

EATON VANCE CORP  
Form 8-K  
May 18, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 18, 2011

EATON VANCE CORP.  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction  
of incorporation)

1-8100  
(Commission File Number)

04-2718215  
(IRS Employer Identification No.)

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

02110  
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**INFORMATION INCLUDED IN THE REPORT**

**Item 2.02. Results of Operations and Financial Condition**

Registrant has reported its results of operations for the three and six months ended April 30, 2011, as described in Registrant's news release dated May 18, 2011, a copy of which is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits**

| <u>Exhibit No.</u> | <u>Document</u>  |
|--------------------|--|
| 99.1               | Press release issued by the Registrant dated May 18, 2011. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

**EATON VANCE CORP.**

(Registrant)

Date: May 18, 2011

/s/ Robert J. Whelan

Robert J. Whelan, Chief Financial Officer

EXHIBIT INDEX

Each exhibit is listed in this index according to the number assigned to it in the exhibit table set forth in Item 601 of Regulation S-K. The following exhibit is filed as part of this Report:

| <u>Exhibit No.</u> | <u>Description</u>                                    |
|--------------------|---|
| 99.1               | Copy of Registrant's news release dated May 18, 2011. |

**Exhibit 99.1**

**Eaton Vance Corp.**

**Report for the Three and Six Month Periods Ended April 30, 2011**

**Boston, MA**, May 18, 2011 Eaton Vance Corp. (NYSE: EV) earned \$0.50 per diluted share in the second quarter of fiscal 2011 compared to earnings per diluted share of \$0.29 in the second quarter of fiscal 2010 and \$0.30 in the first quarter of fiscal 2011. Earnings per diluted share were reduced \$0.02, \$0.07 and \$0.15 in the second quarter of fiscal 2011, the second quarter of fiscal 2010 and the first quarter of fiscal 2011, respectively, by adjustments in connection with increases in the estimated redemption value of non-controlling interests redeemable at other than fair value ( non-controlling interest value adjustments ), as described in more detail below. Earnings per diluted share were increased \$0.03 in the second quarter of fiscal 2011 by a gain realized upon the sale of the Company's equity interest in Lloyd George Management (BVI) Limited ( Lloyd George Management ) during the quarter. The Company earned \$0.80 per diluted share in the first six months of fiscal 2011 compared to \$0.66 per diluted share in the first six months of fiscal 2010. Earnings per diluted share were reduced \$0.17 in the first half of fiscal 2011 and \$0.09 in the first half of fiscal 2010 by non-controlling interest value adjustments.

Net inflows of \$2.9 billion into long-term funds and separate accounts in the second quarter of fiscal 2011 compare to net inflows of \$5.3 billion in the second quarter of fiscal 2010 and \$1.8 billion in the first quarter of fiscal 2011. Net inflows in the second quarter of fiscal 2011 and the first quarter of fiscal 2011 reflect a \$0.3 billion and \$0.8 billion decrease in fund leverage, respectively. The Company's annualized internal growth rate (four times quarterly long-term net inflows divided by beginning of period long-term assets managed) was 6 percent in the second quarter of fiscal 2011.

Assets under management on April 30, 2011 were \$203.0 billion, a new record high. This represents an increase of 15 percent from the \$176.2 billion of managed assets as of April 30, 2010 and an increase of 6 percent from the \$191.7 billion of managed assets as of January 31, 2011.

Eaton Vance reached new highs in revenues and profits in the second quarter of fiscal 2011, said Thomas E. Faust Jr., Chairman and Chief Executive Officer. The Company's performance across a broad range of financial metrics remains strong and our outlook continues to be bright.

*Comparison to Second Quarter of Fiscal 2010*

Long-term fund net inflows of \$2.2 billion in the second quarter of fiscal 2011 compare to \$3.2 billion of long-term fund net inflows in the second quarter of fiscal 2010, and reflect \$9.9 billion of fund sales and other inflows, \$7.4 billion of fund redemptions and other outflows, and a decrease in fund leverage of \$0.3 billion. The \$0.3 billion of institutional separate account net outflows in the second quarter of fiscal 2011 compare to \$1.4 billion of institutional separate account net inflows in the second quarter of fiscal 2010, and reflect gross inflows of \$2.8 billion and \$3.1 billion of outflows. High-net-worth separate account net inflows of \$0.2 billion in the second quarter of fiscal 2011 compare to \$0.1 billion of high-net-worth separate account net inflows in the second quarter of fiscal 2010 and consisted of gross inflows of \$0.9 billion and \$0.7 billion of outflows. Retail managed account net inflows were \$0.8 billion in the second quarter of fiscal 2011 compared to \$0.5 billion of retail managed account net inflows in the second quarter

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of fiscal 2010. Retail managed account gross inflows of \$2.3 billion in the second quarter of fiscal 2011 were reduced by \$1.5 billion of outflows. Tables 1-4 on pages 8 and 9 summarize the Company's assets under management and asset flows by investment mandate.

