Eaton Vance
Investment Managers

2010 Annual Report

Our mission.

Eaton Vance strives to be the premier investment management organization.

- We seek to provide clients with superior performance, top-quality service and value-added products 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.

Our core values.

Integrity

Professionalism

Teamwork

Client Focus

Creativity/
Adaptability

Excellence

To Shareholders and Friends of Eaton Vance:

The globe on the cover of this report symbolizes the progress we achieved in fiscal 2010 building our global and international investment capabilities and expanding our distribution around the world. At the start of the fiscal year, we managed $17 billion in client assets invested in global and international mandates, equal to 11 percent of our total managed assets. Over the course of fiscal 2010, this increased to more than $32 billion, or 17 percent of the Company's total. Growth in global and international assets accounted for roughly half of the Company's total growth for the year.

Our success in building global and international assets primarily reflects the market's widespread embrace of two of our key investment franchises: global income portfolios managed by Eaton Vance Management and structured emerging-market equities managed by our Seattle-based affiliate Parametric Portfolio Associates. Among the range of global income strategies we offer, the runaway leader in fiscal 2010 was global macro absolute return, which holds long and short positions in emerging-market debt and currencies and U.S. government obligations. According to Investment Company Institute data, Eaton Vance Global Macro Absolute Return Fund ranked among the 20 largest-selling mutual funds sold in the U.S. advice channel for the 12 months ending in September, with sales of $6.8 billion. Total sales of the Company's global income funds for the fiscal year were $10.1 billion. Sales of Parametric's structured emerging-market equities strategy across funds and separate accounts totaled $2.4 billion in fiscal 2010. Developing these franchise businesses and extending the reach of our research teams to encompass a broader range of investment opportunities outside the United States position Eaton Vance for continued growth and success in the more connected and less U.S.-centric world that lies ahead.

The investment landscape of fiscal 2010 was marked by continued recovery from the severe market declines of 2008 and early 2009. The S&P 500, a broad-based U.S. equity index, gained 14 percent for the year ending October 31, 2010, closing the period 77 percent above the March 2009 market bottom and 25 percent below the October 2007 previous market peak. In a rare confluence of favorable performance, positive returns were also achieved during the fiscal year by international stocks, U.S. Treasuries and Treasury Inflation-Protected Securities (TIPS), municipal bonds, investment-grade and high-yield corporate bonds, bank loans, emerging-market debt, precious metals and most industrial commodities.

Led by growth in global and international assets and improving markets, 2010 was a successful year for Eaton Vance. We finished the fiscal year with record managed assets of $185.2 billion, up 20 percent from the $154.9 billion of assets under management a year earlier. In fiscal 2010, we generated record gross flows of $52.8 billion, up 13 percent from a year earlier. Our $16.3 billion of net inflows for the fiscal year were up 21 percent from fiscal 2009 net inflows of $13.5 billion. The 11 percent internal growth (long-term net inflows divided by beginning of period long-term assets) we achieved is consistent with our double-digit objective and continues our long track record of delivering organic growth at a rate matched by few major competitors.

Higher managed assets led to a strong recovery in earnings. Eaton Vance earned $1.40 per diluted share in fiscal 2010 compared to $1.07 per diluted share in fiscal 2009, an increase of 31 percent. Fiscal 2010 earnings were reduced $18.4 million, or $0.15 per diluted share, by an increase in the estimated redemption value of redeemable non-controlling interests recognized in conjunction with the implementation of a new accounting standard in fiscal 2010. The earnings charge reflects primarily higher profits of our consolidated subsidiaries in which employees maintain an ownership stake.

In fiscal 2010, our revenue increased by $231 million, or 26 percent, from fiscal 2009 to a new all-time high of $1.12 billion. Our operating expenses increased by $111 million, or 17 percent, largely due to increases in compensation and distribution expenses that relate directly to the fiscal year's higher managed assets, sales and adjusted operating income. With revenue growth exceeding increases in expenses, our operating margins increased from 26 percent in fiscal 2009 to 31 percent in fiscal 2010.

The Company's financial position continues to be robust. At fiscal year end, we had $313 million of cash and cash equivalents and short-term investments, an untapped $200 million line of credit and an investment-grade credit rating from Moody's Investors Services, Inc. and Standard & Poor's Rating Group. During the fiscal year, we made $176 million of net new investments in managed funds and separate accounts for business development purposes, used $111 million to repurchase and retire approximately 3.7 million shares of our stock, and paid $76 million of dividends to shareholders. In October, we raised our quarterly dividend 12.5 percent, marking our 30th consecutive annual dividend increase, one of the longest dividend growth streaks among New York Stock Exchange-listed companies.

Long-term fund net inflows of $11.4 billion in fiscal 2010 reflect $12.8 billion of open-end fund net inflows and $0.7 billion of closed-end fund net inflows offset by $2.1 billion of private fund net outflows. High-net-worth and institutional separate account net inflows were $4.7 billion and retail managed account net inflows were approximately $200 million. Retail managed account flows reflect a $1.5 billion reduction in Parametric's retail managed account overlay assets as a result of the Bank of America-Merrill Lynch retail managed account program integration following the 2009 acquisition of Merrill Lynch by Bank of America. Growth in managed assets across distribution channels was led by global income, structured emerging-market equities, floating-rate bank loans, large-cap value, tax-advantaged bond strategies and small- and mid-cap equities.

Investment performance, as always, continues to be a major focus. As of fiscal year end, 28 of our mutual funds were rated 4 or 5 stars by Morningstar for at least one class of shares, including 17 equity and 11 income funds. While long-term investment performance has continued to be strong across most of our lineup, we have experienced a deterioration in the relative performance of several domestic equity strategies in recent quarters, including our flagship large-cap value strategy. This reflects in part our high-quality bias and the normal leadership of lower-quality stocks in the early stages of recovery from a steep market decline. While we are disappointed to have areas of recent underperformance, we continue to believe we have the right people, the right culture, the right investment philosophy and processes to achieve outstanding results over the long term.

To ensure that size does not begin to detract from performance, we closed Eaton Vance Global Macro Absolute Return Fund to new investors on October 1. In anticipation of the closing, we launched the successor Eaton Vance Global Macro Absolute Return Advantage Fund at the end of August. The new fund is managed by the same team, utilizes the same global research and has the same focus on risk-adjusted returns as the original, but differs in two principal respects: a reduced emphasis on positions in frontier markets, thereby freeing up more capacity, and a willingness to take on larger position sizes and bear more volatility in pursuit of higher returns. Early market acceptance has been encouraging.

Eaton Vance Global Macro Absolute Return Advantage Fund is among five new global and international funds launched during the year, joining offshore global macro and emerging-market local income funds; Eaton Vance Parametric Structured International Equity Fund, which is managed by Parametric in a similar style to their structured emerging-market strategy, but focused on developed, rather than emerging, international stock markets; and Eaton Vance Richard Bernstein Multi-Market Equity Strategy Fund, a top-down global equity fund managed by former Merrill Lynch market strategist Richard Bernstein. On an overall basis, fiscal 2010 was among the most prolific periods of fund launches in our history, with nine new mutual funds, two offshore funds and one closed-end fund introduced. Like the Bernstein fund, the new Eaton Vance Commodity Strategy Fund is managed by an unaffiliated subadviser, Armored Wolf, LLC. Eaton Vance has for many years used outside managers to supplement our in-house capabilities in selected investment areas, and had arrangements with five unaffiliated firms in place at fiscal year end.

Shortly after the end of the fiscal year we announced the asset purchase of Managed ETFs LLC, an intellectual property company holding three issued and several pending patents relating principally to a method for trading exchange-traded funds based on a reference future fund net asset value (referred to as NAV-based trading) and commercialization of non-transparent actively managed ETFs using NAV-based trading. We believe NAV-based trading may prove the key to unlocking the ETF market opportunity for traditional active investment strategies for which real-time daily disclosure of portfolio holdings is not appropriate. If successful in gaining regulatory approval, we intend to commercialize the technology by licensing the patent rights to other ETF providers and developing a family of Eaton Vance-sponsored actively managed ETFs. ETFs have emerged as a major delivery vehicle for index-based investments. With the advent of NAV-based trading, we believe ETFs have the potential to achieve similar success in the much larger market for active investment strategies.

During the fiscal year we reorganized our sales and marketing organization into a single global distribution platform under the leadership of Matthew Witkos, covering U.S. retail, North American institutional and offshore distribution. Our global distribution footprint expanded during the fiscal year with the relocation of our London office to first-class space in the heart of the City financial district, the opening of an office in Singapore and entering into a third-party marketing arrangement covering Australia and New Zealand. Leadership of our institutional group was strengthened when Scott Ruddick, former managing director of North American sales at Mellon Capital, joined Eaton Vance as head of institutional.

In fiscal 2010 we increased our commitment to marketing, and hired Paul Nobile, former managing director of iShares brand management at Barclays Global Investors, to lead this effort. In our marketing expansion, we seek to improve the consistency and timeliness of our communications, elevate the quality of our print materials and website experience, better integrate our messaging with that of key distribution partners and become more targeted in our delivery. Our goal is to establish marketing as a source of competitive advantage for Eaton Vance, leveraging our sales organization and further driving what we refer to internally as “intelligent distribution.” As part of our expanded marketing focus, in 2010 we launched campaigns around three investment themes: investing for after-tax returns, preparing for inflation and managing volatility. Grouping our investment strategies into coherent themes that address distinct client needs makes it easier for advisors to work with Eaton Vance, encouraging deeper relationships and affording increased cross-selling opportunities.

As part of our expanded marketing focus, we launched an initiative to better define and communicate the Eaton Vance brand to investors and advisors. Survey results show that the distinctive elements of Eaton Vance’s brand and culture, while celebrated internally, are not always sufficiently understood and appreciated in the marketplace. Although our expertise in specific investment areas is widely acknowledged, we need to do a better job communicating the broader Eaton Vance story to our business partners and the clients they serve. Strengthening the market’s understanding of our distinctive attributes and range of capabilities is a key priority for fiscal 2011.

At the turn of the fiscal year, I find myself reflecting on the challenges presented by the tumultuous market conditions of the past three years and marveling at the Company’s ability to thrive amid this adversity. As competitors struggled, Eaton Vance moved forward to record sales, record revenues and record assets under management. Our diversity of investment capabilities, strong financial underpinnings and steadfast commitment to serving the needs of clients enabled us to continue advancing while others retrenched. Ours is a values-driven organization, and never were those values better employed than in this challenging period.

The key to our performance, as always, is the people of Eaton Vance. Heartfelt thanks to my 1,094 colleagues listed on the back of this report for a job well done. We look forward to working together in 2011 to continue building a stronger and better Eaton Vance.

Sincerely,

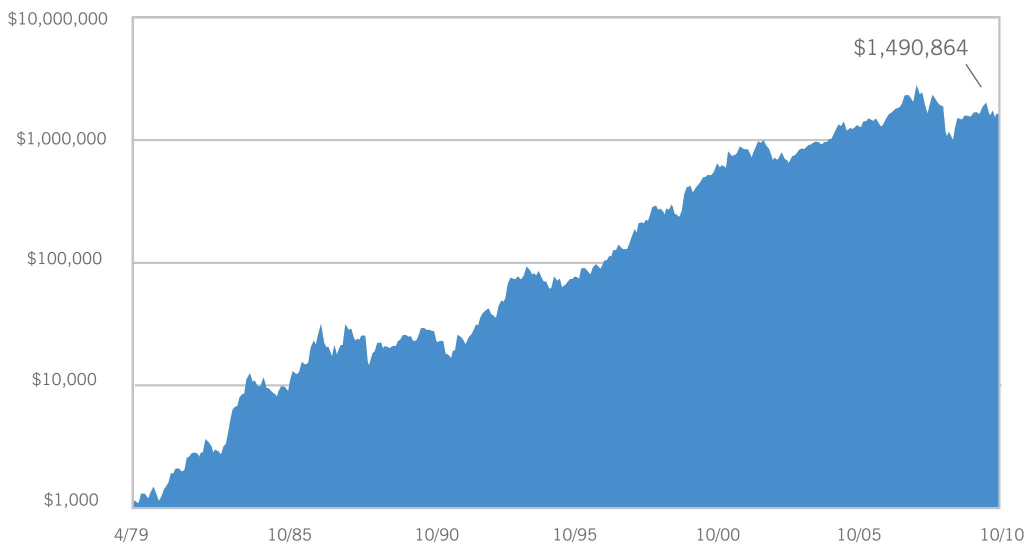
Thomas E. Faust Jr.
Chairman and Chief Executive Officer

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 adjusted for 1995 spinoff of Investors Financial Services Corp. Source: FactSet, Eaton Vance.

Best-Performing Publicly Traded U.S. Stocks

April 30, 1979 to October 31, 2010

Rank	Company	Annual Return
1	Eaton Vance Corp.	26.4%
2	Hasbro Inc.	23.9
3	Kansas City Southern	23.3
4	Wal-Mart Stores Inc.	23.1
5	Leucadia National Corp.	23.1
	Standard & Poor's 500 Index	11.3

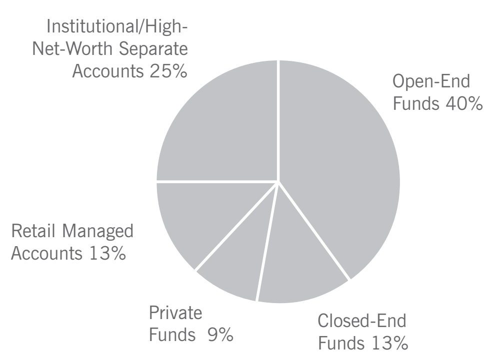
Total return with dividends reinvested. Source: FactSet.

Key Statistics

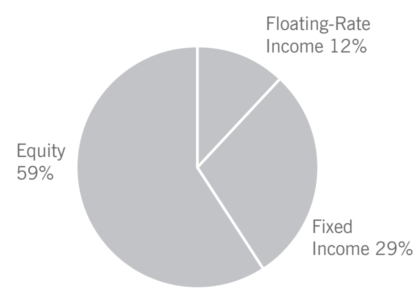
Fiscal Year Ending October 31,	2010	2009	Change %
(in millions, except per share and employee amounts)			
Ending assets under management	185,243	154,896	20%
Average assets under management	169,017	132,684	27%
Gross inflows	52,806	46,766	13%
Net inflows	16,346	13,458	21%
Revenue	1,122	890	26%
Operating income	353	233	52%
Operating income margin	31%	26%	-
Net income	201	136	48%
Net income margin	18%	15%	-
Earnings per diluted share	1.40	1.07	31%
Dividends declared per share	0.660	0.625	6%
Cash, cash equivalents and short-term investments	313	361	-13%
Long-term debt	500	500	-
Employees	1,094	1,059	3%
Market capitalization	3,393	3,324	2%

Assets Under Management

Ending Assets Under Management by Product Category

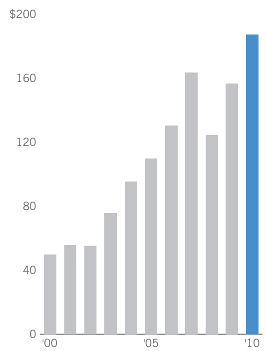


Ending Assets Under Management by Asset Class

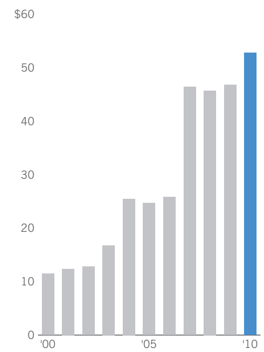


Performance Trends

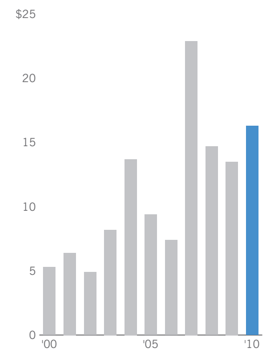
Assets Under Management (in billions)



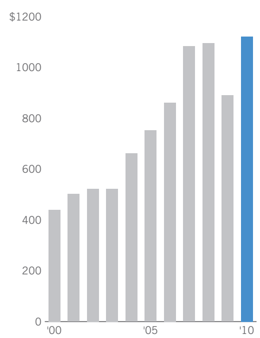
Gross Inflows (in billions)



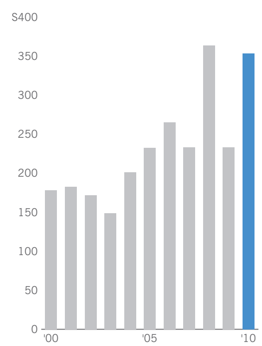
Net Inflows (in billions)



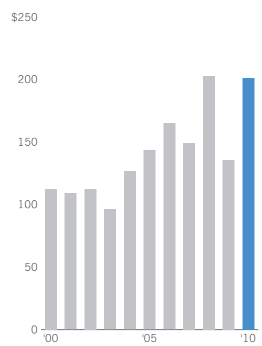
Revenue (in millions)



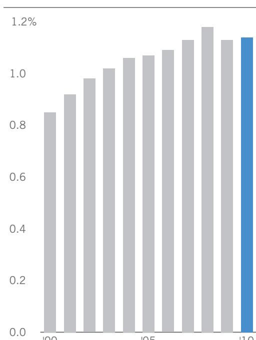
Operating Income (in millions)



Net Income (in millions)

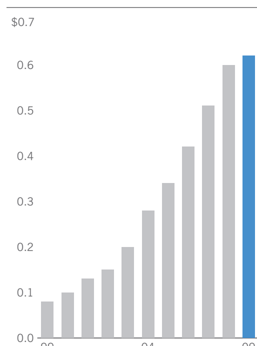


Market Share Long-Term Fund Assets

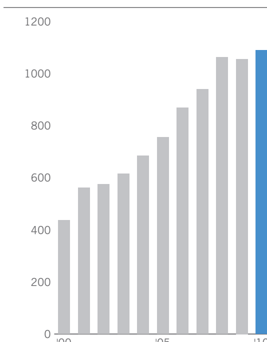


Source: Strategic Insight.

Dividends Declared Per Share



Employees



Financial Review

Five-Year Financial Summary

(in thousands, except per share data)	Years Ended October 31, 2010	2009	2008	2007	2006
Income Statement Data					
Revenue:					
Investment advisory and administration fees	$ 867,683	$ 683,820	$ 815,706	$ 773,612	$ 594,632
Distribution and underwriter fees	103,995	85,234	128,940	148,369	139,111
Service fees	139,741	116,331	155,091	154,736	124,025
Other revenue	10,242	4,986	(3,937)	7,383	4,426
Total revenue	1,121,661	890,371	1,095,800	1,084,100	862,194
Expenses:					
Compensation of officers and employees	348,897	293,062	302,679	316,963	244,620
Distribution expense	126,064	95,988	122,930	254,859	114,052
Service fee expense	116,900	94,468	129,287	121,748	98,262
Amortization of deferred sales commissions	35,533	35,178	47,811	55,060	52,048
Fund expenses	20,455	22,432	24,684	19,974	16,589
Other expenses	120,530	116,023	104,657	82,559	71,657
Total expenses	768,379	657,151	732,048	851,163	597,228
Operating income	353,282	233,220	363,752	232,937	264,966
Other Income (Expense):					
Interest income	2,864	3,745	11,098	10,511	8,033
Interest expense	(33,666)	(33,682)	(33,616)	(2,894)	(12,850)
Gains (losses) on investments and derivatives	4,300	6,078	(5,005)	(1,943)	3,667
Foreign currency gains (losses)	181	165	(176)	(262)	(222)
Impairment losses on investments	-	(1,863)	(13,206)	-	(592)
Income before income taxes and equity in net income (loss) of affiliates and cumulative effect of change in accounting principle	326,961	207,663	322,847	238,349	263,002
Income taxes	(126,263)	(71,044)	(125,154)	(93,200)	(102,245)
Equity in net income (loss) of affiliates, net of tax	527	(1,094)	5,123	3,920	4,349
Income before cumulative effect of change in accounting principle	201,225	135,525	202,816	149,069	165,106
Cumulative effect of change in accounting principle, net of tax	-	-	-	-	(626)
Net income	201,225	135,525	202,816	149,069	164,480
Net income attributable to non-controlling interests	(26,927)	(5,418)	(7,153)	(6,258)	(5,103)
Net income attributable to Eaton Vance Corp. shareholders	$ 174,298	$ 130,107	$ 195,663	$ 142,811	$ 159,377
Earnings per share before cumulative effect of change in accounting principle:					
Basic	$ 1.47	$ 1.11	$ 1.69	$ 1.15	$ 1.25
Diluted	$ 1.40	$ 1.07	$ 1.57	$ 1.05	$ 1.18
Earnings per share:					
Basic	$ 1.47	$ 1.11	$ 1.69	$ 1.15	$ 1.24
Diluted	$ 1.40	$ 1.07	$ 1.57	$ 1.05	$ 1.17
Dividends declared per share	$ 0.660	$ 0.625	$ 0.605	$ 0.510	$ 0.420
Weighted Average Shares Outstanding:					
Basic	116,444	116,175	115,810	124,527	127,807
Diluted	122,632	120,575	124,431	135,179	136,939
Balance Sheet Data					
Total Assets	$ 1,280,607	$ 1,075,067	$ 968,355	$ 966,831	$ 668,195
Long-term debt	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ -
Redeemable non-controlling interests (temporary equity)	$ 67,019	$ 43,871	$ 72,137	$ 73,422	$ 64,046
Total Eaton Vance Corp. shareholders' equity	$ 410,285	$ 306,969	$ 178,518	$ 163,970	$ 441,984
Non-redeemable non-controlling interests	$ 570	$ 91	$ -	$ -	$ -
Total permanent equity	$ 410,855	$ 307,060	$ 178,518	$ 163,970	$ 441,984

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

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

General

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

We are a market leader in a number of investment areas, including tax-managed equity, value equity, equity income, emerging market equity, floating-rate bank loan, municipal bond, investment grade, global and high-yield bond investing. Our diversified product line offers fund shareholders, retail managed account investors, institutional investors and high-net-worth clients a wide range of products and services designed and managed to generate attractive risk-adjusted returns over the long term. Our equity strategies encompass a diversity of investment objectives, risk profiles, income levels and geographic representation. Our income investment strategies cover a broad duration and credit quality range and encompass both taxable and tax-free investments. As of October 31, 2010, we had $185.2 billion in assets under management.

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

We also commit significant resources to serving institutional and high-net-worth clients who access investment management services on a direct basis. Through our wholly owned affiliates and consolidated subsidiaries we manage investments for a broad range of clients in the institutional and high-net-worth marketplace, including corporations, endowments, foundations, family offices and public and private employee retirement plans. Specialized sales teams at our affiliates develop relationships in this market and deal directly with these clients.

Our revenue is derived primarily from investment advisory, administration, distribution and service fees received from Eaton Vance funds and investment advisory fees received from separate accounts. Our fees are based primarily on the value of the investment portfolios we manage and fluctuate with changes in the total value and mix of assets under management. Such fees are recognized over the period that we manage these assets. Our major expenses are employee compensation, distribution-related expenses, amortization of deferred sales commissions, facilities expense and information technology expense.

