EATON VANCE CORP
Form 10-K
December 21, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended October 31, 2012
or

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

Commission File Number 1-8100

EATON VANCE CORP.

(Exact name of registrant as specified in its charter)

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

Two International Place, Boston, Massachusetts 02110

(Address of principal executive offices) (Zip Code)

(617) 482-8260

(Registrant's telephone number, including area code)

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

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

which registered)

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes¨ Nox

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. Yesx No¨

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

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

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¨ Nox

Aggregate market value of Non-Voting Common Stock held by non-affiliates of the Registrant, based on the closing price of $26.30 on April 30, 2012 on the New York Stock Exchange was $2,926,518,921. Calculation of holdings by non-affiliates is based upon the assumption, for these purposes only, that executive officers, directors, and persons holding 5 percent or more of the registrant's Non-Voting Common Stock are affiliates.

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

Class:	Outstanding at October 31, 2012
Non-Voting Common Stock, $0.00390625 par value	115,878,384
Voting Common Stock, $0.00390625 par value	413,167

Eaton Vance Corp.

Form 10-K

For the Fiscal Year Ended October 31, 2012

Index

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Item 1. Business

General

Our principal business is managing investment funds and providing investment management and advisory services to high-net-worth individuals and institutions. 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 powerful 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.

We are a market leader in a number of investment areas, including tax-managed equity, value equity, equity income, structured emerging market equity, floating-rate bank loan, municipal bond, investment grade, global and high-yield bond investing. Our breadth of investment 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 currency and commodity-based investments and a spectrum of absolute return strategies. As of October 31, 2012, we had $199.5 billion in assets under management.

Our principal retail marketing strategy is to distribute funds and separately managed accounts 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, independent financial advisors, banks and insurance companies. We support these distribution partners with a team of approximately 135 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. We manage investments for a broad range of clients in the institutional and high-net-worth global marketplace, including corporations, sovereign wealth funds, endowments, foundations, family offices and public and private employee retirement plans.

We conduct our investment management business through six wholly owned subsidiaries, Eaton Vance Management ("EVM"), Boston Management and Research ("BMR"), Eaton Vance Investment Counsel ("EVIC"), Eaton Vance (Ireland) Limited ("EVAI"), Eaton Vance Trust Company ("EVTC"), and Fox Asset Management LLC ("Fox Asset Management"), and three other consolidated subsidiaries, Atlanta Capital Management Company, LLC ("Atlanta Capital"), Parametric Portfolio Associates LLC ("Parametric") and Parametric Risk Advisors LLC ("Parametric Risk Advisors"), each with a unique range of investment capabilities and one or more distinctive investment styles. EVM, BMR, EVIC, Atlanta Capital, Fox Asset Management, Parametric and Parametric Risk Advisors are all registered with the Securities and Exchange Commission ("SEC") as investment advisers under the Investment Advisers Act of 1940 (the "Advisers Act"). EVAI, registered under the Central Bank of Ireland, provides management services to the Eaton Vance International (Ireland) Funds. EVTC, a trust company, is exempt from registration under the Advisers Act. Eaton Vance Distributors, Inc. ("EVD"), a wholly owned broker-dealer registered under the Securities Exchange Act of 1934 (the "Exchange Act"), markets and sells the Eaton Vance funds and retail managed accounts. Eaton Vance Management (International) Limited ("EVMI"), a wholly owned financial services company registered under the Financial Services and Market Act in the United Kingdom, markets and sells our investment products in Europe and certain other international markets. Eaton Vance Management International (Asia) Private Limited, ("EVMIA"), a wholly owned financial services company registered under the Singapore Companies Act by the Accounting and Corporate Regulatory Authority in Singapore, markets and sells our products in Asia Pacific. We are headquartered in Boston, Massachusetts. Our affiliates and subsidiaries have offices in Atlanta, Georgia; Shrewsbury, New Jersey; Seattle, Washington; Westport, Connecticut; New York, New York; London, England; Singapore and Australia. Our sales representatives operate throughout the United States, and in Europe, Asia Pacific and Latin America. We are represented in the Middle East through an agreement with a third-party distributor.

Company History and Development

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

In fiscal 2001 we acquired controlling interests in Atlanta Capital and Fox Asset Management, investment management firms focusing, respectively, on growth and value equity investment styles. In fiscal 2003, we acquired a controlling interest in Parametric, a leader in rules-based portfolio management. Parametric offers three principal products: core equity investment portfolios that seek to outperform client-specified benchmarks on an after-tax basis through active tax management; centralized portfolio management for multi-strategy accounts utilizing proprietary technology to implement multi-manager portfolios with consolidated trading, reporting and tax management; and rules-based active portfolio management, with a primary focus on emerging market equity. Parametric’s clients include family offices, individual high-net-worth investors, financial intermediaries, institutional investors, sovereign wealth funds and mutual funds.

In fiscal 2004, 2005, 2006 and 2011 we completed a series of acquisitions aimed at expanding our management of investment portfolios for high-net-worth individuals through EVIC. In fiscal 2004, we acquired the management contracts of Deutsche Bank's private investment counsel group in Boston, Massachusetts. We acquired the management contracts of Weston Asset Management in fiscal 2005, the management contracts of Voyageur Asset Management (MA) Inc. in fiscal 2006 and the management contracts of Pelican Investment Management, Inc. in fiscal 2011.

In fiscal 2007, Parametric merged Parametric Risk Advisors, a newly formed Parametric-affiliate, with Managed Risk Advisors, LLC, an investment management and derivatives investment advisory firm based in Westport, Connecticut. The merger expanded Parametric's rules-based portfolio management offerings to include investment programs utilizing equity and equity index options and other derivatives.

In December 2008, we acquired the Tax Advantaged Bond Strategies ("TABS") business of M.D. Sass Investors Services ("MD Sass"), a privately held investment manager based in New York, New York. Subsequent to closing, the TABS business was reorganized as the Tax-Advantaged Bond Strategies division of EVM. The TABS team employs a disciplined, quantitative investment process that seeks to achieve high after-tax returns and low performance volatility by investing in high quality municipal bonds and U.S. government securities.

In November 2010, we acquired the assets of Managed ETFs LLC, an intellectual property company holding issued and pending patents relating principally to a method for trading exchange-traded funds ("ETFs") based on a reference future net asset value ("NAV") of the fund. Under the proposed NAV-based trading process, fund shares are purchased and sold on an exchange throughout the day at market-determined spreads to the fund's ending NAV on that day.

In October 2011, we announced the formation of a wholly owned subsidiary, Navigate Fund Solutions LLC ("Navigate Fund Solutions"), to commercialize NAV-based trading of ETFs and develop exchange-traded managed funds ("ETMFs"). ETMFs, as proposed, are actively managed exchange-traded funds utilizing NAV based-trading. ETMFs seek to provide the shareholder protections and operating efficiencies of the ETF structure to active investment strategies, while maintaining the confidentiality of portfolio trading information. ETMFs eliminate the need for portfolio transparency to achieve tight trading markets in fund shares by utilizing NAV-based trading. Compared to conventional actively managed mutual funds, ETMFs endeavor to provide consistently lower expenses and consistently improved performance and tax efficiency. Navigate Fund Solutions is in the process of pursuing U.S. regulatory approval of ETMFs and NAV-based trading, the timing and likelihood of which is uncertain. If approved, Navigate Fund Solutions intends to pursue a two-part commercialization strategy: first, launching a family of Eaton Vance-sponsored ETMFs that mirror existing mutual funds, and second, licensing the associated intellectual property to other fund groups.

In August 2012, we completed the purchase of a 49 percent interest in Hexavest Inc. ("Hexavest"), a Montreal, Canada-based investment adviser that provides discretionary investment management of equity and tactical asset allocation strategies to institutional clients in Canada, the United States, Europe, and the Asia Pacific region. Subsequent to closing, the employee shareholders of Hexavest continue to control and direct its operations. We have assumed primary responsibility for Hexavest's new business development outside of Canada and have the option to acquire an additional 26 percent interest in Hexavest in 2017. As of October 31, 2012, Hexavest managed $12.1 billion of assets.

In November 2012, Parametric announced the signing of a definitive agreement to acquire the business of The Clifton Group Investment Management Company ("Clifton Group"). Based in Minneapolis, Minnesota, Clifton Group specializes in providing futures- and options-based overlay services and custom risk management solutions to institutional investors. Clifton Group's overlay services enable clients to add, remove or hedge market exposures in a transparent and efficient manner without disrupting underlying holdings. Following the closing, Clifton Group will be organized as a division of Parametric and will maintain its current leadership.

Completion of the transaction is expected on or about December 31, 2012 and is subject to customary closing conditions. As of October 31, 2012, Clifton Group managed $33.5 billion of funded and overlay assets on behalf of approximately 180 institutional clients.

Sponsored Investment Products

We provide investment advisory services to funds, high-net-worth separate accounts, institutional separate accounts and retail managed accounts across a broad range of equity, fixed and floating-rate income, and alternative investment mandates. The following tables show assets under management by vehicle and investment mandate for the dates indicated:

	Ending Assets Under Management by Vehicle at October 31,		
(in millions)	2012	2011	2010
Fund assets:			
Open-end funds	$ 72,189	$ 72,221	$ 73,567
Closed-end funds	23,217	22,749	24,032
Private funds	18,012	17,404	17,518
Total fund assets	113,418	112,374	115,117
Separate account assets:			
Institutional accounts	43,338	38,003	34,593
High-net-worth accounts	15,036	13,256	11,883
Retail managed accounts	27,716	24,571	23,650
Total separate account assets	86,090	75,830	70,126
Total	$ 199,508	$ 188,204	$ 185,243

	Ending Assets Under Management by Investment Mandate at October 31,		
(in millions)	2012	2011	2010
Equity	$ 111,096	$ 108,859	$ 107,500
Fixed income	49,003	43,708	46,119
Floating-rate income	26,388	24,322	20,003
Alternative(1)	12,852	10,646	10,482
Cash management	169	669	1,139
Total	$ 199,508	$ 188,204	$ 185,243

(1) *The alternative category includes a range of absolute return strategies, as well as commodity- and currency-linked investments.*

Open-end funds represented 36 percent of our total assets under management on October 31, 2012, while closed-end and private funds represented 12 percent and 9 percent, respectively. Institutional, high-net-worth and retail managed account assets represented 22 percent, 7 percent and 14 percent of total assets under management, respectively, on October 31, 2012. As shown in the table above, our asset base is broadly diversified, with 56 percent of total assets under management in equity mandates, 25 percent in fixed income mandates, 13 percent in floating-rate income mandates and 6 percent in alternative mandates on October 31, 2012. This diversification provides us the opportunity to address a wide range of investor needs and to offer products and services suited for various market environments.

We are a leading provider of tax-managed equity funds, municipal income funds and tax-efficient equity and income separate accounts. We have developed and implemented a range of strategies for investors seeking to minimize the effect of taxes on their investment returns, and are a market leader in this area. As of October 31, 2012, we managed $80.9 billion in funds and accounts managed for after-tax returns.

Open-end Funds

As of October 31, 2012, we managed 108 open-end funds, including 10 tax-managed equity funds, 36 non-tax-managed equity funds, 32 state and national municipal income funds, 14 taxable fixed income and cash management funds, 5 floating-rate bank loan funds and 11 alternative funds.

As noted above, we are a leading manager of equity funds designed to minimize the impact of taxes on investment returns, with $6.8 billion in open-end tax-managed equity fund assets under management on October 31, 2012. We began building our tax-managed equity fund family in fiscal 1996 with the introduction of Eaton Vance Tax-Managed Growth Fund 1.1, and have since expanded offerings to include a variety of equity styles and market caps, including large-cap value, multi-cap growth, small-cap value, small-cap, international, emerging markets, equity asset allocation, equity option and global dividend income.

Our non-tax-managed equity fund offerings include large-cap, multi-cap and small-cap funds in value, core and growth styles, dividend income funds, international, global and emerging markets funds and sector-specific funds. Also included in the category are 4 hybrid funds that generally hold both equities and income securities. Assets under management in non-tax-managed equity funds totaled $20.3 billion on October 31, 2012.

With two distinct municipal teams, one in Boston and the TABS group in New York, we offer one of the broadest municipal income fund families in the industry, with 9 national and 23 state-specific funds in 20 different states. As of October 31, 2012, we managed $11.8 billion in open-end municipal income fund assets.

Our taxable fixed income and cash management funds utilize our investment management capabilities in a broad range of fixed income asset classes, including mortgage-backed securities, high-grade bonds, high-yield bonds and cash instruments. Assets under management in open-end taxable income funds totaled $11.3 billion on October 31, 2012.

We introduced our first bank loan fund in 1989 and have consistently ranked as one of the largest managers of retail bank loan funds. Assets under management in open-end floating-rate bank loan funds totaled $13.1 billion on October 31, 2012.