Revenue in the second quarter of fiscal 2011 increased \$52.8 million, or 19 percent, to \$325.8 million from revenue of \$273.0 million in the second quarter of fiscal 2010. Investment advisory and administration fees increased 19 percent to \$251.7 million, reflecting a 17 percent increase in average assets under management. Distribution and underwriter fees increased 6 percent due to an increase in average fund assets on which distribution fees are collected, partly offset by a reduction in underwriter fees collected on Class A fund sales. Service fee revenue increased 6 percent due to an increase in average fund assets subject to service fees. Other revenue, which increased by \$9.9 million, included \$7.3 million of net gains on investments of consolidated funds in the second quarter of fiscal 2011 compared to \$0.2 million of net gains on investments of consolidated funds in the second quarter of fiscal 2010.

Operating expenses increased \$16.9 million, or 9 percent, to \$208.8 million in the second quarter of fiscal 2011 compared to operating expenses of \$191.9 million in the second quarter of fiscal 2010. Compensation expense increased 10 percent due to increases in employee headcount and base salaries, adjusted operating income-based bonus accruals, stock-based compensation, employee benefits and payroll taxes. Distribution expense increased 10 percent from the prior fiscal year's second quarter due primarily to increases in intermediary marketing support payments, Class C distribution fees and marketing expenses. Service fee expense increased 4 percent, in line with the increase in assets subject to service fees. Amortization of deferred sales commissions increased 15 percent, reflecting an increase in Class C amortization as a result of Class C fund share sales growth. Fund expenses decreased 2 percent from the second quarter of fiscal 2010 due to a decrease in fund expenses borne by the Company. Other expenses increased 8 percent, reflecting increases in consulting, travel, information technology and facilities.

Operating income in the second quarter of fiscal 2011 was \$117.0 million, an increase of 44 percent over operating income of \$81.1 million in the second quarter of fiscal 2010. The Company's operating margin improved to 35.9 percent in the second quarter of fiscal 2011 from 29.7 percent in the second quarter of fiscal 2010.

In evaluating operating performance, the Company considers operating income and net income, which are calculated on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), as well as adjusted operating income, an internally derived non-GAAP performance measure. Adjusted operating income is defined as operating income excluding the results of consolidated funds and collateralized loan obligation (CLO) entities and adding back closed-end fund structuring fees, stock-based compensation, write-offs of intangible assets and other items that we consider non-operating in nature. The Company believes that adjusted operating income is a key indicator of the Company's ongoing profitability and therefore uses this measure as the basis for calculating performance-based management incentives. Adjusted operating income is not, and should not be construed to be, a substitute for operating income computed in accordance with GAAP. However, in assessing the performance of the business, management and the Board of Directors look at adjusted operating income as a measure of underlying performance, since operating results of consolidated funds and CLO entities and amounts resulting from one-time events do not necessarily represent normal results of operations. In addition, when assessing performance, management and the Board look at performance both with and without stock-based compensation, a non-cash operating expense.

Adjusted operating income of \$120.0 million in the second quarter of fiscal 2011 was 30 percent higher than the \$92.4 million of adjusted operating income in the second quarter of fiscal 2010. The Company's adjusted operating margin improved to 36.8 percent in the second quarter of fiscal 2011 from 33.9 percent in the second quarter of fiscal 2010.

The following table provides a reconciliation of operating income to adjusted operating income for the periods presented:

**Reconciliation of Operating Income to Adjusted Operating Income**

| <i>(in thousands)</i>                                   | Three Months Ended |             |           | % Change |         |
|---|--------------------|-------------|-----------|----------|---------|
|   | April 30,          | January 31, | April 30, | Q2 2011  | Q2 2011 |
|   | 2011               | 2011        | 2010      | to       | to      |
|   |                    |             |           | Q1 2011  | Q2 2010 |
| Operating income  | \$ 117,037         | \$ 103,018  | \$ 81,089 | 14%      | 44%     |
| Operating income of consolidated funds and CLO entities | (9,561)            | (3,211)     | (446)     | 198%     | NM      |
| Stock-based compensation                                | 12,556             | 14,973      | 11,761    | (16)%    | 7%      |
| Adjusted operating income                               | \$ 120,032         | \$ 114,780  | \$ 92,404 | 5%       | 30%     |

Interest income increased 15 percent in the second quarter of fiscal 2011 compared to the second quarter of fiscal 2010 due to an increase in average cash balances. In the second quarter of fiscal 2011, the Company recognized \$2.0 million of net investment gains, including a \$5.5 million gain recognized upon the sale of the Company's equity interest in Lloyd George Management, compared to \$1.6 million of net investment gains in the second quarter of fiscal 2010. Also included in other income and expenses for the second quarter of fiscal 2011 are net losses of \$17.0 million associated with the consolidation of a CLO entity, which recognized losses due to an increase in the fair market value of the note obligations issued by the entity. As discussed below, this loss is offset by a comparable gain in net income (loss) attributable to non-controlling and other beneficial interests, as these losses are largely borne by outside investors.