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

Market Developments

Prevailing market conditions affect our 1) asset levels, 2) operating results and 3) the recoverability of our investments. Since financial markets bottomed in the first half of fiscal 2009, we have experienced significant improvement in our key financial metrics. Average assets under management increased 27 percent in fiscal 2010 over fiscal 2009 due to both strong net flows and positive market action, as reflected in the 14 percent increase in the S&P 500 Index over the fiscal year. Revenue increased faster than our overall expenses in fiscal 2010, resulting in higher operating margins, and our balance sheet continues to provide financial flexibility as more fully described below.

Managed Asset Levels
In fiscal 2010, revenue increased relative to fiscal 2009, primarily reflecting an increase in average managed assets due to improving equity markets and positive net flows. Average assets under management were $169.0 billion in fiscal 2010 compared to $132.7 billion in fiscal 2009. Growth in separate account assets, which earn lower fees on average than funds, contributed to a decline in our average effective fee rate to 66 basis points in fiscal 2010 from 67 basis points in fiscal 2009.

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

Operating Results
In fiscal 2010, our revenue increased by $231.3 million, or 26 percent, from fiscal 2009. Our operating expenses increased by $111.2 million, or 17 percent, in the same period, reflecting increases in expenses tied to asset levels that increase as assets under management increase, such as certain distribution and service fees, and increases in expenses that adjust to increases in operating earnings, such as the performance-based management incentives we accrue. The increase in our operating expenses also reflects an increase in our sales-related expenses, including sales incentives, which vary with the level of sales and the acquisition cost of new assets.

Recoverability of our Investments
In fiscal 2010 we used our balance sheet strength to invest in our business, committing excess cash to bring new products to scale to facilitate placement on our distribution partners' platforms. Our long-term investments of $329.7 million primarily reflect seed capital investments in new products and strategies. These investments are generally in liquid debt or equity securities and are carried at fair market value. Accordingly, recoverability of these investments is generally not an area of significant risk to us.

We test our investments, including our investments in collateralized debt obligation ("CDO") entities and investments classified as available-for-sale, for impairment on a quarterly basis. Our investments in CDO entities, which have been the subject of past impairments, totaled $1.4 million on October 31, 2010. We evaluate our investments in CDO entities and investments classified as available-for-sale for impairment using quantitative factors, including how long the investment has been in a net unrealized loss position, and qualitative factors, including the underlying credit quality of the issuer and our ability and intent to hold the investment. If markets deteriorate during the quarters ahead, our assessment of impairment on a quantitative basis may lead us to impair investments in CDO entities or investments classified as available-for-sale in future quarters that were in an unrealized loss position at October 31, 2010.

We test our investments in affiliates and goodwill 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 2010 that would indicate that an impairment loss exists at October 31, 2010.

We periodically review our deferred sales commissions and identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. There have been no significant changes in financial condition in fiscal 2010 that would indicate that an impairment loss exists at October 31, 2010.

Assets Under Management

Assets under management of $185.2 billion on October 31, 2010 were 20 percent higher than the $154.9 billion reported a year earlier, reflecting improving securities prices and strong open-end fund, high-net worth and institutional net inflows. Long-term fund net inflows of $11.4 billion over the last fiscal year reflect $12.8 billion of open-end fund net inflows and $0.7 billion of closed-end fund net inflows offset by $2.1 billion of private fund net outflows. Outflows from private and closed-end funds include net reductions in fund leverage of $0.5 billion in the last twelve months. High-net-worth and institutional separate account net inflows were $4.7 billion and retail managed account net inflows were $0.2 billion. Market price appreciation, reflecting recovering equity and income markets, contributed $14.3 billion to growth in managed assets, while a decrease in cash management assets reduced assets under management by $0.3 billion.

Ending Assets Under Management by Investment Category[(1)]

	October 31,						2010	2009
		% of		% of		% of	vs.	vs.
(in millions)	2010	Total	2009	Total	2008	Total	2009	2008
Equity	$ 109,096	59%	$ 96,140	62%	$ 81,029	66%	13%	19%
Fixed income	54,273	29%	41,309	27%	27,414	22%	31%	51%
Floating-rate bank loan	21,874	12%	17,447	11%	14,644	12%	25%	19%
Total	$ 185,243	100%	$ 154,896	100%	$ 123,087	100%	20%	26%

[(1)] *Includes funds and separate accounts.*

Equity assets under management included $31.8 billion, $31.4 billion and $34.9 billion of equity funds managed for after-tax returns on October 31, 2010, 2009 and 2008, respectively. Fixed income assets included $17.3 billion, $16.4 billion and $14.2 billion of tax-exempt municipal bond fund assets and $1.1 billion, $1.4 billion and $1.1 billion of cash management fund assets on October 31, 2010, 2009 and 2008, respectively.

Assets under management for which we estimate fair value are not material relative to the total value of the assets we manage.

Long-Term Fund and Separate Account Net Flows

(in millions)	Years Ended October 31, 2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Long-term funds:					
Open-end funds	$ 12,804	$ 7,397	$ 8,426	73%	-12%
Closed-end funds	691	(9)	(613)	NM[2]	-99%
Private funds	(2,053)	(3,960)	(1,141)	-48%	247%
Total long-term fund net inflows	11,442	3,428	6,672	234%	-49%
HNW and institutional accounts[1]	4,733	7,912	2,450	-40%	223%
Retail managed accounts	171	2,118	5,581	-92%	-62%
Total separate account net inflows	4,904	10,030	8,031	-51%	25%
Total net inflows	$ 16,346	$ 13,458	$ 14,703	21%	-8%

(1) *High-net-worth ("HNW")*

(2) *Not meaningful ("NM")*

Long-term fund net inflows totaled $11.4 billion in fiscal 2010 compared to $3.4 billion in fiscal 2009 and $6.7 billion in fiscal 2008. Open-end fund net inflows of $12.8 billion, $7.4 billion and $8.4 billion in fiscal 2010, 2009 and 2008, respectively, reflect gross inflows of $32.2 billion, $23.1 billion and $25.9 billion, respectively, net of redemptions of $19.4 billion, $15.7 billion and $17.5 in fiscal 2010, 2009 and 2008, respectively. Closed-end fund net inflows in fiscal 2010 reflect the $200.0 million initial public offering of Eaton Vance Tax-Advantaged Bond and Option Strategies Fund, a net increase in portfolio leverage and dividend reinvestment. Private funds, which include privately offered equity and income funds as well as CDO entities, had net outflows of $2.1 billion, $4.0 billion and $1.1 billion in fiscal 2010, 2009 and 2008, respectively. Approximately $0.8 billion and $1.4 billion of private fund outflows in fiscal 2010 and 2009, respectively, can be attributed to reductions in portfolio leverage. Reductions in portfolio leverage in closed-end and private funds reflect paydowns to maintain required asset coverage ratios as well as other portfolio activity.

Separate account net inflows totaled $4.9 billion in fiscal 2010 compared to net inflows of $10.0 billion and $8.0 billion in fiscal 2009 and 2008, respectively. High-net-worth and institutional account net inflows totaled $4.7 billion in fiscal 2010 compared to $7.9 billion and $2.4 billion in fiscal 2009 and 2008, respectively, reflecting gross inflows of $12.0 billion, $13.0 billion and $7.8 billion in fiscal 2010, 2009 and 2008, respectively, net of redemptions of $7.3 billion, $5.1 billion and $5.4 billion, respectively. Retail managed account net inflows totaled $0.2 billion, $2.1 billion and $5.6 billion in fiscal 2010, 2009 and 2008, respectively, reflecting gross inflows of $6.7 billion, $8.4 billion and $9.8 billion, respectively, net of redemptions of $6.5 billion, $6.3 billion and $4.2 billion, respectively. Retail managed account redemptions in fiscal 2010 reflect a $1.5 billion reduction in Parametric Portfolio Associates' retail managed account overlay assets as a result of the integration of Bank of America's retail managed account program into the Merrill Lynch retail managed account program following Bank of America's 2009 acquisition of Merrill Lynch. Unlike the former Bank of America program, the Merrill Lynch retail managed account program does not currently utilize outside overlay managers.

The following table summarizes the asset flows by investment category for the fiscal years ended October 31, 2010, 2009 and 2008:

Asset Flows

(in millions)	Years Ended October 31, 2010	2009	2008	2010 vs. 2009	2009 vs, 2008
Equity fund assets – beginning	$ 54,779	$ 51,956	$ 72,928	5%	-29%
Sales/inflows	13,272	14,108	18,528	-6%	-24%
Redemptions/outflows	(13,514)	(12,667)	(10,818)	7%	17%
Exchanges	346	(77)	(196)	NM	-61%
Market value change	4,669	1,459	(28,486)	220%	NM
Equity fund assets – ending	59,552	54,779	51,956	9%	5%
Fixed income fund assets – beginning	24,970	20,382	24,617	23%	-17%
Sales/inflows	15,878	6,994	5,888	127%	19%
Redemptions/outflows	(6,471)	(5,026)	(5,316)	29%	-5%
Exchanges	219	106	184	107%	-42%
Market value change	1,827	2,514	(4,991)	-27%	NM
Fixed income fund assets – ending	36,423	24,970	20,382	46%	23%
Floating-rate bank loan fund assets – beginning	16,452	13,806	20,381	19%	-32%
Sales/inflows	4,973	4,270	3,691	16%	16%
Redemptions/outflows	(2,696)	(4,251)	(5,301)	-37%	-20%
Exchanges	(639)	3	(347)	NM	NM
Market value change	(91)	2,624	(4,618)	NM	NM
Floating-rate bank loan fund assets – ending	17,999	16,452	13,806	9%	19%
Total long-term fund assets – beginning	96,201	86,144	117,926	12%	-27%
Sales/inflows	34,123	25,372	28,107	34%	-10%
Redemptions/outflows	(22,681)	(21,944)	(21,435)	3%	2%
Exchanges	(74)	32	(359)	NM	NM
Market value change	6,405	6,597	(38,095)	-3%	NM
Total long-term fund assets – ending	113,974	96,201	86,144	18%	12%
Separate accounts – beginning	57,278	35,832	42,160	60%	-15%
Inflows – HNW and institutional	12,000	13,015	7,813	-8%	67%
Outflows – HNW and institutional	(7,267)	(5,103)	(5,363)	42%	-5%
Inflows – retail managed accounts	6,683	8,379	9,754	-20%	-14%
Outflows – retail managed accounts	(6,512)	(6,261)	(4,173)	4%	50%
Market value change	7,944	4,563	(14,359)	74%	NM
Assets acquired	-	6,853	-	NM	NM
Separate accounts – ending	70,126	57,278	35,832	22%	60%
Cash management fund assets – ending	1,143	1,417	1,111	-19%	28%
Assets under management – ending	$ 185,243	$ 154,896	$ 123,087	20%	26%

Ending Assets Under Management by Asset Class

	October 31,						2010	2009
(in millions)	2010	% of Total	2009	% of Total	2008	% of Total	vs. 2009	vs. 2008
Open-end funds:								
Class A	$ 38,048	20%	$ 34,608	22%	$ 28,659	23%	10%	21%
Class B	1,861	1%	2,297	2%	2,831	2%	-19%	-19%
Class C	10,387	6%	8,102	5%	6,939	6%	28%	17%
Class I	22,198	12%	10,727	7%	4,148	4%	107%	159%
Other(1)	1,073	1%	1,110	1%	1,294	1%	-3%	-14%
Total open-end funds	73,567	40%	56,844	37%	43,871	36%	29%	30%
Private funds(2)	17,518	9%	17,612	11%	21,193	17%	-1%	-17%
Closed-end funds	24,032	13%	23,162	15%	22,191	18%	4%	4%
Total fund assets	115,117	62%	97,618	63%	87,255	71%	18%	12%
HNW and institutional account assets	46,476	25%	36,860	24%	21,293	17%	26%	73%
Retail managed account assets	23,650	13%	20,418	13%	14,539	12%	16%	40%
Total separate account assets	70,126	38%	57,278	37%	35,832	29%	22%	60%
Total	$ 185,243	100%	$ 154,896	100%	$ 123,087	100%	20%	26%

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

(2) *Includes privately offered equity and bank loan funds and CDO entities.*

We currently sell our sponsored open-end mutual funds under four primary pricing structures: front-end load commission ("Class A"); spread-load commission ("Class B"); level-load commission ("Class C"); and institutional no-load ("Class I"). We waive the front-end sales load on Class A shares under certain circumstances. In such cases, the shares are sold at net asset value.

Fund assets represented 62 percent of total assets under management on October 31, 2010, down from 63 percent and 71 percent on October 31, 2009 and 2008, respectively, while separate account assets, which include high-net-worth, institutional and retail managed account assets, increased to 38 percent of total assets under management on October 31, 2010, from 37 percent and 29 percent on October 31, 2009 and 2008, respectively. The 18 percent increase in fund assets under management in fiscal 2010 reflects annualized internal growth before deleveraging of 12 percent, market appreciation of $6.4 billion and net reductions in fund leverage of $0.5 billion. The 22 percent increase in separate account assets under management in fiscal 2010 reflects annualized internal growth of 9 percent and market appreciation of $7.9 billion.

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

Average Assets Under Management by Asset Class(1)

(in millions)	Years Ended October 31, 2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Open-end funds:					
Class A	$ 36,682	$ 30,676	$ 34,969	20%	-12%
Class B	2,070	2,403	4,554	-14%	-47%
Class C	9,221	7,002	9,097	32%	-23%
Class I	15,887	6,601	3,882	141%	70%
Other(2)	1,076	1,168	1,168	-8%	0%
Total open-end funds	64,936	47,850	53,670	36%	-11%
Private funds(3)	17,336	17,915	27,024	-3%	-34%
Closed-end funds	23,253	21,290	29,898	9%	-29%
Total fund assets	105,525	87,055	110,592	21%	-21%
HNW and institutional account assets	41,160	28,576	26,603	44%	7%
Retail managed account assets	22,332	17,053	15,964	31%	7%
Total separate account assets	63,492	45,629	42,567	39%	7%
Total	$ 169,017	$ 132,684	$ 153,159	27%	-13%

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

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

(3) *Includes privately offered equity and bank loan funds and CDO entities.*

Results of Operations

(in thousands, except per share data)	Years Ended October 31, 2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Net income attributable to Eaton Vance Corp. shareholders	$ 174,298	$ 130,107	$ 195,663	34%	-34%
Earnings per share:					
Basic	$ 1.47	$ 1.11	$ 1.69	32%	-34%
Diluted	$ 1.40	$ 1.07	$ 1.57	31%	-32%
Operating margin	31%	26%	33%		

We reported net income attributable to Eaton Vance Corp. shareholders of $174.3 million, or $1.40 per diluted share, in fiscal 2010 compared to net income attributable to Eaton Vance Corp. shareholders of $130.1 million, or $1.07 per diluted share, in fiscal 2009. The increase in net income attributable to Eaton Vance Corp. shareholders of $44.2 million, or $0.33 per diluted share, can be primarily attributed to the following:

- An increase in revenue of $231.3 million, or 26 percent, primarily due to the 27 percent increase in average assets under management offset by a decrease in our annualized effective fee rate to 66 basis points in fiscal 2010 from 67 basis points in fiscal 2009. The decrease in our annualized effective fee rate can be attributed to the increase in average separate account assets under management as a percentage of total average assets under management and a shift in product mix from equity assets under management toward fixed and floating-rate assets under management.
- An increase in expenses of $111.2 million, or 17 percent, due to increases in compensation expense, distribution expense, service fee expense, the amortization of deferred sales commissions and other expenses partially offset by a decrease in fund expenses.
- A net decrease in gains on investments and derivatives of $1.8 million.
- An increase in income taxes of $55.2 million, or 78 percent, reflecting the 57 percent increase in taxable income year-over-year and a deferred tax adjustment in the fourth quarter of fiscal 2009 related to stock-based compensation expense that resulted in a decrease in our fiscal 2009 income tax expense of $5.2 million.
- An increase in net income attributable to non-controlling interests of $21.5 million, reflecting an increase in the profitability of our majority-owned subsidiaries and consolidated funds and an $18.4 million increase in the estimated redemption value of redeemable non-controlling interests recognized in conjunction with the November 1, 2009 implementation of a new accounting standard on non-controlling interests.
- An increase in weighted average diluted shares outstanding of 2.1 million shares, or 2 percent, primarily reflecting an increase in the number of in-the-money share options and an increase in vested restricted shares included in the calculation of weighted average diluted shares outstanding, offset by shares repurchased in fiscal 2010.

We reported net income attributable to Eaton Vance Corp. shareholders of $130.1 million, or $1.07 per diluted share, in fiscal 2009 compared to net income attributable to Eaton Vance Corp. shareholders of $195.7 million, or $1.57 per diluted share, in fiscal 2008. The decrease in net income attributable to Eaton Vance Corp. shareholders of $65.6 million, or $0.50 per diluted share, can be primarily attributed to the following:

- A decrease in revenue of $205.4 million, or 19 percent, primarily due to the 13 percent decrease in average assets under management and a decrease in our annualized effective fee rate to 67 basis points in fiscal 2009 from 72 basis points in fiscal 2008. The decrease in our annualized effective fee rate can be attributed to the increase in average separate account assets under management as a percentage of total average assets under management primarily as a result of the TABS acquisition in December 2008.
- A decrease in expenses of $74.9 million, or 10 percent, due to decreases in compensation expense, distribution expense, service fee expense, fund expenses and the amortization of deferred sales commissions, primarily reflecting decreases in both average assets under management and revenue.
- A decrease in interest income of $7.4 million, or 66 percent, reflecting a modest decrease in average cash balances and a substantial decrease in effective interest rates over the twelve month period ended October 31, 2009.
- An increase in gains on investments and derivatives of $11.1 million, reflecting improving equity markets in the second half of fiscal 2009.
- A decrease in impairment losses on investments in CDO entities of $11.3 million.
- A decrease in income taxes of $54.1 million, or 43 percent, reflecting the 36 percent decrease in taxable income year-over-year, a decrease in our state effective tax rate and the $5.2 million tax adjustment in the fourth quarter of fiscal 2009 related to stock-based compensation expense.
- A decrease in the equity in net income of affiliates of $6.2 million, reflecting decreases in the net income of Lloyd George Management and a private equity partnership.

- A decrease in net income attributable to non-controlling interests of $1.7 million, primarily reflecting a $2.8 million adjustment to net income attributable to non-controlling interests in fiscal 2008 partially offset by an increase in the profitability of our majority-owned subsidiaries and consolidated funds.
- A decrease in weighted average diluted shares outstanding of 3.9 million shares, or 3 percent, primarily reflecting a decrease in the number of in-the-money share options included in the calculation of weighted average diluted shares outstanding and modest stock buybacks over the last twelve months.

In evaluating operating performance we consider operating income and net income, which are calculated on a basis consistent with GAAP, as well as adjusted operating income, an internally derived non-GAAP performance measure. We define adjusted operating income as operating income excluding the results of consolidated funds and adding back stock-based compensation, closed-end fund structuring fees, any write-off of intangible assets or goodwill associated with our acquisitions and other items we consider non-operating in nature. We believe that adjusted operating income is a key indicator of our ongoing profitability and therefore use this measure as the basis for calculating performance-based management incentives. Adjusted operating income is not, and should not be construed to be, a substitute for operating income computed in accordance with GAAP. However, in assessing the performance of the business, our management and our Board of Directors look at adjusted operating income as a measure of underlying performance, since operating results of consolidated funds and amounts resulting from one-time events do not necessarily represent normal results of operations. In addition, when assessing performance, management and the Board look at performance both with and without stock-based compensation, a non-cash operating expense.

The following table provides a reconciliation of operating income to adjusted operating income for the fiscal years ended October 31, 2010, 2009 and 2008:

	Years Ended October 31,			**2010 vs. 2009**	**2009 vs. 2008**
(in thousands)	**2010**	**2009**	**2008**		
Operating income	$ 353,282	$ 233,220	$ 363,752	51%	-36%
Operating losses (income) of consolidated funds	(4,901)	(1,925)	8,268	155%	NM
Closed-end fund structuring fees	2,583	2,677	-	-4%	NM
Stock-based compensation	47,859	41,670	39,422	15%	6%
Adjusted operating income	$ 398,823	$ 275,642	$ 411,442	45%	-33%
Adjusted operating margin	36%	31%	38%		

Revenue

Our average overall effective fee rate (total revenue, excluding other revenue, as a percentage of average assets under management) was 66 basis points in fiscal 2010 compared to 67 basis points in 2009 and 72 basis points in fiscal 2008. The decrease in our average overall effective fee rate in both fiscal 2010 and 2009 can be attributed to the increase in separate account assets under management as a percentage of total average assets under management, the decline in average assets under management subject to distribution and service fees and, in fiscal 2010, the shift in product mix from equity assets under management toward fixed and floating-rate assets under management.

(in thousands)	Years Ended October 31, 2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Investment advisory and administration fees	$ 867,683	$ 683,820	$ 815,706	27%	-16%
Distribution and underwriter fees	103,995	85,234	128,940	22%	-34%
Service fees	139,741	116,331	155,091	20%	-25%
Other revenue	10,242	4,986	(3,937)	105%	NM
Total revenue	$ 1,121,661	$ 890,371	$ 1,095,800	26%	-19%

Investment advisory and administration fees
Investment advisory and administration fees are determined by contractual agreements with our sponsored funds and separate accounts and are generally based upon a percentage of the market value of assets under management. Net asset flows and changes in the market value of managed assets affect the amount of managed assets on which investment advisory and administration fees are earned, while changes in asset mix among different investment disciplines and products affect our average effective fee rate. Investment advisory and administration fees represented 77 percent of total revenue in fiscal 2010 and fiscal 2009 compared to 74 percent in fiscal 2008.

The increase in investment advisory and administration fees of 27 percent, or $183.9 million, in fiscal 2010 over the prior fiscal year can be primarily attributed to a 27 percent increase in average assets under management. Fund assets, which had an average effective fee rate of 63 basis points in fiscal 2010 and 62 basis points in fiscal 2009, decreased to 62 percent of total assets under management on October 31, 2010 from 63 percent of total assets under management on October 31, 2009, while separately managed account assets, which had an average effective fee rate of 31 basis points in fiscal 2010 and 32 basis points in fiscal 2009, increased to 38 percent of total assets under management on October 31, 2010 from 37 percent of total assets under management on October 31, 2009. Equity assets under management, which generally have a higher effective investment advisory and administration fee rate, declined to 59 percent of total assets under management on October 31, 2010 from 62 percent on October 31, 2009, largely as a result of strong net sales of fixed and floating-rate income funds in fiscal 2010.

The decrease in investment advisory and administration fees of 16 percent, or $131.9 million, in fiscal 2009 can be attributed to a 13 percent decrease in average assets under management and a decrease in our average effective investment advisory and administration fee rate due to a change in product mix. Fund assets, which had an average effective fee rate of 62 basis points in fiscal 2009 and 2008, decreased to 63 percent of total assets under management on October 31, 2009 from 71 percent of total assets under management on October 31, 2008, while separately managed account assets, which had an average effective fee rate of 32 basis points in fiscal 2009 and 31 basis points in fiscal 2008, increased to 37 percent of total assets under management on October 31, 2009 from 29 percent of total assets under management on October 31, 2008. The increase in separately managed account assets as a percentage of total assets under management can be attributed to the TABS acquisition, which contributed $6.9 billion in new separately managed account assets on December 31, 2008, and strong institutional separate account net inflows at EVM and Parametric Portfolio Associates during fiscal 2009.

