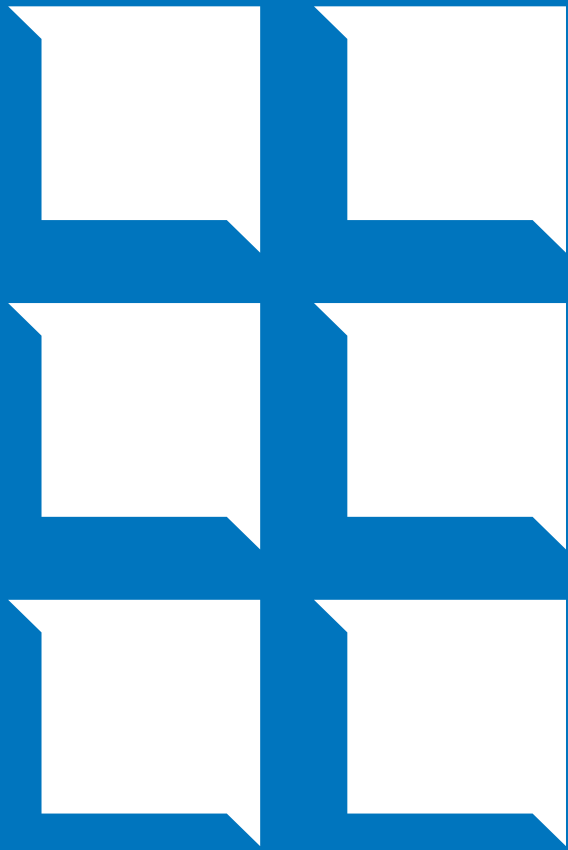
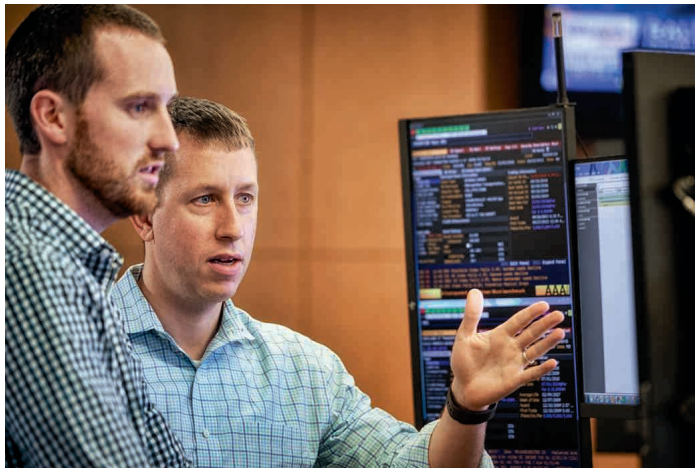
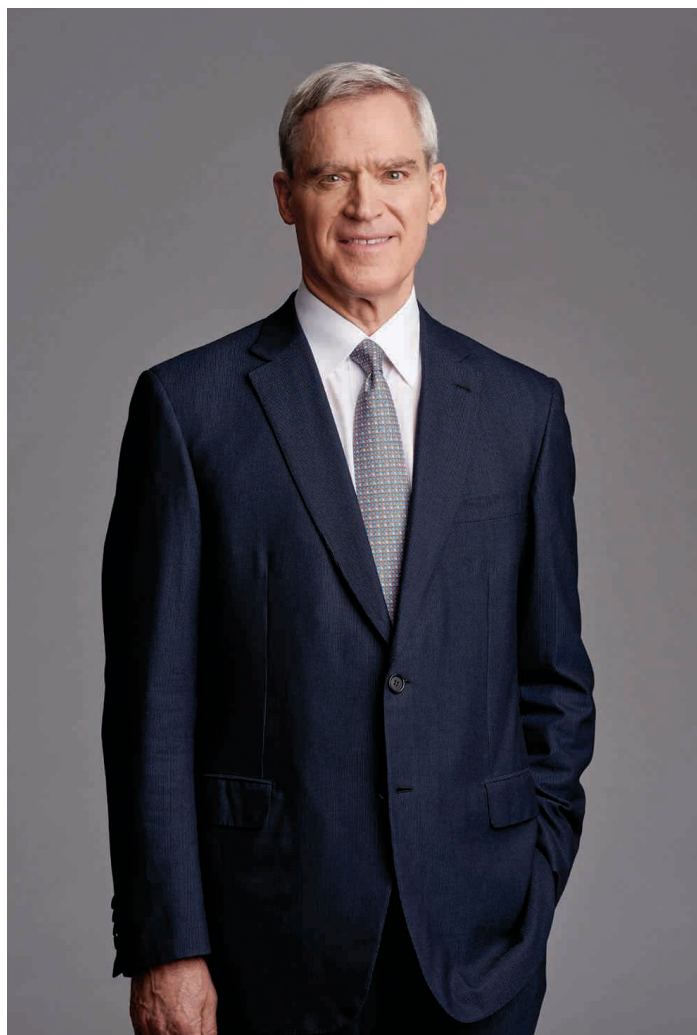


Advanced Investing







To Shareholders and Friends of Eaton Vance:

Over the twelve months ended October 31, 2019, U.S. and international equity prices first declined through late December, then rallied sharply after the turn of the calendar year to close at record levels. For this period, which corresponds to Eaton Vance's fiscal 2019, U.S. stocks, as represented by the S&P 500® Index, returned 14.3 percent and developed-market international stocks, as reflected in the performance of the MSCI EAFE Index, returned 11.6 percent. The Bloomberg Barclays US Aggregate Bond Index, a broad measure of U.S. fixed income markets, returned 11.5 percent over the fiscal year.

Although the market backdrop was favorable for much of our fiscal 2019, the asset management industry continued to face significant headwinds, as the long-term migration of investment assets from generally higher-fee active strategies to lower-fee index-based strategies continued, and fee pressures across both active and passive mandates intensified. Returns of most peer U.S. asset manager stocks lagged the overall equity market, averaging 9.7 percent for the twelve months. Reflecting the persistent challenges our industry has faced, the average of peer asset manager stocks underperformed the market as a whole for each of the one, three, five and ten years ended October 31, 2019.



After four consecutive years of Eaton Vance non-voting common stock outperforming most peer asset managers, our stock underperformed both the peer group average and the broader market in fiscal 2019, generating returns of 4.7 percent. Our stock's longer-term performance versus industry peers remains positive, outperforming the group average over three, five and ten years at fiscal year-end.

For the twelve months ended October 31, 2019, Eaton Vance earned a record \$3.50 per diluted share, an increase of 13 percent from \$3.11 of earnings per diluted share in fiscal 2018. On an adjusted basis,¹ the Company earned \$3.45 per diluted share, an increase of seven percent from \$3.21 of adjusted earnings per diluted share in fiscal 2018. The \$0.05 per diluted share difference between earnings under U.S. generally accepted accounting principles (U.S. GAAP) and adjusted earnings reflects the reversal of \$5.4 million of net excess tax benefits related to stock-based compensation awards recognized in fiscal 2019.

While earnings per diluted share increased on both a U.S. GAAP and adjusted basis, the Company's operating income fell to \$521 million in fiscal 2019 from \$555 million in fiscal 2018, a decline of six percent. Non-operating income (expense) contributed \$50 million to year-over-year growth in pretax income, reflecting positive contributions from seed capital investments and consolidated collateralized loan obligation (CLO) entities. Earnings per diluted share also benefited from a decline in our effective income tax rate, to 25.2 percent in fiscal 2019 from 27.6 percent in fiscal 2018 on an adjusted basis, and a seven percent decrease in weighted average diluted shares outstanding.

We ended fiscal 2019 with a record \$497.4 billion of consolidated assets under management, an increase of 13 percent from \$439.3 billion of consolidated assets under management at the end of fiscal 2018.

The year-over-year decline in fiscal 2019 operating income reflects one percent lower revenue and two percent growth in operating expenses. Management fee revenue was substantially unchanged, as a five percent increase in consolidated average assets under management was largely offset by lower average management fee rates. Consistent with prior years, the decline in the Company's average management fee rate reflects a shift in business mix toward lower-fee offerings and fee-rate compression in selected mandates. Growth in operating expenses was driven primarily by higher compensation expense associated with increased salary and benefit costs and higher severance expense, partially offset by lower operating income-based bonuses and reduced sales-based incentives.

We ended fiscal 2019 with a record \$497.4 billion of consolidated assets under management, an increase of 13 percent from \$439.3 billion of consolidated assets under management at the end of fiscal 2018. In fiscal 2019, net inflows and price appreciation of managed assets contributed \$23.9 billion and \$34.2 billion, respectively, to growth in consolidated assets under management.

The Company's \$23.9 billion of consolidated net inflows in fiscal 2019 equates to five percent internal growth in managed assets (consolidated net inflows divided by beginning-of-period consolidated assets under management) and 0.1 percent internal growth in management fee revenue (annualized management fees attributable to consolidated inflows less annualized management fees attributable to consolidated outflows, divided by beginning-of-period annualized consolidated management fee revenue). Internal growth in management fee revenue trailed internal growth in managed assets due to higher average management fee rates on outflows

¹See footnote 2 on page 14.

than on inflows. For comparison, the Company had consolidated net inflows of \$17.3 billion, four percent internal growth in managed assets and four percent internal growth in management fee revenue in fiscal 2018. Fiscal 2019 was our 24th consecutive fiscal year of positive net flows.

Net inflows in fiscal 2019 were led by Parametric Portfolio Associates (Parametric) exposure management mandates, with net inflows of \$11.0 billion, Parametric Custom Core™ equity separate accounts (\$8.7 billion), Eaton Vance Management (EVM) laddered municipal and corporate bond strategies (\$6.5 billion), EVM short-duration government income (\$2.6 billion), Parametric defensive equity (\$2.3 billion) and EVM privately offered equity funds (\$2.3 billion).

Exposure management net inflows of \$11.0 billion compare to net outflows of \$8.3 billion in fiscal 2018. The positive change year-over-year reflects net additions in fiscal 2019 to the outstanding balances of overlay positions held by continuing clients, versus net reductions in positions held by continuing clients in fiscal 2018. Net flows from new and terminating clients were positive in both years, as they have been each year since Parametric entered the portfolio overlay business through the acquisition of The Clifton Group Investment Management Company (Clifton) in 2012.

Custom Core equity and laddered bond individual separate accounts on a combined basis contributed \$15.3 billion to net inflows for the fiscal year, which equates to 18 percent internal growth in managed assets and compares to \$14.8 billion of combined net inflows in fiscal 2018. Reflecting both positive net inflows and market appreciation, managed assets in Custom Core equity and laddered bond individual separate accounts increased 33 percent to end fiscal 2019 at \$111.9 billion. These market-leading offerings combine the benefits of benchmark-based investing with the ability to customize portfolios to meet individual preferences and needs and to achieve greater tax efficiency. In fiscal 2019, we extended available customization for our laddered bond separate account offerings to include systematic, year-round tax-loss harvesting, long a key feature of Custom Core equity separate accounts. As described below, in June we announced a strategic initiative that includes combining our Custom Core equity and laddered bond offerings under Parametric.

On an overall basis, fiscal 2019 was a period of continuing strong investment performance across our principal investment affiliates. As of October 31, 2019, we sponsored 76 U.S. mutual funds with an overall Morningstar™ rating of four or five stars for at least one class of shares, including 32 five star-rated funds.

In its second full year as part of Eaton Vance, our Calvert Research and Management (Calvert) affiliate had net inflows across mandate reporting categories of \$3.7 billion. That includes approximately \$700 million of net inflows into Calvert Equity Fund, which is sub-advised by our Atlanta Capital Management (Atlanta Capital) affiliate. Including Calvert Equity Fund, Calvert achieved 25 percent internal growth in managed assets in fiscal 2019 and closed fiscal 2019 with net assets of \$19.8 billion. That compares to net inflows of \$1.9 billion and ending net assets of \$14.7 billion in fiscal 2018. Calvert's managed assets (including Calvert Equity Fund) have grown by 66 percent from \$11.9 billion at acquisition in December 2016.

Our investment strategies with the largest net outflows in fiscal 2019 were EVM floating-rate bank loans (net flows of -\$8.3 billion), EVM global macro absolute return (-\$3.7 billion) and Parametric emerging-market equities (-\$2.4 billion). Outflows from floating-rate bank loan strategies in fiscal 2019 compare to net inflows of \$5.9 billion in fiscal 2018, reflecting year-to-year changes in the trend of short-term interest rates. Recent Federal Reserve signaling of a stable near-term outlook for



short-term interest rates suggests that bank loan flows may improve in 2020. Outflows from global macro absolute return strategies in fiscal 2019 compare to net inflows of approximately \$800 million in fiscal 2018. Our global macro strategies, which hold long and short positions in currency and short-duration sovereign debt instruments of emerging- and frontier-market countries, generated disappointing returns in calendar 2018 but rebounded to solid performance in 2019, setting the stage for potentially improved flows in 2020. Outflows from Parametric emerging-market equity strategies improved modestly year-over-year, from \$2.6 billion in fiscal 2018.

On an overall basis, fiscal 2019 was a period of continuing strong investment performance across our principal investment affiliates. As of October 31, 2019, we sponsored 76 U.S. mutual funds with an overall Morningstar™ rating of four or five stars for at least one class of shares, including 32 five star-rated funds. As measured by total return net of expenses, at fiscal year-end 46 percent of our U.S. mutual fund assets ranked in the top quartile of their Morningstar peer groups over three years, 62 percent in the top quartile over five years and 58 percent in the top quartile over ten years. In the annual Barron's/Lipper rankings of Best Mutual Fund Families for calendar 2018, Eaton Vance, Calvert and Parametric collectively ranked third overall among 57 fund families rated for one-year performance, 7th among 55 fund families based on five-year returns and 32nd among 49 families rated for ten-year performance. Amid widespread skepticism about the value of active management, our portfolio teams have delivered benchmark-beating performance over a broad array of investment mandates.

In June, we announced a strategic initiative involving our Parametric and EVM affiliates, seeking to further strengthen our leadership positions in rules-based, systematic investment strategies, customized individual separate accounts and wealth management solutions. The three principal components of the initiative are: rebranding EVM's rules-based, systematic investment-grade fixed income strategies as Parametric and aligning internal reporting consistent with the revised branding; combining the technology and operating platforms supporting the individual separately managed account businesses of Parametric and EVM; and integrating the distribution teams under Eaton Vance Distributors and Parametric serving the registered investment advisor and multi-family office channel in the U.S.

Through this initiative, Parametric's customized individual separate account offerings will broaden to encompass a range of systematic fixed income and multi-asset strategies, including maturity-based and liability-driven portfolio benchmarks, extending the addressed market. Combining the technology and operating platforms supporting the individual separately managed account businesses of Parametric and EVM will enable us to achieve higher levels of client service and greater operating efficiencies and scale economies, enhancing the competitiveness of our offerings. Combining our sales coverage in the registered investment advisor and multi-family office channel will enable our representatives to offer wealth management solutions that encompass the Company's full capabilities, creating opportunities for expanded sales and deeper advisor and client relationships.

The change process supporting this initiative is scheduled for completion in the first quarter of fiscal 2020. As final implementation moves closer, we are increasingly convinced that these structural changes will meaningfully enhance Parametric's and Eaton Vance's leading positions in the growing markets for customized individual separate accounts and wealth management strategies and services, in turn supporting the Company's continued above-market growth.

Expressing confidence in the Company's future, our board of directors voted in October to increase our quarterly dividend by seven percent to an annual rate of \$1.50 per share, making this the 39th consecutive fiscal year that we have raised our regular quarterly dividend. In fiscal 2019, the Company paid \$159 million of dividends to shareholders and used \$300 million to repurchase and retire approximately 7.4 million shares of our non-voting common stock.

Eaton Vance continues to maintain a prudent financial position, as reflected in our A-/A3 credit rating and strong balance sheet. At the end of fiscal 2019, we held \$856 million of cash, cash equivalents and short-term debt securities and maintained seed investments in sponsored funds and separate accounts of \$324 million. That compares to outstanding debt obligations at fiscal year-end of \$625 million. Our \$300 million revolving credit facility was unused during the fiscal year.

A hallmark of Eaton Vance is our distinctively employee-friendly and client-centric culture. We regard maintaining the right culture as critical to attracting, developing and retaining a professional staff of the highest caliber and achieving consistently high levels of service excellence. The continuity provided by our well-established senior leadership team and long-tenured employees across the Company is a significant competitive advantage. Once again this year, Eaton Vance was recognized as “One of the Top Places to Work in Massachusetts” in the annual Boston Globe survey, our 11th selection in the twelve years the survey has been conducted.

In fiscal 2019, three longtime leaders of our investment teams announced their transition to an advisory role or retirement. In February, Scott Page stepped down as co-head of EVM’s floating-rate loan group to become a senior advisor after leading or co-leading the group since 1996. A true pioneer of floating-rate loan investing, Scott’s visionary leadership has been instrumental to the development of senior floating-rate loans as an investable asset class and in establishing and maintaining EVM’s position as market leader among floating-rate loan managers. Michael Weilheimer will retire in January 2020 after a highly successful 24-year run as EVM’s director of high-yield investments. Under Mike’s leadership, EVM has built a premier high-yield franchise and a strong team to carry forward its record of investment excellence. Jack Hansen retired in October after serving as chief investment officer of Parametric’s Minneapolis investment center and its Clifton predecessor for more than three decades. The leadership, vision and commitment to client service that Jack has demonstrated over his 35 years at Clifton and Parametric have been instrumental to the development of the organization’s market-leading position in portfolio overlay and other futures- and options-based investment strategies and services. Few investment professionals of any generation will leave a more indelible mark on Eaton Vance than Scott, Mike and Jack.

Few peer companies have realistic prospects for near-term and long-term business growth on the same scale as afforded by our leading positions in customized individual separate accounts, responsible investing and specialty wealth management strategies and services, and the range of high-performing active investment strategies we offer.

As we enter fiscal 2020, Eaton Vance is focused on four strategic priorities. First, capitalizing on the near-term growth opportunities presented by our market-leading positions in customized individual separate accounts, responsible investing and specialty wealth management strategies and services, and the array of high-performing actively managed investment strategies we offer across asset classes and investment styles. Second, defending our leading investment franchises now experiencing business reversals, most notably floating-rate bank loans and global macro absolute return. Third, evolving the Company to enhance our competitive position by developing new value-added investment offerings, achieving greater operating efficiencies, advancing succession planning and opportunistically pursuing value-added acquisition opportunities. And fourth, investing in the Company’s future by committing additional resources to building our technology and operating infrastructure, promoting leadership and staff development, and advancing diversity and inclusion across our organization.



According to a recent report from the Money Management Institute and Cerulli Associates, as of September 30, 2019, we ranked as the largest manager of individual separate accounts offered through intermediary platforms in the U.S., a position we are committed to building upon as this growing market further develops. In recognition of our leadership in individual separate account customization, Eaton Vance was recently named Asset Manager of the Year in the large company category (managed assets above \$25 billion) by the Money Management Institute, the association of the separately managed account business.

Our success, as always, relies on the talents, energy and commitment to excellence demonstrated by the 1,871 Eaton Vance employees whose names are listed on the back of this report. Thanks to their hard work and dedication, we approach fiscal 2020 with continued optimism for our future.

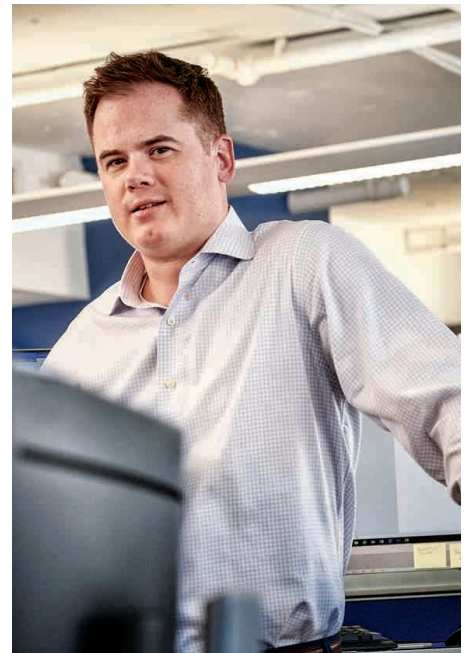
In responsible investing, the centerpiece of our strategy is Calvert, which traces its history in responsible investing to the 1982 launch of the first mutual fund to avoid investing in companies doing business in apartheid-era South Africa. The Calvert Funds are today one of the largest and most diversified families of responsibly invested mutual funds, encompassing actively and passively managed equity, fixed and floating-rate income, and multi-asset strategies. Since Calvert became part of Eaton Vance in December 2016, we have achieved rapid growth in managed assets and further distinguished Calvert as a leader in environmental, social and governance (ESG) research and responsible engagement. Both EVM and Atlanta Capital are increasingly utilizing Calvert's proprietary ESG research as a component of their fundamental research processes. At Parametric, portfolio customization to reflect individual client's responsible investment criteria is a key feature of their separate account offerings. On an overall basis, Eaton Vance is today one of the largest participants in responsible investing, a position we seek to grow in conjunction with rising demand for investments that seek to achieve both favorable investment returns and positive social externalities.

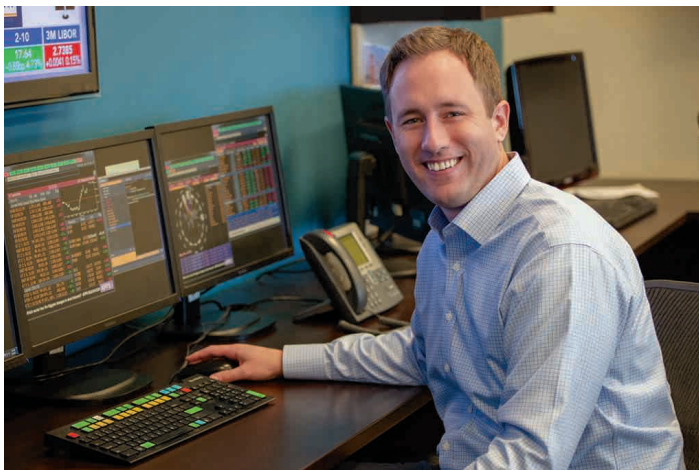
As the investment management business continues to weather challenging times, I remain confident in the strength of Eaton Vance's competitive position and our ability to thrive amid industry adversity. Few peer companies have realistic prospects for near-term and long-term business growth on the same scale as afforded by our leading positions in customized individual separate accounts, responsible investing and specialty wealth management strategies and services, and the range of high-performing active investment strategies we offer. Few peers are blessed with similar strengths in corporate culture, financial resources, business focus, and marketplace reputation and relationships.

Our success, as always, relies on the talents, energy and commitment to excellence demonstrated by the 1,871 Eaton Vance employees whose names are listed on the back of this report. Thanks to their hard work and dedication, we approach fiscal 2020 with continued optimism for our future.

Sincerely,

Thomas E. Faust Jr.
Chairman and Chief Executive Officer



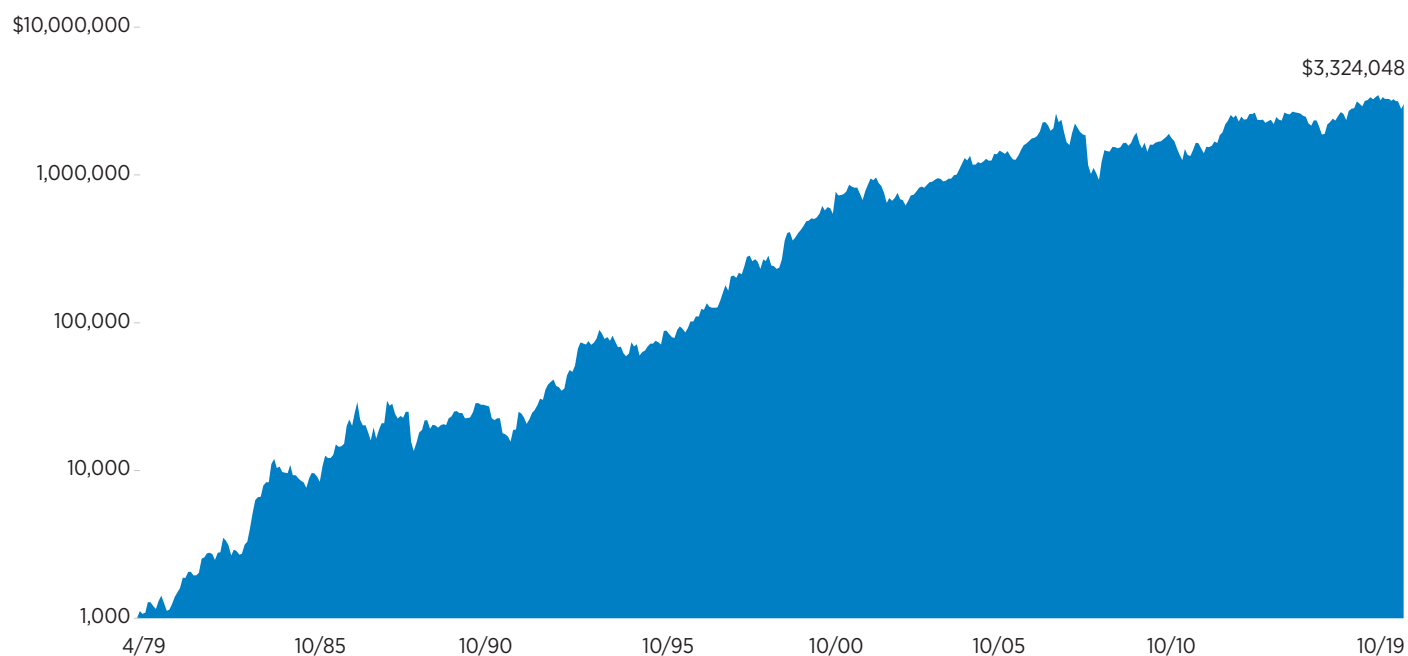


Historical Stock Returns

Eaton Vance Corp. was formed by the merger on April 30, 1979 of two Boston-based investment managers: Eaton & Howard, Inc., founded in 1924, and Vance, Sanders & Company, organized in 1934.

Eaton Vance Corp.

Value of \$1,000 invested April 30, 1979



Assumes reinvestment of all dividends and proceeds of 1995 spinoff of Investors Financial Services Corp.
Sources: Bloomberg, Eaton Vance.

Best-Performing Publicly Traded U.S. Stocks

April 30, 1979 to October 31, 2019

Rank	Company	Annual Return
1	Helen of Troy Limited	22.4%
2	Eaton Vance Corp.	22.1
3	Progressive Corporation	21.8
4	TJX Companies Inc.	21.7
5	Kansas City Southern	21.4
	S&P 500 Index	11.7

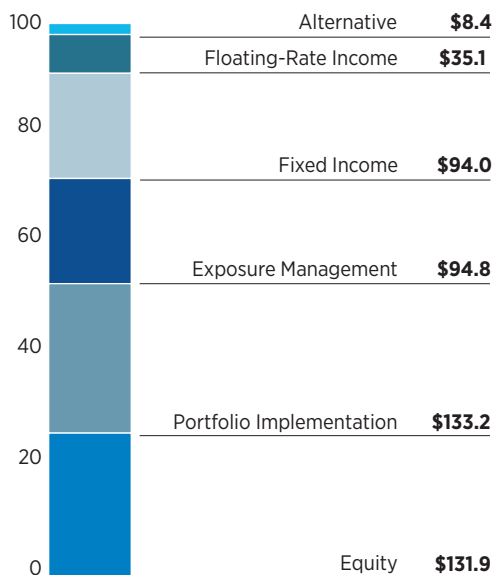
Total return with dividends reinvested. Source: FactSet/Compustat.



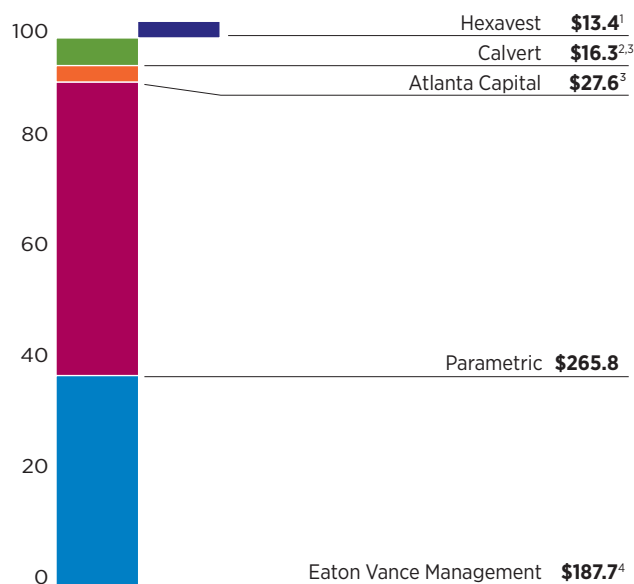
Assets under Management as of October 31, 2019

Consolidated Total: \$497.4 billion

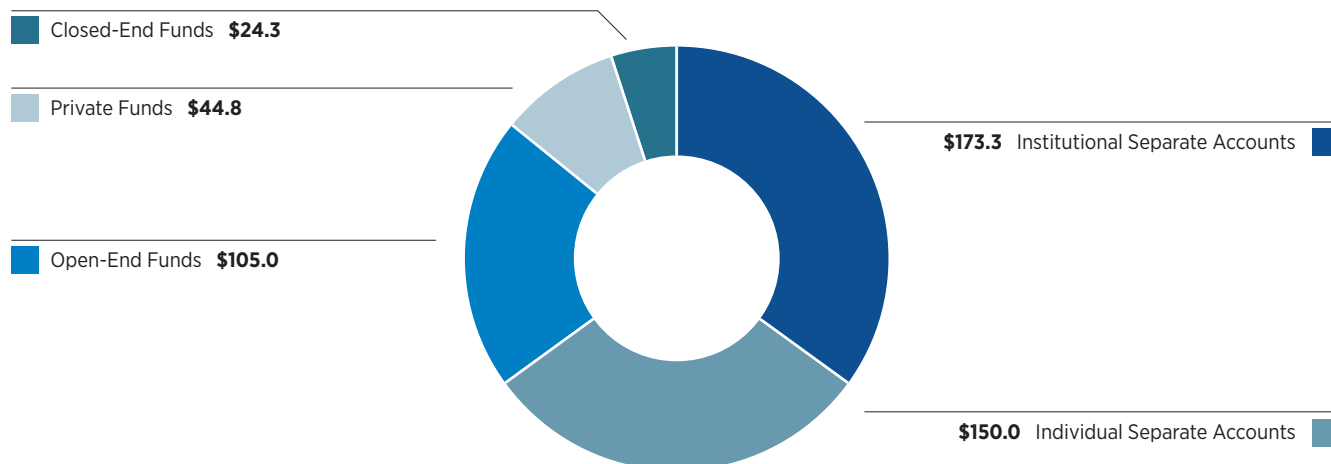
by Investment Mandate (in billions)



by Investment Affiliate (in billions)



by Investment Vehicle (in billions)



¹Eaton Vance holds a 49 percent interest in Hexavest Inc. (Hexavest), a Montreal-based investment adviser. Other than Eaton Vance-sponsored funds for which Hexavest is adviser or sub-adviser, the managed assets of Hexavest are not included in our consolidated totals.

²Includes managed assets of Calvert-sponsored funds managed by unaffiliated third-party advisers under Calvert supervision.

³Consistent with our policies for reporting the managed assets and flows of investment portfolios for which multiple Eaton Vance affiliates have management responsibilities, the managed assets of Atlanta Capital include the assets of Calvert Equity Fund, for which Atlanta Capital serves as sub-adviser. The total managed assets of Calvert, including assets sub-advised by other Eaton Vance affiliates, were \$19.8 billion as of October 31, 2019.

⁴Includes managed assets of Eaton Vance Investment Counsel, Eaton Vance Trust Company and Boston Management and Research. Also includes managed assets of Eaton Vance-sponsored funds and separate accounts managed by Hexavest and unaffiliated third-party advisers under Eaton Vance supervision.

Eaton Vance Investment Affiliates



Fundamental active managers

History dating to 1924 | AUM: \$187.7 billion¹

Equity

Dividend/Global Dividend
Emerging/Frontier Markets
Equity Harvest
Equity Option
Global Developed
Global ex U.S.
Global ex U.S. Small-Cap
Global Small-Cap
Health Care
Large-Cap Core
Large-Cap Growth/Focused Growth
Large-Cap Value/Focused Value
Multi-Cap Growth
Real Estate
Small/Mid-Cap
Small-Cap
Tax-Managed

Alternative

Global Macro

Multi-Asset

Asset Allocation
Balanced
Global Diversified Income

Floating-Rate Income

Floating-Rate Loan

Taxable Fixed Income

Cash Management
Core Bond/Core Plus
Corporate
High Yield
Laddered Investment Grade
Multi-Asset Credit
Emerging-Markets Debt
Global Bond
Inflation-Linked
Preferred Securities
Securitized
Collateralized Loan Obligations
Mortgage-Backed Securities
Short Duration
Taxable Municipal

Tax Exempt/

Tax-Advantaged Income

Laddered Municipal
Municipal Income
Floating Rate
High Yield
National
State-Specific
Opportunistic Municipal
Tax-Advantaged Bond

Eaton Vance provides advanced investment strategies and wealth management solutions to forward-thinking investors around the world.

Through our five primary investment affiliates, we offer a diversity of investment approaches encompassing bottom-up and top-down fundamental active management, responsible investing, systematic investing and customized implementation of client-specified portfolio exposures.

The following third-party organizations provide investment management services as sub-advisers to certain Eaton Vance- and Calvert-sponsored mutual funds and portfolios:

Eaton Vance Funds

BMO Global Asset Management (Asia) Ltd.
Goldman Sachs Asset Management, L.P.
Research Affiliates, LLC
Richard Bernstein Advisors LLC

Calvert Funds

Ameritas Investment Partners, Inc.
Hermes Investment Management Limited
Milliman Financial Risk Management LLC

Eaton Vance and affiliates as of 10/31/2019.

¹Includes managed assets of Eaton Vance Investment Counsel, Eaton Vance Trust Company and Boston Management and Research. Also includes managed assets of Eaton Vance-sponsored funds and separate accounts managed by Hexavest and unaffiliated third-party advisers under Eaton Vance supervision.



Investment science in action

Founded in 1987 | AUM: \$265.8 billion

Equity

- Dividend
- Emerging Markets
- Global ex U.S.
- Global-All Country
- Global-Developed
- Responsible
- Tax-Managed
- U.S.

Options

- Absolute Return
- Covered Calls
- Defensive Equity/
Global Defensive Equity
- Dynamic Hedged Equity
- Put Selling

Alternative

- Alternative Risk Premia
- Commodity

Income

- Enhanced Income

Implementation

- Centralized Portfolio Management
- Custom Core™ Equity
- Multi-Asset Solutions

Exposure Management

- Policy Overlay Services



A global leader in Responsible Investing

History dating to 1976 | AUM: \$16.3 billion^{2,3}

Active Equity

- Emerging Markets
- Global ex U.S.
- Global ex U.S. Small/Mid-Cap
- Global Small-Cap
- Large-Cap
- Mid-Cap
- Small-Cap

Equity Index

- Global ex U.S.
- U.S. Large-Cap Core
- U.S. Large-Cap Growth
- U.S. Large-Cap Value
- U.S. Mid-Cap Core

Floating-Rate Income

- Floating-Rate Loan

Multi-Asset

- Asset Allocation
- Balanced

Taxable Fixed Income

- Core/Core Plus
- Flexible Income
- Green Bond
- High Yield
- Long Duration
- Short Duration/Ultra-Short

Tax-Exempt Income

- Municipal

Thematic Equity

- Global Energy Solutions
- Global Water



Top-down global equity managers

Founded in 2004 | AUM: \$13.4 billion⁴

Equity

- Canadian
- Emerging Markets
- Global ex U.S.
- Global-All Country
- Global-Developed

Multi-Asset

- Unconstrained



Specialists in high-quality investing

Founded in 1969 | AUM: \$27.6 billion³

Equity

- Large-Cap Core
- Large-Cap Growth/Focused Growth
- Small-Cap Core
- SMID-Cap Core

Taxable Fixed Income

- Cash Management/Short Duration
- Core
- Intermediate Duration

²Includes managed assets of Calvert-sponsored funds managed by unaffiliated third-party advisers under Calvert supervision.

³Consistent with our policies for reporting the managed assets and flows of investment portfolios for which multiple Eaton Vance affiliates have management responsibilities, the managed assets of Atlanta Capital include the assets of Calvert Equity Fund, for which Atlanta Capital serves as sub-adviser. The total managed assets of Calvert, including assets sub-advised by other Eaton Vance affiliates, were \$19.8 billion as of October 31, 2019.

