

Eaton Vance Short Duration Diversified Income Fund  
Form N-Q  
September 26, 2012

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

**811-21563**

**Investment Company Act File Number**

**Eaton Vance Short Duration Diversified Income Fund**

(Exact Name of Registrant as Specified in Charter)

Two International Place, Boston, Massachusetts 02110

(Address of Principal Executive Offices)

Maureen A. Gemma

Two International Place, Boston, Massachusetts 02110

(Name and Address of Agent for Services)

(617) 482-8260

(Registrant's Telephone Number, Including Area Code)

October 31

Date of Fiscal Year End

July 31, 2012

Date of Reporting Period

**Item 1. Schedule of Investments**

## Eaton Vance

## Short Duration Diversified Income Fund

July 31, 2012

## CONSOLIDATED PORTFOLIO OF INVESTMENTS (Unaudited)

Senior Floating-Rate Interests 47.1%

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Aerospace and Defense 0.5%</b>		
<b>Booz Allen Hamilton Inc.</b>		
Term Loan, Maturing July 31, 2019 <sup>(2)</sup>	175	\$ 173,250
<b>DAE Aviation Holdings, Inc.</b>		
Term Loan, 5.45%, Maturing July 31, 2014	109	109,247
Term Loan, 5.45%, Maturing July 31, 2014	115	114,894
<b>Sequa Corporation</b>		
Term Loan, 3.72%, Maturing December 3, 2014	397	391,968
<b>TASC, Inc.</b>		
Term Loan, 4.50%, Maturing December 18, 2015	296	293,324
<b>Transdigm, Inc.</b>		
Term Loan, 4.00%, Maturing February 14, 2017	149	149,623
Term Loan, 4.00%, Maturing February 14, 2017	443	444,705
		<b>\$ 1,677,011</b>
<b>Air Transport 0.2%</b>		
<b>Orbitz Worldwide Inc.</b>		
Term Loan, 3.25%, Maturing July 25, 2014	712	\$ 684,888
		<b>\$ 684,888</b>
<b>Automotive 2.4%</b>		
<b>Allison Transmission, Inc.</b>		
Term Loan, 2.75%, Maturing August 7, 2014	705	\$ 703,604
<b>Autoparts Holdings Limited</b>		
Term Loan, 6.50%, Maturing July 28, 2017	298	290,661
<b>Chrysler Group LLC</b>		
Term Loan, 6.00%, Maturing May 24, 2017	1,387	1,411,297
<b>Delphi Corporation</b>		
Term Loan, 3.50%, Maturing March 31, 2017	366	367,188
<b>Federal-Mogul Corporation</b>		
Term Loan, 2.18%, Maturing December 29, 2014	932	888,344
Term Loan, 2.19%, Maturing December 28, 2015	550	524,532
<b>Goodyear Tire &amp; Rubber Company (The)</b>		
Term Loan - Second Lien, 4.75%, Maturing April 30, 2019	1,150	1,139,075
<b>HHI Holdings LLC</b>		
Term Loan, 7.00%, Maturing March 21, 2017	499	501,232
<b>Metaldyne Company LLC</b>		
Term Loan, 5.25%, Maturing May 18, 2017	791	791,742
<b>SRAM, LLC</b>		
Term Loan, 4.78%, Maturing June 7, 2018	208	208,087

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<b>Tomkins LLC</b>		
Term Loan, 4.25%, Maturing September 29, 2016	403	404,395
<b>Veyance Technologies, Inc.</b>		
Term Loan, 2.50%, Maturing July 31, 2014	84	80,966
Term Loan, 2.50%, Maturing July 31, 2014	583	565,279
Term Loan - Second Lien, 6.00%, Maturing July 31, 2015	200	187,000
		<b>\$ 8,063,402</b>

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Building and Development 0.3%</b>		
<b>Goodman Global Inc.</b>		
Term Loan, 5.75%, Maturing October 28, 2016	349	\$ 350,152
<b>Panolam Industries International, Inc.</b>		
Term Loan, 8.25%, Maturing December 31, 2013	101	99,874
<b>Preferred Proppants, LLC</b>		
Term Loan, 7.50%, Maturing December 15, 2016	124	117,534
<b>RE/MAX International, Inc.</b>		
Term Loan, 5.50%, Maturing April 15, 2016	397	397,058
		\$ 964,618
<b>Business Equipment and Services 3.9%</b>		
<b>ACCO Brands Corporation</b>		
Term Loan, 4.25%, Maturing April 30, 2019	100	\$ 99,873
<b>Acosta, Inc.</b>		
Term Loan, 5.75%, Maturing March 1, 2018	125	125,311
Term Loan, 5.75%, Maturing March 1, 2018	245	245,546
<b>Axiom Corporation</b>		
Term Loan, 3.43%, Maturing March 15, 2015	255	257,769
<b>Advantage Sales &amp; Marketing, Inc.</b>		
Term Loan, 5.25%, Maturing December 18, 2017	369	368,636
<b>Affinion Group, Inc.</b>		
Term Loan, 5.00%, Maturing July 15, 2015	1,028	903,677
<b>Altegrity, Inc.</b>		
Term Loan, 3.00%, Maturing February 21, 2015	365	346,145
<b>Brand Energy &amp; Infrastructure Services, Inc.</b>		
Term Loan, 3.73%, Maturing February 7, 2014	183	173,332
<b>Brickman Group Holdings Inc.</b>		
Term Loan, 5.50%, Maturing October 14, 2016	289	290,478
<b>ClientLogic Corporation</b>		
Term Loan, 7.21%, Maturing January 30, 2017	165	152,931
<b>Education Management LLC</b>		
Term Loan, 4.50%, Maturing June 1, 2016	249	212,392
Term Loan, 8.25%, Maturing March 29, 2018	374	358,558
<b>EIG Investors Corp.</b>		
Term Loan, 7.75%, Maturing April 20, 2018	350	349,563
<b>Expert Global Solutions, Inc.</b>		
Term Loan, 8.00%, Maturing April 3, 2018	349	350,725
<b>Genesys Telecom Holdings, U.S., Inc.</b>		
Term Loan, 6.75%, Maturing January 31, 2019	125	125,623
<b>Go Daddy Operating Company, LLC</b>		
Term Loan, 5.50%, Maturing December 17, 2018	522	517,086
<b>KAR Auction Services, Inc.</b>		
Term Loan, 5.00%, Maturing May 19, 2017	569	572,766
<b>Language Line, LLC</b>		
Term Loan, 6.25%, Maturing June 20, 2016	421	417,470
<b>Mitchell International, Inc</b>		
Term Loan, 2.50%, Maturing March 28, 2014	178	175,476
<b>Monitronics International Inc</b>		
Term Loan, 5.50%, Maturing March 16, 2018	150	150,934
<b>Quintiles Transnational Corp.</b>		
Term Loan, 5.00%, Maturing June 8, 2018	842	843,335
<b>Sabre, Inc.</b>		
Term Loan, 2.25%, Maturing September 30, 2014	1,330	1,302,521
<b>Sensus USA Inc.</b>		

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Term Loan, 4.75%, Maturing May 9, 2017

123

123,515

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Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>SunGard Data Systems, Inc.</b>		
Term Loan, 3.93%, Maturing February 26, 2016	1,598	\$ 1,601,039
Term Loan, 4.00%, Maturing February 28, 2017	57	56,592
<b>Trans Union, LLC</b>		
Term Loan, Maturing February 12, 2018 <sup>(2)</sup>	1,000	1,008,750
<b>Travelport LLC</b>		
Term Loan, 5.06%, Maturing August 21, 2015	EUR 370	410,497
<b>West Corporation</b>		
Term Loan, 2.65%, Maturing October 24, 2013	139	139,393
Term Loan, 4.50%, Maturing July 15, 2016	337	336,871
Term Loan, 4.59%, Maturing July 15, 2016	960	958,417
		\$ 12,975,221
<b>Cable and Satellite Television 2.0%</b>		
<b>Atlantic Broadband Finance, LLC</b>		
Term Loan, 5.25%, Maturing April 4, 2019	225	\$ 226,406
Term Loan - Second Lien, 9.75%, Maturing October 4, 2019	200	210,000
<b>BBHI Acquisition LLC</b>		
Term Loan, 4.50%, Maturing December 14, 2017	222	222,826
<b>Cequel Communications, LLC</b>		
Term Loan, 4.00%, Maturing February 14, 2019	798	791,080
<b>Charter Communications Operating, LLC</b>		
Term Loan, 4.00%, Maturing May 15, 2019	499	498,909
<b>CSC Holdings, Inc.</b>		
Term Loan, 2.00%, Maturing March 29, 2016	1,436	1,429,145
<b>Lavena Holdings 4 GmbH</b>		
Term Loan, 2.95%, Maturing March 6, 2015	EUR 56	59,310
Term Loan, 3.32%, Maturing March 4, 2016	EUR 56	59,310
<b>MCC Iowa LLC</b>		
Term Loan, 1.95%, Maturing January 30, 2015	1,417	1,388,225
<b>UPC Broadband Holding B.V.</b>		
Term Loan, 4.13%, Maturing December 31, 2016	EUR 1,394	1,696,866
		\$ 6,582,077
<b>Chemicals and Plastics 1.8%</b>		
<b>Ashland, Inc.</b>		
Term Loan, 3.75%, Maturing August 23, 2018	397	\$ 399,058
<b>AZ Chem US Inc.</b>		
Term Loan, 7.25%, Maturing December 22, 2017	216	217,528
<b>Celanese U.S. Holdings LLC</b>		
Term Loan, 3.21%, Maturing October 31, 2016	401	403,030
<b>Huntsman International, LLC</b>		
Term Loan, 2.84%, Maturing April 19, 2017	1,532	1,522,464
<b>Ineos US Finance LLC</b>		
Term Loan, 6.50%, Maturing May 4, 2018	1,197	1,175,411
<b>MacDermid, Inc.</b>		
Term Loan, 2.36%, Maturing April 11, 2014	EUR 303	369,718
<b>Momentive Performance Materials Inc.</b>		
Term Loan, 3.75%, Maturing May 29, 2015	125	118,713
<b>Momentive Performance Materials USA Inc.</b>		
Term Loan, 3.75%, Maturing May 5, 2015	218	209,156
<b>Momentive Specialty Chemicals Inc.</b>		
Term Loan, 4.00%, Maturing May 5, 2015	349	340,669
Term Loan, 4.25%, Maturing May 5, 2015	149	145,899

**Styron S.A.R.L, LLC**

Term Loan, 6.08%, Maturing August 2, 2017

394

367,898

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Tronox Pigments (Netherlands) B.V.</b>		
Term Loan, 4.25%, Maturing February 8, 2018	32	\$ 31,596
Term Loan, 4.25%, Maturing February 8, 2018	118	115,795
<b>Univar Inc.</b>		
Term Loan, 5.00%, Maturing June 30, 2017	793	789,364
		<b>\$ 6,206,299</b>
<b>Clothing/Textiles 0.1%</b>		
<b>Ascena Retail Group, Inc.</b>		
Term Loan, 4.75%, Maturing June 14, 2018	125	\$ 125,286
<b>Wolverine Worldwide, Inc.</b>		
Term Loan, Maturing June 26, 2019 <sup>(2)</sup>	100	100,563
		<b>\$ 225,849</b>
<b>Conglomerates 1.2%</b>		
<b>Jarden Corporation</b>		
Term Loan, 3.25%, Maturing March 30, 2018	523	\$ 523,955
<b>Rexnord Corporation</b>		
Term Loan, 5.00%, Maturing April 2, 2018	970	977,862
<b>RGIS Services, LLC</b>		
Term Loan, 4.71%, Maturing October 18, 2016	754	734,996
Term Loan, 5.50%, Maturing October 18, 2017	274	272,941
<b>Rocket Software, Inc.</b>		
Term Loan, 7.00%, Maturing February 8, 2018	299	297,381
<b>Spectrum Brands, Inc.</b>		
Term Loan, 5.00%, Maturing June 17, 2016	498	500,780
<b>Walter Energy, Inc.</b>		
Term Loan, 4.00%, Maturing April 2, 2018	887	877,973
		<b>\$ 4,185,888</b>
<b>Containers and Glass Products 1.0%</b>		
<b>Berry Plastics Corporation</b>		
Term Loan, 2.25%, Maturing April 3, 2015	767	\$ 751,166
<b>BWAY Corporation</b>		
Term Loan, 4.50%, Maturing February 23, 2018	52	51,979
Term Loan, 4.50%, Maturing February 23, 2018	516	515,765
<b>Reynolds Group Holdings Inc.</b>		
Term Loan, 6.50%, Maturing February 9, 2018	967	977,933
Term Loan, 6.50%, Maturing August 9, 2018	540	546,908
<b>TricorBraun, Inc.</b>		
Term Loan, 5.50%, Maturing May 3, 2018	425	426,062
		<b>\$ 3,269,813</b>
<b>Cosmetics/Toiletries 0.2%</b>		
<b>Bausch &amp; Lomb, Inc.</b>		
Term Loan, 5.25%, Maturing May 17, 2019	600	\$ 601,275
		<b>\$ 601,275</b>
<b>Drugs 0.4%</b>		
<b>Aptalis Pharma, Inc.</b>		