The Company's effective tax rate, calculated as a percentage of income before income taxes and equity in net income (loss) of affiliates, was 44.0 percent and 38.4 percent in the second quarter of fiscal 2011 and fiscal 2010, respectively. The increase in the Company's effective tax rate was due primarily to losses recognized by the consolidated CLO entity, which are not subject to tax.

In the second quarter of fiscal 2011, net income attributable to non-controlling and other beneficial interests decreased \$18.7 million from the second quarter of fiscal 2010. The decrease can be primarily attributed to an \$18.0 million decrease in non-controlling beneficial interest associated with the consolidated CLO entity and a \$3.3 million increase in non-controlling beneficial interest associated with consolidated funds. Also included in non-controlling and other beneficial interests in the second quarter of fiscal 2011 and the second quarter of fiscal 2010 are \$2.4 million and \$9.1 million, respectively, that relate to non-controlling interest value adjustments in our subsidiary Parametric Risk Advisors that are attributable to its profit growth over the respective preceding twelve months ended April 30.

Net income attributable to Eaton Vance Corp. shareholders in the second quarter of fiscal 2011 was \$62.5 million, compared to net income attributable to Eaton Vance Corp. shareholders of \$36.0 million in the second quarter of fiscal 2010.

**Comparison to First Quarter of Fiscal 2011**

Long-term fund net inflows of \$2.2 billion in the second quarter of fiscal 2011 compare to \$1.4 billion of long-term fund net inflows in the first quarter of fiscal 2011. The \$0.3 billion of institutional separate account net outflows in the second quarter of fiscal 2011 compare to institutional separate account net inflows of \$0.5 billion in the first quarter of fiscal 2011. The \$0.2 billion of net inflows into high-net-worth separate accounts in the second quarter of fiscal 2011 were unchanged from the first quarter of fiscal 2011. Retail managed account net inflows were \$0.8 billion in the second quarter of fiscal 2011 compared to \$0.1 billion of net outflows in the first quarter of fiscal 2011. Tables 1-4 on pages 8 and 9 summarize the Company's assets under management and asset flows by investment mandate.

Revenue in the second quarter of fiscal 2011 increased \$13.5 million, or 4 percent, to \$325.8 million from \$312.3 million in the first quarter of fiscal 2011. Investment advisory and administration fees increased 4 percent to \$251.7 million, reflecting a 5 percent increase in average assets under management and a reduction in the number of fee days in the quarter. Distribution and underwriter fees decreased 4 percent due to fewer fee days in the quarter, partly offset by an increase in average fund assets that pay these fees. Service fee revenue decreased 2 percent due to a decrease in the number of fee days in the quarter, offset by an increase in average fund assets subject to service fees. Other revenue, which increased \$6.7 million from the prior quarter, included \$7.3 million of net gains on investments of consolidated funds recognized in the second quarter of fiscal 2011 compared to \$2.3 million of net gains on investments of consolidated funds in the first quarter of fiscal 2011.

Operating expenses decreased \$0.5 million to \$208.8 million in the second quarter of fiscal 2011 from \$209.3 million in the first quarter of fiscal 2011. Compensation expense was substantially unchanged from first quarter of fiscal 2011, reflecting increases in adjusted operating income-based bonus accruals, sales-based incentives and payroll taxes offset by decreases in salaries, stock-based compensation and employee benefits. Distribution expenses increased 3 percent from the prior fiscal quarter due primarily to increases in intermediary marketing support payments, Class C distribution fees and marketing expenses. Service fee expense decreased 2 percent due to a decrease in the number of fee days in the quarter, offset by an increase in assets subject to service fees. Amortization expense decreased 7 percent from the prior fiscal quarter due to a decrease in Class B and Class C amortization. Fund expenses increased 10 percent from the first quarter of fiscal 2011 due to an increase in fund expenses contractually borne by the Company. Other expenses decreased 2 percent from the first quarter, due to decreases in information technology and facilities expenses.

Operating income in the second quarter of fiscal 2011 was \$117.0 million, an increase of 14 percent from operating income of \$103.0 million in the first quarter of fiscal 2011. The Company's operating margin improved to 35.9 percent in the second quarter of fiscal 2011 from 33.0 percent in the first quarter of fiscal 2011. Adjusted operating income of \$120.0 million in the second quarter of fiscal 2011 was 5 percent higher than the \$114.8 million of adjusted operating income in the first quarter of fiscal 2011. The Company's adjusted operating margin of 36.8 percent in the second quarter of fiscal 2011 was unchanged from the first quarter of fiscal 2011.