Distribution and underwriter fees
Distribution plan payments, which are made under contractual agreements with our sponsored funds, are calculated as a percentage of average assets under management in certain share classes of our mutual funds, as

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

Distribution plan payments increased 19 percent, or $14.8 million, to $91.8 million in fiscal 2010, reflecting an increase in average Class C fund assets partially offset by decreases in average Class A, Class B and certain private equity fund assets subject to distribution fees. Class C share distribution fees increased by 33 percent, or $16.5 million, to $66.3 million, reflecting a 32 percent increase in average Class C share assets under management. Class A share distribution fees decreased by 8 percent, or $0.1 million, to $1.1 million, reflecting certain reductions in Class A share distribution fee rates implemented in fiscal 2010. Class B share distribution fees decreased by 8 percent, or $1.5 million, to $18.4 million, reflecting a 14 percent decrease in average Class B share assets under management. Private fund distribution fees decreased by 7 percent, or $0.4 million, to $5.0 million, reflecting a 6 percent decrease in average assets subject to distribution fees. Underwriter fees and other distribution income totaled $12.2 million in fiscal 2010, an increase of 49 percent, or $4.0 million, over the same period a year earlier, primarily reflecting an increase of $3.8 million in underwriter fees received on sales of Class A shares.

Distribution plan payments decreased 34 percent, or $38.8 million, to $77.0 million in fiscal 2009, reflecting decreases in average Class A, Class B, Class C and certain private fund assets subject to distribution fees. Class A share distribution fees decreased by 42 percent, or $0.9 million, to $1.2 million, reflecting a 43 percent decrease in average Class A share assets that are subject to distribution fees. Class B share distribution fees decreased by 45 percent, or $16.5 million, to $19.9 million, reflecting a decrease in average Class B share assets under management of 47 percent year-over-year. Class C share distribution fees decreased by 24 percent, or $15.3 million, to $49.8 million, reflecting a 23 percent decrease in average Class C share assets under management. Private fund distribution fees decreased by 54 percent, or $6.4 million, to $5.4 million, reflecting a 46 percent decrease in average assets subject to distribution fees. Underwriter fees and other distribution income decreased 37 percent, or $4.9 million, to $8.2 million in fiscal 2009, reflecting a decrease of $1.9 million in underwriter fees received on sales of Class A shares, a decrease of $2.0 million in contingent deferred sales charges received on certain Class A redemptions and a decrease of $1.0 in other distribution income.

Service fees

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

Service fee revenue increased 20 percent, or $23.4 million, to $139.7 million in fiscal 2010 over the same period a year earlier, primarily reflecting a 16 percent increase in average assets under management in funds and classes of funds subject to service fees and an increase in our average effective service fee revenue rate. The increase in our average effective service fee revenue rate can be attributed to the increase in average Class A share assets under management subject to higher than average service fee rates.

Service fee revenue decreased 25 percent, or $38.8 million, to $116.3 million in fiscal 2009 over the same period a year earlier, primarily reflecting a 23 percent decrease in average assets under management in funds and classes of funds subject to service fees.

Other revenue
Other revenue, which consists primarily of shareholder service fees, miscellaneous dealer income, custody fees and investment income earned by consolidated funds, increased by $5.3 million in fiscal 2010 over the same period a year ago, primarily reflecting an increase in realized and unrealized gains recognized on securities held in the portfolios of consolidated funds. Other revenue in fiscal 2010 includes $5.7 million of net investment gains (net realized and unrealized gains plus dividend income earned) related to consolidated funds for the period during which they were consolidated, compared to $1.3 million of net investment gains in fiscal 2009.

Other revenue increased by $8.9 million in fiscal 2009 over the same period a year earlier, primarily reflecting an increase in realized and unrealized gains recognized on securities held in the portfolios of consolidated funds and certain limited partnerships offset by a decrease in miscellaneous dealer income. Other revenue in fiscal 2009 includes $1.3 million of net investment gains (net realized and unrealized gains plus dividend income earned) related to consolidated funds for the period during which they were consolidated, compared to $8.2 million of net investment losses (net realized and unrealized losses offset in part by dividend income earned) in fiscal 2008.

Expenses

Operating expenses increased by 17 percent, or $111.2 million, in fiscal 2010, reflecting increases in compensation expense, distribution expense, service fee expense and other expenses partially offset by a decrease in fund expenses as more fully described below.

	Years Ended October 31,			2010 vs.	2009 vs.
(in thousands)	**2010**	**2009**	**2008**	**2009**	**2008**
Compensation of officers and employees:					
Cash compensation	$ 300,737	$ 251,392	$ 263,257	20%	-5%
Stock-based compensation	48,160	41,670	39,422	16%	6%
Total compensation of officers and employees	348,897	293,062	302,679	19%	-3%
Distribution expense	126,064	95,988	122,930	31%	-22%
Service fee expense	116,900	94,468	129,287	24%	-27%
Amortization of deferred sales commissions	35,533	35,178	47,811	1%	-26%
Fund expenses	20,455	22,432	24,684	-9%	-9%
Other expenses	120,530	116,023	104,657	4%	11%
Total expenses	$ 768,379	$ 657,151	$ 732,048	17%	-10%

Compensation of officers and employees
Compensation expense increased by 19 percent, or $55.8 million, in fiscal 2010, reflecting increases in base salaries and employee benefits, sales-based, revenue-based and operating income-based incentives and stock-based compensation. Base compensation and employee benefits increased by 4 percent, or $5.4 million, primarily reflecting increases in base compensation associated with higher headcount, annual merit increases and increases in the cost of employee benefits and payroll taxes associated with the increase in sales-based, revenue-based and operating income-based incentives. Sales and revenue-based incentives increased by 43 percent, or $18.1 million, primarily reflecting a 34 percent increase in gross sales of long-term funds and the success of Eaton Vance Global Macro Absolute Return Fund, sales of which were compensated at an above-

average level through the third quarter of fiscal 2010. Sales and revenue-based incentives include $0.4 million and $0.6 million in sales-based compensation associated with closed-end fund offerings in fiscal 2010 and 2009, respectively. Operating income-based incentives increased by 40 percent, or $26.9 million, primarily reflecting the 44 percent increase in pre-bonus adjusted operating income. Stock-based compensation increased by 16 percent, or $6.5 million, primarily reflecting the increase in restricted stock grants made in the first quarter of fiscal 2010.

Compensation expense decreased by 3 percent, or $9.6 million, in fiscal 2009, reflecting decreases in sales-based, revenue-based and operating income-based incentives, offset by increases in base salaries and employee benefits, stock-based compensation and other compensation, including severance costs. Sales and revenue-based incentives decreased by 13 percent, or $6.1 million, primarily reflecting a decrease in open-end gross sales and a realignment of our sales incentive compensation structure. Operating income-based incentives decreased by 18 percent, or $14.2 million, reflecting a decrease in adjusted operating income partially offset by an increase in the rate at which operating income-based incentives were accrued. Base compensation and employee benefits increased by 6 percent, or $7.7 million, primarily reflecting a 4 percent increase in average headcount. Stock-based compensation increased by 6 percent, or $2.2 million, primarily reflecting the 4 percent increase in average headcount. Other compensation expense increased by 34 percent, or $0.8 million, reflecting an increase in signing bonuses and other compensation expense partially offset by a decrease in severance costs.

Distribution expense
Distribution expense consists primarily of ongoing payments made to distribution partners pursuant to third-party distribution arrangements for certain Class C share and closed-end fund assets, which are calculated as a percentage of average assets under management, commissions paid to broker/dealers on the sale of Class A shares at net asset value, structuring fees paid on new closed-end funds and other marketing expenses, including marketing expenses associated with marketing support arrangements with our distribution partners.

Distribution expense increased by 31 percent, or $30.1 million, to $126.1 million in fiscal 2010 over the same period a year earlier, reflecting increases in marketing expenses associated with intermediary marketing support payments, Class A share commissions, Class C share distribution fees, payments made under certain closed-end fund compensation agreements and other marketing expenses. Marketing expenses associated with intermediary marketing support payments to our distribution partners increased by 37 percent, or $9.9 million, to $36.3 million, reflecting the increase in sales and average managed assets that are subject to these arrangements and changes in the terms of certain support agreements. Class A share commissions increased by 54 percent, or $4.0 million, to $11.3 million, reflecting an increase in certain Class A sales on which we pay a commission. Class C share distribution fees increased by 25 percent, or $9.1 million, to $46.3 million, reflecting an increase in Class C share assets held more than one year. Payments made under certain closed-end fund compensation agreements increased by 14 percent, or $2.0 million, to $16.8 million, reflecting higher closed-end fund managed assets on which these fees are paid. Other marketing expenses increased by 66 percent, or $5.1 million, to $12.8 million, primarily reflecting a major commitment made in fiscal 2010 to elevate the scope and quality of the Company's marketing programs. Total distribution expense included $2.6 million and $2.7 million in closed-end fund structuring fees in fiscal 2010 and 2009, respectively.

Distribution expense decreased by 22 percent, or $26.9 million, to $96.0 million in fiscal 2009, primarily reflecting decreases in Class C share distribution fees, Class A share commissions, payments made under certain closed-end fund compensation agreements and marketing expenses associated with revenue sharing arrangements, offset by $2.7 million in closed-end fund structuring fees recognized in fiscal 2009. Class C share distribution fees decreased by 22 percent, or $10.8 million, to $37.1 million in fiscal 2009, reflecting a decrease in Class C share assets older than one year. Class A share commissions decreased by 30 percent, or $3.1 million, to $7.3 million, reflecting a decrease in certain Class A sales on which we pay a commission. Payments made under certain closed-end fund compensation agreements decreased by 33 percent, or $7.4 million, to $14.7 million in fiscal 2009, reflecting lower asset-based compensation payments. Marketing expenses associated with intermediary marketing support payments to our distribution partners decreased by 10 percent, or $2.9 million, to $26.4 million in fiscal 2009, reflecting the decrease in sales and average managed assets that are subject to these arrangements. Other marketing expenses decreased by 41 percent, or $5.4 million, to $7.7 million in fiscal 2009, primarily reflecting decreases in literature and literature fulfillment, marketing and other promotional activities.

Service fee expense
Service fees we receive from sponsored funds are generally retained in the first year and paid to broker/dealers thereafter pursuant to third-party service arrangements. These fees are calculated as a percent of average assets under management in certain share classes of our mutual funds (principally Classes A, B, and C), as well as certain private funds. Service fee expense increased by 24 percent, or $22.4 million, in fiscal 2010, reflecting an increase in average fund assets retained more than one year in funds and share classes that are subject to service fees. Service fee expense decreased by 27 percent, or $34.8 million, in fiscal 2009, reflecting a decrease in average fund assets retained more than one year in funds and share classes that are subject to service fees.

Amortization of deferred sales commissions
Amortization expense is affected by ongoing sales and redemptions of mutual fund Class B shares, Class C shares and certain private funds. Amortization expense increased 1 percent in fiscal 2010, reflecting an increase in Class C amortization expense in connection with increased Class C share sales, offset by declining Class B share and privately offered equity fund amortization expense. In fiscal 2010, 22 percent of total amortization related to Class B shares, 59 percent to Class C shares and 19 percent to privately offered equity funds.

Amortization expense decreased 26 percent in fiscal 2009 compared to the same period a year earlier, reflecting declining Class B share and privately offered equity fund amortization expense. In fiscal 2009, 31 percent of total amortization related to Class B shares, 42 percent to Class C shares and 27 percent to privately offered equity funds.

Fund expenses
Fund expenses consist primarily of fees paid to subadvisors, compliance costs and other fund-related expenses we incur. Fund expenses decreased 9 percent, or $2.0 million, in fiscal 2010, reflecting a decrease in subadvisory fees partially offset by an increase in other fund-related expenses. The decrease in subadvisory fees can be attributed to the termination by us of certain closed-end fund subadvisory agreements in fiscal 2009. The increase in other fund-related expenses can be attributed to increases in the subsidies we provide to startup and other smaller funds to enhance their cost competitiveness and the non-advisory expenses we bear on certain funds for which we are paid an all-in management fee.

Fund expenses decreased by 9 percent, or $2.3 million, in fiscal 2009, primarily reflecting decreases in subadvisory fees and other fund-related expenses offset by an increase in fund subsidies. The decrease in subadvisory fees in fiscal 2009 can be attributed to the decrease in average assets under management in funds for which we employ a subadvisor, partially offset by an increase in subadvisory expenses due to additional accruals in connection with the termination by us of certain closed-end fund subadvisory agreements in fiscal 2009. The decrease in other fund-related expenses can be attributed to a decrease in the subsidies we provide to startup and other smaller funds to enhance their cost competitiveness and the non-advisory expenses we bear on certain funds for which we are paid an all-in management fee.

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

Other expenses increased by 4 percent, or $4.5 million, in fiscal 2010 over the same period a year earlier, primarily reflecting increases in travel expense of $1.8 million, consulting expense of $2.6 million, information technology expense of $1.7 million, communications expense of $0.2 million and other corporate expenses of $1.9 million, offset by a decrease in facilities-related expenses of $3.7 million. The increase in travel expense can be attributed to an increase in the cost of travel partially offset by corporate initiatives to manage expenses. The increase in consulting expense can be attributed to increases in legal and recruiting expenses. The increase in information technology expense can be attributed to an increase in the cost of data services. The increase in communications expense can be attributed to an increase in telephone and cable expense, while the increase in other corporate expenses reflects increases in other general corporate expenses, including charitable giving and professional development. The decrease in facilities-related expenses can be attributed to a decrease in rent and other building expenses associated with the completion of our move to new corporate headquarters in Boston in the second quarter of fiscal 2009 and the termination of our lease at our former location.

Other expenses increased by 11 percent, or $11.4 million, in fiscal 2009, primarily reflecting increases in facilities-related expenses of $11.4 million, information technology expense of $4.5 million and other corporate expenses of $2.7 million, offset by decreases in travel expense of $1.9 million, consulting expense of $4.4 million and communications expense of $1.0 million. The increase in facilities-related expenses can be attributed to an increase in rent, insurance and depreciation associated with our move to new corporate headquarters in Boston, which was completed in the second quarter of fiscal 2009. The increase in information technology expense can be attributed to an increase in outside data services and costs incurred in conjunction with several significant system implementations. The increase in other corporate expenses reflects a $4.1 million increase in the amortization of intangible assets associates with the TABS acquisition and the purchase of additional non-controlling interests in our majority-owned subsidiaries offset by decreases in other general corporate expenses. The decrease in travel expense can be attributed to corporate initiatives to manage cost. The decrease in consulting expense can be attributed to decreases in all external consulting categories, including audit and legal, while the decrease in communications expense can be attributed to decreases in postage, subscriptions and supplies.

Other Income and Expense

	Years Ended October 31,			2010 vs.	2009 vs.
(in thousands)	**2010**	**2009**	**2008**	**2009**	**2008**
Interest income	$ 2,864	$ 3,745	$ 11,098	-24%	-66%
Interest expense	(33,666)	(33,682)	(33,616)	0%	0%
Gains and (losses) on investments and derivatives	4,300	6,078	(5,005)	-29%	NM
Foreign currency gains (losses)	181	165	(176)	10%	NM
Impairment losses on investments	-	(1,863)	(13,206)	NM	-86%
Total other income (expense)	$ (26,321)	$ (25,557)	$ (40,905)	3%	-38%

Interest income decreased by $0.9 million and $7.4 million, or 24 percent and 66 percent, in fiscal 2010 and 2009, respectively, primarily due to a decrease in effective interest rates.

Interest expense was flat year-over-year in both fiscal 2010 and 2009, reflecting interest accrued on our fixed-rate senior notes.

In fiscal 2010, we recognized gains on investments totaling $4.3 million, primarily representing gains on seed investments in separately managed accounts and consolidated funds and derivative positions entered into to hedge those seed investments. In fiscal 2009, we recognized gains of $6.1 million and in fiscal 2008 we recognized losses of $5.0 million, primarily representing activity on seed investments.

We recognized impairment losses of $1.9 million and $13.2 million in fiscal 2009 and 2008, respectively, related to two cash flow instrument CDO entities and a synthetic CDO entity. The impairment losses associated with the two cash instrument CDO entities resulted from a decrease in estimated future cash flows from the CDO entities due to increases in the default rates of the underlying loan portfolios. The impairment loss associated with the synthetic CDO entity, which reduced our investment in that entity to zero in fiscal 2009, resulted from a decrease in the estimated cash flows from the entity due to higher realized default rates and lower recovery rates on the reference securities underlying the synthetic CDO entity's portfolio of credit default swaps.

Income Taxes

Our effective tax rate (income taxes as a percentage of income before income taxes and equity in net income (loss) of affiliates) was 38.6 percent, 34.2 percent and 38.8 percent in fiscal 2010, 2009 and 2008, respectively. The increase in our overall effective tax rate in fiscal 2010 can be primarily attributed to the execution of a state tax voluntary disclosure agreement in fiscal 2009 that resulted in a net reduction in our income tax expense of $2.8 million and a deferred tax adjustment in fiscal 2009 related to stock-based compensation expense that resulted in reduction in our income tax expense of $5.2 million.

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

Equity in Net Income (Loss) of Affiliates, Net of Tax

Equity in net income (loss) of affiliates, net of tax, for fiscal 2010 primarily reflects our 20 percent minority equity interest in Lloyd George Management, a 7 percent minority equity interest in a private equity partnership and our minority interest in Eaton Vance Global Macro Absolute Return Advantaged Fund (33 percent at fiscal year end). Equity in net income of affiliates, net of tax, increased by $1.6 million in fiscal 2010, primarily due to an increase in the net income of the private equity partnership. Equity in net income of affiliates, net of tax, decreased by $6.2 million in fiscal 2009 over the same period a year earlier, primarily due to gains recognized by the private equity partnership partially offset by a decrease in the net income of Lloyd George Management.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests increased by $21.5 million in fiscal 2010, primarily reflecting an increase of $18.4 million in the estimated redemption value of non-controlling interests redeemable at other than fair value in fiscal 2010 in conjunction with the adoption of a new accounting standard on non-controlling interests on November 1, 2009. The standard requires that redeemable non-controlling interests be carried at estimated redemption value each reporting period, and that the net change in the estimated redemption value of non-controlling interests redeemable at other than fair value be recognized as a component of net income attributable to non-controlling interests in our consolidated statements of income. The increase in estimated redemption value is primarily due to an increase in the profitability of our majority-owned subsidiaries.

Net income attributable to non-controlling interests decreased by $1.7 million in fiscal 2009, primarily due to a $2.8 million adjustment in fiscal 2008 to reverse stock-based compensation previously allocated to non-controlling interest holders of our majority-owned subsidiaries partially offset by an increase in the profitability of our majority-owned subsidiaries and consolidated funds. In fiscal 2008, we determined that the allocation of stock-based compensation expense to non-controlling interest holders reduces our liability to non-controlling interest holders in a manner that is not consistent with the agreements governing partnership distributions to those individuals. The $2.8 million adjustment represented the reversal of accumulated stock-based compensation expense allocated to non-controlling interest holders from the date of acquisition. Stock-based compensation expense allocated to non-controlling interest holders in prior periods was neither quantitatively nor qualitatively material to our consolidated financial statements in any of our previously reported fiscal years or periods.

Net income attributable to non-controlling interests is not adjusted for taxes due to the underlying tax status of our consolidated subsidiaries. Atlanta Capital Management Company LLC ("Atlanta Capital"), Fox Asset Management LLC ("Fox Asset Management"), Parametric Portfolio Associates LLC ("Parametric Portfolio Associates") and Parametric Risk Advisors LLC ("Parametric Risk Advisors") are limited liability companies that are treated as partnerships for tax purposes. Funds we consolidate are registered investment companies or private funds that are treated as pass-through entities for tax purposes.

Changes in Financial Condition, Liquidity and Capital Resources

The following table summarizes certain key financial data relating to our liquidity, capital resources and uses of cash on October 31, 2010, 2009 and 2008 and for the years then ended:

Balance Sheet and Cash Flow Data

	October 31,		
(in thousands)	**2010**	**2009**	**2008**
Balance sheet data:			
Assets:			
Cash and cash equivalents	$ 307,886	$ 310,586	$ 196,923
Short-term investments	4,732	49,924	169,943
Investment advisory fees and other receivables	129,380	107,975	108,644
Total liquid assets	$ 441,998	$ 468,485	$ 475,510
Long-term investments	$ 329,677	$ 133,536	$ 116,191
Deferred income taxes - long-term	119,341	97,044	66,357
Liabilities:			
Taxes payable	$ -	$ -	$ 848
Deferred income taxes - current	22,067	15,580	20,862
Long-term debt	500,000	500,000	500,000

(in thousands)	Years Ended October 31, 2010	2009	2008
Cash flow data:			
Operating cash flows	$ 95,899	$ 164,355	$ 152,380
Investing cash flows	(14,025)	41,345	(149,248)
Financing cash flows	(84,252)	(91,863)	(240,949)

Liquidity and Capital Resources

Liquid assets consist of cash and cash equivalents, short-term investments and investment advisory fees and other receivables. Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to cash. Short-term investments as of October 31, 2009 consisted of an investment in a sponsored short-term income fund. Investment advisory fees and other receivables primarily represent receivables due from sponsored funds and separately managed accounts for investment advisory and distribution services provided. Liquid assets represented 35 percent and 44 percent of total assets on October 31, 2010 and 2009, respectively.

The $26.5 million decrease in liquid assets in fiscal 2010 can be attributed to a decrease in cash and cash equivalent balances of $2.7 million and a decrease of $45.2 million in short-term investments offset by an increase in investment advisory fees and other receivables of $21.4 million. The decrease in cash and cash equivalent balances in fiscal 2010 primarily reflects net cash provided by operating activities of $95.9 million and proceeds from the issuance of Non-Voting Common Stock of $56.2 million offset by the payment of $75.7 million of dividends to shareholders, the repurchase of $111.2 million of Non-Voting Common Stock, $1.0 million of net purchases of available-for-sale securities, the payment of $11.2 million to purchase additional interests in Parametric Portfolio Associates and Parametric Risk Advisors in the third quarter of fiscal 2010 and $8.8 million in contingent payments to the sellers of TABS in the second quarter of fiscal 2010. The decrease in short-term investments can be attributed to the deconsolidation of a cash management fund in the second quarter of fiscal 2010. The increase in investment advisory fees and other receivables can be attributed to the increase in our revenue run rate at the end of fiscal 2010 compared to the end of fiscal 2009.

The $7.0 million decrease in liquid assets in fiscal 2009 can be attributed to a decrease in cash and short-term investment balances of $6.4 million and a decrease in investment advisory fees and other receivables of $0.7 million. The decrease in cash and short-term investment balances in fiscal 2009 primarily reflects the $30.9 million initial cost of the acquisition of TABS, the payment of $17.0 million to purchase additional interests in Parametric Portfolio Associates and Atlanta Capital Management, the payment of $72.4 million of dividends to shareholders and additions to equipment and leasehold improvements of $46.3 million, offset by net cash provided by operating activities of $164.4 million. The decrease in investment advisory fees and other receivables can be attributed to the decrease in our revenue run rate at the end of fiscal 2009 compared to the end of fiscal 2008.