The alternative category includes a range of absolute return strategies, as well as commodity- and currency- linked investments. In fiscal 2010 we experienced strong net flows into our flagship absolute return fund, Eaton Vance Global Macro Absolute Return Fund, until closing the fund to new investors on October 1, 2010 due to concerns about investment capacity. Largely as the result of investments in our infrastructure and the further developments of the markets in which this fund invests, we were able to reopen the fund to new investors in October 2011. We currently offer 5 absolute return funds in the U.S. and a version of the global macro strategy that we sell to fund investors outside of the United States. Assets under management in alternative funds totaled $8.9 billion on October 31, 2012.

In fiscal 2000, we introduced The U.S. Charitable Gift Trust ("Trust") and its Pooled Income Funds, which are designed to simplify the process of donating to qualified charities and to provide professional management of pools of donated assets. The Trust was one of the first charities to use professional investment advisers to assist individuals with their philanthropic, estate and tax planning needs. The Pooled Income Funds sponsored by the Trust provide donors with income during their lifetimes and leave principal to the Trust and designated charities upon their deaths. Assets under management in the Trust and its Pooled Income Funds, which are included in the fund assets described above, totaled $378.3 million at October 31, 2012.

Over the past several years, we have launched a number of Ireland and Cayman Island-domiciled open-end funds, which offer a range of our investment strategies to non-U.S. investors. At October 31, 2012, managed assets in our funds sold outside the U.S. totaled $2.9 billion.

As of October 31, 2012, 26 of our open-end funds were rated 4 or 5 stars by Morningstar™ for at least one class of shares, including 7 equity and 19 income funds. A good source of performance-related information and overall performance history of our funds is the Company's website, www.eatonvance.com. On the Company's website, investors can obtain the most current publicly available information about our product offerings, including investment objective and principal investment policies, portfolio characteristics, historical performance, expenses and Morningstar™ ratings.

Closed-end Funds

Our family of closed-end funds includes 20 municipal bond funds, 10 domestic and global equity income funds, 3 bank loan funds, 2 multi-sector income funds and 2 alternative strategy funds. As of October 31, 2012, we managed $23.2 billion in closed-end fund assets and ranked as the third largest manager of exchange-listed closed-end funds in the U.S. according to Strategic Insight, a fund industry data provider.

In fiscal 2008, consistent with broad market experience, our closed-end funds with outstanding auction preferred shares ("APS") began experiencing unsuccessful auctions. This meant that the normal means for providing liquidity to APS holders was no longer functioning. Since then, we have taken action to restore liquidity to APS holders and to provide alternative sources of leverage to our closed-end funds. We were the first closed-end fund family to complete redemption of equity fund APS, the first to redeem taxable income fund APS and the first to redeem municipal income fund APS. Replacement financing has been provided by bank and commercial paper facility borrowings and through creation of tender option bonds by certain municipal funds. As of October 31, 2012, our closed-end funds had $1.1 billion of outstanding APS compared to $5.0 billion of outstanding APS when the crisis broke, a reduction of 78 percent. We continue to work to develop and implement replacement financing solutions to our funds' remaining APS.

Private Funds

The private fund category includes privately offered equity funds designed to meet the diversification and tax-management needs of qualifying high-net-worth investors. We are recognized as a market leader in the types of privately offered equity funds in which we specialize, with $9.0 billion in assets under management as of October 31, 2012. We also offer equity, floating-rate bank loan and fixed income funds to institutional investors. Assets under management in institutional equity, bank loan and fixed income funds, which include cash instrument collateralized loan obligation ("CLO") entities, collective trusts and leveraged and unleveraged loan funds, totaled $9.0 billion as of October 31, 2012, including $2.2 billion of assets in CLO entities.

Institutional Separate Accounts

We serve a broad range of clients in the institutional marketplace, both in the U.S. and internationally, including foundations, endowments and retirement plans for individuals, corporations and municipalities. Our diversity of investment capabilities allows us to offer institutional investors products across a broad spectrum of equity and fixed and floating-rate income management styles. Our broad expertise provides us the opportunity to customize solutions that help meet our clients' complex investment needs.

During fiscal 2005 we chartered a non-depository trust company, EVTC, and used this as a platform to launch a series of commingled investment vehicles tailored to meet the needs of smaller institutional clients. The trust company also enables us to expand our presence in the retirement market through participation in qualified plan commingled investment platforms offered in the broker-dealer channel. In addition to management services, EVTC provides certain custody services and has obtained regulatory approval to provide institutional trustee services.

Institutional separate account assets under management totaled $43.3 billion at October 31, 2012.

High-net-worth Separate Accounts

We offer high-net-worth and family office clients personalized investment counseling services through EVIC and Parametric. At EVIC, investment counselors assist our clients in establishing long-term financial programs and implementing strategies for achieving them. In fiscal 2004, we acquired the management contracts of Deutsche Bank's private investment counsel group in Boston. In fiscal 2005, we acquired the management contracts of Weston Asset Management; in fiscal 2006 we acquired the management contracts of Voyageur Asset Management (MA) Inc.; and in fiscal 2011 we acquired the management contracts of Pelican Investment Management, Inc.

Parametric is a leading manager of tax-efficient core equity portfolios for family offices and high-net-worth individuals. In fiscal 2007, Parametric formed Parametric Risk Advisors to extend Parametric's offerings for the high-net-worth and family office market to include investment programs that utilize overlay strategies to help clients customize their risk and return profiles through the use of disciplined options strategies.

High-net-worth separate account assets totaled $15.0 billion at October 31, 2012, $4.4 billion of which are managed by EVIC and $10.6 billion of which are managed by Parametric and Parametric Risk Advisors.

Retail Managed Accounts

We have developed our retail managed accounts business by capitalizing on the management capabilities of EVM, Atlanta Capital, Fox Asset Management, Parametric, Parametric Risk Advisors, TABS and certain strategic partners, and leveraging the strengths of our retail marketing organization and our relationships with major distributors. We now participate in more than 60 retail managed account broker-dealer programs. According to Cerrulli Associates, an investment research firm, as of September 30, 2012 Eaton Vance ranked as the fourth largest manager of retail managed account assets. Our retail managed account assets totaled $27.7 billion at October 31, 2012.

Investment Management and Administrative Activities

Our wholly owned subsidiaries EVM and BMR are investment advisers to all but one of the Eaton Vance-sponsored funds. OrbiMed Advisors LLC ("OrbiMed"), an independent investment management company based in New York, is the investment adviser to Eaton Vance Worldwide Health Sciences Fund. Certain Eaton Vance funds use investment sub-advisers under agreements between the adviser and the sub-adviser approved by the fund trustees. Richard Bernstein Advisors LLC, an independent investment management company based in New York, New York, acts as sub-adviser to Eaton Vance Richard Bernstein Equity Strategy Fund and Eaton Vance Richard Bernstein All Asset Strategy Fund. Armored Wolf, LLC, an independent investment management company based in Aliso Viejo, California, acts as sub-adviser to Eaton Vance Commodity Strategy Fund. Lloyd George Management (BVI) Limited, an investment management company, based in Hong Kong that is a subsidiary of BMO Financial Group, acts as sub-adviser to Eaton Vance Asian Small Companies Fund, Eaton Vance Greater China Growth Fund and Eaton Vance Greater India Fund. AGF Investments America, Inc., a wholly owned subsidiary of AGF Management, Ltd., based in Toronto, Canada, acts as sub-adviser to Eaton Vance Global Natural Resources Fund. Atlanta Capital, Fox Asset Management, Parametric and Parametric Risk Advisors also act as sub-advisers to EVM and BMR for 21 funds.

EVM provides administrative services, including personnel and facilities, necessary for the operation of all Eaton Vance funds. These services are provided under comprehensive management agreements with certain funds that also include investment advisory services and through separate administrative services agreements with other funds as discussed below.

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

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

The following table shows investment advisory and administrative fees earned for the three years ended October 31, 2012, 2011 and 2010 as follows:

	Investment Advisory and Administrative Fees		
(in thousands)	2012	2011	2010
Investment advisory fees			
Funds	$698,016	$720,509	$631,930
Separate accounts	243,706	227,792	198,666
Administrative fees – funds	46,336	47,921	37,087
Total	$988,058	$996,222	$867,683

Investment Management Agreements and Distribution Plans

The Eaton Vance funds have entered into agreements with EVM or BMR for investment advisory and/or administrative services. Although the specifics of these agreements vary, the basic terms are similar. Pursuant to the advisory agreements, EVM or BMR provides overall investment management services to each internally advised fund, subject, in the case of Registered Funds, to the supervision of the fund's board of trustees in accordance with the fund's investment objectives and policies. Our investment advisory agreements with the funds provide for fees ranging from eight to 125 basis points of average assets annually. Atlanta Capital, Fox Asset Management, Parametric, Parametric Risk Advisors or an unaffiliated advisory firm acts as a sub-adviser to EVM and BMR for certain funds.

EVM provides administrative services to all Eaton Vance funds, including the fund advised by OrbiMed. As administrator, EVM is responsible for managing the business affairs of the funds, subject to the oversight of each fund's board of trustees. Administrative services include recordkeeping, preparing and filing documents required to comply with federal and state securities laws, legal, fund administration and compliance services, supervising the activities of the funds' custodians and transfer agents, providing assistance in connection with the funds' shareholder meetings and other administrative services, including providing office space and office facilities, equipment and personnel that may be necessary for managing and administering the business affairs of the funds. For the services provided under the agreements, certain funds pay EVM a monthly fee calculated at an annual rate of up to 50 basis points of average daily net assets. Each agreement remains in effect indefinitely, subject, in the case of Registered Funds, to annual approval by the fund's board of trustees.

In addition, certain funds have adopted distribution plans as permitted by the 1940 Act, which provide for payment of ongoing distribution fees (so-called "12b-1 fees") for the sale and distribution of shares, and service fees for personal and/or shareholder account services. Distribution fees reimburse us for sales commissions paid to financial intermediaries and for distribution services provided. Each distribution plan and distribution agreement with EVD for the Registered Funds is initially approved and its subsequent continuance must be approved annually by the board of trustees of the respective funds, including a majority of the independent trustees. The funds generally bear all expenses associated with their operation and the issuance and redemption or repurchase of their securities, except for the compensation of trustees and officers of the fund who are employed by us. Under some circumstances, particularly in connection with the introduction of new funds, EVM or BMR may waive a portion of its management fee and/or pay some expenses of the fund.

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

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

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

Marketing and Distribution of Fund Shares

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

Although the firms in our domestic retail distribution network have each entered into selling agreements with EVD, these agreements (which generally are terminable by either party) do not legally obligate the firms to sell any specific amount of our investment products. EVD currently maintains a sales force of approximately 135 external and internal wholesalers who work closely with investment advisers in the retail distribution network to assist in placing Eaton Vance funds.

EVD currently sells Eaton Vance mutual funds under four primary pricing structures: front-end load commission ("Class A"); level-load commission ("Class C"); institutional no-load ("Class I"); and retirement plan no-load ("Class R"). In the first quarter of 2012, we stopped offering spread-load commission ("Class B") shares to new investors.

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

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

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

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

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

Reference is made to Note 24 of the Notes to Consolidated Financial Statements contained in Item 8 of this document for a description of the major customers that provided over 10 percent of our total revenue.

Regulation

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

EVTC is registered as a non-depository Maine Trust Company and is subject to regulation by the State of Maine Bureau of Financial Institutions (“Bureau of Financial Institutions”). EVTC is subject to certain capital requirements, as determined by the Examination Division of the Bureau of Financial Institutions. At periodic intervals, regulators from the Bureau of Financial Institutions examine the Company’s financial condition as part of their legally prescribed oversight function. There were no violations by EVTC of these capital requirements in fiscal 2012 or prior years.

EVD is registered as a broker-dealer under the Securities Exchange Act of 1934 and is subject to regulation by the Financial Industry Reporting Authority (“FINRA”), the SEC and other federal and state agencies. EVD is subject to the SEC’s net capital rule designed to enforce minimum standards regarding the general financial condition and liquidity of broker-dealers. Under certain circumstances, this rule may limit our ability to make withdrawals of capital and receive dividends from EVD. EVD’s regulatory net capital consistently exceeded minimum net capital requirements during fiscal 2012. The securities industry is one of the most highly regulated in the United States, and failure to comply with related laws and regulations can result in the revocation of broker-dealer licenses, the imposition of censures or fines and the suspension or expulsion from the securities business of a firm, its officers or employees.

EVMI has the permission of the Financial Services Authority (“FSA”) to conduct a regulated business in the United Kingdom. EVMI's primary business purpose is to distribute our investment products in Europe and certain other international markets. Under the Financial Services and Markets Act of the United Kingdom, EVMI is subject to certain liquidity and capital requirements. Such requirements may limit our ability to make withdrawals of capital from EVMI. In addition, failure to comply with such requirements could jeopardize EVMI's approval to conduct business in the United Kingdom. There were no violations by EVMI of the liquidity and capital requirements in fiscal 2012 or prior years.

EVAI has the permission of the Central Bank of Ireland to conduct its business of providing management services to the Eaton Vance International (Ireland) Funds. EVAI is subject to certain liquidity and capital requirements. Such requirements may limit our ability to make withdrawals of capital from EVAI. There were no violations by EVAI of the liquidity and capital requirements in fiscal 2012 or prior years.

