EATON VANCE CORP
Form 10-Q
March 06, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

or

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

Commission file no. 1-8100

EATON VANCE CORP.

(Exact name of registrant as specified in its charter)

Maryland	04-2718215
(State or other jurisdiction of incorporation or organization)	(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)

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

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

Large accelerated filer 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

Shares outstanding as of January 31, 2015:

Voting Common Stock – 429,005 shares

Non-Voting Common Stock – 117,999,120 shares

Eaton Vance Corp.

Form 10-Q

As of January 31, 2015 and for the

Three Month Period Ended January 31, 2015

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Part I - Financial Information

Item 1. Consolidated Financial Statements

Eaton Vance Corp.

Consolidated Balance Sheets (unaudited)

(in thousands)	January 31, 2015	October 31, 2014
Assets		
Cash and cash equivalents	$247,324	$385,215
Investment advisory fees and other receivables	182,711	186,344
Investments	624,027	624,605
Assets of consolidated collateralized loan obligation ("CLO") entity:		
Cash and cash equivalents	15,387	8,963
Bank loans and other investments	127,493	147,116
Other assets	544	371
Deferred sales commissions	19,560	17,841
Deferred income taxes	42,015	46,099
Equipment and leasehold improvements, net	44,135	45,651
Intangible assets, net	62,818	65,126
Goodwill	228,876	228,876
Other assets	95,921	103,879
Total assets	$1,690,811	$1,860,086

See notes to Consolidated Financial Statements.

Eaton Vance Corp.

Consolidated Balance Sheets (unaudited) (continued)

(in thousands, except share data)	January 31, 2015	October 31, 2014
Liabilities, Temporary Equity and Permanent Equity		
Liabilities:		
Accrued compensation	$61,537	$181,064
Accounts payable and accrued expenses	75,673	64,598
Dividend payable	30,409	30,057
Debt	573,694	573,655
Liabilities of consolidated CLO entity:		
Senior and subordinated note obligations	140,490	151,982
Other liabilities	269	298
Other liabilities	97,537	93,485
Total liabilities	979,609	1,095,139
Commitments and contingencies		
Temporary Equity:		
Redeemable non-controlling interests	103,742	107,466
Permanent Equity:		
Voting Common Stock, par value $0.00390625 per share:		
Authorized, 1,280,000 shares		
Issued and outstanding, 429,005 and 415,078 shares, respectively	2	2
Non-Voting Common Stock, par value $0.00390625 per share:		
Authorized, 190,720,000 shares		
Issued and outstanding, 117,999,120 and 117,846,273 shares, respectively	461	460
Additional paid-in capital	-	-
Notes receivable from stock option exercises	(9,197)	(8,818)
Accumulated other comprehensive loss	(42,086)	(17,996)
Appropriated retained earnings	2,514	2,467
Retained earnings	653,984	679,061
Total Eaton Vance Corp. shareholders' equity	605,678	655,176
Non-redeemable non-controlling interests	1,782	2,305
Total permanent equity	607,460	657,481
Total liabilities, temporary equity and permanent equity	$1,690,811	$1,860,086

See notes to Consolidated Financial Statements.

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Eaton Vance Corp.

Consolidated Statements of Income (unaudited)

	Three Months Ended January 31,	
(in thousands, except per share data)	2015	2014
Revenue:		
Investment advisory and administrative fees	$301,813	$304,713
Distribution and underwriter fees	21,036	21,621
Service fees	29,847	32,291
Other revenue	2,234	1,636
Total revenue	354,930	360,261
Expenses:		
Compensation and related costs	120,192	118,822
Distribution expense	106,267	35,548
Service fee expense	27,780	29,205
Amortization of deferred sales commissions	3,728	4,970
Fund-related expenses	8,706	8,453
Other expenses	37,697	39,063
Total expenses	304,370	236,061
Operating income	50,560	124,200
Non-operating income (expense):		
Gains and other investment income, net	2,802	413
Interest expense	(7,336)	(7,400)
Other income (expense) of consolidated CLO entities:		
Gains and other investment income, net	1,301	8,709
Interest and other expense	(1,194)	(7,835)
Total non-operating expense	(4,427)	(6,113)
Income before income taxes and equity in net income of affiliates	46,133	118,087
Income taxes	(16,770)	(44,642)
Equity in net income of affiliates, net of tax	3,146	3,285
Net income	32,509	76,730
Net income attributable to non-controlling and other beneficial interests	(3,506)	(5,372)
Net income attributable to Eaton Vance Corp. shareholders	$29,003	$71,358
Earnings per share:		
Basic	$0.25	$0.59
Diluted	$0.24	$0.56
Weighted average shares outstanding:		
Basic	114,592	118,451
Diluted	119,690	124,480
Dividends declared per share	$0.25	$0.22

See notes to Consolidated Financial Statements.

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Eaton Vance Corp.

Consolidated Statements of Comprehensive Income (unaudited)

(in thousands)	Three Months Ended January 31, 2015	2014
Net income	$ 32,509	$ 76,730
Other comprehensive income (loss):		
Amortization of net gains (losses) on derivatives, net of tax	3	3
Unrealized holding losses on available-for-sale investments and reclassification adjustments, net of tax	(642)	(493)
Foreign currency translation adjustments, net of tax	(23,451)	(8,008)
Other comprehensive loss, net of tax	(24,090)	(8,498)
Total comprehensive income	8,419	68,232
Comprehensive income attributable to non-controlling and other beneficial interests	(3,506)	(5,372)
Total comprehensive income attributable to Eaton Vance Corp. shareholders	$ 4,913	$ 62,860

See notes to Consolidated Financial Statements.

Eaton Vance Corp.

Consolidated Statements of Shareholders' Equity (unaudited)

	Permanent Equity									Temporary Equity
(in thousands)	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Loss	Appropriated Retained Earnings	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Redeemable Non-Controlling Interests
Balance, November 1, 2014	$2	$460	$-	$(8,818)	$(17,996)	$2,467	$679,061	$2,305	$657,481	$107,466
Net income	-	-	-	-	-	47	29,003	1,155	30,205	2,304
Other comprehensive loss	-	-	-	-	(24,090)	-	-	-	(24,090)	-
Dividends declared ($0.25 per share)	-	-	-	-	-	-	(29,621)	-	(29,621)	-
Issuance of Voting Common Stock	-	-	77	-	-	-	-	-	77	-
Issuance of Non-Voting Common Stock:										
On exercise of stock options	-	2	11,891	(626)	-	-	-	-	11,267	-
Under employee stock purchase plans	-	-	1,533	-	-	-	-	-	1,533	-
Under employee incentive plans	-	-	207	-	-	-	-	-	207	-
Under restricted stock plan, net of forfeitures	-	4	-	-	-	-	-	-	4	-
Stock-based compensation	-	-	17,233	-	-	-	-	-	17,233	-
Tax benefit of stock option exercises	-	-	3,985	-	-	-	-	-	3,985	-
Repurchase of Non-Voting Common Stock	-	(5)	(35,259)	-	-	-	(24,459)	-	(59,723)	-
Principal repayments on notes receivable from stock option exercises	-	-	-	247	-	-	-	-	247	-
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	(1,081)	(1,081)	(529)
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	-	-	1,245
Reclass to temporary equity	-	-	-	-	-	-	-	(597)	(597)	597

Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	(7,008)
Other changes in non-controlling interests	-	-	333	-	-	-	-	-	333	(333)
Balance, January 31, 2015	$2	$461	$-	$(9,197)	$(42,086)	$2,514	$653,984	$1,782	$607,460	$103,742

See notes to Consolidated Financial Statements.

