

EATON VANCE CORP  
Form 8-K  
May 23, 2007

**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 23, 2007

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.)

255 State Street, Boston, Massachusetts  
(Address of principal executive offices)

02109  
(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 9.01. Financial Statements and Exhibits**

Registrant has reported its results of operations for the three and six months ended April 30, 2007, as described in Registrant's news release dated May 23, 2007, a copy of which is filed herewith as Exhibit 99.1 and incorporated herein by reference.

Exhibit No.

99.1

Document

Press release issued by the Registrant dated May 23, 2007.

**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 23, 2007

/s/ William M. Steul  
William M. Steul, Chief Financial Officer

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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 23, 2007. |

Exhibit 99.1

May 23, 2007

**FOR IMMEDIATE RELEASE**

**EATON VANCE CORP. REPORTS 26 PERCENT INCREASE IN ASSETS UNDER  
MANAGEMENT TO \$150 BILLION**

**Boston, MA** This year's second quarter was one of the most successful in Company history, said James B. Hawkes, Chairman and CEO of Eaton Vance Corp. In February we completed the largest ever initial public offering of a closed-end fund, raising \$5.8 billion. We also saw an acceleration of sales and net flows in other key areas, including open-end funds, retail managed accounts and high-net-worth and institutional separate accounts. Assets under management at quarter-end were a record \$150.0 billion. While marketing costs related to the closed-end fund initial public offering and higher sales of other products depressed reported earnings, this was an outstanding quarter in terms of creating long-term value for Eaton Vance shareholders.

Eaton Vance reported diluted earnings per share of \$0.17 in the second quarter of fiscal 2007 compared to diluted earnings per share of \$0.29 in the second quarter of fiscal 2006. Second quarter earnings were reduced by \$0.25 per diluted share by expenses associated with the initial public offering of the \$5.8 billion closed-end Eaton Vance Tax-Managed Global Diversified Equity Income Fund. These expenses consisted of \$46.3 million of structuring fees to distribution partners in the underwriting group and \$8.1 million of sales-based incentives to members of the Eaton Vance sales and marketing organization.

The Company earned \$0.19 per diluted share in the first six months of fiscal 2007 compared to earnings of \$0.57 per diluted share in the first six months of fiscal 2006. Year-to-date earnings per share were reduced by \$0.58 per diluted share by closed-end fund related expenses incurred in the first and second fiscal quarters. These expenses consisted of structuring fee payments of \$63.4 million, sales-based incentives of \$12.6 million and one-time payments of \$52.2 million made to terminate compensation agreements of the Company with Merrill Lynch and AG Edwards relating to certain previously offered closed-end funds. The Company expects to earn significant future management fees from the \$8.6 billion in new closed-end funds assets raised in the first half of the fiscal year and increased operating income resulting from the termination of the compensation agreements on earlier closed-end funds.

Assets under management of \$150.0 billion at the end of the second quarter of fiscal 2007 were \$31.2 billion or 26 percent greater than the \$118.8 billion at the end of the second fiscal quarter last year. In the 12-month period ended April 30, 2007, the Company's assets under management were positively affected by long-term fund and separate account net inflows of \$21.3 billion, market price appreciation of \$9.8 billion and increased money market assets of \$0.2 billion. Gross sales and inflows of long-term funds and separate accounts in the last 12 months were \$40.9 billion.

Net inflows of \$10.5 billion were 262 percent greater in the second quarter of fiscal 2007 than net inflows of \$2.9 billion in the second quarter of fiscal 2006, helped by the \$5.8 billion closed-end fund offering and significantly higher net inflows into open-end funds and separate accounts. Excluding the closed-end fund, total fund and separate account net inflows increased 63 percent in the second quarter of fiscal 2007 compared to the second quarter of fiscal 2006. Open-end fund net inflows increased 75 percent to \$2.8 billion from \$1.6 billion. Retail managed account net inflows increased 175 percent to \$1.1 billion from \$0.4 billion in the same period last year. Institutional and high-net-worth separate account net inflows increased 50 percent to \$0.3 billion from \$0.2 billion in the second quarter of fiscal 2006. Tables 1-4 on page 6 summarize assets under management and asset flows by investment objective.

