EATON VANCE CORP
Form 10-Q
June 06, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
For the quarterly period ended April 30, 2018

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 Number: 1-8100

EATON VANCE CORP.

(Exact name of registrant as specified in its charter)

Maryland	04-2718215
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

Two International Place, Boston, Massachusetts 02110
(Address of principal executive offices) (zip code)

(617) 482-8260
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨
Emerging growth company	¨		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

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

Class:	Outstanding as of April 30, 2018
Non-Voting Common Stock, $0.00390625 par value	119,199,508 shares
Voting Common Stock, $0.00390625 par value	442,932 shares

Eaton Vance Corp.

Form 10-Q

As of April 30, 2018 and for the

Three and Six Month Periods Ended April 30, 2018

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Part I - Financial Information

Item 1. Consolidated Financial Statements (unaudited)

Eaton Vance Corp.

Consolidated Balance Sheets (unaudited)

(in thousands)	**April 30, 2018**	October 31, **2017**
Assets		
Cash and cash equivalents	$511,747	$610,555
Management fees and other receivables	205,940	200,453
Investments	1,090,360	898,192
Assets of consolidated collateralized loan obligation (CLO) entity:		
Cash	1,573	-
Bank loan investments	133,867	31,348
Other assets	308	-
Deferred sales commissions	43,520	36,423
Deferred income taxes	37,394	67,100
Equipment and leasehold improvements, net	50,264	48,989
Intangible assets, net	85,334	89,812
Goodwill	259,681	259,681
Loan to affiliate	5,000	5,000
Other assets	73,220	83,348
Total assets	$2,498,208	$2,330,901

See notes to Consolidated Financial Statements.

Eaton Vance Corp.

Consolidated Balance Sheets (unaudited) (continued)

(in thousands, except share data)	**April 30, 2018**	October 31, 2017
Liabilities, Temporary Equity and Permanent Equity		
Liabilities:		
Accrued compensation	$119,078	$207,330
Accounts payable and accrued expenses	77,196	68,115
Dividend payable	45,223	44,634
Debt	619,261	618,843
Liabilities of consolidated CLO entity:		
Line of credit	89,686	12,598
Other liabilities	18,624	-
Other liabilities	100,512	116,298
Total liabilities	1,069,580	1,067,818
Commitments and contingencies (Note 18)		
Temporary Equity:		
Redeemable non-controlling interests	335,301	250,823
Permanent Equity:		
Voting Common Stock, par value $0.00390625 per share:		
Authorized, 1,280,000 shares		
Issued and outstanding, 442,932 and 442,932 shares, respectively	2	2
Non-Voting Common Stock, par value $0.00390625 per share:		
Authorized, 190,720,000 shares		
Issued and outstanding, 119,199,508 and 118,077,872 shares, respectively	466	461
Additional paid-in capital	124,814	148,284
Notes receivable from stock option exercises	(9,376)	(11,112)
Accumulated other comprehensive loss	(44,473)	(47,474)
Retained earnings	1,021,041	921,235
Total Eaton Vance Corp. shareholders' equity	1,092,474	1,011,396
Non-redeemable non-controlling interests	853	864
Total permanent equity	1,093,327	1,012,260
Total liabilities, temporary equity and permanent equity	$2,498,208	$2,330,901

See notes to Consolidated Financial Statements.

Eaton Vance Corp.

Consolidated Statements of Income (unaudited)

	Three Months Ended April 30,		Six Months Ended **April 30,**	
(in thousands, except per share data)	**2018**	**2017**	**2018**	**2017**
Revenue:				
Management fees	$361,009	$321,629	$727,376	$626,282
Distribution and underwriter fees	19,801	19,918	40,294	38,877
Service fees	29,831	30,067	60,675	58,978
Other revenue	3,620	3,018	7,328	5,454
Total revenue	414,261	374,632	835,673	729,591
Expenses:				
Compensation and related costs	147,989	135,467	303,037	270,602
Distribution expense	34,534	32,007	70,174	63,124
Service fee expense	27,329	27,827	55,891	54,754
Amortization of deferred sales commissions	4,428	4,026	8,705	7,880
Fund-related expenses	15,333	11,848	30,179	22,723
Other expenses	51,962	45,537	99,201	87,152
Total expenses	281,575	256,712	567,187	506,235
Operating income	132,686	117,920	268,486	223,356
Non-operating income (expense):				
Gains (losses) and other investment income, net	(261)	9,288	2,337	9,782
Interest expense	(5,903)	(8,065)	(11,810)	(15,412)
Other income (expense) of consolidated CLO Entity:				
Gains and other investment income, net	1,259	-	2,976	-
Interest and other expense	(444)	-	(538)	-
Total non-operating income (expense)	(5,349)	1,223	(7,035)	(5,630)
Income before income taxes and equity in net income of affiliates	127,337	119,143	261,451	217,726
Income taxes	(34,044)	(44,654)	(82,661)	(81,402)
Equity in net income of affiliates, net of tax	3,113	3,144	6,127	5,650
Net income	96,406	77,633	184,917	141,974
Net (income) loss attributable to non-controlling and other beneficial interests	195	(5,658)	(10,260)	(9,288)
Net income attributable to Eaton Vance Corp. shareholders	$96,601	$71,975	$174,657	$132,686
Earnings per share:				
Basic	$0.84	$0.65	$1.51	$1.20
Diluted	$0.78	$0.62	$1.41	$1.15
Weighted average shares outstanding:				
Basic	115,625	110,875	115,448	110,375
Diluted	123,779	115,962	123,912	115,188
Dividends declared per share	$0.31	$0.28	$0.62	$0.56

See notes to Consolidated Financial Statements.