EVMIA has the permission of the Accounting and Corporate Regulatory Authority (“ACRA”) to conduct a regulated business in Singapore. Under the Monetary Authority of Singapore, EVMIA is subject to certain liquidity and capital requirements. Such requirements may limit our ability to make withdrawals of capital from EVMIA. There were no violations by EVMIA of the liquidity and capital requirements in fiscal 2012.

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

Competition

The investment management business is a highly competitive global industry and we are subject to substantial competition in each of our principal product categories and distribution channels. There are few barriers to entry for new firms and consolidation within the industry continues to alter the competitive landscape. According to the Investment Company Institute, there were more than 700 investment managers at the end of calendar 2011 that competed in the U.S. mutual fund market. We compete with these firms, many of which have substantially greater resources, on the basis of investment performance, diversity of products, distribution capability, scope and quality of service, fees charged, reputation and the ability to develop new investment strategies and products to meet the changing needs of investors.

In the retail fund channel, we compete with other mutual fund management, distribution and service companies that distribute investment products through affiliated and unaffiliated sales forces, broker-dealers and direct sales to the public. According to the Investment Company Institute, at the end of calendar 2011 there were almost 8,700 open-end investment companies of varying sizes and investment objectives whose shares were being offered to the public in the United States. We rely primarily on intermediaries to distribute our products and pursue sales relationships with all types of intermediaries to broaden our distribution network. A failure to maintain strong relationships with intermediaries who distribute our products in the retail fund channel could have a negative effect on our level of gross and net sales, assets under management, revenue and financial condition.

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

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

Employees

On October 31, 2012, we and our controlled subsidiaries had 1,197 full-time and part-time employees. On October 31, 2011, the comparable number was 1,155.

Available Information

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

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

14

Item 1A. Risk Factors

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

The inability to access clients through intermediaries could have a material adverse effect on our business. Our ability to market investment products is highly dependent on access to the various distribution systems of national and regional securities dealer firms, which generally offer competing products that could limit the distribution of our investment products. There can be no assurance that we will be able to retain access to these channels. The inability to have such access could have a material adverse effect on our business. To the extent that existing or potential customers, including securities broker-dealers, decide to invest in or broaden distribution relationships with our competitors, the sales of our products as well as our market share, revenue and net income could decline.

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

Our assets under management, which impact revenue, are subject to significant fluctuations. Our major sources of revenue (i.e., investment advisory, administrative, distribution and service fees) are generally calculated as percentages of assets under management. Any decrease in the level of our assets under management would negatively impact our revenue and net income. A decline in securities prices or in the sales of our investment products or an increase in fund redemptions or client withdrawals generally would reduce fee income. Financial market declines generally have a negative impact on the level of our assets under management and consequently our revenue and net income. To the extent that we receive fee revenue from assets under management that is derived from financial leverage, any reduction in leverage (i.e., financing used by the investment vehicle to increase the investable assets of the vehicle) would adversely impact the level of our assets under management, revenue and net income. Leverage could be reduced due to an adverse change in interest rates, a decrease in the availability of credit on favorable terms or a determination by us to reduce or eliminate leverage on certain products when we determine that the use of leverage is no longer in our clients' best interests.

Weakness in the economy could adversely impact our revenue and net income if it leads to a decreased demand for investment products and services, a higher redemption rate or a decline in securities prices. Any decrease in the level of our assets under management due to securities price declines, reduction in leverage or other factors could negatively impact our revenue and net income.

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

Our clients can withdraw the assets we manage on short notice, making our future client and revenue base unpredictable. Our open-end fund clients generally may redeem their investments in these funds each business day without prior notice. Institutional and individual separate account clients can terminate their relationships with us for any number of reasons. In a declining stock market, the pace of open-end fund redemptions could accelerate. Poor performance relative to other asset management firms can result in decreased purchases of open-end fund shares, increased redemptions of open-end fund shares, and the loss of institutional or individual separate accounts. The decrease in revenue that could result from any of these events could have a material adverse effect on our business.

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

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

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

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

We may need to raise additional capital or refinance existing debt in the future, and resources may not be available to us in sufficient amounts or on acceptable terms. Our ability to access capital markets efficiently depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Non-Voting Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely impacted.

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

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

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

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

Expansion into international markets and new products and services increases our operational, regulatory and other risks. We continue to increase our product offerings and international business activities. As a result of such expansion, we face increased operational, regulatory, compliance, reputation and foreign exchange rate risks. The failure of our compliance and internal control systems to properly mitigate such additional risks, or of our operating infrastructure to support such expansion, could result in operational failures and regulatory fines or sanctions.

Legal and regulatory developments in the mutual fund and investment advisory industry could increase our regulatory burden, cause a loss of mutual fund investors, and reduce our revenues. In recent years, regulators both in the United States and abroad have shown increasing interest in the oversight of the broad financial and investment management industry. Some of the newly adopted and proposed regulations are focused directly on the investment management industry, while others are more broadly focused but in many cases will impact our industry as well. The Dodd-Frank Act of 2010 represents a comprehensive overhaul of the rules and regulations governing the financial services industry. The regulatory decisions regarding the implementation of the Dodd-Frank Act continue. Due to the broad scope of this act we are not able to predict all of the specific requirements that will be adopted by regulatory agencies having authority over us. These new laws and regulations will likely result in greater compliance and administrative burdens on us, increasing our expenses.

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

Changes in corporate tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and/or liquidity. Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes of these audits could have a material impact on our net income or financial condition. We are subject to ongoing tax audits in various jurisdictions as well as several states. One state previously provided us with a draft position that may result in a proposed adjustment to our previously filed tax returns. The state has provided additional background on its draft position, and we have determined there is no new information that causes the Company to change its initial conclusion regarding the technical merits of its position. The Company intends to continue its discussions with the state on this matter. We believe that our tax positions related to this potential adjustment were correct, and if an adjustment is proposed, we intend to vigorously defend our positions. It is possible the ultimate resolution of the proposed adjustment, if unfavorable, may be material to the results of our operations. Changes in tax laws or tax rulings could materially impact our effective tax rate.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We conduct our principal operations through leased offices located in Boston, Massachusetts; New York, New York; and Shrewsbury, New Jersey. The leased offices of our subsidiaries are in Atlanta, Georgia; Seattle, Washington; Westport, Connecticut; London, England; Singapore; and Australia. For more information see Note 21 of our Notes to Consolidated Financial Statements contained in Item 8 of this document.

Item 3. Legal Proceedings

Eaton Vance is party to various legal proceedings that are incidental to its business. The Company believes these lawsuits will not have a material effect on its consolidated financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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19

PART II

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

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

Our Voting Common Stock, $0.00390625 par value, is not publicly traded and was held as of October 31, 2012 by twenty Voting Trustees pursuant to the Voting Trust described in Item 12 hereof, which Item is incorporated herein by reference. Dividends on our Voting Common Stock are paid quarterly and are equal to the dividends paid on our Non-Voting Common Stock (see below).

Our Non-Voting Common Stock, $0.00390625 par value, is traded on the New York Stock Exchange under the symbol EV. The approximate number of registered holders of record of our Non-Voting Common Stock at October 31, 2012 was 2,212. The high and low common stock prices and dividends per share were as follows for the periods indicated:

	Fiscal 2012			Fiscal 2011		
	High Price	Low Price	Dividend Per Share	High Price	Low Price	Dividend Per Share
Quarter Ended:						
January 31	$26.95	$21.55	$ 0.19	$31.81	$28.62	$ 0.18
April 30	$29.64	$25.72	$ 0.19	$34.09	$29.47	$ 0.18
July 31	$27.56	$22.97	$ 0.19	$34.06	$26.07	$ 0.18
October 31	$30.19	$25.68	$ 0.20	$27.89	$20.07	$ 0.19

We currently expect to declare and pay comparable dividends per share on our Voting and Non-Voting Common Stock on a quarterly basis. On December 4, 2012 the Company declared a special dividend of $1.00 per share on our Voting and Non-Voting Common Stock, payable on December 20, 2012.

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Performance Graph

The following graph compares the cumulative total shareholder return on our Non-Voting Common Stock for the period from November 1, 2007 through October 31, 2012 to that of the Morningstar Financial Services Sector Index and the Standard & Poor's 500 Stock Index over the same period. The comparison assumes $100 was invested on October 31, 2007 in our Non-Voting Common Stock and the foregoing indices at the closing price on that day and assumes reinvestments of all dividends paid over the period.

Comparison of Five Year Cumulative Total Return

21

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The table below sets forth information regarding purchases by the Company of our Non-Voting Common Stock on a monthly basis during the fourth quarter of fiscal 2012:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	**(c)**[(1)] Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
August 1, 2012 through August 31, 2012	150,000	$ 26.58	150,000	4,848,313
September 1, 2012 through September 30, 2012	442,972	$ 28.67	442,972	4,405,341
October 1, 2012 through October 31, 2012	460,918	$ 28.63	460,918	3,944,423
Total	1,053,890	$ 28.36	1,053,890	3,944,423

(1) *We announced a share repurchase program on October 26, 2011, which authorized the repurchase of up to 8,000,000 shares of our Non-Voting Common Stock in the open market and in private transactions in accordance with applicable securities laws. This repurchase plan is not subject to an expiration date.*

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Item 6. Selected Financial Data

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

Financial Highlights

	For the Years Ended October 31,				
(in thousands, except per share data)	2012	2011	2010	2009	2008
Income Statement Data:					
Revenue[(1)]	$1,209,036	$1,248,606	$1,115,960	$889,064	$1,103,988
Net income	264,768	227,574	201,225	135,525	202,816
Net income attributable to non-controlling and other beneficial interests[(2)]	61,303	12,672	26,927	5,418	7,153
Net income attributable to Eaton Vance Corp. shareholders	203,465	214,902	174,298	130,107	195,663
Adjusted net income attributable to Eaton Vance Corp. shareholders[(3)]	223,331	245,118	194,269	131,869	195,663
Balance Sheet Data:					
Total assets[(4)]	$1,979,491	$1,831,300	$1,258,540	$1,059,487	$947,493
Debt	500,000	500,000	500,000	500,000	500,000
Redeemable non-controlling interests (temporary equity)	98,765	100,824	67,019	43,871	72,137
Total Eaton Vance Corp. shareholders' equity	612,072	460,415	410,285	306,969	178,518
Non-redeemable non-controlling interests	1,513	889	570	91	-
Total permanent equity	613,585	461,304	410,855	307,060	178,518
Per Share Data:					
Earnings per share:					
Basic earnings	$1.76	$1.82	$1.47	$1.11	$1.69
Diluted earnings	1.72	1.75	1.40	1.07	1.57
Adjusted diluted earnings [(3)]	1.89	2.00	1.56	1.08	1.57
Cash dividends declared	0.770	0.730	0.660	0.625	0.605

[(1)] *During fiscal 2012, the Company changed its presentation of its Consolidated Statements of Income. The change relates to the classification of net investment income and net investment gains or losses of consolidated sponsored funds. Net investment income earned by consolidated sponsored funds and net investment gains or losses recognized by consolidated sponsored funds, previously included in other revenue, are now presented as* *components of gains and other investment income within non-operating income (expense). Prior year figures have been reclassified to conform to the current year presentation.*

(2) *Net income attributable to non-controlling and other beneficial interests of $61.3 million, $12.7 million and $26.9 million in fiscal 2012, 2011 and fiscal 2010, respectively, reflects an increase of $19.9 million,$30.2 million and $18.4 million in the estimated redemption value of redeemable non-controlling interests in our majority-owned subsidiaries in fiscal 2012, 2011 and fiscal 2010, respectively. Net income attributable to non-controlling and other beneficial interests also includes $22.6 million of gains and $34.5 million of losses substantially borne by other beneficial interest holders of a consolidated*

collateralized loan obligation ("CLO") entity in fiscal 2012 and 2011, respectively.

(3) *The Company defines adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share as net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share, respectively, adjusted to exclude changes in the estimated redemption value of non-controlling interests redeemable at other than fair value, closed-end fund structuring fees and other items management deems non-recurring or non-operating in nature. Neither adjusted net income attributable to Eaton Vance Corp. shareholders nor adjusted earnings per diluted share should be construed to be a substitute for, or superior to, net income attributable to Eaton Vance Corp. shareholders nor earnings per diluted share computed in accordance with accounting principles generally accepted in the United States of America. Our use of these adjusted numbers, including reconciliations of net income attributable to Eaton Vance Corp. shareholders to adjusted net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted earnings per diluted share, is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.*

(4) *Total assets on October 31, 2012 and 2011 include $468.4 million and $481.8 million of assets held by a consolidated CLO entity, respectively.*

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

General

Our principal business is managing investment funds and providing investment management and advisory services to high-net-worth individuals and institutions. Our core strategy is to develop and sustain management expertise across a range of investment disciplines and to offer leading investment products and services through multiple distribution channels. In executing this strategy, we have developed broadly diversified investment management capabilities and a powerful 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.