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Eaton Vance Corp.

Consolidated Statements of Shareholders' Equity (unaudited)

(in thousands)	Permanent Equity									Temporary Equity
	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Loss	Appropriated Retained Earnings	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Redeemable Non-Controlling Interests
Balance, November 1, 2013	$2	$474	$124,837	$(7,122)	$(177)	$10,249	$541,521	$1,755	$671,539	$74,856
Net income	-	-	-	-	-	(305)	71,358	1,358	72,411	4,319
Other comprehensive loss	-	-	-	-	(8,498)	-	-	-	(8,498)	-
Dividends declared ($0.22 per share)	-	-	-	-	-	-	(26,929)	-	(26,929)	-
Issuance of Voting Common Stock	-	-	59	-	-	-	-	-	59	-
Issuance of Non-Voting Common Stock:										
On exercise of stock options	-	4	24,723	(1,372)	-	-	-	-	23,355	-
Under employee stock purchase plans	-	-	1,909	-	-	-	-	-	1,909	-
Under employee incentive plans	-	-	807	-	-	-	-	-	807	-
Under restricted stock plan, net of forfeitures	-	4	-	-	-	-	-	-	4	-
Stock-based compensation	-	-	14,815	-	-	-	-	-	14,815	-
Tax benefit of stock option exercises	-	-	10,488	-	-	-	-	-	10,488	-
Repurchase of Voting Common Stock	-	-	(77)	-	-	-	-	-	(77)	-
Repurchase of Non-Voting Common Stock	-	(4)	(43,535)	-	-	-	-	-	(43,539)	-
Principal repayments on notes receivable from stock option exercises	-	-	-	1,479	-	-	-	-	1,479	-
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	(1,055)	(1,055)	(1,350)
Net consolidations (deconsolidations) of sponsored investment funds	-	-	-	-	-	-	-	-	-	(745)

Reclass to temporary equity	-	-	-	-	-	-	-	(352)	(352)	352
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	(6,839)
Issuance of subsidiary equity	-	-	-	-	-	-	-	-	-	9,935
Other changes in non-controlling interests	-	-	(10,327)	-	-	-	-	-	(10,327)	10,327
Balance, January 31, 2014	$2	$478	$123,699	$(7,015)	$(8,675)	$9,944	$585,950	$1,706	$706,089	$90,855

See notes to Consolidated Financial Statements.

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Eaton Vance Corp.

Consolidated Statements of Cash Flows (unaudited)

(in thousands)	Three Months Ended January 31, 2015	2014
Cash Flows From Operating Activities:		
Net income	$32,509	$76,730
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	5,856	5,584
Amortization of deferred sales commissions	3,732	4,980
Stock-based compensation	17,233	14,815
Deferred income taxes	4,323	19,255
Net losses on investments and derivatives	632	492
Equity in net income of affiliates, net of amortization	(3,270)	(3,571)
Dividends received from affiliates	3,148	5,374
Consolidated CLO entities' operating activities:		
Net (gains) losses on bank loans, other investments and note obligations	92	(2,955)
Amortization	(37)	(421)
Net decrease in other assets and liabilities, including cash	(6,800)	(134,112)
Changes in operating assets and liabilities:		
Investment advisory fees and other receivables	3,683	1,442
Investments in trading securities	(37,626)	(70,878)
Deferred sales commissions	(5,447)	(3,722)
Other assets	4,118	2,885
Accrued compensation	(119,384)	(104,172)
Accounts payable and accrued expenses	10,995	9,062
Other liabilities	19,709	8,311
Net cash used for operating activities	(66,534)	(170,901)
Cash Flows From Investing Activities:		
Additions to equipment and leasehold improvements	(1,720)	(1,706)
Proceeds from sale of investments	17,657	15,716
Purchase of investments	(218)	(18,226)
Consolidated CLO entities' investing activities:		
Proceeds from sales and maturities of bank loans and other investments	18,170	207,994
Purchase of bank loans and other investments	(9)	(162,013)
Net cash provided by investing activities	33,880	41,765

See notes to Consolidated Financial Statements.

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Eaton Vance Corp.

Consolidated Statements of Cash Flows (unaudited) (continued)

	Three Months Ended January 31,	
(in thousands)	2015	2014
Cash Flows From Financing Activities:		
Purchase of additional non-controlling interest	(18,602)	(26,872)
Proceeds from issuance of Voting Common Stock	77	59
Proceeds from issuance of Non-Voting Common Stock	13,011	26,075
Repurchase of Voting Common Stock	-	(77)
Repurchase of Non-Voting Common Stock	(59,723)	(43,539)
Principal repayments on notes receivable from stock option exercises	247	1,479
Excess tax benefit of stock option exercises	3,985	10,488
Dividends paid	(29,268)	(26,739)
Net subscriptions received from (redemptions/distributions paid to) non-controlling interest holders	(1,610)	(2,405)
Consolidated CLO entities' financing activities:		
Repayment of line of credit	-	(247,789)
Repayment of redeemable preferred shares	-	(60,000)
Issuance of senior and subordinated notes and preferred shares	-	429,582
Principal repayments of senior note obligations	(11,204)	(29,868)
Net cash provided by (used for) financing activities	(103,087)	30,394
Effect of currency rate changes on cash and cash equivalents	(2,150)	(1,190)
Net decrease in cash and cash equivalents	(137,891)	(99,932)
Cash and cash equivalents, beginning of period	385,215	461,906
Cash and cash equivalents, end of period	$247,324	$361,974
Supplemental Cash Flow Information:		
Cash paid for interest	$5,965	$5,678
Cash paid for interest by consolidated CLO entities	1,203	1,955
Cash paid for income taxes, net of refunds	3,699	3,519
Supplemental Disclosure of Non-Cash Information:		
Increase in equipment and leasehold improvements due to non-cash additions	$209	$87
Exercise of stock options through issuance of notes receivable	626	1,372
Acquisition of non-controlling interests through issuance of subsidiary equity	-	9,935
Net Consolidations (Deconsolidations) of Sponsored Investment Funds:		
Increase (decrease) in investments	$1,242	$(776)
Increase (decrease) in non-controlling interests	1,245	(745)

See notes to Consolidated Financial Statements.

Eaton Vance Corp.