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Eaton Vance Corp.

Consolidated Statements of Comprehensive Income (unaudited)

(in thousands)	Three Months Ended April 30, 2018	Three Months Ended April 30, 2017	Six Months Ended April 30, 2018	Six Months Ended April 30, 2017
Net income	$96,406	$77,633	$184,917	$141,974
Other comprehensive income (loss):				
Unrealized loss on cash flow hedges, net of tax	-	(413)	-	(413)
Amortization of net gains (losses) on cash flow hedges, net of tax	(25)	5	(50)	9
Unrealized gains on available-for-sale investments and reclassification adjustments, net of tax	312	325	1,032	652
Foreign currency translation adjustments, net of tax	(10,066)	(8,526)	2,019	(2,729)
Other comprehensive income (loss), net of tax	(9,779)	(8,609)	3,001	(2,481)
Total comprehensive income	86,627	69,024	187,918	139,493
Comprehensive (income) loss attributable to non-controlling and other beneficial interests	195	(5,658)	(10,260)	(9,288)
Total comprehensive income attributable to Eaton Vance Corp. shareholders	$86,822	$63,366	$177,658	$130,205

See notes to Consolidated Financial Statements.

Eaton Vance Corp.

Consolidated Statements of Shareholders' Equity (unaudited)

(in thousands)	Permanent Equity								Temporary Equity
	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Redeemable Non-Controlling Interests
Balance, November 1, 2017	$2	$461	$148,284	$(11,112)	$(47,474)	$921,235	$864	$1,012,260	$250,823
Cumulative effect adjustment upon adoption of new accounting standard (ASU 2016-09)	-	-	675	-	-	(523)	-	152	-
Net income	-	-	-	-	-	174,657	1,456	176,113	8,804
Other comprehensive income	-	-	-	-	3,001	-	-	3,001	-
Dividends declared ($0.62 per share)	-	-	-	-	-	(74,328)	-	(74,328)	-
Issuance of Non-Voting Common Stock:									
On exercise of stock options	-	7	49,579	(775)	-	-	-	48,811	-
Under employee stock purchase plans	-	-	1,549	-	-	-	-	1,549	-
Under employee stock purchase incentive plan	-	-	3,349	-	-	-	-	3,349	-
Under restricted stock plan, net of forfeitures	-	6	-	-	-	-	-	6	-
Stock-based compensation	-	-	44,508	-	-	-	-	44,508	-
Tax benefit of non-controlling interest repurchases	-	-	2,030	-	-	-	-	2,030	-
Repurchase of Non-Voting Common Stock	-	(8)	(109,459)	-	-	-	-	(109,467)	-
Principal repayments on notes receivable from stock option exercises	-	-	-	2,511	-	-	-	2,511	-
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	(1,501)	(1,501)	68,934
Net consolidations (deconsolidations) of	-	-	-	-	-	-	-	-	(488)

sponsored investment funds and CLO entities									
Reclass to temporary equity	-	-	-	-	-	-	34	34	(34)
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	(8,439)
Changes in redemption value of non-controlling interests redeemable at fair value	-	-	(15,701)	-	-	-	-	(15,701)	15,701
Balance, April 30, 2018	$2	$466	$124,814	$(9,376)	$(44,473)	$1,021,041	$853	$1,093,327	$335,301

See notes to Consolidated Financial Statements.

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Eaton Vance Corp.

Consolidated Statements of Shareholders' Equity (unaudited) (continued)

	Permanent Equity								Temporary Equity
(in thousands)	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Redeemable Non-Controlling Interests
Balance, November 1, 2016	$2	$444	$-	$(12,074)	$(57,583)	$773,000	$786	$704,575	$109,028
Net income	-	-	-	-	-	132,686	1,837	134,523	7,451
Other comprehensive loss	-	-	-	-	(2,481)	-	-	(2,481)	-
Dividends declared ($0.56 per share)	-	-	-	-	-	(64,559)	-	(64,559)	-
Issuance of Non-Voting Common Stock:									
On exercise of stock options	-	6	41,873	(771)	-	-	-	41,108	-
Under employee stock purchase plans	-	-	1,516	-	-	-	-	1,516	-
Under employee stock purchase incentive plan	-	-	2,791	-	-	-	-	2,791	-
Under restricted stock plan, net of forfeitures	-	6	-	-	-	-	-	6	-
Stock-based compensation	-	-	39,214	-	-	-	-	39,214	-
Tax benefit of stock option exercises and vesting of restricted stock awards	-	-	7,183	-	-	-	-	7,183	-
Tax benefit of non-controlling interest repurchases	-	-	3,659	-	-	-	-	3,659	-
Repurchase of Non-Voting Common Stock	-	(7)	(78,977)	-	-	-	-	(78,984)	-
Principal repayments on notes receivable from stock option exercises	-	-	-	2,660	-	-	-	2,660	-
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	(1,797)	(1,797)	90,509
Net consolidations (deconsolidations) of	-	-	-	-	-	-	-	-	(488)

sponsored investment funds									
Reclass to temporary equity	-	-	-	-	-	-	(64)	(64)	64
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	(7,310)
Changes in redemption value of non-controlling interests at fair value	-	-	(860)	-	-	-	-	(860)	860
Balance, April 30, 2017	$2	$449	$16,399	$(10,185)	$(60,064)	$841,127	$762	$788,490	$200,114

See notes to Consolidated Financial Statements.