We are a market leader in a number of investment areas, including tax-managed equity, value equity, equity income, structured emerging market equity, floating-rate bank loan, municipal bond, investment grade, global and high-yield bond investing. 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-based investments and a spectrum of absolute return strategies. As of October 31, 2012, we had $199.5 billion in assets under management.

Our principal retail marketing strategy is to distribute funds and separately managed accounts through financial intermediaries in the advice channel. We have a broad reach in this marketplace, with distribution partners including national and regional broker-dealers, independent broker-dealers, independent financial advisory firms, banks and insurance companies. We support these distribution partners with a team of approximately 135 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, including corporations, 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. Such fees are recognized over the period that we manage these assets. 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 ("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.

Market Developments

Prevailing market conditions affect our managed asset levels, operating results and the recoverability of our investments. Fiscal 2012 was a period of generally favorable market action, as reflected by the 13 percent increase in the S&P 500 Index.

Managed Asset Levels

Average assets under management of $192.9 billion in fiscal 2012 were substantially unchanged from $192.4 billion in fiscal 2011. While net outflows from funds and separate accounts with Eaton Vance Large-Cap Value mandates offset net inflows into other long-term strategies in fiscal 2012, we ended the year with positive net inflows. We continue to see modestly lower total effective fee rates due to a decline in distribution and service-fee related revenue, reflecting lower managed assets in fund share classes that are subject to those fees. Consistent with industry trends, our fund business continues to evolve from Class B and Class C shares, with distribution and service fees generally totaling 100 basis points on average daily assets, to Class I shares, with no distribution or service fees, and Class A shares, with distribution and service fees generally totaling 25 basis points of average daily assets. Although this share class trend has an adverse effect on our total effective fee rate, the net income impact is smaller due to offsetting declines in distribution, service and deferred sales commission amortization expense.

As a matter of course, investors in our sponsored open-end funds and separate accounts have the ability to redeem their shares or investments at any time, without prior notice, and there are no material restrictions that would prevent such investors from doing so.

Operating Results

In fiscal 2012, our revenue decreased 3 percent from fiscal 2011, reflecting substantially unchanged average assets under management and a modest decline in our total effective fee rate. Our operating expenses decreased 1 percent in fiscal 2012, partly reflecting decreases in expenses tied to asset levels that decrease as assets under management decrease, such as certain distribution and service fees, and decreases in our sales-related expenses, which vary with the level of sales and the acquisition costs of new assets.

Assets under Management

Assets under management of $199.5 billion on October 31, 2012 were 6 percent higher than the $188.2 billion reported a year earlier. Assets under management on October 31, 2012 included $113.3 billion in long-term funds, $43.3 billion in institutional separate accounts, $15.0 billion in high-net-worth separate accounts, $27.7 billion in retail managed accounts and $0.2 billion in cash management fund assets. Long-term fund net outflows of $3.8 billion during the twelve-month period ended October 31, 2012 reflect gross inflows of $27.1 billion offset by outflows of $30.9 billion. Long-term fund net outflows include net reductions in fund leverage of $0.9 billion. Institutional separate account net inflows were $2.0 billion, high-net-worth separate account net inflows were $1.3 billion and retail managed account net inflows were $0.7 billion during the twelve-month period ended October 31, 2012. Market price appreciation increased managed assets by $11.6 billion during the twelve-month period ended October 31, 2012, while a decrease in cash management assets reduced assets under management by $0.5 billion.

We report managed assets and flow data by investment mandate. The “Alternative” category includes a range of absolute return strategies, as well as commodity- and currency-linked investments. Assets under management for which we estimate fair value are not material relative to the total value of the assets we manage.

Ending Assets under Management by Investment Mandate[(1)]

(in millions)	October 31, 2012	% of Total	2011	% of Total	2010	% of Total	2012 vs. 2011	2011 vs. 2010
Equity [(2)]	$111,096	56 %	$108,859	58 %	$107,500	58 %	2 %	1 %
Fixed income	49,003	25 %	43,708	23 %	46,119	25 %	12 %	-5 %
Floating-rate income	26,388	13 %	24,322	13 %	20,003	11 %	8 %	22 %
Alternative	12,852	6 %	10,646	6 %	10,482	6 %	21 %	2 %
Cash management	169	0 %	669	0 %	1,139	0 %	-75 %	-41 %
Total	$199,508	100 %	$188,204	100 %	$185,243	100 %	6 %	2 %

[(1)]Consolidated Eaton Vance Corp. See table on page 30 for managed assets and flows of 49 percent-owned Hexavest Inc.

[(2)]Includes balanced accounts holding income securities.

Equity assets under management included $51.4 billion, $48.1 billion and $56.5 billion of equity assets managed for after-tax returns on October 31, 2012, 2011 and 2010, respectively. Fixed income assets included $29.5 billion, $25.6 billion and $28.8 billion of tax-exempt municipal bond assets on October 31, 2012, 2011 and 2010, respectively.

Net inflows totaled $0.2 billion in fiscal 2012 compared to $3.9 billion in fiscal 2011 and $16.3 billion in fiscal 2010. Long-term fund net outflows of $3.8 billion in fiscal 2012 reflect gross inflows of $27.1 billion and outflows of $30.9 billion. Long-term fund net inflows of $0.5 billion in fiscal 2011 reflect gross inflows of $33.0 billion and outflows of $32.5 billion. Long-term fund net inflows of $11.4 billion in fiscal 2010 reflect gross inflows of $34.1 billion and outflows of $22.7 billion. Fund outflows reflect a reduction in fund leverage of $0.9 billion, $0.9 billion and $0.4 billion in fiscal 2012, 2011 and 2010, respectively.

Separate account net inflows totaled $4.0 billion, $3.3 billion and $4.9 billion in fiscal 2012, 2011 and 2010, respectively. Institutional separate account net inflows totaled $2.0 billion, $2.5 billion and $4.1 billion in fiscal 2012, 2011 and 2010, respectively, reflecting gross inflows of $12.5 billion, $12.3 billion and $9.3 billion in fiscal 2012, 2011 and 2010, respectively, net of withdrawals of $10.5 billion, $9.8 billion and $5.2 billion, respectively. High-net-worth account net inflows totaled $1.3 billion, $0.4 billion and $0.7 billion in fiscal 2012, 2011 and 2010, respectively, reflecting gross inflows of $3.6 billion, $2.8 billion and $2.7 billion in fiscal 2012, 2011 and 2010, respectively, net of withdrawals of $2.3 billion, $2.4 billion and $2.0 billion, respectively. Retail managed account net inflows totaled $0.7 billion, $0.4 billion and $0.2 billion in fiscal 2012, 2011 and 2010, respectively, reflecting gross inflows of $6.9 billion, $6.7 billion and $6.7 billion, respectively, net of withdrawals of $6.2 billion, $6.3 billion and $6.5 billion, respectively.

The following tables summarize our assets under management and asset flows by investment mandate and investment vehicle for the fiscal years ended October 31, 2012, 2011 and 2010:

27

Net Flows by Investment Mandate[1]

(in millions)	Years Ended October 31, 2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Equity assets - beginning[2]	$108,859	$107,500	$94,716	1 %	13 %
Sales and other inflows	23,679	29,973	24,434	-21 %	23 %
Redemptions/outflows	(30,456)	(29,168)	(23,821)	4 %	22 %
Net flows	(6,777)	805	613	NM[3]	31 %
Assets acquired	-	352	-	NM	NM
Exchanges	24	35	378	-31 %	-91 %
Market value change	8,990	167	11,793	NM	-99 %
Equity assets - ending	$111,096	$108,859	$107,500	2 %	1 %
Fixed income assets - beginning	43,708	46,119	41,060	-5 %	12 %
Sales and other inflows	12,278	10,336	11,441	19 %	-10 %
Redemptions/outflows	(9,455)	(11,827)	(8,410)	-20 %	41 %
Net flows	2,823	(1,491)	3,031	NM	NM
Exchanges	84	(180)	178	NM	NM
Market value change	2,388	(740)	1,850	NM	NM
Fixed income assets - ending	$49,003	$43,708	$46,119	12 %	-5 %
Floating-rate income assets - beginning	24,322	20,003	15,355	22 %	30 %
Sales and other inflows	7,401	9,331	7,693	-21 %	21 %
Redemptions/outflows	(5,662)	(5,220)	(2,976)	8 %	75 %
Net flows	1,739	4,111	4,717	-58 %	-13 %
Exchanges	45	53	(733)	-15 %	NM
Market value change	282	155	664	82 %	-77 %
Floating-rate income assets - ending	$26,388	$24,322	$20,003	8 %	22 %
Alternative assets - beginning	10,646	10,482	2,351	2 %	346 %
Sales and other inflows	6,725	5,250	9,238	28 %	-43 %
Redemptions/outflows	(4,336)	(4,784)	(1,253)	-9 %	282 %
Net flows	2,389	466	7,985	413 %	-94 %
Exchanges	(104)	(79)	103	32 %	NM
Market value change	(79)	(223)	43	-65 %	NM
Alternative assets - ending	$12,852	$10,646	$10,482	21 %	2 %
Long-term assets - beginning	187,535	184,104	153,482	2 %	20 %
Sales and other inflows	50,083	54,890	52,806	-9 %	4 %
Redemptions/outflows	(49,909)	(50,999)	(36,460)	-2 %	40 %
Net flows	174	3,891	16,346	-96 %	-76 %
Assets acquired	-	352	-	NM	NM
Exchanges	49	(171)	(74)	NM	131 %
Market value change	11,581	(641)	14,350	NM	NM
Total long-term assets - ending	$199,339	$187,535	$184,104	6 %	2 %
Cash management fund assets - ending	169	669	1,139	-75 %	-41 %
Total assets under management - ending	$199,508	$188,204	$185,243	6 %	2 %

(1) *Consolidated Eaton Vance Corp. See table on page 30 for managed assets and flows of 49 percent-owned Hexavest Inc.*

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

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

Net Flows by Investment Vehicle[(1)]

(in millions)	Years Ended October 31, 2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Long-term fund assets - beginning	$111,705	$113,978	$96,204	-2 %	18 %
Sales and other inflows	27,080	33,035	34,123	-18 %	-3 %
Redemptions/outflows	(30,895)	(32,486)	(22,681)	-5 %	43 %
Net flows	(3,815)	549	11,442	NM	-95 %
Exchanges	(13)	(175)	(74)	-93 %	136 %
Market value change	5,372	(2,647)	6,406	NM	NM
Long-term fund assets - ending	$113,249	$111,705	$113,978	1 %	-2 %
Institutional separate account assets - beginning	38,003	34,593	26,723	10 %	29 %
Sales and other inflows	12,496	12,350	9,285	1 %	33 %
Redemptions/outflows	(10,514)	(9,832)	(5,226)	7 %	88 %
Net flows	1,982	2,518	4,059	-21 %	-38 %
Exchanges	38	(18)	164	NM	NM
Market value change	3,315	910	3,647	264 %	-75 %
Institutional separate account assets - ending	$43,338	$38,003	$34,593	14 %	10 %
High-net-worth separate account assets – beginning	13,256	11,883	10,137	12 %	17 %
Sales and other inflows	3,609	2,848	2,715	27 %	5 %
Redemptions/outflows	(2,283)	(2,419)	(2,041)	-6 %	19 %
Net flows	1,326	429	674	209 %	-36 %
Assets acquired	-	352	-	NM	NM
Exchanges	(990)	(8)	(164)	NM	-95 %
Market value change	1,444	600	1,236	141 %	-51 %
High-net-worth separate account assets - ending	$15,036	$13,256	$11,883	13 %	12 %
Retail managed account assets - beginning	24,571	23,650	20,418	4 %	16 %
Sales and other inflows	6,898	6,657	6,683	4 %	0 %
Redemptions/outflows	(6,217)	(6,262)	(6,512)	-1 %	-4 %
Net flows	681	395	171	72 %	131 %
Exchanges	1,014	30	-	NM	NM
Market value change	1,450	496	3,061	192 %	-84 %
Retail managed account assets - ending	$27,716	$24,571	$23,650	13 %	4 %
Total long-term assets - beginning	187,535	184,104	153,482	2 %	20 %
Sales and other inflows	50,083	54,890	52,806	-9 %	4 %
Redemptions/outflows	(49,909)	(50,999)	(36,460)	-2 %	40 %
Net flows	174	3,891	16,346	-96 %	-76 %
Assets acquired	-	352	-	NM	NM
Exchanges	49	(171)	(74)	NM	131 %
Market value change	11,581	(641)	14,350	NM	NM
Total long-term assets - ending	$199,339	$187,535	$184,104	6 %	2 %
Cash management fund assets - ending	169	669	1,139	-75 %	-41 %
Total assets under management - ending	$199,508	$188,204	$185,243	6 %	2 %

[1] *Consolidated Eaton Vance Corp.* *See page 30* *for managed assets and flows of 49 percent-owned Hexavest Inc.*

On August 6, 2012, the Company completed the purchase of a 49 percent interest in Hexavest Inc. (“Hexavest”), a Montreal-based investment advisor that provides discretionary management of equity and tactical asset allocation strategies using a predominantly top-down investment style. As of October 31, 2012, Hexavest Inc. managed $12.1 billion of client assets, an increase of 11 percent from the $11.0 billion of managed assets on August 6, 2012. In conjunction with the purchase, we assumed primary responsibility for Hexavest’s new business development outside of Canada.