Notes to Consolidated Financial Statements (unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

2. New Accounting Standards Not Yet Adopted

Consolidation

In February 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2015-02, *Amendments to the Consolidation Analysis,* which amends the consolidation requirements in Accounting Standards Codification ("ASC") 810, *Consolidation*. Under the amendments in this ASU, all entities, including limited partnerships and similar legal entities, are now within the scope of ASC 810, unless a scope exception applies. The presumption that a general partner controls a limited partnership has been eliminated. In addition, fees paid to decision makers that meet certain conditions no longer cause the decision makers to consolidate variable interest entities ("VIEs") in certain instances, with the amendments placing more emphasis on variable interests other than fee arrangements in the consolidation evaluation. This ASU also eliminates the deferral under ASU 2010-10, *Consolidation - Amendments for Certain Investment Funds,* and, as such, the Company must evaluate any entities that qualified for the deferral to determine whether these entities are VIEs and whether they should be consolidated. The new guidance is effective for annual periods, and interim periods within those annual periods, for the Company's fiscal year that begins on November 1, 2016 and allows for either a full retrospective or a modified retrospective adoption approach. Early adoption is allowed, but the guidance must be applied as of the beginning of the annual period containing the adoption date. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

3. Consolidated Sponsored Funds

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

(in thousands)	January 31, 2015	October 31, 2014
Investments	$ 245,614	$ 172,413
Other assets	24,120	19,474
Other liabilities	(46,479)	(32,559)
Redeemable non-controlling interests	(11,393)	(8,983)
Net interest in consolidated sponsored funds[(1)]	$ 211,862	$ 150,345

[(1)] *Excludes the Company's investment in its consolidated CLO entity, which is discussed in Note 8.*

The Company did not deconsolidate any sponsored funds during the three months ended January 31, 2015. During the three months ended January 31, 2014, the Company deconsolidated one sponsored fund.

4. Investments

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

(in thousands)	January 31, 2015	October 31, 2014
Investment securities, trading:		
Short-term debt	$ 115,823	$ 156,972
Consolidated sponsored funds	245,614	172,413
Separately managed accounts	54,437	51,660
Total investment securities, trading	415,874	381,045
Investment securities, available-for-sale	35,184	30,167
Investments in non-consolidated CLO entities	4,064	4,033
Investments in equity method investees	165,897	206,352
Investments, other	3,008	3,008
Total investments[(1)]	$ 624,027	$ 624,605

[(1)] *Excludes the Company's investment in its consolidated CLO entity, which is discussed in Note 8.*

Investment securities, trading

The following is a summary of the fair value of investments classified as trading at January 31, 2015 and October 31, 2014:

(in thousands)	January 31, 2015	October 31, 2014
Short-term debt	$ 115,823	$ 156,972
Other debt - consolidated sponsored funds and separately managed accounts	121,086	83,824
Equity securities - consolidated sponsored funds and separately managed accounts	178,965	140,249
Total investment securities, trading	$ 415,874	$ 381,045

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During the three months ended January 31, 2015, the Company seeded investments in four sponsored funds and seven separately managed accounts. During the three months ended January 31, 2014, the Company seeded investments in two sponsored funds. The Company did not seed any separately managed accounts during the three months ended January 31, 2014.

The Company recognized losses related to trading securities still held at the reporting date of $6.2 million and $5.0 million for the three months ended January 31, 2015 and 2014, respectively.

Investment securities, available-for-sale

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

January 31, 2015		Gross Unrealized		
(in thousands)	Cost	Gains	Losses	Fair Value
Investment securities, available-for-sale	$27,039	$ 8,901	$ (756)	$ 35,184

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

Net unrealized holding losses on investment securities classified as available-for-sale included in other comprehensive income (loss), net of tax, were $0.9 million and $0.8 million for the three months ended January 31, 2015 and 2014 respectively.

The Company evaluated gross unrealized losses of $0.8 million as of January 31, 2015 and determined that these losses were not other-than-temporary, primarily because the Company has both the ability and intent to hold the investments for a period of time sufficient to recover such losses. The aggregate fair value of investments with unrealized losses was $17.0 million at January 31, 2015. No investment with a gross unrealized loss has been in a loss position for greater than one year.

The following is a summary of the Company’s realized gains and losses upon disposition of investments classified as available-for-sale for the three months ended January 31, 2015 and 2014:

	Three Months Ended January 31,	
(in thousands)	2015	2014
Gains	$ 50	$ 433
Losses	(6)	(370)
Net realized gains	$ 44	$ 63

Investments in equity method investees

The Company has a 49 percent interest in Hexavest Inc. ("Hexavest"), a Montreal, Canada-based investment adviser. The carrying value of this investment was $147.6 million and $166.0 million, at January 31, 2015 and October 31, 2014, respectively. At January 31, 2015, the Company's investment in Hexavest consisted of $5.6 million of equity in the net assets of Hexavest, intangible assets of $29.3 million and goodwill of

$120.6 million, net of a deferred tax liability of $7.9 million. At October 31, 2014, the Company's investment in Hexavest consisted of $5.9 million of equity in the net assets of Hexavest, intangible assets of $33.5 million and goodwill of $135.6 million, net of a deferred tax liability of $9.0 million. The investment is denominated in Canadian dollars and is subject to foreign currency translation adjustments, which are recorded in accumulated other comprehensive income (loss).

The Company has a 7 percent equity interest in a private equity partnership managed by a third party that invests in companies in the financial services industry. The Company's investment in the partnership was $4.3 million and $4.2 million at January 31, 2015 and October 31, 2014, respectively.

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

	Equity Ownership Interest (%)				**Carrying Value ($)[1]**	
(dollar amounts in thousands)	January 31, 2015		October 31, 2014		January 31, 2015	October 31, 2014
Eaton Vance Real Estate Fund	21	%	34	%	$ 7,709	$ 11,953
Eaton Vance Tax-Advantaged Bond Strategies Long Term Fund	25	%	27	%	6,303	6,105
Eaton Vance Focused Growth Opportunities Fund	-		33	%	-	9,559
Eaton Vance Focused Value Opportunities Fund	-		32	%	-	7,588
Eaton Vance Currency Income Advantage Fund	-		43	%	-	973
Total					$ 14,012	$ 36,178

(1) *The carrying value of equity method investments in Company-sponsored funds is measured based on the funds' net asset values. The Company has the ability to redeem its investments in these funds at any time. Not shown are Company investments in certain of the above-listed funds that were not accounted for as equity method investments as of the indicated date.*

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

During the three months ended January 31, 2015 and 2014, the Company received dividends of $3.1 million and $5.4 million, respectively, from its investments in equity method investees.

5. Fair Value Measurements

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

January 31, 2015

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Financial assets:					
Cash equivalents	$17,991	$14,597	$-	$-	$32,588
Investments:					
Investment securities, trading:					
Short-term debt	-	115,823	-	-	115,823
Other debt - consolidated sponsored funds and separately managed accounts	33,546	87,540	-	-	121,086
Equity - consolidated sponsored funds and separately managed accounts	119,982	58,983	-	-	178,965
Investment securities, available-for-sale	28,677	6,507	-	-	35,184
Investments in non-consolidated CLO entities(1)	-	-	-	4,064	4,064
Investments in equity method investees(2)	-	-	-	165,897	165,897
Investments, other(3)	-	61	-	2,947	3,008
Derivative instruments	-	4,110	-	-	4,110
Assets of consolidated CLO entity:					
Cash equivalents	12,768	-	-	-	12,768
Bank loans and other investments	-	127,446	47	-	127,493
Total financial assets	$212,964	$415,067	$47	$172,908	$800,986
Financial liabilities:					
Derivative instruments	$-	$2,487	$-	$-	$2,487
Securities sold, not yet purchased	-	2,930	-	-	2,930
Liabilities of consolidated CLO entity:					
Senior and subordinated note obligations	-	2,682	137,808	-	140,490
Total financial liabilities	$-	$8,099	$137,808	$-	$145,907