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Eaton Vance Corp.

Consolidated Statements of Cash Flows (unaudited)

(in thousands)	Six Months Ended April 30, 2018	2017
Cash Flows From Operating Activities:		
Net income	$184,917	$141,974
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,439	10,328
Unamortized loss on derivative instrument	-	(684)
Amortization of deferred sales commissions	8,705	7,884
Stock-based compensation	44,508	39,214
Deferred income taxes	29,935	8,823
Net losses on investments and derivatives	6,809	453
Loss on write-off of Hexavest option	6,523	-
Equity in net income of affiliates, net of amortization	(6,127)	(5,650)
Dividends received from affiliates	6,080	5,100
Consolidated CLO entity's operating activities:		
Net gains on bank loans investments	(1,085)	-
Net increase in other assets, including cash	(1,881)	-
Changes in operating assets and liabilities:		
Management fees and other receivables	(5,491)	(5,083)
Investments in trading securities	(185,054)	(162,692)
Deferred sales commissions	(15,803)	(13,280)
Other assets	18,758	8,406
Accrued compensation	(88,375)	(73,589)
Accounts payable and accrued expenses	8,042	4,550
Other liabilities	(15,340)	55,129
Net cash provided by operating activities	7,560	20,883
Cash Flows From Investing Activities:		
Additions to equipment and leasehold improvements	(7,707)	(6,066)
Net cash paid in acquisition	-	(63,605)
Proceeds from sale of investments	11,758	5,992
Purchase of investments	(25,241)	(67)
Consolidated CLO entity's investing activities:		
Proceeds from sales of bank loan investments	32,953	-
Purchase of bank loan investments	(115,763)	-
Net cash used for investing activities	(104,000)	(63,746)

See notes to Consolidated Financial Statements.

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Eaton Vance Corp.

Consolidated Statements of Cash Flows (unaudited) (continued)

(in thousands)	Six Months Ended April 30, 2018	2017
Cash Flows From Financing Activities:		
Purchase of additional non-controlling interest	(20,818)	(9,451)
Debt issuance costs	-	(2,761)
Proceeds from issuance of debt	-	298,896
Proceeds from issuance of Non-Voting Common Stock	53,715	45,421
Repurchase of Non-Voting Common Stock	(109,467)	(78,984)
Principal repayments on notes receivable from stock option exercises	2,511	2,660
Dividends paid	(73,740)	(63,005)
Net subscriptions received from (redemptions/distributions paid to) non-controlling interest holders	67,501	88,859
Consolidated CLO entity's financing activities:		
Proceeds from line of credit	77,088	-
Net cash (used for) provided by financing activities	(3,210)	281,635
Effect of currency rate changes on cash and cash equivalents	842	512
Net increase (decrease) in cash and cash equivalents	(98,808)	239,284
Cash and cash equivalents, beginning of period	610,555	424,174
Cash and cash equivalents, end of period	$511,747	$663,458
Supplemental Cash Flow Information:		
Cash paid for interest	$11,330	$14,205
Cash paid for interest by consolidated CLO entity	493	-
Cash paid for income taxes, net of refunds	66,553	40,367
Supplemental Disclosure of Non-Cash Information:		
Increase in equipment and leasehold improvements due to non-cash additions	$968	$110
Exercise of stock options through issuance of notes receivable	775	771
Increase in non-controlling interest due to net consolidation (deconsolidation) of sponsored investment funds	77,768	73,843
Increase in bank loan investments of consolidated CLO entity due to unsettled purchases	18,624	-
Non-controlling interest call option exercise recorded in other liabilities	-	320

See notes to Consolidated Financial Statements.

Eaton Vance Corp.

Notes to Consolidated Financial Statements (unaudited)

1. Summary of Significant Accounting Policies

Basis of presentation

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

Adoption of new accounting standards

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update, *Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09), which simplifies certain aspects of the accounting for share-based payment transactions. The Company adopted ASU 2016-09 as of November 1, 2017. One of the impacts of adoption is that excess tax benefits or tax deficiencies related to the exercise of stock options and vesting of restricted stock awards are no longer recognized in additional paid-in capital but rather as an income tax benefit or income tax expense in the period of vesting or settlement. This provision requires a prospective approach to adoption. During the three and six months ended April 30, 2018, the Company recognized excess tax benefits of $1.9 million and $13.7 million, respectively, attributable to the exercise of stock options and vesting of restricted stock awards in conjunction with the adoption of this ASU.

This guidance also requires that the excess tax benefits or tax deficiencies described above be classified as an operating cash flow within the Consolidated Statements of Cash Flows as opposed to a financing cash flow, as previously reported. The Company elected to use a retrospective approach to the adoption of this provision. As a result, the excess tax benefit of $8.2 million recognized for the six months ended April 30, 2017 was reclassified out of financing activities and into operating activities.

