. The decrease in net cash provided by operating activities year-over-year primarily reflects an increase in the net cash used in the operating activities of our consolidated CLO entities, partially offset by an increase in deferred taxes and a decrease in the net purchase of trading securities.

Cash provided by operating activities totaled $116.4 million in fiscal 2013, a decrease of $62.4 million from $178.8 million in fiscal 2012. The decrease in net cash provided by operating activities primarily reflects an increase in the net purchase of trading securities and net losses on seed capital investments in fiscal 2013 compared to net gains in fiscal 2012, partially offset by adjustments to reflect classification of the loss on extinguishment of debt as a financing activity and consolidated CLO entity net losses compared to net gains in fiscal 2012. Cash used for operating activities in the fiscal year ended October 31, 2013 reflects the impact of a $19.6 million payment made to resolve matters relating to a state tax audit.

Investing Cash Flows

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

Cash provided by investing activities totaled $185.5 million in fiscal 2014 compared to $177.0 million in fiscal 2013. The increase in cash provided by investing activities year-over-year can be primarily attributed to a decrease in cash utilized for acquisitions in fiscal 2014 offset by a decrease of $32.0 million in the net proceeds from the sales and purchases of available-for-sale securities and a decrease of $45.0 million in the net proceeds from the sales of consolidated CLO entity investments. Net cash paid in acquisitions in fiscal 2013 included payments to the sellers of Clifton and TABS under the terms of the respective acquisition agreements of $72.3 million and $14.1 million, respectively.

Cash provided by investing activities totaled $177.0 million in fiscal 2013 compared to cash used for investing activities of $90.9 million in fiscal 2012. The increase in cash provided by investing activities can be primarily attributed to an increase of $227.4 million in net proceeds from the sale of available-for-sale securities and a $116.9 million increase in the net proceeds from the sale and maturities of consolidated CLO entity investments, offset by the $72.3 million net cash paid in the Clifton acquisition. In fiscal 2013 and 2012, the Company made contingent payments of $14.1 million and $12.3 million, respectively, to the sellers of TABS under the terms of the 2009 acquisition agreement.

Financing Cash Flows

Financing cash flows primarily reflect distributions to non-controlling interest holders of our majority-owned subsidiaries and consolidated funds, the purchase of additional non-controlling interests in our majority-owned subsidiaries, the issuance and repurchase of our Non-Voting Common Stock, excess tax benefits associated with stock option exercises, the payment of dividends to our shareholders and the proceeds and payments associated with the

Company's debt. Financing cash flows also include proceeds from the issuance of capital stock by consolidated funds and cash paid to meet redemptions by non-controlling interest holders of these funds.

Cash used for financing activities totaled $359.4 million, $293.0 million and $136.7 million in fiscal 2014, 2013 and 2012, respectively. In fiscal 2014, we paid $26.9 million to acquire additional interests in Atlanta Capital, repurchased and retired approximately 8.5 million shares of our Non-Voting Common Stock for $322.0 million under our authorized repurchase programs and issued 4.1 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 $88.2 million. As of October 31, 2014, we have authorization to purchase an additional 4.7 million shares under our current share repurchase authorization and anticipate that future repurchases will continue to be an ongoing use of cash. Our dividends declared per share were $0.91 in fiscal 2014, compared to $1.82 in fiscal 2013, which included a one-time special dividend of $1.00 per share declared and paid in December 2012, and $0.77 in fiscal 2012. We currently expect to declare and pay quarterly dividends on our Voting and Non-Voting Common Stock comparable to the dividend declared in the fourth quarter of fiscal 2014.

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

During fiscal 2013, we issued $325 million in aggregate principal amount of 3.625 percent Senior Notes due 2023 and, concurrent with the issuance, retired $250 million principal amount of our outstanding 6.5 percent Senior Notes due 2017, paying a tender premium of $51.5 million.