The following table summarizes assets under management and asset flow information for Hexavest from August 6, 2012 through October 31, 2012:

Hexavest[1] Assets under Management and Net Flows

	From August 6, 2012 through October 31, 2012				
			Eaton Vance-Distributed		
(in millions)	Total	Hexavest Directly Distributed[2]	Eaton Vance-Sponsored Funds[3]	Eaton Vance-Distributed Separate Accounts[4]	Total
Managed assets - beginning of period	$ 10,956	$ 10,956	$ -	$ -	$ -
Sales and other inflows	1,083	1,047	36	-	36
Redemptions/outflows	(318)	(318)	-	-	-
Net flows	765	729	36	-	36
Market value change	389	388	1	-	1
Managed assets - end of period	$ 12,110	$ 12,073	$ 37	$ -	$ 37

(1) *On August 6, 2012, Eaton Vance acquired a 49% equity interest in Hexavest Inc., a Montreal-based investment advisor, and entered into a distribution agreement with Hexavest covering all markets outside Canada.*

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

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

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

Ending Assets under Management by Asset Class[1]

(in millions)	October 31, 2012	% of Total	2011	% of Total	2010	% of Total	2012 vs. 2011	2011 vs. 2010
Open-end funds:								
Class A	$30,426	15 %	$33,414	18 %	$37,820	21 %	-9 %	-12 %
Class B	959	1 %	1,294	1 %	1,861	1 %	-26 %	-30 %
Class C	9,662	5 %	9,693	5 %	10,444	6 %	0 %	-7 %
Class I	30,288	15 %	26,830	14 %	22,426	12 %	13 %	20 %
Class R	312	0 %	372	0 %	400	0 %	-16 %	-7 %
Other[2]	542	0 %	618	1 %	616	0 %	-12 %	0 %
Total open-end funds	72,189	36 %	72,221	39 %	73,567	40 %	0 %	-2 %
Private funds[3]	18,012	9 %	17,404	9 %	17,518	9 %	3 %	-1 %
Closed-end funds	23,217	12 %	22,749	12 %	24,032	13 %	2 %	-5 %
Total fund assets	113,418	57 %	112,374	60 %	115,117	62 %	1 %	-2 %
Institutional account assets	43,338	22 %	38,003	20 %	34,593	19 %	14 %	10 %
High-net-worth account assets	15,036	7 %	13,256	7 %	11,883	6 %	13 %	12 %
Retail managed account assets	27,716	14 %	24,571	13 %	23,650	13 %	13 %	4 %
Total separate account assets	86,090	43 %	75,830	40 %	70,126	38 %	14 %	8 %
Total	$199,508	100 %	$188,204	100 %	$185,243	100 %	6 %	2 %

(1) *Consolidated Eaton Vance Corp. See Table on page 30 for managed assets and flows of 49 percent-owned Hexavest Inc.*

(2) *Includes other classes of Eaton Vance open-end funds.*

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

We currently sell our sponsored open-end mutual funds under four primary pricing structures: front-end load commission (“Class A”); level-load commission (“Class C”); institutional no-load (“Class I”); and retirement plan no-load (“Class R”). We waive the front-end sales load on Class A shares under certain circumstances. In such cases, the shares are sold at net asset value. In the first quarter of fiscal 2012, we stopped offering spread-load commission (“Class B”) shares to new investors.

Fund assets represented 57 percent of total assets under management on October 31, 2012, down from 60 percent and 62 percent on October 31, 2011 and 2010, respectively, while separate account assets, which include institutional, high-net-worth and retail managed account assets, increased to 43 percent of total assets under management on October 31, 2012, from 40 percent and 38 percent on October 31, 2011 and 2010, respectively. Fund assets under management increased $1.0 billion, or 1 percent, to $113.4 billion on October 31, 2012, reflecting market appreciation of $5.4 billion partly offset by net outflows of $3.8 billion and a decrease in cash management assets of $0.5 billion.

Separate account assets under management increased $10.3 billion, or 14 percent, to $86.1 billion on October 31, 2012, reflecting 5 percent organic growth and market appreciation of $6.2 billion.

Average assets under management presented in the following table represent a monthly average by asset class. This table is intended to provide information useful in the analysis of our asset-based revenue and distribution expenses. With the exception of our separate account investment advisory fees, which are generally calculated as a percentage of either beginning, average or ending quarterly assets, our investment advisory, administrative, distribution and service fees, as well as certain expenses, are generally calculated as a percentage of average daily assets.

Average Assets under Management by Asset Class[(1)]

(in millions)	Years Ended October 31, 2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Open-end funds:					
Class A	$31,387	$36,740	$36,467	-15 %	1 %
Class B	1,118	1,583	2,070	-29 %	-24 %
Class C	9,628	10,248	9,275	-6 %	10 %
Class I	28,296	26,996	16,102	5 %	68 %
Class R	340	412	367	-17 %	12 %
Other[(2)]	605	608	655	0 %	-7 %
Total open-end funds	71,374	76,587	64,936	-7 %	18 %
Private funds[(3)]	17,870	17,372	17,336	3 %	0 %
Closed-end funds	23,086	23,521	23,253	-2 %	1 %
Total fund assets	112,330	117,480	105,525	-4 %	11 %
Institutional account assets	39,733	36,962	30,133	7 %	23 %
High-net-worth account assets	14,005	13,091	11,027	7 %	19 %
Retail managed account assets	26,829	24,890	22,332	8 %	11 %
Total separate account assets	80,567	74,943	63,492	8 %	18 %
Total	$192,897	$192,423	$169,017	0 %	14 %

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

(2) *Includes other classes of Eaton Vance open-end funds.*

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

Results of Operations

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

32

We define adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share as net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share, respectively, adjusted to exclude changes in the estimated redemption value of non-controlling interests redeemable at other than fair value ("non-controlling interest value adjustments"), closed-end fund structuring fees and other items management deems non-recurring or non-operating in nature. Neither adjusted net income attributable to Eaton Vance Corp. shareholders nor adjusted earnings per diluted share should be construed to be a substitute for, or superior to, net income attributable to Eaton Vance Corp. shareholders nor earnings per diluted share computed in accordance with GAAP. However, our management and Board of Directors look at these adjusted numbers as a measure of underlying performance, since the excluded items generally do not reflect normal operating performance.

The following table provides a reconciliation of net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, respectively, for the fiscal years ended October 31, 2012, 2011 and 2010:

(in thousands, except per share data)	Years Ended October 31, 2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Net income attributable to Eaton Vance Corp. shareholders	$203,465	$214,902	$174,298	-5 %	23 %
Non-controlling interest value adjustments[(1)]	19,866	30,216	18,385	-34 %	64 %
Closed-end fund structuring fees, net of tax	-	-	1,586	NM	NM
Adjusted net income attributable to Eaton Vance Corp. shareholders	$223,331	$245,118	$194,269	-9 %	26 %
Earnings per diluted share	$1.72	$1.75	$1.40	-2 %	25 %
Non-controlling interest value adjustments	0.17	0.25	0.15	-32 %	67 %
Closed-end fund structuring fees, net of tax	-	-	0.01	NM	NM
Adjusted earnings per diluted share	$1.89	$2.00	$1.56	-6 %	28 %

(1) *Please see page 42, "Net Income Attributable to Non-controlling and Other Beneficial Interests," for a further discussion of the non-controlling interest value adjustments referenced above.*

We reported net income attributable to Eaton Vance Corp. shareholders of $203.5 million, or $1.72 per diluted share, in fiscal 2012 compared to net income attributable to Eaton Vance Corp. shareholders of $214.9 million, or $1.75 per diluted share, in fiscal 2011. We reported adjusted net income attributable to Eaton Vance Corp. shareholders of $223.3 million, or $1.89 per diluted share, in fiscal 2012 compared to adjusted net income attributable to Eaton Vance Corp. shareholders of $245.1 million, or $2.00 per diluted share, in fiscal 2011. The change in net income and adjusted net income attributable to Eaton Vance Corp. shareholders can be primarily attributed to the following:

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A decrease in revenue of $39.6 million, or 3 percent, reflecting substantially unchanged average assets under management and a decrease in our annualized effective fee rate to 62 basis points in fiscal 2012 from 65 basis points in fiscal 2011. The decrease in our effective fee rate can be primarily attributed to the decline in average fund assets under management that are subject to distribution and service fees and the increase in average, lower fee, separate account assets under management as a percentage of total average assets under management.

- A decrease in expenses of $6.3 million, or 1 percent, reflecting declines in certain distribution and service fee expenses and reduced amortization of deferred sales commissions offset by increases in compensation, fund-related and other expenses.
- A decrease of $1.0 million, or 5 percent, in gains and other investment income primarily due to a decrease in investment gains recognized on our seed capital portfolio.
- A $56.9 million increase in other income (expense) of the Company's consolidated CLO entity, reflecting an improvement in the performance of the consolidated CLO entity.
- A decrease in income taxes of $14.5 million, or 9 percent reflecting the decrease in taxable income attributable to Eaton Vance Corp. shareholders. Consolidated CLO entity income that is allocated to other beneficial interest holders is not subject to tax in the Company's provision.
- An increase in net income attributable to non-controlling interests of $48.6 million, primarily reflecting net gains recognized by the Company's consolidated CLO entity that are attributed to other beneficial interest holders and an increase in net income attributable to non-controlling interest holders in the Company's majority-owned subsidiaries partly offset by decreases in the annual adjustments made to the estimated redemption values of non-controlling interests in the Company's majority-owned subsidiaries.

Weighted average diluted shares outstanding decreased by 4.8 million shares, or 4 percent, primarily reflecting shares repurchased in fiscal 2012 and a decrease in the number of in-the-money share options included in the calculation of weighted average diluted shares outstanding.

We reported net income attributable to Eaton Vance Corp. shareholders of $214.9 million, or $1.75 per diluted share, in fiscal 2011 compared to net income attributable to Eaton Vance Corp. shareholders of $174.3 million, or $1.40 per diluted share, in fiscal 2010. We reported adjusted net income attributable to Eaton Vance Corp. shareholders of $245.1 million, or $2.00 per diluted share, in fiscal 2011 compared to adjusted net income attributable to Eaton Vance Corp. shareholders of $194.3 million, or $1.56 per diluted share, in fiscal 2010. The change in net income and adjusted net income attributable to Eaton Vance Corp. shareholders can be primarily attributed to the following:

- An increase in revenue of $132.6 million, or 12 percent, primarily reflecting the 14 percent increase in average assets under management partly offset by a decrease in our annualized effective fee rate to 65 basis points in fiscal 2011 from 66 basis points in fiscal 2010.
- An increase in expenses of $54.0 million, or 7 percent, due to increases in compensation expense, distribution expense, service fee expense, the amortization of deferred sales commissions and other expenses partly offset by a decrease in fund expenses.
- An increase of $6.4 million, or 49 percent, in gains and other investment income due to an increase in investment gains recognized on our seed capital portfolio and an increase in income earned by our consolidated funds. A $5.5 million gain and a $1.9 million gain were recognized in fiscal 2011 upon the sale of the Company's equity interest in Lloyd George Management (BVI) Limited ("Lloyd George Management") and its equity interest in a non-consolidated CLO entity, respectively.
- A decrease in other income (expense) of the Company's consolidated CLO entity of $30.6 million, reflecting losses incurred by the entity in fiscal 2011. The losses incurred primarily reflect an increase in the fair market value of the

note obligations issued by the entity to beneficial interest holders.

- An increase in income taxes of $30.6 million, or 24 percent, reflecting the 17 percent increase in taxable income year-over-year and an increase in the Company's effective tax rate for the year. The Company's income before taxes in fiscal 2011 was reduced by losses incurred by the Company's consolidated CLO entity and therefore not included in the calculation of the Company's income taxes. The inclusion of these losses in consolidated income before taxes but not in the Company's calculation of income taxes contributed to an increase in the Company's effective tax rate year-over-year.

34

- A decrease in net income attributable to non-controlling interests of $14.3 million, primarily reflecting the net losses incurred by the Company's consolidated CLO entity that are borne by other beneficial interest holders partly offset by increases in the annual adjustments made to the estimated redemption values of non-controlling interests in the Company's majority-owned subsidiaries and an increase in net income attributable to non-controlling interest holders in the Company's majority-owned subsidiaries and consolidated funds.

Weighted average diluted shares outstanding decreased by 2.7 million shares, or 2 percent, primarily reflecting shares repurchased in fiscal 2011 and a decrease in the number of in-the-money share options included in the calculation of weighted average diluted shares outstanding.