October 31, 2014

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

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

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

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

Valuation methodologies

Cash equivalents

Cash equivalents include investments in money market funds, holdings of Treasury and government agency securities, and commercial paper with original maturities of less than three months. Cash investments in actively traded money market funds are valued using published net asset values and are classified as Level 1 within the fair value measurement hierarchy. Treasury and government agency securities are valued based upon quoted market prices for similar assets in active markets, quoted prices for identical or similar assets that are not active, and inputs other than quoted prices that are observable or corroborated by observable market data. The carrying amounts of commercial paper are measured at amortized cost, which approximates fair value due to the short time between the purchase and expected maturity of the investments. Depending on the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

Investment securities, trading – short-term debt

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

Investment securities, trading – other debt

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

Investment securities, trading – equity

Equity securities classified as trading include foreign and domestic equity securities held in the portfolios of consolidated sponsored funds and separately managed accounts. Equity securities listed on a U.S. securities exchange generally are valued at the last sale or closing price on the day of valuation or, if no sales took place on such date, at the mean between the closing bid and ask prices on the exchange where such securities are principally traded. Equity securities listed on the NASDAQ Global or Global Select market generally are valued at the NASDAQ official closing price. Unlisted or listed securities for which closing prices or closing quotations are not available are valued at the mean between the latest available bid and ask prices. When valuing foreign equity securities that meet certain criteria, the portfolios use a fair value service that values such securities to reflect market trading that occurs after the close of the applicable foreign markets of comparable securities or other instruments that have a strong correlation to the fair-valued securities. In addition, the Company performs its own independent back test review of fair values versus the subsequent local market opening prices when available. Depending upon the nature of the inputs, these assets generally are classified as Level 1 or 2 within the fair value measurement hierarchy.

Investment securities, available-for-sale

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

Derivative instruments

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

Assets of consolidated CLO entity

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

Securities sold, not yet purchased

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

Liabilities of consolidated CLO entity

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

Transfers in and out of Levels

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

	Three Months Ended January 31,	
(in thousands)	2015	2014
Transfers from Level 1 into Level 2[(1)]	$ 4,962	$ 620
Transfers from Level 2 into Level 1[(2)]	58	38

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

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

Level 3 assets and liabilities

The following table shows a reconciliation of the beginning and ending fair value measurements of assets and liabilities valued on a recurring basis and classified as Level 3 within the fair value measurement hierarchy for the three months ended January 31, 2015 and 2014:

(in thousands)	**Three Months Ended January 31, 2015**		**Three Months Ended January 31, 2014**	
	Bank loans and other investments of consolidated CLO entity	Senior and subordinated note obligations of consolidated CLO entity	Bank loans and other investments of consolidated CLO entities	Senior and subordinated note obligations and redeemable preferred shares of consolidated CLO entities
Beginning balance	$ 801	$ 149,310	$ 1,245	$ 276,476
Issuance of senior and subordinated notes and redeemable preferred shares	-	-	-	421,523
Net gains (losses) on investments and note obligations included in net income(1)	(371)	(1,677)	(1,238)	(2,161)
Additions(2)	-	1,379	-	-
Principal paydown	-	(11,204)	-	(29,868)
Transfers out of Level 3(3)	(383)	-	-	-
Ending balance	$ 47	$ 137,808	$ 7	$ 665,970
Change in unrealized gains (losses) included in net income relating to assets and liabilities held	$ (371)	$ (1,677)	$ (1,238)	$ (2,161)

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

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

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

The following table shows the valuation technique and significant unobservable inputs utilized in the fair value measurement of Level 3 liabilities of the consolidated CLO entity at January 31, 2015 and October 31, 2014:

January 31, 2015 *($ in thousands)*	Fair Value	Valuation Technique	Unobservable **Inputs**[(1)]	Value/ Range
			Prepayment rate	30 percent
			Recovery rate	70 percent
			Default rate	200 bps
Senior and subordinated note obligations	$ 137,808	Income approach	Discount rate	75-260 bps

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

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

Valuation process

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

Sensitivity to changes in significant unobservable inputs

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

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

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6. Derivative Financial Instruments

Derivative financial instruments designated as cash flow hedges

During the three months ended January 31, 2015 and 2014, the Company reclassified into interest expense $0.1 million of deferred gains related to a forward-starting interest rate swap entered into in connection with the offering of its 3.625 percent unsecured senior notes due June 15, 2023 ("2023 Senior Notes"). At January 31, 2015, the remaining unamortized gain on this transaction was $1.7 million. During the next twelve months, the Company expects to reclassify approximately $0.2 million of the gain into interest expense.

During the three months ended January 31, 2015 and 2014, the Company reclassified into interest expense $0.1 million of deferred losses related to a Treasury lock transaction entered into in connection with the issuance of its 6.5 percent unsecured senior notes due October 2, 2017 ("2017 Senior Notes"). At January 31, 2015, the remaining unamortized loss on this transaction was $0.6 million. During the next twelve months, the Company expects to reclassify approximately $0.2 million of the loss on the Treasury lock transaction into interest expense.

Other derivative financial instruments not designated for hedge accounting

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

At January 31, 2015 and October 31, 2014, excluding derivative financial instruments held in certain consolidated sponsored funds and separately managed accounts, the Company had 13 and 39 foreign exchange contracts outstanding with four counterparties with an aggregate notional value of $9.3 million and $16.8 million, respectively; 1,867 and 2,091 stock index futures contracts outstanding with one counterparty with an aggregate notional value of $163.1 million and $177.3 million, respectively; 609 and 566 commodity futures contracts outstanding with one counterparty with an aggregate notional value of $32.5 million and $32.3 million, respectively; and 116 and 122 interest rate futures contracts outstanding with one counterparty with an aggregate notional value of $12.2 million and $12.4 million, respectively. At January 31, 2015, the Company had two total return swap contracts outstanding with one counterparty with an aggregate notional value of $22.5 million. As of October 31, 2014, the Company did not have any total return swap contracts outstanding. The number of derivative contracts outstanding and the notional values they represent at January 31, 2015 and October 31, 2014 are indicative of derivative balances throughout each respective period.

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

January 31, 2015

(in thousands)	Assets Balance Sheet Location	Fair Value	Liabilities Balance Sheet Location	Fair Value
Foreign exchange contracts	Other assets	$375	Other liabilities	$48
Stock index futures contracts	Other assets	1,961	Other liabilities	1,124
Commodity futures contracts	Other assets	1,774	Other liabilities	831
Interest rate futures contracts	Other assets	-	Other liabilities	389
Total return swap contracts	Other assets	-	Other liabilities	95
Total		$4,110		$2,487

October 31, 2014

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

The following is a summary of the net gains (losses) recognized in income for the three months ended January 31, 2015 and 2014:

	Income Statement	Three Months Ended January 31,	
(in thousands)	Location	2015	2014
Foreign exchange contracts	Gains (losses) and other investment income, net	$561	$1,426
Stock index futures contracts	Gains (losses) and other investment income, net	1,533	2,155
Commodity futures contracts	Gains (losses) and other investment income, net	2,613	15
Interest rate futures contracts	Gains (losses) and other investment income, net	(441)	-
Total return swap contracts	Gains (losses) and other investment income, net	(95)	-
Total		$4,171	$3,596

7. Fair Value Measurements of Other Financial Instruments

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

	January 31, 2015			October 31, 2014		
(in thousands)	Carrying Value	Fair Value	Fair Value level	Carrying Value	Fair Value	Fair Value level
Investments, other	$2,947	$2,947	3	$2,947	$2,947	3
Other assets	$6,547	$6,547	3	$7,363	$7,363	3
Debt	$573,694	$626,150	2	$573,655	$611,015	2

Included in investments, other, is a non-controlling capital interest in Atlanta Capital Management Holdings, LLC (“ACM Holdings”) carried at $1.3 million at January 31, 2015 and October 31, 2014. The carrying value of this investment approximates fair value. Fair value of this investment is determined using a cash flow model that projects future cash flows based upon contractual obligations, to which the Company then applies an appropriate discount rate. The fair value of this investment falls within Level 3 of the fair value measurement hierarchy.