⁴Eaton Vance holds a 49 percent interest in Hexavest. Other than Eaton Vance-sponsored funds for which Hexavest is adviser or sub-adviser, the managed assets of Hexavest are not included in our consolidated totals.

Key Statistics

Fiscal Year Ended October 31, (in \$ millions, except per share and employee amounts)	2019	2018	% Change
Ending assets under management	497,432	439,303	13%
Average assets under management	462,843	442,388	5%
Gross inflows	168,861	156,453	8%
Net inflows	23,923	17,341	38%
Revenue ¹	1,683	1,692	-1%
Operating income	521	555	-6%
<i>Operating income margin</i>	<i>30.9%</i>	<i>32.8%</i>	<i>-6%</i>
Net income attributable to Eaton Vance Corp. shareholders	400	382	5%
Adjusted net income attributable to Eaton Vance Corp. shareholders ²	395	394	0%
Earnings per diluted share	3.50	3.11	13%
Adjusted earnings per diluted share ²	3.45	3.21	7%
Dividends declared per share	1.425	1.280	11%
Cash and cash equivalents	558	601	-7%
Debt	621	620	0%
Employees	1,871	1,764	6%
Market capitalization	5,159	5,250	-2%

Eaton Vance Corp. consolidated totals.

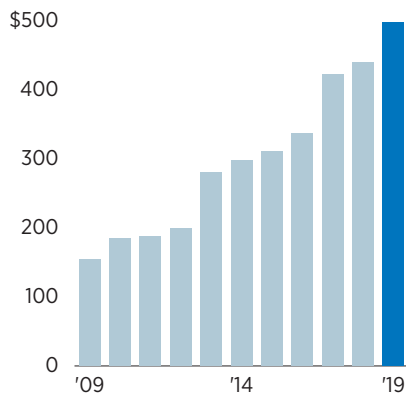
¹Prior-period revenue has been restated to reflect certain classification adjustments resulting from the Company's retrospective adoption of Accounting Standard Update 2014-09, *Revenue from Contracts with Customers*, on November 1, 2018. The adoption of the new revenue recognition accounting standard had no impact on operating income or earnings per share.

²Although the Company reports its financial results in accordance with U.S. generally accepted accounting principles (U.S. GAAP), management believes that certain non-U.S. GAAP financial measures, specifically, adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, while not a substitute for U.S. GAAP financial measures, may be effective indicators of the Company's performance over time. Non-U.S. GAAP financial measures should not be construed to be superior to U.S. GAAP measures. In calculating these non-U.S. GAAP financial measures, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share are adjusted to exclude items management deems non-operating or non-recurring in nature, or otherwise outside the ordinary course of business. These adjustments may include, when applicable, the add back of closed-end fund structuring fees, costs associated with special dividends, debt repayments and tax settlements, the tax impact of stock-based compensation shortfalls or windfalls, and non-recurring charges for the effect of tax law changes. Management and our Board of Directors, as well as certain of our outside investors, consider these adjusted numbers a measure of the Company's underlying operating performance. Management believes adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share are important indicators of our operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and may provide a useful baseline for analyzing trends in our underlying business. 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" included within this Annual Report.

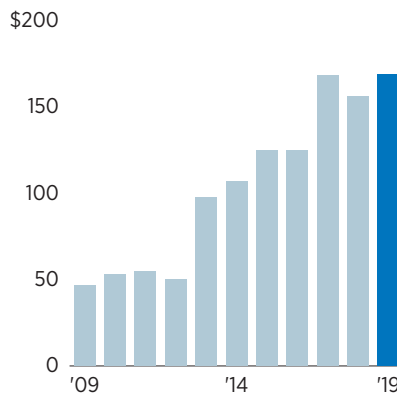


Performance Trends

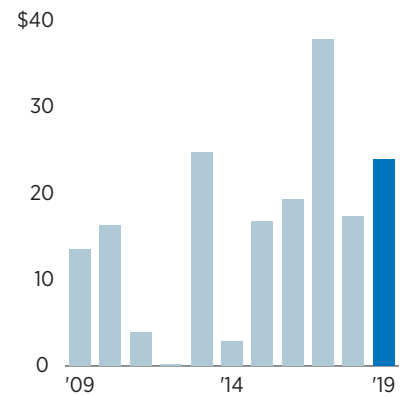
Assets under Management (in billions)



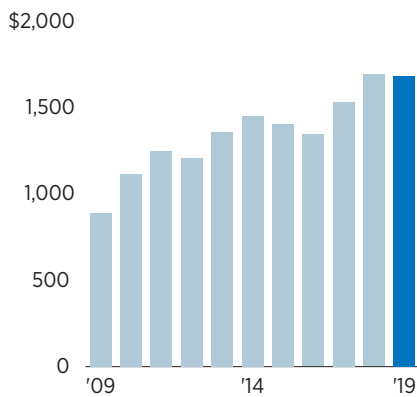
Gross Inflows (in billions)



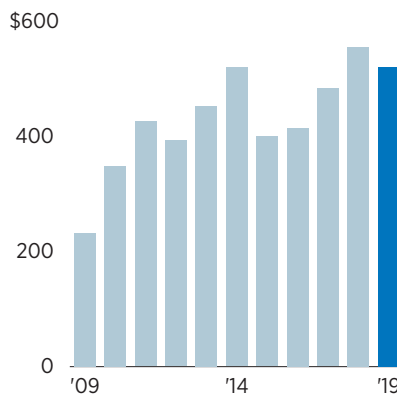
Net Inflows (in billions)



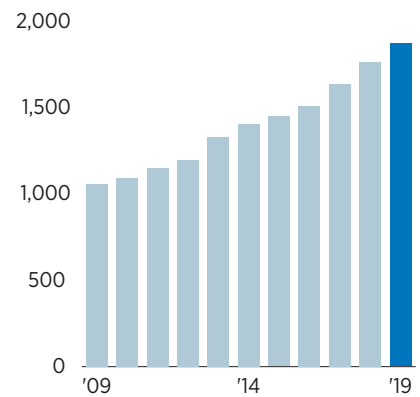
Revenue (in millions)¹



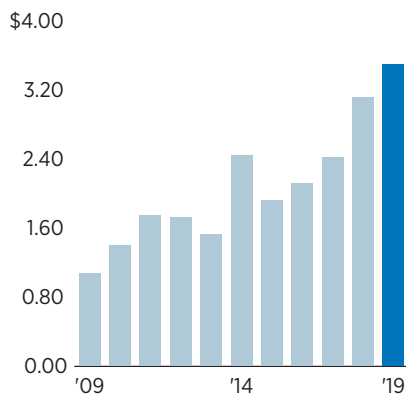
Operating Income (in millions)



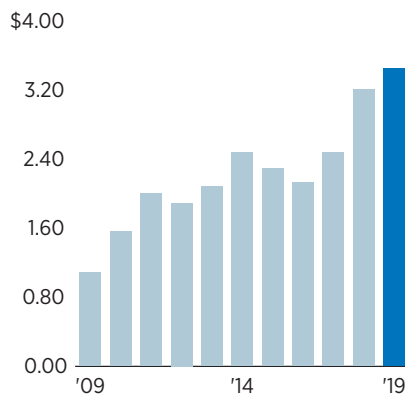
Employees



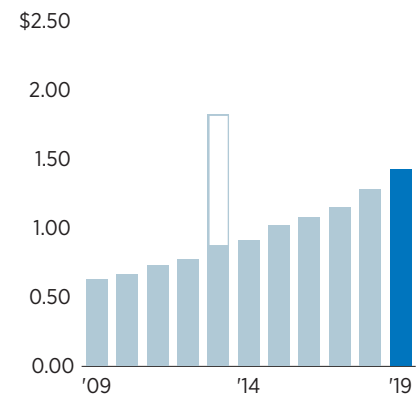
Earnings per Diluted Share



Adjusted Earnings per Diluted Share²



Dividends per Share³



Eaton Vance Corp. consolidated totals.

¹See footnote 1 on previous page.

²See footnote 2 on previous page.

³The Company declared and paid a special dividend of \$1.00 per share in fiscal 2013.

Financial Review

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Five-Year Financial Summary

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 and our Consolidated Financial Statements and Notes to Consolidated Financial Statements included within this Annual Report.

Financial Highlights

<i>(in thousands, except per share data)</i>	For the Years Ended October 31,				
	2019	2018	2017	2016	2015
Income Statement Data:					
Total revenue ⁽¹⁾	\$ 1,683,252	\$ 1,692,422	\$ 1,532,111	\$ 1,337,067	\$ 1,398,455
Operating Income ⁽²⁾	520,871	555,202	482,758	414,268	400,447
Net income ⁽²⁾	432,876	397,905	306,373	264,757	238,191
Net income attributable to non-controlling and other beneficial interests ⁽³⁾	(32,841)	(15,967)	(24,242)	(23,450)	(7,892)
Net income attributable to Eaton Vance Corp. shareholders ⁽²⁾	400,035	381,938	282,131	241,307	230,299
Adjusted net income attributable to Eaton Vance Corp. shareholders ⁽⁴⁾	394,631	394,138	288,187	242,908	274,990
Balance Sheet Data:					
Total assets ^{(5)/(6)}	\$ 4,253,629	\$ 3,599,328	\$ 2,330,901	\$ 1,730,382	\$ 2,113,737
Debt ^{(6)/(7)}	620,513	619,678	618,843	571,773	571,077
Redeemable non-controlling interests (temporary equity)	285,915	335,097	250,823	109,028	88,913
Total Eaton Vance Corp. shareholders' equity	1,184,119	1,107,431	1,011,396	703,789	620,231
Non-redeemable non-controlling interests	-	1,000	864	786	1,725
Total permanent equity	1,184,119	1,108,431	1,012,260	704,575	621,956
Per Share Data:					
Earnings per share:					
Basic	\$ 3.63	\$ 3.33	\$ 2.54	\$ 2.20	\$ 2.00
Diluted	3.50	3.11	2.42	2.12	1.92
Adjusted diluted ⁽⁴⁾	3.45	3.21	2.48	2.13	2.29
Cash dividends declared	1.425	1.280	1.150	1.075	1.015

- (1) *Prior year revenue amounts have been restated to reflect the Company's full retrospective adoption of Accounting Standard Update (ASU) 2014-09 on November 1, 2018. Refer to Note 1, Summary of Significant Accounting Policies, in Notes to Consolidated Financial Statements within this Annual Report for further detail.*
- (2) *Operating income, net income and net income attributable to Eaton Vance Corp. shareholders reflect a one-time payment of \$73.0 million to terminate service and additional compensation arrangements in place with a major distribution partner for certain Eaton Vance closed-end funds in fiscal 2015.*
- (3) *Net income attributable to non-controlling and other beneficial interests reflects an increase (decrease) of \$0.5 million, \$0.2 million and \$(0.2) million in the estimated redemption value of non-controlling interests in our affiliates redeemable at other than fair value in fiscal 2017, 2016 and 2015, respectively. There were no holders of non-controlling interests in our affiliates redeemable at other than fair value in fiscal 2019 and 2018. Net income attributable to non-controlling and other beneficial interests also includes net income (loss) of \$9.8 million and \$(5.8) million, respectively, in fiscal 2016 and 2015 attributable to other beneficial interest holders of consolidated CLO entities. The net income (loss) of consolidated CLO entities in fiscal 2019, 2018 and 2017 was entirely attributable to the Company as a result of the Company's application of the measurement alternative to Accounting Standard Codification (ASC) 820 for collateralized financing entities.*
- (4) *Although the Company reports its financial results in accordance with U.S. generally accepted accounting principles (U.S. GAAP), management believes that certain non-U.S. GAAP financial measures, specifically, adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, while not a substitute for U.S. GAAP financial measures, may be effective indicators of our performance over time. Non-U.S. GAAP financial measures should not be construed to be superior to U.S. GAAP measures. In calculating these non-U.S. GAAP financial measures, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share are adjusted to exclude items management deems non-operating or non-recurring in nature, or otherwise outside the ordinary course of business. Management and our Board of Directors, as well as certain of our outside investors, consider these adjusted numbers a measure of our underlying operating performance. Management believes adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share are important indicators of our operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and may provide a useful baseline for analyzing trends in our underlying business. 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 included within this Annual Report.*
- (5) *Total assets on October 31, 2019, 2018, 2017 and 2015 include \$1.8 billion, \$1.1 billion, \$31.3 million and \$467.1 million of assets held by consolidated CLO entities, respectively. The Company did not consolidate any CLO entities as of October 31, 2016.*
- (6) *In fiscal 2017, the Company adopted ASU 2015-03, which requires certain debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Total assets and debt were each reduced by \$2.2 million and \$2.7 million as of October 31, 2016 and 2015, respectively, to reflect the reclassification of debt issuance costs from other assets to debt.*
- (7) *In fiscal 2017, the Company issued \$300 million of 3.5 percent Senior Notes due April 2027 and used the net proceeds from the issuance in part to retire the remaining \$250 million aggregate principal amount of its 6.5 percent Senior Notes due October 2017. The Company recognized a loss on extinguishment of debt totaling \$5.4 million in conjunction with the retirement in fiscal 2017.*

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Eaton Vance Corp. provides advanced investment strategies and wealth management solutions to forward-thinking investors around the world. 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 strategies and services through multiple distribution channels. In executing our core strategy, we have developed broadly diversified investment management capabilities and a highly functional marketing, distribution and customer service organization. We measure our success as a Company based principally on investment performance delivered, client satisfaction, reputation in the marketplace, progress achieving strategic objectives, employee development and satisfaction, business and financial results, and shareholder value created.

We conduct our investment management and advisory business through wholly- and majority-owned investment affiliates, which include: Eaton Vance Management, Parametric Portfolio Associates LLC (Parametric), Atlanta Capital Management Company, LLC (Atlanta Capital) and Calvert Research and Management (Calvert). We also offer investment management advisory services through minority-owned affiliate Hexavest Inc. (Hexavest).

Through Eaton Vance Management, Atlanta Capital, Calvert and our other affiliates, we manage active equity, income, alternative and blended strategies across a range of investment styles and asset classes, including U.S., global and international equities, floating-rate bank loans, municipal bonds, global income, high-yield and investment grade bonds, and mortgage-backed securities. Through Parametric, we manage a range of systematic investment strategies, including systematic equity, systematic alternatives and managed options strategies. Through Parametric, we also provide custom portfolio implementation and overlay services, including tax-managed and non-tax-managed Custom Core™ equity strategies, centralized portfolio management of multi-manager portfolios and exposure management services. We also oversee the management of, and distribute, investment funds sub-advised by unaffiliated third-party managers, including global, emerging market and regional equity and asset allocation strategies.

Our breadth of investment management capabilities supports a wide range of strategies and services offered to fund shareholders and separate account investors. Our equity strategies encompass a diversity of investment objectives, risk profiles, income levels and geographic representation. Our income investment strategies cover a broad duration, geographic representation and credit-quality range and encompass both taxable and tax-free investments. We also offer alternative investment strategies that include global macro absolute return and commodity-based investments. Although we manage and distribute a wide range of investment strategies and services, we operate in one business segment, namely as an investment adviser to funds and separate accounts. As of October 31, 2019, we had \$497.4 billion in consolidated assets under management.

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

We employ a team of approximately 40 sales professionals focused on serving institutional and high-net-worth clients who access investment management services on a direct basis and through investment consultants. Through our wholly- and majority-owned affiliates, we manage investments for a broad range of clients in the institutional and high-net-worth marketplace in the U.S. and internationally, including corporations, sovereign wealth funds, endowments, foundations, family offices and public and private employee retirement plans.

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

Our discussion and analysis of our financial condition, results of operations and cash flows is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to goodwill and intangible assets, temporary equity, 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.

Our discussion and analysis of fiscal 2019 compared to fiscal 2018 is included herein. For discussion and analysis of fiscal 2018 compared to fiscal 2017, please refer to Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018, which was filed with the SEC on December 21, 2018.

Current Developments

We are currently pursuing four primary strategic priorities: (1) capitalizing on the near-term growth opportunities presented by our market-leading positions in customized individual separate accounts, responsible investing, specialty wealth management strategies and services, and the array of high-performing actively managed investment strategies we offer across asset classes and investment styles; (2) defending our floating-rate bank loan, global macro absolute return, systematic emerging market equity and closed-end fund businesses; (3) enhancing our competitive position by lowering operating costs, advancing our succession planning, developing new value-added investment offerings and opportunistically pursuing potential acquisitions; and (4) investing in the Company's future by committing additional resources to building our technology and operating infrastructure, leadership and staff development, and diversity and inclusion strategies.

In fiscal 2019, we continued to experience strong growth in our customized, benchmark-based individual separate account offerings, which include Parametric Custom Core equity and Eaton Vance Management ladder municipal and corporate bond strategies. These market-leading offerings combine the benefits of benchmark-based investing with the ability to customize portfolios to meet individual preferences and needs.

In fiscal 2019, net inflows into our customized, benchmark-based strategies offered as individual separate accounts totaled \$15.3 billion, generating internal growth in managed assets of 18 percent.

In June 2019, we announced a strategic initiative involving our Parametric and Eaton Vance Management affiliates to further strengthen our leadership positions in rules-based, systematic investment strategies, customized individual separate accounts and wealth management solutions. The three principal components of the initiative are: (1) rebranding Eaton Vance Management's rules-based, systematic investment-grade fixed income strategies as Parametric and aligning internal reporting consistent with the revised branding; (2) combining the technology and operating platforms supporting the individual separately managed account businesses of Parametric and Eaton Vance Management; and (3) integrating the distribution teams serving Parametric and Eaton Vance Management clients and business partners in the registered investment advisor and multi-family office market. Through this strategic initiative, Parametric's customized individual separate account offerings will expand to encompass a range of systematic fixed income strategies and maturity-based and liability-driven portfolio benchmarks. By expanding Parametric's solution set and investing in technology to enhance client service and realize operating efficiencies and scale economies, we seek to further strengthen Parametric's leadership position in the rapidly growing market for customized individual separate accounts.

The Calvert Funds are one of the largest and most diversified families of responsibly invested mutual funds, encompassing actively and passively managed equity, fixed and floating-rate income, and multi-asset strategies managed in accordance with the Calvert Principles for Responsible Investment or other responsible investment criteria. Since Calvert became part of Eaton Vance in December 2016, we have experienced significant growth in Calvert-branded investment strategies and further distinguished Calvert as a leader in environmental, social and governance (ESG) research and responsible engagement. Including the Atlanta Capital-subadvised Calvert Equity Fund, assets under management in Calvert strategies grew to \$19.8 billion at October 31, 2019 from \$14.7 billion at October 31, 2018, reflecting net inflows of \$3.7 billion and market price appreciation of \$1.4 billion. Calvert's \$3.7 billion of net inflows in fiscal 2019 equates to internal growth in managed assets of 25 percent.

While Calvert is the centerpiece of our responsible investment strategy, our commitment to responsible investing also encompasses our other investment affiliates. Eaton Vance Management and Atlanta Capital are increasingly utilizing Calvert's proprietary ESG research as a component of their fundamental research processes, and portfolio customization to reflect individual client's responsible investment criteria remains a central feature of Parametric separate account offerings. As of October 31, 2019, Parametric managed \$23.7 billion of client assets based on client-specified responsible investment criteria. On an overall basis, Eaton Vance is one of the largest participants in responsible investing, a position we are committed to growing in conjunction with rising demand for investment strategies that incorporate ESG-integrated investment research and/or seek to achieve both favorable investment returns and positive societal impact.

Fiscal 2019 was a period of continuing strong investment performance across our principal investment affiliates. As of October 31, 2019, we sponsored 76 U.S. mutual funds with an overall Morningstar™ rating of four or five stars for at least one class of shares, including 32 five star-rated funds. As measured by total return net of expenses, at fiscal year-end 46 percent of our U.S. mutual fund assets ranked in the top quartile of their Morningstar peer groups over three years, 62 percent in the top quartile over five years and 58 percent in the top quartile over ten years. In the annual *Barron's*/Lipper rankings of Best Mutual Fund Families for calendar 2018, Eaton Vance, Calvert and Parametric collectively ranked third overall among 57 fund families rated for one-year performance, 7th among 55 fund families based on five-year returns and 32nd among 49 families for ten-year performance. Among the active investment strategies we offer, notable high performers versus peers include: Atlanta Capital core and growth equities; Calvert growth, small-cap, emerging market and

international equities; Eaton Vance Management balanced, core-plus bond, emerging market local income, floating-rate loan, global equity income, national municipal income and short-duration government income; and Parametric international equity.

Demand for floating-rate loan strategies contracted in fiscal 2019 as investors responded to changing expectations for short-term interest rates in the U.S. and internationally. Our floating-rate income category moved from net inflows of \$5.9 billion in fiscal 2018 to net outflows of \$8.3 billion in fiscal 2019. During the fiscal year, our market share among bank loan mutual funds increased as the pace of industry net outflows exceeded our own. Recent Federal Reserve signaling of a stable near-term outlook for short-term interest rates suggests that bank loan fund flows may improve in 2020.

In our alternatives reporting category, fiscal 2019 net outflows of \$3.9 billion were driven by \$2.7 billion of net withdrawals from the two global macro absolute return mutual funds we offer in the U.S. and nearly \$1.0 billion of net outflows from global macro institutional sub-advisory mandates. These strategies, which hold long and short positions in currency and short-duration sovereign debt instruments of emerging and frontier market countries, generated disappointing returns in calendar 2018 but rebounded to solid performance in 2019. Improved near-term performance coupled with generally muted return expectations for most traditional asset classes create an environment for potentially improved flows of our global macro absolute strategies in 2020.

In February 2019, Eaton Vance Management and related parties filed an application for exemptive relief with the SEC, seeking permission to offer exchange-traded funds (ETFs) that would employ a novel method of supporting efficient secondary market trading of their shares. Because disclosure of current holdings would not be required, the portfolio trading activity of ETFs utilizing the proposed method could remain confidential. Different from other proposed approaches to less-transparent ETFs that have recently received SEC exemptive relief, we believe our method should be broadly applicable across fund asset classes and can support efficient secondary market trading of fund shares in all market conditions. In conjunction with filing the exemptive application, we formed a new wholly-owned subsidiary, Advanced Fund Solutions, to manage the development and commercialization of ETFs utilizing this new method, for which the timing and likelihood of approval remains uncertain.

As discussed above, in June 2019 we announced a strategic initiative that includes combining the technology and operating infrastructure supporting the individual separately managed account businesses of Parametric and Eaton Vance Management into a single consolidated platform. The combination is geared towards achieving higher levels of client service, operating efficiencies and scale economies.

Performance

As of October 31, 2019, 76 Eaton Vance-, Calvert- and Parametric-branded mutual funds offered in the U.S. were rated 4 or 5 stars by MorningstarTM for at least one class of shares, including 32 five-star rated funds. A good source of performance-related information for our funds is their websites, available at www.eatonvance.com and www.calvert.com. Information on these websites is not incorporated by reference into this Annual Report. On our funds' websites, investors can also obtain other current information about our funds, including investment objective and principal investment policies, portfolio characteristics, expenses and Morningstar ratings.

Consolidated Assets under Management

Prevailing equity and income market conditions and investor sentiment affect the sales and redemptions of our investment offerings, managed asset levels, operating results and the recoverability of our investments. During fiscal 2019, the S&P 500 Index, a broad measure of U.S. equity market performance, had total returns of 14.3 percent and the MSCI Emerging Market Index, a broad measure of emerging market equity performance, had total returns of 12.2 percent. Over the same period, the Barclays U.S. Aggregate Bond Index, a broad measure of U.S. bond market performance, had total returns of 11.5 percent.

Consolidated assets under management reached a new record high of \$497.4 billion on October 31, 2019, up 13 percent, from \$439.3 billion of consolidated assets under management on October 31, 2018. The year-over-year increase reflects net inflows of \$23.9 billion and market price appreciation of \$34.2 billion. Average consolidated assets under management increased 5 percent to \$462.8 billion in fiscal 2019 from \$442.4 billion in fiscal 2018.

The following tables summarize our consolidated assets under management by investment mandate, investment vehicle and investment affiliate. Within the investment mandate table, the “Portfolio implementation” category consists of Parametric Custom Core equity and multi-asset strategies and centralized portfolio management services, and the “Exposure management” category consists of Parametric’s futures- and options-based portfolio overlay services.

Consolidated Assets under Management by Investment Mandate ⁽¹⁾

(in millions)	October 31,						2019	2018
	2019	% of Total	2018	% of Total	2017	% of Total	vs. 2018	vs. 2017
Equity ⁽²⁾	\$ 131,895	27%	\$ 115,772	26%	\$ 113,472	27%	14%	2%
Fixed income ⁽³⁾	94,075	19%	77,844	18%	70,797	17%	21%	10%
Floating-rate income	35,103	7%	44,837	10%	38,819	9%	-22%	16%
Alternative	8,372	2%	12,139	3%	12,637	3%	-31%	-4%
Portfolio implementation	133,198	26%	110,840	25%	99,615	23%	20%	11%
Exposure management	94,789	19%	77,871	18%	86,976	21%	22%	-10%
Total	\$ 497,432	100%	\$ 439,303	100%	\$ 422,316	100%	13%	4%

⁽¹⁾ Consolidated Eaton Vance Corp. See table on page 30 for directly managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.

⁽²⁾ Includes balanced and other multi-asset mandates.

⁽³⁾ Includes cash management mandates.

Equity assets under management included \$45.4 billion, \$40.7 billion and \$38.1 billion of assets managed for after-tax returns on October 31, 2019, 2018 and 2017, respectively. Portfolio implementation assets under management included \$99.2 billion, \$79.7 billion and \$70.2 billion of assets managed for after-tax returns on October 31, 2019, 2018 and 2017, respectively. Fixed income assets included \$52.9 billion, \$44.3 billion and \$40.6 billion of tax-exempt municipal income assets on October 31, 2019, 2018 and 2017, respectively.

Consolidated Assets under Management by Investment Vehicle⁽¹⁾

(in millions)	October 31,						2019	2018
	2019	% of Total	2018	% of Total	2017	% of Total	vs. 2018	vs. 2017
Open-end funds	\$ 105,043	21%	\$ 102,426	24%	\$ 97,601	23%	3%	5%
Closed-end funds	24,284	5%	23,998	5%	24,816	6%	1%	-3%
Private funds ⁽²⁾	44,741	9%	38,544	9%	34,436	8%	16%	12%
Institutional separate accounts	173,331	35%	153,996	35%	159,986	38%	13%	-4%
Individual separate accounts ⁽³⁾	150,033	30%	120,339	27%	105,477	25%	25%	14%
Total	\$ 497,432	100%	\$ 439,303	100%	\$ 422,316	100%	13%	4%

⁽¹⁾ Consolidated Eaton Vance Corp. See table on page 30 for directly managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.

⁽²⁾ Includes privately offered equity, fixed and floating-rate income, and alternative funds and CLO entities.

⁽³⁾ In fiscal 2019, the Company revised its classification of consolidated assets under management by investment vehicle to combine the formerly separate high-net-worth separate account and retail managed account categories into a single individual separate account category. The above presentation of prior year results has been revised for comparability purposes. The reclassification does not affect total consolidated assets under management for any period.

Consolidated Assets under Management by Investment Affiliate⁽¹⁾

(in millions)	October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Eaton Vance Management ⁽²⁾	\$ 187,711	\$ 179,321	\$ 164,257	5%	9%
Parametric	265,824	224,238	224,941	19%	0%
Atlanta Capital ⁽³⁾	27,564	23,355	22,379	18%	4%
Calvert ⁽³⁾	16,333	12,389	10,739	32%	15%
Total	\$ 497,432	\$ 439,303	\$ 422,316	13%	4%

⁽¹⁾ Consolidated Eaton Vance Corp. See table on page 30 for directly managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.

⁽²⁾ Includes managed assets of Eaton Vance-sponsored funds and separate accounts managed by Hexavest and unaffiliated third-party advisers under Eaton Vance supervision.

⁽³⁾ Consistent with our policies for reporting the managed assets and flows of investment portfolios for which multiple Eaton Vance affiliates have management responsibilities, the managed assets of Atlanta Capital indicated above include the assets of Calvert Equity Fund, for which Atlanta Capital serves as sub-adviser. The total managed assets of Calvert, including assets sub-advised by other Eaton Vance affiliates, were \$19.8 billion, \$14.7 billion and \$12.9 billion as of October 31, 2019, 2018 and 2017, respectively.

Consolidated average assets under management presented in the following tables are derived by averaging the beginning and ending assets of each month over the period. The tables are intended to provide information useful in the analysis of our asset-based revenue and distribution expenses. Separate account management fees are generally calculated as a percentage of either beginning, average or ending quarterly assets. Fund management, distribution and service fees, as well as certain expenses, are generally calculated as a percentage of average daily assets.

Consolidated Average Assets under Management by Investment Mandate⁽¹⁾

(in millions)	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Equity ⁽²⁾	\$ 122,593	\$ 119,147	\$ 103,660	3%	15%
Fixed income ⁽³⁾	86,657	74,399	66,405	16%	12%
Floating-rate income	39,750	41,677	36,107	-5%	15%
Alternative	9,651	13,129	11,419	-26%	15%
Portfolio implementation	121,068	109,228	86,257	11%	27%
Exposure management	83,124	84,808	78,544	-2%	8%
Total	\$ 462,843	\$ 442,388	\$ 382,392	5%	16%

⁽¹⁾ Consolidated Eaton Vance Corp. See table on page 30 for directly managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.

⁽²⁾ Includes balanced and other multi-asset mandates.

⁽³⁾ Includes cash management mandates.

Consolidated Average Assets under Management by Investment Vehicle⁽¹⁾

(in millions)	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Open-end funds	\$ 102,804	\$ 102,061	\$ 90,332	1%	13%
Closed-end funds	23,978	24,805	24,148	-3%	3%
Private funds ⁽²⁾	41,352	37,361	30,669	11%	22%
Institutional separate accounts	160,044	162,374	146,835	-1%	11%
Individual separate accounts ⁽³⁾	134,665	115,787	90,408	16%	28%
Total	\$ 462,843	\$ 442,388	\$ 382,392	5%	16%

⁽¹⁾ Consolidated Eaton Vance Corp. See table on page 30 for directly managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.

⁽²⁾ Includes privately offered equity, fixed and floating-rate income, and alternative funds and CLO entities.

⁽³⁾ In fiscal 2019, the Company revised its classification of consolidated assets under management by investment vehicle to combine the formerly separate high-net-worth separate account and retail managed account categories into a single individual separate account category. The above presentation of prior year results has been revised for comparability purposes. The reclassification does not affect total consolidated average assets under management for any period.

Consolidated Net Flows

Fiscal 2019 marked our 24th consecutive year of positive net flows. Consolidated net inflows of \$23.9 billion in fiscal 2019 represent 5 percent annualized internal growth in managed assets (consolidated net inflows divided by beginning of period consolidated assets under management). For comparison, we had consolidated net inflows of \$17.3 billion and \$37.8 billion in fiscal 2018 and 2017, respectively, representing annualized internal growth in managed assets of 4 percent and 11 percent for those respective periods. Excluding

exposure management mandates, which have lower fees and more variable flows than the rest of our business, our annualized internal growth in managed assets was 4 percent, 8 percent and 10 percent in fiscal 2019, 2018, and 2017, respectively.

Our annualized internal management fee revenue growth (management fees attributable to consolidated inflows less management fees attributable to consolidated outflows, divided by beginning of period consolidated management fee revenue) was 0.1 percent in fiscal 2019, as management fee revenue growth attributable to new sales and other inflows was largely offset by management fee revenue losses associated with redemptions and other outflows. Our annualized internal management fee revenue growth was 4 percent and 7 percent in fiscal 2018 and 2017, respectively, as the management fee revenue contribution from new sales and other inflows during each of these years exceeded the management fee revenue lost from redemptions and other outflows. These growth rates reflect the Company's retrospective adoption of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, on November 1, 2018, which provides for management fee revenue to be recorded net of associated fund subsidy expense.

The following tables summarize our consolidated assets under management and asset flows by investment mandate and investment vehicle:

Consolidated Assets under Management and Net Flows by Investment Mandate⁽¹⁾

<i>(in millions)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Equity assets - beginning of period ⁽²⁾	\$ 115,772	\$ 113,472	\$ 89,981	2%	26%
Sales and other inflows	24,852	21,840	21,111	14%	3%
Redemptions/outflows	(20,022)	(20,813)	(19,828)	-4%	5%
Net flows	4,830	1,027	1,283	370%	-20%
Assets acquired ⁽³⁾	-	-	5,704	NM ⁽⁵⁾	-100%
Exchanges	(10)	37	62	NM	-40%
Market value change	11,303	1,236	16,442	814%	-92%
Equity assets - end of period	\$ 131,895	\$ 115,772	\$ 113,472	14%	2%
Fixed income assets - beginning of period ⁽⁴⁾	77,844	70,797	60,607	10%	17%
Sales and other inflows	33,310	26,259	22,097	27%	19%
Redemptions/outflows	(21,429)	(16,715)	(16,137)	28%	4%
Net flows	11,881	9,544	5,960	24%	60%
Assets acquired ⁽³⁾	-	-	4,170	NM	-100%
Exchanges	626	-	(139)	NM	-100%
Market value change	3,724	(2,497)	199	NM	NM
Fixed income assets - end of period	\$ 94,075	\$ 77,844	\$ 70,797	21%	10%
Floating-rate income assets - beginning of period	44,837	38,819	32,107	16%	21%
Sales and other inflows	8,706	14,301	15,222	-39%	-6%
Redemptions/outflows	(16,988)	(8,401)	(8,889)	102%	-5%
Net flows	(8,282)	5,900	6,333	NM	-7%
Exchanges	(428)	86	136	NM	-37%
Market value change	(1,024)	32	243	NM	-87%
Floating-rate income assets - end of period	\$ 35,103	\$ 44,837	\$ 38,819	-22%	16%
Alternative assets - beginning of period	12,139	12,637	10,687	-4%	18%
Sales and other inflows	2,717	5,679	5,930	-52%	-4%
Redemptions/outflows	(6,618)	(4,947)	(4,067)	34%	22%
Net flows	(3,901)	732	1,863	NM	-61%
Exchanges	(255)	(103)	(4)	148%	NM
Market value change	389	(1,127)	91	NM	NM
Alternative assets - end of period	\$ 8,372	\$ 12,139	\$ 12,637	-31%	-4%
Portfolio implementation assets - beginning of period	110,840	99,615	71,426	11%	39%
Sales and other inflows	25,900	22,562	23,359	15%	-3%
Redemptions/outflows	(17,518)	(14,141)	(12,438)	24%	14%
Net flows	8,382	8,421	10,921	0%	-23%
Exchanges	59	(22)	5	NM	NM
Market value change	13,917	2,826	17,263	392%	-84%
Portfolio implementation assets - end of period	\$ 133,198	\$ 110,840	\$ 99,615	20%	11%
Exposure management assets - end of period	77,871	86,976	71,572	-10%	22%
Sales and other inflows	73,376	65,812	80,532	11%	-18%
Redemptions/outflows	(62,363)	(74,095)	(69,058)	-16%	7%
Net flows	11,013	(8,283)	11,474	NM	NM
Market value change	5,905	(822)	3,930	NM	NM
Exposure management assets - end of period	\$ 94,789	\$ 77,871	\$ 86,976	22%	-10%
Total assets under management - beginning of period	439,303	422,316	336,380	4%	26%
Sales and other inflows	168,861	156,453	168,251	8%	-7%
Redemptions/outflows	(144,938)	(139,112)	(130,417)	4%	7%
Net flows	23,923	17,341	37,834	38%	-54%
Assets acquired ⁽³⁾	-	-	9,874	NM	-100%
Exchanges	(8)	(2)	60	300%	NM
Market value change	34,214	(352)	38,168	NM	NM
Total assets under management - end of period	\$ 497,432	\$ 439,303	\$ 422,316	13%	4%

⁽¹⁾ Consolidated Eaton Vance Corp. See table on page 30 for directly managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.

⁽²⁾ Whenever presented, Equity assets include balanced and other multi-asset mandates.

⁽³⁾ Represents managed assets gained in the acquisition of the business assets of Calvert Investment Management, Inc. (Calvert Investments) on December 30, 2016. Equity assets acquired and total assets acquired exclude \$2.1 billion of managed assets of Calvert Equity Fund, for which Atlanta Capital serves as sub-adviser and whose managed assets were included in the Company's consolidated assets under management prior to the Calvert Investments acquisition.