Revenue

Our average overall effective fee rate (total revenue, excluding other revenue, as a percentage of average assets under management) was 62 basis points in fiscal 2012 compared to 65 basis points in fiscal 2011 and 66 basis points in fiscal 2010. The decrease in our average overall effective fee rate in both fiscal 2012 and 2011 can be primarily attributed to the decline in average fund assets under management subject to distribution and service fees and the increase in average, lower fee, separate account assets under management as a percentage of total average assets under management.

The following table shows our investment advisory and administrative fees, distribution and underwriter fees, services fees and other revenues for the fiscal years ended October 31, 2012, 2011 and 2010:

	Years Ended October 31,			2012 vs.	2011 vs.
(in thousands)	2012	2011	2010	2011	2010
Investment advisory and administrative fees	$988,058	$996,222	$867,683	-1 %	15 %
Distribution and underwriter fees	89,410	102,979	103,995	-13 %	-1 %
Service fees	126,345	144,530	139,741	-13 %	3 %
Other revenue	5,223	4,875	4,541	7 %	7 %
Total revenue	$1,209,036	$1,248,606	$1,115,960	-3 %	12 %

Investment advisory and administrative fees

Investment advisory and administrative fees are determined by contractual agreements with our sponsored funds and separate accounts and are generally based upon a percentage of the market value of assets under management. Net asset flows and changes in the market value of managed assets affect the amount of managed assets on which investment advisory and administrative fees are earned, while changes in asset mix among different investment mandates and products affect our average effective fee rate. Investment advisory and administrative fees represented 82 percent of total revenue in fiscal 2012 compared to 80 percent in fiscal 2011 and 78 percent in fiscal 2010.

The decrease in investment advisory and administrative fees of 1 percent, or $8.2 million, in fiscal 2012 from fiscal 2011 can be primarily attributed to a shift in product mix. Fund assets, which had an average effective fee rate of 66 basis points in fiscal 2012 and 65 basis points in fiscal 2011, decreased to 57 percent of total assets under management on October 31, 2012 from 60 percent of total assets under management on October 31, 2011, while separately managed account assets, which had an average effective fee rate of 30 basis points in both

35

fiscal 2012 and 2011, increased to 43 percent of total assets under management on October 31, 2012 from 40 percent of total assets under management on October 31, 2011.

The increase in investment advisory and administrative fees of 15 percent, or $128.5 million, in fiscal 2011 over fiscal 2010 can be attributed to a 14 percent increase in average assets under management. Fund assets, which had an average effective fee rate of 65 basis points in fiscal 2011 and 63 basis points in fiscal 2010, decreased to 60 percent of total assets under management on October 31, 2011 from 62 percent of total assets under management on October 31, 2010, while separately managed account assets, which had an average effective fee rate of 30 basis points in fiscal 2011 and 31 basis points in fiscal 2010, increased to 40 percent of total assets under management on October 31, 2011 from 38 percent of total assets under management on October 31, 2010.

Distribution and underwriter fees

Distribution plan payments, which are made under contractual agreements with certain share classes of our sponsored funds and private funds, are calculated as a percentage of average assets under management. These fees fluctuate with both the level of average assets under management and the relative mix of assets. Underwriter commissions are earned on the sale of shares of our sponsored mutual funds on which investors pay a sales charge at the time of purchase (Class A share sales). Sales charges and underwriter commissions are waived or reduced on shareholder purchases that exceed specified minimum amounts and on certain categories of investors. Underwriter commissions fluctuate with the level of Class A share sales and the mix of Class A shares offered with and without sales charges.

Distribution plan payments decreased 13 percent, or $11.9 million, to $80.9 million in fiscal 2012, reflecting decreases in average Class A, Class B, Class C, Class R and certain private equity fund assets subject to distribution fees.

The following table shows the total distribution payments with respect to our Class A, Class B, Class C, Class R and private equity funds for the fiscal years ended October 31, 2012, 2011 and 2010:

(in thousands)	Years Ended October 31, 2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Class A	$671	$762	$1,135	-12 %	-33 %
Class B	7,459	13,555	18,406	-45 %	-26 %
Class C	67,978	72,810	66,313	-7 %	10 %
Class R	844	1,029	924	-18 %	11 %
Private funds	3,967	4,614	4,972	-14 %	-7 %
Total distribution plan payments	$80,919	$92,770	$91,750	-13 %	1 %

Underwriter fees and other distribution income decreased 17 percent, or $1.7 million, to $8.5 million in fiscal 2012, reflecting a decrease of $0.4 million in underwriter fees received on sales of Class A shares and a decrease of $1.3 million in contingent deferred sales charges received on certain Class A redemptions.

Underwriter fees and other distribution income decreased 17 percent, or $2.0 million, to $10.2 million in fiscal 2011, reflecting a decrease of $3.0 million in underwriter fees received on sales of Class A shares, partly offset by an increase of $0.9 million in contingent deferred sales charges received on certain Class A redemptions and an increase of $0.1 million in other distribution income.

Service fees

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

Service fee revenue decreased 13 percent, or $18.2 million, to $126.3 million in fiscal 2012 from fiscal 2011, primarily reflecting a 12 percent decrease in average assets under management in funds and classes of funds subject to service fees.

Service fee revenue increased 3 percent, or $4.8 million, to $144.5 million in fiscal 2011 over fiscal 2010, primarily reflecting a 2 percent increase in average assets under management in funds and classes of funds subject to service fees and an increase in our average effective service fee revenue rate.

Other revenue

Other revenue, which consists primarily of sub-transfer agent fees, miscellaneous dealer income, custody fees and sublease income, increased by $0.3 million in both fiscal 2012 and fiscal 2011, primarily reflecting increases in sub-transfer agent fees received.

Expenses

Operating expenses decreased by 1 percent, or $6.3 million, in fiscal 2012 from fiscal 2011, reflecting declines in distribution and service fee expense and reduced amortization of deferred sales commissions, offset by increases in compensation, fund-related and other expenses.

The following table shows our operating expenses for the fiscal years ended October 31, 2012, 2011 and 2010:

	Years Ended October 31,			2012 vs.	2011 vs.
(in thousands)	2012	2011	2010	2011	2010
Compensation and related costs:					

Cash compensation	$329,088	$317,633	$300,737	4	%	6	%
Stock-based compensation	56,307	52,294	48,160	8	%	9	%
Total compensation and related costs	385,395	369,927	348,897	4	%	6	%
Distribution expense	130,914	132,664	126,064	-1	%	5	%
Service fee expense	113,485	124,517	116,900	-9	%	7	%
Amortization of deferred sales commissions	20,441	35,773	35,533	-43	%	1	%
Fund expenses	27,375	25,295	20,455	8	%	24	%
Other expenses	138,434	134,198	120,530	3	%	11	%
Total expenses	$816,044	$822,374	$768,379	-1	%	7	%

37

Compensation and related costs

Compensation expense increased by 4 percent, or $15.5 million, in fiscal 2012 over fiscal 2011, reflecting increases in base salaries and employee benefits, operating income-based incentives, stock-based compensation and other compensation partly offset by a decrease in sales-based incentives. Base salaries and employee benefits increased by 6 percent, or $9.2 million, primarily reflecting increases in base salaries associated with a 5 percent increase in headcount, annual merit increases and an increase in payroll taxes associated with the increase in base salaries and operating income-based incentives. Operating income-based incentives increased by 7 percent, or $7.1 million, reflecting higher pre-bonus adjusted operating income and an increase in the rate at which operating income-based incentives were accrued in fiscal 2012. Stock-based compensation increased by 8 percent, or $4.0 million, primarily reflecting the increase in restricted stock grants made in the first quarter of fiscal 2012. Other compensation expense increased by $2.1 million, reflecting an increase in severance costs. Sales-based incentives decreased by 13 percent, or $6.9 million, primarily reflecting a decrease in long-term fund sales, which drive sales-based incentives.

Compensation expense increased by 6 percent, or $21.0 million, in fiscal 2011 over fiscal 2010, reflecting increases in base salaries and employee benefits, operating income-based incentives, stock-based compensation and other compensation partly offset by a decrease in sales-based incentives. Base salaries and employee benefits increased by 8 percent, or $12.4 million, primarily reflecting increases in base salaries associated with higher headcount, annual merit increases and an increase in payroll taxes associated with the increase in base salaries and operating income-based incentives. Operating income-based incentives increased by 12 percent, or $11.4 million, reflecting an increase in pre-bonus adjusted operating income partly offset by a decrease in the rate at which operating income-based incentives were accrued. Stock-based compensation increased by 9 percent, or $4.1 million, primarily reflecting the increase in restricted stock grants made in the first quarter of fiscal 2011. Other compensation expense increased by 33 percent, or $0.6 million, reflecting an increase in severance costs. Sales-based incentives decreased by 12 percent, or $7.5 million, primarily reflecting a decrease in our effective sales incentive rate due to changes in sales mix and incentive rate schedules and a decrease in sales of long-term funds.

Distribution expense

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

The following table shows our distribution expense for the fiscal years ended October 31, 2012, 2011 and 2010:

	Years Ended October 31,			2012 vs.	2011 vs.
(in thousands)	2012	2011	2010	2011	2010

Class A share commissions	$5,492	$5,835	$11,329	-6 %	-48 %
Class C share distribution fees	55,528	51,905	46,272	7 %	12 %
Closed-end fund structuring fees	-	-	2,583	NM	NM
Closed-end fund dealer compensation agreements	16,977	17,199	16,765	-1 %	3 %
Intermediary marketing support payments	36,332	41,568	36,333	-13 %	14 %
Discretionary marketing expenses	16,585	16,157	12,782	3 %	26 %
Total	$130,914	$132,664	$126,064	-1 %	5 %

Class A share commissions decreased by 6 percent, or $0.3 million, in fiscal 2012 and by 48 percent, or $5.5 million, in fiscal 2011, reflecting a decrease in Class A sales on which we pay a commission and the ongoing shift in sales from Class A shares to Class I shares. Class C share distribution fees increased by 7 percent, or $3.6 million, in fiscal 2012 and by 12 percent, or $5.6 million, in fiscal 2011, reflecting an increase in Class C share assets held more than one year on which these fees are based. Payments made pursuant to closed-end fund dealer compensation agreements decreased by 1 percent, or $0.2 million, in fiscal 2012 and increased by 3 percent or $0.4 million, in fiscal 2011, in both cases reflecting changes in average assets subject to those arrangements. Marketing expenses associated with intermediary marketing support arrangements with our distribution partners decreased by 13 percent, or $5.2 million, in fiscal 2012 and increased by 14 percent, or $5.2 million in fiscal 2011, in both cases reflecting changes in average assets subject to those arrangements. Discretionary marketing expenses increased by 3 percent, or $0.4 million, in fiscal 2012 and by 26 percent, or $3.4 million, in fiscal 2011, primarily reflecting expansion of the Company's marketing programs.

Service fee expense

Service fees we receive from sponsored funds are generally retained in the first year and paid to broker-dealers thereafter pursuant to third-party service arrangements. These fees are calculated as a percent of average assets under management in certain share classes of our mutual funds (principally Classes A, B, C and R), as well as certain private funds. Service fee expense decreased by 9 percent, or $11.0 million, in fiscal 2012, reflecting a decrease in average fund assets retained more than one year in funds and share classes that are subject to service fees as a result of the ongoing shift to low or no-service fee share classes. Service fee expense increased by 7 percent, or $7.6 million, in fiscal 2011, reflecting an increase in average fund assets retained more than one year in funds and share classes that are subject to service fees.

Amortization of deferred sales commissions

Amortization expense is affected by ongoing sales and redemptions of mutual fund Class C shares and certain private funds and redemptions of Class B shares. Amortization expense decreased 43 percent in fiscal 2012, reflecting a decrease in average Class B shares, Class C shares and privately offered funds deferred sales commissions. In fiscal 2012, 26 percent of total amortization related to Class B shares, 62 percent to Class C shares and 12 percent to privately offered equity funds.

Amortization expense increased 1 percent in fiscal 2011, reflecting an increase in average Class C share deferred sales commissions partly offset by a decrease in average Class B share and privately offered equity fund deferred sales commissions. In fiscal 2011, 18 percent of total amortization related to Class B shares, 69 percent to Class C shares and 13 percent to privately offered equity funds.

Fund expenses

Fund expenses consist primarily of fees paid to sub-advisors, compliance costs and other fund-related expenses. Fund expenses increased 8 percent, or $2.1 million, in fiscal 2012, reflecting increases in non-advisory expenses borne by us on certain funds for which we are paid an all-in fee and higher subsidies we provide to startup and other small funds to enhance their cost competitiveness partly offset by decreases in sub-advisory fees.

Fund expenses increased 24 percent, or $4.8 million, in fiscal 2011, reflecting increases in sub-advisory fees paid and the subsidies we provide to startup and other small funds to enhance their cost competitiveness, partly offset by decreases in non-advisory expenses we bear on certain funds for which we are paid an all-in management fee and other fund-related expenses. The increase in sub-advisory fees paid can be attributed to an increase in the average assets under management of sponsored funds that are sub-advised by outside managers.

