

EATON VANCE CORP  
Form 8-K  
February 24, 2010

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): February 24, 2010

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 months ended January 31, 2010, as described in Registrant's news release dated February 24, 2010, 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 February 24, 2010. |
|------|---|

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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: February 24, 2010

/s/ Robert J. Whelan -  
Robert J. Whelan, 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 February 24, 2010. |

**Exhibit 99.1**

**Contact:**

Robert Whelan - 617.482.8260  
rwhelan@eatonvance.com

**EATON VANCE CORP.**

**REPORT FOR THE THREE MONTHS ENDED JANUARY 31, 2010**

**Boston, MA**, February 24, 2010 - Eaton Vance Corp. (NYSE: EV) reported earnings per diluted share of \$0.37 for the first quarter of fiscal 2010 compared to earnings per diluted share of \$0.21 in the first quarter of fiscal 2009 and \$0.39 in the fourth quarter of fiscal 2009. First quarter 2010 earnings were reduced approximately \$0.02 per diluted share by adjustments recognized in connection with the adoption of a new accounting standard on non-controlling interests in consolidated financial statements. Fourth quarter fiscal 2009 earnings were increased approximately \$0.05 per diluted share by tax adjustments primarily related to stock-based compensation.

Net inflows of \$3.0 billion into long-term funds and separate accounts in the first quarter of fiscal 2010 compare to net inflows of \$3.3 billion in the first quarter of fiscal 2009 and \$5.5 billion in the fourth quarter of fiscal 2009. The Company's annualized internal growth rate for the quarter was eight percent. Assets under management on January 31, 2010 were \$161.6 billion, an increase of 32.6 percent over the \$121.9 billion of managed assets as of January 31, 2009 and an increase of 4.3 percent over the \$154.9 billion of managed assets as of October 31, 2009.

Eaton Vance's improving financial results reflect both continuing organic growth and the sharp recovery in market prices over the past year, said Thomas E. Faust Jr., Chairman and Chief Executive Officer. Growth in our managed assets has been nicely balanced between funds and separate accounts and among leading investment disciplines.

*Comparison to First Quarter of Fiscal 2009*

Long-term fund net inflows of \$1.5 billion in the first quarter of fiscal 2010 compare to \$0.5 billion of long-term fund net inflows in the first quarter of fiscal 2009, and reflect \$6.8 billion of fund sales and other inflows, \$4.7 billion of fund redemptions and \$0.6 billion of reductions in fund leverage. Institutional and high-net-worth separate account net inflows in the first quarter of fiscal 2010 were \$1.0 billion, consisting of gross inflows of \$2.7 billion offset by \$1.7 billion of outflows. Institutional and high-net-worth separate account inflows in the quarter primarily reflect the funding of new institutional mandates

at Eaton Vance Management and net inflows into high-net-worth accounts at Parametric Portfolio Associates. In the first quarter of fiscal 2009, inflows of \$3.4 billion in institutional and high-net-worth separate accounts were offset by outflows of \$1.1 billion. Retail managed account net inflows were \$0.6 billion in the first quarter of fiscal 2010 compared to \$0.4 billion in the first quarter of fiscal 2009. Retail managed accounts gross inflows of \$1.7 billion in the first quarter of fiscal 2010 decreased from the \$1.9 billion of inflows in the first quarter of fiscal 2009, while outflows of \$1.1 billion in the first quarter of fiscal 2010 decreased from outflows of \$1.5 billion in the prior fiscal year's first quarter. Tables 1-4 on page 7 summarize the Company's assets under management and asset flows by investment category.