Included in other assets at January 31, 2015 and October 31, 2014 is an option exercisable in 2017 to acquire an additional 26 percent interest in Hexavest carried at $6.5 million and $7.4 million, respectively. The carrying value of this option approximates fair value. The fair value of this option is determined using a Monte Carlo model, which simulates potential future market multiples of earnings before interest and taxes (“EBIT”) and compares this to the contractually fixed multiple of Hexavest’s EBIT at which the option can be exercised. The Monte Carlo model uses this array of simulated multiples and their difference from the contractual multiple times the projected EBIT for Hexavest to estimate the future exercise value of the option, which is then adjusted to present value. The fair value of this investment falls within Level 3 of the fair value measurement hierarchy.

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

8. VIEs

Investments in VIEs that are consolidated

Sponsored funds

The Company invests in investment companies that meet the definition of a VIE. Disclosure regarding such consolidated sponsored funds is included in Note 3. In the ordinary course of business, the Company may elect to contractually waive investment advisory fees that it is entitled to receive from sponsored funds. Such waivers are disclosed in Note 19.

Consolidated CLO entities

As of January 31, 2015, the Company deems itself to be the primary beneficiary of one non-recourse CLO entity, Eaton Vance CLO IX. In developing its initial conclusion that it is the primary beneficiary of Eaton Vance CLO IX, the Company determined that it had a more than insignificant variable interest in the entity by virtue of its 8 percent residual interest and the presence of an incentive collateral management fee, which combined exposed the Company to a more than insignificant amount of the entity's variability relative to its anticipated economic performance. In its role as collateral manager of this entity, the Company has the power to direct the activities that most significantly impact the economic performance of the entity. The Company's variable interest represents an obligation to absorb losses of, or a right to receive benefits from, the entity that could potentially be significant to the entity. In consideration of these factors, the Company concluded that it is the primary beneficiary of Eaton Vance CLO IX for consolidation accounting purposes.

On November 13, 2014, the Company sold its residual 8 percent interest in Eaton Vance CLO IX to an unrelated third party. The Company continues to serve as collateral manager of the entity and continues to hold variable interests in the entity in the form of collateral management fees. The Company concluded that it remains the primary beneficiary of the entity due to the significance of the variable interest represented by the incentive collateral management fee and, as a result, continues to consolidate Eaton Vance CLO IX subsequent to the disposition of its residual interest.

The significance of the Company's variable interest in Eaton Vance CLO IX is greater than the significance of the Company's investments in non-consolidated CLO entities in which the Company also holds variable interests and serves as collateral manager.

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

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

Eaton Vance CLO IX

The Company irrevocably elected the fair value option for all financial assets and liabilities of Eaton Vance CLO IX upon its initial consolidation on November 1, 2010. The Company elected the fair value option to mitigate any accounting mismatches between the carrying value of the senior and subordinated note obligations of Eaton Vance CLO IX and the carrying value of the assets that are held to provide the cash flows supporting those note obligations. Unrealized gains and losses on assets and liabilities for which the fair value option has been elected are reported in gains (losses) and other investment income, net, of the consolidated CLO entities in the Company's Consolidated

Statements of Income. Although the subordinated note obligations of Eaton Vance CLO IX have certain equity characteristics, the Company has determined that the subordinated notes should be recorded as liabilities on the Company's Consolidated Balance Sheets.

On November 13, 2014, the Company sold its residual 8 percent interest in the subordinated obligations of Eaton Vance CLO IX to an unrelated third party and recognized a loss on disposal of $0.3 million. As a result of this sale, the Company had to reconsider whether it remains the primary beneficiary of the entity for consolidation accounting purposes. The Company considered the collateral management fees it receives and determined that the incentive collateral management fee represents significant exposure to the variability of the entity; therefore, the Company determined that it retains a controlling financial interest in Eaton Vance CLO IX and it remains the primary beneficiary of the entity. As a result, the Company continues to consolidate Eaton Vance CLO IX.

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

January 31, 2015

	CLO Bank Loan Investments		
(in thousands)	Total CLO bank loan investments	90 days or more past due	Senior and subordinated note obligations
Unpaid principal balance	$ 127,255	$ 3,174	$ 157,002
Unpaid principal balance over fair value	(4,541)	(1,723)	(16,512)
Fair value	$ 122,714	$ 1,451	$ 140,490

October 31, 2014

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

Changes in the fair values of Eaton Vance CLO IX's bank loans and other investments resulted in net gains (losses) of $(1.5) million and $0.5 million during the three months ended January 31, 2015 and 2014, respectively, while changes in the fair value of Eaton Vance CLO IX's note obligations resulted in net gains (losses) of $1.7 million and $(1.0) million, respectively. The combined net gains (losses) of $0.2 million and $(0.5) million for the three months ended January 31, 2015 and 2014, respectively, were recorded in gains and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statement of Income for those periods.

Eaton Vance CLO IX has note obligations that bear interest at variable rates based on LIBOR plus a pre-defined spread, ranging from 0.21 percent to 1.50 percent. The principal amounts outstanding of the note obligations issued by Eaton Vance CLO IX mature on April 20, 2019. It is expected that prepayments received will be used to pay down the entity's note obligations. During the three months ended January 31, 2015 and 2014, $11.2 million and $29.9 million, respectively, of prepayments were used to pay down the entity's note obligations. The holders of a majority of the subordinated notes have the option to liquidate Eaton Vance CLO IX, provided there is sufficient value of the entity's assets to repay the senior notes in full.

For the three months ended January 31, 2015 and 2014, the Company recorded net income of $32,000 (including the loss on disposal of its subordinated interest of $(0.3) million) and $0.3 million, respectively, related to Eaton Vance

CLO IX. The Company recorded net income (losses) attributable to other beneficial interests of $47,000 and $(0.6) million for the three months ended January 31, 2015 and 2014, respectively. Net income (losses) attributable to Eaton Vance Corp. shareholders were $(15,000) and $0.8 million for the three months ended January 31, 2015 and 2014, respectively.

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

(in thousands)	January 31, 2015	October 31, 2014
Assets:		
Cash and cash equivalents	$ 15,387	$ 8,963
Bank loans and other investments	127,493	147,116
Other assets	544	371
Liabilities:		
Senior and subordinated note obligations	140,490	151,982
Other liabilities	269	298
Appropriated retained earnings	2,514	2,467
Net interest in Eaton Vance CLO IX	$ 151	$ 1,703

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

Eaton Vance CLO 2013-1

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

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

Changes in the fair values of Eaton Vance CLO 2013-1's bank loans and other investments resulted in net gains of $0.3 million, while changes in the fair value of Eaton Vance CLO 2013-1's note obligations resulted in net gains of $3.2 million during the three months ended January 31, 2014. The combined net gains of $3.5 million for the three months ended January 31, 2014 were recorded as gains (losses) and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statement of Income.

