

EATON VANCE CORP  
Form 10-Q  
March 09, 2011

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d)  
of The Securities Exchange Act of 1934**

**For the quarterly period ended January 31, 2011**

**or**

**Transition Report Pursuant to Section 13 or 15 (d)  
of The Securities Exchange Act of 1934**

**For the transition period from to**

**Commission file no. 1-8100**

**EATON VANCE CORP.**

(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

04-2718215  
(I.R.S. Employer  
Identification No.)

**Two International Place, Boston, Massachusetts 02110**

(Address of principal executive offices) (zip code)

**(617) 482-8260**

(Registrant's telephone number, including area code)

Indicate by check-mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Shares outstanding as of January 31, 2011:

Voting Common Stock 399,240 shares

Non-Voting Common Stock 118,727,200 shares

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**Eaton Vance Corp.**  
**Form 10-Q**  
**As of January 31, 2011 and for the**  
**Three Month Period Ended January 31, 2011**  
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Consolidated Balance Sheets (unaudited)**

<i>(in thousands)</i>	January 31, 2011	October 31, 2010
Assets		
Cash and cash equivalents	\$ 450,328	\$ 307,886
Investment advisory fees and other receivables	134,834	129,380
Investments	296,795	334,409
Assets of consolidated collateralized loan obligation entity:		
Cash and cash equivalents	29,382	
Bank loans and other investments	471,244	
Other assets	2,670	
Deferred sales commissions	43,042	48,104
Deferred income taxes	12,796	97,274
Equipment and leasehold improvements, net	74,203	71,219
Other intangible assets, net	72,064	73,018
Goodwill	135,786	135,786
Other assets	57,047	61,464
Total assets	\$ 1,780,191	\$ 1,258,540

*See notes to Consolidated Financial Statements.*

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## Eaton Vance Corp. Consolidated Balance Sheets (unaudited) (continued)

<i>(in thousands, except share figures)</i>	January 31, 2011	October 31, 2010
Liabilities, Temporary Equity and Permanent Equity		
Liabilities:		
Accrued compensation	\$ 50,965	\$ 119,957
Accounts payable and accrued expenses	65,203	60,843
Dividend payable	21,451	21,319
Contingent purchase price liability	5,079	5,079
Debt	500,000	500,000
Liabilities of consolidated collateralized loan obligation entity:		
Senior and subordinated note obligations	456,963	
Other liabilities	13,540	
Other liabilities	81,306	73,468
Total liabilities	1,194,507	780,666
Commitments and contingencies		
Temporary Equity:		
Redeemable non-controlling interests	121,619	67,019
Permanent Equity:		
Voting Common Stock, par value \$0.00390625 per share:		
Authorized, 1,280,000 shares		
Issued and outstanding, 399,240 and 399,240 shares, respectively	2	2
Non-Voting Common Stock, par value \$0.00390625 per share:		
Authorized, 190,720,000 shares		
Issued and outstanding, 118,727,200 and 117,927,054 shares, respectively	464	461
Additional paid-in capital	53,612	50,225
Notes receivable from stock option exercises	(2,984 )	(3,158 )
Accumulated other comprehensive income (loss)	1,088	(435 )
Appropriated retained earnings	30,040	
Retained earnings	380,938	363,190
Total Eaton Vance Corp. shareholders' equity	463,160	410,285
Non-redeemable non-controlling interests	905	570
Total permanent equity	464,065	410,855
Total liabilities, temporary equity and permanent equity	\$ 1,780,191	\$ 1,258,540

*See notes to Consolidated Financial Statements.*

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## Eaton Vance Corp. Consolidated Statements of Income (unaudited)