Revenue in the first quarter of fiscal 2010 increased \$62.5 million, or 30 percent, to \$272.0 million from revenue of \$209.5 million in the first quarter of fiscal 2009. Investment advisory and administration fees increased 31 percent to \$210.4 million, reflecting a 32 percent increase in average assets under management, offset by a modest decline in the Company's average effective investment advisory fee rate. Distribution and underwriter fees increased 19 percent due to an increase in average fund assets that pay these fees. Service fee revenue increased 23 percent due to an increase in average fund assets subject to service fees. Other revenue, which increased by \$2.3 million on a year-over-year quarterly basis, included \$1.4 million of net realized and unrealized gains on investments of consolidated funds in the first quarter of fiscal 2010 compared to \$1.0 million of net realized and unrealized losses on investments of consolidated funds in the first quarter of fiscal 2009.

Operating expenses in the first quarter of fiscal 2010 increased \$27.2 million, or 17 percent, to \$184.7 million compared to operating expenses of \$157.5 million in the first quarter of fiscal 2009. Compensation expense increased 25 percent due to increases in adjusted operating income-based (defined below) bonus accruals, sales-based incentives and stock-based compensation. Distribution expense increased 32 percent from the prior fiscal year's first quarter due primarily to increases in intermediary marketing support payments, Class C distribution fees, payments made under certain closed-end fund compensation agreements and commissions paid on certain sales of Class A shares. Service fee expense increased 22 percent, in line with the increase in assets subject to service fees. Amortization of deferred sales commissions decreased 17 percent, consistent with an overall declining trend in Class B and Class C fund share sales and assets. Fund expenses decreased 15 percent in the first quarter of fiscal 2010 compared to the first quarter of fiscal 2009, primarily reflecting a decrease in subadvisory expenses as a result of the termination of a subadvisory relationship in the fourth quarter of fiscal 2009. Other expenses increased one percent, primarily due to an increase in information technology expenses and an increase in the amortization of intangible assets associated with the December 2008 acquisition of the Tax Advantaged Bonds Strategies ( TABS ) business of M.D. Sass, offset by decreases in facilities and consulting expenses.

Operating income in the first quarter of fiscal 2010 was \$87.3 million, an increase of 68 percent over operating income of \$52.0 million in the first quarter of fiscal 2009.

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, a non-GAAP performance measure. Adjusted operating income is defined as operating income excluding the results of consolidated funds 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 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 \$99.1 million in the first quarter of fiscal 2010 was 58 percent higher than the \$62.9 million of adjusted operating income in the first quarter of fiscal 2009. The Company's adjusted operating margin improved to 36.4 percent in the first quarter of fiscal 2010 from 30.0 percent in the first quarter of fiscal 2009.

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**

|   | For the Three Months Ended |                        |                        | % Change              |                       |
|---|----------------------------|------------------------|------------------------|-----------------------|-----------------------|
|   | January<br>31,<br>2010     | October<br>31,<br>2009 | January<br>31,<br>2009 | Q1 2010 to<br>Q4 2009 | Q1 2010 to<br>Q1 2009 |
| <i>(in thousands)</i>                     |                            |                        |                        |                       |                       |
| Operating income                          | \$87,347                   | \$76,865               | \$51,999               | 14%                   | 68%                   |
| Operating income of<br>consolidated funds | (1,555)                    | (1,363)                | (93)                   | 14%                   | NM                    |
| Stock-based<br>compensation               | 13,284                     | 10,196                 | 10,995                 | 30%                   | 21%                   |
| Adjusted operating<br>income              | \$99,076                   | \$85,698               | \$62,901               | 16%                   | 58%                   |

Interest income in the first quarter of fiscal 2010 decreased 39 percent from the first quarter of fiscal 2009 due to lower effective interest rates earned on cash balances. In the first quarter of fiscal 2010, the Company recognized \$2.5 million of net realized and unrealized gains on separate account investments compared to \$0.8 million of net realized and unrealized losses on separate account investments and \$0.1 million of

impairment losses on investments in collateralized debt obligation entities in the first quarter of fiscal 2009. The Company's effective tax rate, calculated as a percentage of income before equity in net income (loss) of affiliates, was 38.4 percent and 39.7 percent in the first quarter of fiscal 2010 and fiscal 2009, respectively.