Contractual Obligations

The following table details our contractual obligations as of October 31, 2014:

	Payments due by period				
(in millions)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases – facilities and equipment[1]	$ 362	$ 22	$ 41	$ 40	$ 259
Senior notes	575	-	250	-	325
Interest payment on senior notes	155	28	56	24	47
Payments to non-controlling interest holders of majority-owned subsidiaries	12	12	-	-	-
Investment in private equity partnership	1	1	-	-	-
Unrecognized tax benefits[2]	3	2	1	-	-
Total	$ 1,108	$ 65	$ 348	$ 64	$ 631
Contractual obligations of consolidated CLO entity:					
Senior and subordinated note obligations	$ 166	$ -	$ -	$ 166	$ -
Interest payments on senior and subordinated note obligations	5	1	2	2	-
Total contractual obligations of consolidated CLO entity	$ 171	$ 1	$ 2	$ 168	$ -

(1) *Minimum payments have not been reduced by minimum sublease rentals of $1.7 million to be received in the future under non-cancelable subleases.*

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

In July 2006, we committed to invest up to $15.0 million in a private equity partnership that invests in companies in the financial services industry. We had invested $14.5 million of the maximum $15.0 million as of October 31, 2014. The remaining commitment is included in the table above.

Interests held by non-controlling interest holders of Atlanta Capital and Parametric are not subject to mandatory redemption. The purchase of non-controlling interests is predicated on the exercise of a series of puts held by non-controlling interest holders and calls held by us. The puts provide the non-controlling interest holders the right to require us to purchase these retained interests at specific intervals over time, while the calls provide us with the right to require the non-controlling interest holders to sell their retained equity interests to us at specified intervals over time, as well as upon the occurrence of certain events such as death or permanent disability. As a result, there is significant uncertainty as to the timing of any non-controlling interest purchase in the future. Non-controlling interests are redeemable at fair value or based on a multiple of earnings before interest and taxes of the subsidiary, which is a measure that is intended to represent fair value. As a result, there is significant uncertainty as to the amount of any non-controlling interest purchase in the future. Accordingly, future payments to be made to purchase non-controlling interests have been excluded from the above table, unless a put or call option has been exercised and a mandatory firm commitment exists for us to purchase such non-controlling interests. Although the timing and amounts of these purchases cannot be predicted with certainty, we anticipate that the purchase of non-controlling interests in our consolidated subsidiaries may be a significant use of cash in future years.

We have presented all redeemable non-controlling interests at redemption value on our Consolidated Balance Sheet as of October 31, 2014. We have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at fair value as a component of additional paid-in capital and have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at other than fair value (non-controlling interests redeemable based on a multiple of earnings before interest and taxes of the subsidiary) as a component of net income attributable to non-controlling and other beneficial interests. Based on our calculations, the estimated redemption value of our non-controlling interests, redeemable at either fair value or other than fair value, totaled $107.5 million on October 31, 2014 compared to $74.9 million on October 31, 2013.

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 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. Redeemable non-controlling interests as of October 31, 2013 consist of third-party investors’ ownership in consolidated investment funds of $4.0 million, non-controlling interests in Parametric issued in conjunction with the Clifton acquisition of $13.9 million and redeemable profit interests granted under the long-term incentive plans of Parametric and Atlanta Capital of $24.9 million and $12.3 million, respectively, all of which are redeemable at fair value. Non-controlling interests as of October 31, 2013 also include non-controlling interests in Parametric Risk Advisors and Atlanta Capital redeemable at other than fair value of $6.1 million and $13.6 million, respectively.

We have included in the table above $6.9 million related to execution of a put option by the non-controlling interest holders of Atlanta Capital and an Atlanta Capital employee’s exercise of a put option related to indirect profit interests granted under a long-term incentive plan, both of which occurred in September 2014. We have also included in the table above $5.4 million related to Parametric employees’ exercises of put options related to indirect profit interests granted under a long-term incentive plan that occurred in September 2014.

Related to our acquisition of the TABS business in December 2008, we are obligated to make three additional annual contingent payments based on prescribed multiples of TABS’s revenue for the twelve months ending December 31, 2014, 2015 and 2016. There is no defined floor or ceiling on such payments, resulting in significant uncertainty as to the amount of any payment in the future. Accordingly, future payments to be made have been excluded from the above table.

We have the option to acquire an additional 26 percent interest in Hexavest in 2017. There is no defined floor or ceiling related to this payment, resulting in significant uncertainty as to the amount of any payment in the future. Accordingly, any future payment to be made has been excluded from the above table until such time as the uncertainty has been resolved. Although the amounts of this payment cannot be predicted with certainty, we anticipate that it may represent a significant use of cash in fiscal 2017.