⁽⁴⁾ Whenever presented, Fixed Income assets include cash management mandates.

⁽⁵⁾ Not meaningful (NM).

Consolidated Assets under Management and Net Flows by Investment Vehicle⁽¹⁾

(in millions)	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Funds - beginning of period ⁽²⁾	\$ 164,968	\$ 156,853	\$ 125,722	5%	25%
Sales and other inflows	44,337	44,470	40,967	0%	9%
Redemptions/outflows	(43,349)	(34,802)	(33,350)	25%	4%
Net flows	988	9,668	7,617	-90%	27%
Assets acquired ⁽³⁾	-	-	9,821	NM	-100%
Exchanges ⁽⁴⁾	(84)	305	2,196	NM	-86%
Market value change	8,196	(1,858)	11,497	NM	NM
Funds - end of period	\$ 174,068	\$ 164,968	\$ 156,853	6%	5%
Institutional separate accounts - beginning of period	153,996	159,986	136,451	-4%	17%
Sales and other inflows	85,401	79,502	93,067	7%	-15%
Redemptions/outflows	(78,471)	(85,638)	(81,096)	-8%	6%
Net flows	6,930	(6,136)	11,971	NM	NM
Assets acquired ⁽³⁾	-	-	40	NM	-100%
Exchanges ⁽⁴⁾	86	18	(2,063)	378%	NM
Market value change	12,319	128	13,587	NM	-99%
Institutional separate accounts - end of period	\$ 173,331	\$ 153,996	\$ 159,986	13%	-4%
Individual separate accounts - beginning of period ⁽⁵⁾	120,339	105,477	74,207	14%	42%
Sales and other inflows	39,123	32,481	34,217	20%	-5%
Redemptions/outflows	(23,118)	(18,672)	(15,971)	24%	17%
Net flows	16,005	13,809	18,246	16%	-24%
Assets acquired ⁽³⁾	-	-	13	NM	-100%
Exchanges	(10)	(325)	(73)	-97%	345%
Market value change	13,699	1,378	13,084	894%	-89%
Individual separate accounts - end of period	\$ 150,033	\$ 120,339	\$ 105,477	25%	14%
Total assets under management - beginning of period	439,303	422,316	336,380	4%	26%
Sales and other inflows	168,861	156,453	168,251	8%	-7%
Redemptions/outflows	(144,938)	(139,112)	(130,417)	4%	7%
Net flows	23,923	17,341	37,834	38%	-54%
Assets acquired ⁽³⁾	-	-	9,874	NM	-100%
Exchanges	(8)	(2)	60	300%	NM
Market value change	34,214	(352)	38,168	NM	NM
Total assets under management - end of period	\$ 497,432	\$ 439,303	\$ 422,316	13%	4%

⁽¹⁾ Consolidated Eaton Vance Corp. See the table on page 30 for directly managed assets and flows of 49 percent-owned Hexavest, which are not included in the table above.

⁽²⁾ Whenever presented, Funds include assets of cash management funds.

⁽³⁾ Represents managed assets gained in the acquisition of the business assets of Calvert Investment on December 30, 2016. Fund assets acquired and total assets acquired exclude \$2.1 billion of managed assets of Calvert Equity Fund, which is sub-advised by Atlanta Capital and whose managed assets were included in the Company's consolidated assets under management prior to the Calvert Investment acquisition.

⁽⁴⁾ Reflects the reclassification from institutional separate accounts to funds of \$2.1 billion of managed assets of Calvert Equity Fund sub-advised by Atlanta Capital upon the Company's acquisition of the business assets of Calvert Investments on December 30, 2016.

⁽⁵⁾ In fiscal 2019, the Company revised its classification of consolidated assets under management and net flows by investment vehicle to combine the formerly separate high-net-worth separate account and retail managed account categories into a single individual separate account category. The above presentation of prior year results has been revised for comparability purposes. The reclassification does not affect total consolidated assets under management or total consolidated net flows for any period.

As of October 31, 2019, our 49 percent-owned affiliate Hexavest managed \$13.4 billion of client assets, down 3 percent from \$13.8 billion of managed assets on October 31, 2018. Other than Eaton Vance-sponsored funds for which Hexavest is adviser or sub-adviser, the managed assets and flows of Hexavest are not included in our consolidated totals.

The following table summarizes assets under management and net flows of Hexavest:

Hexavest Assets under Management and Net Flows

<i>(in millions)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Eaton Vance distributed:					
Eaton Vance sponsored funds – beginning of period ⁽¹⁾	\$ 159	\$ 182	\$ 231	-13%	-21%
Sales and other inflows	48	12	92	300%	-87%
Redemptions/outflows	(69)	(35)	(177)	97%	-80%
Net flows	(21)	(23)	(85)	-9%	-73%
Market value change	14	-	36	NM	-100%
Eaton Vance sponsored funds – end of period	\$ 152	\$ 159	\$ 182	-4%	-13%
Eaton Vance distributed separate accounts – beginning of period⁽²⁾					
Eaton Vance distributed separate accounts – beginning of period ⁽²⁾	\$ 2,169	\$ 3,092	\$ 2,492	-30%	24%
Sales and other inflows	105	230	1,124	-54%	-80%
Redemptions/outflows	(859)	(1,176)	(920)	-27%	28%
Net flows	(754)	(946)	204	-20%	NM
Market value change	148	23	396	543%	-94%
Eaton Vance distributed separate accounts – end of period	\$ 1,563	\$ 2,169	\$ 3,092	-28%	-30%
Total Eaton Vance distributed – beginning of period					
Total Eaton Vance distributed – beginning of period	\$ 2,328	\$ 3,274	\$ 2,723	-29%	20%
Sales and other inflows	153	242	1,216	-37%	-80%
Redemptions/outflows	(928)	(1,211)	(1,097)	-23%	10%
Net flows	(775)	(969)	119	-20%	NM
Market value change	162	23	432	604%	-95%
Total Eaton Vance distributed – end of period	\$ 1,715	\$ 2,328	\$ 3,274	-26%	-29%
Hexavest directly distributed – beginning of period⁽³⁾					
Hexavest directly distributed – beginning of period ⁽³⁾	\$ 11,467	\$ 12,748	\$ 11,021	-10%	16%
Sales and other inflows	1,769	1,149	1,140	54%	1%
Redemptions/outflows	(2,574)	(2,416)	(1,208)	7%	100%
Net flows	(805)	(1,267)	(68)	-36%	NM
Market value change	978	(14)	1,795	NM	NM
Hexavest directly distributed – end of period	\$ 11,640	\$ 11,467	\$ 12,748	2%	-10%
Total Hexavest assets – beginning of period					
Total Hexavest assets – beginning of period	\$ 13,795	\$ 16,022	\$ 13,744	-14%	17%
Sales and other inflows	1,922	1,391	2,356	38%	-41%
Redemptions/outflows	(3,502)	(3,627)	(2,305)	-3%	57%
Net flows	(1,580)	(2,236)	51	-29%	NM
Market value change	1,140	9	2,227	NM	-100%
Total Hexavest assets – end of period	\$ 13,355	\$ 13,795	\$ 16,022	-3%	-14%

⁽¹⁾ Managed assets and flows of Eaton Vance-sponsored pooled investment vehicles for which Hexavest is adviser or sub-adviser. Eaton Vance receives management fees (and in some cases also distribution fees) on these assets, which are included in our consolidated assets under management and flows.

⁽²⁾ Managed assets and flows of Eaton Vance-distributed separate accounts managed by Hexavest. Eaton Vance receives distribution fees, but not management fees, on these assets, which are not included in our consolidated assets under management and flows.

⁽³⁾ Managed assets and flows of pre-transaction Hexavest clients and post-transaction Hexavest clients in Canada. Eaton Vance receives no management fees or distribution fees on these assets, which are not included in our consolidated assets under management and flows.

Results of Operations

Our discussion and analysis of results of operations for fiscal 2019 compared to fiscal 2018 is set forth below. Fiscal 2018 results have been restated to reflect the Company's retrospective adoption of ASU 2014-09, *Revenue from Contracts with Customers*, on November 1, 2018. The adoption of this guidance did not result in any significant changes to the timing of recognition and measurement of revenue or recognition of costs incurred to obtain and fulfill revenue contracts; however, the presentation of certain revenue and expense balances was affected. Notably, fund subsidies previously included as a component of fund-related expenses are now presented as a contra-revenue component of management fees. In addition, certain front-end load sales commissions that were previously reported on a net basis as a component of distribution expense are now reported on a gross basis in distribution and underwriter fee revenue and distribution expense. The adoption of the new guidance did not have a material impact on the Company's previously reported financial statements or key performance metrics. Refer to Note 1, Summary of Significant Accounting Policies, in Notes to Consolidated Financial Statements within this Annual Report for further detail.

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

Management believes that certain non-U.S. GAAP financial measures, specifically, adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, while not a substitute for U.S. GAAP financial measures, may be effective indicators of our performance over time. Non-U.S. GAAP financial measures should not be construed to be superior to U.S. GAAP measures. In calculating these non-U.S. GAAP financial measures, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share are adjusted to exclude items management deems non-operating or non-recurring in nature, or otherwise outside the ordinary course of business. These adjustments may include, when applicable, the add back of closed-end fund structuring fees, costs associated with special dividends, debt repayments and tax settlements, the tax impact of stock-based compensation shortfalls or windfalls, and non-recurring charges for the effect of tax law changes. Management and our Board of Directors, as well as certain of our outside investors, consider these adjusted numbers a measure of our underlying operating performance. Management believes adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share are important indicators of our operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and may provide a useful baseline for analyzing trends in our underlying business.

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:

<i>(in thousands, except per share data)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Net income attributable to Eaton Vance Corp. shareholders	\$ 400,035	\$ 381,938	\$ 282,131	5%	35%
Net excess tax benefit from stock-based compensation plans ⁽¹⁾	(5,404)	(17,487)	-	-69%	NM
Revaluation of deferred tax amounts ⁽²⁾	-	21,220	-	-100%	NM
Repatriation of undistributed earnings of foreign subsidiaries ⁽³⁾	-	2,807	-	-100%	NM
Loss on write-off of Hexavest option, net of tax ⁽⁴⁾	-	5,660	-	-100%	NM
Loss on extinguishment of debt, net of tax ⁽⁵⁾	-	-	3,346	NM	-100%
Closed-end fund structuring fees, net of tax ⁽⁶⁾	-	-	2,179	NM	-100%
Non-controlling interest value adjustments	-	-	531	NM	-100%
Adjusted net income attributable to Eaton Vance Corp. shareholders	\$ 394,631	\$ 394,138	\$ 288,187	0%	37%
Earnings per diluted share	\$ 3.50	\$ 3.11	\$ 2.42	13%	29%
Net excess tax benefit from stock-based compensation plans	(0.05)	(0.14)	-	-64%	NM
Revaluation of deferred tax amounts	-	0.17	-	-100%	NM
Repatriation of undistributed earnings of foreign subsidiaries	-	0.02	-	-100%	NM
Loss on write-off of Hexavest option, net of tax	-	0.05	-	-100%	NM
Loss on extinguishment of debt, net of tax	-	-	0.03	NM	-100%
Closed-end fund structuring fees, net of tax	-	-	0.02	NM	-100%
Non-controlling interest value adjustments	-	-	0.01	NM	-100%
Adjusted earnings per diluted share	\$ 3.45	\$ 3.21	\$ 2.48	7%	29%

⁽¹⁾ Reflects the impact of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which was adopted in fiscal 2018.

⁽²⁾ Reflects the revaluation of deferred tax assets and deferred tax liabilities resulting from the enactment of the Tax Cuts and Jobs Act (2017 Tax Act) on December 22, 2017.

⁽³⁾ Reflects the recognition of incremental tax expense related to the deemed repatriation of foreign earnings considered to be indefinitely reinvested abroad and not previously subject to U.S. taxation.

⁽⁴⁾ Reflects the \$6.5 million loss recognized upon expiration of the Company's option to acquire an additional 26 percent ownership interest in Hexavest, net of the associated impact to taxes of \$0.8 million.

⁽⁵⁾ Reflects the \$5.4 million loss on extinguishment of debt associated with retiring the Company's 2017 Senior Notes in May 2017, net of the associated impact to taxes of \$2.1 million.

⁽⁶⁾ Reflects structuring fees of \$3.5 million (net of the associated impact to taxes of \$1.3 million) paid in connection with the July 2017 initial public offering of Eaton Vance Floating-Rate 2022 Target Term Trust.

The 5 percent increase in net income attributable to Eaton Vance Corp. shareholders in fiscal 2019 compared to fiscal 2018 reflects:

- A decrease in revenue of \$9.2 million, primarily reflecting an \$11.8 million decrease in distribution and underwriting fees and a \$3.0 million decrease in other revenue, partially offset by a \$4.8 million increase in management fees.
- An increase in operating expenses of \$25.2 million, reflecting increases in compensation, service fee expense, amortization of deferred sales commissions, fund-related expenses and other operating expenses, partially offset by a decrease in distribution expense.
- An increase in non-operating income of \$50.1 million, primarily reflecting a \$41.0 million increase in net gains and other investment income from our investments in sponsored strategies, including consolidated sponsored funds, and a \$9.3 million increase in income contribution from consolidated CLO entities.
- A decrease in income taxes of \$21.5 million.
- A decrease in equity in net income of affiliates, net of tax, of \$2.3 million.
- An increase in net income attributable to non-controlling and other beneficial interests of \$16.9 million.

Weighted average diluted shares outstanding decreased by 8.5 million shares, or 7 percent, in fiscal 2019 compared to fiscal 2018, primarily reflecting share repurchases in excess of new shares issued upon the vesting of restricted stock awards and the exercise of employee stock options, and a decrease in the dilutive effect of in-the-money options and unvested restricted stock awards due to lower market prices of the Company's shares.

Revenue

The following table shows the components of our revenue:

<i>(in thousands)</i>	Years Ended October 31,			2019	2018
	2019	2018 ⁽¹⁾	2017 ⁽¹⁾	vs. 2018	vs. 2017
Management fees	\$ 1,463,943	\$ 1,459,186	\$ 1,309,020	0%	11%
Distribution and underwriter fees	85,612	97,371	95,553	-12%	2%
Service fees	123,073	122,231	117,520	1%	4%
Other revenue	10,624	13,634	10,018	-22%	36%
Total revenue	\$ 1,683,252	\$ 1,692,422	\$ 1,532,111	-1%	10%

⁽¹⁾ Prior period amounts have been restated to reflect the Company's retrospective adoption of ASU 2014-09, Revenue from Contracts with Customers, on November 1, 2018. Fund subsidies previously included as a component of fund-related expenses are now presented as a contra-revenue component of management fees. In addition, certain front-end load sales commissions that were previously reported on a net basis as a component of distribution expense are now reported on a gross basis in distribution and underwriter fee revenue and distribution expense.

Management fees

The \$4.8 million increase in management fees in fiscal 2019 is primarily attributable to a \$3.4 million increase in performance-based fees and a 5 percent increase in consolidated average assets under management, partially offset by a 4 percent decrease in our consolidated average annualized management fee rates and a \$0.8 million increase in fund subsidies, which are recorded as a contra-revenue component of management fees.

The following table shows our consolidated averaged annualized management fee rates by investment mandate, excluding performance-based fees, which were \$1.7 million, \$(1.7) million and \$0.4 million in fiscal 2019, 2018 and 2017, respectively:

<i>(in basis points on average managed assets)</i>	Years Ended October 31,			2019	2018
	2019	2018 ⁽¹⁾	2017 ⁽¹⁾	vs. 2018	vs. 2017
Equity	56.9	58.9	61.2	-3%	-4%
Fixed income	32.9	34.9	37.6	-6%	-7%
Floating-rate income	49.7	50.6	51.6	-2%	-2%
Alternative	61.4	64.8	62.3	-5%	4%
Portfolio implementation	14.8	14.6	14.7	1%	-1%
Exposure management	5.1	5.2	5.2	-2%	0%
Total	31.6	33.0	34.2	-4%	-4%

⁽¹⁾ Prior period management fee rates have been restated to reflect the Company's retrospective adoption of ASU 2014-09 on November 1, 2018. Fund subsidies previously included as a component of fund-related expenses are now presented as a contra-revenue component of management fees. Fluctuations in fund subsidies may cause average management fee rates to fluctuate from one period to the next.

Consolidated average assets under management by investment mandate to which these fee rates apply can be found in the Consolidated Average Assets under Management by Investment Mandate table in Management's Discussion and Analysis and Results of Operation within this Annual Report. Changes in consolidated average annualized management fee rates for the compared periods primarily reflect shifts in the Company's mix of business, as our lower-fee portfolio implementation and laddered bond businesses have grown as a percentage of our consolidated assets under management.

Distribution and underwriter fees

Distribution fees, which are earned under contractual agreements with certain sponsored funds, are calculated as a percentage of, and fluctuate with, average assets under management of the applicable funds and fund share classes. Distribution fees are paid by our sponsored funds to reimburse EVD for the costs of marketing and selling fund shares. These fees are largely passed through after one year as distribution expense to third-party intermediaries who distribute our sponsored funds. Underwriter fees, contingent deferred sales commissions and other redemption fees, and other distribution income primarily consists of underwriter commissions earned on sales of fund share classes subject to those fees, contingent deferred sales charges received on certain Class A redemptions and fundraising and servicing fees associated with the U.S. Charitable Gift Trust.

The following table shows fund distribution and underwriter fee revenue and other fund-related distribution income:

<i>(in thousands)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Distribution fees:					
Class A	\$ 3,104	\$ 3,466	\$ 627	-10%	453%
Class B	104	357	792	-71%	-55%
Class C ⁽¹⁾	39,187	56,400	60,819	-31%	-7%
Class F	1,530	1,602	1,354	-4%	18%
Class N ⁽²⁾	75	104	72	-28%	44%
Class R	1,896	1,893	1,624	0%	17%
Private funds	11,456	9,177	5,942	25%	54%
Total distribution fees	\$ 57,352	\$ 72,999	\$ 71,230	-21%	2%
Underwriter commissions ⁽¹⁾	21,724	19,970	19,791	9%	1%
Contingent deferred sales charges and other redemption fees ⁽¹⁾	2,017	197	480	924%	-59%
Other distribution income ⁽¹⁾	4,519	4,205	4,052	7%	4%
Total distribution and underwriter fees	\$ 85,612	\$ 97,371	\$ 95,553	-12%	2%

⁽¹⁾ Prior period amounts have been restated to reflect the Company's retrospective adoption of ASU 2014-09 on November 1, 2018.

Certain front-end load sales commissions that were previously reported on a net basis as a component of distribution expense are now reported on a gross basis in distribution and underwriter fee revenue and distribution expense. In addition, contingent deferred sales commissions and other redemption fees that were previously recorded as a contra-asset component of deferred sales commissions are now recorded as a component of total distribution and underwriter fees.

⁽²⁾ Consists of Investor class shares of Parametric Funds and Advisers class shares of Eaton Vance Funds.

The \$11.8 million decrease in distribution and underwriter fees in fiscal 2019 compared to fiscal 2018 primarily reflects a decrease in Class C distribution fees driven by lower average managed assets of Class C mutual fund shares, partially offset by an increase in distribution fees from private funds driven by higher average managed assets in these funds that are subject to distribution fees. The year-over-year decrease was additionally offset by a \$1.8 million increase in contingent deferred sales charges and other redemption fees, primarily attributable to a one-time withdrawal fee received in fiscal 2019 related to the early redemption of certain managed assets of a private fund.

Service fees

Service fees, which are paid to EVD pursuant to distribution or service plans adopted by our sponsored mutual funds, are calculated as a percent of, and fluctuate with, average assets under management in specific mutual fund share classes (principally Classes A, C, N and R). Certain private funds also make service fee payments to EVD. These fees are largely passed through as service fee expense to third-party broker-dealers when incurred. Service fee revenue increased 1 percent in fiscal 2019 compared to fiscal 2018, primarily reflecting an increase in average assets in funds and fund share classes subject to service fees.

Other revenue

Other revenue, which consists primarily of fund shareholder servicing fees, miscellaneous dealer income, referral fees and consultancy fees, decreased 22 percent in fiscal 2019 compared to fiscal 2018, primarily reflecting a \$2.8 million decrease in miscellaneous dealer income due to a terminated distribution agreement

and a \$0.8 million decrease in Hexavest-related referral fees, partially offset by a \$0.3 million increase in shareholder servicing fees and a \$0.4 million increase in consultancy fees.

Expenses

The following table shows our operating expenses:

<i>(in thousands)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Compensation and related costs	\$ 626,513	\$ 604,631	\$ 553,952	4%	9%
Distribution expense ⁽¹⁾	150,239	165,033	156,912	-9%	5%
Service fee expense ⁽¹⁾	107,762	106,831	105,448	1%	1%
Amortization of deferred sales					
commissions	22,593	18,394	16,239	23%	13%
Fund-related expenses ⁽¹⁾	40,357	37,602	35,128	7%	7%
Other expenses	214,917	204,729	181,674	5%	13%
Total expenses	\$ 1,162,381	\$ 1,137,220	\$ 1,049,353	2%	8%

⁽¹⁾ Prior period amounts have been restated to reflect the Company's retrospective adoption of ASU 2014-09, on November 1, 2018. Fund subsidies previously included as a component of fund-related expenses are now presented as a contra-revenue component of management fees. In addition, certain front-end load sales commissions that were previously reported on a net basis as a component of distribution expense are now reported on a gross basis in distribution and underwriter fee revenue and distribution expense.

Compensation and related costs

The following table shows the details of our compensation and related costs:

<i>(in thousands)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Base salaries and employee benefits	\$ 293,753	\$ 271,473	\$ 245,693	8%	10%
Stock-based compensation	91,913	88,055	80,049	4%	10%
Operating income-based incentives	165,462	174,527	152,952	-5%	14%
Sales-based incentives	65,036	68,941	72,094	-6%	-4%
Other compensation expense	10,349	1,635	3,164	533%	-48%
Total	\$ 626,513	\$ 604,631	\$ 553,952	4%	9%

Compensation expense increased by \$21.9, or 4 percent, in fiscal 2019 compared to fiscal 2018. The increase was driven primarily by (1) a \$22.3 million increase in base salaries and employee benefits associated with increases in headcount, year-end salary increases from the previous fiscal year and increases in our corporate 401(k) match and profit sharing contribution; (2) an \$8.7 million increase in severance costs associated with employee terminations; and (3) a \$3.9 million increase in stock-based compensation expense. One-time severance costs associated with employee terminations, which are reflected in other compensation expense, totaled \$10.2 million in fiscal 2019 in comparison to \$1.5 million in fiscal 2018. These increases were partially offset by a \$9.1 million decrease in operating income-based bonus accruals and a \$3.9 million decrease in sales-based incentive compensation.

Distribution expense

Distribution expense includes distribution fees paid to third-party intermediaries for the distribution of our sponsored funds and intermediary marketing support payments to qualified intermediaries for distribution, shareholder servicing and marketing and support of our sponsored funds. Distribution fees and certain intermediary marketing support payments are asset-based fees. Other asset-based fees included in distribution expense include finder's fees paid to intermediaries for referring certain retail, high-net-worth and institutional investors and payments made to distribution partners for certain closed-end funds. Distribution expense also includes up-front sales commissions, which are sales-based fees, as well as discretionary marketing expenses, which are driven by corporate initiatives.

The following table shows the breakdown of our distribution expense:

<i>(in thousands)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Distribution fees ⁽¹⁾	\$ 45,248	\$ 62,963	\$ 59,110	-28%	7%
Intermediary marketing support payments	52,599	51,897	47,721	1%	9%
Up-front sales commission expense ⁽¹⁾	21,162	19,025	19,384	11%	-2%
Discretionary marketing expenses	19,276	18,958	18,351	2%	3%
Finder's fees	8,242	8,309	4,964	-1%	67%
Closed-end fund dealer compensation payments	3,712	3,881	3,867	-4%	0%
Closed-end fund structuring fees	-	-	3,515	NM	-100%
Total	\$ 150,239	\$ 165,033	\$ 156,912	-9%	5%

⁽¹⁾ Prior period amounts have been restated to reflect the Company's retrospective adoption of the ASU 2014-09 on November 1, 2018. Certain front-end load sales commissions that were previously reported on a net basis as a component of distribution expense are now reported on a gross basis in distribution and underwriter fee revenue and distribution expense. In addition, certain fees were reclassified from service fee expense to distribution expense due to the nature of the fees.

Distribution expense decreased by \$14.8 million, or 9 percent, in fiscal 2019 compared to fiscal 2018, primarily reflecting lower Class C distribution expenses driven by a decrease in average managed assets of Class C mutual fund shares. The decrease was partially offset by increases in up-front sales commission expense and intermediary marketing support payments.

Service fee expense

Service fees we receive from sponsored funds in connection with new sales of fund shares are generally retained in the first year and paid to broker-dealers thereafter as service fee expense pursuant to third-party selling agreements. These fees are calculated as a percent of average assets under management in certain share classes of our mutual funds (principally Classes A, C, N and R), as well as certain private funds. Service fee expense increased by \$0.9 million, or 1 percent, in fiscal 2019 compared to fiscal 2018, reflecting higher Class A and private fund service fee payments, partially offset by lower Class C service fee payments.

Amortization of deferred sales commissions

Amortization expense is primarily affected by ongoing sales of certain private funds and mutual fund Class C shares. Amortization expense increased by \$4.2 million, or 23 percent, in fiscal 2019 compared to fiscal 2018, primarily reflecting higher private fund amortization.

Fund-related expenses

Fund-related expenses consist of fees paid to sub-advisers, fund expenses borne by the Company on funds for which we earn an all-in fee, expenses of the sponsored funds we consolidate and other miscellaneous fund-related expenses. Fund-related expenses increased by \$2.8 million, or 7 percent, in fiscal 2019 compared to fiscal 2018, reflecting a \$2.5 million increase in sub-advisory fees driven by increases in average managed assets in sub-advised funds, a \$0.7 million increase in miscellaneous fund-related expenses and a \$0.6 million increase in expenses of consolidated funds, all partially offset by a \$1.0 million decrease in fund expenses borne by the Company on funds for which we earn an all-in fee.

Other expenses

The following table shows our other expense:

<i>(in thousands)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Information technology	\$ 99,021	\$ 89,972	\$ 77,450	10%	16%
Facilities-related	52,252	48,492	40,799	8%	19%
Travel	18,717	18,020	17,351	4%	4%
Professional services	17,095	17,820	15,347	-4%	16%
Communications	6,156	5,749	5,536	7%	4%
Amortization of intangible assets	4,978	8,927	9,014	-44%	-1%
Other corporate expense	16,698	15,749	16,177	6%	-3%
Total	\$ 214,917	\$ 204,729	\$ 181,674	5%	13%

The increase in information technology expense in fiscal 2019 is primarily attributable to an increase in project-related IT consulting services associated with investments in technology and strategic initiatives, including our recently announced project to combine the technology platforms supporting the individual separately managed account businesses of Parametric and Eaton Vance Management, higher system maintenance costs and an increase in outside custody and back-office services. The increase in facilities-related expenses reflects higher rent expense and an increase in depreciation expense on equipment, capitalized software and leasehold improvements. The increase in other corporate expenses reflects increases in charitable giving, professional development expenses and regulatory licensing and fees. These increases were partially offset by a decrease in amortization expense related to certain intangible assets that were fully amortized during the first quarter of fiscal 2019 and lower professional services expenses driven by a decrease in consulting costs and corporate engagements.

Non-operating Income (Expense)

The following table shows the main categories of non-operating income (expense):

<i>(in thousands)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Gains and other investment income, net	\$ 51,040	\$ 10,066	\$ 19,303	407%	-48%
Interest expense	(23,795)	(23,629)	(27,496)	1%	-14%
Loss on extinguishment of debt	-	-	(5,396)	NM	-100%
Other income (expense) of consolidated CLO entities:					
Gains and other investment income, net	70,272	16,882	-	316%	NM
Interest and other expense	(59,350)	(15,286)	-	288%	NM
Total non-operating income (expense)	\$ 38,167	\$ (11,967)	\$ (13,589)	NM	-12%

Gains and other investment income, net, increased by \$41.0 million in fiscal 2019 compared to fiscal 2018, reflecting a \$32.6 million increase in net investment gains primarily attributable to investments in sponsored strategies and associated hedges and an \$8.5 million increase in interest and other income, partially offset by an increase in foreign currency losses of \$0.1 million.

The change in other income (expense) of consolidated CLO entities in fiscal 2019 compared to fiscal 2018 reflects a \$9.3 million increase in income contribution from consolidated CLO entities due to an increase in our economic interests in these entities. The Company consolidated four securitized CLO entities and one warehouse stage CLO entity in fiscal 2019 in comparison to two securitized CLO entities and one warehouse stage CLO entity that were consolidated in fiscal 2018. Our economic interests consist of changes in the fair market value of our investments in these entities, distributions received and management fees earned by the Company.

Income Taxes

Our effective tax rate, calculated as a percentage of income before income taxes and equity in net income of affiliates, was 24.2 percent, 28.8 percent and 37.0 percent in fiscal 2019, 2018 and 2017, 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.

Our income tax provision for fiscal 2019 includes charges of \$3.2 million associated with certain provisions of the Tax Cuts and Jobs Act (2017 Tax Act) taking effect for the Company in fiscal 2019, relating principally to limitations on the deductibility of executive compensation.

Our income tax provision for fiscal 2019 and 2018 was reduced by net excess tax benefits related to stock-based compensation awards of \$5.4 million and \$17.5 million, respectively. Our income tax provision for fiscal 2018 also included a non-recurring charge of \$24.0 million related to the enactment of the 2017 Tax Act.

Our calculations of adjusted net income and adjusted earnings per diluted share remove the tax impact of stock-based compensation shortfalls or windfalls recognized in connection with the accounting guidance adopted by the Company in fiscal 2018 and the non-recurring tax impact of U.S. tax law changes. On this basis, our adjusted effective tax rate was 25.2 percent and 27.6 percent for fiscal 2019 and 2018, respectively.

Equity in Net Income of Affiliates, Net of Tax

Equity in net income of affiliates, net of tax, primarily reflects our 49 percent equity interest in Hexavest and our seven percent minority equity interest in a private equity partnership managed by a third party.

The following table summarizes the components of equity in net income of affiliates:

<i>(in thousands)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Investment in Hexavest, net of tax and amortization	\$ 9,093	\$ 10,955	\$ 10,602	-17%	3%
Investment in private equity partnership, net of tax	(3)	418	268	NM	56%
Total	\$ 9,090	\$ 11,373	\$ 10,870	-20%	5%

Net Income Attributable to Non-controlling and Other Beneficial Interests

The following table summarizes the components of net income attributable to non-controlling and other beneficial interests:

<i>(in thousands)</i>	Years Ended October 31,			2019	2018
	2019	2018	2017	vs. 2018	vs. 2017
Consolidated sponsored funds	\$ (20,081)	\$ 232	\$ (6,816)	NM	NM
Majority-owned subsidiaries	(12,760)	(16,199)	(16,895)	-21%	-4%
Non-controlling interest value adjustments	-	-	(531)	NM	-100%
Net income attributable to non-controlling and other beneficial interests	\$ (32,841)	\$ (15,967)	\$ (24,242)	106%	-34%

Net income attributable to non-controlling and other beneficial interests increased by \$16.9 million in fiscal 2019 compared to fiscal 2018, primarily reflecting an increase in income earned by consolidated sponsored funds. Net income attributable to majority-owned subsidiaries decreased by \$3.4 million, reflecting the Company's accelerated repurchase of certain profit and capital interests in Parametric entities held by current and former employees, which settled in the fourth quarter of fiscal 2019. See Note 9, Acquisitions, Goodwill and Intangible Assets, in Notes to Consolidated Financial Statements within this Annual Report for further detail. Net income attributable to non-controlling and other beneficial interests is not adjusted for taxes due to

the underlying tax status of our consolidated sponsored funds and consolidated majority-owned subsidiaries, which 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 entities do not affect our liquidity or capital resources. The collateral assets of our consolidated CLO entities are held solely to satisfy the obligations of these entities and we have no right to these assets beyond our direct investment in, and management fees generated from, these entities. The note holders and third-party creditors of these entities have no recourse to the general credit of the Company. As a result, the assets and liabilities of our consolidated CLO entities are excluded from the discussion of liquidity and capital resources below.

The following table summarizes certain key financial data relating to our liquidity and capital resources and the uses of cash:

Balance Sheet and Cash Flow Data

<i>(in thousands)</i>	As of October 31,		
	2019	2018	2017
Balance sheet data:			
Assets:			
Cash and cash equivalents	\$ 557,668	\$ 600,696	\$ 610,555
Management fees and other receivables	237,864	236,736	200,453
Total liquid assets	<u>\$ 795,532</u>	<u>\$ 837,432</u>	<u>\$ 811,008</u>
Investments	\$ 1,060,739	\$ 1,078,627	\$ 898,192
Liabilities:			
Debt ⁽¹⁾	\$ 625,000	\$ 625,000	\$ 625,000

⁽¹⁾ Represents the principal amount of debt outstanding. The carrying value of the debt, including debt issuance costs, was \$620.5 million, \$619.7 million and \$618.8 million as of October 31, 2019, 2018 and 2017, respectively.

<i>(in thousands)</i>	Years Ended October 31,		
	2019	2018	2017
Cash flow data:			
Operating cash flows ⁽¹⁾	\$ 511,818	\$ 359,721	\$ 95,908
Investing cash flows	(675,870)	(325,054)	(91,425)
Financing cash flows	(48,356)	184,413	195,430

⁽¹⁾ Prior period operating cash flows have been restated to reflect the Company's retrospective adoption of ASU 2016-18, Restricted Cash, on November 1, 2018. Refer to Note 1, Summary of Significant Accounting Policies, in Notes to Consolidated Financial Statements within this Annual Report for further detail.

Liquidity and Capital Resources

Liquid assets consist of cash and cash equivalents and management fees and other receivables. Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to cash. Management fees and other receivables primarily represent receivables due from sponsored funds and separately managed accounts for investment advisory and distribution services provided. Excluding those assets identified as assets of consolidated CLO entities, liquid assets represented 32 percent and 33 percent of total assets on October 31, 2019 and 2018, respectively. Not included in the liquid asset amounts are \$297.8 million and \$273.3 million of highly liquid short-term debt securities with remaining maturities between three and 12 months held as of October 31, 2019 and 2018, respectively, which are included within investments on our Consolidated Balance Sheets. Our seed investments in consolidated funds and separate accounts are not treated as liquid assets because they may be longer term in nature.

As of October 31, 2019, our debt consisted of \$325 million in aggregate principal amount of 3.625 percent Senior Notes due in June 2023 and \$300 million in aggregate principal amount of 3.5 percent Senior Notes due in April 2027.

We maintain a \$300 million unsecured revolving credit facility with several banks that expires on December 11, 2023. The facility, which we entered into on December 11, 2018, provides that we may borrow at LIBOR or LIBOR-successor benchmark-based rates of interest that vary depending on our credit ratings. The credit facility 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, 2019 or at any point during the fiscal year. We were in compliance with all debt covenants as of October 31, 2019.

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

Recoverability of our Investments

Our \$1.1 billion of investments as of October 31, 2019 consisted of our 49 percent equity interest in Hexavest, our direct investments in Company-sponsored funds and separate accounts entered into for investment and business development purposes, investments held by the funds we consolidate and certain other investments held by the Company at cost. Investments in consolidated funds and separate accounts and investments held directly by the Company are generally in liquid debt or equity securities and are carried at fair market value. We test our investments held at cost for impairment on a quarterly basis using qualitative factors. As of October 31, 2019, there were no indicators of impairment on our investments held at cost.

We test our investments in equity method investees, goodwill and indefinite-lived intangible assets for impairment 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 2019 that would indicate that an impairment loss exists at October 31, 2019.

We periodically review our deferred sales commissions and amortizing 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 2019 that would indicate that an impairment loss exists at October 31, 2019.

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 expenses include cash flows associated with our deferred sales commission asset, as well as net cash flows associated with the purchase and sale of investments within the portfolios of our consolidated sponsored funds and separately managed accounts. Significant non-cash items include the amortization of deferred sales commissions and intangible assets, depreciation and stock-based compensation.

Cash provided by operating activities totaled \$511.8 million in fiscal 2019 compared to \$359.7 million in fiscal 2018. The change primarily reflects decreases in net outflows related to the net purchase of short-term debt securities, the investment activity of consolidated sponsored funds and separately managed accounts, and timing differences in the cash settlements of our other assets and liabilities, partially offset by a decrease in net cash provided by operating activities of consolidated CLO entities.