As a result of higher average assets under management, revenue in the second quarter of fiscal 2007 increased by \$48.4 million or 23 percent to \$260.2 million compared to revenue in the second quarter of fiscal 2006 of \$211.8 million. Investment adviser and administration fees increased 28 percent to \$185.4 million, compared to a 23 percent increase in average assets under management. Distribution and underwriter fees increased 5 percent, reflecting the continuing shift in sales and assets from class B mutual fund shares to other fund share classes and other managed assets with low or no distribution fees. Service fee revenue increased 23 percent due to the increase in fund assets that pay these fees.

Operating expenses increased 48 percent in the second quarter of fiscal 2007 to \$223.9 million compared to operating expenses of \$151.2 million in the second quarter of fiscal 2006 because of \$54.4 million of one-time expenses associated with the closed-end fund offering referred to earlier, as well as higher compensation, service fee, distribution and other expenses. Compensation expense (including closed-end fund-related compensation expenses) increased 35 percent because of significantly higher sales-based incentive payments and increases in employee headcount, base salaries, stock-option expense and higher management bonus accruals.

Amortization of deferred sales commissions increased 2 percent in the second quarter of fiscal 2007 compared to the second quarter of fiscal 2006 primarily because the growth in class C share fund sales and assets more than offset the continuing decline in class B share fund sales and assets. Service fee expense increased 21 percent, in line with the increase in assets that have service fee revenue. Distribution expense increased 178 percent as a result of the \$46.3 million of one-time closed-end fund structuring fees and increases in sales support expenses and distribution fees on class A and class C fund shares. Other expenses decreased 16 percent because the second quarter of fiscal 2006 included an \$8.9 million write-off of intangible assets which more than offset increases in facilities, information technology, travel and other miscellaneous expenses in the second quarter of fiscal 2007.

The combination of one-time closed-end fund structuring fees and higher sales-based marketing incentives reduced operating income to \$36.3 million in the second quarter of fiscal 2007 compared to \$60.6 million in the second quarter of fiscal 2006.

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 ( GAAP ), as well as adjusted operating income, a non-GAAP performance measure. Adjusted operating income is defined as operating income plus

closed-end fund structuring fees and one-time payments,

stock-based compensation and the write-off of any intangible assets associated with the Company's acquisitions. 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 amounts resulting from one-time events (e.g., the offering of a closed-end fund) 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.

The following table provides a reconciliation of operating income to adjusted operating income:

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

| <i>(in thousands)</i>   | <b>For the Three<br/>Months Ended<br/>April 30,</b> |             |                     | <b>For the Six Months<br/>Ended<br/>April 30,</b> |             |                     |
|---|---|-------------|---------------------|---|-------------|---------------------|
|   | <b>2007</b>   | <b>2006</b> | <b>%<br/>Change</b> | <b>2007</b>                                       | <b>2006</b> | <b>%<br/>Change</b> |
| Operating income  | \$36,292  | \$60,617    | -40%                | \$38,289  | \$124,695   | -69%                |
| Closed-end fund structuring fees                              | 46,321  | -           | NM                  | 63,436  | -           | NM                  |
| Payments to terminate closed-end fund compensation agreements | -   | -           | -                   | 52,178  | -           | NM                  |
| Write-off of intangible assets                                | -   | 8,876       | NM                  | -   | 8,876       | NM                  |
| Stock-based compensation                                      | 8,252   | 7,977       | 3%                  | 22,476  | 20,499      | 10%                 |
| Adjusted operating income                                     | \$90,865  | \$77,470    | 17%                 | \$176,379   | \$154,070   | 14%                 |

Net income decreased 42 percent to \$23.1 million in the second quarter of fiscal 2007 compared to \$39.9 million in the second quarter of fiscal 2006 because of the one-time closed-end fund expenses and other increases in operating expenses noted previously. Interest income increased 2 percent because of higher interest earned on cash and short-term investments. Interest expense declined 84 percent because of the extinguishment of the Company's long-term debt in August 2006. The Company's effective tax rate, before minority interest and equity in net income of affiliates, was 38.5 percent in both the second quarter of fiscal 2007 and the second quarter of fiscal 2006.