Interest income increased 14 percent in the second quarter of fiscal 2011 compared to the first quarter of fiscal 2011 due to an increase in average cash balances. In the second quarter of fiscal 2011, the Company recognized \$2.0 million of net investment gains, including a \$5.5 million gain recognized upon the sale of the Company's equity interest in Lloyd George Management. In the first quarter of fiscal 2011, the Company recognized \$3.1 million of net investment losses. Also included in other income and expenses for the second quarter of fiscal 2011 are net losses of \$17.0 million associated with the consolidation of a CLO entity, which recognized losses due to an increase in the fair market value of the note obligations issued by the entity. As discussed below, this loss is offset by a comparable gain in net income (loss) attributable to non-controlling and other beneficial interests, as these losses are largely borne by outside investors.

The Company's effective tax rate, calculated as a percentage of income before income taxes and equity in net income (loss) of affiliates, was 44.0 percent and 37.3 percent in the second quarter of fiscal 2011 and first quarter of fiscal 2011, respectively. The increase in the Company's effective tax rate was due primarily to losses recognized by a consolidated collateralized loan obligation entity, which are not subject to tax.

Net income attributable to non-controlling and other beneficial interests decreased \$30.5 million in the second quarter of fiscal 2011 compared to the prior quarter. The decrease can be primarily attributed to a \$17.4 million decrease in non-controlling beneficial interest associated with the consolidated CLO entity and a \$2.0 million increase in non-controlling beneficial interest associated with consolidated funds. Also included in non-controlling and other beneficial interests are non-controlling interest value adjustments of \$2.4 million in the second quarter of fiscal 2011 and \$19.1 million the first quarter of fiscal 2011 relating, respectively, to our subsidiaries Parametric Risk Advisors and Parametric Portfolio Associates. The non-

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controlling interest value adjustment recognized in the second quarter is attributable to Parametric Risk Advisors' profit growth over the twelve months ended April 30, 2011. The non-controlling interest value adjustment recognized in the first quarter is attributable to Parametric Portfolio Associates' profit growth over the twelve months ended December 31, 2010.

Net income attributable to Eaton Vance Corp. shareholders in the second quarter of fiscal 2011 was \$62.5 million compared to net income attributable to Eaton Vance Corp. shareholders of \$37.5 million in the first quarter of fiscal 2011.

Cash and cash equivalents totaled \$437.6 million on April 30, 2011 compared to \$307.9 million on October 31, 2010. There were no outstanding borrowings against the Company's \$200.0 million credit facility on April 30, 2011. During the first six months of fiscal 2011, the Company used \$65.8 million to repurchase and retire approximately 2.1 million shares of its Non-Voting Common Stock under its repurchase authorization. Over the twelve months ended April 30, 2011, the Company used \$132.4 million to repurchase and retire approximately 4.3 million shares of its Non-Voting Common Stock and paid \$80.7 million of dividends to shareholders. Approximately 2.7 million shares remain unused of the current 8.0 million share repurchase authorization.

Eaton Vance Corp. is one of the oldest investment management firms in the United States, with a history dating back to 1924. Eaton Vance and its affiliates offer individuals and institutions a broad array of investment strategies and wealth management solutions. The Company's long record of providing exemplary service and attractive returns through a variety of market conditions has made Eaton Vance the investment manager of choice for many of today's most discerning investors. For more information about Eaton Vance, visit [www.eatonvance.com](http://www.eatonvance.com).

This news release contains statements that are not historical facts, referred to as forward-looking statements. The Company's actual future results may differ significantly from those stated in any forward-looking statements, depending on factors such as changes in securities or financial markets or general economic conditions, client sales and redemption activity, the continuation of investment advisory, administration, distribution and service contracts, and other risks discussed from time to time in the Company's filings with the Securities and Exchange Commission.