Investing Cash Flows

Cash flows from investing activities primarily reflect the purchase of equipment and leasehold improvements, the purchase and sale of non-consolidated sponsored funds and the purchase and sale of investments in CLO entity note obligations. In addition, investing cash flows reflect the investing activities of our consolidated CLO entities, including the purchase and sale of bank loans and other investments.

Cash used for investing activities totaled \$675.9 million in fiscal 2019 compared to \$325.1 million in fiscal 2018. The change primarily reflects a \$344.2 million increase in net purchases of bank loans and other investments by consolidated CLO entities, a \$16.2 million increase in additions to equipment and leasehold improvements, mainly attributable to Parametric's move into newly leased office space in Seattle and a \$6.9 million decrease in net proceeds from sale of investments, all partially offset by a \$16.4 million decrease in net purchases by the Company of CLO entity note obligations. We anticipate that we will continue to purchase note obligations of sponsored CLO entities in the future while taking advantage of opportunities, as they arise, to sell selected beneficial interests, thereby recycling our investments in these sponsored entities.

Financing Cash Flows

Financing cash flows primarily reflect the issuance and repurchase of our Non-Voting Common Stock, the payment of dividends to our shareholders and the purchase of non-controlling interests in our majority-owned subsidiaries. Financing cash flows also reflect the financing activities of consolidated funds, including the proceeds from the issuance of capital stock, and payments for redemptions and distributions to non-

controlling interest holders of these funds. In addition, financing cash flows reflect the financing activities of consolidated CLO entities, including the issuance and repayment of CLO beneficial interests (senior and subordinated note obligations) and proceeds and repayments of CLO borrowings.

Cash used for financing activities totaled \$48.4 million in fiscal 2019. The Company used \$299.4 million to repurchase and retire shares of our Non-Voting Common Stock under our authorized repurchase programs, paid \$91.6 million to acquire additional interests in Atlanta Capital and Parametric, and received proceeds of \$51.3 million related to the issuance of shares of our Non-Voting Common Stock in connection with the exercise of stock options and other employee stock purchases. Of the \$91.6 million used to acquire additional interests in Atlanta Capital and Parametric, \$61.2 million relates to the accelerated repurchase of the remaining outstanding profit interests granted under the Parametric Portfolio Associates LLC Long-Term Equity Plan (Parametric Plan) and \$12.3 million relates to the accelerated repurchase of the remaining outstanding profit and capital interests related to the acquisition of Parametric Risk Advisors. The Company terminated the Parametric Plan in the first quarter of fiscal 2020. As of October 31, 2019, we had authorization to purchase an additional 6.3 million shares of our Non-Voting Common Stock under our current share repurchase authorization. We anticipate that repurchases of our Non-Voting Common Stock will continue to be an ongoing use of cash.

Our dividends declared per share increased to \$1.425 in fiscal 2019 from \$1.28 in fiscal 2018. We paid an additional \$14.3 million of dividends in fiscal 2019 compared to fiscal 2018. We currently expect to declare and pay quarterly dividends on our Voting and Non-Voting Common Stock comparable to the dividend declared in the fourth quarter of fiscal 2019. Cash provided by financing activities of consolidated CLO entities totaled \$405.8 million in 2019 compared to \$442.2 million in fiscal 2018. The change primarily reflects a decrease in the issuance of senior and subordinated note obligations, partially offset by a decrease in principal repayments of senior and subordinated note obligations.

Cash provided by financing activities totaled \$184.4 million in fiscal 2018. The Company used \$273.6 million to repurchase and retire shares of our Non-Voting Common Stock under our authorized repurchase programs, paid \$20.8 million to acquire additional interests in Atlanta Capital and Parametric, and received proceeds of \$76.4 million related to the issuance of 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. Cash provided by financing activities of consolidated CLO entities totaled \$442.2 million in fiscal 2018.

Contractual Obligations

The following table details our contractual obligations as of October 31, 2019:

<i>(in millions)</i>	Total	Payments due by Period			
		Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Operating leases	\$ 382	\$ 25	\$ 53	\$ 51	\$ 253
Senior notes	625	-	-	325	300
Interest payment on senior notes	126	22	45	33	26
Payments to non-controlling interest holders of majority-owned subsidiaries	8	8	-	-	-
Unrecognized tax benefits ⁽¹⁾	2	2	-	-	-
Total	\$ 1,143	\$ 57	\$ 98	\$ 409	\$ 579

Contractual obligations of consolidated CLO entities:

Senior and subordinated note obligations, including interest ⁽²⁾	\$ 2,218	\$ 61	\$ 121	\$ 121	\$ 1,915
Total for consolidated CLO entities	\$ 2,218	\$ 61	\$ 121	\$ 121	\$ 1,915

⁽¹⁾ Includes accrued interest and penalties associated with unrecognized tax benefits.

⁽²⁾ Only the assets of a consolidated CLO entity are available to satisfy the obligations of such entity. Other beneficial interest holders of consolidated CLO entities do not have any recourse to our general credit. In the event of default, recourse to the Company is limited to our investment in these entities.

Vested profit units (non-controlling interests) held by employees in the Atlanta Capital long-term equity incentive plan are not subject to mandatory redemption. Our repurchase of these non-controlling interests is predicated on the exercise of a series of put options held by profit unit holders and call options held by us. The put options provide the profit unit holders the right to require us to repurchase their interests at specified intervals over time. The call options we hold provide us with the right to require the profit unit holders to sell their interests to us at specified intervals over time, as well as upon the occurrence of certain events such as death or permanent disability. These non-controlling interests are redeemable at fair value. There is uncertainty as to the timing and amount of any purchases of vested profit units in the future. Accordingly, future payments to purchase non-controlling interests have been excluded from the table above, unless a put or call option has been exercised and a mandatory firm commitment exists for us to purchase such non-controlling interests. Payments to non-controlling interest holders of Atlanta Capital as of October 31, 2019 presented in the table above include approximately \$7.8 million payable to repurchase vested profit units as a consequence of our execution of a series of call options during fiscal 2019. In fiscal 2017, the Company introduced a phantom incentive plan for Atlanta Capital that provides for the award of phantom incentive units to eligible employees that are indexed to the per unit enterprise value of Atlanta Capital and settled in shares of our Non-Voting Common Stock at vesting. As a consequence of introducing this stock-based compensation plan, we ceased granting profit units to employees of Atlanta Capital under the long-term equity incentive plan.

We report all redeemable non-controlling interests in temporary equity on our Consolidated Balance Sheet at estimated redemption value. The estimated redemption value of our non-controlling interests totaled \$285.9

million on October 31, 2019 compared to \$335.1 million on October 31, 2018. Redeemable non-controlling interests at October 31, 2019 consisted of vested profit units held by employees of Atlanta Capital granted under the Atlanta Capital long-term equity incentive plan of \$25.2 million and equity interests in our consolidated sponsored funds held by third-party shareholders of \$260.7 million.

Foreign Subsidiaries

As of October 31, 2019, we consider the undistributed earnings of certain foreign subsidiaries to be indefinitely reinvested in foreign operations. As of October 31, 2019, we had approximately \$11.4 million of undistributed earnings, primarily from operations in the U.K., that are not available to fund domestic operations or to distribute to our shareholders unless repatriated. As a result of the 2017 Tax Act, the future tax liability with respect to these undistributed foreign earnings is immaterial. As of October 31, 2019, we had approximately \$8.5 million of undistributed earnings from our Canadian subsidiary. We no longer consider the undistributed earnings of our Canadian subsidiary to be indefinitely reinvested in foreign operations. This change in assertion allowed our Canadian subsidiary to declare and pay a \$65.2 million dividend in April 2019 to its U.S. parent company, which is a wholly-owned subsidiary of the Company.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, results of operations, liquidity or capital resources.

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 (VIEs)

Accounting guidance provides a framework for determining whether an entity should be considered a VIE and, if so, whether our involvement with the entity represents a variable interest in the entity. Determining whether an entity is a VIE or a voting interest entity (VOE) involves judgment and analysis on an entity-by-entity basis. If we determine that we have a variable interest in a VIE, we must perform an analysis to determine whether we are the primary beneficiary of the VIE. If we determine we are the primary beneficiary of the VIE, we are required to consolidate the assets, liabilities, results of operations and cash flows of the VIE.

We maintain investments in various open-end registered investment companies (sponsored funds) and collateralized loan obligation (CLO) entities that we sponsor which meet the definition of a VIE and are therefore evaluated for consolidation under the VIE model. The VIE model is complex and judgments made when applying the model may affect our initial and ongoing consolidation conclusions. When applying this model, we must evaluate all of the relevant facts and circumstances in order to determine each entity's purpose, design, nature of risks, the level at which the decisions are made that most significantly impact economic performance, and the variability these entities were designed to pass along to interest holders (taking into consideration items including but not limited to, the activities of the entity, the terms of interest issued, and levels of subordination). If we determine that fees earned from various management arrangements represent variable interests in these VIEs, we must perform an analysis to determine whether our management fees and other interests provide us with a controlling financial interest such that we are deemed to be the primary beneficiary that is required to consolidate the VIE. Our management fees would not

be considered variable interests if such fees are commensurate with the level of effort to provide the service, we do not hold other interest that in aggregate would absorb more than an insignificant amount of variability, and our management arrangements only include market based term and conditions. We are deemed the primary beneficiary of a VIE in the instances where we have both (1) the power through our asset management arrangements to direct the activities of the VIE that most significantly affect the VIE's economic performance and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE through our management fees and other financial interests.

Our sponsored funds are generally organized as separately managed series of a series trust. Each series trust contains multiple funds that issue equity interests to shareholders. The series trusts are treated as VIEs because shareholders of the component funds lack the ability to direct the activities that most significantly affect the economic performance of the series trust (such as the appointment of the investment adviser for each fund). Each fund within a series trust is separately evaluated for consolidation (i.e., evaluated as a silo within the series trust) since the assets of such fund irrevocably belong to the shareholders of that fund and are subject to the liabilities of that fund, and under no circumstances are the liabilities of one fund payable by another fund in the series trust. Our asset management contracts represent variable interests, and we are treated as the primary beneficiary of a sponsored fund in instances where we hold at least a 10 percent ownership interest in the fund.

Our CLO entities meet the definition of a VIE, as the equity investment at risk is not sufficient to finance the activities of these entities, which are primarily financed through the issuance of senior debt obligations. These entities are evaluated for consolidation in both the warehouse phase and securitization phase. For CLO entities in the warehouse phase, the impact of any shared rights, kick-out rights (including liquidation rights) or participating rights is assessed to conclude whether either we or a third-party lender has the power to direct the activities that most significantly affect the identified risks (and therefore economic performance). For CLO entities in the securitization phase, as manager, we have the power to direct the activities that most significantly affect the economic performance. If we conclude that we have the power to direct the activities that significantly impact the economic performance of a CLO entity, our asset management arrangements are deemed variable interests and we are deemed the primary beneficiary of these entities in instances where we hold at least a 10 percent subordinated beneficial interest in the entity.

Fair value measurements

The accounting standards for fair value measurement provide a framework for measuring fair value and require expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standards establish a fair value measurement hierarchy, which requires an entity to maximize the use of observable inputs where available. Assets and liabilities measured and reported at fair value are categorized and disclosed as Level 1, Level 2 or Level 3 under that hierarchy based on the nature of the inputs that are significant to the fair value measurements in their entirety. This fair value measurement hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). See Note 1, Summary of Significant Accounting Policies, in Notes to Consolidated Financial Statements within this Annual Report for more information on fair value measurements.

We carry a significant portion of our financial instruments at fair value, including investments in short-term debt securities, debt and equity securities held by consolidated sponsored funds, debt and equity securities

held in separately management accounts, investments in non-consolidated funds, derivative assets and liabilities, and assets and liabilities of consolidated CLO entities in the securitization phase. Our recognition of debt and equity securities held by consolidated sponsored funds at fair value retains the specialized accounting treatment of those funds. At October 31, 2019 and 2018, none of our investments carried at fair value are categorized as Level 3 within the fair value hierarchy. We utilize third-party pricing services to value investments and derivative instruments, which are categorized as Level 1 or Level 2 of the fair value hierarchy at October 31, 2019 and 2018.

For CLO entities in the securitization phase, we apply the measurement alternative to ASC 820 related to fair value measurement for collateralized financing entities upon initial consolidation and for the subsequent measurement of financial assets and liabilities of these entities. The measurement alternative requires that we use the more observable of the fair value of the financial assets or the fair value of the financial liabilities to measure both the financial assets and the financial liabilities of these entities. Subsequent to initial consolidation, we recognize in earnings amounts that reflect the equivalent of our economic interests in these CLO entities, which includes both the change in fair value of our retained subordinated notes, and management fees that we earned from providing collateral management services.

When applying the measurement alternative to consolidated CLO entities in the securitization phase, we determined that the fair value of the financial assets of these entities (senior floating-rate loans) is more observable than the fair value of the financial liabilities. Accordingly, we measure the fair value of the financial liabilities of these entities as the difference between the fair value of the senior-floating rate loans and the fair value of our beneficial interests. The valuation of the subordinated notes requires judgment and is calculated using an income approach, which applies an appropriate discount rate to projected senior-floating rate loan cash flows determined using relevant default, prepayment, recovery and discount rates, as well as observable assumptions about market yields, callability and other market factors. At October 31, 2019 and 2018, we categorized the reported fair values of senior floating-rate loans as Level 2 since these fair values were predominantly based on either market quotations from third-party pricing services or valuations obtained from independent third-party brokers or dealers.

Income taxes

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax bases of our assets and liabilities measured using rates expected to be in effect when such differences reverse. To the extent that deferred tax assets are considered more likely than not to be unrealizable, valuation allowances are provided. Changes in tax policy may affect the carrying value of deferred tax assets and liabilities due to the change in future tax rates. Adjustments to deferred taxes resulting from changes in tax law are recorded as an expense or benefit in the period enacted.

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

Goodwill

Goodwill represents the excess of the cost of our investment in the net assets of acquired companies over the fair value of the underlying identifiable net assets at the dates of acquisition. We attribute all goodwill associated with the acquisitions of Atlanta Capital, Parametric and Clifton, which share similar economic characteristics, to one reporting unit. We attribute all goodwill associated with the acquisition of the Tax Advantaged Bond Strategies business of M.D. Sass Investor Services and other acquisitions to a second reporting unit.

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

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

The market approach employs market multiples based on comparable publicly traded companies in the financial services industry, calculated with data from industry sources. Estimates of fair value are established using current and forward multiples of both revenue and earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for size and performance of the reporting unit relative to peer companies.

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. Our reporting units are not at risk of failing the first step of the goodwill impairment test primarily due to growth and synergies from integrating the acquired companies into our business that have been realized since acquisition.

Intangible assets

Amortizing identifiable intangible assets generally represent the cost of client relationships, intellectual property, trademarks and research systems acquired. In valuing these assets, we make assumptions regarding useful lives and projected growth rates, and significant judgment is required. We periodically review our amortizing identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of those assets exceed their respective fair values, an impairment loss is recognized equal to that excess.

Non-amortizing intangible assets generally represent the cost of mutual fund management contracts acquired. Non-amortizing intangible assets are tested for impairment in the fourth quarter of each fiscal year by comparing the fair values of the management contracts acquired to their carrying values. We establish 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.

Stock-based compensation

We periodically grant restricted stock, stock options, phantom incentive units and other stock-based compensation awards to our employees that are accounted for as equity awards. We account for stock-based

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

We measure the fair value of restricted stock awards based on the unadjusted quoted market price of our publicly traded Non-Voting Common Stock. We estimate the fair value of stock option awards using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, expected volatility, an appropriate risk-free interest rate and the expected life of the option. Many of these assumptions require management's judgment. The dividend yield assumption represents the Company's expected dividend yield based on its historical dividend payouts and the stock price at the date of grant. The expected volatility assumption is based upon its historical stock price fluctuations. We use historical data to estimate the expected life of options granted. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve at the time of grant.

We estimate the fair value of profits interests and phantom incentive units granted under our subsidiary long-term equity incentive plans on the grant date utilizing annual appraisals that average fair value established using an income approach and fair value established using a market approach for each subsidiary. The income and fair value approaches used in the determination of grant date fair value of profits interests and phantom incentive units are consistent with those described under *Goodwill* above. These valuation techniques utilize appropriate discount rates as well as relevant investment management industry market multiples.

Non-controlling interests

Non-controlling interests redeemable at fair value are recorded in temporary equity at estimated redemption value and consist of certain vested profit interests held by employees of our majority-owned subsidiaries that were granted under the subsidiaries' long-term equity incentive plans and interests in our consolidated sponsored funds.

Vested profit interests are subject to holder put rights. We estimate the redemption value of vested profits interest using the approach described under *Stock-based compensation* above. Future changes in the estimated redemption value of vested profit interests are recognized as increases or decreases to additional paid-in capital. Reported balances attributable to vested profit interests are periodically increased by vesting activity of previously granted unvested interests (recorded in non-redeemable non-controlling interests in permanent equity) and decreased by payments to purchase these interests.

Investors in consolidated sponsored funds may request withdrawals at any time. We measure the redemption value of non-controlling interests in our consolidated sponsored funds utilizing published net asset values. Reported balances attributable to consolidated sponsored funds change over time to reflect periodic consolidation and deconsolidation activity attributable to the application of our consolidation accounting policy described under *Consolidation of variable interest entities (VIEs)* above.

Accounting Developments

See Note 1, Summary of Significant Accounting Policies – Adoption of new accounting standards, and Note 2, New Accounting Standards Not Yet Adopted, in Notes to Consolidated Financial Statements within this Annual Report.

Quantitative and Qualitative Disclosures about Market Risk

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

In evaluating market risk, it is important to note that most of our revenue is based on the market value of assets under management. Declines of financial market values adversely affect our revenue and net income.

Investments

Our primary direct exposure to equity price risk arises from investments in equity securities held by consolidated sponsored funds, through separately managed accounts and through investments in non-consolidated sponsored funds. Equity price risk as it relates to these investments represents the potential future loss of value that would result from a decline in the fair values of the fund shares or underlying equity securities.

The following is a summary of the effect that a 10 percent increase or decrease in equity prices would have on our investments that are subject to equity pricing fluctuations at October 31, 2019:

<i>(in thousands)</i>	Carrying Value	Carrying Value Assuming a 10% Increase	Carrying Value Assuming a 10% Decrease
Equity securities held at fair value:			
Held by consolidated sponsored funds	\$ 183,106	\$ 201,417	\$ 164,795
Held through separately managed accounts	21,236	23,360	19,112
Non-consolidated sponsored funds and other	10,329	11,362	9,296
Total	\$ 214,671	\$ 236,139	\$ 193,203

At October 31, 2019, we were exposed to interest rate risk and credit risk as a result of approximately \$684.2 million in debt instruments held by consolidated sponsored funds, through separately managed accounts and through investments in non-consolidated sponsored funds. Management considered the impact a hypothetical 100 basis point change in interest rates would have on the carrying amount of our investments.

The following is a summary of the effect that a 100 basis point increase or decrease in interest rates would have on our investments that are subject to interest rate fluctuations at October 31, 2019:

<i>(in thousands)</i>	Carrying Value	Carrying Value Assuming a 100 BP Increase	Carrying Value Assuming a 100 BP Decrease
Debt securities held at fair value:			
Held by consolidated sponsored funds	\$ 330,966	\$ 334,276	\$ 327,656
Held through separately managed accounts	55,426	55,980	54,872
Short-term debt securities	297,845	300,823	294,867
Total	\$ 684,237	\$ 691,079	\$ 677,395

Direct exposure to credit risk arises from our interests in non-consolidated CLO entities that are included in investments in our Consolidated Balance Sheets, as well as our interests in consolidated CLO entities that are eliminated in consolidation. Our CLO entity investments entitle us only to a residual interest in the CLO entity, making these investments highly sensitive to the default and recovery experiences of the underlying instruments held by the CLO entity. Our CLO investments are subject to an impairment loss in the event that the cash flows generated by the collateral securities are not sufficient to allow equity holders to recover their investments. If there is deterioration in the credit quality of collateral and reference securities and a corresponding increase in defaults, CLO entity cash flows may be adversely affected and we may be unable to recover our investment. We had total value at risk of \$114.2 million relating to such entities, including investments in non-consolidated CLO entities of \$1.4 million and investments in consolidated CLO entities of \$112.8 million, as of October 31, 2019.

Derivatives Financial Instruments

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

The following is a summary of the estimated effect that a 10 percent adverse change in market prices would have on the forwards, futures and swap contracts of our corporate hedging program as of October 31, 2019:

<i>(in thousands)</i>	Notional Value	Decrease in Fair Value Assuming a 10% Adverse Change
Stock index futures contracts	\$ 108,324	\$ 123
Total return swap contracts	84,000	28
Interest rate swap contracts	24,355	17
Credit default swap contracts	8,000	36
Foreign exchange contracts	56,395	56
Commodity futures contracts	15,243	1
Currency futures contracts	24,004	2
Interest rate futures contracts	22,292	12
Total	\$ 342,613	\$ 275

We are required to maintain cash collateral for margin accounts to support certain derivative positions, which are classified as restricted cash and included as a component of other assets on our Consolidated Balance Sheets. At October 31, 2019, cash collateral included in other assets on our Consolidated Balance Sheet totaled \$7.5 million.

Foreign Exchange Sensitivity

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

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 strategies and services sold to the public by investment management companies, broker-dealers, registered investment advisors, banks, insurance companies and others. Many institutions we compete against 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 offerings, distribution capability, scope and quality of services, reputation and the ability to develop new investment strategies and services to meet the changing needs of investors. To the extent that current or potential customers decide to invest in strategies sponsored by our competitors, the sales of our sponsored strategies, as well as our market share, revenue and net income, could decline. Our actively managed investment strategies compete not only against other active strategies, but also against similarly positioned index strategies. The continuing shift in market demand toward index funds and other passive strategies reduces opportunities for active managers and may accelerate fee compression as active managers reduce their fees to compete with lower cost passive strategies. To the extent that trend continues, our business could be adversely affected.

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

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

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

Our assets under management, which affect revenue, are subject to significant fluctuations. Our major sources of revenue, including investment advisory, administrative, distribution and service fees, are generally

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

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

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

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

Our success depends on key personnel, and our financial performance could be negatively affected by the loss of their services. Our success depends upon our ability to attract, retain and motivate qualified portfolio managers, analysts, investment counselors, sales and management personnel, and other key professionals,

including our executive officers. Our key employees generally do not have employment contracts and may voluntarily terminate their employment at any time. Certain senior executives and the non-employee members of our Board of Directors are subject to our mandatory retirement policy at age 65 and age 74, 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 our level of expenses, which can vary significantly from period to period. Our expenses may fluctuate as a result of, among other things, variations in the level of compensation, expenses incurred to support distribution of our investment strategies and services, expenses incurred to develop new strategies and services, expenses incurred to enhance our technology, compliance and other infrastructure, impairments of intangible assets or goodwill, and the impact of inflation. Increases in our level of expenses, or our inability to reduce our level of expenses when necessary, could materially affect our operating results.

Our business is subject to operational risk. We are subject to the risk that we commit management or administration errors that cause us to incur financial losses and damage our reputation. Our customized separate account and exposure management services businesses may be particularly susceptible to losses from operational or trading errors because they involve large numbers of accounts and operate at generally low fee rates. In addition, our operations are dependent upon services and information from third parties, and operations problems at such third parties could materially affect our business. Many of the risks described herein, including those related to operations, cyber security, business continuity, international operations and legal and regulatory developments, also apply to the activities of the third parties with which we do business.

We could be adversely affected by changes in tax laws. 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. Future changes in tax laws or tax rulings could materially affect our effective tax rate. For example, the Tax Cuts and Jobs Act enacted into U.S. law in December 2017 (2017 Tax Act) included a permanent reduction in the corporate income tax rate. While reducing our effective tax rate, this change in future tax rates also caused the carrying value of our deferred tax assets at the time of enactment to be reduced.

Exposure to additional tax liabilities could have a material impact on our financial condition, results of operations and/or liquidity. We are subject to ongoing tax audits in various jurisdictions, including several states. We regularly assess the likely outcomes of these audits to determine the appropriateness of our tax provision. There can be no assurance that we will accurately predict the outcomes of these audits, which could have a material impact on our financial statements.

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 we manage and impede our ability to attract and retain key personnel. The loss of either client relationships or key personnel due to damage to our reputation could reduce the amount of assets we manage and cause us to suffer a loss in revenue and a reduction in net income. Increasingly, we must manage actual and potential conflicts of interest, including situations where our services to a particular client conflict, or are perceived to conflict, with the interests of another client or our affiliates. Failure to adequately address or disclose actual and/or potential conflicts of interest could adversely affect our reputation, results of operations and business prospects.

Our business may be negatively affected by adverse business decisions or our failure to properly implement or execute strategic programs and priorities. In order to maintain and grow our business, we must continuously make strategic decisions about our current and future business plans, including plans to target cost initiatives and enhance operational processes and efficiencies, to improve existing and to develop new service offerings and enhancements, to enter or exit business lines or geographic markets, to acquire or dispose of businesses, to build new systems, to migrate from existing systems and infrastructure, and to address staffing needs.

Support provided to developing new strategies and services may reduce fee income, increase expenses and expose us to potential loss on invested capital. We may support the development of new investment offerings by waiving all or a portion of the fees we receive, by subsidizing expenses or by making seed capital investments. Seed investments 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 investment offerings could have an adverse impact on our future growth.

We may need to raise additional capital or refinance existing debt in the future, and resources may not be available to us in sufficient amounts or on acceptable terms. Significant future demands on our capital include contractual obligations to service our debt and satisfy the terms of non-cancellable operating leases as described more fully under Contractual Obligations in Management's Discussion and Analysis of Financial Condition and Results of Operations within this Annual Report and in Note 9, Acquisitions, Goodwill and Intangible Assets, in Notes to Consolidated Financial Statements within this Annual Report. Although we believe our existing liquid assets, cash flows from operations and borrowing capacity under our credit facility are sufficient to meet our current and forecasted operating cash needs, our ability to satisfy our long-term contractual obligations may be dependent on our ability to access capital markets. Our ability to access capital markets efficiently depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Non-Voting Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely affected.

We could be subject to losses and reputational harm if we, or our agents, fail to properly safeguard sensitive and confidential information or as a result of cyber attacks. We are dependent on the effectiveness of our information and cyber security policies, procedures and capabilities, and those of third parties with which we do business, to protect our and their computer and telecommunications systems and the data that resides in, or is transmitted through, such systems. As part of our normal operations, we maintain and transmit confidential information about our clients and employees as well as proprietary information relating to our business operations. We maintain a system of internal controls designed to provide reasonable assurance that fraudulent activity, including misappropriation of assets, fraudulent financial reporting and unauthorized access to sensitive or confidential data, is either prevented or detected on a timely basis. Nevertheless, all technology systems remain vulnerable to unauthorized access and may be corrupted by cyber attacks, computer viruses or other malicious software code, the nature of which threats are constantly evolving and becoming increasingly sophisticated. In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information. Although we take precautions to password protect and encrypt our mobile electronic hardware, if such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us. Breach or other failure of our technology systems, including those of third

parties with which we do business, or failure to timely and effectively identify and respond to any such breach or failure, could result in the loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by the incident, additional security costs to mitigate against future incidents and litigation costs resulting from the incident. In addition, our increased use of mobile and cloud technologies could heighten these and other operational risks, and any failure by mobile or cloud technology service providers to adequately safeguard their systems and prevent cyber attacks could disrupt our operations and result in misappropriation, corruption or loss of confidential or proprietary information. Moreover, the 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 state, federal and international laws that protect confidential personal data, resulting in increased costs, loss of revenues and substantial penalties. In 2018, the E.U. significantly increased the potential penalties for noncompliance with requirements for the handling and maintenance of personal and sensitive data concerning customers and employees. Our failure to comply with these requirements could result in penalties of up to four percent of our global revenues, regulatory action and reputational risk. The recently enacted California Consumer Privacy Act (CCPA) will take effect in January 2020 and provide for enhanced consumer protections for California residents and statutory fines for data security breaches or other CCPA violations. Recent well-publicized security breaches at other companies have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber attacks, and may in the future result in heightened cyber security requirements, including additional regulatory expectations for oversight of vendors and service providers.

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

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

We pursue growth in the United States and abroad in part through acquisitions, which exposes us to risks inherent in assimilating new operations, expanding into new jurisdictions and executing on new development opportunities. Our growth strategy is based in part on the selective development or acquisition

of asset management or related businesses that we believe will add value to our business and generate positive net returns. This strategy may not be effective, and failure to successfully develop and execute such a strategy may decrease earnings and harm our competitive position. We cannot guarantee that we will identify and consummate any such transactions on acceptable terms or have sufficient resources to accomplish such a strategy. In addition, any strategic transaction can involve a number of risks, including additional demands on our staff; unanticipated problems regarding integration of operating facilities, technologies and new employees; and the existence of liabilities or contingencies not disclosed to or otherwise known by us prior to closing a transaction. As a result, we may not be able to realize net benefits 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 of our business.

Expansion into international markets and the introduction of new investment strategies and services increases our operational, regulatory and other risks. We continue to increase the scope of our investment offerings and the scale of our international business activities. As a result, we face increased operational, regulatory, compliance and reputational risks. The failure of our compliance and internal control systems to properly mitigate such additional risks, or of our operating infrastructure to support such expansion, could result in operational failures and regulatory fines or sanctions. Our operations in the U.K., the E.U., Australia, Singapore and other jurisdictions are subject to significant compliance, disclosure and other obligations. We incur additional costs to satisfy the requirements of the E.U. Directive on UCITS and other E.U. directives (together, the E.U. Directives). Compliance requirements relating to the E.U. Directives may also limit our operating flexibility and affect our ability to expand in European markets. Activity in international markets also exposes us to fluctuations in currency exchange rates, which may adversely affect the U.S. dollar value of revenues, expenses and assets associated with our business activities outside the United States. Actual and anticipated changes in current exchange rates may also adversely affect international demand for our investment strategies and services, most of which represent investments primarily in U.S. dollar-based assets. Because certain of our costs to support international business activities are based in local currencies, the profitability of such activities in U.S. dollar terms may be adversely affected by a weakening of the U.S. dollar versus other currencies in which we derive significant revenues.

The impact of the U.K.'s planned exit from the E.U. (Brexit) on our business operations in the U.K. and Europe remains unknown, and will vary depending on the final terms of the separation. Ongoing changes in the E.U.'s regulatory framework applicable to our operations, including Brexit as well as any other changes in the composition of the E.U.'s member states, may add additional complexity to our global operations, impede expansion and/or impose additional risks.

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

Under a final rule and interpretive guidance issued by FSOC, certain non-bank financial institutions have been designated for the Federal Reserve's supervision as SIFIs. Additional non-bank financial companies, which may

include large asset management companies such as us, may be designated as SIFIs in the future. Currently, there are no non-bank financial companies with a SIFI designation. If we are designated a SIFI, we would be subject to enhanced prudential measures, which could include capital and liquidity requirements, leverage limits, enhanced public disclosures and risk management requirements, annual stress testing by the Federal Reserve, credit exposure and concentration limits, supervisory and other requirements that could, individually, or in the aggregate, adversely affect our business and operations.

Eaton Vance Management, Parametric and BMR are registered with the CFTC and the NFA as Commodity Pool Operators and Commodity Trading Advisors; other subsidiaries of the Company claim exemptions from registration. The CFTC generally allows operators of registered mutual funds that are subject to registration as Commodity Pool Operators to comply with SEC disclosure, reporting and recordkeeping rules as the means of complying with CFTC's similar requirements. These CFTC rules do not, however, relieve registered Commodity Pool Operators from compliance with applicable anti-fraud provisions or certain performance reporting and recordkeeping requirements. The Company incurs ongoing costs associated with monitoring compliance with these requirements, including, but not limited to, CFTC and NFA registration and exemption obligations and the periodic reporting requirements of Commodity Pool Operators and Commodity Trading Advisors.

The regulation of derivatives markets has undergone substantial change in recent years and such change may continue. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), and regulations promulgated thereunder require many derivatives to be cleared and traded on an exchange, expand entity registration requirements, impose business conduct requirements on counterparties and impose other regulatory requirements that will continue to change derivative markets as regulations are implemented. Additional regulation of the derivatives markets may make the use of derivatives more costly, may limit the availability or reduce the liquidity of derivatives, and may impose limits or restrictions on the counterparties to derivative transactions.

Certain of our subsidiaries are required to file quarterly reports on Form PF for private funds they manage, pursuant to systemic risk reporting requirements adopted by the SEC. These filings require significant investments in people and systems to ensure timely and accurate reporting. Further investment will be necessary as we implement rules adopted by the SEC in 2016 that amended Form ADV and established Form N-PORT to require additional reporting for the separate accounts and Registered Funds we manage, respectively.

In Europe, the revised Markets in Financial Instruments Directive (MiFID II Directive) and the Markets in Financial Instruments Regulation (MiFIR) (collectively, MiFID II) took effect in January 2018. Implementation of MiFID II significantly affects the structure and operation of the E.U. financial markets and our European operations. Some of the main changes introduced by MiFID II include: (1) enhancing business conduct and governance requirements; (2) broadening the scope of pre- and post-trade transparency; (3) enhancing disclosure requirements; (4) increasing transaction reporting requirements; (5) revising the relationship between client commissions and investment research services; and (6) further regulating trading revenue.

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

We may not manage risks associated with the replacement of financial benchmarks effectively. The withdrawal and replacement of widely used financial benchmarks such as the London Interbank Offered Rate (LIBOR) with alternative benchmarks introduces a number of risks for us, our clients and the financial services industry more widely. These include legal implementation risks, as extensive changes to documentation for

new and existing clients and transactions may be required; financial risks arising from any changes in the valuation of financial instruments linked to benchmarks; pricing risks, as changes to benchmarks could impact pricing mechanisms on some instruments; operational risks, due to the potential requirement to adapt information technology systems, trade reporting infrastructure and operational processes; and conduct risks, relating to communication with potential impact on customers and engagement during the transition away from financial benchmarks currently utilized, such as LIBOR.

We expect a transition from widespread use of LIBOR to alternative benchmark rates will occur over the next several years. The FCA, which regulates LIBOR, has announced that it has commitments from panel banks to continue to contribute to LIBOR through the end of calendar 2021, but that the FCA will not use its powers to compel contributions beyond that date. Accordingly, there is considerable uncertainty regarding the publication of LIBOR beyond 2021. While it is not currently possible to determine precisely whether, or to what extent, the withdrawal and replacement of LIBOR would affect us, the implementation of alternative benchmark rates to LIBOR may have an adverse effect on our business, results of operations or financial condition.

Our business is subject to risk from legal and regulatory proceedings. We are subject to federal securities laws, state laws regarding securities fraud, other federal and state laws and rules, and regulations of certain regulatory, self-regulatory and other organizations, including, among others, the SEC, FINRA, the CFTC, the NFA and the New York Stock Exchange. We are also subject to substantial legal and regulatory requirements in the U.K., E.U., Singapore, Japan and other jurisdictions in which we operate outside the U.S. 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 U.S. 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 or potential claims against us arise, including employment-related claims.

In fiscal 2019, we settled a lawsuit regarding the Eaton Vance Profit Sharing and Savings Plan (Plan) for \$3.45 million, the full amount of which was paid by insurance. The settlement does not require us to make any changes to the Plan, and we expressly denied any liability in connection with the allegations in the lawsuit, which were similar to allegations in other lawsuits brought against many of our industry peers relating to their employee retirement plans.

We carry insurance in amounts and under terms that we believe are appropriate. We cannot guarantee that our insurance will cover most liabilities and losses to which we may be exposed, or that our insurance policies will continue to be available at acceptable terms and fees. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or pay higher premiums, which would increase our expenses and reduce our net income.

Our Non-Voting Common Stock lacks voting rights. Our Non-Voting Common Stock has no voting rights under any circumstances. All voting power resides with our Voting Common Stock, all shares of which are held by officers of the Company and its subsidiaries. All the shares of our Voting Common Stock are deposited in a voting trust (Voting Trust) in exchange for Voting Trust Receipts that entitle the holder to receive the dividends paid on the Voting Common Stock he or she has deposited. As of October 31, 2019, there were 22 holders of Voting Trust Receipts representing Voting Common Stock, each holder of which is a Voting Trustee of the Voting Trust. Holders of Non-Voting Common Stock should understand that such ownership interests have no ability to vote in the election of the Company's Board of Directors and no right to direct the Company's

management and strategy. The exclusion of our Non-Voting Common Stock from stock market indexes, whether as a result of our dual class capitalization or any other reason, could have an adverse impact on the trading price of our Non-Voting Common Stock.

Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures as of October 31, 2019. Disclosure controls and procedures are designed to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rule and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure. Our CEO and CFO participated in this evaluation and concluded that, as of October 31, 2019, our disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting that occurred during the fourth quarter of our fiscal year ended October 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Consolidated Statements of Income

<i>(in thousands, except per share data)</i>	Years Ended October 31,		
	2019	2018	2017
Revenue:			
Management fees	\$ 1,463,943	\$ 1,459,186	\$ 1,309,020
Distribution and underwriter fees	85,612	97,371	95,553
Service fees	123,073	122,231	117,520
Other revenue	10,624	13,634	10,018
Total revenue	1,683,252	1,692,422	1,532,111
Expenses:			
Compensation and related costs	626,513	604,631	553,952
Distribution expense	150,239	165,033	156,912
Service fee expense	107,762	106,831	105,448
Amortization of deferred sales commissions	22,593	18,394	16,239
Fund-related expenses	40,357	37,602	35,128
Other expenses	214,917	204,729	181,674
Total expenses	1,162,381	1,137,220	1,049,353
Operating income	520,871	555,202	482,758
Non-operating income (expense):			
Gains and other investment income, net	51,040	10,066	19,303
Interest expense	(23,795)	(23,629)	(27,496)
Loss on extinguishment of debt	-	-	(5,396)
Other income (expense) of consolidated collateralized loan obligation (CLO) entities:			
Gains and other investment income, net	70,272	16,882	-
Interest and other expense	(59,350)	(15,286)	-
Total non-operating income (expense)	38,167	(11,967)	(13,589)
Income before income taxes and equity in net income of affiliates	559,038	543,235	469,169
Income taxes	(135,252)	(156,703)	(173,666)
Equity in net income of affiliates, net of tax	9,090	11,373	10,870
Net income	432,876	397,905	306,373
Net income attributable to non-controlling and other beneficial interests	(32,841)	(15,967)	(24,242)
Net income attributable to Eaton Vance Corp. shareholders	\$ 400,035	\$ 381,938	\$ 282,131
Earnings per share:			
Basic	\$ 3.63	\$ 3.33	\$ 2.54
Diluted	\$ 3.50	\$ 3.11	\$ 2.42
Weighted average shares outstanding:			
Basic	110,064	114,745	110,918
Diluted	114,388	122,932	116,418

See notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

<i>(in thousands)</i>	Years Ended October 31,		
	2019	2018	2017
Net income	\$ 432,876	\$ 397,905	\$ 306,373
Other comprehensive income (loss):			
Unrealized loss on cash flow hedges, net of tax	-	-	(413)
Amortization of net gains (losses) on cash flow hedges, net of tax	(100)	(101)	27
Unrealized gains (losses) on available-for-sale investments, net of tax	-	(414)	1,185
Foreign currency translation adjustments	(1,322)	(5,192)	9,310
Other comprehensive income (loss), net of tax	(1,422)	(5,707)	10,109
Total comprehensive income	431,454	392,198	316,482
Comprehensive income attributable to non-controlling and other beneficial interests	(32,841)	(15,967)	(24,242)
Total comprehensive income attributable to Eaton Vance Corp. shareholders	\$ 398,613	\$ 376,231	\$ 292,240

See notes to Consolidated Financial Statements.

Consolidated Balance Sheets

<i>(in thousands, except share data)</i>	October 31,	
	2019	2018
Assets		
Cash and cash equivalents	\$ 557,668	\$ 600,696
Management fees and other receivables	237,864	236,736
Investments	1,060,739	1,078,627
Assets of consolidated CLO entities:		
Cash	48,704	216,598
Bank loans and other investments	1,704,270	874,304
Other assets	28,039	4,464
Deferred sales commissions	55,211	48,629
Deferred income taxes	62,661	45,826
Equipment and leasehold improvements, net	72,798	52,428
Intangible assets, net	75,907	80,885
Goodwill	259,681	259,681
Loan to affiliate	5,000	5,000
Other assets	85,087	95,454
Total assets	\$ 4,253,629	\$ 3,599,328
Liabilities, Temporary Equity and Permanent Equity		
Liabilities:		
Accrued compensation	\$ 240,722	\$ 233,836
Accounts payable and accrued expenses	89,984	91,410
Dividend payable	55,177	51,731
Debt	620,513	619,678
Liabilities of consolidated CLO entities:		
Senior and subordinated note obligations	1,617,095	873,008
Other liabilities	51,122	154,185
Other liabilities	108,982	131,952
Total liabilities	2,783,595	2,155,800
Commitments and contingencies (Note 20)		
Temporary Equity:		
Redeemable non-controlling interests	285,915	335,097
Total temporary equity	285,915	335,097
Permanent Equity:		
Voting Common Stock, par value \$ 0.00390625 per share:		
Authorized, 1,280,000 shares		
Issued and outstanding, 422,935 and 422,935 shares, respectively	2	2
Non-Voting Common Stock, par value \$0.00390625 per share:		
Authorized, 190,720,000 shares		
Issued and outstanding, 113,143,567 and 116,527,845 shares, respectively	442	455
Additional paid-in capital	-	17,514
Notes receivable from stock option exercises	(8,447)	(8,057)
Accumulated other comprehensive loss	(58,317)	(53,181)
Retained earnings	1,250,439	1,150,698
Total Eaton Vance Corp. shareholders' equity	1,184,119	1,107,431
Non-redeemable non-controlling interests	-	1,000
Total permanent equity	1,184,119	1,108,431
Total liabilities, temporary equity and permanent equity	\$ 4,253,629	\$ 3,599,328

See notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

	Permanent Equity							Temporary Equity		
	Voting and Non-Voting Common Shares	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Income (Loss)	Retained Earnings		Non-Redeemable Non-Controlling Interests	Total Permanent Equity
<i>(in thousands)</i>										
Balance, November 1, 2016	113,988	\$ 2	\$ 444	\$ -	\$ (12,074)	\$ (57,583)	\$ 773,000	\$ 786	\$ 704,575	\$ 109,028
Net income							282,131	4,079	286,210	20,163
Other comprehensive income (loss), net of tax						10,109			10,109	
Dividends declared (\$1.150 per share)							(133,896)		(133,896)	
Issuance of Non-Voting Common Stock:										
On exercise of stock options	5,599		22	207,471	(3,538)				203,955	
Under employee stock purchase plans	95			2,976					2,976	
Under employee stock purchase incentive plan	108			3,997					3,997	
Under restricted stock plan, net of forfeitures	1,625		6						6	
Stock-based compensation				79,525					79,525	
Tax benefit of stock option exercises and vesting of restricted stock awards				3,165					3,165	
Tax benefit (expense) associated with non-controlling interests				8,454					8,454	
Repurchase of Non-Voting Common Stock	(2,894)		(11)	(126,188)					(126,199)	
Principal repayments on notes receivable from stock option exercises					4,500				4,500	
Net subscriptions (redemptions/distributions) of non-controlling interest holders								(3,937)	(3,937)	191,822
Net consolidations (deconsolidations) of sponsored investment funds										(81,382)
Reclass to temporary equity								(64)	(64)	64
Purchase of non-controlling interests										(19,988)
Changes in redemption value of non-controlling interests redeemable at fair value				(31,116)					(31,116)	31,116
Balance October 31, 2017	118,521	\$ 2	\$ 461	\$ 148,284	\$ (11,112)	\$ (47,474)	\$ 921,235	\$ 864	\$ 1,012,260	\$ 250,823

See notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity (continued)

	Permanent Equity										Temporary Equity
	Voting and Non-Voting Common Shares	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Redeemable Non-Controlling Interests	
Balance, November 1, 2017	118,521	\$ 2	\$ 461	\$ 148,284	\$ (11,112)	\$ (47,474)	\$ 921,235	\$ 864	\$ 1,012,260	\$ 250,823	
Cumulative effect adjustment upon adoption of new accounting standard (ASU 2016-09)				675			(523)		152		
Net income							381,938	3,049	384,987	12,918	
Other comprehensive income (loss), net of tax						(5,707)			(5,707)		
Dividends declared (\$1.280 per share)							(151,952)		(151,952)		
Issuance of Non-Voting Common Stock:											
On exercise of stock options	2,526		11	70,156	(1,770)				68,397		
Under employee stock purchase plans	76			3,168					3,168		
Under employee stock purchase incentive plan	104			4,877					4,877		
Under restricted stock plan, net of forfeitures	1,308		5						5		
Stock-based compensation				87,047					87,047		
Tax benefit (expense) associated with non-controlling interest				5,649					5,649		
Repurchase of Voting Common Stock	(20)			(171)					(171)		
Repurchase of Non-Voting Common Stock	(5,564)		(22)	(286,664)					(286,686)		
Principal repayments on notes receivable from stock option exercises					4,825				4,825		
Net subscriptions (redemptions/distributions) of non-controlling interest holders								(2,947)	(2,947)	103,775	
Net consolidations (deconsolidations) of sponsored investment funds										(25,320)	
Reclass to temporary equity								34	34	(34)	
Purchase of non-controlling interests										(22,572)	
Changes in redemption value of non-controlling interests redeemable at fair value				(15,507)					(15,507)	15,507	
Balance, October 31, 2018	116,951	\$ 2	\$ 455	\$ 17,514	\$ (8,057)	\$ (53,181)	\$ 1,150,698	\$ 1,000	\$ 1,108,431	\$ 335,097	

See notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity (continued)

	Permanent Equity										Temporary Equity
	Voting and Non-Voting Common Shares	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Redeemable Non-Controlling Interests	
Balance, November 1, 2018	116,951	\$ 2	\$ 455	\$ 17,514	\$ (8,057)	\$ (53,181)	\$ 1,150,698	\$ 1,000	\$ 1,108,431	\$ 335,097	
Cumulative effect adjustment upon adoption of new accounting standard (ASU 2016-01)						3,714					
Net income						(3,714)	400,035	1,812	401,847	31,029	
Other comprehensive income (loss), net of tax						(1,422)			(1,422)		
Dividends declared (\$1.425 per share)							(162,592)		(162,592)		
Issuance of Non-Voting Common Stock:											
On exercise of stock options	1,570		6	45,023	(1,573)				43,456		
Under employee stock purchase plans	82			3,197					3,197		
Under employee stock purchase incentive plan	126			4,594					4,594		
Under restricted stock plan, net of forfeitures	2,247		9						9		
Stock-based compensation				90,998					90,998		
Tax benefit (expense) associated with non-controlling interest				21,944					21,944		
Repurchase of Non-Voting Common Stock	(7,409)		(28)	(158,490)			(141,416)		(299,934)		
Principal repayments on notes receivable from stock option exercises					1,183				1,183		
Net subscriptions (redemptions/distributions) of non-controlling interest holders								(2,190)	(2,190)	48,233	
Net consolidations (deconsolidations) of sponsored investment funds										(67,989)	
Reclass to temporary equity								(622)	(622)	622	
Purchase of non-controlling interests										(85,857)	
Changes in redemption value of non-controlling interests redeemable at fair value				(24,780)					(24,780)	24,780	
Balance, October 31, 2019	113,567	\$ 2	\$ 442	\$ -	\$ (8,447)	\$ (58,317)	\$ 1,250,439	\$ -	\$ 1,184,119	\$ 285,915	

See notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

<i>(in thousands)</i>	Years Ended October 31,		
	2019	2018	2017
Cash Flows From Operating Activities:			
Net income	\$ 432,876	\$ 397,905	\$ 306,373
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,706	25,013	19,132
Unamortized loss on derivative instrument	-	-	(684)
Amortization of deferred sales commissions	22,592	18,394	16,231
Stock-based compensation	90,998	87,047	79,525
Deferred income taxes	4,503	25,246	14,345
Net (gains) losses on investments and derivatives	(8,255)	17,796	1,900
Loss on expiration of Hexavest option	-	6,523	-
Equity in net income of affiliates, net of tax	(9,090)	(11,373)	(10,870)
Dividends received from affiliates	10,927	12,243	11,447
Loss on extinguishment of debt	-	-	5,396
Consolidated CLO entities' operating activities:			
Net (gains) losses on bank loans, other investments and note obligations	4,240	(1,999)	-
Amortization of bank loan investments	(1,447)	(248)	-
(Increase) decrease in other assets, net of other liabilities	12,680	(150)	-
Increase in cash due to initial consolidation	19,009	51,278	-
Changes in operating assets and liabilities:			
Management fees and other receivables	(1,052)	(36,427)	(14,167)
Short-term debt securities	(24,663)	(59,551)	(126,996)
Investments held by consolidated sponsored funds and separately managed accounts	(28,492)	(181,797)	(253,748)
Deferred sales commissions	(29,169)	(30,598)	(25,577)
Other assets	(1,459)	(1,960)	(11,250)
Accrued compensation	6,674	26,806	33,489
Accounts payable and accrued expenses	(4,924)	10,287	7,330
Other liabilities	(7,836)	5,286	44,032
Net cash provided by operating activities	511,818	359,721	95,908
Cash Flows From Investing Activities:			
Additions to equipment and leasehold improvements	(34,897)	(18,747)	(12,698)
Net cash paid in acquisitions	-	-	(63,605)
Proceeds from sale of investments	14,067	24,486	16,502
Purchase of investments	(3,514)	(7,022)	(276)
Proceeds from sale of investments in CLO entity note obligations	-	76,563	-
Purchase of investments in CLO entity note obligations	(54,352)	(147,322)	-
Consolidated CLO entities' investing activities:			
Proceeds from sales of bank loans and other investments	501,356	154,871	-
Purchase of bank loans and other investments	(1,098,530)	(407,883)	(31,348)
Net cash used for investing activities	(675,870)	(325,054)	(91,425)

See notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows (continued)

<i>(in thousands)</i>	Years Ended October 31,		
	2019	2018	2017
Cash Flows From Financing Activities:			
Purchase of additional non-controlling interest	(91,617)	(20,818)	(9,820)
Line of credit issuance costs	(930)	-	-
Debt issuance costs	-	-	(2,761)
Proceeds from issuance of debt	-	-	298,896
Repayment of debt	-	-	(250,000)
Loss on extinguishment of debt	-	-	(5,396)
Proceeds from issuance of Non-Voting Common Stock	51,256	76,447	210,934
Repurchase of Voting Common Stock	-	(171)	-
Repurchase of Non-Voting Common Stock	(299,400)	(273,550)	(126,199)
Principal repayments on notes receivable from stock option exercises	1,183	4,825	4,500
Dividends paid	(159,123)	(144,855)	(125,785)
Net subscriptions received from (redemptions/distributions paid to) non-controlling interest holders	44,508	100,360	188,463
Consolidated CLO entities' financing activities:			
Proceeds from line of credit	197,915	245,898	12,598
Repayment of line of credit	(197,915)	(258,496)	-
Issuance of senior and subordinated note obligations	794,767	1,320,397	-
Principal repayments of senior and subordinated note obligations	(389,000)	(865,624)	-
Net cash provided by (used for) financing activities	(48,356)	184,413	195,430
Effect of currency rate changes on cash and cash equivalents	(322)	(2,868)	2,701
Net increase (decrease) in cash, cash equivalents and restricted cash	(212,730)	216,212	202,614
Cash, cash equivalents and restricted cash, beginning of year	866,075	649,863	447,249
Cash, cash equivalents and restricted cash, end of year	\$ 653,345	\$ 866,075	\$ 649,863
Supplemental Cash and Restricted Cash Flow Information:			
Cash paid for interest	\$ 22,695	\$ 22,660	\$ 25,535
Cash paid for interest upon repayment of debt	-	-	1,354
Cash paid for interest by consolidated CLO entities	38,140	10,681	-
Cash paid for income taxes, net of refunds	125,054	135,105	143,948
Supplemental Schedule of Non-Cash Investing and Financing Transactions:			
Increase in equipment and leasehold improvements due to non-cash additions	\$ 4,341	\$ 1,336	\$ 863
Exercise of stock options through issuance of notes receivable	1,573	1,770	3,538
Non-Voting Common Stock repurchases recorded in accounts payable and accrued expenses	13,670	13,136	-
Non-controlling interest call option exercise recorded in other liabilities	8,372	14,133	12,379
Increase (decrease) in non-controlling interest due to net consolidations (deconsolidation) of sponsored investment funds	(67,989)	(25,320)	129,587
Decrease in bank loans and other investments of consolidated CLO entities due to unsettled sales	(24,193)	-	-
Increase in bank loans and other investments of consolidated CLO entities due to unsettled purchases	33,985	149,617	-
Initial Consolidation of CLO Entities:			
Increase in bank loans and other investments	\$ 410,853	\$ 814,122	\$ -
Increase in senior loan obligations	391,080	843,089	-
Deconsolidation of CLO Entities:			
Decrease in bank loans and other investments	\$ -	\$ (379,676)	\$ -
Decrease in senior and subordinated loan obligations	-	(378,742)	-

See notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Business and organization

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

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

Basis of presentation

The preparation of the Company's Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make judgments, estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and related notes to the Consolidated Financial Statements. However, due to the inherent uncertainties in making estimates, actual results could differ from those estimates.

Adoption of new accounting standards

The Company adopted the following accounting standards as of November 1, 2018:

- Revenue recognition – Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*
- Financial instruments – ASU 2016-01, *Recognition and Measurement of Financial Assets and Liabilities*
- Statement of cash flows – ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*
- Statement of cash flows – ASU 2016-18, *Restricted Cash*

Revenue recognition

This guidance seeks to improve comparability by providing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The guidance also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements. The Company adopted the new revenue recognition guidance using a full retrospective approach.

The adoption of this guidance did not result in any significant changes to the timing of recognition and measurement of revenue or recognition of costs incurred to obtain and fulfill revenue contracts; however, the presentation of certain revenue and expense balances was affected. Notably, fund subsidies of \$26.9 million and \$13.9 million previously included as a component of fund-related expenses in the Consolidated Statements of Income for the years ended October 31, 2018 and 2017, respectively, are now presented as a contra-revenue component of management fees. Separately, in applying the revised principal-versus-

agent guidance to the Company's various distribution contracts for certain classes of shares in sponsored funds with a front-end load commission pricing structure, the entire front-end load commission (including both the underwriting commission retained by the Company and the sales charge paid to the selling broker-dealer) is now presented on a gross basis (i.e., included within distribution and underwriting fee revenue) and the sales charge paid to the selling broker-dealer is now presented within distribution expense in the Consolidated Statements of Income. Prior to the adoption of ASU 2014-09, only the underwriting commission retained by the Company was presented within distribution and underwriting fee revenue as the sales charge paid to the selling broker-dealer was recorded net. As a result of adopting ASU 2014-09, distribution and underwriter fees and distribution expense each increased by approximately \$17.1 million and \$17.0 million for the years ended October 31, 2018 and 2017, respectively. Lastly, contingent deferred sales charges received, which were previously recorded as a reduction of deferred sales commission assets, are now recorded as revenue within the distribution and underwriting fees line item in the Consolidated Statements of Income.

The following tables present the effect of the changes in presentation made to prior periods which are attributable to the retrospective adoption of ASU 2014-09:

<i>(in thousands)</i>	October 31, 2018		
	As Previously Reported	Reclassification	As Restated
Revenue:			
Management fees	\$ 1,481,896	\$ (22,710)	\$ 1,459,186
Distribution and underwriter fees	80,478	16,893	97,371
Service fees	123,500	(1,269)	122,231
Other revenue	16,375	(2,741)	13,634
Total revenue	1,702,249	(9,827)	1,692,422
Expenses:			
Compensation and related costs	604,631	-	604,631
Distribution expense	141,418	23,615	165,033
Service fee expense	113,337	(6,506)	106,831
Amortization of deferred sales commissions	18,394	-	18,394
Fund-related expenses	64,538	(26,936)	37,602
Other expenses	204,729	-	204,729
Total expenses	1,147,047	(9,827)	1,137,220
Operating income	\$ 555,202	\$ -	\$ 555,202

October 31, 2017

<i>(in thousands)</i>	As Previously Reported	Reclassification	As Restated
Revenue:			
Management fees	\$ 1,318,141	\$ (9,121)	\$ 1,309,020
Distribution and underwriter fees	78,776	16,777	95,553
Service fees	119,962	(2,442)	117,520
Other revenue	12,131	(2,113)	10,018
Total revenue	1,529,010	3,101	1,532,111
Expenses:			
Compensation and related costs	553,952	-	553,952
Distribution expense	132,873	24,039	156,912
Service fee expense	112,519	(7,071)	105,448
Amortization of deferred sales commissions	16,239	-	16,239
Fund-related expenses	48,995	(13,867)	35,128
Other expenses	181,674	-	181,674
Total expenses	1,046,252	3,101	1,049,353
Operating income	\$ 482,758	\$ -	\$ 482,758

Financial instruments – recognition and measurement

This guidance requires substantially all equity investments in unconsolidated entities (other than those accounted for under the equity method of accounting) with a readily determinable fair value to be measured at fair value, with changes in fair value recognized in net income. The guidance effectively eliminates the ability, at acquisition, to classify an equity investment as available-for-sale with holding gains and losses presented in other comprehensive income until realized. The Company adopted this provision of the new ASU using a modified retrospective approach.

The Company held \$10.3 million of available-for-sale equity investments in unconsolidated sponsored funds at October 31, 2018. Upon adoption, the Company recognized a \$3.7 million cumulative effect adjustment (increase), net of related income tax effects, to reclassify unrealized holding gains attributable to these investments previously recognized in accumulated other comprehensive income (loss) to retained earnings. Prior period investments in unconsolidated sponsored mutual funds and private funds previously classified as trading and available-for-sale are now referred to as “equity securities” within the notes to the financial statements; the prior-period treatment of gains or losses arising from changes in the fair value of these investments did not change.

The guidance also provides for an election to measure certain investments without a readily determinable fair value at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the same or similar instrument of the same issuer (cost method). The Company adopted this provision of the ASU using a prospective approach.

Statement of cash flows – classification

This standard clarifies how certain cash receipts and cash payments are classified and presented on the Consolidated Statement of Cash Flows. The Company adopted ASU 2016-15 using a retrospective

approach. The adoption of this standard did not result in any changes to the classification of prior period activity on the Company's Consolidated Statements of Cash Flows.

Statement of cash flows – restricted cash

This standard requires the inclusion of restricted cash and restricted cash equivalents (restricted cash) with cash and cash equivalents when reconciling the beginning and ending amounts on the Consolidated Statement of Cash Flows. The Company adopted this new guidance using a retrospective approach. Accordingly, previously reported net changes in restricted cash balances, which totaled \$174.8 million and \$16.2 million for the years ended October 31, 2018 and 2017, respectively, are no longer presented as a component of the Company's net cash provided by operating activities for those periods. Conversely, an increase in cash due to initial consolidation was added as a separate component of net cash provided by operating activities for the years ended October 31, 2018 and 2017 to reflect the restricted cash balance of a CLO entity initially consolidated during that period. A reconciliation of cash, cash equivalents and restricted cash for all balance sheet periods presented is included in Note 3.

In addition to the standards described above, the Company also early-adopted the portion of ASU 2018-13, *Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, related to the removal of certain fair value disclosure requirements. The fair value disclosures required to be added under this new guidance will be effective for the fiscal year that begins on November 1, 2020.

Where applicable, the Company's significant accounting policies provided below have been updated to reflect the adoption of these new accounting standards as of November 1, 2018.

Principles of consolidation

The Consolidated Financial Statements include the accounts of the Company and its controlled affiliates. All legal entities are evaluated for consolidation under two primary consolidation models; namely, the voting interest entity model and the variable interest entity (VIE) model. Both consolidation models require the Company to consolidate a legal entity when it has a controlling financial interest in that entity. The Company recognizes non-controlling interests (held by third parties) in consolidated entities in which the Company's ownership is less than 100 percent. All intercompany accounts and transactions have been eliminated in consolidation.

Under the voting interest entity model, the Company consolidates any voting interest entity in which the Company is considered to have a controlling financial interest, which is typically when the Company's voting ownership exceeds 50 percent or where the Company otherwise has the power to govern the financial and operating policies of the entity. Voting interest entities primarily include wholly- and majority-owned affiliates through which the Company conducts its business.

The Company evaluates any VIEs in which the Company has a variable interest for consolidation. A VIE is an entity in which either: (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support; or (b) where, as a group, the holders of the equity investment at risk do not possess: (1) the power through voting or similar rights to direct the activities that most significantly affect the entity's economic performance, (2) the obligation to absorb expected losses or the right to receive expected residual returns of the entity or (3) proportionate voting and economic interests (in instances in which substantially all of the entity's activities either involve or are conducted on

behalf of one or more investors with disproportionately fewer voting rights). If an entity has any of these characteristics, it is considered a VIE and is required to be consolidated by its primary beneficiary.

The Company is deemed to be the primary beneficiary of a VIE when it has a variable interest that provides it with both (1) the power to direct the activities that most significantly affect the VIE's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. VIEs consolidated by the Company primarily include certain open-end registered investment companies that it sponsors (sponsored funds) and collateralized loan obligation (CLO) entities. Additional considerations relevant to the application of the VIE model to sponsored funds and CLO entities are discussed below.

The Company may consolidate one or more sponsored funds or CLO entities during a given reporting period. Due to the similarity of risks related to the Company's involvement with each of these entities, and disclosures required under the VIE model, certain disclosures regarding these entities are aggregated.

Consolidation of sponsored funds

With limited exceptions, each of the Company's sponsored funds is organized as a separately managed series of a series trust. Each series trust contains multiple funds that issue equity interests to shareholders. All assets of a fund within a series trust irrevocably belong to the shareholders of that fund and are subject to the liabilities of that fund; under no circumstances are the liabilities of one fund payable by another fund in the series trusts. The Company's series trusts have no equity investment at risk; rather, all equity is issued at the individual fund level. However, decisions regarding the trustees of the series trust and certain key activities of funds within the series trust, such as appointment of each fund's investment adviser, typically reside at the series trust level. As a result, shareholders of funds organized as series of a series trust lack the ability to control the key decision-making processes that most significantly affect the economic performance of the fund. Accordingly, the Company believes that each series trust is a VIE and each component fund within the series trust is a silo that should be evaluated for consolidation as a separate VIE. Having concluded that each silo is a VIE for accounting purposes, the primary beneficiary evaluation is focused on an analysis of economic interests in each silo.

The Company regularly seeds new sponsored funds and may hold a significant interest in the shares of a sponsored fund during the seed investment stage when the sponsored fund's investment track record is being established. The Company has concluded that, to the extent that the Company's interest in a sponsored fund is limited to: (1) market-based fees earned from the fund that are commensurate with the level of effort to provide the service; and (2) other interests that, in aggregate, would absorb an insignificant amount of variability in the fund, the Company's asset management agreements would not be considered a variable interest that provides the Company with the power to direct the activities of the fund and therefore the Company would not be required to consolidate the fund. The Company has concluded that its fees earned from advisory agreements with sponsored funds in which the Company holds a significant (at least 10 percent) ownership interest in the fund do represent variable interests that, in combination with the ownership interest, convey both power and significant economic exposure (both characteristics of a controlling financial interest) to the Company, and therefore the Company would be deemed to be the primary beneficiary and required to consolidate the funds.

Upon consolidation, management fee revenue earned on, as well as the Company's investments in, consolidated sponsored funds are eliminated. The Company retains the specialized accounting treatment of sponsored funds in consolidation whereby the underlying investments are carried at fair value, with corresponding changes in fair value reflected in gains (losses) and other investment income, net, in the

Company's Consolidated Statements of Income. When the Company is no longer deemed to hold a controlling financial interest in a sponsored fund, the Company deconsolidates the sponsored fund and removes the related assets, liabilities and non-controlling interests from its balance sheet and the Company's remaining equity investment is held at fair value. Because consolidated sponsored funds carry their assets and liabilities at fair value, there is no incremental gain or loss recognized upon deconsolidation.

Consolidation of CLO entities

In the normal course of business, the Company provides collateral management services to, and in certain cases invests in, sponsored CLO entities. The Company evaluates such CLO entities under the VIE model as the equity investment at risk is not sufficient to finance the activities of these entities, which are primarily financed through the issuance of senior debt obligations. The fees paid to the Company as collateral manager are not considered to be variable interests in sponsored CLO entities in cases where each of the following conditions are met: (1) the fees paid to the Company are commensurate with the level of effort required to provide the collateral management services, (2) the Company does not hold other interests in the CLO entity that individually, or in the aggregate, would absorb more than an insignificant amount (less than 10 percent) of the CLO entity's expected losses or residual returns, and (3) the terms of the collateral management agreement between the Company and the CLO entity are consistent with the terms for similar services negotiated at arm's length. Unless each of these criteria is met, the Company is deemed to have a variable interest in the sponsored CLO entity and would be required to consolidate the VIE if the Company is the primary beneficiary.

In assessing whether the Company is the primary beneficiary of a sponsored CLO entity, the Company considers its role as collateral manager and the significance of other interests in the CLO entity that are held by the Company. As collateral manager, the Company has the power to direct the activities that most significantly affect the economic performance of these entities. In cases where the Company holds at least 10 percent of the subordinated interests of a sponsored CLO entity, the Company is deemed to have the obligation to absorb losses of, or the right to receive benefits from, the CLO entity that could potentially be significant to the CLO entity. Accordingly, the Company deems itself to be the primary beneficiary of a CLO entity, and thus consolidates the entity, in cases where the Company both: (1) provides collateral management services to the CLO entity and (2) holds at least 10 percent of the subordinated interests of the CLO entity.

Upon consolidation, management fee revenue earned on, as well as the Company's subordinated interests in, consolidated CLO entities are eliminated. The Company applies the measurement alternative to Accounting Standard Codification (ASC) 820 related to fair value measurement for collateralized financing entities upon initial consolidation and for the subsequent measurement of financial assets and liabilities of these entities. The measurement alternative requires reporting entities to use the more observable of the fair value of the financial assets or the fair value of the financial liabilities to measure both the financial assets and the financial liabilities of a collateralized financing entity. Any gain or loss resulting from the initial application of the measurement alternative is reflected in earnings attributable to the reporting entity. Subsequent to initial consolidation, the application of the measurement alternative requires the Company to recognize in earnings amounts that reflect the equivalent of its own economic interests in the CLO entity, which generally include both changes in fair value of any retained investment and management fees received as compensation for collateral management services. When the Company is no longer deemed to be the primary beneficiary of a CLO entity, the Company deconsolidates the CLO entity and removes the related assets and liabilities from its balance sheet. Because assets and liabilities of consolidated CLO entities in the securitization phase are carried at fair value pursuant to the measurement

alternative to ASC 820 previously described, there is no incremental gain or loss recognized upon deconsolidation.

Segment information

Management has determined that the Company operates in one segment, namely as an investment adviser managing funds and separate accounts. The Company's determination that it operates in one business segment is based primarily on the fact that the Company's Chief Executive Officer reviews the Company's financial performance at an aggregate level. All of the business services provided by the Company relate to investment management and are subject to similar regulatory frameworks. Investment management teams at the Company are generally not aligned with specific business lines or distribution channels; in many instances, the investment professionals who manage the Company's sponsored funds are the same investment professionals who manage the Company's separately managed accounts.

Cash and cash equivalents

Cash and cash equivalents consists principally of cash held in banks as well as cash equivalents that may consist of short-term, highly liquid investments in money market mutual funds, commercial paper, certificates of deposit and holdings of Treasury and government agency securities that are readily convertible to cash. Cash equivalents have remaining maturities of less than three months, as determined upon purchase by the Company, and are stated at fair value or amortized cost, which approximates fair value due to the short-term maturities of these investments. Cash deposits maintained at a financial institution may exceed the federally insured limit.

Restricted cash

Restricted cash includes cash collateral required for margin accounts established to support derivative positions and other segregated cash held to comply with certain regulatory requirements. Such derivatives are used to hedge certain of the Company's investments in consolidated sponsored funds and separately managed accounts seeded for business development purposes (consolidated seed investments). Restricted cash also includes cash and cash equivalents held by consolidated sponsored funds and consolidated CLO entities, which are not available to the Company for its general operations.

Investments

Debt securities held at fair value

Debt securities held at fair value consist of certificates of deposit, commercial paper and corporate debt obligations with remaining maturities of three months to 12 months upon purchase by the Company, as well as investments in debt securities held in consolidated sponsored funds and separately managed accounts. Debt securities are measured at fair value with net realized and unrealized holding gains or losses, and interest and dividend income reflected as a component of gains (losses) and other investment income, net, on the Company's Consolidated Statements of Income. The specific identified cost method is used to determine the realized gains or losses on all debt securities sold.

Equity securities held at fair value

Equity securities consist primarily of domestic and foreign equity securities held in consolidated sponsored funds and separately managed accounts and the Company's investments in non-consolidated funds. Equity securities and investments in non-consolidated funds with readily determinable fair values are measured

at fair value based on quoted market prices and published net asset values per share, respectively. Investments in non-consolidated funds without readily determinable fair values are measured at fair value based on the net asset value (or equivalent) of the fund shares held.

Equity investments without readily determinable fair values are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the same or similar instruments of the same issuer (cost method). Investments held at cost are qualitatively evaluated for impairment each reporting period. If that qualitative assessment indicates that an investment held at cost is impaired, the fair value of the investment is estimated and an impairment loss is recognized equal to the difference between the estimated fair value of the investment and its carrying amount. If an equity security valued under the cost method subsequently has a readily determinable fair value or if the Company irrevocably elects to measure the equity security at fair value, the cost method is no longer applied to such security.

Net realized and unrealized holding gains or losses on equity securities, any observable price changes and/or impairment losses attributable to investments held at cost, and dividend income are all reflected within gains (losses) and other investment income, net, on the Company's Consolidated Statements of Income. The specific identified cost method is used to determine the realized gains or losses on all equity securities sold.

Investments in non-consolidated CLO entities

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

Investments in equity method investees

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

Fair value measurements

The accounting standards for fair value measurement provide a framework for measuring fair value and require disclosures of how fair value is determined. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The accounting standards establish a fair value measurement hierarchy, which requires an entity to maximize the use of observable inputs where available. This fair value measurement hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

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

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

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

- 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.

Derivative financial instruments

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

The Company records all derivative financial instruments as either assets or liabilities on its Consolidated Balance Sheets and measures these instruments at fair value. Derivative transactions are presented on a gross basis in the Company's Consolidated Balance Sheets. Changes in the fair value of derivative financial instruments that are not designated in a hedge relationship are recognized in earnings in the current period.

Deferred sales commissions

Sales commissions paid to broker-dealers in connection with the sale of certain classes of shares of sponsored open-end and private funds are deferred and amortized over their expected useful life, which does not exceed five years from purchase. The useful life reflects the period during which the Company expects to recover such sales commissions, taking into consideration the period during which redemptions by the purchasing shareholder are subject to a contingent deferred sales charge or distribution fees apply to the purchased fund shares.

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

Income taxes

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax bases of the Company's assets and liabilities measured using rates expected to be in effect when such differences reverse. To the extent that deferred tax assets are considered more likely than not to be unrealizable, valuation allowances are provided. Adjustments to deferred taxes resulting from changes in tax law are recorded as an expense or benefit in the period enacted.

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

Equipment and leasehold improvements

Equipment and other fixed assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, which range from three to five years. Leasehold improvements are amortized on a

straight-line basis over the shorter of their estimated useful lives or the terms of the leases. Expenditures for repairs and maintenance are charged to expense when incurred. Equipment and leasehold improvements are tested for impairment whenever changes in facts or circumstances indicate that the carrying amount of an asset may not be recoverable.

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

Goodwill

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

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

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

The market approach employs market multiples based on comparable publicly traded companies in the financial services industry, calculated with data from industry sources. Estimates of fair value are established using current and forward multiples of both revenue and earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for size and performance of the reporting unit relative to peer companies.

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

Intangible assets

Amortizing identifiable intangible assets generally represent the cost of client relationships, intellectual property, trademarks and research systems. In valuing these assets, the Company makes assumptions regarding useful lives and projected growth rates, and significant judgment is required. The Company periodically reviews its amortizing identifiable intangible assets for impairment as events or changes in

circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of those assets exceed their respective fair values, an impairment loss is recognized equal to that excess.

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

Debt issuance costs

Debt issuance costs related to the Company's term debt are included in debt in the Company's Consolidated Balance Sheets. Deferred debt issuance costs are amortized using the effective interest method over the related debt term. The amortization of deferred debt issuance costs is included in interest expense on the Company's Consolidated Statements of Income.