Other expenses

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

Other expenses increased by 3 percent, or $4.2 million, in fiscal 2012 over fiscal 2011, primarily reflecting increases in facilities-related expenses of $1.4 million, information technology expense of $0.9 million, travel expense of $0.9 million, professional services expense of $0.8 million, and other corporate expenses of $0.6 million, offset by a decrease in communications expense of $0.3 million. The increase in facilities-related expenses can be attributed to an increase in general building and depreciation expenses. The increase in information technology expense can be attributed to increases in system maintenance and repairs offset by a decrease in other information technology consulting expenses. The increase in travel expense can be attributed to an increase in hotel and air travel costs. The increase in professional services expense can be attributed to an increase in recruiting expenses and various corporate consulting engagements offset by a decrease in external legal costs. The increase in other corporate expenses reflects increases in corporate memberships and general corporate banking fees. The decrease in communications expense can be attributed to a decrease in telephone and cable expense.

Other expenses increased by 11 percent, or $13.7 million, in fiscal 2011 over fiscal 2010, primarily reflecting increases in travel expense of $0.7 million, professional services expense of $1.4 million, information technology expense of $6.7 million, facilities-related expenses of $1.5 million, communications expense of $0.5 million and other corporate expenses of $2.8 million. The increase in travel expense can be attributed to an increase in hotel and air travel costs. The increase in professional services expense can be attributed to an increase in external legal counsel fees. The increase in information technology expense can be attributed to increases in data services, system maintenance and repairs and other information technology consulting expenses. The increase in facilities-related expenses can be attributed to an increase in general building and insurance expenses. The increase in communications expense can be attributed to an increase in telephone and cable expense, while the increase in other corporate expenses reflects increases in the amortization of intangible assets, other corporate taxes, professional development and the inclusion of $0.4 million of general operating expenses of the consolidated CLO entity.

Non-operating Income (Expense)

	Years Ended October 31,			2012 vs.	2011 vs.
(in thousands)	2012	2011	2010	2011	2010
Gains and other investment income, net	$18,417	$19,408	$13,046	-5 %	49 %
Interest expense	(33,930)	(33,652)	(33,666)	1 %	0 %
Other income (expense) of consolidated CLO entity:					
Gains (losses) and other investment income, net	44,706	(17,037)	-	NM	NM
Interest expense	(18,447)	(13,575)	-	36 %	NM
Total non-operating income (expense)	$10,746	$(44,856)	$(20,620)	NM	118 %

Gains and other investment income decreased 5 percent in fiscal 2012, reflecting a decrease in gains recognized on our seed capital investments offset by an increase in investment income earned by our consolidated funds. In addition, in fiscal 2012, we recognized $2.4 million of investment gains related to the fiscal 2011 sale of our equity interest in Lloyd George Management, representing additional settlement payments received during the first quarter of fiscal 2012. In fiscal 2011 we recognized a $5.5 million gain upon the sale of the Company's equity investment in Lloyd George Management in the second quarter of fiscal 2011 and a $1.9 million gain on the sale of the Company's equity investment in a non-consolidated CLO entity managed by the Company.

Interest expense was substantially unchanged in fiscal 2012 and 2011, reflecting constant levels of interest accrued on our fixed-rate senior notes.

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

Net loss of our consolidated CLO entity totaled $31.0 million in fiscal 2011, representing $30.6 million of other loss and $0.4 million of other operating expenses. Approximately $34.5 million of the total $31.0 million consolidated CLO entity net loss was included in net income attributable to non-controlling and other beneficial interests, reflecting third-party note holders' proportionate interests in the net loss of the entity. The remaining $3.5 million in fiscal 2011 was included in net income attributable to Eaton Vance Corp. shareholders, representing the Company's proportionate interest in the net income of the entity and management fees earned.

Income Taxes

Our effective tax rate, calculated as income taxes as a percentage of income before income taxes and equity in net income of affiliates, was 35.3 percent, 41.1 percent and 38.6 percent in fiscal 2012, 2011 and 2010, respectively. The decrease in our overall effective tax rate in fiscal 2012 can be primarily attributed to the higher consolidated CLO entity income allocated to other beneficial interest holders and therefore not subject to tax in the calculation of the Company's tax provision. The increase in our overall effective tax rate in fiscal 2011 can be primarily attributed to the losses incurred by the Company's consolidated CLO entity, which are substantially borne by other beneficial interest holders and therefore not included in the calculation of the Company's income taxes. Excluding the effect of the consolidated CLO entity income and loss allocated to other beneficial interest holders, our effective tax rate would have been 37.2 percent and 38.0 percent in fiscal 2012 and 2011, respectively.

Our policy for accounting for income taxes includes monitoring our business activities and tax policies for compliance with federal, state and foreign tax laws. In the ordinary course of business, various taxing authorities may not agree with certain tax positions we have taken, or applicable law may not be clear. We periodically review these tax positions and provide for and adjust as necessary estimated liabilities relating to such positions as part of our overall tax provision. There were no significant changes in our estimates surrounding these positions in either of the periods presented.

Equity in Net Income of Affiliates, Net of Tax

Equity in net income of affiliates, net of tax, for fiscal 2012 primarily reflects our 49 percent equity interest in Hexavest acquired on August 6, 2012, our 7 percent minority equity interest in a private equity partnership and equity interests in certain funds we sponsor or manage, notably Eaton Vance Richard Bernstein All Asset Strategy Fund, Eaton Vance Real Estate Fund, AGF Floating Rate Income Fund, Eaton Vance Tax-Advantaged Bond Strategies Long Term Fund and Eaton Vance Parametric Structured Currency Fund. Equity in net income of affiliates, net of tax, increased by $0.4 million in fiscal 2012, primarily due to the inclusion of our 49 percent equity interest in Hexavest, offset by a decrease in the net income of the private equity partnership. Equity in net income of affiliates, net of tax, increased by $2.5 million in fiscal 2011, primarily due to an increase in the net income of the private equity partnership. As noted above, we sold our equity investment in Lloyd George Management in fiscal 2011.

Net Income Attributable to Non-controlling and Other Beneficial Interests

Net income attributable to non-controlling and other beneficial interests increased by $48.6 million in fiscal 2012, reflecting an increase of $57.1 million in gains attributable to other beneficial interest holders of the consolidated CLO entity and a $1.9 million increase in net income attributable to non-controlling interest holders in the Company's consolidated funds and majority owned subsidiaries offset by a $10.3 million decrease in positive adjustments to the estimated redemption value of non-controlling interests in those subsidiaries. In fiscal 2012, the adjustments made to the estimated redemption value of non-controlling interests in Parametric, Parametric Risk Advisors and Atlanta Capital were $7.9 million, $1.5 million and $10.0 million respectively. In fiscal 2011, the adjustments made to the estimated redemption value of non-controlling interests in Parametric, Parametric Risk Advisors and Atlanta Capital were $20.0 million, $1.9 million and $8.3 million, respectively.

Net income attributable to non-controlling and other beneficial interests decreased by $14.3 million in fiscal 2011, reflecting the recognition of $34.5 million of losses borne by other beneficial interest holders of the consolidated CLO entity partly offset by an $8.4 million increase in net income attributable to non-controlling interest holders in the Company's consolidated funds and majority owned subsidiaries and an $11.8 million increase in valuation adjustments made to the estimated redemption value of non-controlling interests in those subsidiaries. The increase in valuation adjustments made to the estimated redemption values of non-controlling interests in majority owned subsidiaries reflects the subsidiaries' profit growth.

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

Changes in Financial Condition, Liquidity and Capital Resources

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

The following table summarizes certain key financial data relating to our liquidity, capital resources and uses of cash on October 31, 2012, 2011 and 2010 and for the years then ended:

42

Balance Sheet and Cash Flow Data

(in thousands)	October 31, 2012	2011	2010
Balance sheet data:			
Assets:			
Cash and cash equivalents	$462,076	$510,913	$307,886
Investment advisory fees and other receivables	133,589	130,525	129,380
Total liquid assets	$595,665	$641,438	$437,266
Investments	$486,933	$287,735	$334,409
Liabilities:			
Debt	$500,000	$500,000	$500,000

(in thousands)	Years Ended October 31, 2012	2011	2010
Cash flow data:			
Operating cash flows	$178,778	$172,312	$95,899
Investing cash flows	(90,905)	133,520	(14,025)
Financing cash flows	(136,748)	(103,047)	(84,252)

Liquidity and Capital Resources

Liquid assets consist of cash and cash equivalents and investment advisory fees and other receivables. Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to cash. Investment advisory fees and other receivables primarily represent receivables due from sponsored funds and separately managed accounts for investment advisory and distribution services provided. Liquid assets represented 39 percent and 48 percent of total assets on October 31, 2012 and 2011, respectively, excluding those assets identified as assets of the consolidated CLO entity. The Company’s seed investments in consolidated funds and separate accounts are not treated as liquid assets because they may be longer term in nature.

The $45.8 million decrease in liquid assets in fiscal 2012 primarily reflects net cash provided by operating activities of $178.8 million, net inflows into consolidated funds from non-controlling interest holders of $42.0 million, proceeds from the issuance of Non-Voting Common Stock of $55.7 million, $8.6 million of excess tax benefits associated with stock option exercises and $22.1 million reflecting the impact of our consolidated CLO entity’s operating, investing and financing activities, offset by net cash used for the purchase of available-for-sale securities and investments in equity method investees of $127.4 million, the repurchase of $106.5 million of Non-Voting Common Stock, the payment of $87.8 million of dividends to shareholders, $12.3 million in contingent payments made to the sellers of the former Tax-Advantaged Bond Strategies (“TABS”) business of M.D. Sass Investors Services and the payment of $19.9 million to acquire additional interests in our majority owned subsidiaries. Net cash used for the purchase of available-for-sale securities and investments in equity method investees of $127.4 million primarily reflects our acquisition of a 49 percent interest in Hexavest in the fourth quarter of fiscal 2012. The increase in investment advisory fees and other receivables can be attributed to the increase in our revenue run rate at the end of fiscal 2012 compared to the end of fiscal 2011.

The $204.2 million increase in liquid assets in fiscal 2011 can be attributed to an increase in cash and cash equivalent balances of $203.0 million and an increase in investment advisory fees and other receivables of $1.1 million. The increase in cash and cash equivalent balances in fiscal 2011 primarily reflects net cash provided by operating activities of $172.3 million, net proceeds from the sale of available-for-sale securities of $156.9 million, net inflows into consolidated funds from non-controlling interest holders of $118.5 million and proceeds from the issuance of Non-Voting Common Stock of $60.9 million offset by the repurchase of $198.6 million of Non-Voting Common Stock, the payment of $85.2 million of dividends to shareholders, $11.6 million in contingent payments made to the sellers of TABS business and the payment of $6.6 million to purchase additional interests in Parametric and Parametric Risk Advisors in the third quarter of fiscal 2011. The increase in investment advisory fees and other receivables can be attributed to the increase in our revenue run rate at the end of fiscal 2011 compared to the end of fiscal 2010.

On October 31, 2012, our debt consisted of $500 million in aggregate principal amount of 6.5 percent ten-year unsecured notes due in 2017. We also maintain a $300.0 million unsecured revolving credit facility with several banks that expires on June 4, 2015. The facility provides that we may borrow at LIBOR-based rates of interest that vary depending on the level of usage of the facility and our credit ratings. The agreement contains financial covenants with respect to leverage and interest coverage and requires us to pay an annual commitment fee on any unused portion. We had no borrowings under our revolving credit facility at October 31, 2012 or at any point during the fiscal year. We were in compliance with all debt covenants as of October 31, 2012.

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

Recoverability of our Investments

Our $486.9 million of investments as of October 31, 2012 consisted of our 49 percent equity interest in Hexavest and positions in Eaton Vance-managed funds and separate accounts entered into for investment and business development purposes. Investments in sponsored products are generally in liquid debt or equity securities and are carried at fair market value. We test our investments, excluding our equity method investments but including our investments in non-consolidated CLO entities and investments classified as available-for-sale, for impairment on a quarterly basis.

We evaluate our investments in non-consolidated CLO entities and investments classified as available-for-sale for impairment using quantitative factors, including how long the investment has been in a net unrealized loss position, and qualitative factors, including the underlying credit quality of the issuer and our ability and intent to hold the investment. If markets deteriorate during the quarters ahead, our assessment of impairment on a quantitative basis may lead us to impair investments in future quarters that were in an unrealized loss position at October 31, 2012.

We test our investments in equity method investees, goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year, or as facts and circumstances indicate that additional analysis is warranted. There have been no significant changes in financial condition in fiscal 2012 that would indicate that an impairment loss exists at October 31, 2012.

We periodically review our deferred sales commissions and identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. There have been no significant changes in financial condition in fiscal 2012 that would indicate that an impairment loss exists at October 31, 2012.