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Term Loan, 5.50%, Maturing February 10, 2017	249	\$	243,970
Term Loan, 5.50%, Maturing February 10, 2017	249		245,946
<b>Capsugel Holdings US, Inc.</b>			
Term Loan, 5.25%, Maturing August 1, 2018	237		238,857

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Endo Pharmaceuticals Holdings Inc.</b>		
Term Loan, 4.00%, Maturing June 18, 2018	79	\$ 78,989
<b>Warner Chilcott Company, LLC</b>		
Term Loan, 4.25%, Maturing March 15, 2018	152	152,561
<b>Warner Chilcott Corporation</b>		
Term Loan, 4.25%, Maturing March 15, 2018	305	305,121
<b>WC Luxco S.a.r.l.</b>		
Term Loan, 4.25%, Maturing March 15, 2018	209	209,771
		<b>\$ 1,475,215</b>
<b>Electronics/Electrical 3.6%</b>		
<b>Aeroflex Incorporated</b>		
Term Loan, Maturing May 9, 2018 <sup>(2)</sup>	500	\$ 489,686
<b>Aspect Software, Inc.</b>		
Term Loan, 6.25%, Maturing May 6, 2016	347	344,429
<b>Attachmate Corporation</b>		
Term Loan, 7.25%, Maturing November 22, 2017	600	600,094
<b>CommScope, Inc.</b>		
Term Loan, 4.25%, Maturing January 12, 2018	1,941	1,942,918
<b>Dealer Computer Services, Inc.</b>		
Term Loan, 3.75%, Maturing April 20, 2018	344	343,436
<b>DG FastChannel, Inc.</b>		
Term Loan, 5.75%, Maturing July 26, 2018	282	280,285
<b>Eagle Parent, Inc.</b>		
Term Loan, 5.00%, Maturing May 16, 2018	520	517,411
<b>Edwards (Cayman Islands II) Limited</b>		
Term Loan, 5.50%, Maturing May 31, 2016	193	193,216
<b>Freescale Semiconductor, Inc.</b>		
Term Loan, 4.50%, Maturing December 1, 2016	933	879,107
<b>Lawson Software Inc.</b>		
Term Loan, 6.25%, Maturing April 5, 2018	898	907,429
<b>Magic Newco LLC</b>		
Term Loan, 7.25%, Maturing December 12, 2018	275	271,820
<b>Microsemi Corporation</b>		
Term Loan, 4.00%, Maturing February 2, 2018	287	285,605
<b>Nxp B.V.</b>		
Term Loan, 4.50%, Maturing March 3, 2017	543	537,694
Term Loan, 5.50%, Maturing March 3, 2017	199	199,079
Term Loan, 5.25%, Maturing March 19, 2019	299	298,876
<b>Open Solutions, Inc.</b>		
Term Loan, 2.58%, Maturing January 23, 2014	308	294,712
<b>Rovi Solutions Corporation</b>		
Term Loan, 4.00%, Maturing March 28, 2019	150	144,945
<b>Sensata Technologies Finance Company, LLC</b>		
Term Loan, 4.00%, Maturing May 11, 2018	693	692,673
<b>Serena Software, Inc.</b>		
Term Loan, 4.25%, Maturing March 10, 2016	1,185	1,158,337
<b>Shield Finance Co S.A.R.L.</b>		
Term Loan, 6.50%, Maturing May 10, 2019	200	200,000
<b>Sophia, L.P.</b>		
Term Loan, 6.25%, Maturing July 19, 2018	249	251,993
<b>SS&amp;C Technologies Inc.</b>		
Term Loan, 5.00%, Maturing June 7, 2019	26	25,733
Term Loan, 5.00%, Maturing June 7, 2019	249	248,909
<b>VeriFone Inc.</b>		

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Term Loan, 4.25%, Maturing December 28, 2018

498

499,055

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Web.com Group, Inc.</b>		
Term Loan, 7.00%, Maturing October 27, 2017	387	\$ 385,155
		<b>\$ 11,992,597</b>
<b>Equipment Leasing 0.2%</b>		
<b>Delos Aircraft Inc.</b>		
Term Loan, 4.75%, Maturing April 12, 2016	225	\$ 226,969
<b>Flying Fortress Inc.</b>		
Term Loan, 5.00%, Maturing June 30, 2017	600	604,500
		<b>\$ 831,469</b>
<b>Financial Intermediaries 1.8%</b>		
<b>Asset Acceptance Capital Corp.</b>		
Term Loan, 8.75%, Maturing November 14, 2017	244	\$ 244,969
<b>Citco III Limited</b>		
Term Loan, 5.50%, Maturing June 29, 2018	619	614,082
<b>First Data Corporation</b>		
Term Loan, 3.00%, Maturing September 24, 2014	1,000	971,563
<b>Harbourvest Partners, LLC</b>		
Term Loan, 6.25%, Maturing December 16, 2016	207	207,356
<b>LPL Holdings, Inc.</b>		
Term Loan, 2.75%, Maturing March 29, 2017	148	143,990
Term Loan, 4.00%, Maturing March 29, 2019	1,471	1,465,795
<b>Nuveen Investments, Inc.</b>		
Term Loan, 5.96%, Maturing May 12, 2017	1,019	1,015,051
Term Loan, 5.95%, Maturing May 13, 2017	231	230,101
<b>Oz Management LP</b>		
Term Loan, 1.75%, Maturing November 15, 2016	224	194,041
<b>RPI Finance Trust</b>		
Term Loan, 4.00%, Maturing May 9, 2018	667	668,011
Term Loan, 4.00%, Maturing November 9, 2018	299	299,500
<b>Vantiv, LLC</b>		
Term Loan, 3.75%, Maturing March 27, 2019	75	74,968
		<b>\$ 6,129,427</b>
<b>Food Products 1.4%</b>		
<b>Clearwater Seafoods Limited Partnership</b>		
Term Loan, 6.75%, Maturing June 6, 2018	200	\$ 199,875
<b>Del Monte Foods Company</b>		
Term Loan, 4.50%, Maturing March 8, 2018	1,198	1,180,465
<b>Dole Food Company Inc.</b>		
Term Loan, 5.04%, Maturing July 6, 2018	191	191,082
<b>High Liner Foods Incorporated</b>		
Term Loan, 7.00%, Maturing December 19, 2017	249	249,997
<b>JBS USA Holdings Inc.</b>		
Term Loan, 4.25%, Maturing May 25, 2018	995	985,025
<b>NBTY, Inc.</b>		
Term Loan, 4.25%, Maturing October 2, 2017	388	388,249
<b>Pierre Foods, Inc.</b>		
Term Loan, 7.00%, Maturing September 30, 2016	270	271,749
<b>Pinnacle Foods Finance LLC</b>		
Term Loan, 2.75%, Maturing April 2, 2014	1,017	1,016,224

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**Solvest Ltd.**

Term Loan, 5.02%, Maturing July 6, 2018	341	341,938
		\$ 4,824,604

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Food Service 2.3%</b>		
<b>Aramark Corporation</b>		
Term Loan, 3.50%, Maturing July 26, 2016	43	\$ 42,552
Term Loan, 3.50%, Maturing July 26, 2016	77	76,649
Term Loan, 3.50%, Maturing July 26, 2016	1,168	1,165,502
Term Loan, 3.65%, Maturing July 26, 2016	529	528,210
Term Loan, 4.27%, Maturing July 26, 2016	GBP 523	806,231
<b>Burger King Corporation</b>		
Term Loan, 4.50%, Maturing October 19, 2016	1,158	1,161,517
<b>DineEquity, Inc.</b>		
Term Loan, 4.27%, Maturing October 19, 2017	265	265,854
<b>Dunkin Brands, Inc.</b>		
Term Loan, 4.00%, Maturing November 23, 2017	536	534,337
<b>Landry s, Inc.</b>		
Term Loan, 6.50%, Maturing April 24, 2018	249	250,517
<b>OSI Restaurant Partners, LLC</b>		
Term Loan, 2.50%, Maturing June 14, 2013	63	62,267
Term Loan, 2.56%, Maturing June 14, 2014	622	616,098
<b>US Foods, Inc.</b>		
Term Loan, 5.75%, Maturing March 31, 2017	494	472,684
<b>Weight Watchers International, Inc.</b>		
Term Loan, 3.75%, Maturing March 15, 2019	1,267	1,265,896
<b>Wendy s International, Inc.</b>		
Term Loan, 4.75%, Maturing May 15, 2019	375	375,742
		<b>\$ 7,624,056</b>
<b>Food/Drug Retailers 1.7%</b>		
<b>Alliance Boots Holdings Limited</b>		
Term Loan, 3.11%, Maturing July 9, 2015	EUR 1,000	\$ 1,178,792
Term Loan, 3.54%, Maturing July 9, 2015	GBP 300	444,420
<b>General Nutrition Centers, Inc.</b>		
Term Loan, 4.25%, Maturing March 2, 2018	856	856,785
<b>Rite Aid Corporation</b>		
Term Loan, 2.00%, Maturing June 4, 2014	950	932,991
Term Loan, 4.50%, Maturing March 2, 2018	1,409	1,395,401
<b>Sprouts Farmers Markets Holdings, LLC</b>		
Term Loan, 6.00%, Maturing April 18, 2018	250	248,750
<b>Supervalu Inc.</b>		
Term Loan, 5.00%, Maturing April 28, 2018	642	639,511
		<b>\$ 5,696,650</b>
<b>Health Care 5.5%</b>		
<b>Alere, Inc.</b>		
Term Loan, 4.75%, Maturing June 30, 2017	771	\$ 770,443
<b>Aveta, Inc.</b>		
Term Loan, 8.50%, Maturing April 4, 2017	245	245,517
Term Loan, 8.50%, Maturing April 4, 2017	245	245,517
<b>Biomet Inc.</b>		
Term Loan, 3.37%, Maturing March 25, 2015	738	737,207
<b>Catalent Pharma Solutions Inc.</b>		
Term Loan, 4.25%, Maturing September 15, 2016	404	403,750
<b>Community Health Systems, Inc.</b>		
Term Loan, 2.58%, Maturing July 25, 2014	1,105	1,103,123
Term Loan, 3.97%, Maturing January 25, 2017	666	662,727



Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>DaVita, Inc.</b>		
Term Loan, 4.50%, Maturing October 20, 2016	640	\$ 642,851
<b>DJO Finance LLC</b>		
Term Loan, 5.25%, Maturing November 1, 2016	345	343,774
Term Loan, 6.25%, Maturing September 15, 2017	100	100,186
<b>Drumm Investors, LLC</b>		
Term Loan, 5.00%, Maturing May 4, 2018	297	286,721
<b>Emdeon, Inc.</b>		
Term Loan, 5.00%, Maturing November 2, 2018	150	150,233
<b>Emergency Medical Services Corporation</b>		
Term Loan, 5.25%, Maturing May 25, 2018	444	444,740
<b>Fenwal, Inc.</b>		
Term Loan, 2.72%, Maturing February 28, 2014	397	395,390
Term Loan, 2.72%, Maturing February 28, 2014	68	67,806
<b>Grifols Inc.</b>		
Term Loan, 4.50%, Maturing June 1, 2017	594	594,377
<b>HCA, Inc.</b>		
Term Loan, 3.71%, Maturing March 31, 2017	1,091	1,077,208
Term Loan, 3.50%, Maturing May 1, 2018	1,155	1,139,705
<b>Health Management Associates, Inc.</b>		
Term Loan, 4.50%, Maturing November 16, 2018	673	674,016
<b>Hologic Inc.</b>		
Term Loan, Maturing July 19, 2019 <sup>(2)</sup>	375	377,735
<b>Iasis Healthcare LLC</b>		
Term Loan, 5.00%, Maturing May 3, 2018	321	320,739
<b>inVentiv Health, Inc.</b>		
Term Loan, 6.50%, Maturing August 4, 2016	989	928,537
<b>Kindred Healthcare, Inc.</b>		
Term Loan, 5.25%, Maturing June 1, 2018	198	190,546
<b>Kinetic Concepts, Inc.</b>		
Term Loan, 7.00%, Maturing May 4, 2018	846	859,282
<b>Multiplan, Inc.</b>		
Term Loan, 4.75%, Maturing August 26, 2017	443	441,950
<b>MX USA, Inc.</b>		
Term Loan, 6.50%, Maturing April 28, 2017	100	99,251
<b>Onex Carestream Finance LP</b>		
Term Loan, 5.00%, Maturing February 25, 2017	247	239,232
<b>Pharmaceutical Product Development, Inc.</b>		
Term Loan, 6.25%, Maturing December 5, 2018	373	378,178
<b>Radnet Management, Inc.</b>		
Term Loan, 5.75%, Maturing April 6, 2016	244	243,153
<b>Select Medical Corporation</b>		
Term Loan, 5.50%, Maturing June 1, 2018	594	584,905
<b>Sheridan Holdings, Inc.</b>		
Term Loan, 6.00%, Maturing June 29, 2018	100	100,031
<b>Thomson Reuters (Healthcare) Inc.</b>		
Term Loan, 6.75%, Maturing June 6, 2019	275	276,203
<b>TriZetto Group, Inc. (The)</b>		
Term Loan, 4.75%, Maturing May 2, 2018	297	289,389
<b>Universal Health Services, Inc.</b>		
Term Loan, 3.75%, Maturing November 15, 2016	1,000	1,001,569
<b>Valeant Pharmaceuticals International, Inc.</b>		
Term Loan, 4.75%, Maturing February 13, 2019	150	150,638
Term Loan, 4.75%, Maturing February 13, 2019	250	250,938



Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Vanguard Health Holding Co II, LLC</b>		
Term Loan, 5.00%, Maturing January 29, 2016	735	\$ 733,982
<b>VWR Funding, Inc.</b>		
Term Loan, 2.75%, Maturing June 30, 2014	461	460,174
Term Loan, 4.50%, Maturing April 3, 2017	461	461,902
		<b>\$ 18,473,625</b>
<b>Home Furnishings 0.3%</b>		
<b>National Bedding Company LLC</b>		
Term Loan, 4.00%, Maturing November 28, 2013	962	\$ 963,553
<b>Oreck Corporation</b>		
Term Loan - Second Lien, 3.97%, Maturing March 19, 2016 <sup>(3)</sup>	85	75,960
		<b>\$ 1,039,513</b>
<b>Industrial Equipment 1.2%</b>		
<b>Colfax Corporation</b>		
Term Loan, 4.50%, Maturing January 11, 2019	1,246	\$ 1,249,697
<b>Generac Power Systems, Inc.</b>		
Term Loan, 6.25%, Maturing May 30, 2018	300	302,250
<b>Grede, LLC</b>		
Term Loan, 7.00%, Maturing April 3, 2017	325	325,406
<b>Husky Injection Molding Systems Ltd</b>		
Term Loan, 6.50%, Maturing June 29, 2018	466	468,443
<b>Kion Group GMBH</b>		
Term Loan, 4.24%, Maturing December 23, 2014	EUR 131	147,135
Term Loan, 3.65%, Maturing December 29, 2014	EUR 70	79,227
Term Loan, 4.15%, Maturing December 29, 2015	EUR 70	79,227
Term Loan, 4.15%, Maturing December 29, 2015	EUR 131	147,135
<b>Tank Intermediate Holding Corp.</b>		
Term Loan, 7.75%, Maturing June 28, 2019	200	197,500
<b>Terex Corporation</b>		
Term Loan, 5.50%, Maturing April 28, 2017	997	1,006,839
		<b>\$ 4,002,859</b>
<b>Insurance 1.7%</b>		
<b>Alliant Holdings I, Inc.</b>		
Term Loan, 3.46%, Maturing August 21, 2014	467	\$ 467,231
<b>AmWINS Group, Inc.</b>		
Term Loan, 5.75%, Maturing June 6, 2019	200	200,000
Term Loan - Second Lien, 9.25%, Maturing December 6, 2019	625	621,875
<b>Applied Systems, Inc</b>		
Term Loan, 5.50%, Maturing December 8, 2016	285	284,917
<b>Asurion LLC</b>		
Term Loan, 5.50%, Maturing May 24, 2018	2,138	2,135,906
Term Loan - Second Lien, 9.00%, Maturing May 24, 2019	100	104,080
<b>CCC Information Services, Inc.</b>		
Term Loan, 5.50%, Maturing November 11, 2015	239	238,977
<b>CNO Financial Group, Inc.</b>		
Term Loan, 6.25%, Maturing September 30, 2016	179	179,907
<b>Hub International Limited</b>		
Term Loan, 4.75%, Maturing June 13, 2017	689	689,851
<b>USI Holdings Corporation</b>		

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Term Loan, 2.75%, Maturing May 5, 2014

696

688,802

**\$ 5,611,546**

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Leisure Goods/Activities/Movies 2.6%</b>		
<b>Alpha D2 Limited</b>		
Term Loan, 5.75%, Maturing April 28, 2017	374	\$ 374,432
<b>AMC Entertainment, Inc.</b>		
Term Loan, 3.50%, Maturing December 15, 2016	1,913	1,911,050
<b>AMC Networks Inc.</b>		
Term Loan, 4.00%, Maturing December 31, 2018	272	271,513
<b>Bombardier Recreational Products, Inc.</b>		
Term Loan, 4.60%, Maturing June 28, 2016	516	515,591
<b>Cinemark USA, Inc.</b>		
Term Loan, 3.54%, Maturing April 29, 2016	965	966,835
<b>Clubcorp Club Operations, Inc.</b>		
Term Loan, 6.00%, Maturing November 30, 2016	496	498,393
<b>Live Nation Entertainment, Inc.</b>		
Term Loan, 4.50%, Maturing November 7, 2016	513	510,942
<b>Regal Cinemas, Inc.</b>		
Term Loan, 3.29%, Maturing August 23, 2017	1,207	1,201,912
<b>Revolution Studios Distribution Company, LLC</b>		
Term Loan, 4.00%, Maturing December 21, 2014 <sup>(3)</sup>	222	177,766
Term Loan - Second Lien, 7.25%, Maturing June 21, 2015 <sup>(3)</sup>	225	95,872
<b>SeaWorld Parks &amp; Entertainment, Inc.</b>		
Term Loan, 2.95%, Maturing February 17, 2016	240	238,615
Term Loan, 4.00%, Maturing August 17, 2017	352	351,217
<b>Six Flags Theme Parks, Inc.</b>		
Term Loan, 4.25%, Maturing December 20, 2018	900	899,508
<b>Town Sports International Inc.</b>		
Term Loan, 7.00%, Maturing May 11, 2018	180	182,526
<b>Zuffa LLC</b>		
Term Loan, 2.25%, Maturing June 19, 2015	475	461,146
		<b>\$ 8,657,318</b>
<b>Lodging and Casinos 1.1%</b>		
<b>Affinity Gaming, LLC</b>		
Term Loan, 5.50%, Maturing November 9, 2017	499	\$ 499,685
<b>Ameristar Casinos, Inc.</b>		
Term Loan, 4.00%, Maturing April 16, 2018	990	994,462
<b>Caesars Entertainment Operating Company</b>		
Term Loan, 5.50%, Maturing January 26, 2018	1,174	1,037,051
<b>Las Vegas Sands LLC</b>		
Term Loan, 2.84%, Maturing November 23, 2016	163	158,291
Term Loan, 2.84%, Maturing November 23, 2016	806	794,293
<b>Pinnacle Entertainment, Inc.</b>		
Term Loan, 4.00%, Maturing March 19, 2019	100	99,844
		<b>\$ 3,583,626</b>
<b>Nonferrous Metals/Minerals 0.5%</b>		
<b>Arch Coal Inc</b>		
Term Loan, 5.75%, Maturing May 16, 2018	475	\$ 469,211
<b>Fairmount Minerals LTD</b>		
Term Loan, 5.25%, Maturing March 15, 2017	535	532,477
<b>Noranda Aluminum Acquisition Corporation</b>		
Term Loan, 5.75%, Maturing February 24, 2019	175	175,545
<b>Novelis, Inc.</b>		
Term Loan, 4.00%, Maturing March 10, 2017	419	416,375

\$ 1,593,608

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Oil and Gas 1.2%</b>		
<b>Citgo Petroleum Corporation</b>		
Term Loan, 9.00%, Maturing June 23, 2017	564	\$ 570,896
<b>Crestwood Holdings LLC</b>		
Term Loan, 9.75%, Maturing March 26, 2018	200	202,667
<b>Energy Transfer Equity, L.P.</b>		
Term Loan, 3.75%, Maturing March 24, 2017	475	469,063
<b>Frac Tech International, LLC</b>		
Term Loan, 6.25%, Maturing May 6, 2016	404	350,783
<b>Gibson Energy ULC</b>		
Term Loan, 4.75%, Maturing June 15, 2018	449	451,680
<b>MEG Energy Corp.</b>		
Term Loan, 4.00%, Maturing March 16, 2018	248	248,931
<b>Obsidian Natural Gas Trust</b>		
Term Loan, 7.00%, Maturing November 2, 2015	1,029	1,034,364
<b>Sheridan Production Partners I, LLC</b>		
Term Loan, 6.50%, Maturing April 20, 2017	24	24,558
Term Loan, 6.50%, Maturing April 20, 2017	40	40,206
Term Loan, 6.50%, Maturing April 20, 2017	301	303,419
<b>Tervita Corporation</b>		
Term Loan, 3.25%, Maturing November 14, 2014	21	20,652
Term Loan, 3.25%, Maturing November 14, 2014	478	469,004
		<b>\$ 4,186,223</b>
<b>Publishing 1.5%</b>		
<b>Ascend Learning, Inc.</b>		
Term Loan, 5.75%, Maturing May 23, 2017	349	\$ 344,538
<b>Aster Zweite Beteiligungs GmbH</b>		
Term Loan, 5.95%, Maturing December 31, 2014	EUR 705	823,917
<b>Cengage Learning Acquisitions, Inc.</b>		
Term Loan, 2.50%, Maturing July 3, 2014	479	439,604
<b>GateHouse Media Operating, Inc.</b>		
Term Loan, 2.25%, Maturing August 28, 2014	306	100,847
Term Loan, 2.25%, Maturing August 28, 2014	728	239,775
<b>Getty Images, Inc.</b>		
Term Loan, 4.00%, Maturing November 2, 2015	95	95,381
Term Loan, 5.25%, Maturing November 7, 2016	1,154	1,159,697
<b>Interactive Data Corp</b>		
Term Loan, 4.50%, Maturing February 12, 2018	431	431,769
<b>Laureate Education, Inc.</b>		
Term Loan, 5.25%, Maturing August 15, 2018	1,184	1,139,502
<b>Medianews Group</b>		
Term Loan, 8.50%, Maturing March 19, 2014	30	29,448
<b>SGS International, Inc.</b>		
Term Loan, 3.75%, Maturing September 30, 2013	345	344,772
		<b>\$ 5,149,250</b>
<b>Radio and Television 1.0%</b>		
<b>Cumulus Media, Inc.</b>		
Term Loan, 5.75%, Maturing September 17, 2018	821	\$ 826,185
<b>Mission Broadcasting, Inc.</b>		
Term Loan, 5.00%, Maturing September 30, 2016	124	124,215
<b>Nexstar Broadcasting, Inc.</b>		
Term Loan, 5.00%, Maturing September 30, 2016	194	194,294

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**Tyrol Acquisitions 2 SAS**

Term Loan, 4.16%, Maturing January 29, 2016	EUR	252	267,296
Term Loan, 4.16%, Maturing January 29, 2016	EUR	252	267,296