Revenue recognition

The Company earns revenue primarily by providing asset management services, distribution and underwriter services, and shareholder services to funds and separately managed accounts. Revenue is recognized for each distinct performance obligation identified in contracts with customers when the performance obligation has been satisfied by providing services to the customer either over time or at a point in time (which is when the customer obtains control of the service). Revenue recognized is the amount of variable or fixed consideration allocated to the satisfied performance obligation that the Company expects to be entitled to for providing such services to the customer (transaction price). Variable consideration is included in the transaction price only when it is probable that a significant reversal of such revenue will not occur or when the uncertainty associated with the variable consideration (constraint) is subsequently resolved. The majority of the fees earned by providing asset management, distribution and shareholder services represent variable consideration, as the fee is largely dependent on the value and composition of the associated assets under management. The value of assets under management fluctuates with changes in the market prices of securities held.

The timing of when the Company bills its customers and related payment terms vary in accordance with the agreed-upon contractual terms. Certain of the Company's customers are billed after the service is performed, which results in the recording of accounts receivable and accrued revenue. Deferred revenue is recorded in instances where a client is billed in advance.

Management fees

The Company is entitled to receive management fees in exchange for asset management services provided to funds that it sponsors and separate accounts managed for individual and institutional clients. Management fees from funds sponsored by the Company are calculated principally as a percentage of average daily net assets, are earned daily upon completion of investment advisory and administrative service performance obligations, and are typically paid monthly from the assets of the fund. Management fees from separate accounts are calculated as a percentage of either beginning, average or ending monthly or quarterly net assets, are earned daily and are typically paid either monthly or quarterly from account

assets. Performance fees received under certain fund and separate account management contracts are recognized into revenue when specified performance hurdles are met during the performance period.

The Company may contractually waive certain fees that it is otherwise entitled to receive for asset management services provided to funds that it sponsors. Separately, the Company may subsidize certain share classes of funds that it sponsors to ensure that operating expenses attributable to such share classes do not exceed a specified percentage. Fee waivers and fund subsidies are recognized as a reduction to management fee revenue.

Distribution and underwriter fees

The Company is entitled to receive distribution fees and underwriter commissions in exchange for distribution services provided to certain classes of shares of funds that it sponsors. Distribution services consist of distinct sales and marketing activities that are earned upon the sale of fund shares. Distribution fees for all share classes subject to these fees are calculated as a percentage of average daily net assets, and are typically paid monthly from the assets of the fund.

Underwriting commissions for all share classes subject to these fees are calculated as a percentage of the amount invested and are deducted from the amount invested by the purchasing fund shareholder. These commissions represent fixed consideration and are recognized as revenue when the fund shares are sold to the shareholder. Underwriter commissions are waived or reduced on purchases of shares that exceed specified minimum amounts.

Service fees

The Company is entitled to receive service fees in exchange for shareholder services provided to funds that it sponsors. Shareholder services consist of shareholder transaction processing and/or shareholder account maintenance services provided on a daily basis. Service fees are calculated as a percentage of average daily net assets under management, are earned daily upon completion of shareholder services and are typically paid monthly from the assets of the fund.

Principal versus agent

The Company has contractual arrangements with third parties involved in providing various services to funds that the Company sponsors, including sub-advisory, distribution and shareholder services. In instances where the Company has discretion to hire third-party service providers, the Company is generally deemed to control the services before transferring them to the fund, and accordingly presents associated revenues gross of the related third-party costs. Alternatively, where the Company does not control the service, revenue is recorded net of payments to third-party service providers.

The Company controls the right to asset management services performed by third-party sub-advisers; therefore management fee revenue of sub-advised funds is recorded on a gross basis. Fees paid to sub-advisers are recognized as an expense when incurred and are included in fund-related expenses in the Company's Consolidated Statements of Income. The Company also controls the right to distribution and shareholder services performed by third-party financial intermediaries; therefore distribution and underwriter fees and service fees are also recorded on a gross basis. Fees paid to third parties for distribution and shareholder services are recognized as an expense when incurred and are included in distribution expense and service fee expense, respectively, in the Company's Consolidated Statements of Income.

Leases

The Company leases office space under various leasing arrangements. As leases expire, they are normally renewed or replaced in the ordinary course of business. Most lease agreements contain renewal options, rent escalation clauses and/or other inducements provided by the landlord. Rent expense, including escalations and inducements, is recognized on a straight-line basis over the non-cancellable term of each lease, plus any periods the Company has access to and control over the leased space prior to the beginning of the non-cancellable lease term to construct leasehold improvements and any extension periods that appear to be reasonably assured at the inception of the lease. Deferred rent represents the difference between straight-line rent expense and scheduled rent payments and inducements.

Earnings per share

Basic earnings per share is calculated by dividing net income attributable to Eaton Vance Corp. shareholders by the weighted-average number of shares outstanding during the reporting period. Diluted earnings per share is calculated by dividing net income attributable to Eaton Vance Corp. shareholders by the weighted-average number of common shares outstanding during the period plus the dilutive effect of any potential common shares outstanding during the period as determined using the treasury stock method.

Stock-based compensation

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

The tax effect of the difference, if any, between the cumulative compensation expense recognized for a stock-based award for financial reporting purposes and the deduction for such award for tax purposes is recognized as income tax expense (for tax deficiencies) or benefit (for excess tax benefits) in the Company's Consolidated Statements of Income in the period in which the tax deduction arises (generally in the period of vesting or settlement of a stock-based award, as applicable) and are reflected as an operating activity on the Company's Consolidated Statements of Cash Flows. Shares of Non-Voting Common Stock withheld for tax withholding purposes upon the vesting of restricted share awards are reflected as a financing activity in the Company's Consolidated Statements of Cash Flows.

Foreign currency translation

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

Comprehensive income

The Company reports all changes in comprehensive income in its Consolidated Statements of Comprehensive Income. Comprehensive income includes net income, unrealized gains and losses on certain derivatives designated as cash flow hedges, and related reclassification adjustments attributable to the amortization of net gains and losses on these derivatives and foreign currency translation adjustments, in each case net of tax. When the Company has established an indefinite reinvestment assertion for a foreign subsidiary, deferred income taxes are not provided on the related foreign currency translation.

Non-controlling interests

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

Redeemable non-controlling interests include vested interests held by employees of the Company's majority-owned subsidiaries and are recorded in temporary equity at estimated redemption value. Future payments to purchase these interests reduce temporary equity. Future changes in the redemption value of these interests are recognized as increases or decreases to additional paid-in capital. Redeemable non-controlling interests also include interests in the Company's consolidated sponsored funds given that investors in those funds may request withdrawals at any time.

Loss contingencies

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

2. New Accounting Standards Not Yet Adopted

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued new guidance for the accounting for leases, which requires a lessee to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Leases continue to be classified as either financing or operating, with classification affecting the recognition, measurement and presentation of expenses and cash flows arising from a lease. The new guidance is effective for the Company's fiscal year that began on November 1, 2019. The Company applied a modified retrospective approach to adoption and has not restated comparative periods.

The Company's leases primarily include non-cancellable operating leases for office space and equipment. The Company elected practical expedients that reduced the complexity of adoption, resulting in no requirement to reassess the following: whether an arrangement is or contains a lease, the classification of the lease, the recognition requirement for initial direct costs and assumptions regarding renewal options

that affect the lease term. Upon adoption of the new guidance on November 1, 2019, the Company recognized a right-of-use asset for its operating leases of approximately \$270 million which is equal to the lease liability less deferred rent, and a lease liability of approximately \$319 million. The lease liability is equal to the present value of the Company's remaining operating lease commitments disclosed in Note 20 that primarily relate to office space in the U.S., discounted using incremental borrowing rates determined for each lease as of the date of adoption. The new guidance does not have a significant impact on the Company's results of operations or cash flows because operating lease costs continue to be recognized on a straight-line basis over the remaining lease term and lease payments continue to be classified within operating activities in the Consolidated Statement of Cash Flows.

Credit losses

In June 2016, the FASB issued new guidance for the accounting for credit losses, which changes the impairment model for most financial assets. The new guidance requires the use of an "expected loss" model for instruments measured at amortized cost and an allowance for credit loss model for available-for-sale debt securities. The new guidance is effective for the Company's fiscal year that begins on November 1, 2020 and requires a modified retrospective approach to adoption. Early adoption is permitted for the fiscal year beginning November 1, 2019. The Company is currently evaluating the potential impact of this guidance on its Consolidated Financial Statements and related disclosures.

Simplifying the test for goodwill impairment

In January 2017, the FASB issued amended guidance that simplifies the test for goodwill impairment. The standard eliminates the current Step 2 from the goodwill impairment test. Under the amended guidance, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but the charge cannot exceed the total amount of goodwill allocated to the reporting unit. The new guidance is effective for the Company's fiscal year that begins on November 1, 2020 and requires a prospective approach to adoption. Early adoption is permitted for interim or annual goodwill impairment tests. The Company is currently evaluating the potential impact of this guidance on its Consolidated Financial Statements and related disclosures.

Disclosure requirements for fair value measurement

In August 2018, the FASB issued guidance that makes changes to the disclosure requirements for fair value measurements. As discussed in Note 1, the Company early adopted certain portions of this guidance. The remaining portions of this guidance that were not early adopted will be effective for the Company's fiscal year that begins on November 1, 2020. Notably, this guidance removes the disclosure requirements for the valuation processes for Level 3 fair value measurements. This guidance also adds new disclosure requirements for the range and weighted average of significant unobservable inputs used to develop fair value measurements categorized within Level 3 of the fair value hierarchy. The Company is currently evaluating the potential impact of this guidance on its Consolidated Financial Statements and related disclosures.

Capitalization of implementation costs in a cloud computing service contract

In August 2018, the FASB issued new guidance that aligns the accounting requirements for capitalizing implementation costs (implementation, setup and other upfront costs) related to cloud computing

(hosting) arrangements that are accounted for as a service contract with the accounting requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). This new guidance does not affect the accounting for the hosting element of a cloud computing arrangement that is a service contract. The new guidance is effective for the Company's fiscal year that begins on November 1, 2020. Early adoption is permitted and the new guidance may be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the potential impact of this guidance on its Consolidated Financial Statements and related disclosures.

3. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Company's Consolidated Balance Sheets to the total of the same presented in the Consolidated Statements of Cash Flows at October 31, 2019 and 2018:

<i>(in thousands)</i>	2019	2018
Cash and cash equivalents	\$ 557,668	\$ 600,696
Restricted cash of consolidated sponsored funds included in investments	37,905	33,525
Restricted cash included in assets of consolidated CLO entities, cash	48,704	216,598
Restricted cash included in other assets	9,068	15,256
Total cash, cash equivalents and restricted cash presented in the Consolidated Statement of Cash Flows	\$ 653,345	\$ 866,075

4. Investments

The following is a summary of investments at October 31, 2019 and 2018:

<i>(in thousands)</i>	2019	2018
Investments held at fair value:		
Short-term debt securities	\$ 297,845	\$ 273,320
Debt and equity securities held by consolidated sponsored funds	514,072	540,582
Debt and equity securities held in separately managed accounts	76,662	89,121
Non-consolidated sponsored funds and other	10,329	10,329
Total investments held at fair value	898,908	913,352
Investments held at cost	20,904	20,874
Investments in non-consolidated CLO entities	1,417	2,895
Investments in equity method investees	139,510	141,506
Total investments ⁽¹⁾⁽²⁾	\$ 1,060,739	\$ 1,078,627

⁽¹⁾ Excludes bank loans and other investments held by consolidated CLO entities, which are discussed in Note 6.

⁽²⁾ Amounts at October 31, 2019 reflect the adoption of ASU 2016-01. Amounts at October 31, 2018 reflect accounting guidance prior to the adoption of ASU 2016-01. See Note 1 for further information.

The Company recognized gains (losses) related to debt and equity securities held at fair value within gains and other investment income, net, on the Company's Consolidated Statements of Income at October 31, 2019, 2018 and 2017 as follows.

<i>(in thousands)</i>	2019	2018	2017
Realized gains (losses) on securities sold	\$ (505)	\$ 6,951	\$ 6,972
Unrealized gains (losses) on investments held at fair value	20,416	(22,814)	15,872
Net gains (losses) on investments held at fair value ⁽¹⁾	\$ 19,911	\$ (15,863)	\$ 22,844

⁽¹⁾ Amounts for the year ended October 31, 2019 reflect the adoption of ASU 2016-01. The prior year gains and losses arising from changes in the fair value of investments reflect accounting guidance prior to the adoption of ASU 2016-01. See Note 1 for further information.

Investments held at cost

Investments held at cost primarily include the Company's equity investment in a wealth management technology firm. At both October 31, 2019 and 2018, the carrying value of the Company's investment in the wealth management technology firm was \$19.0 million. At both October 31, 2019 and 2018, there were no indicators of impairments related to investments carried at cost.

Investments in non-consolidated CLO entities

The Company provides investment management services for, and has made direct investments in, CLO entities that it does not consolidate, as described further in Note 6. The Company's investments in non-consolidated CLO entities are carried at amortized cost unless impaired, at which point they are written down to fair value. At October 31, 2019 and 2018, the carrying values of such investments were \$1.4 million and \$2.9 million, respectively. At October 31, 2019 and 2018, combined assets under management in the pools of non-consolidated CLO entities were \$0.4 billion and \$0.8 billion, respectively.

The Company did not recognize any impairment losses related to the Company's investments in non-consolidated CLO entities during the year ended October 31, 2019. The Company recognized \$0.2 million and \$0.4 million of impairment losses related to the Company's investments in non-consolidated CLO entities during the years ended October 31, 2018 and 2017, respectively.

Investments in equity method investees

The Company has a 49 percent interest in Hexavest Inc. (Hexavest), a Montreal, Canada-based investment adviser. The carrying value of this investment at October 31, 2019 and 2018 consisted of the following:

<i>(in millions)</i>	2019	2018
Equity in net assets of Hexavest	\$ 5.5	\$ 6.0
Definite-lived intangible assets	19.5	21.3
Goodwill	116.3	116.4
Deferred tax liability	(5.3)	(5.7)
Total carrying value	\$ 136.0	\$ 138.0

The Company's investment in Hexavest is denominated in Canadian dollars and is subject to foreign currency translation adjustments, which are recorded in accumulated other comprehensive income (loss). The year-over-year change in the carrying value of goodwill is entirely attributable to foreign currency translation adjustments.

The Company also has a seven percent equity interest in a private equity partnership managed by a third party that invests in companies in the financial services industry. At both October 31, 2019 and 2018, the carrying value of this investment was \$3.5 million.

The Company did not recognize any impairment losses related to its investments in equity method investees during the years ended October 31, 2019, 2018 or 2017.

During the years ended October 31, 2019, 2018 and 2017, the Company received dividends of \$10.9 million, \$12.2 million and \$11.4 million, respectively, from its investments in equity method investees.

5. Derivative Financial Instruments

Derivative financial instruments designated as cash flow hedges

In fiscal 2017, the Company entered into a Treasury lock transaction in connection with the offering of its 2027 Senior Notes (see Note 10). The Company concurrently designated the Treasury lock as a cash flow hedge to mitigate its exposure to variability in the forecasted semi-annual interest payments and recorded a loss of \$0.4 million, in other comprehensive income (loss), net of tax. The Company reclassified approximately \$68,000 of the loss into interest expense during each of the years ended October 31, 2019 and 2018, and will reclassify the remaining \$0.5 million loss as of October 31, 2019 to earnings over the remaining term of the debt. During the next twelve months, the Company expects to reclassify approximately \$68,000 of the unamortized loss.

In fiscal 2013, the Company entered into a forward-starting interest rate swap in connection with the offering of its 2023 Senior Notes (see Note 10) and recorded a gain in other comprehensive income (loss), net of tax. The Company reclassified \$0.2 million of the gain into interest expense during the years ended October 31, 2019, 2018 and 2017 and will reclassify the remaining \$0.7 million gain as of October 31, 2019 to earnings over the remaining term of the debt. During the next twelve months, the Company expects to reclassify approximately \$0.2 million of the unamortized gain.

Other derivative financial instruments not designated for hedge accounting

The Company utilizes derivative financial instruments to hedge market and currency risks associated with its investments in certain consolidated seed investments that are not designated as hedging instruments for accounting purposes.

Excluding derivative financial instruments held by consolidated sponsored funds, the Company was party to the following derivative financial instruments at October 31, 2019 and 2018:

	2019		2018	
	Number of Contracts	Notional Value (in millions)	Number of Contracts	Notional Value (in millions)
Stock index futures contracts	1,370	\$ 108.3	1,007	\$ 91.5
Total return swap contracts	2	84.0	3	106.5
Interest rate swap contracts	6	24.4	-	-
Credit default swap contracts	1	8.0	1	5.0
Foreign exchange contracts	26	56.4	28	23.0
Commodity futures contracts	415	15.2	253	11.6
Currency futures contracts	231	24.0	165	16.9
Interest rate futures contracts	151	22.3	282	48.0

The derivative contracts outstanding and associated notional values at October 31, 2019 and 2018 are representative of derivative balances throughout each respective year. The weighted-average remaining contract term for derivative contracts outstanding at October 31, 2019 and 2018 was 6.3 months and 1.7 months, respectively.

The Company has not elected to offset fair value amounts related to derivative financial instruments executed with the same counterparty under master netting arrangements; as a result, the Company records all derivative financial instruments as either other assets or other liabilities, gross, on its Consolidated Balance Sheets and measures them at fair value (see Note 1). The following table presents the fair value of derivative financial instruments not designated for hedge accounting and how they are reflected on the Company's Consolidated Balance Sheets as of October 31, 2019 and 2018:

	2019		2018	
	Other Assets	Other Liabilities	Other Assets	Other Liabilities
<i>(in thousands)</i>				
Stock index futures contracts	\$ 615	\$ 1,841	\$ 5,055	\$ 372
Total return swap contracts	396	114	-	3,297
Interest rate swap contracts	61	235	-	-
Credit default swap contracts	360	-	-	10
Foreign exchange contracts	51	615	329	202
Commodity futures contracts	319	334	770	216
Currency futures contracts	128	153	14	332
Interest rate futures contracts	144	22	179	17
Total	\$ 2,074	\$ 3,314	\$ 6,347	\$ 4,446

The Company maintains collateral with certain counterparties to satisfy margin requirements for derivative positions. The collateral is classified as restricted cash and is included as a component of other assets on the Company's Consolidated Balance Sheets. At October 31, 2019 and 2018, collateral balances were \$7.5 million and \$13.1 million, respectively.

The Company recognized the following gains (losses) on derivative financial instruments during the years ended October 31, 2019, 2018 and 2017 within gains (losses) and other investment income, net, on the Company's Consolidated Statements of Income:

<i>(in thousands)</i>	2019	2018	2017
Stock index futures contracts	\$ (6,701)	\$ 4,267	\$ (23,905)
Total return swap contracts	(5,535)	(2,708)	(3,569)
Interest rate swap contracts	(248)	-	91
Credit default swap contracts	(251)	178	-
Foreign exchange contracts	(1,749)	(51)	(595)
Commodity futures contracts	531	(1,044)	(574)
Currency futures contracts	442	(24)	-
Interest rate futures contracts	(2,402)	366	(421)
Net gains (losses)	\$ (15,913)	\$ 984	\$ (28,973)

In addition to the derivative contracts described above, certain consolidated sponsored funds may utilize derivative financial instruments within their portfolios in pursuit of their stated investment objectives.

6. Variable Interest Entities

Investments in VIEs that are consolidated

In the normal course of business, the Company maintains investments in sponsored entities that are considered VIEs to support their launch and marketing. The Company consolidates these sponsored entities if it is deemed the primary beneficiary of the VIE.

Consolidated sponsored funds

The Company invests in sponsored investment companies that meet the definition of a VIE. Underlying investments held by consolidated sponsored funds consist of debt and equity securities and are included in the reported amount of investments on the Company's Consolidated Balance Sheets at October 31, 2019 and 2018. Net investment income or (loss) related to consolidated sponsored funds was included in gains and other investment income, net, on the Company's Consolidated Statements of Income for all periods presented. The impact of consolidated sponsored funds' net income or (loss) on net income attributable to Eaton Vance Corp. shareholders was reduced by amounts attributable to non-controlling interest holders, which are recorded in net income attributable to non-controlling and other beneficial interests on the Company's Consolidated Statements of Income for all periods presented. The extent of the Company's exposure to loss with respect to a consolidated sponsored fund is limited to the amount of the Company's investment in the sponsored fund and any uncollected management and performance fees. The Company is not obligated to provide financial support to sponsored funds. Only the assets of a sponsored fund are available to settle its obligations. Other beneficial interest holders of sponsored funds do not have recourse to the general credit of the Company.

The following table sets forth the aggregate balances of consolidated sponsored funds and the Company's net interest in these funds at October 31, 2019 and 2018:

<i>(in thousands)</i>	2019		2018	
Investments	\$	514,072	\$	540,582
Other assets		16,846		15,471
Other liabilities		(35,488)		(57,286)
Redeemable non-controlling interests		(260,681)		(244,970)
Net interest in consolidated sponsored funds	\$	234,749	\$	253,797

Consolidated CLO entities

As of October 31, 2019, the Company deemed itself to be the primary beneficiary of four non-recourse securitized CLO entities, namely, Eaton Vance CLO 2019-1 (CLO 2019-1), Eaton Vance CLO 2013-1 (CLO 2013-1), Eaton Vance CLO 2018-1 (CLO 2018-1) and Eaton Vance CLO 2014-1R (CLO 2014-1R). As of October 31, 2018, the Company deemed itself to be the primary beneficiary of three non-recourse securitized CLO entities, namely, CLO 2018-1, CLO 2014-1R and Eaton Vance CLO 2014-1 (CLO 2014-1). In the first quarter of fiscal 2019, the Company received a final distribution from CLO 2014-1 of \$1.9 million related to the residual assets held by the Company as of October 31, 2018.

The assets of consolidated CLO entities are held solely as collateral to satisfy the obligations of each entity. The Company has no right to receive benefits from, nor does the Company bear the risks associated with, the assets held by these CLO entities beyond the Company's investment in these entities. In the event of default, recourse to the Company is limited to its investment in these entities. The Company has not provided any financial or other support to these entities that it was not previously contractually required to provide, and there are neither explicit arrangements nor does the Company hold implicit variable interests that could require the Company to provide any ongoing financial support to these entities. Other beneficial interest holders of consolidated CLO entities do not have any recourse to the Company's general credit.

Eaton Vance CLO 2019-1

The Company established CLO 2019-1 as a warehousing-phase CLO entity on January 3, 2019. The Company entered into a credit facility agreement with a third-party lender to provide CLO 2019-1 with a \$160.0 million non-recourse revolving line of credit upon inception of the entity. The Company contributed a total of \$40.0 million in capital to the CLO 2019-1 warehouse, which it used together with the proceeds from the revolving line of credit to accumulate a portfolio of commercial bank loan investments for eventual securitization.

As collateral manager, the Company had the unilateral ability to liquidate the CLO 2019-1 warehouse without cause, a right that, by definition, provided the Company with the power to direct the activities that most significantly affect the economic performance of the entity. The Company's investment in the warehouse served as first-loss protection to the third-party lender and provided the Company with an obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the entity. Accordingly, the Company deemed itself to be the primary beneficiary of the CLO 2019-1 warehouse as it had both power and economics, and began consolidating the entity from establishment of the warehouse on January 3, 2019.

In the second quarter of fiscal 2019, CLO 2019-1 entered the securitization phase. Contemporaneous with the close of the CLO 2019-1 securitization on May 15, 2019, the proceeds from the issuance of senior and subordinated note obligations were used to purchase the portfolio of bank loans held by the CLO 2019-1 warehouse, repay the third-party revolving line of credit provided to the CLO 2019-1 warehouse and return the Company's total capital contributions in the warehouse of \$40.0 million. The Company acquired 100 percent of the subordinated notes issued by CLO 2019-1 at closing for \$28.9 million and provides collateral management services to this CLO entity in exchange for a collateral management fee. The Company deemed itself to be the primary beneficiary of CLO 2019-1 upon acquiring 100 percent of the subordinated interests of CLO 2019-1 on May 15, 2019 and began consolidating the entity as of that date.

Eaton Vance CLO 2013-1

As of October 31, 2018, the Company held 100 percent of the Class E senior notes of CLO 2013-1 with a carrying value of \$1.4 million. The Company deemed itself to be the primary beneficiary of CLO 2013-1, for which it is the collateral manager, upon acquiring 100 percent of the subordinated interests of the entity on May 1, 2019 for \$25.4 million and began consolidating the entity as of that date.

On August 9, 2019, CLO 2013-1 refinanced certain tranches of its senior note obligations. Contemporaneous with the close of the refinancing, the proceeds from the issuance of new senior note obligations were used to redeem certain tranches of the old senior note obligations of CLO 2013-1. The senior and subordinated note tranches held by the Company were not affected by the refinancing, and the Company continues to serve as collateral manager of the entity. Accordingly, the Company continues to deem itself as the primary beneficiary of CLO 2013-1 as it has both power and economics, and continues to consolidate the entity.

Eaton Vance CLO 2018-1

CLO 2018-1 was securitized on October 24, 2018. As of October 31, 2019, the Company continues to hold approximately 93 percent of the subordinated notes that were issued by CLO 2018-1 at closing and is still serving as the collateral manager of the entity. The Company deemed itself to be the primary beneficiary of CLO 2018-1 upon acquiring 93 percent of the subordinated interests of the entity on October 24, 2018 and began consolidating the entity as of that date.

Eaton Vance CLO 2014-1R

CLO 2014-1R was securitized on August 23, 2018. As of October 31, 2019, the Company continues to hold 100 percent of the subordinated notes that were issued by CLO 2014-1R at closing and is still serving as the collateral manager of the entity. The Company deemed itself to be the primary beneficiary of CLO 2014-1R upon acquiring 100 percent of the subordinated interests of the entity on August 23, 2018 and began consolidating the entity as of that date.

The Company elected to apply the measurement alternative to ASC 820 for collateralized financing entities upon the initial consolidation and for the subsequent measurement of the securitized CLO entities consolidated by the Company (collectively, the consolidated securitized CLO entities). The Company determined that the fair value of the financial assets of these entities is more observable than the fair value of the financial liabilities. Through the application of the measurement alternative, the fair value of the financial liabilities of these entities are measured as the difference between the fair value of the financial assets and the fair value of the Company's beneficial interests in these entities, which include the subordinated interests held by the Company and any accrued management fees due to the Company. The fair value of the subordinated notes held by the Company is determined primarily based on an income approach, which projects the cash flows of the CLO's assets using projected default, prepayment, recovery

and discount rates, as well as observable assumptions about market yields, callability and other market factors. An appropriate discount rate is then applied to determine the discounted cash flow valuation of the subordinated notes. Aggregate disclosures for the securitized CLO entities consolidated by the Company as of October 31, 2019 and 2018 are provided below.

The Company did not consolidate any warehousing-phase CLO entities as of October 31, 2019 or 2018. The following table presents the aggregate balances attributable to the consolidated securitized CLO entities included in the Company's Consolidated Balance Sheets at October 31, 2019 and 2018:

<i>(in thousands)</i>	2019	2018
Assets of consolidated CLO entities:		
Cash	\$ 48,704	\$ 216,598
Bank loans and other investments	1,704,270	874,304
Receivable for pending bank loan sales	24,193	2,535
Other assets	3,846	1,929
Liabilities of consolidated CLO entities:		
Senior and subordinated note obligations	1,617,095	873,008
Payable for pending bank loan purchases	33,985	152,152
Other liabilities	17,137	2,033
Total beneficial interests	\$ 112,796	\$ 68,173

Although the Company's beneficial interests in the consolidated securitized CLO entities are eliminated upon consolidation, the application of the measurement alternative results in the Company's total beneficial interests in these entities of \$112.8 million and \$68.2 million at October 31, 2019 and 2018, respectively, being equal to the net amount of the consolidated CLO entities' assets and liabilities included on the Company's Consolidated Balance Sheets.

As of October 31, 2019 and 2018, no bank loan investments held by consolidated CLO entities were in default and no unpaid principal balances of such loan investments were 90 days or more past due or in non-accrual status. Additional disclosure of the fair values of assets and liabilities of consolidated CLO entities that are measured at fair value on a recurring basis is included in Note 7.

The Company did not consolidate any warehousing-phase CLO entities during the year ended October 31, 2017. The following table presents the aggregate amounts attributable to consolidated warehousing-phase CLO entities included in the Company's Consolidated Statements of Income for the years ended October 31, 2019 and 2018:

<i>(in thousands)</i>	Consolidated Warehouse CLO Entities	
	2019	2018
Other income (expense) of consolidated CLO entities:		
Gains and other investment income, net	\$ 3,308	\$ 6,618
Interest and other expense	(1,490)	(3,490)
Net gain attributable to the Company	\$ 1,818	\$ 3,128

The Company did not consolidate any securitized CLO entities during the year ended October 31, 2017. The following table presents the aggregate amounts attributable to consolidated securitized CLO entities included in the Company's Consolidated Statements of Income for the years ended October 31, 2019 and 2018:

<i>(in thousands)</i>	Consolidated Securitized CLO Entities	
	2019	2018
Other income (expense) of consolidated CLO entities:		
Gains and other investment income, net	\$ 66,964	\$ 10,264
Interest and other expense	(57,860)	(11,796)
Net gain (loss) attributable to the Company	\$ 9,104	\$ (1,532)

As summarized in the table below, the application of the measurement alternative results in the Company's earnings from consolidated securitized CLO entities subsequent to initial consolidation, as shown above, to be equivalent to the Company's own economic interests in these entities:

<i>(in thousands)</i>	2019	2018
Economic interests in Consolidated Securitized CLO Entities:		
Distributions received and unrealized gains (losses) on the senior and subordinated interests held by the Company	\$ 3,266	\$ (2,319)
Management fees	5,838	787
Total economic interests	\$ 9,104	\$ (1,532)

Eaton Vance CLO 2015-1 (CLO 2015-1)

On November 1, 2017, the Company purchased 100 percent of the subordinated interests in CLO 2015-1 for \$26.7 million. The Company is the collateral manager of CLO 2015-1. The Company deemed itself to be the primary beneficiary of CLO 2015-1 upon acquiring 100 percent of the subordinated interests in the entity on November 1, 2017 and began consolidating CLO 2015-1 as of that date.

In the first quarter of fiscal 2018, CLO 2015-1 refinanced its senior note obligations. Contemporaneous with the close of the refinancing on December 22, 2017, the proceeds from the issuance of new senior note obligations were used to redeem the old senior note obligations of CLO 2015-1. Concurrent with the close of the refinancing, the Company sold 95 percent of its subordinated interests in CLO 2015-1 for \$24.7 million and simultaneously purchased interests in certain of the newly issued senior note obligations of CLO 2015-1 for \$28.1 million. The Company recognized a loss on disposal of its subordinated interest of \$0.6 million, which is included in gains (losses) and other investment income, net, on the Company's Consolidated Statement of Income for the year ended October 31, 2018. Although the Company continues to serve as collateral manager of the entity, the Company concluded that it no longer had an obligation to absorb losses of, or the right to receive benefits from, CLO 2015-1 that could potentially be significant to the entity. As a result, the Company concluded that it was no longer the primary beneficiary of CLO 2015-1 upon the sale of 95 percent of its subordinated interests on December 21, 2017 and deconsolidated the entity as of that date.

During the year ended October 31, 2018, the Company sold its interests in the senior note obligations of CLO 2015-1 for \$28.0 million and recognized a loss on disposal of \$0.1 million, which is included in gains

(losses) and other investment income, net, on the Company's Consolidated Statement of Income for the year ended October 31, 2018. As of October 31, 2019, the Company maintains its residual five percent subordinated interest in CLO 2015-1 as an investment in non-consolidated CLO entities.

Other entity

As of October 31, 2018, the Company held variable interests in, and was deemed to be the primary beneficiary of, a privately offered equity fund that was seeded towards the end of fiscal 2018. The Company's variable interests consisted of a \$10,000 investment in the fund and a promissory note that enabled the fund to borrow up to \$25.0 million from the Company. As of October 31, 2018, the Company's risk of loss with respect to this entity was limited to the Company's investment in the fund and the outstanding borrowings under the promissory note of \$3.7 million. The Company invested an additional \$10,000 upon launching of the fund in December 2018, at which time the total outstanding borrowings were repaid to the Company and the promissory note was canceled on January 14, 2019. As of October 31, 2019, the Company's variable interest in the fund is limited to its \$20,000 investment in the fund. The Company no longer deems itself the primary beneficiary of the fund, as it no longer has an obligation to absorb losses of, or the right to receive benefits from, the fund that could potentially be significant to the entity.

Investments in VIEs that are not consolidated

Sponsored funds

The Company classifies its investments in certain sponsored funds that are considered VIEs as equity securities when it is not considered the primary beneficiary of these VIEs. The Company provides aggregated disclosures with respect to these non-consolidated sponsored fund VIEs in Note 4 and Note 7.

Non-consolidated CLO entities

The Company is not deemed the primary beneficiary of certain CLO entities in which it holds variable interests. In developing its conclusion that it is not the primary beneficiary of these entities, the Company determined that, although it has variable interests in each such CLO by virtue of its beneficial ownership interests in the CLO entities, these interests neither individually nor in the aggregate represent an obligation to absorb losses of, or a right to receive benefits from, any such entity that could potentially be significant to that entity.

The Company's maximum exposure to loss with respect to these non-consolidated CLO entities is limited to the carrying value of its investments in, and collateral management fees receivable from, these entities as of October 31, 2019. Collateral management fees receivable for these entities totaled \$0.1 million on both October 31, 2019 and 2018. Other investors in these CLO entities have no recourse against the Company for any losses sustained. The Company did not provide any financial or other support to these entities that it was not previously contractually required to provide in any of the fiscal years presented. Income from these entities is recorded as a component of gains (losses) and other investment income, net, in the Company's Consolidated Statements of Income, based upon projected investment yields. Additional information regarding the Company's investment in non-consolidated CLO entities, as well as the combined assets under management in the pools of non-consolidated CLO entities, is included in Note 4.

Other entities

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain sponsored privately offered equity funds with total assets of \$26.3 billion and \$21.8 billion as of October 31, 2019 and 2018, respectively. The Company's variable interests in these entities consist of the

Company's direct ownership therein, which in each case is insignificant relative to the total ownership of the fund, and any investment advisory fees earned but uncollected. The Company's maximum exposure to loss with respect to these managed entities is limited to the carrying value of its investments in, and investment advisory fees receivable from, these entities as of October 31, 2019. The Company held investments in these entities totaling \$0.5 million and \$2.7 million on October 31, 2019 and 2018, respectively, and investment advisory fees receivable totaling \$1.3 million on both October 31, 2019 and 2018. The Company did not provide any financial or other support to these entities that it was not contractually required to provide in any of the periods presented. The Company does not consolidate these VIEs because it does not have the obligation to absorb losses of, or the right to receive benefits from, these VIEs that could potentially be significant to these VIEs.

The Company's investments in privately offered equity funds are carried at fair value and included in non-consolidated sponsored funds and other, which are disclosed as a component of investments in Note 4.

The Company also holds a variable interest in, but is not deemed to be the primary beneficiary of, a private equity partnership managed by a third party that invests in companies in the financial services industry. The Company's variable interest in this entity consists of the Company's direct ownership in the private equity partnership, equal to \$3.5 million at both October 31, 2019 and 2018. The Company did not provide any financial or other support to this entity. The Company's risk of loss with respect to the private equity partnership is limited to the carrying value of its investment in the entity as of October 31, 2019. The Company does not consolidate this VIE because the Company does not hold the power to direct the activities that most significantly affect the VIE.

The Company's investment in the private equity partnership is accounted for as an equity method investment and disclosures related to this entity are included in Note 4 under the heading Investments in equity method investees.