Finally, the guidance allows companies to elect to continue to account for forfeitures using an estimate or instead to elect to account for forfeitures as they occur. Upon adoption, the Company elected to account for forfeitures as they occur and adopted this provision using the modified retrospective approach. Therefore, upon adoption, the Company recognized a $0.5 million cumulative effect adjustment (reduction) to retained earnings, net of related income tax effects, to reflect the timing difference of when forfeitures are recognized in the measurement of stock-based compensation cost.

The Company's accounting policy related to stock-based compensation has been amended to reflect the adoption of this new accounting standard and is summarized below.

Stock-based compensation

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

The fair value of each option award granted is estimated using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, expected volatility, an appropriate risk-free interest rate and the expected life of the option.

The fair value of profit interests granted under subsidiary long-term equity plans is estimated on the grant date by averaging fair value established using an income approach and fair value established using a market approach for each subsidiary.

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

2. Consolidated Sponsored Funds

The following table sets forth the balances related to consolidated sponsored funds at April 30, 2018 and October 31, 2017, as well as the Company’s interest in these funds:

(in thousands)	April 30, 2018	October 31, 2017
Investments	$505,442	$401,726
Other assets	9,831	13,537
Other liabilities	(44,405)	(50,314)

Redeemable non-controlling interests	(231,829)	(154,061)
Interest in consolidated sponsored funds	$239,039	$210,888

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3. Investments

The following is a summary of investments at April 30, 2018 and October 31, 2017:

(in thousands)	April 30, 2018	October 31, 2017
Investment securities, trading:		
Short-term debt securities	$279,723	$213,537
Consolidated sponsored funds	505,442	401,726
Separately managed accounts	100,486	93,113
Total investment securities, trading	885,651	708,376
Investment securities, available-for-sale	23,897	22,465
Investments in non-consolidated CLO entities	16,049	3,609
Investments in equity method investees	145,889	144,911
Investments, other	18,874	18,831
Total investments[(1)]	$1,090,360	$898,192

[(1)] Excludes bank loan investments held by a consolidated warehouse-stage CLO entity, which is discussed in Note 5.

Investment securities, trading

The following is a summary of the fair value of investments classified as trading at April 30, 2018 and October 31, 2017:

(in thousands)	April 30, 2018	October 31, 2017
Short-term debt securities	$279,723	$213,537
Other debt securities	389,230	313,351
Equity securities	216,698	181,488
Total investment securities, trading	$885,651	$708,376

The Company recognized gains (losses) related to trading securities still held at the reporting date of $(14.2) million and $6.3 million for the three months ended April 30, 2018 and 2017, respectively, and $(7.0) million and $8.6 million for the six months ended April 30, 2018 and 2017, respectively, within gains (losses) and other investment income, net, on the Company's Consolidated Statements of Income.

Investment securities, available-for-sale

The following is a summary of the gross unrealized gains and losses included in accumulated other comprehensive income (loss) related to securities classified as available-for-sale at April 30, 2018 and October 31, 2017:

April 30, 2018		Gross Unrealized		
(in thousands)	Cost	Gains	Losses	Fair Value
Investment securities, available-for-sale	$15,811	$8,106	$ (20)	$23,897

October 31, 2017		Gross Unrealized		
(in thousands)	Cost	Gains	Losses	Fair Value
Investment securities, available-for-sale	$15,755	$6,718	$ (8)	$22,465

Net unrealized holding gains (losses) on investment securities classified as available-for-sale included in other comprehensive income (loss) on the Company's Consolidated Statements of Comprehensive Income were $0.4 million and $0.5 million for the three months ended April 30, 2018 and 2017, respectively, and $1.4 million and $1.1 million for the six months ended April 30, 2018 and 2017, respectively.

The Company did not recognize any impairment losses on investment securities classified as available-for-sale during the three and six months ended April 30, 2018 or 2017.

The aggregate fair value of available-for-sale investments in an unrealized loss position at April 30, 2018 was $0.6 million; unrealized losses related to these investments totaled $20,000. No investment with a gross unrealized loss has been in a loss position for greater than one year.

The following is a summary of the Company's realized gains and losses recognized upon disposition of investments classified as available-for-sale for the three and six months ended April 30, 2018 and 2017:

	Three Months Ended April 30,		Six Months Ended April 30,	
(in thousands)	2018	2017	2018	2017
Gains	$ -	$ -	$ 5	$ 204
Losses	(110)	(1)	(110)	(1)
Net realized gains (losses)	$ (110)	$ (1)	$ (105)	$ 203

Investments in equity method investees

The Company has a 49 percent interest in Hexavest Inc. (Hexavest), a Montreal, Canada-based investment adviser. The carrying value of this investment was $142.3 million and $142.0 million at April 30, 2018 and October 31, 2017, respectively. At April 30, 2018, the Company’s investment in Hexavest consisted of $6.3 million of equity in the net assets of Hexavest, definite-lived intangible assets of $22.8 million and goodwill of $119.3 million, net of a deferred tax liability of $6.1 million. At October 31, 2017, the Company’s investment in Hexavest consisted of $6.1 million of equity in the net assets of Hexavest, definite-lived intangible assets of $23.7 million and goodwill of $118.6 million, net of a deferred tax liability of $6.4 million. The Company’s investment in Hexavest is denominated in Canadian dollars and is subject to foreign currency translation adjustments, which are recorded in accumulated other comprehensive income (loss). The year-to-date change in the carrying value of goodwill is entirely attributable to foreign currency translation adjustments.