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Univision Communications Inc.</b>		
Term Loan, 4.50%, Maturing March 31, 2017	1,456	\$ 1,398,945
<b>Weather Channel</b>		
Term Loan, 4.25%, Maturing February 13, 2017	263	264,454
		<b>\$ 3,342,685</b>
<b>Retailers (Except Food and Drug) 1.6%</b>		
<b>99 Cents Only Stores</b>		
Term Loan, 5.25%, Maturing January 11, 2019	247	\$ 247,987
<b>Evergreen Acqco 1 LP</b>		
Term Loan, 6.25%, Maturing July 9, 2019	125	126,250
<b>FTD, Inc.</b>		
Term Loan, 4.75%, Maturing June 11, 2018	186	184,737
<b>Harbor Freight Tools USA, Inc.</b>		
Term Loan, 5.50%, Maturing November 14, 2017	200	200,750
<b>J Crew Group, Inc.</b>		
Term Loan, 4.75%, Maturing March 7, 2018	346	342,438
<b>Jo-Ann Stores, Inc.</b>		
Term Loan, 4.75%, Maturing March 16, 2018	338	336,192
<b>Michaels Stores, Inc.</b>		
Term Loan, 5.00%, Maturing July 29, 2016	463	465,486
<b>National Vision, Inc.</b>		
Term Loan, Maturing August 10, 2018 <sup>(2)</sup>	150	147,750
<b>Neiman Marcus Group, Inc. (The)</b>		
Term Loan, 4.75%, Maturing May 16, 2018	1,600	1,591,218
<b>Petco Animal Supplies, Inc.</b>		
Term Loan, 4.50%, Maturing November 24, 2017	745	745,152
<b>Pilot Travel Centers, LLC</b>		
Term Loan, 4.25%, Maturing March 30, 2018	340	339,552
<b>ServiceMaster Company</b>		
Term Loan, 2.75%, Maturing July 24, 2014	44	44,213
Term Loan, 2.80%, Maturing July 24, 2014	446	443,991
<b>Visant Holding Corp.</b>		
Term Loan, 5.25%, Maturing December 22, 2016	259	252,412
		<b>\$ 5,468,128</b>
<b>Steel 0.1%</b>		
<b>JMC Steel Group, Inc.</b>		
Term Loan, 4.75%, Maturing April 3, 2017	148	\$ 148,496
<b>Waupaca Foundry, Inc.</b>		
Term Loan, 8.50%, Maturing June 29, 2017	125	126,094
<b>WireCo WorldGroup, Inc.</b>		
Term Loan, 6.00%, Maturing February 15, 2017	100	100,250
		<b>\$ 374,840</b>
<b>Surface Transport 0.7%</b>		
<b>Hertz Corporation (The)</b>		
Term Loan, 3.75%, Maturing March 9, 2018	1,437	\$ 1,428,745
<b>Swift Transportation Co. Inc.</b>		
Term Loan, 4.00%, Maturing December 21, 2016	438	439,141
Term Loan, 5.00%, Maturing December 21, 2017	344	346,852

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\$ 2,214,738

**Telecommunications 2.2%**

**Alaska Communications Systems Holdings, Inc.**

Term Loan, 5.50%, Maturing October 21, 2016	369	\$	337,055
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**Crown Castle International Corporation**

Term Loan, 4.00%, Maturing January 31, 2019	348		348,032
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**Eircom Finco S.a.r.l.**

Term Loan, 4.66%, Maturing September 30, 2017	EUR	617	561,111
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Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
<b>Intelsat Jackson Holdings S.A.</b>		
Term Loan, 5.25%, Maturing April 2, 2018	2,123	\$ 2,129,097
<b>IPC Systems, Inc.</b>		
Term Loan, 3.15%, Maturing May 31, 2014	GBP 234	358,342
<b>Macquarie UK Broadcast Limited</b>		
Term Loan, 3.06%, Maturing December 1, 2014	GBP 219	313,548
<b>MetroPCS Wireless, Inc.</b>		
Term Loan, 4.00%, Maturing March 16, 2018	1,433	1,427,276
<b>SBA Finance</b>		
Term Loan, 3.75%, Maturing June 29, 2018	173	173,142
<b>Syniverse Holdings, Inc.</b>		
Term Loan, 5.00%, Maturing April 23, 2019	350	349,563
<b>Telesat, LLC</b>		
Term Loan, 4.25%, Maturing March 28, 2019	675	673,554
<b>Windstream Corporation</b>		
Term Loan, 3.15%, Maturing December 17, 2015	834	832,648
		<b>\$ 7,503,368</b>

**Utilities 0.9%**

<b>AES Corporation</b>		
Term Loan, 4.25%, Maturing June 1, 2018	494	\$ 495,381
<b>Calpine Corporation</b>		
Term Loan, 4.50%, Maturing April 2, 2018	198	198,990
Term Loan, 4.50%, Maturing April 2, 2018	543	545,758
<b>LS Power Funding Corp.</b>		
Term Loan, 5.50%, Maturing June 28, 2019	225	224,437
<b>NRG Energy, Inc.</b>		
Term Loan, 4.00%, Maturing July 2, 2018	866	869,296
<b>Texas Competitive Electric Holdings Company, LLC</b>		
Term Loan, 4.75%, Maturing October 10, 2017	851	543,605
		<b>\$ 2,877,467</b>

<b>Total Senior Floating-Rate Interests (identified cost \$158,814,608)</b>		<b>\$ 158,089,153</b>
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**Collateralized Mortgage Obligations 9.4%**

Security	Principal Amount (000 s omitted)	Value
<b>Federal Home Loan Mortgage Corp.:</b>		
Series 2113, Class QG, 6.00%, 1/15/29	\$ 2,806	\$ 3,068,352
Series 2167, Class BZ, 7.00%, 6/15/29	1,691	1,809,646
Series 2182, Class ZB, 8.00%, 9/15/29	2,518	2,908,963
Series 2770, (Interest Only), Class SH, 6.851%, 3/15/34 <sup>(4)(5)</sup>	6,377	1,203,062
Series 3871, (Interest Only), Class MS, 6.951%, 6/15/41 <sup>(4)(5)</sup>	4,660	876,136
		<b>\$ 9,866,159</b>

**Federal National Mortgage Association:**

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Series 1989-89, Class H, 9.00%, 11/25/19	\$	94	\$	108,253
Series 1991-122, Class N, 7.50%, 9/25/21		340		387,278
Series 1993-84, Class M, 7.50%, 6/25/23		2,813		3,261,753
Series 1994-42, Class K, 6.50%, 4/25/24		909		1,029,838
Series 1997-28, Class ZA, 7.50%, 4/20/27		882		1,051,847
Series 1997-38, Class N, 8.00%, 5/20/27		779		936,690
Series 2006-42, (Interest Only), Class PI, 6.344%, 6/25/36 <sup>(4)(5)</sup>		9,103		1,492,303
Series 2006-44, (Interest Only), Class IS, 6.354%, 6/25/36 <sup>(4)(5)</sup>		7,758		1,221,417
Series 2006-72, (Interest Only), Class GI, 6.334%, 8/25/36 <sup>(4)(5)</sup>		13,620		2,202,291

	Principal Amount	
Security	(000 s omitted)	Value
Series 2008-29, (Interest Only), Class CI, 5.00%, 9/25/35 <sup>(5)</sup>	\$ 10,643	\$ 857,919
Series 2010-54, (Interest Only), Class EI, 6.00%, 6/25/40 <sup>(5)</sup>	7,785	1,294,516
Series 2010-109, (Interest Only), Class PS, 6.354%, 10/25/40 <sup>(4)(5)</sup>	17,999	2,501,385
Series 2010-147, (Interest Only), Class KS, 5.704%, 1/25/41 <sup>(4)(5)</sup>	16,455	2,530,873
Series 2010-150, (Interest Only), Class GS, 6.504%, 1/25/21 <sup>(4)(5)</sup>	12,895	1,779,401
Series G-33, Class PT, 7.00%, 10/25/21	986	1,092,521
		<b>\$ 21,748,285</b>

**Total Collateralized Mortgage Obligations**  
(identified cost \$29,360,136) **\$ 31,614,444**

**Commercial Mortgage-Backed Securities 2.7%**

	Principal Amount	
Security	(000 s omitted)	Value
CSFB, Series 2003-C3, Class D, 4.131%, 5/15/38	\$ 835	\$ 838,867
CSFB, Series 2004-C3, Class A5, 5.113%, 7/15/36 <sup>(6)</sup>	595	636,823
GCCFC, Series 2003-C1, Class D, 4.29%, 7/5/35 <sup>(7)</sup>	160	162,070
GECMC, Series 2004-C3, Class A4, 5.189%, 7/10/39 <sup>(6)</sup>	1,250	1,332,681
GSMS, Series 2004-GG2, Class A6, 5.396%, 8/10/38 <sup>(6)</sup>	1,250	1,342,773
JPMCC, Series 2010-C2, Class C, 5.528%, 11/15/43 <sup>(6)(7)</sup>	500	532,516
MLMT, Series 2004-BPC1, Class A4, 4.724%, 10/12/41 <sup>(6)</sup>	1,000	1,019,022
MSC, Series 2003-IQ6, Class A4, 4.97%, 12/15/41	500	522,472
RBSCF, Series 2010-MB1, Class C, 4.676%, 4/15/24 <sup>(6)(7)</sup>	675	702,257
WBCMT, Series 2004-C12, Class A4, 5.311%, 7/15/41 <sup>(6)</sup>	1,225	1,311,223
WFCM, Series 2010-C1, Class C, 5.587%, 11/15/43 <sup>(6)(7)</sup>	500	538,182

**Total Commercial Mortgage-Backed Securities**  
(identified cost \$8,092,591) **\$ 8,938,886**

**Mortgage Pass-Throughs 37.8%**

	Principal Amount	
Security	(000 s omitted)	Value
<b>Federal Home Loan Mortgage Corp.:</b>		
2.904%, with maturity at 2035 <sup>(8)</sup>	\$ 4,745	\$ 5,032,536
5.00%, with various maturities to 2023 <sup>(9)</sup>	6,093	6,573,334
6.00%, with various maturities to 2029	4,605	5,264,579
6.15%, with maturity at 2027	1,371	1,617,307
6.50%, with various maturities to 2032	14,075	16,207,986
7.00%, with various maturities to 2035	7,551	9,077,032
7.50%, with various maturities to 2035	3,463	4,153,681
8.00%, with various maturities to 2032	3,609	4,463,640
8.50%, with various maturities to 2031	3,933	4,925,759

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9.00%, with maturity at 2031	346	413,851
9.50%, with various maturities to 2022	242	281,245
11.50%, with maturity at 2019	246	264,061
		<b>\$ 58,275,011</b>

**Federal National Mortgage Association:**

5.50%, with various maturities to 2033	\$ 5,563	\$ 6,258,261
6.00%, with maturity at 2023	3,742	4,264,019
6.324%, with maturity at 2032 <sup>(8)</sup>	2,079	2,269,520
6.50%, with various maturities to 2036	10,677	12,202,317
7.00%, with various maturities to 2033	12,786	15,184,571

Security	Principal Amount	Value
	(000 s omitted)	
7.50%, with various maturities to 2031	\$ 8,371	\$ 10,169,339
8.00%, with various maturities to 2029	2,090	2,524,979
8.50%, with various maturities to 2027	501	604,157
9.00%, with various maturities to 2029	1,108	1,362,443
9.50%, with maturity at 2014	8	8,716
10.00%, with various maturities to 2031	821	960,223
		<b>\$ 55,808,545</b>

**Government National Mortgage Association:**

7.50%, with maturity at 2025	\$ 3,666	\$ 4,352,516
8.00%, with various maturities to 2027	4,206	5,286,306
9.00%, with various maturities to 2026	2,030	2,554,872
9.50%, with maturity at 2025	306	372,596
11.00%, with maturity at 2018	276	305,469
		<b>\$ 12,871,759</b>

<b>Total Mortgage Pass-Throughs (identified cost \$116,997,607)</b>		<b>\$ 126,955,315</b>
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**Asset-Backed Securities 0.1%**

Security	Principal Amount	Value
	(000 s omitted)	
Centurion CDO 9 Ltd., Series 2005-9A, Class D1, 5.205%, 7/17/19 <sup>(10)</sup>	\$ 500	\$ 400,206

<b>Total Asset-Backed Securities (identified cost \$500,000)</b>		<b>\$ 400,206</b>
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**Corporate Bonds & Notes 0.6%**

Security	Principal Amount	Value
	(000 s omitted)	
<b>Chemicals and Plastics 0.0%</b> <sup>(1)</sup>		
<b>Ineos Finance PLC, Sr. Notes</b>		
7.50%, 5/1/20 <sup>(7)</sup>	\$ 150	\$ 153,000
		<b>\$ 153,000</b>

**Home Furnishings 0.1%**

<b>Libbey Glass, Inc., Sr. Notes</b>		
6.875%, 5/15/20 <sup>(7)</sup>	\$ 150	\$ 159,000