<i>(in thousands, except per share figures)</i>	Three Months Ended January 31,	
	2011	2010
Revenue:		
Investment advisory and administration fees	\$ 242,734	\$ 210,387
Distribution and underwriter fees	27,327	25,034
Service fees	37,345	33,990
Other revenue	4,881	2,624
Total revenue	312,287	272,035
Expenses:		
Compensation of officers and employees	97,050	86,874
Distribution expense	32,697	29,111
Service fee expense	31,329	28,136
Amortization of deferred sales commissions	10,350	7,959
Fund expenses	4,544	4,293
Other expenses	33,299	28,315
Total expenses	209,269	184,688
Operating income	103,018	87,347
Other Income (Expense):		
Interest income	721	770
Interest expense	(8,413 )	(8,416 )
Gains and (losses) on investments and derivatives	(3,077 )	2,541
Foreign currency gains	3	134
Other income/(expense) of consolidated collateralized loan obligation entity:		
Interest income	5,220	
Interest expense	(1,514 )	
Net losses on investments and note obligations	(3,385 )	
Income before income taxes and equity in net income of affiliates	92,573	82,376
Income taxes	(34,522 )	(31,645 )
Equity in net income of affiliates, net of tax	1,234	814
Net income	59,285	51,545
Net income attributable to non-controlling and other beneficial interests	(21,750 )	(5,303 )
Net income attributable to Eaton Vance Corp. shareholders	\$ 37,535	\$ 46,242
Earnings Per Share:		
Basic	\$ 0.31	\$ 0.39
Diluted	\$ 0.30	\$ 0.37
Weighted Average Shares Outstanding:		
Basic	116,741	116,603
Diluted	122,175	122,920
Dividends Declared Per Share	\$ 0.180	\$ 0.160

*See notes to Consolidated Financial Statements.*





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## Eaton Vance Corp. Consolidated Statements of Comprehensive Income (unaudited)

<i>(in thousands)</i>	Three Months Ended January 31,	
	2011	2010
Net income	\$59,285	\$ 51,545
Other comprehensive income (loss):		
Amortization of loss on derivative instrument, net of income taxes of \$39 and \$39, respectively	72	72
Unrealized holding gains (losses) on investments, net of income taxes of \$(886) and \$309, respectively	1,444	(609 )
Foreign currency translation adjustments, net of income taxes of \$0 and \$67, respectively	7	(95 )
Total comprehensive income	60,808	50,913
Comprehensive income attributable to non-controlling and other beneficial interests	(21,750)	(5,303 )
Total comprehensive income attributable to Eaton Vance Corp. shareholders	\$39,058	\$ 45,610

*See notes to Consolidated Financial Statements.*

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## Eaton Vance Corp. Consolidated Statements of Shareholders Equity (unaudited)

(in thousands)	Permanent Equity							Non-Controlling Interests	Total Equity	Temporary Equity	Redeemable Non-Controlling Interests
	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Income (Loss)	Appropriated Retained Earnings	Retained Earnings				
Balance, November 1, 2010	\$ 2	\$ 461	\$ 50,225	\$(3,158)	\$(435 )	\$	\$ 363,190	\$ 570	\$ 410,855	\$ 67,019	
Cumulative effect of adoption of new accounting principle						30,666	1,665		32,331		
Net income						(626 )	37,535	599	37,508	21,777	
Other comprehensive income					1,523				1,523		
Dividends declared							(21,452 )		(21,452 )		
Issuance of Non-Voting Common Stock:											
In exercise of stock options		2	10,147	(490 )					9,659		
Under employee stock purchase plan			1,876						1,876		
Under employee incentive plan			2,567						2,567		
Under restricted stock plan, net of forfeitures		4							4		
Stock-based compensation			14,973						14,973		
Tax benefit of stock option exercises			1,484						1,484		
Repurchase of Non-Voting Common Stock		(3 )	(26,803)						(26,806 )		
Principal repayments				664					664		
Subscriptions											
Redemptions/distributions of non-controlling interest holders								(198)	(198 )	60,235	
Reconsolidation										(28,335)	
Reclass to temporary equity								(66 )	(66 )	66	
Other changes in non-controlling interests			(857 )						(857 )	857	
Balance, January 31, 2011	\$ 2	\$ 464	\$ 53,612	\$(2,984)	\$ 1,088	\$ 30,040	\$ 380,938	\$ 905	\$ 464,065	\$ 121,619	