The Company also has a seven percent equity interest in a private equity partnership managed by a third party that invests in companies in the financial services industry. The Company's investment in the partnership was $3.6 million and $2.9 million at April 30, 2018 and October 31, 2017, respectively.

The Company did not recognize any impairment losses related to its investments in equity method investees during the three and six months ended April 30, 2018 or 2017.

During the six months ended April 30, 2018 and 2017, the Company received dividends of $6.1 million and $5.1 million, respectively, from its investments in equity method investees.

Investments, other

Investments, other, which totaled $18.9 million and $18.8 million at April 30, 2018 and October 31, 2017, respectively, primarily consists of investments carried at cost.

During the fiscal year ended October 31, 2016, the Company participated as lead investor in an equity financing in SigFig, an independent San Francisco-based wealth management technology firm. The carrying value of the Company's investment in SigFig was $17.0 million at both April 30, 2018 and October 31, 2017.

4. Derivative Financial Instruments

Derivative financial instruments designated as cash flow hedges

In April 2017, the Company issued $300.0 million in aggregate principal amount of 3.5 percent ten-year senior notes due April 6, 2027 (2027 Senior Notes). The Company entered into a Treasury lock transaction with a notional amount of $125.0 million and concurrently designated the Treasury lock as a cash flow hedge of its exposure to variability in the forecasted semi-annual interest payments on $125.0 million of principal outstanding on the 2027 Senior Notes. The benchmark U.S. Treasury rate declined from the time the Treasury lock was entered into until the time the 2027 Senior Notes were priced, and the Treasury lock was net settled for cash at a loss of $0.7 million. The Treasury lock was determined to be a highly effective cash flow hedge and the entire $0.7 million loss, net of the associated deferred tax benefit of $0.3 million, was recorded in other comprehensive income (loss), net of tax. During the three months ended April 30, 2018 and 2017, the Company reclassified $17,000 and $3,000, respectively, of this deferred loss into interest expense. During the six months ended April 30, 2018 and 2017, the Company reclassified $34,000 and $3,000, respectively, of this deferred loss into interest expense. The Company will reclassify the remaining $0.6 million of unamortized loss as of April 30, 2018 to earnings as a component of interest expense over the remaining term of the debt. During the next twelve months, the Company expects to reclassify approximately $68,000 of the loss into interest expense.

In fiscal 2013, the Company entered into a forward-starting interest rate swap in connection with the offering of its 3.625 percent unsecured senior notes due June 15, 2023 (2023 Senior Notes) and recorded the unamortized gain on the swap in other comprehensive income (loss), net of tax. The Company reclassified $50,000 and $0.1 million of the deferred gain into interest expense during both the three and six months ended April 30, 2018 and 2017, respectively, and will reclassify the remaining $1.0 million of unamortized gain as of April 30, 2018 to earnings as a component of interest expense over the remaining term of the debt. During the next twelve months, the Company expects to reclassify approximately $0.2 million of the gain into interest expense.

Other derivative financial instruments not designated for hedge accounting

The Company utilizes stock index futures contracts, total return swap contracts, foreign exchange contracts, commodity futures contracts, currency futures contracts and interest rate futures contracts to hedge the market and currency risks associated with its investments in certain consolidated seed investments.

The Company was a party to the following derivative financial instruments at April 30, 2018 and October 31, 2017:

	April 30, 2018		October 31, 2017	
	Number of Contracts	**Notional Value** (***in millions***)	Number of Contracts	**Notional Value** (***in millions***)
Stock index futures contracts	1,411	$ 117.8	1,470	$ 118.1
Total return swap contracts	3	$ 106.5	2	$ 50.2
Foreign exchange contracts	20	$ 19.4	31	$ 28.1
Commodity futures contracts	183	$ 10.1	213	$ 10.2
Currency futures contracts	143	$ 14.4	131	$ 14.5
Interest rate futures contracts	121	$ 24.4	134	$ 25.6

The Company has not designated any of these derivative contracts as hedging instruments for accounting purposes. The derivative contracts outstanding, and the notional values they represent at April 30, 2018 and October 31, 2017, are representative of derivative balances throughout each respective period.