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		\$	159,000
<b>Lodging and Casinos 0.1%</b>			
<b>Caesars Entertainment Operating Co., Inc., Sr. Notes</b>			
8.50%, 2/15/20 <sup>(7)</sup>	\$	350	\$ 352,187
			\$ 352,187
<b>Utilities 0.4%</b>			
<b>Calpine Corp., Sr. Notes</b>			
7.50%, 2/15/21 <sup>(7)</sup>	\$	575	\$ 642,563
7.875%, 1/15/23 <sup>(7)</sup>		675	771,187
			\$ 1,413,750
<b>Total Corporate Bonds &amp; Notes</b>			
<b>(identified cost \$1,900,000)</b>			\$ 2,077,937

**Foreign Corporate Bonds & Notes 0.8%**

Security	Principal Amount	Value
	(000 s omitted)	
<b>Chile 0.8%</b>		
JPMorgan Chilean Inflation Linked Note		
3.80%, 11/17/15 <sup>(12)</sup>	\$ 2,518	\$ 2,652,257
<b>Total Chile</b> (identified cost \$2,000,000)		<b>\$ 2,652,257</b>
<b>Total Foreign Corporate Bonds &amp; Notes</b> (identified cost \$2,000,000)		<b>\$ 2,652,257</b>

**Foreign Government Bonds 17.0%**

Security	Principal Amount	Value
	(000 s omitted)	
<b>Albania 0.4%</b>		
Republic of Albania, 7.50%, 11/4/15	EUR 1,000	\$ 1,174,724
<b>Total Albania</b>		<b>\$ 1,174,724</b>
<b>Bermuda 0.2%</b>		
Government of Bermuda, 5.603%, 7/20/20 <sup>(7)</sup>	USD 619	\$ 718,286
<b>Total Bermuda</b>		<b>\$ 718,286</b>
<b>Brazil 0.9%</b>		
Nota do Tesouro Nacional, 6.00%, 5/15/15 <sup>(12)</sup>	BRL 6,049	\$ 3,185,985
<b>Total Brazil</b>		<b>\$ 3,185,985</b>
<b>Congo 0.1%</b>		
Republic of Congo, 3.00%, 6/30/29 <sup>(13)</sup>	USD 403	\$ 321,233
<b>Total Congo</b>		<b>\$ 321,233</b>
<b>Cyprus 0.2%</b>		
Republic of Cyprus, 3.75%, 6/3/13	EUR 640	\$ 656,541
<b>Total Cyprus</b>		<b>\$ 656,541</b>
<b>Dominican Republic 1.0%</b>		
Dominican Republic Bonos Internos Total Return Linked Bond (Citibank NA), 13.00%, 2/25/13 <sup>(14)</sup>	DOP 31,000	\$ 795,888
Dominican Republic Bonos Internos Total Return Linked Bond (Citibank NA), 16.00%, 7/10/20 <sup>(14)</sup>	DOP 94,600	2,554,311

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<b>Total Dominican Republic</b>				<b>\$</b>	<b>3,350,199</b>
<b>Georgia 0.5%</b>					
Georgia Treasury Bond, 7.40%, 4/19/14	GEL	1,100	\$		669,802
Georgia Treasury Bond, 9.10%, 12/8/13	GEL	200			124,603
Georgia Treasury Bond, 9.80%, 4/26/17	GEL	217			142,164
Georgia Treasury Bond, 11.30%, 1/26/17	GEL	900			618,604
<b>Total Georgia</b>				<b>\$</b>	<b>1,555,173</b>
<b>Germany 0.9%</b>					
Bundesrepublik Deutschland, 4.75%, 7/4/34	EUR	1,700	\$		3,108,888
<b>Total Germany</b>				<b>\$</b>	<b>3,108,888</b>

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Security	Principal Amount	Value
	(000 s omitted)	
<b>Hungary 1.0%</b>		
National Bank of Hungary, 8.875%, 11/1/13	USD 370	\$ 382,384
Republic of Hungary, 3.50%, 7/18/16	EUR 437	486,766
Republic of Hungary, 4.375%, 7/4/17	EUR 1,532	1,701,942
Republic of Hungary, 4.50%, 1/29/14	EUR 537	658,808
<b>Total Hungary</b>		<b>\$ 3,229,900</b>
<b>Mexico 0.2%</b>		
Mexican Bonos, 7.00%, 6/19/14	MXN 9,645	\$ 759,507
<b>Total Mexico</b>		<b>\$ 759,507</b>
<b>New Zealand 1.5%</b>		
New Zealand Government Bond, 5.00%, 3/15/19	NZD 860	\$ 772,727
New Zealand Government Bond, 5.50%, 4/15/23	NZD 340	323,756
New Zealand Government Bond, 6.00%, 12/15/17	NZD 860	801,862
New Zealand Government Bond, 6.00%, 5/15/21	NZD 3,092	3,005,580
<b>Total New Zealand</b>		<b>\$ 4,903,925</b>
<b>Philippines 0.8%</b>		
Republic of the Philippines, 6.25%, 1/14/36	PHP 98,000	\$ 2,673,141
<b>Total Philippines</b>		<b>\$ 2,673,141</b>
<b>Romania 0.3%</b>		
Romania Government Bond, 6.75%, 2/7/22 <sup>(7)</sup>	USD 980	\$ 1,040,025
<b>Total Romania</b>		<b>\$ 1,040,025</b>
<b>Serbia 2.9%</b>		
Serbia Treasury Bill, 0.00%, 8/9/12	RSD 115,840	\$ 1,206,745
Serbia Treasury Bill, 0.00%, 9/6/12	RSD 171,270	1,765,588
Serbia Treasury Bill, 0.00%, 9/6/12	RSD 194,870	2,008,875
Serbia Treasury Bill, 0.00%, 11/22/12	RSD 223,410	2,237,423
Serbia Treasury Bill, 0.00%, 1/17/13	RSD 1,030	10,112
Serbia Treasury Bill, 0.00%, 3/28/13	RSD 24,850	237,513
Serbia Treasury Bill, 0.00%, 4/4/13	RSD 25,400	242,074
Serbia Treasury Bill, 0.00%, 4/11/13	RSD 18,870	179,322
Serbia Treasury Bill, 0.00%, 4/25/13	RSD 30,290	286,685
Serbia Treasury Bill, 0.00%, 11/8/13	RSD 76,000	667,868
Serbia Treasury Bill, 0.00%, 12/12/13	RSD 18,200	158,229
Serbia Treasury Bill, 0.00%, 3/13/14	RSD 32,560	274,536
Serbia Treasury Bond, 10.00%, 4/27/15	RSD 60,770	573,780
<b>Total Serbia</b>		<b>\$ 9,848,750</b>
<b>Sri Lanka 0.6%</b>		
Republic of Sri Lanka, 5.875%, 7/25/22 <sup>(7)</sup>	USD 970	\$ 983,860
Republic of Sri Lanka, 6.25%, 10/4/20 <sup>(13)</sup>	USD 390	407,550
Sri Lanka Government Bond, 8.50%, 1/15/13	LKR 57,840	431,201

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Sri Lanka Government Bond, 10.50%, 4/1/13	LKR	44,530		332,654
<b>Total Sri Lanka</b>			\$	<b>2,155,265</b>
<b>Turkey 2.9%</b>				
Turkey Government Bond, 0.00%, 8/8/12	TRY	1,124	\$	626,474
Turkey Government Bond, 0.00%, 11/7/12	TRY	9,145		4,993,599
Turkey Government Bond, 3.00%, 1/6/21 <sup>(12)</sup>	TRY	7,376		4,144,267
<b>Total Turkey</b>			\$	<b>9,764,340</b>

Security	Principal Amount		Value
	(000 s omitted)		
<b>Uruguay 1.2%</b>			
Monetary Regulation Bill, 0.00%, 8/15/13	UYU	12,600	\$ 536,592
Republic of Uruguay, 4.375%, 12/15/28 <sup>(12)</sup>	UYU	65,162	3,515,102
<b>Total Uruguay</b>			<b>\$ 4,051,694</b>
<b>Venezuela 1.4%</b>			
Bolivarian Republic of Venezuela, 7.00%, 3/31/38 <sup>(13)</sup>	USD	3,383	\$ 2,273,376
Bolivarian Republic of Venezuela, 9.25%, 5/7/28 <sup>(13)</sup>	USD	650	511,875
Bolivarian Republic of Venezuela, 11.75%, 10/21/26 <sup>(13)</sup>	USD	1,919	1,772,676
<b>Total Venezuela</b>			<b>\$ 4,557,927</b>
<b>Total Foreign Government Bonds</b> (identified cost \$58,678,986)			<b>\$ 57,055,503</b>

**Common Stocks 0.9%**

Security	Shares	Value
Affinity Gaming, LLC <sup>(15)(16)</sup>	23,498	\$ 266,311
Buffets Restaurants Holdings Inc. <sup>(3)(15)(16)</sup>	11,690	106,262
Dayco Products, LLC <sup>(15)(16)</sup>	8,898	302,532
Euramax International, Inc. <sup>(3)(15)(16)</sup>	234	70,110
Ion Media Networks, Inc. <sup>(3)(15)(16)</sup>	1,357	1,001,941
MediaNews Group, Inc. <sup>(3)(15)(16)</sup>	3,023	64,904
Metro-Goldwyn-Mayer Holdings, Inc. <sup>(3)(15)(16)</sup>	19,828	604,754
New Young Broadcasting Holding Co., Inc. <sup>(15)(16)</sup>	126	382,725
Oreck Corp. <sup>(3)(15)(16)</sup>	1,510	86,674
SuperMedia, Inc. <sup>(15)(16)</sup>	1,346	3,095
United Subcontractors, Inc. <sup>(3)(15)(16)</sup>	154	6,254
<b>Total Common Stocks</b> (identified cost \$1,672,397)		<b>\$ 2,895,562</b>

**Warrants 0.0%**

Security	Shares	Value
<b>Luxembourg 0.0%</b>		
ERC Luxembourg Holdings, Ltd., Expires 06/11/32 <sup>(3)(15)(16)</sup>	1,445	\$ 0
<b>Total Warrants</b> (identified cost \$0)		<b>\$ 0</b>

**Precious Metals 2.0%**

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Description	Troy Ounces	Value
Gold <sup>(15)</sup>	1,983	\$ 3,199,659
Platinum <sup>(15)</sup>	2,364	3,347,434
<b>Total Precious Metals (identified cost \$6,775,524)</b>		<b>\$ 6,547,093</b>

**Currency Call Options Purchased 0.0%**<sup>(1)</sup>

Counterparty	Principal Amount of Contracts (000 s omitted)	Strike Price	Expiration Date	Value
Bank of America	INR 104,383	INR 52.00	5/6/13	\$ 7,406
Bank of America	INR 95,413	INR 52.00	5/6/13	6,770
Bank of America	INR 104,500	INR 55.00	7/1/13	29,671
Barclays Bank PLC	INR 104,530	INR 52.00	5/6/13	7,417
Deutsche Bank	INR 82,700	INR 51.00	5/8/13	3,570
Goldman Sachs International	INR 95,900	INR 51.00	5/8/13	4,140
Goldman Sachs International	INR 82,500	INR 55.00	7/1/13	23,425
HSBC Bank USA	INR 100,700	INR 53.00	7/3/13	13,899
JPMorgan Chase Bank	INR 84,800	INR 53.00	7/3/13	11,704
Standard Chartered Bank	INR 86,600	INR 52.00	5/6/13	6,144
Standard Chartered Bank	INR 58,300	INR 53.00	7/3/13	8,047

**Call Options Purchased**  
**(215,821)** **\$ 122,193**

**Options Purchased 0.0%**<sup>(1)</sup>

Counterparty	Principal Amount of Contracts (000 s omitted)	Strike Price	Expiration Date	Value
Citibank NA	AUD 580	AUD 1.00	8/8/12	\$ 61
Citibank NA	AUD 580	AUD 1.00	8/8/12	61
Deutsche Bank	AUD 1,840	AUD 1.00	8/8/12	193
Goldman Sachs International	AUD 2,580	AUD 1.00	8/8/12	271
Barclays Bank PLC	CNH 11,603	CNH 6.50	5/20/13	12,066
enminbi Citibank NA	CNH 10,979	CNH 6.50	5/20/13	11,418
enminbi HSBC Bank USA	CNH 12,409	CNH 6.50	5/20/13	12,905
enminbi	CNH 10,394	CNH 6.50	5/20/13	10,809 &nbsp;>

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	Standard Chartered Bank					
ckford	3,500	\$ 38.68	2/9/2019	26,763 <sup>(10)</sup>	\$ 1,802,756	26,190 <sup>(11)</sup>
	1,042	\$ 29.95	2/19/2020			
	3,645	\$ 26.62	1/3/2021			
schak						16,715 <sup>(12)</sup>
es	2,871	\$ 34.82	1/2/2019	49,795 <sup>(13)</sup>	\$ 3,354,191	103,720 <sup>(14)</sup>
	2,605	\$ 32.80	1/4/2020			
	8,224	\$ 26.62	1/3/2021			
	2,604	\$ 27.46	1/28/2021			

(1) All option awards have vested and have a term of ten years.