**Eaton Vance Corp.**  
**Summary of Results of Operations**  
(in thousands, except per share figures)  
(unaudited)

|  | Three Months Ended |                     |                   |                                   |                                   | Six Months Ended  |                   |           |
|--|--------------------|---------------------|-------------------|-----------------------------------|-----------------------------------|-------------------|-------------------|-----------|
|  | April 30,<br>2011  | January 31,<br>2011 | April 30,<br>2010 | % Change<br>Q2 2011 to<br>Q1 2011 | % Change<br>Q2 2011 to<br>Q2 2010 | April 30,<br>2011 | April 30,<br>2010 | % Change  |
| <b>Revenue:</b>  |                    |                     |                   |                                   |                                   |                   |                   |           |
| Investment advisory and<br>administration fees                                   | \$ 251,670         | \$ 242,734          | \$ 212,141        | 4 %                               | 19 %                              | \$ 494,404        | \$ 422,528        | 17 %      |
| Distribution and underwriter fees  | 26,141             | 27,327              | 24,666            | (4)                               | 6                                 | 53,468            | 49,700            | 8         |
| Service fees   | 36,478             | 37,345              | 34,453            | (2)                               | 6                                 | 73,823            | 68,443            | 8         |
| Other revenue  | 11,549             | 4,881               | 1,693             | 137                               | 582                               | 16,430            | 4,317             | 281       |
| <b>Total revenue</b>   | <b>325,838</b>     | <b>312,287</b>      | <b>272,953</b>    | <b>4</b>                          | <b>19</b>                         | <b>638,125</b>    | <b>544,988</b>    | <b>17</b> |
| <b>Expenses:</b>   |                    |                     |                   |                                   |                                   |                   |                   |           |
| Compensation of officers and<br>employees  | 97,157             | 97,050              | 88,089            | -                                 | 10                                | 194,207           | 174,963           | 11        |
| Distribution expense   | 33,657             | 32,697              | 30,598            | 3                                 | 10                                | 66,354            | 59,709            | 11        |
| Service fee expense  | 30,780             | 31,329              | 29,593            | (2)                               | 4                                 | 62,109            | 57,729            | 8         |
| Amortization of deferred sales commissions                                       | 9,643              | 10,350              | 8,376             | (7)                               | 15                                | 19,993            | 16,335            | 22        |
| Fund expenses  | 5,017              | 4,544               | 5,103             | 10                                | (2)                               | 9,561             | 9,396             | 2         |
| Other expenses   | 32,547             | 33,299              | 30,105            | (2)                               | 8                                 | 65,846            | 58,420            | 13        |
| <b>Total expenses</b>  | <b>208,801</b>     | <b>209,269</b>      | <b>191,864</b>    | <b>-</b>                          | <b>9</b>                          | <b>418,070</b>    | <b>376,552</b>    | <b>11</b> |
| <b>Operating Income</b>  | <b>117,037</b>     | <b>103,018</b>      | <b>81,089</b>     | <b>14</b>                         | <b>44</b>                         | <b>220,055</b>    | <b>168,436</b>    | <b>31</b> |
| <b>Other Income/(Expense):</b>   |                    |                     |                   |                                   |                                   |                   |                   |           |
| Interest income  | 824                | 721                 | 716               | 14                                | 15                                | 1,545             | 1,486             | 4         |
| Interest expense   | (8,412)            | (8,413)             | (8,411)           | -                                 | -                                 | (16,825)          | (16,827)          | -         |
| Gains and (losses) on investments and<br>derivatives                             | 2,029              | (3,077)             | 1,551             | NM                                | 31                                | (1,048)           | 4,092             | NM        |
| Foreign currency gains (losses)  | (586)              | 3                   | 200               | NM                                | NM                                | (583)             | 334               | NM        |
| Other income/(expense) of consolidated<br>collateralized loan obligation entity: |                    |                     |                   |                                   |                                   |                   |                   |           |
| Interest income  | 5,356              | 5,220               | -                 | 3                                 | NM                                | 10,576            | -                 | NM        |
| Interest expense   | (4,033)            | (1,514)             | -                 | 166                               | NM                                | (5,547)           | -                 | NM        |

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|  |           |           |           |     |     |            |           |      |
|--|-----------|-----------|-----------|-----|-----|------------|-----------|------|
| Net losses on investments and note obligations                                   | (18,340)  | (3,385)   | -         | 442 | NM  | (21,725)   | -         | NM   |
| <b>Income Before Income Taxes and Equity in Net Income (Loss) of Affiliates</b>  | 93,875    | 92,573    | 75,145    | 1   | 25  | 186,448    | 157,521   | 18   |
| <b>Income Taxes</b>  | (41,337)  | (34,522)  | (28,880)  | 20  | 43  | (75,859)   | (60,525)  | 25   |
| <b>Equity in Net Income (Loss) of Affiliates, Net of Tax</b>                     | 1,227     | 1,234     | (281)     | (1) | NM  | 2,461      | 533       | 362  |
| <b>Net Income</b>  | 53,765    | 59,285    | 45,984    | (9) | 17  | 113,050    | 97,529    | 16   |
| <b>Net Income Attributable to Non-Controlling and Other Beneficial Interests</b> | 8,714     | (21,750)  | (9,984)   | NM  | NM  | (13,036)   | (15,287)  | (15) |
| <b>Net Income Attributable to Eaton Vance Corp. Shareholders</b>                 | \$ 62,479 | \$ 37,535 | \$ 36,000 | 66  | 74  | \$ 100,014 | \$ 82,242 | 22   |
| <hr/>  |           |           |           |     |     |            |           |      |
| <b>Earnings Per Share Attributable to Eaton Vance Corp. Shareholders:</b>        |           |           |           |     |     |            |           |      |
| Basic  | \$ 0.53   | \$ 0.31   | \$ 0.30   | 71  | 77  | \$ 0.84    | \$ 0.69   | 22   |
| Diluted  | \$ 0.50   | \$ 0.30   | \$ 0.29   | 67  | 72  | \$ 0.80    | \$ 0.66   | 21   |
| <hr/>  |           |           |           |     |     |            |           |      |
| <b>Weighted Average Shares Outstanding:</b>                                      |           |           |           |     |     |            |           |      |
| Basic  | 116,413   | 116,741   | 116,565   | -   | -   | 116,540    | 116,557   | -    |
| Diluted  | 122,292   | 122,175   | 123,515   | -   | (1) | 122,167    | 123,218   | (1)  |
| <hr/>  |           |           |           |     |     |            |           |      |
| <b>Dividends Declared Per Share</b>  | \$ 0.180  | \$ 0.180  | \$ 0.160  | -   | 13  | \$ 0.360   | \$ 0.320  | 13   |
| <hr/>  |           |           |           |     |     |            |           |      |