The Company has not elected to offset fair value amounts related to derivative instruments executed with the same counterparty under master netting arrangements; as a result, the Company records all derivative financial instruments as either other assets or other liabilities, gross, on its Consolidated Balance Sheets and measures them at fair value. The following tables present the fair value of derivative financial instruments not designated for hedge accounting and how they are reflected in the Company's Consolidated Financial Statements as of April 30, 2018 and October 31, 2017:

	April 30, 2018		October 31, 2017	
(in thousands)	Other Assets	Other Liabilities	Other Assets	Other Liabilities
Stock index futures contracts	$1,756	$ 849	$330	$ 3,021

Total return swap contracts	-	1,579	-	570
Foreign exchange contracts	239	172	650	60
Commodity futures contracts	130	84	63	120
Currency futures contracts	185	165	327	178
Interest rate futures contracts	40	138	48	226
Total	$2,350	$ 2,987	$1,418	$ 4,175

Changes in the fair value of derivative contracts are recognized in gains (losses) and other investment income, net (see Note 13). The Company recognized the following net gains (losses) on derivative financial instruments for the three and six months ended April 30, 2018 and 2017:

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	Three Months Ended April 30,		Six Months Ended April 30,	
(in thousands)	2018	2017	2018	2017
Stock index futures contracts	$ 5,719	$ (7,097)	$ (1,937)	$ (13,030)
Total return swap contracts	(364)	(1,011)	(990)	(1,975)
Foreign exchange contracts	270	(369)	(629)	(397)
Commodity futures contracts	(317)	(2)	(720)	(2)
Currency futures contracts	89	(10)	3	(10)
Interest rate futures contracts	(103)	-	(18)	-
Total	$ 5,294	$ (8,489)	$ (4,291)	$ (15,414)

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

5. Variable Interest Entities

Investments in VIEs that are consolidated

Consolidated sponsored funds

The Company invests in investment companies that meet the definition of a VIE. Disclosure regarding such consolidated sponsored funds is included in Note 2.

Consolidated CLO entities

As of April 30, 2018 and October 31, 2017, the Company deems itself to be the primary beneficiary of one non-recourse CLO entity, namely, Eaton Vance CLO 2017-1 (CLO 2017-1), a warehousing phase CLO entity.

Eaton Vance CLO 2017-1 (CLO 2017-1)

The Company established CLO 2017-1 on August 24, 2017. CLO 2017-1 was in the warehousing phase as of April 30, 2018 and October 31, 2017. The Company contributed $18.8 million in capital at the inception of the entity and concurrently entered into a credit facility agreement with a third-party lender to provide CLO 2017-1 with a $160.0 million non-recourse revolving line of credit. The credit facility agreement requires the Company to maintain certain levels of contributed capital relative to the total outstanding borrowings under the line of credit. During the second quarter of fiscal 2018, the Company made an additional capital contribution of $6.2 million in order to increase the level of funding available for borrowing under the line of credit. At April 30, 2018 and October 31, 2017, $89.7

million and $12.6 million, respectively, was outstanding under this revolving line of credit. As collateral manager, the Company has the unilateral ability to liquidate CLO 2017-1 without cause, a right that, by definition, provides the Company with the power to direct the activities that most significantly impact the economic performance of the entity. The Company’s investment in CLO 2017-1 serves as first-loss protection to the third-party lender and provides the Company with an obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the entity. Accordingly, the Company deems itself to be the primary beneficiary of CLO 2017-1 from establishment of the warehouse on August 24, 2017.

During the warehouse phase, the Company, acting as collateral manager and subject to the approval of the third-party lender, intends to use its capital contributions along with the proceeds from the revolving line of credit to accumulate a portfolio of commercial bank loan investments in open market purchases in an amount sufficient for eventual securitization. The Company has no right to receive the benefits from,

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nor does the Company bear the risks associated with, the commercial bank loan investments held by CLO 2017-1 beyond the Company's capital contributions. In the event of default, recourse to the Company is limited to its investment in the warehouse. The Company does not earn any collateral management fees from CLO 2017-1 during the warehousing phase. The Company will be the collateral manager of the CLO entity during the securitization phase.

The size of the non-recourse revolving line of credit can be increased subject to the occurrence of certain events and the mutual consent of the parties. The line of credit is secured by all of the commercial bank loan investments in CLO 2017-1 and initially bears interest at a rate of daily LIBOR plus 1.25 percent per annum (with such interest rate, upon completion of the initial twelve-month warehousing period, increasing to daily LIBOR plus 2.0 percent per annum). The third-party lender does not have any recourse to the Company's general credit.

The Company's total capital contributions of $25.0 million to CLO 2017-1 were eliminated in consolidation. Upon consolidation, the Company irrevocably elected to subsequently measure the commercial bank loan investments at fair value using the fair value option.

The following table presents, as of April 30, 2018, the fair value of CLO 2017-1's assets that are subject to fair value accounting:

April 30, 2018	CLO Bank Loan Investments	
(in thousands)	Total CLO Bank Loan Investments	90 Days or More Past Due
Unpaid principal balance	$ 132,782	$ -
Unpaid principal balance over fair value	1,085	-
Fair value	$ 133,867	$ -

As of October 31, 2017, the unpaid principal balance of the commercial bank loan investments approximated fair value, and there were no unpaid principal balances of such loans that were 90 days or more past due or in non-accrual status. Disclosure of the fair value of bank loan investments at April 30, 2018 and October 31, 2017, is included in Note 6.

The Company did not elect the fair value option for amounts outstanding under the revolving line of credit upon the initial consolidation of CLO 2017-1 as these liabilities are temporary in nature. Disclosure of the fair value of amounts outstanding under the revolving line of credit is included in Note 7. If the Company determines it is the primary beneficiary of CLO 2017-1 during the securitization phase, the Company intends to irrevocably elect the fair value option for the note obligations of CLO 2017-1 upon their issuance, mitigating any potential accounting mismatches between the carrying value of the note obligations to be issued during the securitization phase and the carrying value of the commercial bank loan investments held to provide the cash flows for those note obligations.