Cash, cash equivalents and short-term investments were \$154.9 million on April 30, 2007, and \$286.5 million on April 30, 2006. The Company's strong operating cash flow in the last 12 months enabled it to pay \$158.4 million to repurchase 5.2 million shares of its non-voting common stock, \$86.2 million to retire its long-term debt and \$55.9



million in dividends to shareholders, in addition to the \$115.6 million of closed-end structuring fees and compensation agreement buyouts previously noted. There were no outstanding borrowings against the Company's \$180.0 million credit facility as of April 30, 2007.

During the first six months of fiscal 2007, the Company repurchased and retired 2.2 million shares of its non-voting common stock at an average price of \$34.48 per share under its current repurchase authorization. Approximately 4.1 million shares remained of the current 8.0 million share authorization on April 30, 2007.

Eaton Vance Corp., a Boston-based investment management firm, is traded on the New York Stock Exchange under the symbol EV.

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, the volume of sales and repurchases of fund shares, 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 amounts)

|  | Three Months      |                   |             | Six Months Ended     |                   |             |
|--|-------------------|-------------------|-------------|----------------------|-------------------|-------------|
|  | Ended             |                   |             |                      |                   |             |
|  | April 30,<br>2007 | April 30,<br>2006 | %<br>Change | April<br>30,<br>2007 | April 30,<br>2006 | %<br>Change |
| <b>Revenue:</b>                            |                   |                   |             |                      |                   |             |
| Investment adviser and administration fees | \$ 185,437        | \$ 145,284        | 28 %        | \$ 354,834           | \$ 287,353        | 23 %        |
| Distribution and underwriter fees          | 37,058            | 35,414            | 5           | 73,636               | 70,781            | 4           |
| Service fees                               | 36,223            | 29,346            | 23          | 71,569               | 58,003            | 23          |
| Other revenue                              | 1,466             | 1,752             | (16)        | 3,321                | 2,199             | 51          |
| <b>Total revenue</b>                       | <b>260,184</b>    | <b>211,796</b>    | <b>23</b>   | <b>503,360</b>       | <b>418,336</b>    | <b>20</b>   |
| <b>Expenses:</b>                           |                   |                   |             |                      |                   |             |
| Compensation of officers and employees     | 79,161            | 58,489            | 35          | 157,143              | 119,938           | 31          |
| Amortization of deferred sales commissions | 13,552            | 13,308            | 2           | 26,971               | 27,048            | (1)         |
| Service fee expense                        | 27,682            | 22,971            | 21          | 54,900               | 45,834            | 20          |
| Distribution expense                       | 78,811            | 28,303            | 178         | 178,321              | 54,618            | 226         |
| Fund expenses                              | 4,455             | 3,940             | 13          | 8,674                | 7,800             | 11          |
| Other expenses                             | 20,231            | 24,168            | (16)        | 39,062               | 38,403            | 2           |
| <b>Total expenses</b>                      | <b>223,892</b>    | <b>151,179</b>    | <b>48</b>   | <b>465,071</b>       | <b>293,641</b>    | <b>58</b>   |
| <b>Operating Income</b>                    | <b>36,292</b>     | <b>60,617</b>     | <b>(40)</b> | <b>38,289</b>        | <b>124,695</b>    | <b>(69)</b> |
| <b>Other Income/(Expense):</b>             |                   |                   |             |                      |                   |             |
| Interest income                            | 2,058             | 2,020             | 2           | 4,335                | 3,742             | 16          |
| Interest expense                           | (57)              | (360)             | (84)        | (84)                 | (724)             | (88)        |