(2) Information regarding potential acceleration of certain equity awards for the NEOs is provided under the heading Potential Payments Upon Termination or Change of Control below.

(3) Computed by multiplying the number of vested shares underlying an RSU or PRSU by \$67.36, the closing market price of our common stock on December 31, 2016.

(4) Represents RSUs granted subject to non-GAAP EPS performance hurdle that has been satisfied and certified, as follows: 41,993 RSUs granted on May 22, 2015, which are now subject to vesting in four equal annual installments beginning on February 1, 2016.

(5) Represents PRSUs granted subject to multi-year performance-based vesting requirements that have not yet been met, as follows: (i) 27,996 PRSUs subject to performance-based vesting requirements over fiscal years 2015-2017; (ii) 156,775 PRSUs subject to performance-based vesting requirements over fiscal years 2015-2019; (iii) 112,491 PRSUs subject to performance-based vesting requirements over fiscal years 2015-2020; and (iv) 30,005 PRSUs subject to performance-based vesting requirements over fiscal years 2016-2018. Also includes 60,010 RSUs granted on March 1, 2016 subject to a non-GAAP EPS performance hurdle for fiscal 2016. As of December 31, 2016, the performance hurdle had not yet been certified for these RSUs. Following certification of the performance hurdle, these RSUs are subject to vesting in full on March 1, 2019.

(6) Represents RSUs granted subject to non-GAAP EPS performance hurdles that have been satisfied and certified, as follows: (i) 4,397 RSUs granted on February 19, 2014, which are now subject to vesting in three equal annual installments beginning on February 1, 2015; and (ii) 7,980 RSUs granted on February 17, 2015, which are now subject to vesting in four equal annual installments beginning on February 1, 2016. Also includes 12,375 PRSUs granted on February 19, 2014; as the performance condition has been met for these PRSUs, these PRSUs are subject to vesting in two equal annual installments beginning on February 1, 2016.

(7) Represents PRSUs granted subject to multi-year performance-based vesting requirements that have not yet been met, as follows: (i) 5,321 PRSUs subject to performance-based vesting requirements over fiscal years 2015-2017; and (ii) 6,602 PRSUs subject to performance-based vesting requirements over fiscal years 2016-2018. Also includes 13,203 RSUs granted on March 1, 2016 subject to a non-GAAP EPS performance hurdle for fiscal 2016.

As of December 31, 2016, the

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performance hurdle had not yet been certified for these RSUs. Following certification of the performance hurdle, these RSUs are subject to vesting in full on March 1, 2019.

- (8) Represents (i) 12,936 RSUs granted on January 1, 2013, which are subject to vesting in four equal annual installments beginning on January 1, 2014; and (ii) 1,250 RSUs granted on July 1, 2013, which are subject to vesting in four equal annual installments beginning on March 1, 2014. Represents RSUs granted subject to non-GAAP EPS performance hurdles that have been satisfied and certified, as follows: (i) 4,122 RSUs granted on February 19, 2014, which are now subject to vesting in three equal annual installments beginning on February 1, 2015; and (ii) 7,980 RSUs granted on February 17, 2015, which are now subject to vesting in four equal annual installments beginning on February 1, 2016. Also includes 11,602 PRUs granted on February 19, 2014; as the performance condition has been met for these PRSUs, these PRSUs are subject to vesting in two equal annual installments beginning on February 1, 2016.
- (9) Represents PRSUs granted subject to multi-year performance-based vesting requirements that have not yet been met, as follows: (i) 5,321 PRSUs subject to performance-based vesting requirements over fiscal years 2015-2017; and (ii) 7,202 PRSUs that are subject to performance-based vesting requirements over fiscal years 2016-2018. Also includes 14,403 RSUs granted on March 1, 2016 subject to a non-GAAP EPS performance hurdle for fiscal 2016. As of December 31, 2016, the performance hurdle had not yet been certified for these RSUs. Following certification of the performance hurdle, these RSUs are subject to vesting in full on March 1, 2019.
- (10) Represents (i) 5,339 RSUs granted on February 26, 2013, which are subject to vesting in four equal annual installments beginning on February 1, 2014; and (ii) 11,848 RSUs granted on January 26, 2014, which are subject to vesting in four equal annual installments beginning on January 1, 2015. Represents RSUs granted subject to non-GAAP EPS performance hurdles that have been satisfied and certified, as follows: 9,576 RSUs granted on February 17, 2015, which are now subject to vesting in four equal annual installments beginning on February 1, 2016.
- (11) Represents PRSUs granted subject to multi-year performance-based vesting requirements that have not yet been met, as follows: (i) 6,385 PRSUs subject to performance-based vesting requirements over fiscal years 2015-2017; and (ii) 6,602 PRSUs that are subject to performance-based vesting requirements over fiscal years 2016-2018. Also includes 13,203 RSUs granted on March 1, 2016 subject to a non-GAAP EPS performance hurdle for fiscal 2016. As of December 31, 2016, the performance hurdle had not yet been certified for these RSUs. Following certification of the performance hurdle, these RSUs are subject to vesting in full on March 1, 2019.
- (12) Represents PRSUs granted subject to multi-year performance-based vesting requirements that have not yet been met, as follows: 5,572 PRSUs subject to performance-based requirements over fiscal years 2016-2018. Also includes 11,143 RSUs granted on April 1, 2016 subject to a non-GAAP EPS performance hurdle for fiscal 2016. As of December 31, 2016, the performance hurdle had not yet been certified for these RSUs. Following certification of the performance hurdle, these RSUs are subject to vesting in full on April 1, 2019.

- (13) Represents 16,797 RSUs granted on May 1, 2015, which are subject to vesting in four equal annual installments beginning on May 1, 2016. Represents RSUs granted subject to non-GAAP EPS performance hurdles that have been satisfied and certified, as follows: (i) 5,303 RSUs granted on February 19, 2014, which are now subject to vesting in three equal annual installments beginning on February 1, 2015; and (ii) 12,768 RSUs granted on February 17, 2015, which are now subject to vesting in four equal annual installments beginning on February 1, 2016. Also includes 14,927 PRSUs granted on February 19, 2014; as the performance condition has been met for these PRSUs, these PRSUs are subject to vesting in two equal annual installments beginning on February 1, 2016.
- (14) Represents PRSUs granted subject to multi-year performance-based vesting requirements that have not yet been met, as follows: (i) 8,513 PRSUs subject to performance-based vesting requirements over fiscal years 2015-2017; (ii) 9,602 PRSUs subject to performance-based vesting requirements over fiscal years 2016-2018; and (iii) 42,397 PRSUs subject to performance-based vesting requirements over fiscal years 2016-2021. Also includes 43,208 RSUs granted on March 1, 2016 subject to a non-GAAP EPS performance hurdle for fiscal 2016. As of December 31, 2016, the performance hurdle had not yet been certified for these RSUs. Following certification of the performance hurdle, 24,004 of these RSUs are subject to vesting in four equal annual installments beginning on March 1, 2017 and 19,204 of these RSUs are subject to vesting in full on March 1, 2019.

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The following table sets forth information regarding options exercised by our NEOs and RSUs and PRSUs that vested during the fiscal year ended December 31, 2016.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise <sup>(1)</sup> (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting <sup>(2)</sup> (\$)
Gregory T. Lucier			13,998	\$ 652,307
Jason M. Hannon	104,085	\$ 3,201,411	27,749	\$ 1,293,103
Matthew W. Link			43,581	\$ 2,170,393
Quentin S. Blackford			18,831	\$ 963,795
Edmund J. Roschak				
Patrick S. Miles	64,028	\$ 928,406	39,253	\$ 1,864,694

(1) Represents the excess of the fair market value of the shares exercised over the aggregate price of such shares on the date of exercise.

(2) The value realized on vesting is determined by multiplying (x) the number of shares that vested during 2016, times (y) the closing price of our common stock on NASDAQ on the applicable vesting date.

**Potential Payments Upon Termination or Change in Control**

The following tables reflect estimates of the amounts which would be paid out to our NEOs upon an applicable termination event (with different scenarios outlined on a column-by-column basis). The actual amounts to be paid-out can only be determined at the time of such executive's separation from the Company. For purposes of this illustrative exercise, an effective date of December 31, 2016 was used and the target award amount was used for performance-based awards with open performance periods.

The following table describes the potential payments upon termination or change in control of NuVasive for **Gregory T. Lucier**, NuVasive's **Chairman and Chief Executive Officer** assuming an effective date of December 31, 2016:

Executive Benefits and Payments Upon Termination <sup>(1)</sup>	Voluntary Termination For Good Reason	Involuntary Termination For Cause	Termination for Cause	Termination Following Change in Control <sup>(2)</sup>
Cash Severance		\$ 4,720,000 <sup>(3)</sup>		\$ 8,274,002 <sup>(4)</sup>
Long-Term Incentive Acceleration		\$ 6,914,402 <sup>(5)</sup>		\$ 31,415,627 <sup>(6)</sup>

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Health Benefits <sup>(7)</sup>	\$	78,969	\$	78,969
Outplacement Assistance	\$	25,000		
<b>Total:</b>	<b>\$</b>	<b>11,738,370</b>	<b>\$</b>	<b>39,768,598</b>

- (1) Assumes the executive's non LTI, cash compensation is as follows: base salary equal to \$800,000 with annual incentive opportunity equal to 130% of base salary.
- (2) Based on involuntary termination or termination for good reason within two years of a change in control.
- (3) Reflects a severance benefit equal to two times (2x) the executive's annual base salary and target annual bonus plus a pro-rata annual cash performance award.

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- (4) Reflects a severance benefit in an amount equal to (i) two times (2x) the sum of the executive's annual base salary plus the greater of the executive's target annual bonus for the year of termination or the highest of the three (3) annual bonuses paid to the executive prior to the termination of employment, (ii) a pro rata portion of the executive's annual bonus for the year of termination, and (iii) a pro rata portion of the annual long-term incentive award, not to exceed 6/12ths.
- (5) Reflects acceleration of unvested RSU, PRSU and performance cash awards based on a Company stock price of \$67.36 per share (the closing price on December 31, 2016) and pro-rated based on the number of full months of service in accordance with the terms of respective award. Unvested performance-based awards are presented assuming they are paid out at target except that unvested Share-Purchase Match PRSUs are reflected as not being earned since the Company's closing stock price on 12/31/2016 was \$67.36. The NEO may also have vested Company stock options and/or hold additional shares of Company stock.
- (6) Reflects acceleration of unvested RSU, PRSU and performance cash awards based on a Company stock price of \$67.36 per share (the closing price on December 31, 2016). Unvested performance-based awards are presented assuming they are paid out at target. Pursuant to the terms of the LTI grant agreement with our NEOs, upon a change in control of the Company, all of their unvested PRSU and performance cash awards become vested regardless of whether there is a termination of employment. The NEO may also have vested Company stock options and/or hold additional shares of Company stock.
- (7) The after-tax cost of continued participation in the Company's benefit plans for a period of twenty-four (24) months.

The following table describes the potential payments upon termination or change in control of NuVasive for **Jason M. Hannon**, NuVasive's **President and Chief Operating Officer** assuming an effective date of December 31, 2016:

<b>Executive Benefits and Payments Upon Termination</b> <sup>(1)</sup>	<b>Voluntary Termination for Good Reason</b>	<b>Involuntary Termination Other than For Cause</b>	<b>Termination for Cause</b>	<b>Termination Following Change in Control</b> <sup>(2)</sup>
Cash Severance		\$ 1,150,000 <sup>(3)</sup>		\$ 3,375,027 <sup>(4)</sup>
Long-Term Incentive Acceleration				\$ 4,184,849 <sup>(5)</sup>
Health Benefits		\$ 48,066 <sup>(6)</sup>		\$ 98,055 <sup>(7)</sup>
Outplacement Assistance		\$ 25,000		
<b>Total:</b>		<b>\$ 1,223,066</b>		<b>\$ 7,657,931</b>

- (1) Assumes the executive's non LTI, cash compensation is as follows: base salary equal to \$575,000 with annual incentive opportunity equal to 100% of base salary.