In November 2010, we acquired intellectual property and patents from Managed ETFs LLC, a developer of intellectual property in the field of exchange-traded funds. This intellectual property is the foundation of the Company's NextShares™ exchange-traded managed funds initiative. The success of the NextShares initiative became reasonably possible when, on December 2, 2014, the SEC issued the Company an exemption from certain provisions of the Investment Company Act of 1940 to permit the offering of exchange-traded managed funds.

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

Foreign Subsidiaries

We consider the undistributed earnings of our Canadian and Australian subsidiaries as of October 31, 2014 to be indefinitely reinvested in foreign operations. Accordingly, no U.S. income taxes have been provided thereon. As of October 31, 2014, the Company had approximately $21.2 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 $2.5 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

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

Consolidation of Variable Interest Entities

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

A company is the primary beneficiary of a VIE if it has a controlling financial interest in the VIE. A company is deemed to have a controlling financial interest in a VIE if it has both (i) the power to direct the activities of the

VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

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

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

Fair Value Measurements

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

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

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

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

Goodwill

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

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

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

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

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

Intangible Assets

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

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

Accounting for Income Taxes

Our effective tax rate reflects the statutory tax rates of the many jurisdictions in which we operate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions. In the ordinary course of business, many transactions occur for which the ultimate tax outcome is uncertain, and we adjust our income tax provision in the period in which we determine that actual outcomes will likely be different from our estimates. Accounting standards require that the tax effects of a position be recognized only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. Unrecognized tax benefits, as well as the related interest, are adjusted regularly to reflect changing facts and circumstances. While we have considered future taxable income and ongoing tax planning in assessing our taxes, changes in tax laws may result in a change to our tax position and effective tax rate. We classify any interest or penalties incurred as a component of income tax expense.

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

Stock-Based Compensation

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

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

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

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

Non-controlling interests

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

Accounting Developments

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

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

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes existing accounting standards for revenue recognition and creates a single framework. The standard also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The new guidance is effective for the Company's fiscal year that begins on November 1, 2017 and interim periods within that fiscal year, and requires either a retrospective or a modified retrospective approach to adoption. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and the related disclosures, as well as the available transition methods. Early adoption is prohibited.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

In evaluating market risk, it is important to note that most of our revenue is based on the market value of assets under management. As noted in "Risk Factors" in Item 1A, declines of financial market values negatively impact our revenue and net income.

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

The following is a summary of the effect that a 10 percent increase or decrease in equity prices would have on our investments subject to equity price fluctuation at October 31, 2014:

(in thousands)	Carrying Value	Carrying Value Assuming a 10% Increase	Carrying Value Assuming a 10% Decrease
Investment securities, trading:			
Equity securities	$140,249	$154,274	$126,224
Investment securities, available-for-sale:			
Sponsored funds	16,606	18,267	14,945
Investment in equity method investees:			
Sponsored funds	29,100	32,010	26,190
Total	$185,955	$204,551	$167,359

At October 31, 2014, the Company was exposed to interest rate risk and credit spread risk as a result of approximately $240.8 million in investments in fixed and floating-rate income funds sponsored or managed by us, debt securities held by sponsored funds we consolidate, debt securities held in separately managed accounts seeded for new product development purposes and short-term debt securities held directly by us. Management considered a hypothetical 100 basis point change in interest rates and determined that an increase of such magnitude would result in a decrease of approximately $2.4 million in the carrying amount of the Company's debt investments and that a decrease of 100 basis points would increase the carrying amount of such investments by approximately $2.4 million.

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

At October 31, 2014, the Company had outstanding foreign currency forward contracts, stock index futures contracts, commodity futures contracts and interest rate futures contracts with aggregate notional values of approximately $16.8 million, $177.3 million, $32.3 million and $12.4 million, respectively. The Company estimates that a 10 percent adverse change in market prices would result in a decrease of approximately $1.7 million, $17.7 million, $3.2 million and $1.2 million, respectively, in the fair value of open currency, equity, commodity and interest rate derivative contracts held at October 31, 2014.

In addition to utilizing forwards and futures contracts, the Company has also entered into transactions in which securities not yet purchased have been sold. In its short sales, the Company has sold securities that have been borrowed from third-party brokers with the intention of buying back identical assets at a later date to return to the lender, thereby incurring a liability. As of October 31, 2014, the Company had $1.0 million included in other liabilities on its Consolidated Balance Sheet related to securities sold, not yet purchased. The Company estimates that a 10 percent adverse change in market prices would result in a decrease of approximately $0.1 million in the value of these securities.