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**Eaton Vance Corp.**  
**Balance Sheet**  
(in thousands, except per share figures)  
(unaudited)

|  | <b>April 30,</b> | <b>October 31,</b> |
|--|------------------|--------------------|
|  | <b>2011</b>      | <b>2010</b>        |
| <b>ASSETS</b>  |                  |                    |
| Cash and cash equivalents  | \$ 437,623       | \$ 307,886         |
| Investments advisory fees and other receivables                    | 132,053          | 129,380            |
| Investments  | 323,897          | 334,409            |
| Assets of consolidated collateralized loan obligation entity:      |                  |                    |
| Cash and cash equivalents  | 18,404           | -                  |
| Bank loans and other investments                                   | 484,566          | -                  |
| Other assets   | 1,583            | -                  |
| Deferred sales commissions   | 38,126           | 48,104             |
| Deferred income taxes  | 17,859           | 97,274             |
| Equipment and leasehold improvements, net                          | 73,010           | 71,219             |
| Other intangible assets, net                                       | 71,221           | 73,018             |
| Goodwill   | 142,302          | 135,786            |
| Other assets   | 65,843           | 61,464             |
| Total assets   | \$ 1,806,487     | \$ 1,258,540       |
| <b>LIABILITIES, TEMPORARY EQUITY AND PERMANENT EQUITY</b>          |                  |                    |
| <b>Liabilities:</b>  |                  |                    |
| Accrued compensation   | \$ 75,050        | \$ 119,957         |
| Accounts payable and accrued expenses                              | 58,317           | 60,843             |
| Dividend payable   | 21,345           | 21,319             |
| Contingent purchase price liability                                | -                | 5,079              |
| Debt   | 500,000          | 500,000            |
| Liabilities of consolidated collateralized loan obligation entity: |                  |                    |
| Senior and subordinated note obligations                           | 479,277          | -                  |
| Other liabilities  | 10,446           | -                  |
| Other liabilities  | 66,682           | 73,468             |
| Total liabilities  | 1,211,117        | 780,666            |
| Commitments and contingencies                                      |                  |                    |
| <b>Temporary Equity:</b>   |                  |                    |
| Redeemable non-controlling interests                               | 118,201          | 67,019             |
| Total temporary equity   | 118,201          | 67,019             |

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**Permanent Equity:**

Voting common stock, par value \$0.00390625 per share:

Authorized, 1,280,000 shares

|  |   |   |
|--|---|---|
| Issued, 399,240 and 399,240 shares, respectively | 2 | 2 |
|--|---|---|

Non-voting common stock, par value \$0.00390625 per share:

Authorized, 190,720,000 shares

|  |     |     |
|--|-----|-----|
| Issued, 118,181,496 and 117,927,054 shares, respectively | 462 | 461 |
|--|-----|-----|

|                            |        |        |
|----------------------------|--------|--------|
| Additional paid-in capital | 41,935 | 50,225 |
|----------------------------|--------|--------|

|  |         |         |
|--|---------|---------|
| Notes receivable from stock option exercises | (2,868) | (3,158) |
|--|---------|---------|

|   |       |       |
|---|-------|-------|
| Accumulated other comprehensive income (loss) | 2,615 | (435) |
|---|-------|-------|

|                                |        |   |
|--------------------------------|--------|---|
| Appropriated retained earnings | 12,036 | - |
|--------------------------------|--------|---|

|                   |         |         |
|-------------------|---------|---------|
| Retained earnings | 422,074 | 363,190 |
|-------------------|---------|---------|

|  |         |         |
|--|---------|---------|
| Total Eaton Vance Corp. shareholders' equity | 476,256 | 410,285 |
|--|---------|---------|

|  |     |     |
|--|-----|-----|
| Non-redeemable non-controlling interests | 913 | 570 |
|--|-----|-----|

|                        |         |         |
|------------------------|---------|---------|
| Total permanent equity | 477,169 | 410,855 |
|------------------------|---------|---------|

|  |              |              |
|--|--------------|--------------|
| Total liabilities, temporary equity and permanent equity | \$ 1,806,487 | \$ 1,258,540 |
|--|--------------|--------------|