On October 31, 2010, our debt consisted of $500.0 million in aggregate principal amount of 6.5 percent ten-year unsecured notes due 2017. We also maintain a $200.0 million unsecured revolving credit facility with several banks that expires on August 13, 2012. The facility provides that we may borrow at LIBOR-based rates of interest that vary depending on the level of usage of the facility and our credit ratings. The agreement contains financial covenants with respect to leverage and interest coverage and requires us to pay an annual commitment fee on any unused portion. We had no borrowings under our revolving credit facility at October 31, 2010 or at any point during the fiscal year. We were in compliance with all of the covenants as of October 31, 2010.

We continue to monitor our liquidity daily. We remain committed to growing our business and expect that our main uses of cash will be to invest in new products, acquire shares of our Non-Voting Common Stock, pay dividends, make strategic acquisitions, enhance technology infrastructure and pay the operating expenses of the business, which are largely variable in nature and fluctuate with revenue and assets under management. We believe that our existing liquid assets, cash flows from operations, which contributed $95.9 million in fiscal 2010, and borrowing capacity under our existing credit facility, are sufficient to meet our current and forecasted operating cash needs and to satisfy our future commitments as more fully described in Contractual Obligations below. The risk exists, however, that if we determine we need to raise additional capital or refinance existing debt in the future, resources may not be available to us in sufficient amounts or on acceptable terms. Our ability to enter the capital markets in a timely manner depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Non-Voting Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely impacted.

Income Taxes

Long-term deferred income taxes consist principally of deferred income tax benefits associated with stock-based compensation and expenses incurred in the launch of new closed-end funds, which are capitalized and amortized for tax purposes over a 15-year period following a change in tax accounting method filed in fiscal 2008, offset by deferred income tax liabilities associated with deferred sales commissions and certain deferred tax liabilities associated with a change in tax accounting method related to certain closed end fund expenses. The net current deferred tax liability of $22.1 million as of October 31, 2010 principally represents the remaining $21.5 million deferred tax liability associated with the change in accounting method.

Taxes payable at October 31, 2010 included a prepaid balance of $20.9 million and a long-term payable of $9.9 million, which are included in current assets and other long-term liabilities on our Consolidated Balance Sheet, respectively. Taxes payable at October 31, 2009 included a prepaid balance of $8.7 million and a long-term payable of $1.4 million, which are included in other current assets and other long-term liabilities on our Consolidated Balance Sheet, respectively. The net change in total taxes payable in fiscal 2010 reflects a current tax provision totaling $142.8 million offset by $135.9 million of income taxes paid and the recognition of $10.8 million of excess tax benefits associated with stock option exercises in fiscal 2010.

Contractual Obligations

The following table details our future contractual obligations as of October 31, 2010:

			Payments due			
(in millions)		Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases – facilities and equipment[(1)]	$	430	$ 19	$ 59	$ 39	$ 313
Senior notes		500	-	-	-	500
Interest payment on senior notes		228	33	97	65	33
Investment in private equity partnership		2	2	-	-	-
Unrecognized tax benefits[(2)]		10	-	10	-	-
Total	$	1,170	$ 54	$ 166	$ 104	$ 846

[(1)] *Minimum payments have not been reduced by minimum sublease rentals of $5.8 million due in the future under noncancelable subleases.*

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

In July 2006, we committed to invest up to $15.0 million in a private equity partnership that invests in companies in the financial services industry. As of October 31, 2010, we had invested $12.8 million of the maximum $15.0 million of committed capital. This remaining commitment is included in the table above.

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

In conjunction with our adoption of a new non-controlling interest accounting standard, we have presented all redeemable non-controlling interests at estimated redemption value on our balance sheet as of October 31, 2010. We have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at fair value as a component of additional paid-in capital and have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at other than fair value as a component of net income attributable to non-controlling interests. Based on our calculations, the estimated redemption value of our non-controlling interests, redeemable at either fair value or other than fair value, totaled $67.0 million on October 31, 2010 compared to $43.9 million on October 31, 2009.

In July 2010, the Company exercised a call option requiring the non-controlling interest holders of Parametric Risk Advisors to sell to us an additional interest in Parametric Risk Advisors for $2.2 million. The transaction increased our ownership interest from 40 to 51 percent. The payment was treated as an equity transaction and reduced redeemable non-controlling interests at closing.

In May 2010, the Company exercised a call option requiring the non-controlling interest holders of Parametric Portfolio Associates to sell to us an additional interest in Parametric Portfolio Associates for $9.0 million. The transaction increased our capital ownership interest from 92.4 percent to 94.3 percent and our profit interest from 85.8 percent to 88.9 percent. The payment was treated as an equity transaction and reduced redeemable non-controlling interests at closing.

On December 31, 2008, the Company acquired the TABS business of MD Sass, a privately held investment manager based in New York, New York. The Company paid $30.9 million in cash to acquire the TABS business, including costs associated with the acquisition. In conjunction with the acquisition, the Company recorded $44.8 million of intangible assets and a contingent purchase price liability of $13.9 million. The Company made a contingent payment in the second quarter of fiscal 2010 equal to $8.8 million. The Company will be obligated to make six additional annual contingent payments based on prescribed multiples of TABS's revenue for the twelve months ending December 31, 2010, 2011, 2012, 2014, 2015 and 2016. All future payments will be paid in cash. There is no defined floor or ceiling on any payment, resulting in significant uncertainty as to the amount of any payment in the future. Accordingly, future payments to be made have been excluded from the above table until such time as the uncertainty has been resolved.

Operating Cash Flows

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

Cash provided by operating activities totaled $95.9 million in fiscal 2010, a decrease of $68.5 million from the $164.4 million reported in fiscal 2009. Net income increased by $65.7 million to $201.2 million in fiscal 2010 from $135.5 million in fiscal 2009. In our reconciliation of net income to cash provided by operating activities, we adjusted net income for net investment gains of $7.2 million in fiscal 2010, compared to net investment gains of $4.5 million in fiscal 2009. Net investment gains (losses) in fiscal 2009 include $1.9 million of impairment losses recognized on CDO investments. We also adjusted net income for the activities of our equity-method affiliates, which contributed $0.5 million in fiscal 2010 compared to $4.8 million in fiscal 2009. Timing differences in the cash settlement of our short-term and long-term receivables and payables increased cash provided by operating activities by $50.1 million in fiscal 2010 and reduced cash provided by operating activities by $5.2 million in fiscal 2009. Other significant sources and uses of cash include net cash inflows associated with the purchase and sale of trading investments in the portfolios of consolidated funds and separate accounts, which reduced net cash provided by operating activities by $208.8 million and $12.8 million in fiscal 2010 and 2009, respectively, and net cash outflows associated with deferred sales commissions, which reduced net cash provided by operating activities by $31.7 million and $14.0 million in fiscal 2010 and 2009, respectively. Significant non-cash expenses, including the amortization of deferred sales commissions, other intangible assets and debt issuance costs, depreciation, stock-based compensation and the net change in deferred income taxes, increased to $91.1 million in 2010 from $60.3 million in fiscal 2009, reflecting increases in stock-based compensation, the amortization of deferred sales commissions and other depreciation and amortization offset by the net change in deferred income taxes. The increase in other depreciation and amortization can be primarily attributed to an increase in depreciation expense associated with tenant improvements in connection with our move to new corporate headquarters and the amortization of intangible assets associated with the TABS acquisition.

Investing Cash Flows

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

Cash used for investing activities totaled $14.0 million in fiscal 2010 compared to cash provided by investing activities of $41.3 million in fiscal 2009. In fiscal 2010, additions to equipment and leasehold improvements totaled $12.2 million, compared to $46.3 million in fiscal 2009. Additions in fiscal 2009 reflect tenant improvements made in conjunction with our move to new corporate headquarters. The acquisition of TABS resulted in a net cash payment of $30.9 million in fiscal 2009 as more fully described in "Contractual Obligations" above. In fiscal 2010, the Company made $8.8 million in contingent payments to the sellers of TABS under the terms of the 2009 acquisition agreement. In fiscal 2010, net purchases and sales of available-for-sale investments reduced investing cash flows by $1.0 million compared to a contribution of $116.6 million in the prior fiscal year.

In October 2008, the Company, as lender, entered into a subordinated term note agreement (the "Note") with a sponsored privately offered equity fund under which the fund may borrow up to $15.0 million. The Note earns daily interest based on the fund's cost of borrowing under its commercial paper financing facility. Upon expiration on December 16, 2009, the Note was extended until December 15, 2010. Subject to certain conditions, the privately offered equity fund may prepay the Note in whole or in part, at any time, without premium or penalty. In fiscal 2010, the sponsored private equity fund made payments on the Note totaling $8.0 million, bringing the remaining balance to zero on October 31, 2010.

Financing Cash Flows

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

Cash used for financing activities totaled $84.3 million and $91.9 million in fiscal 2010 and 2009, respectively. In fiscal 2010, we repurchased and retired a total of 3.7 million shares of our Non-Voting Common Stock for $111.2 million under our authorized repurchase programs and issued 4.5 million shares of our Non-Voting Common Stock in connection with the grant of restricted share awards, the exercise of stock options and other employee stock purchases for total proceeds of $56.2 million. We have authorization to purchase an additional 4.8 million shares under our current share repurchase authorization and anticipate that future repurchases will continue to be an ongoing use of cash. Our dividends per share were $0.66 in fiscal 2010, compared to $0.63 in fiscal 2009. We currently expect to declare and pay comparable dividends on our Voting and Non-Voting Common Stock on a quarterly basis.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

We believe the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. Actual results may differ from these estimates.

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

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

Level 1	Unadjusted quoted market prices in active markets for identical assets or liabilities at the reporting date.
Level 2	Observable inputs other than Level 1 unadjusted quoted market prices, such as quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active, and inputs other than quoted prices that are observable or corroborated by observable market data.
Level 3	Unobservable inputs that are supported by little or no market activity.

Deferred Sales Commissions
Sales commissions paid to broker/dealers in connection with the sale of certain classes of shares of open-end funds and private funds are generally capitalized and amortized over the period during which redemptions by the purchasing shareholder are subject to a contingent deferred sales charge, which does not exceed six years from purchase. Distribution plan payments received from these funds are recorded in revenue as earned. Contingent deferred sales charges and early withdrawal charges received from redeeming shareholders of these funds are generally applied to reduce our unamortized deferred sales commission assets. Should we lose our ability to recover such sales commissions through distribution plan payments and contingent deferred sales charges, the value of these assets would immediately decline, as would future cash flows.

We evaluate the carrying value of our deferred sales commission asset for impairment on a quarterly basis. In our impairment analysis, we compare the carrying value of the deferred sales commission asset to the undiscounted cash flows expected to be generated by the asset in the form of distribution fees over the remaining useful life of the deferred sales commission asset 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.

Goodwill and Other Intangible Assets
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, Fox Asset Management and Parametric Portfolio Associates, which share similar economic characteristics, to a single reporting unit. Management believes that the inclusion of these entities in a single reporting unit for the purposes of goodwill impairment testing most accurately reflects the synergies achieved in acquiring these entities, namely centralized distribution of similar products and services to similar clients.

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

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

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

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

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

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

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

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

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

Non-controlling interests
Effective November 1, 2009, we adopted new accounting standards related to non-controlling interests and redeemable non-controlling interests and retrospectively applied such provisions to our reported prior periods. Non-redeemable non-controlling interests have been reclassified to permanent equity with no change in the measurement principles previously applied to these interests. Redeemable non-controlling interests remain classified in mezzanine equity as temporary equity and are measured at estimated redemption value as of the balance sheet date. Presentation of net income in our Consolidated Statements of Income has been changed to reflect net income with and without consideration of the non-controlling interests. Earnings per share continue to be calculated after consideration of the net income attributable to non-controlling interests.

Non-Redeemable Non-controlling Interests
Non-redeemable non-controlling interests consist entirely of interests granted to employees of our majority-owned subsidiaries under subsidiary-specific long-term equity plans. These grants become subject to put rights upon vesting and will be reclassified to temporary equity as vesting occurs.

Redeemable Non-controlling Interests at Fair Value
Redeemable non-controlling interests at fair value consist of interests in our consolidated funds and interests granted to employees of our majority-owned subsidiaries under subsidiary-specific long-term equity plans. The

Company's non-controlling interests redeemable at fair value are recorded in temporary equity at estimated redemption value and changes in the estimated redemption value of these interests are recognized as increases or decreases to additional paid in capital.

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

Accounting Developments

VIEs
In June 2009, the FASB issued literature introducing a new consolidation model. This new literature prescribes how enterprises account for and disclose their involvement with VIEs and other entities whose equity at risk is insufficient or lacks certain characteristics. This new accounting changes how an entity determines whether it is the primary beneficiary of a VIE and whether that VIE should be consolidated and requires additional disclosures. As a result, the Company must comprehensively review its involvements with VIEs and potential VIEs to determine the effect on its Consolidated Financial Statements and related disclosures. The new consolidation standard is effective for the Company's fiscal year that begins on November 1, 2010 and for interim periods within the first annual reporting period. Earlier application is prohibited. In February 2010, the FASB issued an amendment to this standard. For certain investments held by a reporting entity, the amendment indefinitely defers a requirement to perform a qualitative analysis to determine whether its variable interests give it a controlling financial interest in a VIE. This deferral generally applies to the reporting entities interests in entities that have the attributes of an investment company or that apply the specialized accounting guidance for investment companies, such as the privately offered equity funds in which the Company invests. The new consolidation model will not change the Company's conclusions regarding consolidation for VIEs in which it is involved, with the exception of one VIE. The aforementioned VIE is a CDO entity, and the impact of consolidating this VIE upon adoption will be to increase the Company's total assets and long-term debt by approximately $0.5 billion.

Quantitative and Qualitative Disclosures about Market Risk

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

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

Our primary direct exposure to equity price risk arises from our investments in sponsored equity funds, our equity interest in affiliates, investments in equity securities held by sponsored funds we consolidate and investments in equity securities held in separately managed accounts seeded for new product development purposes. Equity price risk as it relates to these investments represents the potential future loss of value that would result from a decline in the fair values of the fund shares or underlying equity securities.

The following is a summary of the effect that a 10 percent increase or decrease in equity prices would have on our investments subject to equity price fluctuation at October 31, 2010:

(in thousands)	**Carrying Value**	**Carrying Value Assuming a 10% Increase**	**Carrying Value Assuming a 10% Decrease**
Trading:			
Equity securities	$ 116,876	$ 128,563	$ 105,188
Available-for-sale securities:			
Sponsored funds	25,097	27,607	22,587
Investment in affiliates	51,111	56,222	46,000
Total	$ 193,084	$ 212,392	$ 173,775

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

At October 31, 2010, the Company had outstanding foreign currency contracts, stock index futures contracts, and commodity futures contracts with aggregate notional values of approximately $41.9 million, $78.4 million and $9.6 million, respectively. The Company estimates that a 10 percent adverse change in market prices would result in a decrease of approximately $4.2 million, $7.8 million and $0.9 million, respectively, in the value of the open derivative contracts.

In addition to utilizing forwards and futures contracts, the Company has also entered into transactions in which securities not yet purchased have been sold. In its short sales, the Company has sold securities that have been borrowed from third party brokers with the intention of buying back identical assets at a later date to return to the lender, thereby incurring a liability. As of October 31, 2010, the Company had $0.7 million included in other current liabilities on its Consolidated Balance Sheet related to securities sold, not yet purchased. The Company estimates that a 10 percent adverse change in market prices would result in a decrease of approximately $0.1 million in the value of these securities.

Our primary direct exposure to interest rate risk arises from our investment in fixed and floating-rate income funds sponsored by us, debt securities held by sponsored funds we consolidate, debt securities held in separately managed accounts seeded for new product development purposes and corporate debt securities. We considered the negative effect on pre-tax interest income of a 50 basis point (0.50 percent) decline in interest rates as of October 31, 2010. A 50 basis point decline in interest rates is a hypothetical scenario used to demonstrate potential risk and does not represent our management's view of future market changes. The following is a summary of the effect that a 50 basis point percent (0.50 percent) decline in interest rates would have on our pre-tax net income as of October 31, 2010:

(in thousands)	Carrying Value	Pre-tax Interest Income Impact of a 50 Basis Point Decline in Interest Rates
Trading:		
Debt securities	$ 119,983	$ 600
Available-for-sale securities:		
Sponsored funds	11,787	59
Total	$ 131,770	$ 659

From time to time, we seek to offset our exposure to changing interest rates associated with our debt financing. In October 2007, we issued $500.0 million in aggregate principal amount of 6.5 percent ten year senior notes due 2017. In conjunction with the offering, we entered into an interest rate lock intended to hedge against adverse Treasury rate movements between the time at which the decision was made to issue the debt and the pricing of the securities. At the time the debt was issued, we terminated the lock and settled the transaction in cash. At termination, the lock was determined to be a fully effective cash flow hedge and the $4.5 million settlement cost was recorded as a component of other comprehensive income. There can be no assurance that our hedge instruments will meet their overall objective of reducing our interest expense or that we will be successful in obtaining hedging contracts on any future debt offerings.

Our primary direct exposure to credit risk arises from our interests in the cash instrument CDO entities that are included in long-term investments in our Consolidated Balance Sheets. As an investor in a CDO entity, we are entitled to only a residual interest in the CDO entity, making these investments highly sensitive to the default and recovery experiences of the underlying instruments held by the CDO entity. Our 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, CDO entity cash flows may be adversely impacted and we may be unable to recover our investment. Our total investment in interests in CDO entities was valued at $1.4 million as of October 31, 2010, which represents our total value at risk with respect to such entities as of October 31, 2010.

We operate primarily in the United States and accordingly, most of our consolidated revenue and associated expenses are denominated in U.S. dollars. However, we do provide services and earn revenue outside of the United States and the portion of our revenue and expenses denominated in foreign currencies may be impacted by movements in currency exchange rates. Our exposure to currency movements will likely increase as our business outside of the United States grows. 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 and there are few barriers to entry. Our funds and separate accounts compete against a large number of investment products and services sold to the public by investment management companies, investment dealers, banks, insurance companies and others. Many institutions we compete with have greater financial resources than us. We compete with these firms on the basis of investment performance, diversity of products, distribution capability, scope and quality of services, fees charged, reputation and the ability to develop new investment strategies and products to meet the changing needs of investors. Our ability to market investment products is highly dependent on access to the various distribution systems of national and regional securities dealer firms, which generally offer competing affiliated and externally managed investment products that could limit the distribution of our investment products. There can be no assurance that we will be able to retain access to these channels. The inability to have such access could have a material adverse effect on our business. To the extent that existing or potential customers, including securities broker/dealers, decide to invest in or broaden distribution relationships with our competitors, the sales of our products as well as our market share, revenue and net income could decline.

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

Our assets under management, which impact revenue, are subject to significant fluctuations. Our major sources of revenue (i.e., investment advisory, administration, distribution and service fees) are generally calculated as percentages of assets under management. Any decrease in the level of our assets under management could negatively impact our revenue and net income. A decline in securities prices or in the sales of our investment products or an increase in fund redemptions or client withdrawals generally would reduce fee income. Financial market declines generally have a negative impact on the level of our assets under management and consequently our revenue and net income. To the extent that we receive fee revenue from assets under management that are derived from financial leverage, any reduction in leverage (financing used by the investment vehicle to increase the investable assets of the vehicle) used would adversely impact the level of our assets under management, revenue and net income. Leverage could be reduced due to an adverse change in interest rates, a decrease in the availability of credit on favorable terms or a determination by us to reduce or eliminate leverage on certain products when we determine that the use of leverage is no longer in our clients' best interests. Leverage on certain investment funds was modified in fiscal 2009 and 2010 to maintain minimum debt coverage ratios and for other portfolio purposes.

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

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

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

Our 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 directors are subject to our mandatory retirement policy. The loss of the services of key personnel or our failure to attract replacement or additional qualified personnel could negatively affect our financial performance. An increase in compensation to attract or retain personnel could result in a decrease in net income.

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

Our reputation could be damaged. We have built a reputation of high integrity, prudent investment management and superior client service over 86 years. Our reputation is extremely important to our success. Any damage to our reputation could result in client withdrawals from funds or separate accounts that are advised by us and ultimately impede our ability to attract and retain key personnel. The loss of either client relationships or key personnel could reduce the amount of assets under management and cause us to suffer a loss in revenue or a reduction in net income.

We are subject to federal securities laws, state laws regarding securities fraud, other federal and state laws and rules, and regulations of certain regulatory, self-regulatory and other organizations, including, among others, the SEC, FINRA, the FSA and the New York Stock Exchange. While we have focused significant attention and resources on the development and implementation of compliance policies, procedures and practices, non-compliance with applicable laws, rules or regulations, either in the United States or abroad, or our inability to adapt to a complex and ever-changing regulatory environment could result in sanctions against us, which could adversely affect our reputation, prospects, revenue and earnings.

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

Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures as of October 31, 2010. 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, 2010, our disclosure controls and procedures were effective.