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|   |           |           |      |           |           |      |
|---|-----------|-----------|------|-----------|-----------|------|
| Gain on investments   | 965       | 2,886     | (67) | 1,673     | 3,547     | (53) |
| Foreign currency loss   | (61)      | (71)      | (14) | (133)     | (127)     | 5    |
| Impairment loss on investments  | -         | -         | NM   | -         | (592)     | NM   |
| <hr/>   |           |           |      |           |           |      |
| <b>Income Before Income Taxes, Minority Interest,<br/>Equity in Net Income of Affiliates and Cumulative</b> |           |           |      |           |           |      |
| <b>Effect of Change in Accounting Principle</b>   | 39,197    | 65,092    | (40) | 44,080    | 130,541   | (66) |
| <b>Income Taxes</b>   | (15,098)  | (25,074)  | (40) | (16,971)  | (50,217)  | (66) |
| <b>Minority Interest</b>  | (1,420)   | (1,271)   | 12   | (2,876)   | (2,820)   | 2    |
| <b>Equity in Net Income of Affiliates, Net of Tax</b>   | 414       | 1,153     | (64) | 1,419     | 2,153     | (34) |
| <hr/>   |           |           |      |           |           |      |
| <b>Net Income Before Cumulative Effect of Change in<br/>Accounting Principle</b>                            | 23,093    | 39,900    | (42) | 25,652    | 79,657    | (68) |
| <b>Cumulative Effect of Change in Accounting Principle,<br/>Net of Tax</b>                                  | -         | -         | NM   | -         | (626)     | NM   |
| <hr/>   |           |           |      |           |           |      |
| <b>Net Income</b>   | \$ 23,093 | \$ 39,900 | (42) | \$ 25,652 | \$ 79,031 | (68) |
| <hr/>   |           |           |      |           |           |      |
| <b>Earnings Per Share Before Cumulative Effect of<br/>Change in Accounting Principle:</b>                   |           |           |      |           |           |      |
| Basic   | \$ 0.18   | \$ 0.31   | (41) | \$ 0.20   | \$ 0.62   | (67) |
| Diluted   | \$ 0.17   | \$ 0.29   | (41) | \$ 0.19   | \$ 0.57   | (67) |
| <hr/>   |           |           |      |           |           |      |
| <b>Earnings Per Share:</b>  |           |           |      |           |           |      |
| Basic   | \$ 0.18   | \$ 0.31   | (41) | \$ 0.20   | \$ 0.61   | (67) |
| Diluted   | \$ 0.17   | \$ 0.29   | (41) | \$ 0.19   | \$ 0.57   | (67) |
| <hr/>   |           |           |      |           |           |      |
| <b>Dividends Declared, Per Share</b>  | \$ 0.12   | \$ 0.10   | 20   | \$ 0.24   | \$ 0.20   | 20   |
| <hr/>   |           |           |      |           |           |      |
| <b>Weighted Average Shares Outstanding:</b>   |           |           |      |           |           |      |
| Basic   | 125,937   | 128,447   | (2)  | 126,094   | 128,859   | (    |
| Diluted   | 135,163   | 138,736   | (3)  |           | 138,942   | (    |



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

|   | <b>April 30,<br/>2007</b> | <b>October 31,<br/>2006</b> |
|---|---------------------------|-----------------------------|
|   |                           |                             |
| <b>ASSETS</b>                                 |                           |                             |
| <b>Current Assets:</b>                        |                           |                             |
| Cash and cash equivalents                     | \$ 154,868                | \$ 207,100                  |
| Short-term investments                        | -                         | 2,000                       |
| Investment adviser fees and other receivables | 112,924                   | 91,000                      |
| Other current assets                          | 7,604                     | -                           |
|   | 275,396                   | 300,100                     |
| <b>Total current assets</b>                   |                           |                             |
| <b>Other Assets:</b>                          |                           |                             |
| Deferred sales commissions                    | 109,232                   | 110,000                     |
| Goodwill                                      | 96,837                    | 96,837                      |
| Other intangible assets, net                  | 33,280                    | 33,280                      |
| Long-term investments                         | 84,482                    | 77,000                      |
| Equipment and leasehold improvements, net     | 21,602                    | 21,602                      |
| Other assets                                  | 530                       | -                           |
|   | 345,963                   | 338,719                     |
| <b>Total other assets</b>                     |                           |                             |
|   | \$ 621,359                | \$ 638,819                  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                           |                             |
| <b>Current Liabilities:</b>                   |                           |                             |
| Accrued compensation                          | \$ 52,445                 | \$ 81,000                   |
| Accounts payable and accrued expenses         | 35,366                    | 35,366                      |
| Dividend payable                              | 15,097                    | 15,097                      |
| Other current liabilities                     | 16,523                    | -                           |
|   | 119,431                   | 131,463                     |
| <b>Total current liabilities</b>              |                           |                             |
| <b>Long-Term Liabilities:</b>                 |                           |                             |
| Long-term debt                                | -                         | -                           |
| Deferred income taxes                         | 21,269                    | 21,269                      |
|   | 21,269                    | 21,269                      |