**Table 1**  
**Asset Flows (in millions)**  
**Twelve Months Ended April 30, 2011**  
**(unaudited)**

|   |            |
|---|------------|
| Assets as of April 30, 2010 - beginning of period | \$ 176,245 |
| Long-term fund sales and inflows                  | 38,315     |
| Long-term fund redemptions and outflows           | (27,942)   |
| Long-term fund net exchanges                      | (730)      |
| Institutional account inflows                     | 9,775      |
| Institutional account outflows                    | (7,312)    |
| High-net-worth account inflows                    | 2,736      |
| High-net-worth account outflows                   | (2,456)    |
| High-net-worth assets acquired                    | 352        |
| Retail managed account inflows                    | 6,922      |
| Retail managed account outflows                   | (7,288)    |
| Separate account reclassification                 | 665        |
| Market value change                               | 14,128     |
| Change in cash management funds                   | (449)      |
| Net change  | 26,716     |
| Assets as of April 30, 2011 - end of period       | \$ 202,961 |

**Table 2**  
**Assets Under Management**  
**By Investment Mandate <sup>(1)</sup>**  
**(in millions) (unaudited)**

|                      | April 30,<br>2011 | January 31,<br>2011 | %      | April 30,<br>2010 | %      |
|----------------------|-------------------|---------------------|--------|-------------------|--------|
|                      |                   |                     | Change |                   | Change |
| Equity               | \$ 122,740        | \$ 114,722          | 7%     | \$ 110,987        | 11%    |
| Fixed income         | 43,093            | 43,022              | 0%     | 41,194            | 5%     |
| Floating-rate income | 24,224            | 21,939              | 10%    | 17,180            | 41%    |
| Alternative          | 11,833            | 11,358              | 4%     | 5,364             | 121%   |
| Cash management      | 1,071             | 703                 | 52%    | 1,520             | -30%   |
| Total                | \$ 202,961        | \$ 191,744          | 6%     | \$ 176,245        | 15%    |

(1) Includes funds and separate accounts

**Table 3**  
**Long-Term Fund and Separate Account Net Flows (in millions)**  
**(unaudited)**

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|                         | Three Months Ended |                     |                   | Six Months Ended  |                   |
|-------------------------|--------------------|---------------------|-------------------|-------------------|-------------------|
|                         | April 30,<br>2011  | January 31,<br>2011 | April 30,<br>2010 | April 30,<br>2011 | April 30,<br>2010 |
| Long-term funds:        |                    |                     |                   |                   |                   |
| Open-end funds          | \$ 2,767           | \$ 2,061            | \$ 3,674          | \$ 4,827          | \$ 6,166          |
| Closed-end funds        | (2)                | (111)               | 152               | (112)             | 131               |
| Private funds           | (537)              | (598)               | (633)             | (1,135)           | (1,647)           |
| Institutional accounts  | (268)              | 471                 | 1,408             | 203               | 1,798             |
| High-net-worth accounts | 191                | 156                 | 110               | 347               | 740               |
| Retail managed accounts | 768                | (131)               | 543               | 637               | 1,094             |
| Total net flows         | \$ 2,919           | \$ 1,848            | \$ 5,254          | \$ 4,767          | \$ 8,282          |

**Table 4**  
**Asset Flows by Investment Mandate (in millions)**  
**(unaudited)**

|   | Three Months Ended |                     |                   | Six Months Ended  |                   |
|---|--------------------|---------------------|-------------------|-------------------|-------------------|
|   | April 30,<br>2011  | January 31,<br>2011 | April 30,<br>2010 | April 30,<br>2011 | April 30,<br>2010 |
| <b>Equity fund assets - beginning of period</b>               | \$ 61,349          | \$ 58,434           | \$ 55,455         | \$ 58,434         | \$ 53,829         |
| Sales/inflows   | 3,802              | 4,178               | 3,307             | 7,981             | 6,514             |
| Redemptions/outflows  | (4,020)            | (4,142)             | (2,987)           | (8,163)           | (6,296)           |
| Exchanges   | 26                 | 66                  | (12)              | 92                | 446               |
| Market value change   | 3,168              | 2,813               | 3,977             | 5,981             | 5,247             |
| <b>Net change</b>   | <b>2,976</b>       | <b>2,915</b>        | <b>4,285</b>      | <b>5,891</b>      | <b>5,911</b>      |
| <b>Equity assets - end of period</b>                          | <b>\$ 64,325</b>   | <b>\$ 61,349</b>    | <b>\$ 59,740</b>  | <b>\$ 64,325</b>  | <b>\$ 59,740</b>  |
| <b>Fixed income fund assets - beginning of period</b>         | 26,602             | 29,421              | 26,786            | 29,421            | 26,076            |
| Sales/inflows   | 1,720              | 1,679               | 1,924             | 3,399             | 3,603             |
| Redemptions/outflows  | (1,701)            | (2,577)             | (1,459)           | (4,277)           | (2,846)           |
| Exchanges   | (55)               | (229)               | 47                | (285)             | 151               |
| Market value change   | 410                | (1,692)             | 494               | (1,282)           | 808               |
| <b>Net change</b>   | <b>374</b>         | <b>(2,819)</b>      | <b>1,006</b>      | <b>(2,445)</b>    | <b>1,716</b>      |
| <b>Fixed income assets - end of period</b>                    | <b>\$ 26,976</b>   | <b>\$ 26,602</b>    | <b>\$ 27,792</b>  | <b>\$ 26,976</b>  | <b>\$ 27,792</b>  |
| <b>Floating-rate income fund assets - beginning of period</b> | 17,903             | 16,128              | 14,955            | 16,128            | 14,361            |
| Sales/inflows   | 2,967              | 1,967               | 1,150             | 4,934             | 1,978             |
| Redemptions/outflows  | (934)              | (561)               | (622)             | (1,496)           | (1,238)           |
| Exchanges   | 60                 | 118                 | (65)              | 179               | (63)              |
| Market value change   | 227                | 251                 | 294               | 478               | 674               |
| <b>Net change</b>   | <b>2,320</b>       | <b>1,775</b>        | <b>757</b>        | <b>4,095</b>      | <b>1,351</b>      |
| <b>Floating-rate income assets - end of period</b>            | <b>\$ 20,223</b>   | <b>\$ 17,903</b>    | <b>\$ 15,712</b>  | <b>\$ 20,223</b>  | <b>\$ 15,712</b>  |
| <b>Alternative fund assets - beginning of period</b>          | 10,876             | 9,995               | 2,990             | 9,995             | 1,938             |