7. Fair Value of Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables summarize financial assets and liabilities measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy at October 31, 2019 and 2018:

October 31, 2019⁽¹⁾

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Financial assets:					
Cash equivalents	\$ 24,640	\$ 157,267	\$ -	\$ -	\$ 181,907
Investments held at fair value:					
Debt securities:					
Short-term	-	297,845	-	-	297,845
Held by consolidated sponsored funds	-	330,966	-	-	330,966
Held in separately managed accounts	-	55,426	-	-	55,426
Equity securities:					
Held by consolidated sponsored funds	70,646	112,460	-	-	183,106
Held in separately managed accounts	21,168	68	-	-	21,236
Non-consolidated sponsored funds and other	9,814	515	-	-	10,329
Investments held at cost ⁽²⁾	-	-	-	20,904	20,904
Investments in non-consolidated CLO entities ⁽³⁾	-	-	-	1,417	1,417
Investments in equity method investees ⁽²⁾	-	-	-	139,510	139,510
Derivative instruments	-	2,075	-	-	2,075
Assets of consolidated CLO entities:					
Bank loans and other investments	-	1,702,769	1,501	-	1,704,270
Total financial assets	\$ 126,268	\$ 2,659,391	\$ 1,501	\$ 161,831	\$ 2,948,991
Financial liabilities:					
Derivative instruments	\$ -	\$ 3,314	\$ -	\$ -	\$ 3,314
Liabilities of consolidated CLO entities:					
Senior and subordinated note obligations	-	1,617,095	-	-	1,617,095
Total financial liabilities	\$ -	\$ 1,620,409	\$ -	\$ -	\$ 1,620,409

October 31, 2018⁽¹⁾

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Financial assets:					
Cash equivalents	\$ 23,262	\$ 116,070	\$ -	\$ -	\$ 139,332
Investments held at fair value:					
Debt securities:					
Short-term	-	273,320	-	-	273,320
Held by consolidated sponsored funds	12,834	392,139	-	-	404,973
Held in separately managed accounts	521	64,539	-	-	65,060
Equity securities:					
Held by consolidated sponsored funds	73,291	62,318	-	-	135,609
Held in separately managed accounts	23,642	419	-	-	24,061
Non-consolidated sponsored funds and other	7,112	3,217	-	-	10,329
Investments held at cost ⁽²⁾	-	-	-	20,874	20,874
Investments in non-consolidated CLO entities ⁽³⁾	-	-	-	2,895	2,895
Investments in equity method investees ⁽²⁾	-	-	-	141,506	141,506
Derivative instruments	-	6,347	-	-	6,347
Assets of consolidated CLO entities:					
Bank loan investments	-	872,757	1,547	-	874,304
Total financial assets	\$ 140,662	\$ 1,791,126	\$ 1,547	\$ 165,275	\$ 2,098,610
Financial liabilities:					
Derivative instruments	\$ -	\$ 4,446	\$ -	\$ -	\$ 4,446
Liabilities of consolidated CLO entities:					
Senior and subordinated note	-	873,008	-	-	873,008
Total financial liabilities	\$ -	\$ 877,454	\$ -	\$ -	\$ 877,454

⁽¹⁾ Amounts at October 31, 2019 reflect the adoption of ASU 2016-01. Amounts at October 31, 2018 reflect accounting guidance prior to the adoption of ASU 2016-01. See Note 1 for further information.

⁽²⁾ These investments are not measured at fair value in accordance with U.S. GAAP.

⁽³⁾ Investments in non-consolidated CLO entities are carried at amortized cost unless facts or circumstances indicate that the investments have been impaired, at which time the investments are written down to fair value as measured using Level 3 inputs.

A description of the valuation techniques and the inputs used in recurring fair value measurements is included immediately below. There have been no changes in the Company's valuation techniques in the current reporting period.

Cash equivalents

Cash equivalents include positions in money market mutual funds, holdings of Treasury and government agency securities, certificates of deposit and commercial paper with remaining maturities of less than three months, as determined at purchase. Cash investments in daily redeemable money market mutual funds are valued using published net asset values and are categorized as Level 1 within the fair value

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

Debt securities held at fair value

Debt securities held at fair value consist of certificates of deposit, commercial paper and corporate debt obligations with remaining maturities of three months to 12 months upon purchase by the Company, as well as investments in debt securities held in consolidated sponsored funds and separately managed accounts.

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

Debt securities held in consolidated sponsored funds and separately managed accounts are generally valued on the basis of valuations provided by third-party pricing services as described above for short-term debt securities. Debt securities purchased with a remaining maturity of 60 days or less (excluding those that are non-U.S. denominated, which typically are valued by a third-party pricing service or dealer quotes) are generally valued at amortized cost, which approximates fair value. Depending on the categorization of the significant inputs, debt securities held in consolidated sponsored funds are generally categorized in their entirety as Level 1 or 2 within the fair value measurement hierarchy.

Equity securities held at fair value

Equity securities measured at fair value on a recurring basis consist of domestic and foreign equity securities held in consolidated sponsored funds and separately managed accounts and investments in non-consolidated funds.

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

Equity investments in non-consolidated mutual funds are valued using the published net asset value per share and are classified as Level 1 within the fair value measurement hierarchy. Sponsored private open-end funds are not listed on an active exchange but calculate a net asset value per share (or equivalent) as

of the Company's reporting date in a manner consistent with mutual funds. The Company's investments therein do not have any redemption restrictions and are not probable of being sold at an amount different from their calculated net asset value per share (or equivalent). Accordingly, investments in sponsored private open-end funds are measured at fair value based on the net asset value per share (or equivalent) of the investment and are categorized as Level 2 within the fair value measurement hierarchy. The Company does not have any unfunded commitments related to investments in sponsored private open-end funds at October 31, 2019 and 2018.

Derivative instruments

Derivative instruments, further discussed in Note 5, are recorded as either other assets or other liabilities on the Company's Consolidated Balance Sheets. Futures and swap contracts are valued using a third-party pricing service that determines fair value based on bid and ask prices. Foreign exchange contracts are valued by interpolating a value using the spot foreign exchange rate and forward points, which are based on spot rates and currency interest rate differentials. Derivative instruments generally are classified as Level 2 within the fair value measurement hierarchy.

Assets of consolidated CLO entities

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

Liabilities of consolidated CLO entities

Consolidated CLO entity liabilities include senior and subordinated note obligations. Fair value is determined using the measurement alternative to ASC 820 for collateralized financing entities. In accordance with the measurement alternative, the fair value of CLO liabilities was measured as the fair value of CLO assets less the sum of (1) the fair value of the beneficial interests held by the Company and (2) the carrying value of any beneficial interests that represent compensation for services. Although both Level 2 and Level 3 inputs were used to measure the fair value of the CLO liabilities, the senior note obligations are classified as Level 2 within the fair value measurement hierarchy, as the Level 3 inputs used were not significant.

Level 3 assets and liabilities

The following table shows a reconciliation of the beginning and ending fair value measurements of assets and liabilities valued on a recurring basis and classified as Level 3 within the fair value measurement hierarchy for the fiscal year ended October 31, 2019 and 2018:

<i>(in thousands)</i>	Bank Loans and Other Investments of Consolidated CLO Entities	
	2019	2018
Beginning balance	\$ 1,547	\$ -
Consolidation of CLO entities ⁽¹⁾	1,323	3,935
Paydowns	(25)	(6)
Sales	-	(1,440)
Net gains (losses) included in net income	(48)	114
Transfers out of Level 3 ⁽²⁾	(1,296)	(1,056)
Ending balance	\$ 1,501	\$ 1,547

⁽¹⁾ Represents Level 3 bank loans and other investments held by consolidated CLO entities upon the initial consolidation of these entities during the period.

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

Financial Assets and Liabilities Not Measured at Fair Value

Certain financial instruments are not carried at fair value, but their fair value is required to be disclosed. The following is a summary of the carrying amounts and estimated fair values of these financial instruments at October 31, 2019 and 2018:

<i>(in thousands)</i>	2019			2018		
	Carrying Value	Fair Value	Fair Value Level	Carrying Value	Fair Value	Fair Value Level
Loan to affiliate	\$ 5,000	\$ 5,000	3	\$ 5,000	\$ 5,000	3
Debt	\$ 620,513	\$ 658,615	2	\$ 619,678	\$ 607,391	2

As discussed in Note 21, on December 23, 2015, Eaton Vance Management Canada Ltd. (EVMC), a wholly-owned subsidiary of the Company, loaned \$5.0 million to Hexavest under a term loan agreement to seed a new investment strategy. The carrying value of the loan approximates fair value. The fair value is determined annually using a cash flow model that projects future cash flows based upon contractual obligations, to which the Company then applies an appropriate discount rate.

The fair value of the Company's debt has been determined based on quoted prices in inactive markets.

8. Equipment and Leasehold Improvements

The following is a summary of equipment and leasehold improvements at October 31, 2019 and 2018:

<i>(in thousands)</i>		2019		2018
Equipment	\$	97,366	\$	95,802
Leasehold improvements		68,386		59,234
Subtotal		165,752		155,036
Less: Accumulated depreciation and amortization		(92,954)		(102,608)
Equipment and leasehold improvements, net	\$	72,798	\$	52,428

Depreciation and amortization expense was \$17.6 million, \$15.0 million and \$9.1 million for the years ended October 31, 2019, 2018 and 2017, respectively.

9. Acquisitions, Goodwill and Intangible Assets

Atlanta Capital Management Company, LLC (Atlanta Capital)

In fiscal 2017, the Company exercised a series of call options through which it purchased the remaining direct profit interests held by non-controlling interest holders of Atlanta Capital pursuant to the provisions of the original Atlanta Capital acquisition agreement, as amended, for \$3.2 million, of which \$0.7 million settled in the fourth quarter of fiscal 2017 and \$2.5 million settled in the first quarter of fiscal 2018.

Atlanta Capital Plan

In fiscal 2019, 2018 and 2017, the Company exercised a series of call options through which it purchased \$7.8 million, \$8.2 million and \$4.2 million, respectively, of indirect profit interests held by non-controlling interest holders of Atlanta Capital pursuant to the provisions of the Atlanta Capital Management Company, LLC Long-Term Equity Incentive Plan (Atlanta Capital Plan, as described further in Note 12). These transactions settled in each of the first quarters of fiscal 2020, 2019 and 2018, respectively.

Total indirect profit interests in Atlanta Capital held by non-controlling interest holders issued pursuant to the Atlanta Capital Plan were 8.2 percent and 9.8 percent at October 31, 2019 and 2018, respectively. Fair value of these interests reflects the unadjusted per unit equity value of Atlanta Capital determined utilizing an appraisal prepared by an independent valuation firm and approved by management as described further in Note 12. Vested profit interests are redeemable upon the exercise of limited in-service put rights held by the employee or call rights held by the Company. The call rights held by the Company entitle the Company to repurchase the profit units at the end of a ten-year call period and each year thereafter, and upon termination of employment. Execution of the puts and calls takes place upon availability of an appraisal to ensure the transactions take place at fair value. The estimated fair value of these interests was \$25.2 million and \$26.3 million at October 31, 2019 and 2018, respectively, and is included as a component of temporary equity on the Consolidated Balance Sheets.

Calvert Research and Management (Calvert)

In fiscal 2017, the Company, through its Calvert subsidiary, acquired substantially all of the assets of Calvert Investment Management, Inc. (Calvert Investments) for cash. The transaction was accounted for as an asset acquisition because substantially all of the fair value of the gross assets acquired was

concentrated in a single identifiable intangible asset related to contracts acquired to manage and distribute sponsored mutual funds (Calvert Funds). The Calvert Funds are a diversified family of mutual funds, encompassing actively and passively managed equity, fixed and floating-rate income, and multi-asset strategies managed in accordance with the Calvert Principles for Responsible Investment or other responsible investment criteria.

Parametric Portfolio Associates LLC (Parametric)

During fiscal 2019, the Company announced a strategic initiative to rebrand as Parametric the rules-based, systematic investment-grade fixed income strategies offered by its Eaton Vance Management affiliate, align internal reporting consistent with the revised branding, combine the technology and operating platforms supporting the individual separately managed account businesses of Parametric and Eaton Vance Management, and integrate the distribution teams serving Parametric and Eaton Vance Management clients and business partners in the registered investment advisor and multi-family office market. To support this initiative, in the fourth quarter of fiscal 2019 the Company accelerated the repurchase of capital and profit interests held by current and former employees of Parametric in a series of private transactions. Details of these accelerated repurchases, which totaled \$73.5 million, are further described below. As of October 31, 2019, there were no profit or capital interests in Parametric held by non-controlling interest holders.

As of October 31, 2018, 5.1 percent of the profit interests and 0.8 percent of the capital interests in Parametric were held by non-controlling interest holders. The estimated fair value of these interests was \$63.8 million at October 31, 2018, and is included as a component of temporary equity on the Consolidated Balance Sheet. Estimated fair value of these interests reflects the unadjusted per unit equity value of Parametric determined utilizing an appraisal prepared by an independent valuation firm and approved by management as described in Note 12.

Parametric Plan

In fiscal 2019, 2018 and 2017, the Company exercised a series of call options through which it purchased \$0.6 million, \$5.9 million and \$5.7 million, respectively, of profit interests held by non-controlling interest holders of Parametric pursuant to the provisions of the Parametric Portfolio Associates LLC Long-Term Equity Plan (Parametric Plan, as described in Note 12). These transactions settled in each of the first quarters of fiscal 2020, 2019 and 2018, respectively.

In the fourth quarter of fiscal 2019, the Company accelerated the repurchase of the remaining outstanding profit interests granted under the Parametric Plan in a private transaction pursuant to a tender offer for \$61.2 million. The interests were purchased at fair value, which was determined utilizing an appraisal of Parametric as described above. The transaction settled in the fourth quarter of fiscal 2019.

Parametric Risk Advisors

In November 2013, the non-controlling interest holders of Parametric Risk Advisors entered into a Unit Acquisition Agreement with Parametric to exchange their remaining 20 percent ownership interests in Parametric Risk Advisors for additional ownership interests in Parametric Portfolio LP (Parametric LP), whose sole asset is ownership interests in Parametric. As a result of this exchange, Parametric Risk Advisors became a wholly-owned subsidiary of Parametric. The Parametric LP ownership interests issued in the exchange represented a 0.8 percent profit interest and a 0.8 percent capital interest, and contained put and call features that became exercisable over a four-year period starting in fiscal 2019. In the first quarter of fiscal 2019, the Company exercised a series of call options through which it purchased 0.2

percent profit interests and 0.2 percent capital interests for \$4.0 million. The transaction settled in the first quarter of fiscal 2019.

In the fourth quarter of fiscal 2019, the Company accelerated the repurchase of the remaining 0.6 percent profit interests and 0.6 percent capital interests related to the Parametric Risk Advisors Unit Acquisition Agreement in a private transaction for \$12.3 million. The interests were purchased at fair value, which was determined utilizing an appraisal of Parametric, as described above. The transaction settled in the fourth quarter of fiscal 2019.

Clifton

In December 2012, Parametric acquired Clifton. As part of the transaction, the Company issued 1.9 percent of the profit interests and 1.9 percent of the capital interests in Parametric LP to certain employees. In fiscal 2018 and 2017, the Company exercised a series of call options through which it repurchased the profit interests and capital interests in Parametric held by non-controlling interest holders related to the Clifton acquisition for \$8.4 million and \$6.9 million, respectively. These transactions settled in the first quarters of fiscal 2018 and 2017, respectively. In the fiscal 2018 transaction, the Company acquired the remaining 0.5 percent profit interests and 0.5 percent capital interests in Parametric relating to the Clifton acquisition.

Tax Advantaged Bond Strategies (TABS)

In fiscal 2009, the Company acquired the TABS business of M.D. Sass Investors Services for cash and future consideration. During the second quarter of fiscal 2017, the Company made a final contingent payment of \$11.6 million to the selling group based upon prescribed multiples of TABS's revenue for the twelve months ended December 31, 2016. The payment increased goodwill by \$11.6 million, as the acquisition was completed prior to the change in accounting for contingent purchase price consideration.

Goodwill

The carrying amount of goodwill was \$259.7 million at both October 31, 2019 and 2018. There were no changes in the carrying amount of goodwill during these periods. All acquired goodwill is deductible for tax purposes.

The Company completed its most recent goodwill impairment testing in the fourth quarter of fiscal 2019 and determined that there was no impairment in the carrying value of this asset. To evaluate the sensitivity of the goodwill impairment testing to the calculation of fair value, the Company applied a hypothetical 10 percent and 20 percent decrease to the fair value of each reporting unit. Under both hypothetical scenarios, the results of the Company's impairment testing would not change, as the reporting units still had an excess of fair value over the carrying value.

No impairment in the value of goodwill was recognized during the years ended October 31, 2019, 2018 or 2017.

Intangible assets

The following is a summary of intangible assets:

October 31, 2019

<i>(dollars in thousands)</i>	Weighted-Average Remaining Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:				
Client relationships acquired	9.5	\$ 134,247	\$ (115,921)	\$ 18,326
Intellectual property acquired	6.6	1,025	(586)	439
Trademark acquired	11.1	4,257	(1,558)	2,699
Research system acquired	0.2	639	(604)	35
Non-amortizing intangible assets:				
Mutual fund management contracts acquired		54,408	-	54,408
Total		\$ 194,576	\$ (118,669)	\$ 75,907

October 31, 2018

<i>(dollars in thousands)</i>	Weighted-Average Remaining Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:				
Client relationships acquired	9.5	\$ 134,247	\$ (111,591)	\$ 22,656
Intellectual property acquired	7.6	1,025	(519)	506
Trademark acquired	11.6	4,257	(1,190)	3,067
Research system acquired	1.2	639	(391)	248
Non-amortizing intangible assets:				
Mutual fund management contracts acquired		54,408	-	54,408
Total		\$ 194,576	\$ (113,691)	\$ 80,885

No impairment in the value of amortizing or non-amortizing intangible assets was recognized during the years ended October 31, 2019, 2018 or 2017.

Amortization expense was \$5.0 million, \$8.9 million and \$9.0 million for the years ended October 31, 2019, 2018 and 2017, respectively. Estimated amortization expense to be recognized by the Company over the next five years, on a straight-line basis, is as follows:

Year Ending October 31, (in thousands)	Estimated Amortization Expense
2020	\$ 3,807
2021	2,282
2022	2,154
2023	1,754
2024	1,679

10. Debt

2027 Senior Notes

During fiscal 2017, the Company issued \$300.0 million in aggregate principal amount of 3.5 percent ten-year senior notes due April 6, 2027. Interest is payable semi-annually in arrears on April 6th and October 6th of each year. At October 31, 2019 and 2018, the carrying value of the 2027 Senior Notes was \$297.2 million and \$296.8 million, respectively. The 2027 Senior Notes are unsecured and unsubordinated obligations of the Company. There are no covenants associated with the 2027 Senior Notes.

2023 Senior Notes

During fiscal 2013, the Company issued \$325.0 million in aggregate principal amount of 3.625 percent ten-year senior notes due June 15, 2023. Interest is payable semi-annually in arrears on June 15th and December 15th of each year. At October 31, 2019 and 2018, the carrying value of the 2023 Senior Notes was \$323.3 million and \$322.9 million, respectively. The 2023 Senior Notes are unsecured and unsubordinated obligations of the Company. There are no covenants associated with the 2023 Senior Notes.

Redemption of 2017 Senior Notes

During fiscal 2017, the Company used net proceeds from the 2027 Senior Notes to redeem the remaining \$250.0 million aggregate principal amount of its 2017 Senior Notes. The Company paid total consideration of \$256.8 million at redemption to the holders of the 2017 Senior Notes, which was determined pursuant to the terms of the Indenture that governs the notes at an amount equal to the sum of the aggregate principal amount outstanding, the present value of the remaining scheduled payments of interest through the original maturity date and the interest accrued to the date of redemption. The Company recognized a \$5.4 million non-operating loss on the extinguishment of the 2017 Senior Notes, representing the difference between the total consideration paid and the net carrying amount of the extinguished debt plus interest accrued to the date of redemption.

Corporate credit facility

The Company entered into a \$300.0 million unsecured revolving credit facility on December 11, 2018. The credit facility has a five-year term, expiring on December 11, 2023. Under the facility, the Company may borrow up to \$300.0 million at LIBOR or LIBOR-successor benchmark-based rates of interest, as applicable, that vary depending on the credit ratings of the Company. The credit facility is unsecured, contains financial covenants with respect to leverage and interest coverage, and requires the Company to pay an annual commitment fee on any unused portion. As of October 31, 2019, the Company had no borrowings under its unsecured revolving credit facility.

11. Revenue

The following table disaggregates total revenue by source for the years ended October 31, 2019, 2018 and 2017:

<i>(in thousands)</i>	2019	2018	2017
Management fees:			
Sponsored funds	\$ 999,256	\$ 1,015,263	\$ 918,539
Separate accounts	464,687	443,923	390,481
Total management fees	1,463,943	1,459,186	1,309,020
Distribution and underwriter fees:			
Distribution fees	63,888	77,402	75,762
Underwriter commissions	21,724	19,969	19,791
Total distribution and underwriter fees	85,612	97,371	95,553
Service fees	123,073	122,231	117,520
Other revenue	10,624	13,634	10,018
Total revenue	\$ 1,683,252	\$ 1,692,422	\$ 1,532,111

The following table disaggregates total management fee revenue by investment mandate reporting category for the years ended October 31, 2019, 2018 and 2017:

<i>(in thousands)</i>	2019	2018	2017
Equity	\$ 699,726	\$ 700,194	\$ 634,972
Fixed income	285,388	259,452	249,827
Floating-rate income	197,695	211,075	186,198
Alternative	59,290	85,096	71,095
Portfolio implementation	179,208	159,341	126,379
Exposure management	42,636	44,028	40,549
Total management fees	\$ 1,463,943	\$ 1,459,186	\$ 1,309,020

Management fees and other receivables reported in the Company's Consolidated Balance Sheet include \$231.3 million and \$221.4 million of receivables from contracts with customers at October 31, 2019 and 2018, respectively. The amount of deferred revenue reported in other liabilities in the Company's Consolidated Balance Sheet was \$6.3 million and \$4.9 million at October 31, 2019 and 2018, respectively. The entire deferred revenue balance at the end of any given reporting period is expected to be recognized as management fee revenue in the immediate subsequent quarter.

12. Stock-Based Compensation Plans

Compensation expense recognized by the Company related to its stock-based compensation plans for the years ended October 31, 2019, 2018 and 2017 was as follows:

<i>(in thousands)</i>	2019	2018	2017
Omnibus Incentive Plans:			
Restricted shares	\$ 57,821	\$ 52,312	\$ 48,955
Stock options	21,949	23,531	20,693
Deferred stock units	915	1,008	524
Employee Stock Purchase Plans	355	793	716
Employee Stock Purchase Incentive Plan	512	877	753
Atlanta Capital Plan	2,280	2,969	3,420
Atlanta Capital Phantom Incentive Plan	1,087	567	-
Parametric Plan	3,461	3,177	3,816
Parametric Phantom Incentive Plan	3,533	2,821	1,172
Total stock-based compensation expense	\$ 91,913	\$ 88,055	\$ 80,049

The total income tax benefit recognized for stock-based compensation arrangements was \$21.3 million, \$21.7 million and \$29.0 million for the years ended October 31, 2019, 2018 and 2017, respectively.

Omnibus Incentive Plans

The 2013 Omnibus Incentive Plan (2013 Plan), which is administered by the Compensation Committee of the Board, allows for awards of options to acquire shares of the Company's Non-Voting Common Stock, restricted shares of the Company's Non-Voting Common Stock and deferred stock units relating to the Company's Non-Voting Common Stock to eligible employees and non-employee Directors and the issuance of shares to settle phantom incentive units awarded to employees of Atlanta Capital and Parametric. The 2013 Plan contains change in control provisions that may accelerate the vesting of awards. A total of 34.5 million shares of Non-Voting Common Stock have been reserved for issuance under the 2013 Plan. Through October 31, 2019, 9.4 million restricted shares, options to purchase 15.0 million shares and 0.1 million shares to settle phantom incentive units have been issued pursuant to the 2013 Plan.

Restricted shares

Restricted shares of Non-Voting Common Stock granted under the 2013 Plan are accounted for as equity awards. Restricted shares vest over five years pursuant to a graduated vesting schedule. Holders of restricted shares have forfeitable rights to dividends equal to the dividends declared on the Company's Non-Voting Common Stock during the vesting period. These dividends are not paid in cash to holders of restricted shares until the awards vest.

A summary of restricted share activity for the year ended October 31, 2019 is as follows:

<i>(share amounts in thousands)</i>	Shares	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	4,544	\$ 40.70
Granted	1,746	44.87
Issued in exchange for Parametric phantom incentive units ⁽¹⁾	556	44.34
Vested	(1,346)	39.15
Forfeited	(123)	43.09
Unvested, end of period	5,377	\$ 42.72

⁽¹⁾ Reflects restricted shares of the Company's Non-Voting Common Stock issued in exchange for Parametric phantom incentive units in the fourth quarter of fiscal 2019. The number of restricted shares issued was determined using a fixed exchange ratio based on the per unit value of Parametric and the closing price of the Company's Non-Voting Common stock of \$44.34 determined as of July 19, 2019. Refer to the "Parametric Phantom Incentive Plans" section of this Note for additional information.

As of October 31, 2019, there was \$134.9 million of compensation cost related to unvested restricted share awards not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.7 years.

The total fair value of restricted stock vested during the years ended October 31, 2019, 2018 and 2017 was \$52.7 million, \$47.2 million and \$40.5 million, respectively.

Subsequent event

In November 2019, the Company awarded a total of 1.5 million restricted shares under the 2013 Plan at a grant date fair value of \$46.15 per share.

Stock options

Options to purchase Non-Voting Common Stock granted under the 2013 Plan and predecessor plans are accounted for as equity awards. Stock options expire ten years from the date of grant and vest over five years pursuant to a graduated vesting schedule and may not be granted with an exercise price that is less than the fair market value of the stock as of the close of business on the date of grant. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, expected volatility, an appropriate risk-free interest rate and the expected life of the option. Many of these assumptions require management's judgment. The dividend yield assumption represents the Company's expected dividend yield based on its historical dividend payouts and the stock price at the date of grant. The expected volatility assumption is based upon the historical price fluctuations of the Company's Non-Voting Common Stock. The Company uses historical data to estimate the expected life of options granted. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve at the time of grant.

The weighted-average fair values per share of stock options granted during the years ended October 31, 2019, 2018 and 2017 using the Black-Scholes option valuation model were as follows:

	2019	2018	2017
Weighted-average grant date fair value of options granted	\$ 9.07	\$ 10.55	\$ 6.29
Assumptions:			
Dividend yield	3.1% to 3.5%	2.4%	2.6% to 3.2%
Expected volatility	24% to 31%	24%	25%
Risk-free interest rate	2.6% to 3.1%	2.3% to 2.8%	1.7% to 2.3%
Expected life of options	7.2 years	7.2 years	7 years

A summary of stock option activity for the year ended October 31, 2019 is as follows:

<i>(share and intrinsic value amounts in thousands)</i>	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding, beginning of period	16,760	\$ 35.23		
Granted	2,469	45.37		
Exercised	(1,570)	28.68		
Forfeited/expired	(60)	40.44		
Options outstanding, end of period	17,599	\$ 37.22	5.6	\$ 156,418
Options exercisable, end of period	8,926	\$ 33.39	3.9	\$ 109,872

The Company received \$43.5 million, \$68.4 million and \$204.0 million related to the exercise of options for the fiscal years ended October 31, 2019, 2018 and 2017, respectively. Shares issued upon exercise of options represent newly issued shares. The total intrinsic value of options exercised during the years ended October 31, 2019, 2018 and 2017 was \$23.4 million, \$65.1 million and \$58.9 million, respectively. The total fair value of options that vested during the year ended October 31, 2019 was \$22.8 million.

As of October 31, 2019, there was \$39.5 million of compensation cost related to unvested stock options granted under the 2013 Plan and predecessor plans not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.3 years.

Subsequent event

In November 2019, the Company granted options to purchase 2.8 million shares of the Company's Non-Voting Common Stock under the 2013 Plan to employees at a price of \$46.15 per share, the then-current trading price of the underlying security.

Deferred stock units

Deferred stock units issued to non-employee Directors under the 2013 Plan are accounted for as liability awards. During fiscal 2017, the 2013 Plan was amended such that non-employee Directors no longer have

substantive service conditions for vesting of awards. Once the awards are granted, the non-employee Directors have the right to receive cash payments related to such awards upon separation from the Company (other than for cause). As a result of this amendment, deferred stock units granted after November 1, 2017 are considered fully vested for accounting purposes on the grant date and the entire fair value of these awards is recognized as compensation cost on the date of grant. During fiscal 2019, 19,758 deferred stock units were issued to non-employee Directors pursuant to the 2013 Plan. The total liability attributable to deferred stock units included as a component of accrued compensation on the Company's Consolidated Balance Sheet was \$1.7 million and \$1.3 million as of October 31, 2019 and 2018, respectively. The Company made cash payments of \$0.5 million, \$0.4 million and \$0.4 million in the fiscal years ended October 31, 2019, 2018 and 2017, respectively, to settle deferred stock unit award liabilities.

Employee Stock Purchase Plans

The 2013 Employee Stock Purchase Plan (Qualified ESPP) and the 2013 Nonqualified Employee Stock Purchase Plan (Nonqualified ESPP) (together, Employee Stock Purchase Plans), which are administered by the Compensation Committee of the Board, permit eligible employees to direct up to a maximum of \$12,500 per six-month offering period toward the purchase of Non-Voting Common Stock at the lower of 90 percent of the market price of the Non-Voting Common Stock at the beginning or at the end of each offering period. The Qualified ESPP qualifies under Section 423 of the U.S. Internal Revenue Code of 1986, as amended (Internal Revenue Code). A total of 0.5 million and 0.1 million shares of the Company's Non-Voting Common Stock have been reserved for issuance under the Qualified ESPP and Nonqualified ESPP, respectively. Through October 31, 2019, 0.5 million shares have been issued pursuant to the Employee Stock Purchase Plans.

The Company received \$3.2 million, \$3.2 million and \$3.0 million related to shares issued under the Employee Stock Purchase Plans for the years ended October 31, 2019, 2018 and 2017, respectively.

Employee Stock Purchase Incentive Plan

The 2013 Incentive Compensation Nonqualified Employee Stock Purchase Plan (Employee Stock Purchase Incentive Plan), which is administered by the Compensation Committee of the Board, permits employees to direct up to half of their incentive bonuses and commissions toward the purchase of the Company's Non-Voting Common Stock at the lower of 90 percent of the market price of the Non-Voting Common Stock at the beginning or at the end of each quarterly offering period. A total of 0.9 million shares of the Company's Non-Voting Common Stock have been reserved for issuance under the Employee Stock Purchase Incentive Plan. Through October 31, 2019, 0.6 million shares have been issued pursuant to the plan.

The Company received \$4.6 million, \$4.9 million and \$4.0 million related to shares issued under the Employee Stock Purchase Incentive Plan for the years ended October 31, 2019, 2018 and 2017, respectively.

Atlanta Capital and Parametric Long-Term Equity Incentive Plans

The Atlanta Capital Plan and the Parametric Plan allow for awards of profit units of Atlanta Capital and Parametric, respectively, to key employees that are accounted for as equity awards. The Company did not grant any profit interests under the Atlanta Capital Plan in fiscal 2019 or 2018 nor did it grant any profit

interests under the Parametric Plan in fiscal 2019, 2018, or 2017. Profit units granted vest over five years and entitle the holders to quarterly distributions of available cash flow.

As of October 31, 2019, there was \$2.4 million of compensation cost related to unvested profit units previously granted under the Atlanta Capital Plan not yet recognized. That cost is expected to be recognized over a weighted-average period of 1.7 years. The compensation cost attributable to these awards was measured at the grant date using the unadjusted per unit equity value of Atlanta Capital described further in the “Atlanta Capital Phantom Incentive Plan” section of this Note. A total of 323,016 profit units have been issued pursuant to the Atlanta Capital Plan through October 31, 2019.

During the fourth quarter of fiscal 2019, the Company purchased all of the outstanding profit units held by current and former employees under the Parametric Plan (see Note 9). The Company accelerated the vesting of these units and recognized all of the remaining compensation cost attributable to these units, which totaled \$1.6 million, in the fourth quarter of fiscal 2019. The Company terminated the Parametric Plan in the first quarter of fiscal 2020.

Atlanta Capital and Parametric Phantom Incentive Plans

The 2017 Atlanta Capital Phantom Incentive Plan (Atlanta Capital Phantom Incentive Plan), and the 2016 Parametric Phantom Incentive Plan and the 2018 Parametric Phantom Incentive Plan (collectively, Parametric Phantom Incentive Plans) are long-term equity incentive plans that provide for the award of phantom incentive units to eligible employees of Atlanta Capital and Parametric, respectively. Phantom incentive units are accounted for as equity awards and vest over five years.

The fair value of each phantom incentive unit is indexed to the equity value of Atlanta Capital or Parametric, as applicable, determined on a per unit basis at least annually utilizing an appraisal of each entity that is developed using two weighted valuation techniques: specifically, an income approach and a market approach. The appraisals are prepared by an independent valuation firm and approved by management. The income approach employs a discounted cash flow model to ascribe an enterprise value to each entity that takes into account projections of future cash flows developed utilizing the best information available and market-based assumptions that are consistent with other comparable publicly traded investment management companies of a similar size, including current period actual results, historical trends, forecasted results provided by management and extended by the independent valuation firm, and an appropriate risk-adjusted discount rate that takes into consideration an estimated weighted average cost of capital. The market approach ascribes an enterprise value to each entity by applying market multiples of other comparable publicly traded investment management companies of a similar size. At the grant date, the per unit equity value is adjusted to take into consideration that holders of these units are not entitled to receive distributions of future earnings from Atlanta Capital or Parametric, as applicable, nor are they entitled to receive dividend or dividend equivalents from these entities. At the vesting date, the fair value of each vested phantom incentive unit is measured; however, no adjustment to the per unit equity value is made. These awards are settled in shares of the Company’s Non-Voting Common Stock under the 2013 Plan determined based on the unadjusted per unit equity value and the closing price of the stock observed on the vesting date.

Phantom incentive units are not reserved for issuance; rather, the Company determines the number of authorized phantom incentive unit awards annually on the first business day of the fiscal year. The awards are subject to the Non-Voting Common Stock reserves defined under the 2013 Plan, as described above.

Atlanta Capital Phantom Incentive Plan

A summary of phantom incentive unit activity for the year ended October 31, 2019 is presented below:

	Phantom Incentive Units	Weighted- Average Grant Date Fair Value
Unvested, beginning of period	19,931	\$ 142.31
Granted	19,531	133.12
Vested	(1,992)	142.31
Unvested, end of period	37,470	\$ 137.52

As of October 31, 2019, there was \$3.8 million of compensation cost related to unvested awards granted under the Atlantic Capital Phantom Incentive Plan not yet recognized. That cost is expected to be recognized over a weighted-average period of 3.5 years.

Subsequent event

In the first quarter of fiscal 2020, the Company granted a total of 23,938 phantom incentive units under the Atlantic Capital Phantom Incentive Plan at a grant date fair value of \$150.42 per unit.

Parametric Phantom Incentive Plans

The terms of the 2018 Parametric Phantom Incentive Plan (2018 Parametric Plan) are substantially equivalent to the 2016 Parametric Phantom Incentive Plan (2016 Parametric Plan), except that under the 2018 Parametric Plan, the awards are unitized such that one unit of Parametric is equivalent to 100 phantom incentive units (under the 2016 Parametric Plan, one unit of Parametric is equivalent to one phantom incentive unit).

During the fourth quarter of fiscal 2019, the Company completed an exchange offer transaction accounted for as a modification through which a majority of the outstanding phantom incentive units granted under the Parametric Phantom Incentive Plans were cancelled and exchanged for restricted shares of the Company's Non-Voting Common Stock issued under the 2013 Plan. The Company does not intend to grant any additional phantom incentive units under the Parametric Phantom Incentive Plans. The replacement restricted shares of the Company's Non-Voting Common Stock will vest pursuant to the same time-based vesting schedules established at the grant date of the cancelled phantom incentive units. The number of restricted stock awards issued in exchange upon the close of the exchange offer was determined by a fixed exchange ratio equal to: (1) the unadjusted per unit equity value of Parametric of \$2,939 and \$29.39 for awards granted under the 2016 Parametric Plan and the 2018 Parametric Plan, respectively, determined as of July 19, 2019 in accordance with the methodology described above; divided by (2) the closing price of the Company's Non-Voting Common Stock of \$44.34 observed on that same date. Since the canceled phantom units were exchanged for restricted shares on a fair value basis, no incremental value was conveyed to the holders of the phantom incentive units. Therefore, the total compensation cost attributable to the replacement restricted shares is based on the grant date fair value of the cancelled phantom units not yet recognized as of the modification date.

A summary of phantom incentive unit activity for the year ended October 31, 2019 under the 2016 Parametric Plan is presented below:

	Phantom Incentive Units	Weighted- Average Grant Date Fair Value Per Unit
Unvested, beginning of period	6,222	\$ 2,010.27
Vested	(825)	1,956.11
Forfeited	(248)	1,991.57
Exchanged for restricted shares ⁽¹⁾	(5,074)	2,939.00
Unvested, end of period	75	\$ 2,091.93

⁽¹⁾ Reflects Parametric phantom incentive units exchanged for restricted shares upon the close of the exchange offer transaction in the fourth quarter of fiscal 2019 determined using a fixed exchange ratio based on a \$2,939 per unit value of Parametric for awards granted under the 2016 Parametric Plan determined as of July 19, 2019.