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

Consolidated Statements of Income

(in thousands, except per share data)	Years Ended October 31, 2010	2009	2008
Revenue:			
Investment advisory and administration fees	$ 867,683	$ 683,820	$ 815,706
Distribution and underwriter fees	103,995	85,234	128,940
Service fees	139,741	116,331	155,091
Other revenue	10,242	4,986	(3,937)
Total revenue	1,121,661	890,371	1,095,800
Expenses:			
Compensation of officers and employees	348,897	293,062	302,679
Distribution expense	126,064	95,988	122,930
Service fee expense	116,900	94,468	129,287
Amortization of deferred sales commissions	35,533	35,178	47,811
Fund expenses	20,455	22,432	24,684
Other expenses	120,530	116,023	104,657
Total expenses	768,379	657,151	732,048
Operating income	353,282	233,220	363,752
Other Income (Expense):			
Interest income	2,864	3,745	11,098
Interest expense	(33,666)	(33,682)	(33,616)
Gains and (losses) on investments and derivatives	4,300	6,078	(5,005)
Foreign currency gains (losses)	181	165	(176)
Impairment losses on investments	-	(1,863)	(13,206)
Income before income taxes and equity in net income (loss) of affiliates	326,961	207,663	322,847
Income taxes	(126,263)	(71,044)	(125,154)
Equity in net income (loss) of affiliates, net of tax	527	(1,094)	5,123
Net income	201,225	135,525	202,816
Net income attributable to non-controlling interests	(26,927)	(5,418)	(7,153)
Net income attributable to Eaton Vance Corp. shareholders	$ 174,298	$ 130,107	$ 195,663
Earnings Per Share:			
Basic	$ 1.47	$ 1.11	$ 1.69
Diluted	$ 1.40	$ 1.07	$ 1.57
Weighted Average Shares Outstanding:			
Basic	116,444	116,175	115,810
Diluted	122,632	120,575	124,431
Dividends Declared Per Share	$ 0.660	$ 0.625	$ 0.605

See notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(in thousands)	Years Ended October 31, 2010	2009	2008
Net income	$ 201,225	$ 135,525	$ 202,816
Other comprehensive income (loss):			
Amortization of loss on derivative instrument, net of income tax expense of $158, $157 and $157, respectively	290	290	290
Unrealized holding gains (losses) on investments, net of income tax benefit (expense) of $(517), $(1,941), and $4,727, respectively	770	3,310	(7,942)
Foreign currency translation adjustments, net of income tax benefit (expense) of $16, $(74), and $379, respectively	(101)	141	(676)
Total comprehensive income	202,184	139,266	194,488
Comprehensive income attributable to non-controlling interests	(26,927)	(5,418)	(7,153)
Total comprehensive income attributable to Eaton Vance Corp. shareholders	$ 175,257	$ 133,848	$ 187,335

See notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(in thousands, except share data)	October 31, 2010		October 31, 2009	
Assets				
Current Assets:				
Cash and cash equivalents	$	307,886	$	310,586
Short-term investments		4,732		49,924
Investment advisory fees and other receivables		129,380		107,975
Other current assets		57,276		19,677
Total current assets		499,274		488,162
Other Assets:				
Long-term investments		329,677		133,536
Note receivable from affiliate		-		8,000
Deferred sales commissions		48,104		51,966
Deferred income taxes		119,341		97,044
Equipment and leasehold improvements, net		71,219		75,201
Other intangible assets, net		73,018		80,834
Goodwill		135,786		135,786
Other assets		4,188		4,538
Total other assets		781,333		586,905
Total assets	$	1,280,607	$	1,075,067
Liabilities, Temporary Equity and Permanent Equity				
Current Liabilities:				
Accrued compensation	$	119,957	$	85,273
Accounts payable and accrued expenses		60,843		51,881
Dividend payable		21,319		18,812
Deferred income taxes		22,067		15,580
Contingent purchase price liability		5,079		13,876
Other current liabilities		28,736		2,902
Total current liabilities		258,001		188,324
Long-Term Liabilities:				
Long-term debt		500,000		500,000
Other long-term liabilities		44,732		35,812
Total long-term liabilities		544,732		535,812
Total liabilities		802,733		724,136
Commitments and contingencies		-		-
Temporary Equity:				
Redeemable non-controlling interests		67,019		43,871
Permanent Equity:				
Voting Common Stock, par value $0.00390625 per share:				
Authorized, 1,280,000 shares				
Issued and outstanding, 399,240 and 431,790 shares, respectively		2		2
Non-Voting Common Stock, par value $0.00390625 per share:				
Authorized, 190,720,000 shares				
Issued and outstanding, 117,927,054 and 117,087,810 shares, respectively		461		457
Additional paid in capital		50,225		44,786
Notes receivable from stock option exercises		(3,158)		(3,078)
Accumulated other comprehensive loss		(435)		(1,394)
Retained earnings		363,190		266,196
Total Eaton Vance Corp. shareholders' equity		410,285		306,969
Non-redeemable non-controlling interests		570		91
Total permanent equity		410,855		307,060
Total liabilities, temporary equity and permanent equity	$	1,280,607	$	1,075,067

See notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(in thousands)	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 Loss	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Redeemable Non-Controlling Interests
	Permanent Equity									Temporary Equity
Balance, November 1, 2007	118,170	$ 1	$ 460	$ -	$ (2,342)	$ 3,193	$ 162,658	$ -	$ 163,970	$ 73,422
Net income	-	-	-	-	-	-	195,663	-	195,663	7,153
Other comprehensive loss	-	-	-	-	-	(8,328)	-	-	(8,328)	-
Dividends declared	-	-	-	-	-	-	(70,074)	-	(70,074)	-
Issuance of Voting Common Stock	19	1	-	36	-	-	-	-	37	-
Issuance of Non-Voting Common Stock:										
On exercise of stock options	1,813	-	7	26,992	(3,681)	-	-	-	23,318	-
Under employee stock purchase plan	112	-	1	3,760	-	-	-	-	3,761	-
Under employee incentive plan	160	-	1	6,414	-	-	-	-	6,415	-
Under restricted stock plan, net of forfeitures	30	-	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	39,422	-	-	-	-	39,422	-
Tax benefit of stock option exercises	-	-	-	9,769	-	-	-	-	9,769	-
Cumulative effect of change in accounting principle	-	-	-	-	-	-	(5,000)	-	(5,000)	-
Repurchase of Non-Voting Common Stock	(4,492)	-	(18)	(86,393)	-	-	(98,932)	-	(185,343)	-
Principal repayments	-	-	-	-	1,319	-	-	-	1,319	-
Subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	-	-	(3,848)
Deconsolidation	-	-	-	-	-	-	-	-	-	(468)
Purchase of non-controlling interests	-	-	-	-	-	-	25,900	-	25,900	(26,433)
Other changes in non-controlling interests	-	-	-	-	-	-	(22,311)	-	(22,311)	22,311
Balance, October 31, 2008	115,812	$ 2	$ 451	$ -	$ (4,704)	$ (5,135)	$ 187,904	$ -	$ 178,518	$ 72,137

See notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity (continued)

(in thousands)	Permanent 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 Loss	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Temporary Equity: Redeemable Non-Controlling Interests
Balance, November 1, 2008	115,812	$ 2	$ 451	$ -	$ (4,704)	$ (5,135)	$ 187,904	$ -	$ 178,518	$ 72,137
Net income	-	-	-	-	-	-	130,107	125	130,232	5,293
Other comprehensive income	-	-	-	-	-	3,741	-	-	3,741	-
Dividends declared	-	-	-	-	-	-	(73,285)	-	(73,285)	-
Issuance of Voting Common Stock	42	-	-	86	-	-	-	-	86	-
Issuance of Non-Voting Common Stock:										
On exercise of stock options	1,835	-	7	22,960	(1,458)	-	-	-	21,509	-
Under employee stock purchase plan	206	-	1	4,082	-	-	-	-	4,083	-
Under employee incentive plan	213	-	1	3,612	-	-	-	-	3,613	-
Under restricted stock plan, net of forfeitures	938	-	3	-	-	-	-	-	3	-
Stock-based compensation	-	-	-	41,474	-	-	-	-	41,474	-
Tax benefit of stock option exercises	-	-	-	13,649	-	-	-	-	13,649	-
Repurchase of Non-Voting Common Stock	(1,526)	-	(6)	(41,077)	-	-	-	-	(41,083)	-
Principal repayments	-	-	-	-	3,084	-	-	-	3,084	-
Subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	(34)	(34)	(7,275)
Deconsolidation	-	-	-	-	-	-	-	-	-	(4,461)
Purchase of non-controlling interests	-	-	-	-	-	-	16,698	-	16,698	(17,051)
Other changes in non-controlling interests	-	-	-	-	-	-	4,772	-	4,772	(4,772)
Balance, October 31, 2009	117,520	$ 2	$ 457	$ 44,786	$ (3,078)	$ (1,394)	$ 266,196	$ 91	$ 307,060	$ 43,871

See notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity (continued)

(in thousands)	Permanent 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 Loss	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Temporary Equity: Redeemable Non-Controlling Interests
Balance, November 1, 2009	117,520	$ 2	$ 457	$ 44,786	$ (3,078)	$ (1,394)	$ 266,196	$ 91	$ 307,060	$ 43,871
Net income	-	-	-	-	-	-	174,298	1,259	175,557	25,668
Other comprehensive income	-	-	-	-	-	959	-	-	959	-
Dividends declared	-	-	-	-	-	-	(78,126)	-	(78,126)	-
Issuance of Non-Voting Common Stock:										
On exercise of stock options	3,304	-	13	51,402	(1,944)	-	-	-	49,471	-
Under employee stock purchase plan	158	-	1	3,887	-	-	-	-	3,888	-
Under employee incentive plan	102	-	-	2,874	-	-	-	-	2,874	-
Under restricted stock plan, net of forfeitures	947	-	4	-	-	-	-	-	4	-
Stock-based compensation	-	-	-	47,858	-	-	-	-	47,858	-
Tax benefit of stock option exercises	-	-	-	10,825	-	-	-	-	10,825	-
Repurchase of Voting Common Stock	(33)	-	-	(96)	-	-	-	-	(96)	-
Repurchase of Non-Voting Common Stock	(3,672)	-	(14)	(111,159)	-	-	-	-	(111,173)	-
Principal repayments	-	-	-	-	1,864	-	-	-	1,864	-
Subscriptions (redemptions/distributions) of										
non-controlling interest holders	-	-	-	-	-	-	-	(775)	(775)	45,761
Deconsolidation	-	-	-	-	-	-	-	-	-	(36,372)
Reclass to temporary equity	-	-	-	-	-	-	-	(5)	(5)	5
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	(11,244)
Other changes in non-controlling interests	-	-	-	(152)	-	-	822	-	670	(670)
Balance, October 31, 2010	118,326	$ 2	$ 461	$ 50,225	$ (3,158)	$ (435)	$ 363,190	$ 570	$ 410,855	$ 67,019

See notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(in thousands)	Years Ended October 31, 2010	2009	2008
Cash and cash equivalents, beginning of year	$ 310,586	$ 196,923	$ 434,957
Cash Flows From Operating Activities:			
Net income	201,225	135,525	202,816
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment loss on investments	-	1,863	13,206
(Gains) losses on investments	(7,150)	(6,361)	14,646
Amortization of long-term investments	675	189	1,638
Equity in net (income) loss of affiliates	(848)	1,744	(8,000)
Dividends received from affiliates	1,313	3,069	3,995
Amortization of debt issuance costs	1,011	782	1,374
Deferred income taxes	(16,504)	(38,141)	(50,797)
Stock-based compensation	47,858	41,474	39,422
Depreciation and other amortization	23,225	21,039	13,298
Amortization of deferred sales commissions	35,518	35,144	47,811
Payment of capitalized sales commissions	(36,621)	(21,519)	(33,833)
Contingent deferred sales charges received	4,925	7,515	12,568
Proceeds from the sale of trading investments	107,167	40,136	48,970
Purchase of trading investments	(315,960)	(52,893)	(123,197)
Changes in other assets and liabilities:			
Investment advisory fees and other receivables	(21,651)	2,895	24,974
Other current assets	4,615	(1,484)	(2,776)
Other assets	(20,012)	(139)	(27)
Accrued compensation	34,692	(7,892)	(12,919)
Accounts payable and accrued expenses	9,937	1,453	(62,308)
Taxes payable – current	12,189	(9,498)	(2,144)
Other current liabilities	22,201	(415)	(26)
Taxes payable - long-term	8,527	1,384	-
Other long-term liabilities	(433)	8,485	23,689
Net cash provided by operating activities	95,899	164,355	152,380
Cash Flows From Investing Activities:			
Additions to equipment and leasehold improvements	(12,205)	(46,302)	(25,010)
Net cash paid in acquisition	(8,797)	(30,941)	-
Payments received on note receivable from affiliate	8,000	7,000	-
Issuance of note receivable to affiliate	-	(5,000)	(10,000)
Proceeds from the sale of available-for-sale investments and investments in affiliates	40,497	127,847	364,600
Purchase of available-for-sale investments and investments in affiliates	(41,520)	(11,259)	(478,838)
Net cash (used for) provided by investing activities	(14,025)	41,345	(149,248)

See notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows (continued)

(in thousands)	Years Ended October 31, 2010	2009	2008
Cash Flows From Financing Activities:			
Distributions to non-controlling interest holders	(8,218)	(5,685)	(7,542)
Purchase of additional non-controlling interests	(11,244)	(17,072)	(26,469)
Excess tax benefit of stock option exercises	10,825	13,649	9,769
Proceeds from issuance of Voting Common Stock	-	86	37
Proceeds from issuance of Non-Voting Common Stock	56,237	29,208	33,494
Repurchase of Voting Common Stock	(96)	-	-
Repurchase of Non-Voting Common Stock	(111,173)	(41,083)	(185,343)
Principal repayments on notes receivable from stock option exercises	1,864	3,084	1,319
Dividends paid	(75,651)	(72,427)	(69,906)
Proceeds from the issuance of mutual fund subsidiaries' capital stock	55,726	2,034	3,982
Redemption of mutual fund subsidiaries’ capital stock	(2,522)	(3,657)	(290)
Net cash used for financing activities	(84,252)	(91,863)	(240,949)
Effect of currency rate changes on cash and cash equivalents	(322)	(174)	(217)
Net increase (decrease) in cash and cash equivalents	(2,700)	113,663	(238,034)
Cash and cash equivalents, end of year	$ 307,886	$ 310,586	$ 196,923
Supplemental Cash Flow Information:			
Interest paid	$ 32,642	$ 32,642	$ 32,641
Income taxes paid	$ 135,853	$ 103,033	$ 194,304
Supplemental Non-Cash Flow Information:			
Supplemental Non-Cash Flow Information from Investing Activities:			
Decrease in investments due to net deconsolidations of sponsored investment funds	$ (52,594)	$ (4,438)	$ (38)
Decrease in non-controlling interests due to net deconsolidations of sponsored investment funds	$ (36,372)	$ (4,461)	$ (468)
Increase in fixed assets due to non-cash fixed asset additions	$ 860	$ 3,160	$ 10,291
Supplemental Non-Cash Flow Information from Financing Activities:			
Exercise of stock options through issuance of notes receivable	$ 1,944	$ 1,458	$ 3,681

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 ("the Company") manage investment funds and provide investment management and counseling services to high-net-worth individuals and institutions. The Company's principal retail marketing strategy is to distribute funds and separately managed accounts primarily through financial intermediaries in the advice channel. The Company also commits significant resources to serving institutional and high-net-worth clients who access investment management services on a direct basis.

Revenue is largely dependent on the total value and composition of assets under management, which include sponsored funds and other investment portfolios. Accordingly, fluctuations in financial markets and in the composition of assets under management impact revenue and the results of operations.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its controlled subsidiaries. The equity method of accounting is used for investments in non-controlled affiliates in which the Company's ownership ranges from 20 to 50 percent, or in instances in which the Company is able to exercise significant influence but not control (such as representation on the investee's Board of Directors). The Company consolidates all investments in affiliates in which the Company's ownership exceeds 50 percent or where the Company has control. In addition, the Company consolidates any variable interest entity ("VIE") for which the Company is considered the primary beneficiary. The Company provides for non-controlling interests in consolidated subsidiaries for which the Company's ownership is less than 100 percent. All intercompany accounts and transactions have been eliminated.

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) the voting rights of the equity investors are not proportional to their obligations to absorb the expected losses of the entity or their rights to receive the expected residual returns of the entity. The Company evaluates whether entities in which it has an interest are VIEs and whether the Company qualifies as the primary beneficiary of any VIEs identified in its analysis.

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 ("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. Management believes that the accounting estimates are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual results could differ from those estimates.

Segment Information

Management has determined that the Company operates in one business segment, namely as an investment adviser managing funds and separate accounts. Although the Company does provide supplemental disclosure regarding assets under management and other asset flows by product (primarily distinguishing between funds and separately managed accounts), the Company's determination that it operates in one business segment is based on the fact that the Company's chief operating decision maker (namely the Company's Chief Executive Officer) reviews the Company's financial performance at an aggregate level. All of the products and services provided by the Company relate to investment management and are subject to a similar regulatory framework. Investment management teams at the Company are generally not aligned with specific product lines or distribution channels; in many instances, the investment professionals who manage the Company's funds are the same investment professionals who manage the Company's separately managed accounts.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of cash and short-term, highly liquid investments in sponsored money market funds and commercial paper, which are readily convertible to cash. Cash equivalents have maturities of less than three months on the date of acquisition and are stated at cost, which approximates market value due to the short-term maturity of these investments.

Restricted Cash

Restricted cash consists principally of cash collateral required for margin accounts established to support derivative positions and securities sold, not yet purchased. Restricted cash is included as a component of other current assets on the Company's Consolidated Balance Sheet and is not available to the Company for general corporate use. Such derivatives and securities sold, not yet purchased, are used for trading purposes in hedging certain investments in consolidated funds and separately managed accounts seeded for product development purposes. Because the accounts are used to support trading activities, changes in the restricted cash balances are reflected as operating cash flows in the Company's Consolidated Statements of Cash Flows.

Investments

Investments in consolidated funds
From time to time, the Company may maintain a controlling financial interest in a sponsored fund. Upon consolidation, the Company assumes the specialized accounting treatment of the fund. All of the underlying investments held by consolidated funds are carried at fair value, with corresponding changes in fair value reflected in other revenue in the Company's Consolidated Statements of Income. When the Company is no longer deemed to control the fund, the fund is deconsolidated and accounted for under another accounting method.

Investments classified as trading
Marketable securities classified as trading consist primarily of investments in debt and equity securities held in the portfolios of sponsored funds consolidated by the Company, other debt and equity securities held by the Company in separately managed accounts seeded for product development purposes and corporate bonds held by the Company.

Investment securities held in the portfolios of sponsored funds consolidated by the Company are carried at fair value based upon quoted market prices. Consolidated funds are subject to investment company reporting conventions in consolidation. As a result, net realized and unrealized gains or losses recognized on investments held in the portfolios of consolidated funds are reflected as a component of other revenue.

Investment securities held in the portfolios of separately managed accounts and corporate bonds are carried at fair value based on quoted market prices. Net realized and unrealized gains or losses recognized on investments held in the portfolios of separately managed accounts and corporate bonds are reflected as a component of other income and expense (below operating income).

The specific identified cost method is used to determine the realized gain or loss on all trading securities sold.

Investments classified as available-for-sale
Marketable securities classified as available-for-sale consist primarily of investments in shares of sponsored funds and are carried at fair value based on quoted market prices. Unrealized holding gains or losses (to the extent such losses are considered temporary) are reported net of deferred tax as a separate component of accumulated other comprehensive income or loss until realized. Realized gains or losses are reflected as a

component of other income and expense. The specific identified cost method is used to determine the realized gain or loss on the sale of shares of sponsored funds.

The Company evaluates the carrying value of marketable securities classified as available-for-sale for impairment on a quarterly basis. In its impairment analysis, the Company takes into consideration numerous criteria, including the duration and extent of any decline in fair value and the Company's intent with respect to a given security. If the decline in value is determined to be other-than-temporary, the carrying value of the security is written down to fair value through net income.

Collateralized Debt Obligation Entities
Investments in collateralized debt obligation entities ("CDO 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 as interest income over the life of the investment using the effective yield method. The Company reviews cash flow estimates throughout the life of each CDO entity. If the updated estimate of future cash flows (taking into account both timing and amounts) is less than the last revised estimate, an impairment loss is recognized based on the excess of the carrying amount of the investment over its fair value.

Investments in Affiliates
Investments in non-controlled affiliates in which the Company's ownership ranges from 20 to 50 percent, or in instances 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 (loss) of affiliates, net of tax. Distributions received from the investment reduce the Company's investment balance.

Investments in affiliates are tested annually for impairment in the fourth quarter of each fiscal year or as facts and circumstances indicate that an impairment has occurred by comparing the fair value of the investment to its carrying amount. The Company establishes fair value for the purpose of impairment testing using either quoted market prices, if available, or a market approach.

The market approach employs market multiples for comparable transactions in the financial services industry obtained from industry sources, taking into consideration the nature, scope and size of the acquired entity. Estimates of fair value are established using multiples of assets under management, revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") adjusted for size and performance level relative to peer companies. A weighted average calculation is then performed, giving lesser weight to fair value calculated as a multiple of assets under management. The Company believes that fair values calculated based on multiples of revenue and EBITDA are better indicators of fair value given that these fair values provide information as to both scale and profitability.

Once estimated, fair value is compared to carrying value to determine if an impairment has occurred. If the Company determines that an impairment has occurred, the Company evaluates the impairment to determine if the impairment is other-than-temporary, taking into consideration such factors as the Company's ability to recover the carrying amount of the investment and the ability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment. If the Company determines that the impairment is likely to be other-than-temporary, a loss is recorded.

Cost Method
Certain investments are carried at cost. The fair value of cost method investments is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment.

Derivative Instruments

The Company may utilize derivative financial instruments to hedge market price risk and currency risk exposure associated with its investments in separate accounts and consolidated funds seeded for product development purposes, exposures to fluctuations in foreign currency exchange rates associated with investments denominated in foreign currencies and interest rate risk inherent in long-term debt offerings. These derivative financial instruments may or may not qualify as hedges for accounting purposes. The Company does not use derivative financial instruments for speculative purposes.

The Company records all derivatives as either assets or liabilities on the balance sheet and measures those investments at fair value. For derivative financial instruments that are designated as cash flow hedging instruments, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings over the life of the hedge. The ineffective portion of the gain or loss is reported in earnings immediately. Changes in the fair value of the Company's other derivative financial instruments 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 open-end funds and private funds are generally capitalized and amortized over the period during which redemptions by the purchasing shareholder are subject to a contingent deferred sales charge, which does not exceed six years from purchase. Distribution plan payments received from these funds are recorded in revenue as earned. Contingent deferred sales charges and early withdrawal charges received from redeeming shareholders of these funds are generally applied to reduce the Company's unamortized deferred sales commission assets. Should the Company lose its ability to recover such sales commissions through distribution plan payments and contingent deferred sales charges, the value of these assets would immediately decline, as would future cash flows.

The Company evaluates the carrying value of its deferred sales commission asset for impairment on a quarterly basis. In its impairment analysis, the Company compares the carrying value of the deferred sales commission asset to the undiscounted cash flows expected to be generated by the asset in the form of distribution fees over the remaining useful life of the deferred sales commission asset 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.

Goodwill and Other Intangible Assets

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 the acquisitions of Atlanta Capital Management Company LLC ("Atlanta Capital"), Fox Asset Management LLC ("Fox Asset Management") and Parametric Portfolio Associates LLC ("Parametric Portfolio Associates"), which share similar economic characteristics, to a single reporting unit.

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

The income approach employs a discounted cash flow model that takes into account (1) assumptions that marketplace participants would use in their estimates of fair value, (2) current period actual results, and (3) budgeted results for future periods that have been vetted by senior management at the reporting unit level. 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 acquisition.

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

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.

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

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

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. Accelerated methods are used for income tax purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the lease.

Debt Issuance Costs

Deferred debt issuance costs are amortized using the effective interest method over the related term of the debt and are included in other assets. The amortization of deferred debt issuance costs is included in interest expense.

Revenue Recognition

Investment advisory and administration fees
Investment advisory and administration fees for the funds and investment advisory fees for separate accounts managed by the Company are recorded in revenue as the services are performed. Such fees are primarily based on predetermined percentages of the market values of the assets under management. The Company's fund investment advisory and administration fees are calculated principally as a percentage of average daily assets. The Company's separate account investment advisory fees are calculated as a percentage of either beginning, average or ending monthly or quarterly assets. Investment advisory and administration fees for the funds are earned daily and paid monthly; investment advisory fees for separate accounts are earned daily and paid either monthly or quarterly. The Company may waive certain fees for investment and administration services at its discretion.

The Company has contractual arrangements with third parties to provide certain fund-related services, including subadvisory and distribution-related services. Management's determination of whether revenue should be reported gross based on the amount paid by the funds or net of payments to third party service providers is based on management's assessment of whether the Company is acting as the principal service provider or is acting as an agent. The primary factors considered in assessing the nature of the Company's role include: (1) whether the Company is responsible for the fulfillment of the obligation, including the acceptability of the services provided: (2) whether the Company has reasonable latitude to establish the price of the service provided; (3) whether the Company has the discretion to select the service provider; and (4) whether the Company assumes credit risk in the arrangement.