For the three months ended January 31, 2014, the Company recorded net income of $0.5 million related to Eaton Vance CLO 2013-1. The Company recorded net losses attributable to other beneficial interests of $0.3 million for the three months ended January 31, 2014. Net income attributable to Eaton Vance Corp. shareholders was $0.2 million for the three months ended January 31, 2014.

Investments in VIEs that are not consolidated

Sponsored funds

The Company classifies its investments in certain sponsored funds that are considered VIEs as either equity method investments (generally when the Company owns more than 20 percent but less than 50 percent of the fund) or as available-for-sale investments (generally when the Company owns less than 20 percent of the fund) when it is not considered the primary beneficiary of those VIEs. The Company provides aggregated disclosures with respect to these non-consolidated sponsored fund VIEs in Note 4.

Non-consolidated CLO entities

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

Non-consolidated CLO entities had total assets of $2.3 billion and $2.4 billion as of January 31, 2015 and October 31, 2014, respectively. The Company's variable interests in these entities consist of the Company's direct ownership in these entities and any collateral management fees earned but uncollected. The Company's investment in these entities totaled $4.1 million and $4.0 million as of January 31, 2015 and October 31, 2014, respectively. Collateral management fees receivable for these entities totaled $2.1 million and $2.6 million on January 31, 2015 and October 31, 2014, respectively. In the first three months of fiscal 2015, the Company did not provide any financial or other support to these entities that it was not previously contractually required to provide. The Company's risk of loss with respect to these managed CLO entities is limited to the carrying value of its investments in, and collateral management fees receivable from, these entities as of January 31, 2015.

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

Other entities

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain sponsored privately offered equity funds with total assets of $11.4 billion and $11.3 billion as of January 31, 2015 and October 31, 2014, respectively. The Company has determined that these entities qualify for the deferral to certain provisions of FASB ASC Subtopic 810-10 – *Consolidation – Overall*, afforded by ASU 2010-10, *Consolidation – Amendments for Certain Investment Funds* (the "Investment Company deferral") and thus determines whether it is the primary beneficiary of these entities by virtue of its exposure to the expected losses and expected residual returns of the entity. The Company's variable interests in these entities consist of the Company's direct ownership therein, which in each case is insignificant relative to the total ownership of the fund, and any investment advisory fees earned but uncollected. The Company held investments in these entities totaling $6.5 million and $6.6 million on January 31, 2015 and October 31, 2014, respectively, and investment advisory fees receivable totaling $0.6 million on both January 31, 2015 and October 31, 2014. In the first three months of fiscal 2015, the Company did not provide any financial or other support to these entities that it was not contractually required to provide. The Company's risk of loss with respect to these managed entities is limited to the carrying value of its investments in, and investment advisory fees receivable from, the entities as of January 31, 2015. The Company does not consolidate these VIEs because it does not hold the majority of the risks and rewards of ownership.

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

9. Acquisitions

Atlanta Capital Management, LLC ("Atlanta Capital")

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

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

Total profit interests in Atlanta Capital held by non-controlling interest holders, including direct profit interests related to the original acquisition as well as indirect profit interests issued pursuant to the Atlanta Capital Plan, decreased to 13.3 percent on January 31, 2015, reflecting the put transactions described above as well as the grant of an additional 1.1 percent profit interest to employees of Atlanta Capital pursuant to the terms of the Atlanta Capital Plan in fiscal 2015. Non-controlling interest holders did not hold any capital interests in Atlanta Capital as of January 31, 2015.

Parametric Portfolio Associates ("Parametric")

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

In the fourth quarter of fiscal 2014, certain employees of Parametric executed a put right related to indirect profit units issued pursuant to the Parametric Portfolio Associates LLC Long-term Equity Incentive Plan (the "Parametric Plan"), requiring the Company to purchase an additional 0.5 percent profit interest in Parametric. The transaction settled in November 2014 for $5.7 million.

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

Tax Advantaged Bond Strategies ("TABS")

In fiscal 2009, the Company acquired the TABS business of M.D. Sass Investors Services for cash and future consideration. The Company will make a contingent payment of $9.1 million in the second quarter of fiscal 2015 to the selling group based upon prescribed multiples of TABS's revenue for the twelve months ended December 31, 2014. The payment will increase goodwill by $9.1 million as the acquisition was completed prior to the change in accounting for contingent purchase price consideration. The Company is obligated to make two additional annual contingent payments to the selling group based on prescribed multiples of TABS's revenue for the twelve months ending December 31, 2015 and 2016. All future payments will be in cash and will result in an addition to goodwill. These payments are not contingent upon any member of the selling group remaining an employee of the Company.

10. Intangible Assets

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

January 31, 2015

(in thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizing intangible assets:			
Client relationships acquired	$133,927	$ (79,178)	$54,749
Intellectual property acquired	1,000	(271)	729
Trademark acquired	900	(268)	632
Non-amortizing intangible assets:			
Mutual fund management contract acquired	6,708	-	6,708
Total	$142,535	$ (79,717)	$62,818

October 31, 2014

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

Amortization expense was $2.3 million and $2.4 million for the three months ended January 31, 2015 and 2014, respectively. Estimated remaining amortization expense for fiscal 2015 and the next five fiscal years, on a straight-line basis, is as follows:

Year Ending October 31, (in thousands)	Estimated Amortization Expense
Remaining 2015	$ 6,875

2016	8,741
2017	8,628
2018	8,599
2019	4,623
2020	3,602

11. Stock-Based Compensation Plans

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

(in thousands)	Three Months Ended January 31, 2015	2014
Omnibus Incentive Plans:		
Stock options	$4,544	$4,381
Restricted shares	10,225	7,623
Phantom stock units	77	57
Employee Stock Purchase Plans	180	383
Employee Stock Purchase Incentive Plans	58	94
Atlanta Capital Plan	667	613
Parametric Plan	1,559	1,721
Total stock-based compensation expense	$17,310	$14,872

The total income tax benefit recognized for stock-based compensation arrangements was $5.7 million and $5.3 million for the three months ended January 31, 2015 and 2014, respectively.

Stock Options

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

(share and intrinsic value figures in thousands)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding, beginning of period	21,892	$ 30.49		
Granted	2,610	36.71		
Exercised	(463)	25.69		
Forfeited/expired	(43)	37.72		
Options outstanding, end of period	23,996	$ 31.25	5.1	$238,872
Options exercisable, end of period	15,848	$ 30.39	3.5	$176,581
Vested or expected to vest at January 31, 2015	23,934	$ 31.23	5.1	$238,617

The Company received $11.3 million and $23.4 million related to the exercise of options for the three months ended January 31, 2015 and 2014, respectively.

As of January 31, 2015, there was $55.5 million of compensation cost related to unvested stock options granted not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.9 years.