|   |            |      |
|---|------------|------|
| Total long-term liabilities   | 21,269     | 2    |
| Total liabilities   | 140,700    | 10   |
| Minority interest   | 9,506      |      |
| Commitments and contingencies   | -          |      |
| <b>Shareholders' Equity:</b>  |            |      |
| Common stock, par value \$0.00390625 per share:                       |            |      |
| Authorized, 1,280,000 shares  |            |      |
| Issued, 272,644, 309,760 and 309,760 shares, respectively             | 1          |      |
| Non-voting common stock, par value \$0.00390625 per share:            |            |      |
| Authorized, 190,720,000 shares  |            |      |
| Issued, 125,466,971, 126,125,717 and 127,613,866 shares, respectively | 490        |      |
| Notes receivable from stock option exercises                          | (2,628)    |      |
| Accumulated other comprehensive income                                | 6,946      |      |
| Retained earnings   | 466,344    | 4    |
| Total shareholders' equity  | 471,153    | 4    |
| Total liabilities and shareholders' equity                            | \$ 621,359 | \$ 6 |

**Table 1**  
**Asset Flows (in millions)**  
**Twelve Months Ended April 30, 2007**

|   |    |          |
|---|----|----------|
| Assets 4/30/2006 - beginning of period  | \$ | 118,768  |
| Long-term fund sales and inflows        |    | 33,533   |
| Long-term fund redemptions and outflows |    | (12,975) |
| Long-term fund net exchanges            |    | (66)     |
| Long-term fund mkt. value change        |    | 6,571    |
| Institutional and HNW account inflows   |    | 2,692    |
| Institutional and HNW account outflows  |    | (4,331)  |
| Retail managed account inflows          |    | 4,650    |
| Retail managed account outflows         |    | (2,251)  |
| Separate account mkt. value change      |    | 3,213    |
| Change in money market funds            |    | 198      |
| Net change                              |    | 31,234   |
| Assets 4/30/2007 - end of period        | \$ | 150,002  |

**Table 2**  
**Assets Under Management**  
**By Investment Objective (in millions)**

|                    | April 30, 2007 | October 31, 2006 | %<br>Change | April 30, 2006 | %<br>Change |
|--------------------|----------------|------------------|-------------|----------------|-------------|
| Equity funds       | \$ 68,207      | \$ 53,220        | 28%         | \$ 50,116      | 36%         |
| Fixed income funds | 24,493         | 21,482           | 14%         | 19,141         | 28%         |
| Bank loan funds    | 21,413         | 19,982           | 7%          | 17,792         | 20%         |
| Money market funds | 1,736          | 3,728            | -53%        | 1,538          | 13%         |
| Separate accounts  | 34,153         | 30,494           | 12%         | 30,181         | 13%         |
| Total              | \$ 150,002     | \$ 128,906       | 16%         | \$ 118,768     | 26%         |

**Table 3**  
**Asset Flows by Investment Objective (in millions)**

|                          |                     |
|--------------------------|---------------------|
| Three<br>Months<br>Ended | Six Months<br>Ended |
|--------------------------|---------------------|