Net income attributable to non-controlling interests in the first quarter of fiscal 2010 increased \$4.7 million over the first quarter of fiscal 2009, reflecting a \$2.3 million adjustment recognized upon adoption of a new accounting standard on non-controlling interests in consolidated financial statements as of November 1, 2009.

Net income attributable to Eaton Vance Corp. shareholders in the first quarter of fiscal 2010 was \$46.2 million, compared to net income attributable to Eaton Vance Corp. shareholders of \$24.7 million in the first quarter of fiscal 2009.

#### *Comparison to Fourth Quarter of Fiscal 2009*

Revenue in the first quarter of fiscal 2010 increased \$17.9 million, or seven percent, to \$272.0 million from \$254.1 million in the fourth quarter of fiscal 2009. Investment advisory and administration fees increased eight percent to \$210.4 million, reflecting a six percent increase in average assets under management. Distribution and underwriter fees increased six percent due to an increase in average fund assets that pay these fees. Service fee revenue increased two percent due to an increase in average fund assets subject to service fees. Other revenue, which increased by \$0.4 million over the prior quarter, included \$1.4 million of net realized and unrealized gains on investments of consolidated funds recognized in the first quarter of fiscal 2010 compared to \$1.2 million of net realized and unrealized gains on investments of consolidated funds in the fourth quarter of fiscal 2009.

Operating expenses increased \$7.4 million, or four percent, to \$184.7 million in the first quarter of fiscal 2010 from \$177.3 million in the fourth quarter of fiscal 2009. Compensation expense increased 10 percent, reflecting increases in adjusted operating income-based bonus accruals, stock-based compensation and sales-based incentives. Distribution expense increased seven percent from the prior fiscal quarter, reflecting an increase in commissions paid on certain sales of Class A shares, an increase in Class C distribution fees and an increase in intermediary marketing support payments. Service fee expense increased six percent, in line with the increase in assets subject to service fees. Fund expenses decreased 45 percent from the fourth quarter of fiscal 2009, primarily reflecting a decrease in subadvisory expenses related to certain sub-advisory agreements that were terminated in the fourth quarter of fiscal 2009. Other expenses decreased three percent due to decreases in information technology and facilities expenses.

Operating income in the first quarter of fiscal 2010 was \$87.3 million, an increase of 14 percent over operating income of \$76.9 million in the fourth quarter of fiscal 2009. The Company's operating margin improved to 32.1 percent in the first quarter of fiscal 2010 from 30.2 percent in the fourth quarter of fiscal 2009. Adjusted operating income of



\$99.1 million in the first quarter of fiscal 2010 was 16 percent higher than the \$85.7 million of adjusted operating income in the fourth quarter of fiscal 2009.

Interest income in the first quarter of fiscal 2010 decreased two percent from the fourth quarter of fiscal 2009 due to lower effective interest rates earned on cash balances. In the first quarter of fiscal 2010, the Company recognized \$2.5 million of net realized and unrealized gains on separate account investments. In the fourth quarter of fiscal 2009, the Company recognized \$2.2 million of net realized and unrealized gains on separate account investments and \$0.2 million of impairment losses on investments in collateralized debt obligation entities. The Company's effective tax rate, calculated as a percentage of income before equity in net income (loss) of affiliates, was 38.4 percent and 29.8 percent in the first quarter of fiscal 2010 and the fourth quarter of fiscal 2009, respectively. The increase in the Company's first quarter effective tax rate was due primarily to a tax adjustment related to stock-based compensation in the fourth quarter of fiscal 2009 that resulted in a \$5.2 million net reduction in the Company's income tax expense.

Net income attributable to non-controlling interests in the first quarter of fiscal 2010 increased \$3.3 million over the prior quarter, reflecting a \$2.3 million adjustment recognized upon adoption of a new accounting standard on non-controlling interests in consolidated financial statements as of November 1, 2009.

Net income attributable to Eaton Vance Corp. shareholders in the first quarter of fiscal 2010 was \$46.2 million compared to net income attributable to Eaton Vance Corp. shareholders of \$48.4 million in the fourth quarter of fiscal 2009.