Restricted Shares

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

(share figures in thousands)	Shares	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	3,784	$ 32.08
Granted	1,176	36.73
Vested	(938)	29.73
Forfeited	(34)	33.81
Unvested, end of period	3,988	$ 33.99

As of January 31, 2015, there was $114.3 million of compensation cost related to unvested awards not yet recognized. That cost is expected to be recognized over a weighted-average period of 3.3 years.

Phantom Stock Units

During the three months ended January 31, 2015, 6,895 phantom stock units were issued to non-employee Directors pursuant to the Company's 2013 Omnibus Incentive Plan. As of January 31, 2015, there was $0.3 million of compensation cost related to unvested awards granted under the Omnibus Incentive Plans not yet recognized. That cost is expected to be recognized over a weighted-average period of 1.5 years.

12. Common Stock Repurchases

The Company's current Non-Voting Common Stock share repurchase program was announced on July 9, 2014. The Board authorized management to repurchase and retire up to 8.0 million shares of its Non-Voting Common Stock on the open market and in private transactions in accordance with applicable securities laws. The timing and amount of share purchases are subject to management's discretion. The Company's share repurchase program is not subject to an expiration date.

In the first three months of fiscal 2015, the Company purchased and retired approximately 1.5 million shares of its Non-Voting Common Stock under the current repurchase authorization. Approximately 3.2 million additional shares may be repurchased under the current authorization as of January 31, 2015.

13. Non-operating Income (Expense)

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

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	Three Months Ended January 31,	
(in thousands)	2015	2014
Non-operating income (expense):		
Interest and other income	$ 2,479	$ 1,477
Net losses on investments and derivatives	(632)	(489)
Net foreign currency gains (losses)	955	(575)
Gains and other investment income, net	2,802	413
Interest expense	(7,336)	(7,400)
Other income (expense) of consolidated CLO entities:		
Interest income	1,393	5,755
Net gains (losses) on bank loans, other investments, note obligations and preferred shares	(92)	2,954
Gains and other investment income, net	1,301	8,709
Structuring and closing fees	-	(4,847)
Interest expense	(1,194)	(2,988)
Interest and other expense	(1,194)	(7,835)
Total non-operating expense	$ (4,427)	$ (6,113)

14. Income Taxes

The provision for income taxes was $16.8 million and $44.6 million, or 36.4 percent and 37.8 percent of pre-tax income, for the three months ended January 31, 2015 and 2014, respectively. The provision for income taxes in the three months ended January 31, 2015 and 2014 is comprised of federal, state, and foreign taxes. The differences between the Company's effective tax rate and the statutory federal rate of 35.0 percent are state income taxes, income and losses recognized by the consolidated CLO entities and other non-controlling interests, and the tax benefit of disqualifying dispositions of incentive stock options.

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

The Company considers the undistributed earnings of its Canadian and Australian subsidiaries as of January 31, 2015 to be indefinitely re-invested in foreign operations. Accordingly, no U.S. income taxes have been provided thereon. As of January 31, 2015, the Company had approximately $24.3 million of undistributed earnings in our Canadian and Australian subsidiaries that are not available to fund domestic operations or to distribute to shareholders unless repatriated. Repatriation would require the Company to accrue and pay U.S. corporate income taxes. The unrecognized deferred income tax liability on this temporary difference is estimated to be $2.8 million. The Company does not have a current plan to repatriate these funds.

The Company is generally no longer subject to income tax examinations by U.S. federal, state, local or non-U.S. taxing authorities for fiscal years prior to fiscal 2010.

15. Non-controlling and Other Beneficial Interests

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

(in thousands)	Three Months Ended January 31, 2015	2014
Consolidated funds	$ 514	$ 196
Majority-owned subsidiaries	(3,773)	(3,483)
Non-controlling interest value adjustments[(1)]	(200)	(2,389)
Consolidated CLO entities	(47)	304
Net income attributable to non-controlling and other beneficial interests	$ (3,506)	$ (5,372)

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

16. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, are as follows:

(in thousands)	Unamortized net gains (losses) on derivatives [(1)]	Net unrealized holding gains (losses) on available-for-sale investments [(2)]	Foreign currency translation adjustments	Total
Balance at October 31, 2014	$ 661	$ 5,628	$ (24,285)	$ (17,996)
Other comprehensive income (loss) before reclassifications and tax	-	(930)	(23,347)	(24,277)
Tax impact	-	326	(104)	222
Reclassification adjustments, before tax	5	(59)	-	(54)
Tax impact	(2)	21	-	19
Net current period other comprehensive income (loss)	3	(642)	(23,451)	(24,090)
Balance at January 31, 2015	$ 664	$ 4,986	$ (47,736)	$ (42,086)
Balance at October 31, 2013	$ 648	$ 4,504	$ (5,329)	$ (177)
Other comprehensive income (loss) before reclassifications and tax	-	(358)	(13,045)	(13,403)

Tax impact	-	126	5,037	5,163
Reclassification adjustments, before tax	5	(401)	-	(396)
Tax impact	(2)	140	-	138
Net current period other comprehensive income (loss)	3	(493)	(8,008)	(8,498)
Balance at January 31, 2014	$ 651	$ 4,011	$ (13,337)	$ (8,675)

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[1] Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent the amortization of net gains (losses) on interest rate swaps over the life of the Company's Senior Notes into interest expense on the Consolidated Statements of Income.
[2] Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent gains (losses) on disposal of available-for-sale securities and were recorded in gains (losses) and other investment income, net, on the Consolidated Statements of Income.

17. Earnings per Share

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

	Three Months Ended **January 31,**	
(in thousands, except per share data)	2015	2014
Net income attributable to Eaton Vance Corp. shareholders	$29,003	$71,358
Less: Allocation of earnings to participating restricted shares	540	1,875
Net income available to common shareholders	$28,463	$69,483
Weighted-average shares outstanding – basic	114,592	118,451
Incremental common shares	5,098	6,029
Weighted-average shares outstanding – diluted	119,690	124,480
Earnings per share:		
Basic	$0.25	$0.59
Diluted	$0.24	$0.56

Antidilutive common shares related to stock options and unvested restricted stock excluded from the computation of earnings per diluted share were approximately 7.4 million and 4.7 million for the three months ended January 31, 2015 and 2014, respectively.

18. Commitments and Contingencies

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

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

In July 2006, the Company committed to invest $15.0 million in a private equity partnership that invests in companies in the financial services industry. The Company has invested $14.5 million of the total $15.0 million of committed capital at January 31, 2015. The Company anticipates the remaining $0.5 million will likely be invested by March 2017.

The Company has entered into transactions in financial instruments in which it has sold securities, not yet purchased, as part of its corporate hedging program. As of January 31, 2015, the Company has $2.9 million included within other liabilities on its Consolidated Balance Sheet related to securities sold, not yet purchased.

19. Related Party Transactions

Sponsored Funds

The Company is an investment adviser to, and has administrative agreements with, certain sponsored funds, privately offered equity funds and closed-end funds for which certain employees are officers and/or directors. Revenues for services provided or related to these funds for the three months ended January 31, 2015 and 2014 are as follows:

	Three Months Ended January 31,	
(in thousands)	2015	2014
Investment advisory and administrative fees	$222,021	$225,246
Distribution fees	18,907	19,809
Service fees	29,847	32,291
Shareholder services fees	832	605
Other revenue	430	380
Total	$272,037	$278,331

For the three months ended January 31, 2015 and 2014, the Company had investment advisory agreements with certain sponsored funds pursuant to which the Company contractually waived $3.4 million and $2.7 million, respectively, of investment advisory fees it was otherwise entitled to receive.