We are required to maintain cash collateral for margin accounts established to support certain derivative positions and securities sold short, not yet purchased. Our initial margin requirements are currently equal to five percent of the initial underlying value of the stock index futures contracts, commodity futures contracts and interest rate futures contracts. Additional margin requirements include daily posting of variation margin equal to the daily change in the position value and up to 150 percent of the underlying value of securities sold, not yet purchased. We do not have a collateral requirement related to foreign currency forward contracts. Cash collateral supporting margin requirements is classified as restricted cash and is included as a component of other assets on the Company’s Consolidated Balance Sheets. At October 31, 2014, cash collateral included in other assets on the Company’s Consolidated Balance Sheet totaled $6.0 million.

Direct exposure to credit risk arises from our interest in non-consolidated CLO entities that are included in investments in our Consolidated Balance Sheets as well as our interests in consolidated CLO entities that are eliminated in consolidation. Our CLO entity investments, entitle us to only a residual interest in the CLO entity, making these investments highly sensitive to the default and recovery experiences of the underlying instruments held by the CLO entity. Our CLO investments are subject to an impairment loss in the event that the cash flows generated by the collateral securities are not sufficient to allow equity holders to recover their investments. If there is deterioration in the credit quality of collateral and reference securities and a corresponding increase in defaults, CLO entity cash flows may be adversely impacted and we may be unable to recover our investment. Our total investments in the non-consolidated and consolidated CLO entities were $4.0 million and $1.4 million, respectively, as of October 31, 2014, representing our total value at risk with respect to such entities as of October 31, 2014.

We are subject to foreign currency exchange risk through our international operations. While we operate primarily in the United States and, accordingly, most of our consolidated revenue and associated expenses are denominated in U.S. dollars, we do provide services and earn revenue outside of the United States. Revenue and expenses denominated in foreign currencies may be impacted by movements in foreign currency exchange rates. The exposure to foreign currency exchange rate risk in our Consolidated Balance Sheet relates primarily to an equity method investment and cash and cash equivalents that are denominated in foreign currencies, principally Canadian dollars. This risk will likely increase as our business outside of the United States grows. We generally do not use derivative financial instruments to manage the foreign currency exchange risk exposure we assume in connection with investments in international operations. As a result, both positive and negative currency fluctuations against the U.S. dollar may affect our results of operations and accumulated other comprehensive income. We do not enter into foreign currency transactions for speculative purposes.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements and Supplementary Data

For the Fiscal Years Ended October 31, 2014, 2013 and 2012

All schedules have been omitted because they are not required, are not applicable or the information is otherwise shown in the consolidated financial statements or notes thereto.

Consolidated Statements of Income

	Years Ended October 31,		
(in thousands, except per share data)	2014	2013	2012
Revenue:			
Investment advisory and administrative fees	$1,231,188	$1,135,327	$988,058
Distribution and underwriter fees	85,514	89,234	89,410
Service fees	125,713	126,560	126,345
Other revenue	7,879	6,382	5,223
Total revenue	1,450,294	1,357,503	1,209,036
Expenses:			
Compensation and related costs	461,438	447,134	385,395
Distribution expense	141,544	139,618	130,914
Service fee expense	116,620	115,149	113,485
Amortization of deferred sales commissions	17,590	19,581	20,441
Fund-related expenses	35,415	34,230	27,375
Other expenses	157,830	148,784	138,434
Total expenses	930,437	904,496	816,044
Operating income	519,857	453,007	392,992
Non-operating income (expense):			
Gains (losses) and other investment income, net	1,139	(2,513)	18,417
Interest expense	(29,892)	(33,708)	(33,930)
Loss on extinguishment of debt	-	(52,996)	-
Other income (expense) of consolidated collateralized loan obligation ("CLO") entities:			
Gains and other investment income, net	14,892	14,815	44,706
Interest and other expense	(14,847)	(19,152)	(18,447)
Total non-operating income (expense)	(28,708)	(93,554)	10,746
Income before income taxes and equity in net income of affiliates	491,149	359,453	403,738
Income taxes	(186,710)		