Cash and cash equivalents and short-term investments totaled \$399.1 million as of January 31, 2010 compared to \$360.5 million on October 31, 2009. The Company used \$53.7 million to fund share repurchases and paid \$73.3 million of common share dividends over the past twelve months. There were no outstanding borrowings against the Company's \$200.0 million credit facility on January 31, 2010.

During the first three months of fiscal 2010, the Company repurchased and retired approximately 0.6 million shares of its Non-Voting Common Stock under its repurchase authorizations. Approximately 7.9 million shares remain 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 products 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.

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

|  | Three Months Ended  |                     |                     | % Change<br>Q1 2010 to<br>Q4 2009 | % Change<br>Q1 2010 to<br>Q1 2009 |
|--|---------------------|---------------------|---------------------|-----------------------------------|-----------------------------------|
|  | January 31,<br>2010 | October 31,<br>2009 | January 31,<br>2009 |                                   |                                   |
| <b>Revenue:</b>  |                     |                     |                     |                                   |                                   |
| Investment advisory and administration fees                      | \$ 210,387          | \$ 194,983          | \$ 160,512          | 8 %                               | 31 %                              |
| Distribution and underwriter fees                                | 25,034              | 23,713              | 21,083              | 6                                 | 19                                |
| Service fees   | 33,990              | 33,228              | 27,600              | 2                                 | 23                                |
| Other revenue  | 2,624               | 2,214               | 276                 | 19                                | NM                                |
| <b>Total revenue</b>   | <b>272,035</b>      | <b>254,138</b>      | <b>209,471</b>      | <b>7</b>                          | <b>30</b>                         |
| <b>Expenses:</b>   |                     |                     |                     |                                   |                                   |
| Compensation of officers and employees                           | 86,874              | 78,883              | 69,626              | 10                                | 25                                |
| Distribution expense   | 29,111              | 27,095              | 22,056              | 7                                 | 32                                |
| Service fee expense  | 28,136              | 26,441              | 23,049              | 6                                 | 22                                |
| Amortization of deferred sales commissions                       | 7,959               | 7,779               | 9,557               | 2                                 | (17)                              |
| Fund expenses  | 4,293               | 7,786               | 5,032               | (45)                              | (15)                              |
| Other expenses   | 28,315              | 29,289              | 28,152              | (3)                               | 1                                 |
| <b>Total expenses</b>  | <b>184,688</b>      | <b>177,273</b>      | <b>157,472</b>      | <b>4</b>                          | <b>17</b>                         |
| <b>Operating Income</b>  | <b>87,347</b>       | <b>76,865</b>       | <b>51,999</b>       | <b>14</b>                         | <b>68</b>                         |
| <b>Other Income/(Expense):</b>                                   |                     |                     |                     |                                   |                                   |
| Interest income  | 770                 | 789                 | 1,271               | (2)                               | (39)                              |
| Interest expense   | (8,416)             | (8,413)             | (8,416)             | -                                 | -                                 |
| Realized gains (losses) on investments                           | 1,748               | 1,846               | (1,130)             | (5)                               | NM                                |
| Unrealized gains on investments                                  | 793                 | 341                 | 314                 | 133                               | 153                               |
| Foreign currency gains   | 134                 | 36                  | 61                  | 272                               | 120                               |
| Impairment losses on investments                                 | -                   | (226)               | (106)               | NM                                | NM                                |
| <b>Income Before Income Taxes and Equity in Net</b>              |                     |                     |                     |                                   |                                   |
| <b>Income (Loss) of Affiliates</b>                               | <b>82,376</b>       | <b>71,238</b>       | <b>43,993</b>       | <b>16</b>                         | <b>87</b>                         |
| <b>Income Taxes</b>  | <b>(31,645)</b>     | <b>(21,211)</b>     | <b>(17,460)</b>     | <b>49</b>                         | <b>81</b>                         |
| <b>Equity in Net Income (Loss) of Affiliates, Net of Tax</b>     | <b>814</b>          | <b>410</b>          | <b>(1,233)</b>      | <b>99</b>                         | <b>NM</b>                         |
| <b>Net Income</b>  | <b>51,545</b>       | <b>50,437</b>       | <b>25,300</b>       | <b>2</b>                          | <b>104</b>                        |
| <b>Net Income Attributable to Non-Controlling Interests</b>      | <b>(5,303)</b>      | <b>(2,003)</b>      | <b>(603)</b>        | <b>165</b>                        | <b>NM</b>                         |
| <b>Net Income Attributable to Eaton Vance Corp. Shareholders</b> | <b>\$ 46,242</b>    | <b>\$ 48,434</b>    | <b>\$ 24,697</b>    | <b>(5)</b>                        | <b>87</b>                         |