Changes in the fair values of CLO 2017-1's bank loan investments resulted in net gains of $0.2 million and $1.1 million for the three and six months ended April 30, 2018, respectively. These amounts are recorded in gains and other investment income, net, of consolidated CLO entity on the Company's Consolidated Statements of Income. For the three and six months ended April 30, 2018, the Company recorded net income of $0.8 million and $2.4 million, respectively, related to CLO 2017-1, all of which was recorded as net income attributable to Eaton Vance Corp. shareholders.

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

On November 1, 2017, the Company purchased 100 percent of the equity interests in CLO 2015-1 for $26.7 million and reconsidered whether it was the primary beneficiary of CLO 2015-1 as of that date. As collateral manager, the Company had the power to direct the activities that most significantly impact the economic performance of the entity. The Company's newly acquired equity interest provided it with an obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the entity. Accordingly, the Company deemed itself to be the primary beneficiary of CLO 2015-1 as of November 1, 2017. On December 8, 2017, the Company sold 95 percent of its equity interest in CLO 2015-1 for $24.7 million and recognized a loss on disposal of $0.6 million, which is included in gains and other investment income, net, on the Company's Consolidated Statement of Income for the six months ended April 30, 2018. The transaction settled on December 22, 2017. Although the Company continues to serve as collateral manager of the entity, and therefore has the power to direct the activities that most significantly impact the economic performance of the entity, the Company determined that it no longer has an obligation to absorb losses of, or the right to receive benefits that could potentially be significant to CLO 2015-1. As a result, the Company concluded that it is no longer the primary beneficiary and therefore deconsolidated CLO 2015-1 during the first quarter of fiscal 2018.

On April 13, 2018, the Company sold certain of its investments in the senior debt tranches of CLO 2015-1 with an aggregate par value of $6.7 million and received total proceeds of $6.6 million from the sale, consisting of principal and accrued interest. The Company recognized a loss of $0.1 million on the sale, which is included in gains and other investment income, net on the Company's Consolidated Statements of Income for the three and six months ended April 30, 2018. The Company maintains its remaining 5 percent equity interest in CLO 2015-1 as an investment in non-consolidated CLO entities. In addition to the 5 percent equity interest, the Company holds $12.3 million in senior debt of the CLO, resulting in a total investment of $13.6 million in CLO 2015-1 as of April 30, 2018.

Investments in VIEs that are not consolidated

Sponsored funds

The Company classifies its investments in certain sponsored funds that are considered VIEs as available-for-sale investments when it is not considered the primary beneficiary of these VIEs (generally when the Company owns less than 10 percent of the fund). The Company provides aggregated disclosures with respect to these non-consolidated sponsored fund VIEs in Note 3.

Non-consolidated CLO entities

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

The Company's maximum exposure to losses with respect to these managed CLO entities is limited to the carrying value of its investments in, and collateral management fees receivable from, these entities as of April 30, 2018. Additional information regarding the Company's investments in non-consolidated CLO entities is included in Note 3. Collateral management fees receivable for these entities totaled $0.2 million and $0.4 million on April 30, 2018 and October 31, 2017, respectively. Investors in these CLO entities have no recourse against the Company for any losses sustained in the CLO structures. The Company did not provide any financial or other support to these entities that it was not previously contractually required to provide in any of the periods presented. Income from these entities is recorded as a component of gains (losses) and other investment income, net, in the Company's Consolidated Statements of Income, based upon projected investment yields.

Other entities

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain sponsored privately offered equity funds with total assets of $20.1 billion and $18.1 billion on April 30, 2018 and October 31, 2017, respectively. The Company's variable interests in these entities consist of the Company's direct ownership therein, which in each case is insignificant relative to the total ownership of the fund, and any investment advisory fees earned but uncollected. The Company held investments in these entities totaling $2.9 million and $2.7 million on April 30, 2018 and October 31, 2017, respectively, and investment advisory fees receivable totaling $1.2 million and $1.1 million on April 30, 2018 and October 31, 2017, respectively. The Company did not provide any financial or other support to these entities that it was not contractually required to provide in any of the periods presented. The Company's risk of loss with respect to these managed entities is limited to the carrying value of its investments in, and investment advisory fees receivable from, the entities as of April 30, 2018. The Company does not consolidate these VIEs because it does not have the obligation to absorb losses of the VIE's that could potentially be significant to the VIEs or right to receive benefits that could potentially be significant to the VIE.

The Company's investments in privately offered equity funds are carried at fair value and included in investment securities, available-for-sale, which are disclosed as a component of investments in Note 3. The Company records any change in fair value, net of tax, in other comprehensive income (loss).

The Company also holds a variable interest in, but is not deemed to be the primary beneficiary of, a private equity partnership managed by a third party that invests in companies in the financial services industry. The Company's variable interest in this entity consists of the Company's direct ownership in the private equity partnership, equal to $3.6 million and $2.9 million at April 30, 2018 and October 31, 2017, respectively. The Company did not provide any financial or other support to this entity. The Company's risk of loss with respect to the private equity partnership is limited to the carrying value of its investment in the entity as of April 30, 2018. The Company does not consolidate this VIE because the Company does not hold the power to direct the activities that most significantly impact the VIE.