A summary of phantom incentive unit activity for the year ended October 31, 2019 under the 2018 Parametric Plan is presented below:

	Phantom Incentive Units	Weighted- Average Grant Date Fair Value Per Unit
Unvested, beginning of period	1,530	\$ 22.09
Granted	355,067	22.83
Vested	(1,034)	22.74
Forfeited	(18,780)	22.83
Exchanged for restricted shares ⁽¹⁾	(330,886)	29.39
Unvested, end of period	5,897	\$ 22.82

⁽¹⁾ Reflects Parametric phantom incentive units exchanged for restricted shares upon the close of the exchange offer transaction in the fourth quarter of fiscal 2019 determined using a fixed exchange ratio based on a \$29.39 per unit value of Parametric for awards granted under the 2018 Parametric Plan determined as of July 19, 2019.

As of October 31, 2019, there was \$0.1 million of unrecognized compensation cost related to unvested awards granted under each of the 2016 Parametric Plan and the 2018 Parametric Plan. The expense associated with these awards is expected to be recognized over a weighted-average period of 2.7 years and 4.0 years, respectively.

Stock Option Income Deferral Plan

The Company has established an unfunded, non-qualified Stock Option Income Deferral Plan to permit key employees to defer recognition of income upon exercise of non-qualified stock options previously granted by the Company. As of October 31, 2019, options to purchase 0.2 million shares have been exercised and placed in trust with the Company.

13. Employee Benefit Plans

Profit Sharing and Savings Plan

The Company has a Profit Sharing and Savings Plan for the benefit of employees. The Profit Sharing and Savings Plan is a defined contribution profit sharing plan with a 401(k) deferral component. All full-time employees who have met certain age and length of service requirements are eligible to participate in the plan. The plan allows participating employees to make elective deferrals of compensation up to the plan's annual limits. The Company then matches each participant's contribution on a dollar-for-dollar basis to a maximum of \$2,000 per annum. In addition, the Company may, at its discretion, contribute up to 15 percent of eligible employee compensation to the plan, to a maximum of \$41,250, \$40,500 and \$39,750 per employee for the years ended October 31, 2019, 2018 and 2017. The Company's expense under the plan was \$31.3 million, \$29.5 million and \$25.3 million for the years ended October 31, 2019, 2018 and 2017, respectively.

Supplemental Profit Sharing Retirement Plan

The Company has an unfunded, non-qualified Supplemental Profit Sharing Retirement Plan whereby certain key employees of the Company may receive profit sharing contributions in excess of the amounts allowed under the Profit Sharing and Savings Plan. Participation in the Supplemental Profit Sharing Retirement Plan has been frozen and is restricted to employees who qualified as participants on November 1, 2002. The Company did not make any contributions to the plan in fiscal 2019. Participants in the Supplemental Profit Sharing Retirement Plan continue to earn investment returns on their balances commensurate with those earned in the employer-directed portion of the Profit Sharing and Savings Plan. The Company's expense under the Supplemental Profit Sharing Retirement Plan for the years ended October 31, 2019, 2018 and 2017 was \$28,312, \$1,128 and \$34,599, respectively.

14. Common Stock

All outstanding shares of the Company's Voting Common Stock are deposited in a voting trust, the trustees of which have unrestricted voting rights with respect to the Voting Common Stock. The trustees of the voting trust are all officers of the Company. Non-Voting Common shares do not have voting rights under any circumstances. During fiscal 2019, the Company did not issue or repurchase any Voting Common Stock.

The Company's current Non-Voting Common Stock share repurchase program was authorized on July 10, 2019. The Board authorized management to repurchase and retire up to 8.0 million shares of its Non-Voting Common Stock on the open market and in private transactions in accordance with applicable securities laws. The timing and amount of share purchases are subject to management's discretion. The Company's share repurchase program is not subject to an expiration date.

In fiscal 2019, the Company purchased and retired approximately 1.6 million shares of its Non-Voting Common Stock under the current repurchase authorization and approximately 5.8 million shares under a previous repurchase authorization. As of October 31, 2019, approximately 6.3 million additional shares may be repurchased under the current authorization.

15. Non-operating Income (Expense)

The components of non-operating income (expense) for the years ended October 31, 2019, 2018 and 2017 were as follows:

<i>(in thousands)</i>	2019	2018	2017
Interest and other income	\$ 43,665	\$ 35,150	\$ 22,501
Net gains (losses) on investments and derivatives ⁽¹⁾	8,255	(24,319)	(1,901)
Net foreign currency losses	(880)	(765)	(1,297)
Gains and other investment income, net	51,040	10,066	19,303
Interest expense	(23,795)	(23,629)	(27,496)
Loss on extinguishment of debt	-	-	(5,396)
Other income (expense) of consolidated CLO entities:			
Interest income	74,512	14,883	-
Net gains (losses) on bank loans and other investments and note obligations	(4,240)	1,999	-
Gains and other investment income, net	70,272	16,882	-
Structuring and closing fees	(6,337)	(4,830)	-
Interest expense	(53,013)	(10,456)	-
Interest and other expense	(59,350)	(15,286)	-
Total non-operating income (expense)	\$ 38,167	\$ (11,967)	\$ (13,589)

⁽¹⁾ Fiscal 2018 includes a \$6.5 million loss associated with the Company's determination not to exercise its option to acquire an additional 26 percent ownership in Hexavest.

16. Income Taxes

The provision for income taxes for the years ended October 31, 2019, 2018 and 2017 consists of the following:

<i>(in thousands)</i>	2019	2018	2017
Current:			
Federal	\$ 100,812	\$ 104,510	\$ 136,959
State	29,938	26,942	22,753
Deferred:			
Federal	3,222	24,894	11,952
State	1,280	357	2,002
Total	\$ 135,252	\$ 156,703	\$ 173,666

On December 22, 2017, the Tax Cuts and Jobs Act (2017 Tax Act) was signed into law in the U.S. Among other significant changes, the 2017 Tax Act reduced the statutory federal income tax rate for U.S. corporate taxpayers from a maximum of 35 percent to 21 percent and required the deemed repatriation of foreign earnings not previously subject to U.S. taxation.

The following table reconciles the U.S. statutory federal income tax rate to the Company's effective tax rate for the years ended October 31, 2019, 2018 and 2017:

	2019	2018	2017
Statutory U.S. federal income tax rate ⁽¹⁾	21.0 %	23.3 %	35.0 %
State income tax, net of federal income tax benefits	4.7	4.4	3.5
Net income attributable to non-controlling and other beneficial interests	(1.2)	(0.7)	(1.8)
Non-recurring impact of U.S. tax reform	-	4.4	-
Stock-based compensation	0.2	0.4	0.3
Net excess tax benefits from stock-based compensation plans ⁽²⁾	(1.0)	(3.2)	-
Other items	0.5	0.2	-
Effective income tax rate	24.2 %	28.8 %	37.0 %

⁽¹⁾ The Company's statutory U.S. federal income tax rate for the year ended October 31, 2018 was a blend of 35 percent and 21 percent based on the number of days in the Company's fiscal year before and after the January 1, 2018 effective date of the reduction in the federal corporate income tax rate pursuant to the 2017 Tax Act.

⁽²⁾ Reflects the impact of the adoption of ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which was adopted by the Company as of November 1, 2017 and requires additional paid-in-capital to be recognized as income tax benefit or income tax expense in the period of vesting or settlement. For the year ended October 31, 2017, net excess tax benefits of approximately \$3.2 million were included in additional paid-in-capital.

The Company's income tax provision for the year ended October 31, 2019 included \$3.2 million of charges associated with certain provisions of the 2017 Tax Act taking effect for the Company in fiscal 2019, relating principally to limitations on the deductibility of executive compensation. The Company's income tax provision was reduced by net excess tax benefits of \$5.4 million related to the exercise of employee stock options and vesting of restricted stock awards during the period, and \$8.4 million related to net income attributable to redeemable non-controlling interests and other beneficial interests, which is not taxable to the Company.

The Company's income tax provision for the year ended October 31, 2018 included a non-recurring charge of \$24.0 million to reflect the enactment of the 2017 Tax Act. This non-recurring charge was based on guidance issued by the Internal Revenue Service (IRS) and the Company's interpretation of certain provisions of the tax law changes. The charge consists of \$21.2 million from the revaluation of the Company's deferred tax assets and liabilities and \$2.8 million for the deemed repatriation of foreign-sourced net earnings not previously subject to U.S. taxation. The Company's income tax provision was reduced by net excess tax benefits of \$17.5 million related to the exercise of stock options and vesting of restricted stock during the period, and \$4.4 million related to the net income attributable to redeemable non-controlling interests and other beneficial interests, which is not taxable to the Company.

As of October 31, 2019, the Company considers the undistributed earnings of certain foreign subsidiaries to be indefinitely reinvested in foreign operations. As of October 31, 2019, the Company had approximately \$11.4 million of undistributed earnings primarily from foreign operations in the U.K. that are not available to fund domestic operations or to distribute to shareholders unless repatriated. Reflecting the treatment of taxable deemed distributions under the 2017 Tax Act, the impact of Global Intangible Low Taxed Income on the Company's future foreign earnings and lack of withholding tax imposed by certain foreign governments, any future tax liability with respect to these undistributed earnings is immaterial.

As of October 31, 2019, the Company had approximately \$8.5 million of undistributed earnings from its Canadian subsidiary. The Company no longer considers the undistributed earnings of its Canadian subsidiary to be indefinitely reinvested in foreign operations. This change in assertion allowed the Canadian subsidiary to declare and pay a \$65.2 million dividend in April 2019 to its U.S. parent company, which is a wholly-owned subsidiary of the Company. The payment of this dividend had no financial statement impact, as all previously undistributed earnings from the Canadian subsidiary were subject to taxation in fiscal 2018 due to the 2017 Tax Act. The dividend did, however, result in a \$0.5 million reduction in our fiscal 2019 tax expense due to a realized foreign exchange loss.

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax basis of the Company's assets and liabilities. The significant components of deferred income taxes were as follows:

<i>(in thousands)</i>	2019	2018
Deferred tax assets:		
Stock-based compensation	\$ 45,505	\$ 41,759
Investment basis in partnerships	25,245	10,050
Deferred rent	8,017	8,129
Differences between book and tax bases of investments	7,893	6,988
Compensation and benefit expense	5,259	4,202
Federal benefit of unrecognized state tax benefits	282	247
Other	193	240
Total deferred tax asset	\$ 92,394	\$ 71,615
Deferred tax liabilities:		
Deferred sales commissions	\$ (14,189)	\$ (12,422)
Differences between book and tax bases of property	(7,270)	(6,691)
Differences between book and tax bases of goodwill and intangibles	(8,218)	(5,008)
Unrealized net holding gains on investments	-	(1,579)
Unrealized gains on derivative instruments	(56)	(89)
Total deferred tax liability	\$ (29,733)	\$ (25,789)
Net deferred tax asset	\$ 62,661	\$ 45,826

As of October 31, 2019 and 2018, no valuation allowance has been recorded for deferred tax assets, reflecting management's belief that all deferred tax assets will be utilized.

The changes in gross unrecognized tax benefits, excluding interest and penalties, for the years ended October 31, 2019, 2018 and 2017 were as follows:

<i>(in thousands)</i>	2019	2018	2017
Beginning balance	\$ 695	\$ 1,029	\$ 1,859
Additions for tax positions of prior years	-	7	12
Additions based on tax positions related to current year	74	93	75
Reductions for tax positions of prior years	(26)	-	(898)
Reductions for settlements with taxing authorities	-	-	(19)
Lapse of statute of limitations	-	(434)	-
Ending balance	\$ 743	\$ 695	\$ 1,029

Unrecognized tax benefits, if recognized, would reduce the income tax provision by \$0.7 million, \$0.7 million and \$1.0 million, respectively, for the years ended October 31, 2019, 2018 and 2017.

The Company recognized \$0.1 million in interest and penalties in its income tax provision for both of the years ended October 31, 2019 and 2018, respectively. The Company did not recognize any interest or penalties in its income tax provision for the year ended October 31, 2017. Accrued interest and penalties, which are included as a component of unrecognized tax benefits, totaled \$0.8 million and \$0.7 million at October 31, 2019 and 2018, respectively.

The Company believes that it is reasonably possible that approximately \$0.7 million of its currently remaining unrecognized tax benefits, each of which are individually insignificant, may be recognized within the next 12 months as a result of a lapse of the statute of limitations and settlements with state taxing authorities.

The Company is generally no longer subject to income tax examinations by U.S. federal, state, local or non-U.S. taxing authorities for fiscal years prior to fiscal 2015.

17. Non-controlling and Other Beneficial Interests

Non-controlling and other beneficial interests are as follows:

Non-redeemable non-controlling interests

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

Redeemable non-controlling interests at other than fair value

In fiscal 2017, the Company acquired the remaining direct profit interests held by the non-controlling interest holders of Atlanta Capital (see Note 9). As a result, the Company had no non-controlling interests that are redeemable at other than fair value as of October 31, 2019 and 2018.

Redeemable non-controlling interests at fair value

Redeemable non-controlling interests include vested interests held by employees of the Company's majority-owned subsidiaries and are recorded in temporary equity at estimated redemption value. Future payments to purchase these interests reduce temporary equity. Future changes in the redemption value of these interests are recognized as increases or decreases to additional paid-in capital. Redeemable non-controlling interests also include interests in the Company's consolidated sponsored funds, given that investors in those funds may request withdrawals at any time.

In the fourth quarter of fiscal 2019, the Company purchased all remaining outstanding non-controlling profit and capital interests in Parametric held by current and former Parametric employees (see Note 9).

The components of net (income) loss attributable to non-controlling and other beneficial interests for the years ended October 31, 2019, 2018 and 2017 were as follows:

<i>(in thousands)</i>	2019	2018	2017
Consolidated sponsored funds	\$ (20,081)	\$ 232	\$ (6,816)
Majority-owned subsidiaries	(12,760)	(16,199)	(16,895)
Non-controlling interest value adjustments ⁽¹⁾	-	-	(531)
Net income attributable to non-controlling and other beneficial interests	\$ (32,841)	\$ (15,967)	\$ (24,242)

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

18. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, for the years ended October 31, 2019, 2018 and 2017 were as follows:

<i>(in thousands)</i>	Unamortized Net Gains on Cash Flow Hedges ⁽¹⁾	Net Unrealized Gains on Available-for-Sale Investments	Foreign Currency Translation Adjustments	Total
Balance at October 31, 2016	\$ 687	\$ 2,943	\$ (61,213)	\$ (57,583)
Other comprehensive income (loss), before reclassifications and tax	(684)	1,930	9,310	10,556
Tax impact	271	(743)	-	(472)
Reclassification adjustments, before tax	40	(4)	-	36
Tax impact	(13)	2	-	(11)
Net current period other comprehensive income (loss)	(386)	1,185	9,310	10,109
Balance at October 31, 2017	\$ 301	\$ 4,128	\$ (51,903)	\$ (47,474)
Other comprehensive income (loss), before reclassifications and tax	-	2,409	(5,192)	(2,783)
Tax impact	-	(699)	-	(699)
Reclassification adjustments, before tax	(132)	(2,940)	-	(3,072)
Tax impact	31	816	-	847
Net current period other comprehensive income (loss)	(101)	(414)	(5,192)	(5,707)
Balance at October 31, 2018	\$ 200	\$ 3,714	\$ (57,095)	\$ (53,181)
Cumulative effect adjustment upon adoption of new accounting standard (ASU 2016-01) ⁽²⁾	-	(3,714)	-	(3,714)
Balance at November 1, 2018, as adjusted	200	-	(57,095)	(56,895)
Other comprehensive loss, before reclassifications and tax	-	-	(1,322)	(1,322)
Tax impact	-	-	-	-
Reclassification adjustments, before tax	(133)	-	-	(133)
Tax impact	33	-	-	33
Net current period other comprehensive loss	(100)	-	(1,322)	(1,422)
Balance at October 31, 2019	\$ 100	\$ -	\$ (58,417)	\$ (58,317)

⁽¹⁾ Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent the amortization of net gains on qualifying derivative financial instruments designated as cash flow hedges over the life of the Company's senior notes into interest expense on the Consolidated Statements of Income.

⁽²⁾ Upon adoption of ASU 2016-01 on November 1, 2018, unrealized holding gains, net of related income tax effects, attributable to investments in non-consolidated sponsored funds and other investments previously classified as available-for-sale investments were reclassified from accumulated other comprehensive income (loss) to retained earnings.

19. Earnings per Share

The following table sets forth the calculation of earnings per basic and diluted shares for the years ended October 31, 2019, 2018 and 2017:

<i>(in thousands, except per share data)</i>	2019	2018	2017
Net income attributable to Eaton Vance Corp. shareholders	\$ 400,035	\$ 381,938	\$ 282,131
Weighted-average shares outstanding – basic	110,064	114,745	110,918
Incremental common shares	4,324	8,187	5,500
Weighted-average shares outstanding – diluted	114,388	122,932	116,418
Earnings per share:			
Basic	\$ 3.63	\$ 3.33	\$ 2.54
Diluted	\$ 3.50	\$ 3.11	\$ 2.42

Antidilutive common shares related to stock options and unvested restricted stock excluded from the computation of earnings per diluted share were approximately 6.0 million, 2.1 million and 3.7 million for the years ended October 31, 2019, 2018 and 2017, respectively.

20. Commitments and Contingencies

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

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

The Company leases certain office space and equipment under non-cancellable operating leases. The office space leases expire over various terms that extend through 2039. Certain of the leases contain renewal options. The lease payments are recognized on a straight-line basis over the non-cancellable term of each lease plus any anticipated extensions. Rent expense under these leases totaled \$24.5 million, \$23.2 million and \$21.9 million, respectively, for the years ended October 31, 2019, 2018 and 2017. Future minimum lease commitments were as follows:

Year Ending October 31,

<i>(in thousands)</i>	Amount
2020	\$ 25,239
2021	26,242
2022	26,296
2023	25,642
2024	25,614
2025 – thereafter	252,694
Total	\$ 381,727

Other commitments and contingencies include puts and calls related to non-controlling profit interests granted under the Atlanta Capital Plan (see Note 9).

21. Related Party Transactions

Sponsored funds

The Company is an investment adviser to, and has administrative agreements with, certain funds that it sponsors for which employees of the Company are officers and/or directors. Substantially all of the services to these entities for which the Company earns a fee, including management, distribution and shareholder services, are provided under contracts that set forth the services to be provided and the fees to be charged. Certain of these contracts are subject to annual review and approval by the funds' boards of directors or trustees.

Revenues for services provided or related to sponsored funds for the years ended October 31, 2019, 2018 and 2017 were as follows:

<i>(in thousands)</i>	2019	2018⁽¹⁾	2017⁽¹⁾
Management fees	\$ 999,256	\$ 1,015,263	\$ 918,539
Distribution and underwriter fees	85,612	97,371	95,553
Service fees	123,073	122,231	117,520
Shareholder service fees included in other revenue	6,435	6,107	4,482
Total	\$ 1,214,376	\$ 1,240,972	\$ 1,136,094

⁽¹⁾ Prior period amounts have been adjusted as a result of the retrospective adoption of ASU 2014-09. See Note 1, Summary of Significant Accounting Policies, for further information on the impact of the adoption of ASU 2014-09.

For the years ended October 31, 2019, 2018 and 2017, the Company contractually waived management fees it was otherwise entitled to receive of \$19.1 million, \$17.6 million and \$16.7 million, respectively.

Separately, for the same periods, the Company provided subsidies to sponsored funds of \$27.7 million, \$26.9 million and \$13.9 million, respectively. Fee waivers and fund subsidies are recognized as a reduction to management fees on the Consolidated Statements of Income.

Sales proceeds and net realized gains for the years ended October 31, 2019, 2018 and 2017 from investments in non-consolidated sponsored funds were as follows:

<i>(in thousands)</i>	2019	2018	2017
Proceeds from sales	\$ 7,831	\$ 21,192	\$ 14,136
Net realized gains	5,505	3,240	306

The Company directly pays all ordinary operating expenses of certain sponsored funds (excluding investment advisory and administrative fees) for which it earns an all-in management fee. For the years ended October 31, 2019, 2018 and 2017, expenses of \$13.2 million, \$14.2 million and \$15.3 million, respectively, were incurred by the Company pursuant to these arrangements.

Included in management fees and other receivables at October 31, 2019 and 2018 are receivables due from sponsored funds of \$104.1 million and \$104.9 million, respectively. Included in accounts payable and accrued expenses at October 31, 2019 and 2018 are payables due to sponsored funds of \$2.2 million and \$3.2 million, respectively, relating primarily to fund subsidies.

Loan to affiliate

On December 23, 2015, EVMC, a wholly owned subsidiary of the Company, loaned \$5.0 million to Hexavest under a term loan agreement to seed a new investment strategy. The loan renews automatically for an additional one-year period on each anniversary date unless written termination notice is provided by EVMC. Through October 31, 2018, the Company earned interest equal to the one-year Canadian Dollar Offered Rate plus 200 basis points. In November 2018, the Company amended the term loan agreement to reduce the market interest rate of the loan to be equal to the one-year Canadian Dollar Offered Rate plus 100 basis points. Hexavest may prepay the loan in whole or in part at any time without penalty. The Company recorded \$0.2 million of interest income related to the loan in gains (losses) and other investment income, net, on the Company's Consolidated Statement of Income during the fiscal years ended October 31, 2019 and 2018. Interest due from Hexavest under this arrangement included in other assets on the Company's Consolidated Balance Sheets was \$15,000 and \$16,000 at October 31, 2019 and 2018, respectively.

Employee loan program

The Company has established an Employee Loan Program under which a program maximum of \$20.0 million is available for loans to officers (other than executive officers) and other key employees of the Company for purposes of financing the exercise of employee stock options. Loans are written for a seven-year period, at varying fixed interest rates (currently ranging from 0.9 percent to 2.9 percent), are payable in annual installments commencing with the third year in which the loan is outstanding and are collateralized by the stock issued upon exercise of the option. All loans under the program must be made on or before October 31, 2022. Loans outstanding under this program, which are full recourse in nature, are reflected as notes receivable from stock option exercises in shareholders' equity and totaled \$8.4 million and \$8.1 million at October 31, 2019 and 2018, respectively.

22. Regulatory Requirements

The Company is required to maintain net capital in certain regulated subsidiaries within a number of jurisdictions. Such requirements may limit the Company's ability to make withdrawals of capital from these subsidiaries.

Eaton Vance Distributors, Inc. (EVD), a wholly-owned subsidiary of the Company and principal underwriter of the Eaton Vance-, Parametric- and Calvert-branded funds, is subject to the U.S. Securities and Exchange Commission's uniform net capital rule, which requires the maintenance of minimum net capital. For purposes of this rule, EVD had net capital of \$92.6 million at October 31, 2019, which exceeded its minimum net capital requirement of \$4.4 million as of such date. The ratio of aggregate indebtedness to net capital at October 31, 2019 was 0.71-to-1.

At October 31, 2019, the Company was required to maintain net capital in certain other regulated subsidiaries. The Company was in compliance with all applicable regulatory minimum net capital requirements.

23. Concentrations of Credit Risk and Significant Relationships

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents held. The Company maintains cash and cash equivalents with various financial institutions. Cash deposits maintained at a financial institution may exceed the federally insured limit.

During the fiscal years ended October 31, 2019, 2018 and 2017, there were no sponsored funds or separate account customers, related funds or other clients that provided over 10 percent of the total revenue of the Company.

24. Geographic Information

Revenues by principal geographic area for the years ended October 31, 2019, 2018 and 2017 were as follows:

<i>(in thousands)</i>	2019	2018⁽¹⁾	2017⁽¹⁾
Revenue:			
U.S.	\$ 1,622,163	\$ 1,625,173	\$ 1,470,693
International	61,089	67,249	61,418
Total	\$ 1,683,252	\$ 1,692,422	\$ 1,532,111

⁽¹⁾ Prior year amounts have been adjusted as a result of the retrospective adoption of ASU 2014-09. See Note 1, Summary of Significant Accounting Policies, for further information on the impact of the adoption of ASU 2014-09.

Long-lived assets by principal geographic area as of October 31, 2019 and 2018 were as follows:

<i>(in thousands)</i>	2019		2018	
Long-lived Assets:				
U.S.	\$	71,000	\$	50,459
International		1,798		1,969
Total	\$	72,798	\$	52,428

International revenues and long-lived assets are attributed to countries based on the location in which revenues are earned and where the assets reside.

25. Comparative Quarterly Financial Information (Unaudited)

<i>(in thousands, except per share data)</i>	2019				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Total revenue	\$ 406,416	\$ 411,861	\$ 431,235	\$ 433,740	\$ 1,683,252
Operating income	\$ 121,130	\$ 127,173	\$ 137,135	\$ 135,433	\$ 520,871
Net income	\$ 92,260	\$ 113,130	\$ 108,536	\$ 118,950	\$ 432,876
Net income attributable to Eaton Vance Corp. shareholders	\$ 86,801	\$ 101,807	\$ 102,221	\$ 109,206	\$ 400,035
Earnings per Share:					
Basic	\$ 0.77	\$ 0.92	\$ 0.94	\$ 1.00	\$ 3.63
Diluted	\$ 0.75	\$ 0.89	\$ 0.90	\$ 0.96	\$ 3.50

<i>(in thousands, except per share data)</i>	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Total revenue	\$ 420,236	\$ 412,700	\$ 428,691	\$ 430,795	\$ 1,692,422
Operating income	\$ 135,800	\$ 132,686	\$ 142,264	\$ 144,452	\$ 555,202
Net income	\$ 88,511	\$ 96,406	\$ 107,775	\$ 105,213	\$ 397,905
Net income attributable to Eaton Vance Corp. shareholders	\$ 78,056	\$ 96,601	\$ 101,794	\$ 105,487	\$ 381,938
Earnings per Share:					
Basic	\$ 0.68	\$ 0.84	\$ 0.89	\$ 0.93	\$ 3.33
Diluted	\$ 0.63	\$ 0.78	\$ 0.83	\$ 0.87	\$ 3.11

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Eaton Vance Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Eaton Vance Corp. and subsidiaries (the "Company") as of October 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended October 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Redeemable Non-Controlling Interest – Valuation of Certain Subsidiaries – Refer to Notes 1, 9 and 17 to the financial statements

Critical Audit Matter Description

Redeemable non-controlling interests include vested interests held by employees of the Company's majority-owned subsidiaries and are recorded in temporary equity at estimated redemption value. The Company reported \$285.9 million in redeemable non-controlling interests as of October 31, 2019, which includes the following, in millions, all of which are redeemable at fair value:

• Vested profit interests granted under the long-term equity incentive plan of Atlanta Capital Management, LLC ("Atlanta Capital")	\$25.2
• Vested profit interests granted under the long-term incentive plan of Parametric Portfolio Associated LLC ("Parametric")	-
• Non-controlling interests in Parametric issued in conjunction with the Parametric Risk Advisors LLC final put option	-
	<hr/>
	\$25.2

During the fourth quarter of 2019, the Company completed a tender offer to repurchase units of Parametric. As a result of this repurchase the units are no longer outstanding as of October 31, 2019. The following represents the fair value of the units that were repurchased, included within the reported value of purchases of non-controlling interests on the consolidated statement of shareholders' equity and included in purchases of additional non-controlling interests within the consolidated statement of cash flows.

Redeemable non-controlling interests, in millions, at fair value:

- | | |
|--|--------|
| • Purchase of profit interests granted under the long-term equity incentive plan of Parametric Portfolio Associated LLC ("Parametric") | \$61.2 |
| • Purchase of non-controlling interests in Parametric issued in conjunction with the Parametric Risk Advisors LLC final put option | \$12.3 |

The Company performs appraisals of Parametric and Atlanta Capital at least annually that serve as the basis for the above recorded values.

Parametric: This appraisal relates to (1) the vested units granted under the Parametric-specific long-term equity incentive plan as described in Notes 9 and 17, (2) the unvested units granted under the Parametric-specific long-term equity plan as described in Notes 9 and 17, and (3) units exchanged as consideration for the acquisition of Parametric Risk Advisers LLC as described above and in Note 9. Each of the three components valued within the appraisal are developed using two models, an income approach and a market approach, which are weighted by the Company to calculate the fair value. Fair value is primarily based on future expected cash flows, market rate assumptions, and discount rates.

Atlanta Capital: This appraisal relates to the vested units granted under the Atlanta Capital-specific long-term equity incentive plan as described in Notes 9 and 17. The appraisal is developed using two models, an income approach and a market approach, which are weighted by the Company to calculate the fair value. Fair value is primarily based on future expected cash flows, market rate assumptions, and discount rates.

Auditing the valuations of Parametric and Atlanta Capital involved a high degree of judgment and an increased extent of effort, including the need to involve our fair value specialists, in evaluating management's judgments especially as it relates to future expected cash flows, market rate assumptions, discount rates, as well as the weightings of the income approach and market approach.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the fair value of Parametric and Atlanta Capital included the following:

- We tested the design and operating effectiveness of controls over the Company's valuation of Parametric and Atlanta Capital, including those related to model validation and verification of inputs.
- We evaluated the valuation methodologies used by the Company to determine whether they were consistent with generally accepted valuation practices.
- We evaluated certain fair value assumptions by performing detailed procedures on the Company's valuation. These included, but were not limited to, the involvement of our fair value specialists in the evaluation of business and valuation assumptions, including revenue growth projections and discount rates, and methodologies utilized in the valuation models.
 - We independently estimated discount rates for Parametric and Atlanta Capital used by the Company in the income approach.
 - We performed an analysis of inflation, economic, and industry growth statistics to determine whether the Company's long-term growth rate used in the income approach fell within an acceptable range of the market data.
 - We evaluated the appropriateness of the Company's selection of guideline public companies and the calculations of selected valuation multiples used by the Company in the market approach.
 - We evaluated the appropriateness of the Company's weighting of the income approach and the market approach in the determination of fair value.
- We also held various discussions with accounting and operations management regarding the business assumptions utilized in the valuation models and, on a test basis, obtained audit support to substantiate the assumptions therein.

- We assessed the reasonableness of cash flow projections by performing a look-back analysis which involved comparing historical projected cash flows to actual results for the same period.
- We evaluated whether the assumptions used were consistent with evidence obtained in other areas of the audit.

Given the valuation of Parametric was the basis for the value of the repurchased non-controlling interests in the tender offer, we additionally agreed the cash payments that comprise the reported value of the purchases of additional non-controlling interests to the underlying bank statements.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts
December 20, 2019

We have served as the Company's auditor since 1959.

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Investor Information

Eaton Vance Corp. has filed an Annual Report on Form 10-K with the Securities and Exchange Commission for the 2019 fiscal year. For a copy of the Company's Form 10-K, which is available free of charge to shareholders upon request, or other information regarding the Company, please contact:

Laurie G. Hylton

Vice President and Chief Financial Officer
Eaton Vance Corp.
Two International Place
Boston, MA 02110
617-482-8260

The Company's Form 10-K and other information about Eaton Vance Corp. are also available on the Company's website: eatonvance.com. The Company has submitted to the New York Stock Exchange a certificate of the chief executive officer representing that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

Transfer Agent and Registrar

Computershare
P.O. Box 505000
Louisville, KY 40233-5000
877-282-1168
computershare.com/investor

The Transfer Agent maintains shareholder account records and should be contacted regarding changes in address, name or ownership, lost certificates and consolidation of accounts. When corresponding with the Transfer Agent, shareholders should state the exact name(s) in which their stock is registered and the certificate number, as well as other pertinent account information.

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116
617-437-2000
deloitte.com



Directors and Officers

Directors

Ann E. Berman ^(1,2,3)

Thomas E. Faust Jr.

Leo I. Higdon Jr.*⁽²⁾

Paula A. Johnson M.D.⁽³⁾

Brian D. Langstraat

Dorothy E. Puhly ^(1,3)

Winthrop H. Smith Jr. ^(1,2,3)

Richard A. Spillane Jr. ^(2,3)

*Lead Independent Director. Board Committees: 1. Audit, 2. Compensation, 3. Nominating and Governance

Officers

Thomas E. Faust Jr.
Chairman, Chief Executive Officer and President

Daniel C. Cataldo
Vice President and Chief Administrative Officer

Julie E. Rozen
Vice President and Chief Accounting Officer

Laurie G. Hylton
Vice President and Chief Financial Officer

Frederick S. Marius
Vice President, Secretary and Chief Legal Officer

Pierric G. Senay
Vice President and Treasurer

Our Mission and Core Values

Eaton Vance strives to be the premier investment management organization.

- We seek to provide clients with superior performance, top-quality service and value-added strategies across a range of investment disciplines and distribution channels.
- We seek to provide an attractive work environment and fulfilling careers for our dedicated employees.
- Through the success of clients and associates, we thereby seek to build long-term shareholder value.

Integrity

Is honest in word and deed.

Adheres to the company's code of ethics, industry standards of business conduct and applicable law.

Deals fairly and forthrightly with clients, colleagues and business partners.

Professionalism

Demonstrates maturity, dedication and a strong work ethic.

Behaves appropriately; is respectful of clients, colleagues and business partners and uses the company's resources wisely.

Responsible citizen of the communities in which we live and work.

Teamwork

Communicates openly and collaborates with others to achieve shared goals.

Enhances the work experience of colleagues.

Supports workforce diversity and an inclusive work environment.

Client Focus

Meets or exceeds client performance expectations.

Places the interests of clients first.

Creativity/Adaptability

Develops business opportunities and process improvements.

Is open and adaptable to change.

Works to achieve personal development.

Excellence

Achieves outstanding results for clients and shareholders.

Advances the record and reputation of Eaton Vance as an industry leader.



continued from back cover

Kathrine Vinciguerra Helena McGovern Ryan Olsen Alexander Payne Anne Darlington Adam Homicz Heather Wolf Steven Fahey Juan Garcia Corey O'Connor Georgia Emms Joseph Hudepohl Jan Mowbray Colt Wolfram Nicholas Burdeau Mark Collins Christopher Dyer Aidan Farrell Marielle Gallant Andrew Lebowitz Jake McDougall Katharine Maretz Alison Wagner Emily Cetlin Peter Correggio Matthew Liebl Kathryn Morfeld Matthew Morin Maria van Heeckeren Justin Ziegler Deanna Young Neal Cabanos Jeremy Catt Jonathan Alexander Caily Carroll Suresh Sundaram Dane Fickel Carmen Boscia Gregory Gelinis Sandy Tam Tatyana Ryabchenko James McCourt Jo-Ellen Kenney Quinn Christofferson Gregory Lawson Audrey Ford Andrew McKee Raymond Singh Julija Coloma Alexander Dyson Nicholas Kirsch Hillary Kloeckner Gregory Bauer Robert Ankenbauer Katherine Baker Elizabeth Pringle Katelyn Daignault Donandra Myette Jacqueline Mills Tianchuan Li Anna Calcagno Henry Meuret Stephanie Uwwo Claus Roller Brian Johnson Emily Jones Alex Provencal Abigail Cammack William Bergen Kristin Carcio Amelia Wren Tiffany Lee Allen Mayer Samantha Pandolfi Alexa Whiteman Ian Kirwan Maria Calabrese Stephanie Hammond Kevin Karales Iain McNaught Nakaba Minai Devendra Singh Manoj Sukumaran Kyle Buswell Thomas Coan Kristopher Brassard Michael Zaslavsky Ryan Dalzell Sandy Fortin John Holberg Shawn Klopp Morgan Woods Mark Lobbestael Nehemie Alcindor Bryan Holdt Robert Buckley Amanda Woodgate Seth Goldzweig James Croom David White Joseph Whiting Kristen Grant Ryan Hartung Alexander Hovsepian Reed Lerner Scott Price Greg Rife Colin Sammartaro Samuel Shankel Wei Zhang Tyrone Gamby Joseph Bustros Jamie Manzo Sandra Oles Kerry Wasgatt Colton Blackman Nancy Curtin Christopher Powers Lillian Pena Surya Rai Martha Strebinger Kirby Arens Doug Keagle Luke Murdock Andrew Carlson Randall Hegarty Christine Japhet Scott Tice Jennifer Everett Krishna Das Peter Graham Scott Kudlacik Esther Tam Vivek Vinayak Michael Broughton Lawrence Gingrow Scott Lindsay Chris 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Simbarashe Change Brian Doherty Amanda Skelly Kayley Arteaga Samant Kale Lucas Santos Allen Smith Kyle Taylor Emily Cassidy Sarah Choi Chang Won Kim

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