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**Earnings Per Share Attributable to Eaton Vance Corp. Shareholders:**

|         |         |         |         |     |    |
|---------|---------|---------|---------|-----|----|
| Basic   | \$ 0.39 | \$ 0.41 | \$ 0.21 | (5) | 86 |
| Diluted | \$ 0.37 | \$ 0.39 | \$ 0.21 | (5) | 76 |

**Dividends Declared, Per Share**

|          |          |          |   |   |
|----------|----------|----------|---|---|
| \$ 0.160 | \$ 0.160 | \$ 0.155 | - | 3 |
|----------|----------|----------|---|---|

**Weighted Average Shares Outstanding:**

|         |         |         |         |   |   |
|---------|---------|---------|---------|---|---|
| Basic   | 116,603 | 116,478 | 115,910 | 0 | 1 |
| Diluted | 122,920 | 122,658 | 118,602 | 0 | 4 |

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

|   | <b>January 31,</b> | <b>October 31,</b> |
|---|--------------------|--------------------|
|   | <b>2010</b>        | <b>2009</b>        |
| <b>ASSETS</b>   |                    |                    |
| <b>Current Assets:</b>                                    |                    |                    |
| Cash and cash equivalents                                 | \$ 349,027         | \$ 310,586         |
| Short-term investments                                    | 50,099             | 49,924             |
| Investment advisory fees and other receivables            | 115,430            | 107,975            |
| Note receivable from affiliate                            | 2,500              | -                  |
| Other current assets                                      | 12,151             | 19,677             |
| Total current assets                                      | 529,207            | 488,162            |
| <b>Other Assets:</b>                                      |                    |                    |
| Deferred sales commissions                                | 50,911             | 51,966             |
| Goodwill  | 135,786            | 135,786            |
| Other intangible assets, net                              | 78,880             | 80,834             |
| Long-term investments                                     | 131,715            | 133,536            |
| Deferred income taxes                                     | 105,275            | 97,044             |
| Equipment and leasehold improvements, net                 | 73,375             | 75,201             |
| Note receivable from affiliate                            | -                  | 8,000              |
| Other assets  | 4,408              | 4,538              |
| Total other assets  | 580,350            | 586,905            |
| Total assets  | \$ 1,109,557       | \$ 1,075,067       |
| <b>LIABILITIES, TEMPORARY EQUITY AND PERMAMENT EQUITY</b> |                    |                    |
| <b>Current Liabilities:</b>                               |                    |                    |
| Accrued compensation                                      | \$ 44,357          | \$ 85,273          |
| Accounts payable and accrued expenses                     | 58,133             | 51,881             |
| Dividend payable  | 18,958             | 18,812             |
| Taxes payable   | 29,146             | -                  |
| Deferred income taxes                                     | 16,683             | 15,580             |
| Contingent purchase price liability                       | 13,876             | 13,876             |
| Other current liabilities                                 | 3,589              | 2,902              |
| Total current liabilities                                 | 184,742            | 188,324            |
| <b>Long-Term Liabilities:</b>                             |                    |                    |
| Long-term debt  | 500,000            | 500,000            |
| Other long-term liabilities                               | 36,058             | 35,812             |
| Total long-term liabilities                               | 536,058            | 535,812            |
| Total liabilities   | 720,800            | 724,136            |
| Commitments and contingencies                             | -                  | -                  |
| <b>Temporary Equity:</b>                                  |                    |                    |
| Redeemable non-controlling interests                      | 46,546             | 43,871             |
| Total temporary equity                                    | 46,546             | 43,871             |