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

	Three Months Ended January 31,	
(in thousands)	2015	2014
Proceeds from sales	$ 11,196	$ 15,544
Net realized gains	44	63

The Company bears the non-advisory expenses of certain sponsored funds for which it earns an all-in management fee and provides subsidies to startup and other smaller sponsored funds to enhance their competitiveness. For the three months ended January 31, 2015 and 2014, expenses of $5.0 million and $5.3 million, respectively, were incurred by the Company pursuant to these arrangements.

Included in investment advisory and other receivables at January 31, 2015 and October 31, 2014 are receivables due from sponsored funds of $94.0 million and $94.5 million, respectively.

Employee Loan Program

The Company has established an Employee Loan Program under which a program maximum of $20.0 million is available for loans to officers (other than executive officers) and other key employees of the Company for purposes of financing the exercise of employee stock options. Loans outstanding under this program, which are full recourse in nature, are reflected as notes receivable from stock option exercises in shareholders' equity and amounted to $9.2 million and $8.8 million at January 31, 2015 and October 31, 2014, respectively.

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

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

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

General

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

Through our subsidiaries Eaton Vance Management ("EVM") and Atlanta Capital Management, LLC ("Atlanta Capital") and other affiliates, we manage active equity, income and alternative strategies across a range of investment styles and asset classes, including U.S. and global equities, floating-rate bank loans, municipal bonds, global income, high-yield and investment grade bonds. Through our subsidiary Parametric Portfolio Associates LLC ("Parametric"), we manage a range of engineered alpha strategies, including systematic equity, systematic alternatives and managed options strategies. Through Parametric, we also provide portfolio implementation services, including tax-managed core and specialty index strategies and centralized portfolio management of multi-manager portfolios, and customized exposure management services. We also oversee the management of, and distribute, investment funds sub-advised by third-party managers, including global, regional and sector equity, commodity and asset allocation strategies. Our breadth of investment management capabilities supports a wide range of products and services offered to fund shareholders, retail managed account investors, institutional investors and high-net-worth clients. Our equity strategies encompass a diversity of investment objectives, risk profiles, income levels and geographic representation. Our income investment strategies cover a broad duration and credit quality range and encompass both taxable and tax-free investments. We also offer a range of alternative investment strategies, including commodity- and currency-based investments and a spectrum of absolute return strategies. As of January 31, 2015, we had $295.7 billion in consolidated assets under management.

Our principal retail marketing strategy is to distribute funds and separately managed accounts principally through financial intermediaries in the advisory channel. We have a broad reach in this marketplace, with distribution partners including national and regional broker-dealers, independent broker-dealers, registered investment advisors, banks and insurance companies. We support these distribution partners with a team of approximately 130 sales professionals covering U.S. and international markets.

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

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

Our discussion and analysis of our financial condition and results of operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to goodwill and intangible assets, income taxes, investments and stock-based compensation. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under current circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

Business Developments

Prevailing equity and income market conditions and investor sentiment affect the sales and redemptions of our investment products, managed asset levels, operating results and the recoverability of our investments. During the first quarter of fiscal 2015, the S&P 500 Index, a broad measure of U.S. equity market performance, declined 1%. Over the same period, the Barclays U.S. Aggregate Bond Index, a broad measure of U.S. bond market performance, had total returns of 2.9%.

Our ending consolidated assets under management decreased by $2.1 billion, or 1 percent, in the first quarter of fiscal 2015 to $295.7 billion on January 31, 2015, reflecting market price declines partially offset by net inflows. Consolidated net inflows of $1.4 billion in the first quarter of fiscal 2015 represent a 2 percent annualized internal growth rate. For comparison, the Company had consolidated net outflows of $1.1 billion in the first quarter of fiscal 2014. Average consolidated assets under management increased from the prior quarter by 1 percent, or $3.7 billion, to $297.5 billion in the first quarter of fiscal 2015.

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 47 basis points in the first quarter of fiscal 2015 from 51 basis points in the first quarter of fiscal 2014. Our average effective investment advisory and administrative fee rate similarly decreased to 41 basis points in the first quarter of fiscal 2015 from 43 basis points in the first quarter of last year.

On December 2, 2014, the U.S. Securities and Exchange Commission granted Eaton Vance exemptive relief to permit the offering of NextShares™, a proposed new type of actively managed exchange-traded product for which the Company is pursuing development. The Company's commercialization plan includes the launch of a series of NextShares funds that substantially replicate existing Eaton Vance mutual funds and licensing the associated intellectual property and providing related services to other fund sponsors to support their launch of NextShares funds. The Company is currently targeting initial market introduction in the second half of this year.

Consolidated Assets under Management

Consolidated assets under management of $295.7 billion on January 31, 2015 increased $17.1 billion, or 6 percent from the $278.6 billion reported a year earlier. Fund net outflows of $4.8 billion over the last twelve months reflect gross inflows of $33.8 billion offset by outflows of $38.6 billion. Institutional separate account net inflows were $7.3 billion, high-net-worth separate account net inflows were $1.1 billion and retail managed account net inflows were $1.6 billion over the past twelve months. Net price appreciation in managed assets increased assets under management by $11.8 million over the last twelve months.

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

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

	January 31,							
(in millions)	2015	% of Total		2014	% of Total		% Change	
Equity[3]	$92,966	32	%	$90,765	33	%	2	%
Fixed income[4]	47,417	16	%	43,550	15	%	9	%
Floating-rate income	38,648	13	%	44,073	16	%	-12	%
Alternative	10,805	4	%	13,171	5	%	-18	%
Portfolio implementation	48,538	16	%	43,296	15	%	12	%
Exposure management[5]	57,294	19	%	43,714	16	%	31	%
Total	$295,668	100	%	$278,569	100	%	6	%

[1]Consolidated Eaton Vance Corp. See table on page 44 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 cash management accounts.
[5]Category includes amounts reclassified from portfolio implementation and equity categories for all periods presented.

Equity assets under management included $31.0 billion and $29.0 billion of assets managed for after-tax returns on January 31, 2015 and 2014, respectively. Portfolio implementation assets under management included $35.0 billion and $30.2 billion of assets managed for after-tax returns on January 31, 2015 and 2014, respectively.

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Fixed income assets included $28.7 billion and $25.0 billion of tax-exempt municipal bond assets on January 31, 2015 and 2014, respectively.

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

***Consolidated Net Flows by Investment Mandate*[1]**

	Three Months Ended January 31,		%
(in millions)	2015	2014	Change
Equity assets - beginning of period[2]	$ 96,379	$ 93,585	3 %
Sales and other inflows	4,514	3,785	19 %
Redemptions/outflows	(5,072)	(5,621)	-10 %
Net flows	(558)	(1,836)	-70 %
Exchanges	35	512	-93 %
Market value change	(2,890)	(1,496)	93 %
Equity assets - end of period	$ 92,966	$ 90,765	2 %
Fixed income assets - beginning of period[3]	46,062	44,414	4 %
Sales and other inflows	3,512	2,451	43 %
Redemptions/outflows	(2,435)		