- (2) Based on involuntary termination or termination for good reason within two years of a change in control.
- (3) Reflects a severance benefit equal to one times (1x) the executive's annual base salary plus a pro-rata annual cash performance award.
- (4) Reflects a severance benefit in an amount equal to (i) two times (2x) the sum of the executive's annual base salary plus the greater of the executive's target annual bonus for the year of termination or the highest of the three (3) annual bonuses paid to the executive prior to the termination of employment, (ii) a pro rata portion of the executive's annual bonus for the year of termination, and (iii) a pro rata portion of the annual long-term incentive award, not to exceed 6/12ths.

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- (5) Reflects acceleration of unvested RSU, PRSU and performance cash awards based on a Company stock price of \$67.36 per share (the closing price on December 31, 2016). Unvested performance-based awards are presented assuming they are paid out at target. Pursuant to the terms of the LTI grant agreement with our NEOs, upon a change in control of the Company, all of their unvested PRSU and performance cash awards become vested regardless of whether there is a termination of employment. The NEO may also have vested Company stock options and/or hold additional shares of Company stock
- (6) The after-tax cost of continued participation in the Company's benefit plans for a period of twelve (12) months.
- (7) The after-tax cost of continued participation in the Company's benefit plans for a period of twenty-four (24) months.

The following table describes the potential payments upon termination or change in control of NuVasive for **Matthew W. Link**, NuVasive's **President, U.S. Commercial** assuming an effective date of December 31, 2016:

<b>Executive Benefits and Payments Upon Termination</b> <sup>(1)</sup>	<b>Voluntary Termination For Good Reason</b>	<b>Involuntary Termination Other than For Cause</b>	<b>Termination for Cause</b>	<b>Termination Following Change in Control</b> <sup>(2)</sup>
Cash Severance		\$ 863,770 <sup>(3)</sup>		\$ 2,779,731 <sup>(4)</sup>
Long-Term Incentive Acceleration				\$ 4,916,006 <sup>(5)</sup>
Health Benefits		\$ 38,778 <sup>(6)</sup>		\$ 79,107 <sup>(7)</sup>
Outplacement Assistance		\$ 25,000		
<b>Total:</b>		<b>\$ 927,548</b>		<b>\$ 7,774,844</b>

- (1) Assumes the executive's non LTI, cash compensation is as follows: base salary equal to \$454,616 with annual incentive opportunity equal to 90% of base salary.
- (2) Based on involuntary termination or termination for good reason within two years of a change in control.
- (3) Reflects a severance benefit equal to one times (1x) the executive's annual base salary plus a pro-rata annual cash performance award.
- (4) Reflects a severance benefit in an amount equal to (i) two times (2x) the sum of the executive's annual base salary plus the greater of the executive's target annual bonus for the year of termination or the highest of the three (3) annual bonuses paid to the executive prior to the termination of employment, (ii) a pro rata portion of the executive's annual bonus for the year of termination, and (iii) a pro rata portion of the annual long-term incentive

award, not to exceed 6/12ths.

- (5) Reflects acceleration of unvested RSU, PRSU and performance cash awards based on a Company stock price of \$67.36 per share (the closing price on December 31, 2016). Unvested performance-based awards are presented assuming they are paid out at target. Pursuant to the terms of the LTI grant agreement with our NEOs, upon a change in control of the Company, all of their unvested PRSU and performance cash awards become vested regardless of whether there is a termination of employment. The NEO may also have vested Company stock options and/or hold additional shares of Company stock.
- (6) The after-tax cost of continued participation in the Company's benefit plans for a period of twelve (12) months.
- (7) The after-tax cost of continued participation in the Company's benefit plans for a period of twenty-four (24) months.

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The following table describes the potential payments upon termination or change in control of NuVasive for **Quentin S. Blackford**, NuVasive's **Executive Vice President, Chief Financial Officer, Head of Strategy and Corporate Integrity** assuming an effective date of December 31, 2016:

<b>Executive Benefits and Payments Upon Termination</b> <sup>(1)</sup>	<b>Voluntary Termination For Good Reason</b>	<b>Involuntary Termination Other than For Cause</b>	<b>Termination for Cause</b>	<b>Termination Following Change in Control</b> <sup>(2)</sup>
Cash Severance		\$ 863,550 <sup>(3)</sup>		\$ 2,736,173 <sup>(4)</sup>
Long-Term Incentive Acceleration				\$ 4,141,914 <sup>(5)</sup>
Health Benefits		\$ 36,681 <sup>(6)</sup>		\$ 74,830 <sup>(7)</sup>
Outplacement Assistance		\$ 25,000		
<b>Total:</b>		<b>\$ 925,231</b>		<b>\$ 6,952,917</b>

- (1) Assumes the executive's non LTI, cash compensation is as follows: base salary equal to \$454,500 with annual incentive opportunity equal to 90% of base salary.
- (2) Based on involuntary termination or termination for good reason within two years of a change in control.
- (3) Reflects a severance benefit equal to one times (1x) the executive's annual base salary plus a pro-rata annual cash performance award.
- (4) Reflects a severance benefit in an amount equal to (i) two times (2x) the sum of the executive's annual base salary plus the greater of the executive's target annual bonus for the year of termination or the highest of the three (3) annual bonuses paid to the executive prior to the termination of employment, (ii) a pro rata portion of the executive's annual bonus for the year of termination, and (iii) a pro rata portion of the annual long-term incentive award, not to exceed 6/12ths.
- (5) Reflects acceleration of unvested RSU, PRSU and performance cash awards based on a Company stock price of \$67.36 per share (the closing price on December 31, 2016). Unvested performance-based awards are presented assuming they are paid out at target. Pursuant to the terms of the LTI grant agreement with our NEOs, upon a change in control of the Company, all of their unvested PRSU and performance cash awards become vested regardless of whether there is a termination of employment. The NEO may also have vested Company stock options and/or hold additional shares of Company stock.
- (6) The after-tax cost of continued participation in the Company's benefit plans for a period of twelve (12) months.

(7) The after-tax cost of continued participation in the Company's benefit plans for a period of twenty-four (24) months.

The following table describes the potential payments upon termination or change in control of NuVasive for **Edmund J. Roschak, CEO of NuVasive Specialized Orthopedics, Inc.**, assuming an effective date of December 31, 2016:

<b>Executive Benefits and Payments Upon Termination <sup>(1)</sup></b>	<b>Voluntary Termination For Good Reason</b>	<b>Involuntary Termination Other than For Cause</b>	<b>Termination for Cause</b>	<b>Termination Following Change in Control</b>
Cash Severance		\$ 450,000 <sup>(2)</sup>		\$ 450,000 <sup>(2)</sup>
Long-Term Incentive Acceleration				\$ 1,400,922 <sup>(3)</sup>
Health Benefits				
Outplacement Assistance				
<b>Total:</b>		<b>\$ 450,000</b>		<b>\$ 1,850,922</b>

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- (1) Assumes the executive's non LTI, cash compensation is as follows: base salary equal to \$450,000 with annual incentive opportunity equal to 70% of base salary.
- (2) Reflects a severance benefit equal to one times (1x) the executive's annual base salary.
- (3) Reflects acceleration of unvested RSU, PRSU and performance cash awards based on a Company stock price of \$67.36 per share (the closing price on December 31, 2016). Unvested performance-based awards are presented assuming they are paid out at target. Pursuant to the terms of the LTI grant agreement with our NEOs, upon a change in control of the Company, all of their unvested PRSU and performance cash awards become vested regardless of whether there is a termination of employment. The NEO may also have vested Company stock options and/or hold additional shares of Company stock.

The following table describes the potential payments upon termination or change in control of NuVasive for **Patrick S. Miles**, NuVasive's **Vice Chairman (former President and COO)** assuming an effective date of December 31, 2016:

<b>Executive Benefits and Payments Upon Termination <sup>(1)</sup></b>	<b>Voluntary Termination For Good Reason</b>	<b>Involuntary Termination Other than For Cause</b>	<b>Termination for Cause</b>	<b>Termination Following Change in Control <sup>(2)</sup></b>
Cash Severance		\$ 900,137 <sup>(3)</sup>		\$ 3,569,055 <sup>(4)</sup>
Long-Term Incentive Acceleration				\$ 5,374,418 <sup>(5)</sup>
Health Benefits		\$ 36,614 <sup>(6)</sup>		\$ 74,692 <sup>(7)</sup>
Outplacement Assistance		\$ 25,000		
<b>Total:</b>		<b>\$ 961,751</b>		<b>\$ 9,018,165</b>

- (1) Assumes the executive's non LTI, cash compensation is as follows: base salary equal to \$500,000 and 2016 pro-rated annual incentive opportunity equal to \$400,137 per employment agreement, Sept. 2016.
- (2) Based on involuntary termination or termination for good reason within two years of a change in control.
- (3) Reflects a severance benefit equal to one times (1x) the executive's annual base salary plus a pro-rata annual cash performance award.
- (4) Reflects a severance benefit in an amount equal to (i) two times (2x) the sum of the executive's annual base salary plus the greater of the executive's target annual bonus for the year of termination or the highest of the three

- (3) annual bonuses paid to the executive prior to the termination of employment, (ii) a pro rata portion of the executive's annual bonus for the year of termination, and (iii) a pro rata portion of the annual long-term incentive award, not to exceed 6/12ths.
- (5) Reflects acceleration of unvested RSU, PRSU and performance cash awards based on a Company stock price of \$67.36 per share (the closing price on December 31, 2016). Unvested performance-based awards are presented assuming they are paid out at target. Pursuant to the terms of the LTI grant agreement with our NEOs, upon a change in control of the Company, all of their unvested PRSU and performance cash awards become vested regardless of whether there is a termination of employment. The NEO may also have vested Company stock options and/or hold additional shares of Company stock.
- (6) The after-tax cost of continued participation in the Company's benefit plans for a period of twelve (12) months.
- (7) The after-tax cost of continued participation in the Company's benefit plans for a period of twenty-four (24) months.

**Table of Contents****Director Compensation**

Our non-employee Directors receive cash retainers (payable quarterly) and equity awards in the form of RSUs for their service on our Board. No Director compensation is paid to any Director who is also an employee of the Company. In 2015, the Compensation Committee undertook a review of our non-employee Director compensation program and based on the recommendations of the Compensation Committee, the Board approved changes to the program for 2016, including changes to the cash retainers payable for Board service, as well as the Director equity awards.

**Cash Retainers.** The new Director compensation program for 2016 eliminated the fees for members of each Board Committee and increased the Board retainer, the Committee Chair retainers for the Audit Committee and the Compensation Committee, and the Lead Independent Director retainer. These changes were effective for the fiscal quarter ending June 30, 2016. The following table sets forth the cash retainers payable to our Directors in 2016:

<b>Position</b>	<b>2016 Annual Retainer</b>	<b>2015 Annual Retainer</b>
Board	\$ 65,000	\$ 50,000
Lead Independent Director*	\$ 20,000	\$ 15,000
Audit Committee Member		\$ 15,000
Audit Committee Chairperson*	\$ 20,000	\$ 20,000
Nominating and Corporate Governance Committee Member		\$ 5,000
Nominating and Corporate Governance Committee Chairperson *	\$ 10,000	\$ 10,000
Compensation Committee Member		\$ 10,000
Compensation Committee Chairperson *	\$ 20,000	\$ 15,000

\* Lead Independent Director and Committee Chair retainers are in addition to the other retainers.

On January 1, 2016, the Deferred Compensation Plan became effective which is a non-qualified defined contribution plan that provides for the voluntary deferral of cash compensation for individuals holding a position of Vice President or higher, as well as non-employee members of the Board. Non-employee members of the Board may defer all or a portion of their cash retainer into the plan.

**Equity Awards.** The new Director compensation program for 2016 continued our practice of granting Directors an annual RSU award (with 1-year cliff vesting), which is designed to align with each year of service on the Board. For continuing Directors, the annual RSU award is granted on the date of the annual meeting of stockholders and vests on the earlier of the twelve (12)-month anniversary of the grant date and the next annual meeting of stockholders. For newly-elected Directors, the annual RSU award is granted upon election to the Board, with a value pro-rated based on length of service prior to the next annual meeting of stockholders. Effective for the fiscal quarter ending June 30, 2016, we increased the amount of the annual RSU award from \$125,000 to \$150,000. In addition, we grant our newly-elected Directors an initial RSU award (with two-year vesting). The amount of the initial grant of RSUs for newly-elected Directors remained unchanged at \$200,000 in 2016. For all RSU awards granted to Directors, we determine the number of RSUs awarded using the grant date fair value (closing price) on the date of grant.