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**Permanent Equity:**

|  |                  |                  |
|--|------------------|------------------|
| Voting Common stock, par value \$0.00390625 per share:       |                  |                  |
| Authorized, 1,280,000 shares                                 |                  |                  |
| Issued, 431,790 and 431,790 shares, respectively             | 2                | 2                |
| Non-voting common stock, par value \$0.00390625 per share:   |                  |                  |
| Authorized, 190,720,000 shares                               |                  |                  |
| Issued, 118,031,524 and 117,087,810 shares, respectively     | 461              | 457              |
| Additional paid-in capital                                   | 52,190           | 44,786           |
| Notes receivable from stock option exercises                 | (3,037)          | (3,078)          |
| Accumulated other comprehensive loss                         | (2,026)          | (1,394)          |
| Retained earnings  | 294,278          | 266,196          |
| Total Eaton Vance Corp. shareholders' equity                 | 341,868          | 306,969          |
| Non-redeemable non-controlling interests                     | 343              | 91               |
| Total permanent equity                                       | 342,211          | 307,060          |
| <br>Total liabilities, temporary equity and permanent equity | <br>\$ 1,109,557 | <br>\$ 1,075,067 |

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**Table 1**  
**Asset Flows (in millions)**  
**Twelve Months Ended January 31, 2010**  
**(unaudited)**

|   |            |
|---|------------|
| Assets 1/31/2009 - beginning of period  | \$ 121,930 |
| Long-term fund sales and inflows        | 25,213     |
| Long-term fund redemptions and outflows | (20,832)   |
| Long-term fund net exchanges            | 648        |
| Institutional/HNW account inflows       | 12,283     |
| Institutional/HNW account outflows      | (5,703)    |
| Institutional/HNW account net exchanges | (579)      |
| Retail managed account inflows          | 8,215      |
| Retail managed account outflows         | (5,957)    |
| Market value change                     | 25,743     |
| Change in cash management funds         | 623        |
| Net change                              | 39,654     |
| Assets 1/31/2010 - end of period        | \$ 161,584 |

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

|                       | January 31,<br>2010 | October 31,<br>2009 | %<br>Change | January 31,<br>2009 | %<br>Change |
|-----------------------|---------------------|---------------------|-------------|---------------------|-------------|
| Equity Funds          | \$ 56,606           | \$ 54,779           | 3%          | \$ 46,591           | 21%         |
| Fixed Income Funds    | 26,697              | 24,970              | 7%          | 19,851              | 34%         |
| Bank Loan Funds       | 16,879              | 16,452              | 3%          | 12,466              | 35%         |
| Cash Management Funds | 1,409               | 1,417               | -1%         | 786                 | 79%         |
| Separate Accounts     | 59,993              | 57,278              | 5%          | 42,236              | 42%         |
| Total                 | \$ 161,584          | \$ 154,896          | 4%          | \$121,930           | 33%         |

**Table 3**  
**Asset Flows by Investment Category (in millions)**  
**(unaudited)**

|   | Three Months Ended  |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | January 31,<br>2010 | October 31,<br>2009 | January 31,<br>2009 |
| <b>Equity fund assets</b> - beginning of period | \$ 54,779           | \$ 52,873           | \$ 51,956           |
| Sales/inflows                                   | 3,298               | 2,919               | 4,789               |
| Redemptions/outflows                            | (3,180)             | (3,053)             | (3,530)             |