*See notes to Consolidated Financial Statements.*



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**Eaton Vance Corp.**  
**Consolidated Statements of Shareholder s Equity (unaudited)**  
**(continued)**

	Permanent Equity				Notes Receivable from Stock Option Exercises	Accumulated Other Comprehen- sive Loss	Retained Earnings	Non- Redeem- able Non- Controlling Interests	Total Permanent Equity	Tempora- ry Equity	Redeema- ble Non- Controlli- ng Interests
	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital								
Balance, November 1, 2009	\$ 2	\$ 457	\$ 44,786	\$ (3,078)	\$ (1,394)	\$ 266,196	\$ 91	\$ 307,060	\$ 43,871		
Net income						46,242	279	46,521	5,024		
Other comprehensive loss					(632 )			(632 )			
Dividends declared						(18,957 )		(18,957 )			
Issuance of Non-Voting Common Stock:											
on exercise of stock options		2	7,227	(155 )				7,074			
under employee stock purchase plan			1,992					1,992			
under employee incentive plan			1,729					1,729			
under restricted stock plan, net of forfeitures		4						4			
stock-based compensation			13,284					13,284			
tax benefit of stock option exercises			832					832			
repurchase of Non-Voting Common Stock		(2 )	(17,558)					(17,560 )			
principal repayments				196				196			
subscriptions (redemptions/distributions) of non-controlling interest holders							(22 )	(22 )	(1,659 )		
reclass to temporary equity							(5 )	(5 )	5		
other changes in non-controlling interests			(102 )			797		695	(695 )		
Balance, January 31, 2010	\$ 2	\$ 461	\$ 52,190	\$ (3,037)	\$ (2,026)	\$ 294,278	\$ 343	\$ 342,211	\$ 46,546		

*See notes to Consolidated Financial Statements.*

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## Eaton Vance Corp. Consolidated Statements of Cash Flows (unaudited)

<i>(in thousands)</i>	Three Months Ended January 31,	
	2011	2010
Cash and cash equivalents, beginning of period	\$307,886	\$310,586
Cash Flows From Operating Activities:		
Net income	59,285	51,545
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gains) losses on investments	741	(3,970 )
Amortization of investments	86	(25 )
Equity in net income of affiliates	(1,985 )	(1,314 )
Dividends received from affiliates		142
Amortization of debt issuance costs	252	255
Deferred income taxes	82,678	(6,792 )
Stock-based compensation	14,973	13,284
Depreciation and other amortization	5,886	5,468
Amortization of deferred sales commissions	10,332	7,963
Payment of capitalized sales commissions	(6,657 )	(8,259 )
Contingent deferred sales charges received	1,377	1,349
Proceeds from the sale of trading investments	41,213	7,560
Purchase of trading investments	(82,527 )	(10,775 )
Consolidated collateralized loan obligation entity operating activities:		
(Gains) losses	3,385	
Amortization of investments	(400 )	
Net decrease in other assets and liabilities, including cash	(8,303 )	
Changes in other assets and liabilities:		
Investment advisory fees and other receivables	(3,506 )	(7,153 )
Other assets	(20,782 )	1,213
Accrued compensation	(68,981 )	(40,902 )
Accounts payable and accrued expenses	3,929	7,559
Taxes payable	36,089	37,814
Other liabilities	(8,948 )	933
Net cash provided by operating activities	58,137	55,895
Cash Flows From Investing Activities:		
Additions to equipment and leasehold improvements	(3,316 )	(3,171 )
Net cash paid for intellectual property acquired	(1,000 )	
Payments received on note receivable from affiliate		5,500
Proceeds from the sale of available-for-sale investments and investments in affiliates	59,135	7,687
Purchase of available-for-sale investments and investments in affiliates	(638 )	(1,203 )
Consolidated collateralized loan obligation entity investing activities:		
Proceeds from sales and maturities of investments	85,264	
Purchase of investments	(80,162 )	

Net cash provided by investing activities	59,283	8,813
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*See notes to Consolidated Financial Statements.*

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Consolidated Statements of Cash Flows (unaudited) (continued)**