All RSU awards granted to Directors under the 2014 EIP are settled upon the earlier of (i) the Director's separation from service within the meaning of Section 409A (as defined in the 2014 EIP), or (ii) immediately prior to the consummation of a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the

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meaning of Section 409A; provided, however, that, the Directors have the option annually to make an election before December 31<sup>st</sup> of the calendar year prior to the year an award is issued for settlement of each annual RSU award on an earlier, specified date no sooner than the vesting date.

Under our Corporate Governance Guidelines, which includes the stock ownership guidelines, our non-employee Directors are required to hold a number of shares of the Company's common stock with a value equal to five times the annual cash retainer for Board service paid to non-employee Directors, subject to the terms of the stock ownership guidelines. Each such non-employee Director is required to achieve this ownership guideline within five (5) years of becoming a non-employee Director. Each of our non-employee Directors with five or more years of service are in compliance with our stock ownership guidelines.

**Director Summary Compensation Table**

The following table summarizes Director compensation during the fiscal year ended December 31, 2016:

Name <sup>(1)</sup>	Fees Earned or		All Other Compensation <sup>(3)</sup> (\$)	Total (\$)
	Paid in Cash (\$)	Stock Awards <sup>(2)</sup> (\$)		
Jack R. Blair <sup>(4)</sup>	\$ 48,750		\$ 10,691	\$ 59,441
Vickie L. Capps	\$ 66,250	\$ 150,046	\$ 2,250	\$ 218,546
Peter C. Farrell, Ph.D., AM.	\$ 75,000	\$ 150,046	\$ 2,250	\$ 227,296
Robert F. Friel <sup>(5)</sup>	\$ 48,750	\$ 383,318 <sup>(6)</sup>	\$ 1,225	\$ 433,293
Lesley H. Howe	\$ 95,000	\$ 150,046	\$ 3,863	\$ 248,909
Leslie V. Norwalk, Esq.	\$ 66,250	\$ 150,046	\$ 1,650	\$ 217,946
Michael D. O'Halloran <sup>(7)</sup>	\$ 16,250	\$ 319,678 <sup>(6)</sup>		\$ 335,928
Donald J. Rosenberg <sup>(8)</sup>	\$ 48,750	\$ 383,318 <sup>(6)</sup>	\$ 3,292	\$ 435,360
Daniel J. Wolterman	\$ 73,750	\$ 150,046	\$ 3,015	\$ 226,811

- (1) During the fiscal year ended December 31, 2016, Messrs. Lucier and Miles were members of the Board and Named Executive Officers of the Company. As compensation information for Messrs. Lucier and Miles is included in the Executive Compensation 2016 Summary Compensation Table above, amounts are not separately provided in the Director Summary Compensation Table.
- (2) Represents the grant date valuation of the awards computed in accordance with the FASB ASC Topic 718. The fair value of RSUs is based on the stock price on the date of grant. For more information on how this amount is calculated, see Note 8 in the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K filed with the SEC on February 9, 2017.
- (3) Amounts in this column represent the total amount of perquisites and personal benefits, including spousal travel and entertainment and other taxable benefits. For Mr. Blair, amounts also include the value of gifts and honors provided to Mr. Blair in connection with his retirement and in recognition of his over fourteen years of service to

NuVasive.

- (4) Retired from the Board of Directors in May 2016.
- (5) Elected to the Board of Directors in February 2016.
- (6) Represents the grant date value of a prorated Annual RSU award and an Initial RSU award, which are provided to each newly elected non-employee Director.
- (7) Elected to the Board of Directors in August 2016.
- (8) Elected to the Board of Directors in February 2016.

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**ADDITIONAL INFORMATION**

**Stockholders Sharing the Same Address**

We have adopted householding, a procedure approved by the SEC under which NuVasive stockholders who share an address will receive a single copy of the 2016 Annual Report, Proxy Statement or Notice, as applicable, or a single notice addressed to those stockholders. This procedure reduces printing costs and mailing fees, while also reducing the environmental impact of the distribution. If you reside at the same address as another NuVasive stockholder and wish to receive a separate copy of the applicable materials, you may do so by contacting the bank, broker or other holder of record, or the Company by telephone at: (858) 909-1800 or by mail at 7475 Lusk Boulevard, San Diego, CA 92121.

Some brokers household proxy materials, delivering a single proxy statement or notice to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement or notice, please notify your broker directly. You may also call (800) 542-1061 or write to: Household Department, Broadridge, 51 Mercedes Way, Edgewood, New York 11717, and include your name, the name of your broker or other nominee, and your account number(s). Any stockholders who share the same address and currently receive multiple copies of the Annual Report, Proxy Statement or Notice, as applicable, who wish to receive only one copy in the future may contact their bank, broker, or other holder of record, or the Company by telephone at: (858) 909-1800 or by mail at 7475 Lusk Boulevard, San Diego, CA 92121.

**Communications with Directors**

Any stockholder who desires to contact any member of the Board or management can send an e-mail to [investorrelations@nuvasive.com](mailto:investorrelations@nuvasive.com) or write to:

NuVasive, Inc.

Attn: Investor Relations

7475 Lusk Boulevard

San Diego, CA 92121

Your correspondence should indicate that you are a stockholder of the Company. Comments or questions regarding the Company's accounting, internal controls or auditing matters will be referred to members of the Audit Committee. Comments or questions regarding the nomination of Directors and other corporate governance matters will be referred to members of the Nominating Committee. For all other matters, our investor relations personnel will, depending on the subject matter:

forward the communication to the Director or Directors to whom it is addressed;

attempt to handle the inquiry directly, for example where it is a request for information about the Company, or it is a stock-related matter; or

not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

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**Stockholder Proposals for 2018 Annual Meeting**

Stockholders interested in submitting a proposal for inclusion in our proxy materials for our 2018 Annual Meeting of Stockholders must do so by sending such proposal to our Corporate Secretary at our principal executive offices at 7475 Lusk Boulevard, San Diego, CA 92121, Attention: Corporate Secretary. Under the SEC's proxy rules, the deadline for submission of proposals to be included in our proxy materials for the 2018 Annual Meeting of Stockholders is December 5, 2017; provided, however, that, in the event that the Company holds the annual meeting of stockholders to be held in 2018 more than 30 days before or after the one-year anniversary date of our 2017 Annual Meeting, the Company will disclose the new deadline by which stockholders proposals must be received under Item 5 of our earliest possible Quarterly Report on Form 10-Q, or, if impracticable, by any means reasonably calculated to inform stockholders. In addition, stockholder proposals must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended. Such proposals also must comply with SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Accordingly, in order for a stockholder proposal to be considered for inclusion in our proxy materials for the 2018 Annual Meeting of Stockholders, any such stockholder proposal must be received by our Corporate Secretary on or before December 5, 2017 (subject to Company adjustment as provided above), and comply with the procedures and requirements in Rule 14a-8 under the Securities Exchange Act of 1934, as well as the applicable requirements of our Bylaws discussed below. Any stockholder proposal received after December 5, 2017 (or any Company-directed amended date as provided above) will be considered untimely, and will *not* be included in our proxy materials. In addition, stockholders interested in submitting a proposal outside of Rule 14a-8 must properly submit such a proposal in accordance with our Bylaws.

**Advance Notice for Proposals for Business to be Discussed at the 2018 Annual Meeting**

The Company's Bylaws state the procedures for a stockholder to bring a stockholder proposal or nominate an individual to serve as a Director of the Board. The Company's Bylaws provide that advance notice of a stockholder's proposal or nomination of an individual to serve as a Director must be delivered to the Secretary of the Company at the Company's principal executive offices not earlier than the 120<sup>th</sup> day prior to the anniversary of the previous year's annual meeting of stockholders (i.e., January 18, 2018), nor later than the close of business on the 90<sup>th</sup> day prior to the anniversary of the previous year's annual meeting of stockholders (i.e., February 17, 2018). However, the Bylaws also provide that, in the event that no annual meeting was held in the previous year or the date of the annual meeting is changed by more than 30 days from the previous year's annual meeting as specified in the Company's notice of meeting, this advance notice must be given not earlier than the 120<sup>th</sup> day, nor later than the close of business on the later of the 90<sup>th</sup> day, prior to the date of such annual meeting, or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10<sup>th</sup> day following the day on which public announcement of the date of such annual meeting is first made by the Company. In addition to meeting the advance notice provisions mentioned above, the stockholder in its notice must provide the information required by our Bylaws to bring a stockholder proposal or nominate an individual to serve as a Director of the Board.

A copy of our Bylaws may be obtained by written request to the Corporate Secretary at 7475 Lusk Boulevard, San Diego, CA 92121.



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**TRANSACTION OF OTHER BUSINESS**

At the date of this Proxy Statement, the only business the Board intends to present or knows that others will present at the Annual Meeting is as set forth above. If any other matter or matters are properly brought before the meeting, or any adjournment thereof, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

By Order of the Board of Directors

Gregory T. Lucier

Chairman of the Board and Chief Executive Officer

San Diego, California

April 5, 2017

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Table of Contents**APPENDIX 1**

This Proxy Statement includes the following non-GAAP financial measures: non-GAAP operating margin and non-GAAP EPS. We believe the presentation of these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provides meaningful information regarding our operating performance for the reasons discussed in the Proxy Statement. These non-GAAP financial measures are not in accordance with, or an alternative for, GAAP, and may be different from non-GAAP measures used by other companies. Set forth below are reconciliations of the non-GAAP financial measures to the comparable GAAP financial measure.

**Reconciliation of Full Year 2016 Results****Non-GAAP Operating Margin %***(% is rounded to the nearest tenth)*

<b>Non-GAAP Gross Margin % [A]</b>	<b>76.6%</b>
Non-cash purchase accounting adjustments on acquisitions <sup>(1)</sup>	(1.5%)
GAAP Gross Margin [B]	75.0%
<b>GAAP &amp; Non-GAAP Sales, Marketing &amp; Administrative Expense [C]</b>	<b>55.5%</b>
<b>Non-GAAP Research &amp; Development Expense [D]</b>	<b>5.0%</b>
In-process research & development	0.0%
GAAP Research & Development Expense [E]	5.0%
Litigation liability [F]	(4.5)%
Amortization of intangible assets [G] <sup>(2)</sup>	4.4%
Business transition costs [H] <sup>(3)</sup>	1.9%
<b>Non-GAAP Operating Margin % [A-C-D]</b>	<b>16.1%</b>
GAAP Operating Margin % [B-C-E-F-G-H]	12.8%

1. Represents costs associated with non-cash purchase accounting adjustments, such as acquired inventory fair market value adjustments, which are amortized over the period in which underlying products are sold.

2. Excludes the amortization associated with non-controlling interest.

3. Costs related to acquisition, integration and business transition activities which include severance, relocation, consulting, leasehold exit costs, third party merger and acquisition costs and other costs directly

associated with such activities.

Table of Contents**Reconciliation of Full Year 2016 Results****GAAP Net Income per Share to Non-GAAP Earnings per Share**

<i>(in thousands, except per share data)</i>	<b>Adjustments</b>	<b>Diluted Earnings Per Share</b>
<b>GAAP Net Income</b>	<b>\$ 37,147</b>	<b>\$ 0.69</b>
Litigation liability gain	(43,310)	
Business transition costs <sup>(1)</sup>	18,138	
Non-cash interest expense on convertible notes	19,539	
Non-cash purchase accounting adjustments on acquisitions <sup>(2)</sup>	14,747	
Loss on repurchases of convertible notes	19,085	
Amortization of intangible assets <sup>(3)</sup>	40,712	
Tax effect of adjustments <sup>(4)</sup>	(19,602)	
Adjustments to GAAP net income	49,309	
<b>Non-GAAP Earnings</b>	<b>\$ 86,456</b>	<b>\$ 1.66</b>
GAAP weighted shares outstanding diluted		54,102
Non-GAAP weighted shares outstanding diluted		51,981

1. Costs related to acquisition, integration and business transition activities which includes severance, relocation, consulting, leasehold exit costs, third party merger and acquisition costs and other costs directly associated with such activities.

2. Represents costs associated with non-cash purchase accounting adjustments, such as acquired inventory fair market value adjustments, which are amortized over the period in which underlying products are sold.

3. Excludes the amortization associated with non-controlling interest.

4. The impact on results from taxes include tax effecting the adjustments above at the statutory rate as well as taking into account discrete items and including those discrete items in the annual effective tax rate calculation. The Company also includes those adjustments that would have benefited the tax rate in lieu of the above adjustments as part of the Company's tax filings. The impact of the changes to the tax rate results in an annual

estimated rate of approximately 37% on a non-GAAP basis. The result of these adjustments is a change in the annual effective tax rate from approximately 29% to 37%.

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