Operating Cash Flows

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

Cash provided by operating activities totaled $178.8 million in fiscal 2012, an increase of $6.5 million from the $172.3 million reported in fiscal 2011. The increase in net cash provided by operating activities year over year, primarily reflects a net increase in operating cash flows related to timing differences in the cash settlement of other assets and liabilities partially offset by net gains recognized by our consolidated CLO entity compared to net losses in fiscal 2011 and an increase in our net deferred income tax asset.

Cash provided by operating activities totaled $172.3 million in fiscal 2011, an increase of $76.4 million from the $95.9 million reported in fiscal 2010. The increase in net cash provided by operating activities year over year primarily reflects an increase in net income attributable to Eaton Vance Corp. shareholders of $40.6 million, the receipt of a federal income tax refund of $85.0 million in fiscal 2011 associated with the change in tax accounting for certain closed-end fund distribution expenses and a net decrease of $51.3 million related to timing differences in the cash settlement of other assets and liabilities.

Investing Cash Flows

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

Cash used for investing activities totaled $90.9 million in fiscal 2012 compared to cash provided by investing activities of $133.5 million in fiscal 2011. The decrease in cash provided by investing activities year over year can be primarily attributed to our acquisition of a 49 percent equity interest in Hexavest, which is included in purchase of investments. In fiscal 2012 and 2011, the Company made contingent payments of $12.3 million and $11.6 million, respectively, to the sellers of TABS under the terms of the 2009 acquisition agreement.

Cash provided by investing activities totaled $133.5 million in fiscal 2011 compared to cash used for investing activities of $14.0 million in fiscal 2010. The increase in cash provided by investing activities year over year can be primarily attributed to an increase in net proceeds received in conjunction with the net purchases and sales of available-for-sale investments in fiscal 2011. In fiscal 2010, the Company made a contingent payment of $8.8 million, to the sellers of TABS under the terms of the 2009 acquisition agreement.

Financing Cash Flows

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

Cash used for financing activities totaled $136.7 million, $103.0 million and $84.3 million in fiscal 2012, 2011 and 2010, respectively. In fiscal 2012, we paid $19.9 million to acquire additional interests in our majority-owned subsidiaries, repurchased and retired approximately 4.0 million shares of our Non-Voting Common Stock for $106.5 million under our authorized repurchase programs and issued 4.7 million shares of our Non-Voting Common Stock in connection with the grant of restricted share awards, the exercise of stock options and other employee stock purchases for total proceeds of $55.7 million. We have authorization to purchase an additional 3.9 million shares as of October 31, 2012 under our current share repurchase authorization and anticipate that future repurchases will continue to be an ongoing use of cash. Our dividends declared per share were $0.77 in fiscal 2012, compared to $0.73 in fiscal 2011 and $0.66 in fiscal 2010. We currently expect to declare and pay comparable dividends on our Voting and Non-Voting Common Stock on a quarterly basis. On December 4, 2012, the Company declared a special dividend of $1.00 per share on its Voting and Non-Voting Common Stock payable on December 20, 2012.

Contractual Obligations

The following table details our future contractual obligations as of October 31, 2012:

	Payments due by period				
(in millions)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases – facilities and equipment[1]	$395	$ 20	$41	$38	$ 296
Senior notes	500	-	-	500	-
Interest payment on senior notes	163	33	65	65	-
Investment in private equity partnership	1	-	1	-	-
Unrecognized tax benefits[2]	10	-	10	-	-
Total	$1,069	$ 53	$117	$603	$ 296
Contractual obligations of consolidated CLO:					
Senior and subordinated note obligations	$471	$ -	$-	$-	$ 471

Interest payments on senior notes	23	4	7	7	5
Total contractual obligations of consolidated CLO	$494	$ 4	$ 7	$ 7	$ 476

(1) *Minimum payments have not been reduced by minimum sublease rentals of $3.3 million to be received in the future under noncancelable subleases.*

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

46

In July 2006, we committed to invest up to $15.0 million in a private equity partnership that invests in companies in the financial services industry. We had invested $13.9 million of the maximum $15 million as of October 31, 2012. The remaining commitment is included in the table above.

Interests held by non-controlling interest holders of Atlanta Capital, Parametric and Parametric Risk Advisers are not subject to mandatory redemption. The purchase of non-controlling interests is predicated, for each subsidiary, on the exercise of a series of puts held by non-controlling interest holders and calls held by us. Neither the exercise of the puts nor the exercise of the calls is contingent upon the non-controlling interest holders of the acquired entities remaining employed by the Company. The puts provide the non-controlling interest holders the right to require us to purchase these retained interests at specific intervals over time, while the calls provide us with the right to require the non-controlling interest holders to sell their retained equity interests to us at specified intervals over time, as well as upon the occurrence of certain events such as death or permanent disability. As a result, there is significant uncertainty as to the timing of any non-controlling interest purchase in the future. The value assigned to the purchase of an originating non-controlling interest is based, in each case, on a multiple of earnings before interest and taxes of the subsidiary, which is a measure that is intended to represent fair market value. There is no discrete floor or ceiling on any non-controlling interest purchase. As a result, there is significant uncertainty as to the amount of any non-controlling interest purchase in the future. Accordingly, future payments to be made to purchase non-controlling interests have been excluded from the above table, unless a put or call option has been exercised and a mandatory firm commitment exists for us to purchase such non-controlling interests. Although the timing and amounts of these purchases cannot be predicted with certainty, we anticipate that the purchase of non-controlling interests in our consolidated subsidiaries may be a significant use of cash in future years.

We have presented all redeemable non-controlling interests at redemption value on our Consolidated Balance Sheet as of October 31, 2012. We have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at fair value as a component of additional paid-in capital and have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at other than fair value as a component of net income attributable to non-controlling and other beneficial interests. Based on our calculations, the estimated redemption value of our non-controlling interests, redeemable at either fair value or other than fair value, totaled $98.8 million on October 31, 2012 compared to $100.8 million on October 31, 2011.

Redeemable non-controlling interests as of October 31, 2012 consist of third-party investors’ ownership in consolidated investment funds of $20.1 million, non-controlling interests in Parametric, Parametric Risk Advisors and Atlanta Capital redeemable at other than fair value of $33.7 million, $8.7 million and $32.1 million, respectively, and redeemable interests in profit interests granted under subsidiary-specific long-term incentive plans of Parametric and Atlanta Capital of $2.0 million and $2.2 million, respectively. Redeemable non-controlling interests as of October 31, 2011 consist of third-party investors’ ownership in consolidated investment funds of $25.6 million, non-controlling interests in Parametric, Parametric Risk Advisors and Atlanta Capital redeemable at other than fair value of $42.4 million, $10.3 million and $21.4 million, respectively, and redeemable interests in profit interests of Parametric and Atlanta Capital of $0.6 million and $0.5 million, respectively.

In conjunction with its acquisition of the TABS business in December 2008, the Company is obligated to make four further annual contingent payments based on prescribed multiples of TABS's revenue for the twelve months ending December 31, 2012, 2014, 2015 and 2016. There is no defined floor or ceiling on any payment, resulting in significant uncertainty as to the amount of any payment in the future. Accordingly, future payments to be made have been excluded from the above table until such time as the uncertainty has been resolved. The Company made a contingent payment of $12.3 million with respect to the twelve months ended December 31, 2011.

In April 2012, the non-controlling interest holders of Parametric exercised a put option requiring the Company to purchase an additional interest in Parametric for $17.0 million, representing a 1.7 percent capital interest and a 2.9 percent profit interest in the entity. The transaction increased our ownership interest from 94.8 percent to 96.6 percent when the payment was made in May. The payment was treated as an equity transaction and reduced redeemable non-controlling interests at closing. The transaction reduced capital interests held by non-controlling interest holders from 5.2 percent on October 31, 2011 to 3.4 percent on October 31, 2012. Profit interests held by non-controlling interest holders, which include direct profit interests in Parametric as well as indirect profit interests granted as part of a long-term equity incentive plan of that entity, decreased to 9.7 percent on October 31, 2012 from 11.4 percent on October 31, 2011, reflecting a 1.1 percent profit interest granted under the long-term equity plan offset by the re-purchase of the 2.9 percent profit interest referenced above.

In June 2012, Parametric exercised a call option requiring the non-controlling interest holders of Parametric Risk Advisors to sell an additional interest in Parametric Risk Advisors for $2.9 million. The transaction increased Parametric’s ownership interest from 60 percent to 70 percent when the payment was made in July. The payment was treated as an equity transaction and reduced redeemable non-controlling interests at closing.

Capital interests held by non-controlling interest holders of Atlanta Capital totaled 0.6 percent on October 31, 2012 and 2011. Profit interests held by non-controlling interest holders, which include direct profit interests in Atlanta Capital as well as indirect profit interests granted as part of a long-term equity incentive plan of that entity, increased to 18.1 percent on October 31, 2012 from 16.9 percent on October 31, 2011, reflecting an additional 1.2 percent profit interest granted under the long-term equity plan.

On August 6, 2012, we completed the purchase of a 49 percent equity interest in Hexavest, a Montreal-based investment advisor that provides discretionary management of equity and tactical asset allocation strategies using a predominantly top-down investment style. Following the closing, the employee shareholders of Hexavest continue to control and direct its operations and the Company assumed primary responsibility for Hexavest’s new business development outside of Canada.

At closing we paid $186.7 million to acquire the 49 percent interest, sourced from cash on hand. The Company will be obligated to make additional payments in respect of the acquired interest in fiscal 2013 and 2014 if Hexavest exceeds defined annual revenue thresholds in the first and second twelve-month periods following the closing, respectively. We have the option to acquire an additional 26 percent interest in Hexavest in 2017. There is no defined floor or ceiling on any payment, resulting in significant uncertainty as to the amount of any payment in the future. Accordingly, future payments to be made have been excluded from the above table until such time as the uncertainty has been resolved. Although the amounts of these payments cannot be predicted with certainty, we anticipate they may be a significant use of cash in future years.

On November 11, 2012, Parametric announced the signing of a definitive agreement to acquire the business of The Clifton Group Investment Management Company ("Clifton Group"). Based in Minneapolis, Clifton Group specializes in providing futures- and options- based overlay services and custom risk management solutions to institutional investors. Following the closing, Clifton Group will be organized as a division of Parametric operating under its current leadership. Parametric will acquire the Clifton Group business using a loan from the Company, sourced from cash on hand. Completion of the transaction is expected on or about December 31, 2012 and is subject to certain customary closing conditions. No amounts relating to this purchase have been included in the table above.

Foreign Subsidiaries

We consider the undistributed earnings of our Canadian subsidiary as of October 31, 2012 to be indefinitely re-invested. Accordingly, no U.S. income taxes have been provided thereon. As of October 31, 2012, the Company had approximately $2.2 million of undistributed earnings in our Canadian subsidiary that is not available to fund domestic operations or to distribute to shareholders unless repatriated. The Company would need to accrue and pay U.S. corporate income taxes if such funds were repatriated. The Company's current plans do not demonstrate a need to repatriate these funds.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

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

Consolidation of Variable Interest Entities

Effective November 1, 2010, we adopted new accounting guidance relating to the consolidation of variable interest entities ("VIEs"). This accounting guidance provides a framework for determining whether an entity should be considered a VIE and, if so, whether our involvement with the entity results in a variable interest in the entity. If we determine that we do have a variable interest in the entity, we must then perform an analysis to determine whether it represents the primary beneficiary of the VIE. If we determine that we are the primary beneficiary of the VIE, we are required to consolidate the assets, liabilities and results of operations of the VIE into the consolidated financial statements of the Company. A company is the primary beneficiary of a VIE if it has a controlling financial interest in the VIE. A company is deemed to have a controlling financial interest in a VIE if it has both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

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

While we believe that our evaluation is appropriate, future changes in estimates, judgments and assumptions in the case of an evaluation triggered by a reconsideration event as defined in the accounting standard may affect the determination of the primary beneficiary status and the resulting consolidation, or deconsolidation, of the assets, liabilities and results of operations of the VIE in our consolidated financial statements.

Fair Value Measurements

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

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

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

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

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

Goodwill

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

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

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

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

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

Intangible Assets

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

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

Accounting for Income Taxes

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

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

Stock-Based Compensation

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

Non-controlling interests

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

Accounting Developments

Testing intangibles for impairment

In July 2012, the Financial Accounting Standards Board ("FASB") updated the indefinite-lived asset impairment testing guidance. Under the amended guidance, a reporting entity may elect to assess qualitative factors to determine if it is more likely than not that the fair value of the intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the currently required quantitative fair value assessment. The new guidance is effective for the Company for the fiscal year that begins on November 1, 2012. The Company is still in the process of determining whether or not it will make this election. The adoption of this new guidance is not expected to have a material effect on the Company's Consolidated Financial Statements.

Testing goodwill for impairment

In September 2011, the FASB issued an amendment to the existing goodwill impairment guidance. The terms of the amendment permit a reporting entity to first assess qualitative factors to determine whether it is necessary to perform step one of the two-step goodwill impairment test. The new guidance is effective for the Company for the fiscal year that begins on November 1, 2012. The Company is still in the process of determining whether or not it will make this election. The adoption of this new guidance is not expected to have a material effect on the Company's Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures about M