Pursuant to management's assessment of the criteria described above, investment advisory and administration fees are recorded gross of any subadvisory payments, with the corresponding fees paid to any subadvisor based on the terms of those arrangements included in other expenses.

Distribution, underwriter and service fees
Eaton Vance Distributors, Inc. ("EVD") currently sells Eaton Vance open-end mutual funds under four primary pricing structures: front-end load commission ("Class A"); spread-load commission ("Class B"); level-load commission ("Class C"); and institutional no-load ("Class I"). Distribution and service fees for all share classes, as further described below, are calculated as a percentage of average daily assets and recorded in revenue as earned, gross of any third-party distribution and service fee payments made. Both distribution and service fees are earned daily and paid monthly. The expenses associated with third-party distribution and service fee arrangements are recorded in distribution and service fee expense, respectively, as the services are provided by the third party. These expenses are also paid monthly.

For Class A shares, the shareholder pays an underwriter commission to EVD of up to 75 basis points of the dollar value of the shares sold. Underwriter commissions are recorded in revenue at the time of sale. Under certain conditions, the Company may waive the front-end sales load on Class A shares and sell the shares at net asset value. EVD does not receive underwriter commissions on such sales. In addition, for most funds EVD generally receives (and then pays to authorized firms after one year) distribution and service fees of up to 30 basis points of average net assets annually. In the case of certain funds, EVD may receive 50 basis points of distribution fees and pay to authorized firms a service fee after one year not to exceed 25 basis points annually of average daily net assets.

Class B shares are offered at net asset value, with EVD paying a commission to the selling dealer at the time of sale from its own funds, which may be borrowed. Such payments are capitalized as deferred sales commissions and amortized over the period during which the shareholder is subject to a contingent deferred sales charge, which does not exceed six years. EVD recovers the dealer commissions paid on behalf of the shareholder through distribution fees limited to an annual rate of 75 basis points of the average net assets of the Class B shares. In addition, EVD receives (and then pays to authorized firms after one year) a service fee not to exceed 25 basis points annually of average net assets. Class B shares automatically convert to Class A shares after eight years of ownership.

For Class C shares, the shareholder pays no front-end commissions and no contingent deferred sales charges on redemptions after the first year. EVD pays a commission and the projected first year's service fees to the dealer at the time of sale, which together are capitalized and amortized over the first year. EVD receives distribution fees and service fees similar to those for Class B shares at an annual rate of up to 75 basis points and 25 basis points, respectively, of average net assets of the Class. EVD pays both the distribution fee and service fee to the dealer after one year.

Class I shares are offered at net asset value and are not subject to any sales charges, underwriter commissions, distribution fees or service fees.

Advertising and Promotion

The Company expenses all advertising and promotional costs as incurred. Advertising costs incurred were not material to the Company's Consolidated Financial Statements in the fiscal years ending October 31, 2010, 2009 and 2008.

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.

The Company's effective tax rate reflects the statutory tax rates of the many jurisdictions in which it operates. Significant judgment is required in determining its effective tax rate and 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 continue to 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.

Earnings Per Share

Earnings per basic share is calculated pursuant to the two-class method to determine income attributable to common shareholders. Earnings per basic share is calculated by dividing net distributed and undistributed earnings allocated to common shareholders by the weighted-average number of common shares outstanding during the period. Earnings per diluted share are computed on the basis of the weighted-average number of common shares outstanding during the period plus the dilutive effect of any potential common shares outstanding during the period using the more dilutive of the treasury method or two-class method. The weighted-average number of restricted stock awards that have vested within the period are included in the calculation of earnings per basic and diluted share. Unvested restricted stock awards are not included as incremental shares in the calculation of earnings per diluted share.

Fair Value Measurements

A portion of the Company's assets and financial liabilities are carried at fair value, including investments in sponsored products, derivative positions and certain other investments.

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

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

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

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

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

Investments classified as available-for-sale are evaluated for other-than-temporary impairment on a quarterly basis when the cost of an investment exceeds its fair value. The Company considers many factors, including the severity and duration of the decline in fair value below cost, its intent and ability to hold the security for a period of time sufficient for an anticipated recovery in fair value, and the financial condition and specific events related to the issuer. When a decline in fair value of an available-for-sale security is determined to be other-than-temporary, the loss is recognized in earnings in the period in which the other-than-temporary decline in value is determined.

The Company recognizes any transfers between levels at the end of each quarter.

Stock-Based Compensation

The Company accounts for stock-based compensation expense using the fair value method. Under the fair value method, stock-based compensation expense reflects the fair value of stock-based awards measured at grant date, is recognized over the relevant service period and is adjusted each period for anticipated forfeitures. The fair value of each option award is estimated using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, volatility, an appropriate risk-free interest rate and the expected life of the option. Stock-based compensation expense for employees who are not retirement eligible is recognized on a straight-line basis over the service or vesting period of the option (generally five years). The Company immediately recognizes compensation expense at grant date for all awards granted to retirement-eligible employees. For awards granted to employees approaching retirement eligibility, compensation expense is recognized on a straight-line basis over the period from the grant date through the retirement eligibility date.

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. Foreign currency transaction gains and losses are reflected in other income currently as they occur.

Comprehensive Income

The Company reports all changes in comprehensive income in the Consolidated Statements of Comprehensive Income. Comprehensive income includes net income, the amortization of losses on certain derivative instruments, unrealized holding gains and losses on investment securities classified as available-for-sale and foreign currency translation adjustments, in each case net of tax.

Non-controlling Interests

Non-redeemable non-controlling interests consist entirely of unvested interests granted to employees of our majority-owned subsidiaries under subsidiary-specific long-term equity plans. These grants become subject to holder put rights upon vesting and are reclassified to temporary equity as vesting occurs.

Non-controlling interests redeemable at fair value consist of interests in our consolidated funds and certain vested interests held by employees of our majority-owned subsidiaries under subsidiary-specific long-term equity plans. The Company's non-controlling interests redeemable at fair value are recorded in temporary equity at estimated redemption value and changes in the estimated redemption value of these interests are recognized as increases or decreases to additional paid in capital.

Non-controlling interests redeemable at other than fair value consist of certain other interests in our majority-owned subsidiaries. These interests in our majority-owned subsidiaries are subject to holder put rights at established multiples of earnings before interest and taxes and, as such, are considered redeemable at other than fair value. The Company's non-controlling interests redeemable at other than fair value are recorded in temporary equity at estimated redemption value. Through October 31, 2009, changes in estimated redemption value were recorded in retained earnings; prospectively, changes in estimated redemption value will be recorded in earnings.

Loss Contingencies

The Company continuously reviews any investor, employee or vendor complaints and pending or threatened litigation. The likelihood that a loss contingency exists is evaluated under the criteria of applicable accounting standards through consultation with legal counsel, and a loss contingency is recorded 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. Adoption of New Accounting Standards

The Company adopted the following accounting standards during fiscal 2010:

Non-controlling Interests
On November 1, 2009, the Company adopted a new accounting standard relating to non-controlling interests in consolidated financial statements. The new accounting standard is intended to establish accounting and reporting standards for non-controlling interests in subsidiaries and for the deconsolidation of subsidiaries. The new accounting standard clarifies that a non-controlling interest in a subsidiary is an ownership interest in that entity that should be reported as equity, separate from the parent's equity, in the consolidated financial statements. The new accounting standard required retrospective adoption of the presentation and disclosure requirements for existing non-controlling interests. All other requirements of the new accounting standard were applied prospectively, including the provision that requires that the Company charge or credit the statement of income for an amount equal to the change in estimated amounts redeemable by the non-controlling interest for something other than fair value. Specifically, the estimated redemption value adjustments for redeemable non-controlling interests resulted in an increase in net income attributable to non-controlling interests of $18.4 million in fiscal 2010.

Earnings per Share
On November 1, 2009, the Company adopted a new accounting standard relating to the computation of earnings per share. The standard specifies that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The retrospective impact of adopting this new accounting standard reduced basic earnings per share by $0.01 to $1.11 from the $1.12 that was previously reported for the fiscal year ended October 31, 2009; diluted earnings per share was reduced by $0.01 to $1.07 from the $1.08 that was previously reported for the

same period. It had no impact on basic or diluted earnings per share for the fiscal year ended October 31, 2008.

3. Future Accounting Pronouncements

VIEs

In June 2009, the FASB issued literature introducing a new consolidation model. This new literature prescribes how enterprises account for and disclose their involvement with VIEs and other entities whose equity at risk is insufficient or lacks certain characteristics. This new accounting changes how an entity determines whether it is the primary beneficiary of a VIE and whether that VIE should be consolidated and requires additional disclosures. As a result, the Company must comprehensively review its involvements with VIEs and potential VIEs to determine the effect on its Consolidated Financial Statements and related disclosures. The new consolidation standard is effective for the Company's fiscal year that begins on November 1, 2010 and for interim periods within the first annual reporting period. Earlier application is prohibited. In February 2010, the FASB issued an amendment to this standard. For certain investments held by a reporting entity, the amendment indefinitely defers a requirement to perform a qualitative analysis to determine whether its variable interests give it a controlling financial interest in a VIE. This deferral generally applies to the reporting entities interests in entities that have the attributes of an investment company or that apply the specialized accounting guidance for investment companies, such as the privately offered equity funds in which the Company invests. The new consolidation model will not change the Company's conclusions regarding consolidation for VIEs in which it is involved, with the exception of one VIE. The aforementioned VIE is a CDO entity, and the impact of consolidating this VIE upon adoption will be to increase the Company's total assets and long-term debt by approximately $0.5 billion.

4. Acquisitions, Goodwill and Other Intangible Assets

Parametric Risk Advisors LLC ("Parametric Risk Advisors")

Parametric Risk Advisors is a majority-owned subsidiary of Parametric Portfolio Associates. On July 6, 2010, Parametric Portfolio Associates exercised a call option requiring the non-controlling interest holders of Parametric Risk Advisors to sell units representing an 11 percent ownership interest in Parametric Risk Advisors for $2.2 million. Pursuant to the acquisition agreement, the exercise price of the call option was based on a multiple of earnings before interest and taxes for the twelve month period ended April 30, 2010. As a result of the transaction, the Company's ownership interest increased from 40 percent to 51 percent. The payment was treated as an equity transaction and resulted in a reduction to redeemable non-controlling interest. Parametric Portfolio Associates has the right to purchase the remaining non-controlling interest in Parametric Risk Advisors over a five year period based on financial results of the entity for the twelve months ending April 30, 2011 and the next four twelve month periods. Prices for acquiring the non-controlling interests of Parametric Risk Advisors will be based on a prescribed multiple of earnings before interest and taxes. The exercise of the call rights is not contingent upon the non-controlling interest holders of Parametric Risk Advisors remaining employees of the Company.

Parametric Portfolio Associates

On May 14, 2010, the Company exercised a call option requiring the non-controlling interest holders of Parametric Portfolio Associates to sell units representing a 1.9 percent capital ownership interest in Parametric Portfolio Associates for $9.0 million to the Company. Pursuant to the acquisition agreement, the exercise price of the call option was based on a multiple of earnings before taxes for the calendar year ended December 31, 2009. As a result of the transaction, the Company's capital ownership increased from 92.4 percent to 94.3 percent and the Company's profit interest increased from 85.8 percent to 88.9 percent. The payment was treated as an equity transaction and resulted in a reduction to redeemable non-controlling interests.

In fiscal 2009, the non-controlling interest holders of Parametric Portfolio Associates exercised a put option whereby units representing a 3.1 percent capital ownership interest in Parametric Portfolio Associates were sold to the Company for $14.2 million. Pursuant to the acquisition agreement, the purchase price was based on a multiple of earnings before taxes for the calendar year ended December 31, 2008. As a result of the transaction, the Company's capital ownership interest increased from 89.3 percent to 92.4 percent and the Company's profits interest increased from 82.3 percent to 87.5 percent. The Company recorded goodwill of $11.6 million and intangible assets of $2.4 million (representing $1.3 million of amortizable intangible assets and $1.1 million of non-amortizable assets). The portion of the intangible assets representing client relationships acquired are being amortized over a weighted-average useful life of 14.8 years. The remainder of the purchase price was allocated to non-controlling interest.

Non-controlling interest holders of Parametric Portfolio Associates have the right to sell to the Company 1.9 percent of the capital of Parametric Portfolio Associates (which entitles the holders to a 3.1 percent profits interest) based on the financial results of Parametric Portfolio Associates for the calendar year ending December 31, 2010. Non-controlling interest holders of Parametric Portfolio Associates will also have the right to sell to the Company the remaining 3.8 percent of the capital of Parametric Portfolio Associates (which entitles the holder to the remaining 6.3 percent profits interest) over a 2-year period based on financial results of Parametric Portfolio Associates for the calendar year ending December 31, 2011 and 2012. The Company has the right to purchase up to 33 percent of the capital and profit interests currently held by the non-controlling interest holders of Parametric Portfolio Associates based on its financial results for the calendar year ending December 31, 2010 and the remaining interests based on the entity's financial results for the calendar year ending December 31, 2012. Prices for acquiring capital and profits interests in Parametric Portfolio Associates will be based on a multiple of earnings before interest and taxes. Neither the exercise of the puts nor the exercise of the calls is contingent upon the non-controlling interest holders of Parametric Portfolio Associates remaining employees of the Company.

Tax Advantaged Bond Strategies ("TABS")

On December 31, 2008, the Company acquired the Tax Advantaged Bond Strategies ("TABS") business of M.D. Sass Investors Services ("MD Sass"), a privately held investment manager based in New York, New York. The operating results of the TABS business have been included in the Consolidated Financial Statements since the acquisition. In conjunction with the purchase, the Company recorded $44.8 million of intangible assets representing client relationship intangible assets acquired, which are being amortized over a 10 year period, and a contingent purchase price liability of $13.9 million, which represents the difference between net cash paid at acquisition and the fair value of assets acquired and liabilities assumed. Proforma results of operations have not been presented because the results of operations would not have been materially different from those reported in the accompanying Consolidated Statements of Income. Subsequent to closing, the TABS business was reorganized as the Tax-Advantaged Bond Strategies division of Eaton Vance Management ("EVM").

The Company paid $30.0 million in cash to acquire the TABS business, including costs associated with the acquisition. During the second quarter of fiscal 2010, the Company made its first contingent payment of $8.8 million to the selling group based upon prescribed multiples of TABS revenue for the twelve months ended December 31, 2009. The payment reduced the contingent purchase price liability. The Company will be obligated to make six additional annual contingent payments to the selling group based on prescribed multiples of TABS's revenue for the twelve months ending December 31, 2010, 2011, 2012, 2014, 2015 and 2016. All future payments will be in cash and will first reduce the remaining contingent purchase price liability. Once the contingent purchase price liability has been exhausted, any remaining contingent payments will result in an addition to goodwill. These payments are not contingent upon any member of the selling group remaining an employee of the Company.

Atlanta Capital

In fiscal 2009, the non-controlling interest holders of Atlanta Capital, agreed to sell and the Company agreed to purchase an additional 4.2 percent interest in Atlanta Capital for $2.8 million. Pursuant to the terms of a unit purchase and redemption agreement dated November 1, 2008, the purchase price was based on a multiple of earnings before taxes for the calendar year ended December 31, 2008. As a result of the transaction, the Company's ownership interest increased from 85.5 percent to 89.7 percent. The Company recorded goodwill of $1.9 million and amortizable intangible assets of $0.8 million. The portion of the intangible assets representing client relationships acquired is being amortized over a weighted-average useful life of 6.5 years. The remainder of the purchase price was allocated to non-controlling interest.

In conjunction with the purchase, Atlanta Capital's operating agreement was amended and restated to extend the originally negotiated put and call periods. Under the terms of the amended and restated operating agreement, certain non-controlling interest holders of Atlanta Capital have the right to sell their remaining 10.3 percent interest in Atlanta Capital to the Company at a multiple of earnings before taxes based on the financial results of Atlanta Capital for the fiscal year ending October 31, 2010 and each year thereafter subject to certain restrictions. The Company has the right to purchase the remaining non-controlling interest at a multiple of earnings before taxes based on Atlanta Capital's financial results for the fiscal year ending October 31, 2013 and, to the extent that the October 31, 2013 call is not exercised, each year thereafter. Neither the exercise of the puts nor the exercise of the calls is contingent upon the non-controlling interest holders of Atlanta Capital remaining employees of the Company.

Also in fiscal 2009, the Company purchased a non-controlling capital interest in Atlanta Capital Management Holdings, LLC ("ACM Holdings"), a partnership that owns the non-controlling interests of Atlanta Capital, for $6.6 million. The Company's interest in ACM Holdings is non-voting and entitles the Company to receive $6.6 million when the put or call options for the remaining 10.3 percent interest in Atlanta Capital referenced above are exercised. The Company's investment in ACM Holdings is included as a component of long-term investments in the Company's Consolidated Balance Sheets at October 31, 2010 and 2009, respectively.

Fox Asset Management

In fiscal 2009, the Company executed a call option that required the non-controlling interest holders of Fox Asset Management to sell to the Company an additional 4.0 percent interest in the entity. The transaction settled on June 1, 2009 and increased the Company's ownership interest from 80 percent to 84 percent. Pursuant to the terms of the unit purchase agreement, the purchase price was zero. Fox Asset Management's non-controlling interest holders have the right to sell and the Company has the right to purchase the remaining 16 percent ownership interest in the entity at a multiple of earnings before taxes based on the financial results of the entity for the calendar year ending December 31, 2010. Neither the exercise of the puts nor the exercise of the calls is contingent upon the non-controlling interest holders of Fox Asset Management remaining employees of the Company.

Goodwill

The changes in the carrying amount of goodwill for the years ended October 31, 2010 and 2009 are as follows:

(in thousands)	**2010**	**2009**
Balance, beginning of period	$ 135,786	$ 122,234
Goodwill acquired	-	13,552
Balance, end of period	$ 135,786	$ 135,786

All acquired goodwill is deductible for tax purposes.

The Company completed its most recent goodwill impairment testing in the fourth quarter of fiscal 2010 and determined that there was no impairment in the value of this asset as of September 30, 2010. 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 the reporting unit. Based on such hypothetical scenarios, the results of the Company's impairment testing would not change as the reporting unit still had an excess of fair value over the carrying value under both hypothetical scenarios. There were no significant changes in the assumptions, methodologies or weightings used in the Company's current year goodwill impairment testing.

No impairment loss in the value of goodwill was recognized during the years ended October 31, 2009 and 2008.

Intangible Assets

The following is a summary of other intangible assets at October 31, 2010 and 2009:

2010

(dollars in thousands)	**Weighted-average amortization period (in years)**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Amortizing intangible assets:				
Client relationships acquired	8.8	$ 109,177	$ (42,867)	$ 66,310
Non-amortizing intangible assets:				
Mutual fund management contract acquired		6,708	-	6,708
Total		$ 115,885	$ (42,867)	$ 73,018

2009

(dollars in thousands)	**Weighted-average amortization period (in years)**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Amortizing intangible assets:				
Client relationships acquired	9.8	$ 109,177	$ (35,051)	$ 74,126
Non-amortizing intangible assets:				
Mutual fund management contract acquired		6,708	-	6,708
Total		$ 115,885	$ (35,051)	$ 80,834

No impairment loss was recognized in the value of amortizing or non-amortizing intangible assets during the years ended October 31, 2010, 2009 or 2008.

Amortization expense was $7.8 million, $6.9 million and $2.9 million for the years ended October 31, 2010, 2009 and 2008, respectively. Estimated amortization expense for the next five years is as follows:

Year Ending October 31, *(in thousands)*	**Estimated Amortization Expense ($)**
2011	7,816
2012	7,816
2013	7,816
2014	7,788
2015	7,563

5. Investments

The following is a summary of investments at October 31, 2010 and 2009:

(in thousands)	**2010**	**2009**
Short-term investments:		
Corporate debt securities	$ 4,732	$ -
Consolidated funds:		
Commercial paper	-	20,800
Debt securities	-	29,124
Total short-term investments	$ 4,732	$ 49,924

(in thousands)	**2010**	**2009**
Long-term investments:		
Consolidated funds:		
Debt securities	$ 111,585	$ 15,129
Equity securities	88,184	11,913
Separately managed accounts:		
Debt securities	3,666	31,797
Equity securities	28,692	10,450
Sponsored funds	37,541	32,405
Collateralized debt obligation entities	1,391	2,066
Investments in affiliates	51,111	22,267
Other investments	7,507	7,509
Total long-term investments	$ 329,677	$ 133,536

Investments classified as trading

The following is a summary of the cost and fair value of investments held in the portfolios of consolidated funds, separately managed accounts and corporate debt securities held by the Company classified as trading at October 31, 2010 and 2009:

2010

(in thousands)	Cost		Fair Value	
Short-term investments:				
Corporate debt securities	$	4,063	$	4,732
Total short-term investments	$	4,063	$	4,732
Long-term investments:				
Debt securities	$	115,096	$	115,251
Equity securities		111,814		116,876
Total long-term investments	$	226,910	$	232,127

2009

(in thousands)	Cost		Fair Value	
Short-term investments:				
Commercial paper	$	20,800	$	20,800
Debt securities		29,394		29,124
Total short-term investments	$	50,194	$	49,924
Long-term investments:				
Debt securities	$	43,370	$	46,926
Equity securities		21,305		22,363
Total long-term investments	$	64,675	$	69,289

The Company recognized $1.6 million and $8.3 million of net unrealized gains related to investments classified as trading for the years ended October 31, 2010 and 2009, respectively. The Company recognized $11.3 million of net unrealized losses related to investments classified as trading for the year ended October 31, 2008.

During the second quarter of fiscal 2010, the Company deconsolidated its short-term investment in Eaton Vance Short-Term Income Fund ("EVSI") upon the closing of the fund. The underlying portfolio holdings were transferred to the Company at closing.

During the second quarter of fiscal 2010, the Company deconsolidated its investment in Eaton Vance Real Estate Fund when its ownership percentage fell below 50 percent. The Company accounted for it under the equity method of accounting until its interest in the fund dropped below 20 percent as of July 31, 2010. The Company's remaining investment in the fund is now classified as available-for-sale.

During the third quarter of fiscal 2010, the Company deconsolidated its investment in Eaton Vance Commodity Strategy Fund when its ownership interest fell below 50 percent. The Company's remaining investment in the fund is now classified as available-for-sale.

During the fourth quarter of fiscal 2010, the Company deconsolidated its investment in Eaton Vance Global Macro Absolute Return Advantaged Fund when its ownership interest fell below 50 percent. The Company's remaining investment in the fund is now classified as an investment in affiliate.

Investments classified as available-for-sale

The following is a summary of the cost and fair value of investments classified as available-for-sale at October 31, 2010 and 2009:

2010		Gross Unrealized		
(in thousands)	Cost	Gains	Losses	Fair Value
Long-term investments:				
Sponsored funds	$ 34,300	$ 3,655	$ (414)	$ 37,541
Total long-term investments	$ 34,300	$ 3,655	$ (414)	$ 37,541

2009		Gross Unrealized		
(in thousands)	Cost	Gains	Losses	Fair Value
Long-term investments:				
Sponsored funds	$ 30,414	$ 2,073	$ (82)	$ 32,405
Total long-term investments	$ 30,414	$ 2,073	$ (82)	$ 32,405

Gross unrealized gains and losses on investments in sponsored funds classified as available-for-sale have been excluded from earnings and reported as a component of accumulated other comprehensive loss, net of deferred taxes. No investment with a gross unrealized loss has been in a loss position for greater than one year.