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|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Sales/inflows  | 1,423             | 1,811             | 2,151             | 3,233             | 3,261             |
| Redemptions/outflows                                 | (1,029)           | (1,003)           | (271)             | (2,031)           | (326)             |
| Exchanges  | (34)              | (20)              | 29                | (54)              | 52                |
| Market value change                                  | 126               | 93                | (20)              | 219               | (46)              |
| <b>Net change</b>                                    | <b>486</b>        | <b>881</b>        | <b>1,889</b>      | <b>1,367</b>      | <b>2,941</b>      |
| <b>Alternative assets - end of period</b>            | <b>\$ 11,362</b>  | <b>\$ 10,876</b>  | <b>\$ 4,879</b>   | <b>\$ 11,362</b>  | <b>\$ 4,879</b>   |
| <b>Long-term fund assets - beginning of period</b>   | <b>116,730</b>    | <b>113,978</b>    | <b>100,186</b>    | <b>113,978</b>    | <b>96,204</b>     |
| Sales/inflows  | 9,912             | 9,635             | 8,532             | 19,547            | 15,356            |
| Redemptions/outflows                                 | (7,684)           | (8,283)           | (5,339)           | (15,967)          | (10,706)          |
| Exchanges  | (3)               | (65)              | (1)               | (68)              | 586               |
| Market value change                                  | 3,931             | 1,465             | 4,745             | 5,396             | 6,683             |
| <b>Net change</b>                                    | <b>6,156</b>      | <b>2,752</b>      | <b>7,937</b>      | <b>8,908</b>      | <b>11,919</b>     |
| <b>Total long-term fund assets - end of period</b>   | <b>\$ 122,886</b> | <b>\$ 116,730</b> | <b>\$ 108,123</b> | <b>\$ 122,886</b> | <b>\$ 108,123</b> |
| <b>Separate accounts - beginning of period</b>       | <b>74,311</b>     | <b>70,126</b>     | <b>59,993</b>     | <b>70,126</b>     | <b>57,278</b>     |
| Institutional account inflows                        | 2,876             | 2,184             | 2,958             | 5,060             | 4,570             |
| Institutional account outflows                       | (3,144)           | (1,713)           | (1,550)           | (4,857)           | (2,772)           |
| High-net-worth account inflows                       | 923               | 798               | 613               | 1,721             | 1,699             |
| High-net-worth account outflows                      | (732)             | (642)             | (503)             | (1,374)           | (959)             |
| High-net-worth assets acquired                       | 352               | -                 | -                 | 352               | -                 |
| Retail managed account inflows                       | 2,250             | 1,584             | 1,801             | 3,834             | 3,515             |
| Retail managed account outflows                      | (1,482)           | (1,715)           | (1,258)           | (3,197)           | (2,421)           |
| Separate accounts reclassification                   | -                 | 3                 | -                 | 3                 | (579)             |
| Separate accounts market value change                | 3,650             | 3,686             | 4,548             | 7,336             | 6,271             |
| <b>Net change</b>                                    | <b>4,693</b>      | <b>4,185</b>      | <b>6,609</b>      | <b>8,878</b>      | <b>9,324</b>      |
| <b>Separate accounts - end of period</b>             | <b>\$ 79,004</b>  | <b>\$ 74,311</b>  | <b>\$ 66,602</b>  | <b>\$ 79,004</b>  | <b>\$ 66,602</b>  |
| <b>Cash management fund assets - end of period</b>   | <b>1,071</b>      | <b>703</b>        | <b>1,520</b>      | <b>1,071</b>      | <b>1,520</b>      |
| <b>Total assets under management - end of period</b> | <b>\$ 202,961</b> | <b>\$ 191,744</b> | <b>\$ 176,245</b> | <b>\$ 202,961</b> | <b>\$ 176,245</b> |