The Company's investment in the private equity partnership is accounted for as an equity method investment and disclosures related to this entity are included in Note 3 under the heading investments in equity method investees.

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

The following tables summarize financial assets and liabilities measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy at April 30, 2018 and October 31, 2017:

April 30, 2018

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Financial assets:					
Cash equivalents	$22,848	$179,778	$ -	$ -	$202,626
Investments:					
Investment securities, trading:					
Short-term debt securities	-	279,723	-	-	279,723
Other debt securities	14,826	374,404	-	-	389,230
Equity securities	143,910	72,788	-	-	216,698
Investment securities, available-for-sale	9,450	14,447	-	-	23,897
Investments in non-consolidated CLO entities(1)	-	-	-	16,049	16,049
Investments in equity method investees(2)	-	-	-	145,889	145,889
Investments, other(3)	-	189	-	18,685	18,874
Derivative instruments	-	2,350	-	-	2,350
Assets of consolidated CLO entity:					
Bank loan investments	-	133,867	-	-	133,867
Total financial assets	$191,034	$1,057,546	$ -	$ 180,623	$1,429,203
Financial liabilities:					
Derivative instruments	$-	$2,987	$ -	$ -	$2,987
Total financial liabilities	$-	$2,987	$ -	$ -	$2,987

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October 31, 2017

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Financial assets:					
Cash equivalents	$24,811	$97,571	$ -	$-	$122,382
Investments:					
Investment securities, trading:					
Short-term debt securities	-	213,537	-	-	213,537
Other debt securities	17,255	296,096	-	-	313,351
Equity securities	125,689	55,799	-	-	181,488
Investment securities, available-for-sale	8,938	13,527	-	-	22,465
Investments in non-consolidated CLO entities[(1)]	-	-	-	3,609	3,609
Investments in equity method investees[(2)]	-	-	-	144,911	144,911
Investments, other[(3)]	-	146	-	18,685	18,831
Derivative instruments	-	1,418	-	-	1,418
Assets of consolidated CLO entity:					
Bank loan investments	-	31,348	-	-	31,348
Total financial assets	$176,693	$709,442	$ -	$167,205	$1,053,340
Financial liabilities:					
Derivative instruments	$-	$4,175	$ -	$-	$4,175
Total financial liabilities	$-	$4,175	$ -	$-	$4,175

(1) *Investments in non-consolidated CLO entities are carried at amortized cost unless facts or circumstances indicate that the investments have been impaired, at which time the investments are written down to fair value as measured using level 3 inputs. During the three and six months ended April 30, 2018, the Company recognized $0.2 million of other-than-temporary impairment losses related to its investments in non-consolidated CLO entities. The Company did not recognize any impairment losses on investments in non-consolidated CLO entities during the three and six months ended April 30,2017.*

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

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

Valuation methodologies

Cash equivalents

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

Investment securities, trading – short-term debt

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

Investment securities, trading – other debt

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

Investment securities, trading – equity

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

Investment securities, available-for-sale

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

Derivative instruments

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

Assets of consolidated CLO entity

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

Transfers in and out of Levels

The following table summarizes fair value transfers between Level 1 and Level 2 of the fair value measurement hierarchy for the three and six months ended April 30, 2018 and 2017:

	Three Months Ended April 30,		Six Months Ended April 30,	
(in thousands)	2018	2017	2018	2017
Transfers from Level 1 into Level 2[(1)]	$ 26	$ 48	$ 1	$ 457
Transfers from Level 2 into Level 1[(2)]	5	42	5	47

(1) *Transfers from Level 1 into Level 2 represent securities for which unadjusted quoted market prices in active markets became unavailable.*

(2) *Transfers from Level 2 into Level 1 represent securities for which unadjusted quoted market prices in active markets became available.*

Level 3 assets and liabilities

The Company did not hold any assets or liabilities valued on a recurring basis and classified as Level 3 within the fair value measurement hierarchy during the three and six months ended April 30, 2018 or 2017.

7. Fair Value Measurements of Other Financial Instruments

Certain financial instruments are not carried at fair value, but their fair value is required to be disclosed. The following is a summary of the carrying amounts and estimated fair values of these financial instruments at April 30, 2018 and October 31, 2017:

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(in thousands)	April 30, 2018 Carrying Value	Fair Value	Fair Value Level	October 31, 2017 Carrying Value	Fair Value	Fair Value Level
Loan to affiliate	$5,000	$5,000	3	$5,000	$5,000	3
Investments, other	$18,695	$18,695	3	$18,685	$18,685	3
Other assets	$-	$-	-	$6,440	$6,440	3
Debt	$619,261	$618,149	2	$618,843	$644,454	2
Consolidated CLO entity line of credit	$89,686	$89,686	2	$12,598	$12,598	2

As discussed in Note 19, on December 23, 2015, Eaton Vance Management Canada Ltd. (EVMC), a wholly owned subsidiary of the Company, loaned $5.0 million to Hexavest under a term loan agreement to seed a new investment strategy. The carrying value of the loan approximates fair value. The fair value is determined annually using a cash flow model that projects future cash flows based upon contractual obligations, to which the Company then applies an appropriate discount rate.