The Company reviewed the gross unrealized losses of $0.4 million as of October 31, 2010 and determined that these losses were not other-than-temporary, primarily because the Company has both the ability and intent to hold the investments for a period of time sufficient to recover such losses. The aggregate fair value of investments with unrealized losses was $11.7 million at October 31, 2010.

The following is a summary of the Company's realized gains and losses upon disposition of investments classified as available-for-sale for the years ended October 31, 2010, 2009 and 2008.

(in thousands)	2010	2009	2008
Gains	$ 3,108	$ 1,959	$ 353
Losses	(60)	(397)	(1)
Net realized gains	$ 3,048	$ 1,562	$ 352

Investments in collateralized debt obligation entities

The Company provides investment management services for, and has made investments in, a number of CDO entities. The Company's ownership interests in the CDO entities are carried at amortized cost unless impaired. The Company earns investment management fees, including subordinated management fees for managing the collateral for the CDO entities, and, in one case, incentive fees that are contingent on certain performance conditions. At October 31, 2010, combined assets under management in the pools of these CDO entities were $2.4 billion. The Company's maximum exposure to loss as a result of its investments in the equity of CDO entities is $1.4 million, which is the carrying value of these investments at October 31, 2010. Investors in CDO entities have no recourse against the Company for any losses sustained in the CDO structure.

The Company did not recognize any impairment losses in fiscal 2010.

In fiscal 2009, the Company recognized impairment losses of $1.9 million related to two of the Company's cash instrument CDO entities and a synthetic CDO entity. The impairment losses associated with the cash instrument CDO entities resulted from a decrease in the estimated future cash flows from the CDO entities due to an increase in the default rate of the underlying loan portfolios. The impairment losses associated with the synthetic CDO entity, which reduced the Company's investment in that entity to zero, resulted from a decrease in the estimated cash flows from the entity due to higher realized default rates and lower recovery rates on the reference securities underlying the synthetic CDO entity's portfolio of credit default swaps.

In fiscal 2008, the Company recognized impairment losses of $13.2 million representing losses relating to investments in four cash instrument CDO entities and one synthetic CDO entity. The impairment losses associated with the four cash instrument CDO entities resulted from a decrease in the estimated future cash flows from the CDO entities combined with an increase in the market yield the Company uses to discount the value of those cash flows to reflect market conditions. The decrease in estimated future cash flows associated with these entities resulted from increases in projected default rates and decreases in projected recovery rates. The impairment loss associated with the synthetic CDO entity also resulted from a decrease in the estimated future cash flows from the entity combined with an increase in the market yield the Company uses to discount the value of those cash flows to reflect market conditions. The decrease in estimated future cash flows associated with the synthetic CDO entity resulted from higher anticipated default rates and lower anticipated recovery rates on the reference securities underlying the synthetic CDO entity's portfolio of credit default swaps.

Investments in affiliates

The Company has a 20 percent equity interest in Lloyd George Management (BVI) Limited ("LGM"), an independent investment management company based in Hong Kong that primarily manages Asia Pacific and emerging market equity funds and separate accounts, including several funds sponsored by the Company. The Company's investment in LGM was $8.0 million and $8.3 million at October 31, 2010 and 2009, respectively.

The Company has a 7 percent equity interest in a private equity partnership that invests in companies in the financial services industry. The Company's investment in the partnership was $12.8 million and $12.5 million at October 31, 2010 and 2009, respectively.

The Company has a 33 percent equity interest in Eaton Vance Global Macro Absolute Return Advantage Fund at October 31, 2010, valued at $30.3 million.

As of October 31, 2010 the Company's interest in Eaton Vance Emerging Markets Local Income Fund had dropped below 20 percent and the Company's remaining investment is now classified as available-for-sale.

The Company had a 27 percent interest in Eaton Vance Enhanced Equity Option Income Fund as of October 31, 2009. As of October 31, 2010, the Company's interest in this fund had dropped below 20 percent and the Company's remaining investment is now classified as available-for-sale.

No impairment losses in value of the Company's investments in affiliates were recognized during the years ended October 31, 2010, 2009 or 2008.

Other investments

Included in other investments are certain investments carried at cost totaling $7.5 million for the years ended October 31, 2010 and 2009, respectively. In the third quarter of fiscal 2009, the Company purchased a non-controlling capital interest in ACM Holdings, a partnership that owns certain non-controlling interests of Atlanta Capital, for $6.6 million. The Company's interest in ACM Holdings is non-voting and entitles the Company to receive $6.6 million when put or call options for certain non-controlling interests of Atlanta Capital are exercised. The Company's investment in ACM Holdings is included as a component of long-term investments in the Company's Consolidated Balance Sheet at October 31, 2010. Management believes that the fair value of its other investments approximates their carrying value.

6. Fair Value Measurements

As discussed in Note 1, accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standards establish a hierarchy that prioritizes inputs to valuation techniques to measure fair value and gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Substantially all of our investments are carried at fair value, with the exception of our investments in CDO entities that have not been impaired in the current fiscal period and certain non-marketable investments which are accounted for using the equity or cost method.

There were no significant transfers between Level 1 and Level 2 during the years ending October 31, 2010 and 2009.

The following is a description of the valuation methodologies used for financial assets and liabilities measured at fair value, as well as the general classification of such financial assets and liabilities pursuant to the valuation hierarchy.

Financial Instrument	Hierarchy	Valuation Methodology
Cash Equivalents	Level 1	Includes investments in money market funds. Fair value is determined based upon unadjusted quoted market prices.
	Level 2	Includes commercial paper. Fair value is determined based upon observable inputs other than Level 1 unadjusted quoted market prices, such as 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.
Short-term investments	Level 2	Includes commercial paper and debt securities. Fair value is determined based upon observable inputs other than Level 1 unadjusted quoted market prices, such as 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.
Long-term investments	Level 1	Includes certain debt and certain equity securities held in the portfolios of consolidated funds and separately managed accounts, which are classified as trading, and investments in sponsored funds. Fair value is determined based upon unadjusted quoted market prices.

Financial Instrument	Hierarchy	Valuation Methodology
	Level 2	Includes commercial paper, certain debt securities, certain equity securities, investments in privately offered equity funds that are not listed but have a net asset value that is comparable to mutual funds and investments in portfolios that have a net asset value that is comparable to mutual funds. Fair value is determined using 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. If events occur after the close of the primary market for any security, the quoted market prices may be adjusted for the observable price movements of country-specific market proxies.
Derivative assets and liabilities	Level 2	Includes foreign exchange contracts, stock index futures contracts and commodity futures contracts. Foreign exchange contract pricing is determined by interpolating a value using the spot foreign currency rate based on spot rate and currency exchange rate differentials, which are all observable inputs. Index futures contracts and commodity futures contracts pricing is determined by a third-party pricing service that determines fair value based on bid and ask prices.
Securities sold, not yet purchased	Level 2	Pricing is determined by a third-party pricing service that determines fair value based on bid and ask prices.

Other assets not held at fair value includes investments in equity method investees and other investments carried at cost which, in accordance with GAAP, are not measured at fair value.

The following table summarizes the assets measured at fair value on a recurring basis and their assigned levels within the hierarchy at October 31, 2010.

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Cash equivalents	$ 1,291	$ 90,416	$ -	$ -	$ 91,707
Total cash equivalents	$ 1,291	$ 90,416	$ -	$ -	$ 91,707
Short-term investments:					
Corporate debt securities	$ -	$ 4,732	$ -	$ -	$ 4,732
Total short-term investments	$ -	$ 4,732	$ -	$ -	$ 4,732
Long-term investments:					
Consolidated funds:					
Debt securities	$ 9,372	$ 102,213	$ -	$ -	$ 111,585
Equity securities	45,135	43,049	-	-	88,184
Separately managed accounts:					
Debt securities	-	3,666	-	-	3,666
Equity securities	27,724	968	-	-	28,692
Sponsored funds	34,194	3,347	-	-	37,541
Collateralized debt obligation entities	-	-	-	1,391	1,391
Investments in affiliates	-	-	-	51,111	51,111
Other investments	-	37	-	7,470	7,507
Total long-term investments	$ 116,425	$ 153,280	$ -	$ 59,972	$ 329,677
Derivative financial assets	$ -	$ 582	$ -	$ -	$ 582
Total other financial assets	$ -	$ 582	$ -	$ -	$ 582
Derivative financial liabilities	$ -	$ 3,519	$ -	$ -	$ 3,519
Financial liabilities:					
Securities sold, not yet purchased	-	731	-	-	731
Total financial liabilities	$ -	$ 4,250	$ -	$ -	$ 4,250

The following table summarizes the assets measured at fair value on a recurring basis and their assigned levels within the hierarchy at October 31, 2009:

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Cash equivalents	$ 22,956	$ 184,709	$ -	$ -	$ 207,665
Total cash equivalents	$ 22,956	$ 184,709	$ -	$ -	$ 207,665
Short-term investments:					
Consolidated funds:					
Commercial paper	$ -	$ 20,800	$ -	$ -	$ 20,800
Debt securities	-	29,124	-	-	29,124
Total short-term investments	$ -	$ 49,924	$ -	$ -	$ 49,924
Long-term investments:					
Consolidated funds:					
Debt securities	$ 15,129	$ -	$ -	$ -	$ 15,129
Equity securities	11,913	-	-	-	11,913
Separately managed accounts:					
Debt securities	11,007	20,790	-	-	31,797
Equity securities	10,450	-	-	-	10,450
Sponsored funds	29,643	2,762	-	-	32,405
Collateralized debt obligation entities	-	-	-	1,338	1,338
Investments in affiliates	-	-	-	22,267	22,267
Other investments	-	38	-	7,471	7,509
Total long-term investments	$ 78,142	$ 23,590	$ -	$ 31,076	$ 132,808
Other financial assets:					
Derivative financial assets	$ -	$ 42	$ -	$ -	$ 42
Total other financial assets	$ -	$ 42	$ -	$ -	$ 42

The Company had investments in three CDO entities totaling $1.4 million at October 31, 2010. The Company's investments in CDO entities are carried at amortized cost unless facts and circumstances indicate that the investment has been impaired, as in fiscal 2009, at which point the investment is written down to fair value.

The following table summarizes the assets measured at fair value on a non-recurring basis at October 31, 2009:

(in thousands)	Total Level 3	Total Losses
Collateralized debt obligation entities	$ 728	$ 1,863
Total	$ 728	$ 1,863

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

7. Fair Value Measurements of Other Financial Instruments

Certain financial instruments are not required to be carried on the balance sheet at fair value. The following is a summary of the carrying amounts and estimated fair values of these financial instruments at October 31, 2010 and 2009:

	2010		2009	
(in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Other investments	$ 7,507	$ 7,507	$ 7,509	$ 7,509
Note receivable from affiliate	$ -	$ -	$ 8,000	$ 8,000
Notes receivable from stock option exercises	$ 3,158	$ 3,158	$ 3,078	$ 3,078
Long-term debt	$ 500,000	$ 590,692	$ 500,000	$ 530,375

For fair value purposes the carrying value of the other investments, note receivable from affiliate and notes receivable from stock option exercises approximates fair value. The carrying value of the Company's long-term debt has been valued utilizing publicly available market prices, which are considered Level 1 inputs.

8. Variable Interest Entities

Investments in VIEs That Are Not Consolidated
In the normal course of business, the Company maintains investments in sponsored CDO entities and privately offered equity funds that are considered VIEs. In most instances, these variable interests represent seed investments made by the Company, as collateral manager or investment advisor, to launch or market these vehicles. The Company receives management fees for the services it provides as collateral manager or investment advisor.

As a matter of course, the Company evaluates its investment in each CDO entity and privately offered equity fund that qualifies as a VIE at inception to determine whether or not it qualifies as the primary beneficiary of the entity based on its obligation to absorb a majority of the expected losses or its right to receive the majority of the residual returns. The Company reevaluates its investment in each entity as facts and circumstances indicate that either the obligation to absorb these expected losses or the right to receive these expected residual returns has been reallocated between the existing primary beneficiary and other unrelated parties. At October 31, 2010, the Company did not qualify as the primary beneficiary of any CDO entity or privately offered equity fund in which it invests.

The Company managed CDO entities with total assets of $2.4 billion and $2.5 billion as of October 31, 2010 and 2009, respectively, on which the Company earns a management fee. The Company held investments in three of these entities totaling $1.4 million and $2.1 million on October 31, 2010 and 2009, respectively. In fiscal 2010 and 2009, the Company did not provide any financial or other support that it was not previously contractually required to provide. The Company's risk of loss with respect to managed CDO entities remains limited to the $1.4 million carrying value of the investments on its Consolidated Balance

Sheet at October 31, 2010. There are no arrangements that could require the Company to provide additional financial support to any of the CDO entities in which it invests.

The Company's investments in CDO entities are carried at amortized cost and collectively disclosed as a component of long-term investments in Note 5. Income from these entities is recorded as a component of interest income based upon projected investment yields.

The Company had investments in 15 privately offered equity funds totaling $3.3 million on October 31, 2010 and investments in 16 privately offered equity funds totaling $2.8 million on October 31, 2009. Assets under management in these entities totaled $10.9 billion and $11.6 billion on October 31, 2010 and 2009, respectively. In the fourth quarter of fiscal 2008, the Company, as lender, entered into a subordinated term note agreement (the "Note") with one of the privately offered equity funds in which it invests as further described in Note 10. The Company's risk of loss in the privately offered equity funds was $3.3 million and $10.8 million on October 31, 2010 and 2009, respectively, representing the carrying value of the investments held on its Consolidated Balance Sheet plus the stated amount of the Note on October 31, 2009. The Note was repaid in full in the third quarter of fiscal 2010. There are no additional arrangements that could require the Company to provide additional financial support to any of the privately offered equity funds in which it invests.

The Company's investments in privately offered equity funds are carried at fair value and included in investments in sponsored funds, which are disclosed as a component of long-term investments in Note 5. These investments are classified as available-for-sale and the Company records any change in fair value, net of tax, in other comprehensive income (loss).

Investments in VIEs That Are Consolidated
Parametric Portfolio Associates maintains a 51 percent economic interest in Parametric Risk Advisors, which meets the definition of a VIE. The Company made the determination at the date of acquisition that Parametric Portfolio Associates is the primary beneficiary of the VIE based on the fact that Parametric Portfolio Associates is committed to providing ongoing working capital and infrastructure support and is obligated to absorb all of the losses of Parametric Risk Advisors.

Parametric Risk Advisors had assets of $3.8 million and $2.7 million on October 31, 2010 and 2009, respectively, consisting primarily of cash and cash equivalents and investment advisory fees receivable, and current liabilities of $1.7 million and $0.9 million on October 31, 2010 and 2009, respectively, consisting primarily of accrued compensation, accounts payable, accrued expenses and intercompany payables. Neither the Company's variable interest nor maximum risk of loss related to this VIE was material to its Consolidated Financial Statements at either balance sheet date.

9. Equipment and Leasehold Improvements

The following is a summary of equipment and leasehold improvements at October 31, 2010 and 2009:

(in thousands)	2010	2009
Equipment	$ 70,584	$ 62,601
Leasehold improvements	45,805	43,746
Subtotal	116,389	106,347
Less: Accumulated depreciation and amortization	(45,170)	(31,146)
Equipment and leasehold improvements, net	$ 71,219	$ 75,201

Depreciation and amortization expense was $15.4 million, $14.1 million and $10.4 million for the years ended October 31, 2010, 2009 and 2008, respectively.

10. Note Receivable from Affiliate

In October 2008, the Company, as lender, entered into a $10.0 million subordinated term note agreement (the "Note") with a sponsored privately offered equity fund. The Note earned daily interest based on the fund's cost of borrowing under its commercial paper financing facility. Upon expiration of the Note on January 16, 2009, it was extended to December 17, 2009 and increased to $15.0 million. During the first quarter of fiscal 2010 the Note was extended to December 17, 2010. During fiscal 2009, the sponsored privately offered equity fund prepaid $7.0 million of the Note without premium or penalty. During fiscal 2010, the sponsored privately offered equity fund prepaid the remaining balance of the Note.

11. Long-term Debt

Ten-Year Senior Notes

The Company has issued $500 million in aggregate principal of 6.5 percent unsecured ten-year senior notes due October 2, 2017. Interest is payable semi-annually in arrears on April 2 and October 2 of each year. There are no covenants associated with the Senior Notes.

Corporate Credit Facility

The Company's unsecured revolving credit facility expires on August 13, 2012. Under the facility, the Company may borrow up to $200 million at LIBOR-based rates of interest that vary depending on the level of usage of the facility and credit ratings of the Company. The facility agreement 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, 2010 and 2009, the Company had no borrowings outstanding under its unsecured revolving credit facility.

12. Stock-Based Compensation Plans

The Company's stock-based compensation plans include the 2008 Omnibus Incentive Plan, as amended and restated (the "2008 Plan"), the Employee Stock Purchase Plan, the Incentive Plan – Stock Alternative, the Atlanta Capital Management Company, LLC Long-term Equity Incentive Plan (the "ACM Plan") and the Parametric Portfolio Associates LLC, Long-term Equity Incentive Plan (the "PPA Plan"). The Company recognized total compensation cost related to its plans for the years ended October 31, 2010, 2009 and 2008 as follows:

(in thousands)		**2010**		**2009**		**2008**
2008 Plan:						
Stock options	$	32,225	$	34,305	$	36,221
Restricted shares		13,065		5,920		1,411
Phantom stock units		301		195		-
Employee Stock Purchase Plan		1,099		897		1,144
Incentive Plan – Stock Alternative		342		153		646
ACM Plan		408		200		-
PPA Plan		720		-		-
Total stock-based compensation expense	$	48,160	$	41,670	$	39,422

The total income tax benefit recognized for stock-based compensation arrangements was $15.0 million, $12.0 million and $10.1 million for the years ended October 31, 2010, 2009 and 2008, respectively.

2008 Omnibus Incentive Plan

The 2008 Plan, which is administered by the Compensation Committee of the Board, allows for awards of stock options, restricted shares and phantom stock units to eligible employees and non-employee Directors. Options to purchase Non-Voting Common Stock granted under the 2008 Plan expire ten years from the date of grant, vest over five years 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. Restricted shares of Non-Voting Common Stock granted under the 2008 Plan vest over five years and may be subject to performance goals. Phantom stock units granted under the 2008 Plan vest over two years. The 2008 Plan contains change in control provisions that may accelerate the vesting of awards. A total of 9.0 million shares of Non-Voting Common Stock have been reserved for issuance under the 2008 Plan. Through October 31, 2010, 2.0 million restricted shares and options to purchase 5.7 million shares have been issued pursuant to the 2008 Plan. On November 1, 2010, the Board authorized the reserve of an additional 3.5 million shares.

Stock Options

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, volatility, an appropriate risk-free interest rate and the expected life of the option.

Many of these assumptions require management's judgment. The Company's stock volatility assumption is based upon its historical stock price fluctuations. The Company uses historical data to estimate option forfeiture rates and the expected term 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 in effect at the time of grant.

The weighted-average fair value per share of stock options granted during the years ended October 31, 2010, 2009 and 2008 using the Black-Scholes option pricing model were as follows:

	2010	2009	2008
Weighted-average grant date fair value of options granted	$8.84	$6.72	$14.79
Assumptions:			
Dividend yield	1.8% to 2.3%	2.3% to 3.1%	1.2% to 1.9%
Volatility	33%	32% to 34%	25% to 29%
Risk-free interest rate	2.7% to 3.6%	2.9% to 4.6%	3.6% to 4.4%
Expected life of options	7.3 years	7.4 years	6.8 to 7.8 years

Stock option transactions under the 2008 Plan and predecessor plans for the year ended October 31, 2010 are summarized as follows:

(share and intrinsic value figures in thousands)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding, beginning of period	29,717	$ 23.89		
Granted	2,605	28.24		
Exercised	(3,304)	15.56		
Forfeited/expired	(306)	31.46		
Options outstanding, end of period	28,712	$ 25.16	5.1	$ 171,081
Options exercisable, end of period	18,380	$ 21.78	3.8	$ 148,037
Vested or expected to vest at October 31, 2010	28,299	$ 25.07	5.0	$ 170,159

The Company received $49.5 million, $21.5 million and $23.3 million related to the exercise of options for the years ended October 31, 2010, 2009 and 2008, respectively. Options exercised represent newly issued shares. The total intrinsic value of options exercised during the years ended October 31, 2010, 2009 and 2008 was $50.7 million, $27.8 million and $44.2 million, respectively. The total fair value of options that vested during the year ended October 31, 2010 was $30.7 million.

As of October 31, 2010, there was $47.0 million of compensation cost related to unvested stock options granted under the 2008 Plan and predecessor plans not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.4 years.

In November 2010, the Company granted options for the purchase of 2.8 million shares of the Company’s Non-Voting Common Stock under the 2008 Plan at a price of $29.39 per share.

Restricted Shares

Compensation expense related to restricted share grants is recorded over the forfeiture period of the restricted shares, as they are contingently forfeitable. As of October 31, 2010, there was $34.5 million of compensation cost related to unvested awards not yet recognized. That cost is expected to be recognized over a weighted-average period of 3.3 years.

A summary of the Company's restricted share activity for the year ended October 31, 2010 under the 2008 Plan and predecessor plans is presented below:

(share figures in thousands)	**Shares**	**Weighted-Average Grant Date Fair Value**
Unvested, beginning of period	1,008	$ 22.87
Granted	1,000	28.30
Vested	(163)	24.11
Forfeited/expired	(53)	24.84
Unvested, end of period	1,792	$ 25.73

In November 2010 the Company granted a total of 1.0 million shares of restricted stock under the 2008 plan.

Phantom Stock Units
During fiscal 2010, approximately 9,300 phantom stock units were issued to non-employee Directors pursuant to the 2008 Plan. Because these units are contingently forfeitable, compensation expense is recorded over the forfeiture period. As of October 31, 2010, there was $0.1 million of compensation cost related to unvested awards not yet recognized. That cost is expected to be recognized over a weighted-average period of 1.0 year.

Employee Stock Purchase Plan

A total of 9.0 million shares of the Company's Non-Voting Common Stock have been reserved for issuance under the Employee Stock Purchase Plan. The plan qualifies under Section 423 of the United States Internal Revenue Code and permits eligible employees to direct up to 15 percent of their salaries 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 six-month offering period. Through October 31, 2010, 7.7 million shares have been issued pursuant to this plan. The Company received $3.9 million, $4.1 million and $3.8 million related to shares issued under the Employee Stock Purchase Plan for the years ended October 31, 2010, 2009 and 2008, respectively.

Incentive Plan – Stock Alternative

A total of 4.8 million shares of the Company's Non-Voting Common Stock have been reserved for issuance under the Incentive Plan – Stock Alternative. The plan permits employees to direct up to half of their monthly and annual incentive bonuses toward the purchase of Non-Voting Common Stock at 90 percent of the average closing market price of the stock for five business days subsequent to the end of the offering period. Through October 31, 2010, 3.6 million shares have been issued pursuant to this plan. The Company received $2.9 million, $3.6 million and $6.4 million related to shares issued under the Incentive Plan – Stock Alternative for the years ended October 31, 2010, 2009 and 2008, respectively.