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|   | April 30,<br>2007 | April 30,<br>2006 | April 30,<br>2007 | April 30,<br>2006 |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Equity fund assets - beginning of period</b>       | \$ 59,344         | \$ 48,129         | \$ 53,220         | \$ 45,146         |
| Sales/inflows   | 8,471             | 1,991             | 14,475            | 3,672             |
| Redemptions/outflows                                  | (1,750)           | (1,229)           | (3,436)           | (2,661)           |
| Exchanges   | (16)              | 12                | (10)              | 37                |
| Market value change                                   | 2,158             | 1,213             | 3,958             | 3,922             |
| <b>Net change</b>                                     | <b>8,863</b>      | <b>1,987</b>      | <b>14,987</b>     | <b>4,970</b>      |
| <b>Equity assets - end of period</b>                  | <b>\$ 68,207</b>  | <b>\$ 50,116</b>  | <b>\$ 68,207</b>  | <b>\$ 50,116</b>  |
| <b>Fixed income fund assets - beginning of period</b> | 22,873            | 18,619            | 21,482            | 18,213            |
| Sales/inflows   | 2,186             | 1,149             | 4,126             | 1,989             |
| Redemptions/outflows                                  | (746)             | (521)             | (1,317)           | (1,061)           |
| Exchanges   | 9                 | 8                 | 19                | (10)              |
| Market value change                                   | 171               | (114)             | 183               | 10                |
| <b>Net change</b>                                     | <b>1,620</b>      | <b>522</b>        | <b>3,011</b>      | <b>928</b>        |
| <b>Fixed income assets - end of period</b>            | <b>\$ 24,493</b>  | <b>\$ 19,141</b>  | <b>\$ 24,493</b>  | <b>\$ 19,141</b>  |
| <b>Bank loan fund assets - beginning of period</b>    | 20,298            | 16,744            | 19,982            | 16,816            |
| Sales/inflows   | 1,929             | 1,849             | 3,671             | 3,024             |
| Redemptions/outflows                                  | (917)             | (882)             | (2,425)           | (2,280)           |
| Exchanges   | (6)               | (19)              | (23)              | (28)              |
| Market value change                                   | 109               | 100               | 208               | 260               |
| <b>Net change</b>                                     | <b>1,115</b>      | <b>1,048</b>      | <b>1,431</b>      | <b>976</b>        |
| <b>Bank loan assets - end of period</b>               | <b>\$ 21,413</b>  | <b>\$ 17,792</b>  | <b>\$ 21,413</b>  | <b>\$ 17,792</b>  |
| <b>Long-term fund assets - beginning of period</b>    | 102,515           | 83,492            | 94,684            | 80,175            |
| Sales/inflows   | 12,586            | 4,989             | 22,272            | 8,685             |
| Redemptions/outflows                                  | (3,413)           | (2,632)           | (7,178)           | (6,002)           |
| Exchanges   | (13)              | 1                 | (14)              | (1)               |
| Market value change                                   | 2,438             | 1,199             | 4,349             | 4,192             |
| <b>Net change</b>                                     | <b>11,598</b>     | <b>3,557</b>      | <b>19,429</b>     | <b>6,874</b>      |
| <b>Total long-term fund assets - end of period</b>    | <b>\$ 114,113</b> | <b>\$ 87,049</b>  | <b>\$ 114,113</b> | <b>\$ 87,049</b>  |

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| <b>Separate accounts</b> - beginning of period       | 31,693     | 28,942     | 30,494     | 27,650     |
| Institutional/HNW account inflows                    | 1,112      | 697        | 1,720      | 1,349      |
| Institutional/HNW account outflows                   | (831)      | (541)      | (2,034)    | (2,144)    |
| Institutional/HNW assets acquired <sup>1</sup>       | -          | -          | -          | 449        |
| Retail managed account inflows                       | 1,627      | 928        | 2,761      | 1,667      |
| Retail managed account outflows                      | (541)      | (537)      | (1,043)    | (946)      |
| Separate accounts market value change                | 1,093      | 692        | 2,255      | 2,156      |
| Net change   | 2,460      | 1,239      | 3,659      | 2,531      |
| <b>Separate accounts</b> - end of period             | \$ 34,153  | \$ 30,181  | \$ 34,153  | \$ 30,181  |
| <b>Money market fund assets</b> - end of period      | 1,736      | 1,538      | 1,736      | 1,538      |
| <b>Total assets under management</b> - end of period | \$ 150,002 | \$ 118,768 | \$ 150,002 | \$ 118,768 |

**Table 4**  
**Long-Term Fund and Separate Account Net**  
**Flows (in millions)**

|                            | Three Months Ended |                | Six Months Ended |                |
|----------------------------|--------------------|----------------|------------------|----------------|
|                            | April 30, 2007     | April 30, 2006 | April 30, 2007   | April 30, 2006 |
| Long-term funds:           |                    |                |                  |                |
| Open-end funds             | \$ 2,839           | \$ 1,567       | \$ 5,066         | \$ 2,243       |
| Closed-end funds           | 5,793              | -              | 8,634            | 108            |
| Private funds              | 541                | 790            | 1,394            | 332            |
| Institutional/HNW accounts | 281                | 156            | (314)            | (795)          |
| Retail managed accounts    | 1,086              | 391            | 1,718            | 721            |
| Total net flows            | \$ 10,540          | \$ 2,904       | \$ 16,498        | \$ 2,609       |

<sup>1</sup> Voyager Asset Management (MA) acquired by Eaton Vance in December 2005.