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|   |            |           |           |
|---|------------|-----------|-----------|
| Exchanges   | 461        | (17)      | (34)      |
| Market value change                                   | 1,248      | 2,057     | (6,590)   |
| Net change  | 1,827      | 1,906     | (5,365)   |
| Equity assets - end of period                         | \$ 56,606  | \$ 54,779 | \$ 46,591 |
| <b>Fixed income fund assets</b> - beginning of period | 24,970     | 23,078    | 20,382    |
| Sales/inflows   | 2,579      | 2,305     | 1,398     |
| Redemptions/outflows                                  | (1,477)    | (1,691)   | (1,391)   |
| Exchanges   | 121        | 6         | 29        |
| Market value change                                   | 504        | 1,272     | (567)     |
| Net change  | 1,727      | 1,892     | (531)     |
| Fixed income assets - end of period                   | \$ 26,697  | \$ 24,970 | \$ 19,851 |
| <b>Bank loan fund assets</b> - beginning of period    | 16,452     | 15,847    | 13,806    |
| Sales/inflows   | 948        | 1,257     | 797       |
| Redemptions/outflows                                  | (711)      | (1,284)   | (1,557)   |
| Exchanges   | 6          | (3)       | (24)      |
| Market value change                                   | 184        | 635       | (556)     |
| Net change  | 427        | 605       | (1,340)   |
| Bank loan assets - end of period                      | \$ 16,879  | \$ 16,452 | \$ 12,466 |
| <b>Long-term fund assets</b> - beginning of period    | 96,201     | 91,798    | 86,144    |
| Sales/inflows   | 6,825      | 6,481     | 6,984     |
| Redemptions/outflows                                  | (5,368)    | (6,028)   | (6,478)   |
| Exchanges   | 588        | (14)      | (29)      |
| Market value change                                   | 1,936      | 3,964     | (7,713)   |
| Net change  | 3,981      | 4,403     | (7,236)   |
| Total long-term fund assets - end of period           | \$ 100,182 | \$ 96,201 | \$ 78,908 |
| <b>Separate accounts</b> - beginning of period        | 57,278     | 50,452    | 35,832    |
| Institutional/HNW account inflows                     | 2,699      | 5,674     | 3,431     |
| Institutional/HNW account outflows                    | (1,678)    | (1,261)   | (1,079)   |
| Institutional/HNW account exchanges                   | (579)      | -         | -         |
| Institutional/HNW assets acquired <sup>1</sup>        | -          | -         | 4,818     |
| Retail managed account inflows                        | 1,714      | 2,153     | 1,879     |
| Retail managed account outflows                       | (1,163)    | (1,482)   | (1,467)   |
| Retail managed accounts acquired <sup>1</sup>         | -          | -         | 2,035     |
| Separate accounts market value change                 | 1,722      | 1,742     | (3,213)   |
| Net change  | 2,715      | 6,826     | 6,404     |
| Separate accounts - end of period                     | \$ 59,993  | \$ 57,278 | \$ 42,236 |
| <b>Cash management fund assets</b> - end of period    | 1,409      | 1,417     | 786       |



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**Total assets under management** - end of period \$ 161,584 \$ 154,896 \$ 121,930

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

|                            | Three Months Ended |             |             |
|----------------------------|--------------------|-------------|-------------|
|                            | January 31,        | October 31, | January 31, |
|                            | 2010               | 2009        | 2009        |
| Long-term funds:           |                    |             |             |
| Open-end and other funds   | \$ 2,492           | \$ 1,094    | \$ 2,546    |
| Closed-end funds           | (21)               | 107         | (450)       |
| Private funds              | (1,014)            | (748)       | (1,590)     |
| Institutional/HNW accounts | 1,021              | 4,413       | 2,352       |
| Retail managed accounts    | 551                | 671         | 412         |
| Total net flows            | \$ 3,029           | \$ 5,537    | \$ 3,270    |

<sup>1</sup> Tax Advantaged Bond Strategies acquired by Eaton Vance subsidiary, Eaton Vance Management, in December 2008.