ACM Plan

In the year ended October 31, 2010, approximately 52,800 profit units tied to the performance of Atlanta Capital were issued to certain employees of that entity pursuant to the ACM Plan at a weighted-average per unit price of $19.80. Because the units are contingently forfeitable, compensation expense is recorded over the forfeiture period of five years. As of October 31, 2010, there was $1.4 million of compensation cost related to unvested awards not yet recognized. That cost is expected to be recognized over a weighted-average period of 3.6 years.

PPA Plan

In the year ended October 31, 2010, approximately 10,200 profit units tied to the performance of Parametric Portfolio Associates were issued to certain employees of that entity pursuant to the PPA Plan at a weighted-average per unit price of $353.77. Because these units are contingently forfeitable, compensation expense is recorded over the forfeiture period of five years. As of October 31, 2010, there was $2.9 million of compensation cost related to unvested awards not yet recognized. That cost is expected to be recognized over a weighted-average period of 4 years.

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, 2010, options to purchase 0.2 million shares have been exercised and placed in trust with the Company.

Employee Loan Program

The Company has established an Employee Loan Program under which a program maximum of $10.0 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 1.8 percent to 5.5 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. Loans outstanding under this program, which are full recourse in nature, are reflected as notes receivable from stock option exercises in shareholders' equity and amounted to $3.2 million and $3.1 million at October 31, 2010 and 2009, respectively.

13. Employee Benefit Plans

Profit Sharing and Savings Plan

The Company has a Profit Sharing and Savings Plan for the benefit of substantially all 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 $1,040 per annum. In addition, the Company may, at its discretion, contribute up to 15 percent of eligible employee compensation to the plan, up to a maximum of $36,750, $34,500 and $33,750 per employee for the years ended October 31, 2010, 2009 and 2008, respectively. The Company's expense under the plan and its predecessor plans was $15.3 million, $14.6 million and $14.4 million for the years ended October 31, 2010, 2009 and 2008, 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 2010. 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, 2010, 2009 and 2008 was $49,649, $55,593 and $162,800, 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. In fiscal 2010, the Company did not issue any shares of its Voting Common Stock. The Company repurchased 32,550 shares of its Voting Common Stock during fiscal 2010.

The Company's current share repurchase program was announced on January 15, 2010. 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 Company's stock repurchase program is not subject to an expiration date.

During fiscal 2010, the Company purchased and retired approximately 0.5 million shares of its Non-Voting Common Stock under a previous repurchase authorization and approximately 3.2 million shares of its Non-Voting Common Stock under the current repurchase authorization. Approximately 4.8 million additional shares may be repurchased under the current authorization.

15. Income Taxes

The provision for income taxes for the years ended October 31, 2010, 2009 and 2008 consists of the following:

(in thousands)	**2010**	**2009**	**2008**
Current:			
Federal	$ 124,526	$ 102,868	$ 154,791
State	18,241	6,317	21,160
Deferred:			
Federal	(13,981)	(34,641)	(44,405)
State	(2,523)	(3,500)	(6,392)
Total	$ 126,263	$ 71,044	$ 125,154

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. The significant components of deferred income taxes are as follows:

(in thousands)	2010	2009
Deferred tax assets:		
Closed-end fund expenses	$ 94,678	$ 91,720
Stock-based compensation	60,873	54,318
Differences between book and tax bases of investments	5,334	7,334
Deferred rent	5,105	5,040
Federal benefit of unrecognized state tax benefits	3,489	3,735
Compensation and benefit expense	3,145	-
Capital loss carry-forward	1,288	558
Unrealized losses on derivative instruments	1,086	1,244
Unrealized net holding losses on investments	-	734
Other	695	165
Total deferred tax asset	$ 175,693	$ 164,848
Deferred tax liabilities:		
Closed-end fund expenses	$ (21,542)	$ (42,849)
Compensation and benefit expense	(15,424)	-
Deferred sales commissions	(18,263)	(19,621)
Differences between book and tax bases of goodwill and intangibles	(16,505)	(14,734)
Differences between book and tax bases of property	(5,718)	(6,180)
Unrealized net holding gains on investments	(967)	-
Total deferred tax liability	$ (78,419)	$ (83,384)
Net deferred tax asset	$ 97,274	$ 81,464

Deferred tax assets and liabilities are reflected on the Company's Consolidated Balance Sheets at October 31, 2010 and 2009 as follows:

(in thousands)	2010	2009
Net current deferred tax liability	$ (22,067)	$ (15,580)
Net non-current deferred tax asset	119,341	97,044
Net deferred tax asset	$ 97,274	$ 81,464

The Company has recorded a deferred income tax asset of $1.3 million as of October 31, 2010 relating to $3.4 million of capital loss carry-forwards. Capital loss carry-forwards of $1.5 million and $1.9 million are scheduled to expire at the end of fiscal 2013 and 2014, respectively. No valuation allowance has been recorded for deferred tax assets, including capital loss carry-forwards, reflecting management's belief that all deferred tax assets will be utilized.

A reconciliation from the U.S. Federal statutory income tax rate to the Company's effective income tax rate for the years ended October 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Federal statutory rate	35.0 %	35.0 %	35.0 %
State and local income tax, net of federal income tax benefit	3.4	2.5	2.9
Non-controlling interest	(0.9)	(0.9)	(0.8)
Stock-based compensation	0.9	(1.0)	1.4
Release of liabilities associated with uncertain tax positions	(0.1)	(1.5)	-
Other	0.3	0.1	0.3
Effective income tax rate	38.6 %	34.2 %	38.8 %

The exercise of non-qualified stock options resulted in a reduction of taxes payable of approximately $10.8 million, $13.6 million and $9.8 million for the years ended October 31, 2010, 2009 and 2008, respectively. Such benefit has been reflected as a component of shareholders' equity.

Effective November 1, 2007, the Company adopted a new accounting standard that clarifies the accounting for uncertainty in tax positions. The adoption of the accounting standard resulted in reduction to beginning retained earnings in the amount of $5.0 million, which was reflected as a cumulative effect of a change in accounting principle, and a corresponding $5.0 million increase to the Company's liability for uncertain tax positions. This increase in the liability for unrecognized tax benefits primarily reflects accruals for state income taxes, net of federal benefit.

The change in gross unrecognized tax benefits for the years ended October 31, 2010, 2009 and 2008 are as follows:

(in thousands)	2010	2009	2008
Beginning Balance	$ 9,975	$ 16,638	$ 14,795
Additions for tax provisions of prior years	245	3,732	1,780
Reductions for tax provisions of prior years	(771)	(3,257)	(574)
Additions based on tax provisions related to current year	30	210	2,648
Reductions for settlements with taxing authorities	(5)	(7,348)	(1,538)
Lapse of statute of limitations	-	-	(473)
Ending Balance	$ 9,474	$ 9,975	$ 16,638

For the periods ending October 31, 2010 and 2009, current unrecognized tax benefits of $0.3 million and $8.7 million, respectively, excluding interest and penalties, and prepaid federal and state taxes of $21.2 million and $18.2 million, respectively, are presented net as a component of other current assets. Non-current unrecognized tax benefits of $9.2 million and $1.3 million, before interest and penalties, are classified as a component of other long-term liabilities as of October 31, 2010 and 2009, respectively.

The total amount of unrecognized tax benefits as of October 31, 2010, 2009 and 2008 that, if recognized, would impact the effective tax rate is $9.5 million, $10.0 million, and $16.6 million, respectively.

The Company and its subsidiaries file income tax returns in U.S. federal, state, local and foreign jurisdictions. In the ordinary course of business, various taxing authorities may not agree with certain tax positions the Company has taken, or the applicable law may not be clear. To resolve some of these uncertainties, the Company executed Voluntary Disclosure Agreements ("VDAs") with two state taxing authorities. The execution of the VDAs reduced the Company's income tax expense and effective tax rate by $3.1 million and 1.5%, respectively, for the year ended October 31, 2009.

In the years ended October 31, 2010, 2009 and 2008, the Company recognized $0.2 million, $0.2 million, and $0.6 million respectively, in interest and penalties in its income tax provision. Accrued interest and penalties, which are included as a component of unrecognized tax benefits, totaled $0.7 million, $0.9 million, and $3.5 million at October 31, 2010, 2009 and 2008, respectively.

The Company believes that over the next 12 months current state tax audits will be completed and it is reasonably possible that the Company's uncertain state tax positions could decrease by approximately $0.3 million in that period, thereby lowering the Company's effective tax rate.

The Company is generally no longer subject to income tax examinations by U.S. federal, state, local or non-U.S. tax authorities for fiscal years prior to fiscal 2007. The Company is currently under audit by the Commonwealth of Massachusetts for fiscal years 2004 through 2006. The Company has extended the statute of limitations for these years to enable the Commonwealth to complete its audit.

16. Derivative Financial Instruments

Derivative Financial Instruments Designated as Cash Flow Hedges
In October 2007, the Company issued $500 million in aggregate principal amount of 6.5 percent ten-year senior notes due October 2017. In anticipation of the offering, the Company entered into an interest rate lock transaction with an aggregate notional amount of $200 million intended to hedge against movements in ten-year Treasury rates between the time at which the decision was made to issue the debt and the pricing of the securities. The prevailing Treasury rate had declined at the time of the pricing of the securities, and the interest rate lock was settled for a payment by the Company of $4.5 million. At termination, the interest rate lock was determined to be an effective cash flow hedge and the $4.5 million settlement cost was recorded as a loss in other comprehensive income (loss), net of tax. The loss recorded in other comprehensive income (loss) is being reclassified to earnings as a component of interest expense over the term of the debt. During the fiscal years ended October 31, 2010, 2009, and 2008, the Company each year reclassified $0.4 million of the loss on the Treasury lock transaction into interest expense. At October 31, 2010, the remaining unamortized loss on this transaction was $3.1 million. During fiscal 2011, the Company expects to reclassify approximately $0.4 million of the loss on the Treasury lock transaction into interest expense.

Other Derivative Financial Instruments not Designated for Hedge Accounting
During fiscal 2010, the Company entered into a series of foreign exchange contracts, stock index futures contracts and commodity futures contracts to structurally hedge currency risk exposure and market risk associated with its investments in separate accounts and consolidated funds seeded for new product development purposes.

At October 31, 2010, the Company had six outstanding foreign exchange contracts with three counterparties with an aggregate notional value of approximately $41.9 million. At October 31, 2010, the Company had fourteen outstanding stock index futures contracts with one counterparty with an aggregate notional value of approximately $78.4 million. In addition, at October 31, 2010 the Company had twenty-two outstanding commodity futures contracts with one counterparty with an aggregate notional value of approximately $9.6 million.

The following table presents the fair value as of October 31, 2010 of derivative instruments not designated as hedging instruments:

	Assets			Liabilities		
(in thousands)	**Balance Sheet Location**		**Fair Value**	**Balance Sheet Location**		**Fair Value**
Foreign exchange contracts	Other current assets	$	12	Other current liabilities	$	1,187
Stock index futures contracts	Other current assets		489	Other current liabilities		1,415
Commodity futures contracts	Other current assets		81	Other current liabilities		917
Total		$	582		$	3,519

The following is a summary of the gains (losses) recognized in income for the year ended October 31, 2010:

(in thousands)	**Income Statement Location**		**2010**
Foreign exchange contracts	Gains and (losses) on investments and derivatives	$	(810)
Stock index futures contracts	Gains and (losses) on investments and derivatives		(1,923)
Commodity futures contracts	Gains and (losses) on investments and derivatives		(836)
Total		$	(3,569)

At October 31, 2009, the outstanding futures contracts had an aggregate notional value of $9.9 million and net realized and unrealized gains of $42,000 for the year then ended recorded in investment advisory fees and other receivables in the Company's Consolidated Balance sheet. The net realized and unrealized gains are included in other income (expense) in the Company's Consolidated Statement of Income for the year ended October 31, 2009.

17. Non-controlling Interests

Non-controlling 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 under subsidiary-specific long-term equity plans. These grants become subject to put rights upon vesting and will be reclassified to temporary equity as vesting occurs.

Redeemable Non-controlling Interest at Other Than Fair Value
Redeemable non-controlling interests consist of interests in the Company's majority-owned subsidiaries, consolidated funds and interests granted to employees of the Company's majority-owned subsidiaries under subsidiary-specific long-term equity plans. These interests are currently redeemable or will become redeemable at certain future dates.

The interests in the Company's majority-owned subsidiaries are not subject to mandatory redemption. The purchase of non-controlling interests is predicated, for each subsidiary, on the exercise of a complex series of puts held by non-controlling interest holders and calls held by the Company. The puts provide non-controlling interest holders the right to require the Company to purchase these retained interests at specific intervals over time, while the calls provide the Company the right to require the non-controlling interest holders to sell their retained equity interests to the Company at specific intervals over time, as well as upon the occurrence of certain events such as death or permanent disability. As a result, there is significant uncertainty as to timing of any non-controlling interest purchase in the future. The value assigned to the purchase of a non-controlling interest is based, in each case, on a multiple of earnings before interest and taxes of the subsidiary at specific points in the future. As a result, these interests are considered redeemable at other than fair value and changes in the redemption value of these interests are recognized in net income attributable to non-controlling interests. The recognition of the redemption value of these redeemable non-controlling interests upon adoption of the new accounting guidance was effected through an increase to redeemable non-controlling interests and a charge to retained earnings. Net income attributable to non-controlling interests in fiscal 2010 reflects an $18.4 million increase in the estimated redemption value of redeemable non-controlling interests. Any future payments made to the non-controlling interest holders of our majority-owned subsidiaries upon execution of the puts and calls described above will reduce temporary equity.

Redeemable Non-controlling Interest at Fair Value
Interests in the Company's consolidated funds and interests granted to employees of the Company's majority-owned subsidiaries under subsidiary-specific long-term equity plans are considered redeemable at fair value. The recognition of the estimated redemption value of these redeemable non-controlling interests upon adoption of the new accounting guidance was effected through an increase to estimated redeemable non-controlling interests and a charge to additional paid in capital. Future changes in the redemption value of these interests will be recognized as increases or decreases to additional paid in capital. Any future payments made to these non-controlling interest holders will reduce temporary equity.

For the years ended October 31, 2010, 2009 and 2008, net income attributable to non-controlling interests totaled $26.9 million, $5.4 million and $7.2 million, respectively. Net income attributable to non-controlling interests is not adjusted for taxes due to the underlying tax status of the Company's majority-owned subsidiaries and consolidated funds. Atlanta Capital, Fox Asset Management, Parametric Portfolio Associates and Parametric Risk Advisors are limited liability companies that are treated as partnerships for tax purposes. Consolidated funds are registered investment companies or private funds that are treated as pass-through entities for tax purposes.

Net income attributable to non-controlling interests in fiscal 2008 reflects a $2.8 million adjustment to reverse stock-based compensation previously allocated to non-controlling interest holders of the Company's controlled subsidiaries. In fiscal 2008, management determined that the allocation of stock-based compensation expense to non-controlling interest holders reduces the Company's liability to non-controlling interest holders in a manner that is not consistent with the agreements governing partnership distributions to those individuals. The $2.8 million adjustment recognized in fiscal 2008 represents the reversal of accumulated stock-based compensation expense allocated to non-controlling interest holders from the date of acquisition.

18. Comprehensive Income

During the years ended October 31, 2010, 2009 and 2008, the Company reclassified gains of $3.0 million, $1.6 million, and $0.2 million, respectively, from other comprehensive income (loss) to net income as gains and losses were realized on the sale of available-for-sale securities.

The components of accumulated other comprehensive income (loss) at October 31, 2010 and 2009 are as follows:

(in thousands)	2010	2009
Unamortized loss on derivative instrument, net of tax	$ (2,003)	$ (2,293)
Net unrealized gains (losses) on available-for-sale securities, net of tax	2,041	1,271
Foreign currency translation adjustments, net of tax	(473)	(372)
Total accumulated other comprehensive loss	$ (435)	$ (1,394)

19. Earnings per Share

The following table provides a reconciliation of common shares used in the earnings per basic share and earnings per diluted share computations for the years ended October 31, 2010, 2009 and 2008:

(in thousands, except per share data)	2010	2009	2008
Net income allocated to:			
Common shares	$ 171,623	$ 128,982	$ 195,411
Participating restricted shares	2,675	1,125	252
Total net income attributable to Eaton Vance Corp. shareholders	$ 174,298	$ 130,107	$ 195,663
Weighted-average shares outstanding – basic	116,444	116,175	115,810
Incremental common shares	6,188	4,400	8,621
Weighted-average shares outstanding – diluted	122,632	120,575	124,431
Earnings per common share attributable to Eaton Vance Corp. shareholders:			
Basic	$ 1.47	$ 1.11	$ 1.69
Diluted	$ 1.40	$ 1.07	$ 1.57

The Company uses the treasury stock method to account for the dilutive effect of unexercised stock options in earnings per diluted share. Antidilutive common shares related to stock options excluded from the computation of earnings per diluted share were approximately 9.0 million, 14.6 million, and 3.3 million for the years ended October 31, 2010, 2009 and 2008, 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 managed and/or advised by Eaton Vance Management or Boston Management and Research. 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 adverse effect on the consolidated financial condition or results of operations of the Company.

In July 2006, the Company committed to invest $15.0 million in a private equity partnership that invests in companies in the financial services industry. The Company had invested $12.8 million of the total $15.0 million of committed capital at October 31, 2010. The Company anticipates the remaining $2.2 million maybe invested by March 2015.

The Company has entered into transactions in financial instruments in which it has sold securities, not yet purchased as part of its corporate hedging program. As of October 31, 2010 the Company has $0.7 million included within other current liabilities on its Consolidated Balance Sheet related to securities sold, not yet purchased.

The Company leases certain office space and equipment under noncancelable operating leases that expire over various terms. The lease payments are recognized on a straight-line basis over the noncancelable term of the lease plus any anticipated extensions. Rent expense under these leases in 2010, 2009 and 2008 amounted to $19.9 million, $22.9 million and $16.8 million, respectively. Future minimum lease commitments are as follows:

Year Ending October 31, *(in thousands)*		**Amount**[(1)]
2011	$	18,840
2012		19,181
2013		19,776
2014		20,295
2015 – thereafter		352,156
Total	$	430,248

(1) Future minimum lease payments have not been reduced by minimum sublease rentals of $5.8 million due in the future.

The Company subleases certain office space under operating leases that expire over various terms. The sublease payments are recognized on a straight-line basis over the noncancelable term of the sublease. Rental income under these subleases in fiscal 2010 amounted to $0.8 million. Future minimum rent to be received under the subleases are as follows:

Year Ending October 31, *(in thousands)*		**Amount**
2011	$	1,278
2012		1,278
2013		1,022
2014		971
2015 – thereafter		1,263
Total	$	5,812

Other commitments and contingencies include future payments to be made upon the exercise of puts and calls of non-controlling interests in Atlanta Capital, Fox Asset Management, Parametric Portfolio Associates and Parametric Risk Advisors, as well as the contingent payments to be made to the selling shareholders of TABS as more fully described in Note 4.

21. Regulatory Requirements

EVD, a wholly owned subsidiary of the Company and principal underwriter of the Eaton Vance Funds, is subject to the Securities and Exchange Commission uniform net capital rule, which requires the maintenance of minimum net capital. For purposes of this rule, EVD had net capital of $59.7 million, which exceeds its minimum net capital requirement of $2.6 million at October 31, 2010. The ratio of aggregate indebtedness to net capital at October 31, 2010 was 0.64-to-1.

22. Concentration 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.

The following portfolio and related funds provided over 10 percent of the total revenue of the Company for the fiscal years noted, and is comprised of investment advisory and administration fees, underwriting commissions, distribution plan payments and service fees for the years ended October 31, 2010, 2009 and 2008:

(dollar figures in thousands)	**2010**	**2009**	**2008**
Large Cap Value Portfolio and related funds	$ 126,565	$ 94,665	$ -
Percent of total revenue	11.3%	10.6%	-
Tax-Managed Growth Portfolio and related funds	$ -	$ 100,933	$ 175,721
Percent of total revenue	-	11.3%	16.0%

23. Comparative Quarterly Financial Information (Unaudited)

	2010				
(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Total revenue	$ 272,035	$ 272,953	$ 273,079	$ 303,594	$ 1,121,661
Operating income	$ 87,347	$ 81,089	$ 78,762	$ 106,084	$ 353,282
Net income attributable to Eaton Vance Corp. shareholders	$ 46,242	$ 36,000	$ 41,750	$ 50,306	$ 174,298
Earnings per Share:					
Basic	$ 0.39	$ 0.30	$ 0.35	$ 0.43	$ 1.47
Diluted	$ 0.37	$ 0.29	$ 0.34	$ 0.41	$ 1.40

	2009				
(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Total revenue	$ 209,471	$ 198,389	$ 228,373	$ 254,138	$ 890,371
Operating income	$ 51,999	$ 45,123	$ 59,233	$ 76,865	$ 233,220
Net income attributable to Eaton Vance Corp. shareholders	$ 24,697	$ 25,753	$ 31,223	$ 48,434 (1)	$ 130,107
Earnings per Share:					
Basic	$ 0.21	$ 0.22	$ 0.27	$ 0.41	$ 1.11
Diluted	$ 0.21	$ 0.21	$ 0.25	$ 0.39	$ 1.07

(1) Financial results for the fourth quarter of fiscal 2009 reflect the recording a deferred tax asset and a corresponding reduction in tax expense of $5.2 million as more fully described in Note 15.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Eaton Vance Corp.:

We have audited the accompanying consolidated balance sheets of Eaton Vance Corp. and subsidiaries (the "Company") as of October 31, 2010 and 2009, and 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, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Eaton Vance Corp. and subsidiaries as of October 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, effective November 1, 2009, the Company adopted new accounting guidance for non-controlling interests.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
December 22, 2010

Investor Information

Eaton Vance Corp. has filed an Annual Report on Form 10-K with the Securities and Exchange Commission for the 2010 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:

Robert J. Whelan
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: www.eatonvance.com. The Company has included as Exhibit 31 to its Form 10-K for fiscal 2010 certificates of the Chief Executive Officer and Chief Financial Officer certifying the quality of the Company's public disclosure. 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 Investor Services is the Transfer Agent and Registrar for the Company's common stock and maintains shareholder accounting records. The Transfer Agent 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.

Computershare Investor Services
P.O. Box 43078, Providence, RI 02940-3078
(877) 282-1168
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Independent Registered Public Accounting Firm

Deloitte & Touche LLP
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Directors and Officers

Directors

Ann E. Berman [1,2,3]

Thomas E. Faust Jr.

Leo I. Higdon Jr.*[2]

Dorothy E. Puhy [1,3]

Duncan W. Richardson

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

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Chairman and
Chief Executive Officer

Duncan W. Richardson
Executive Vice President and
Chief Equity Investment Officer

Jeffrey P. Beale
Vice President and
Chief Administrative Officer

Laurie G. Hylton
Vice President and
Chief Accounting Officer

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

Robert J. Whelan
Vice President, Treasurer and
Chief Financial Officer

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