

Edgar Filing: EATON VANCE CORP - Form 8-K

EATON VANCE CORP
Form 8-K
November 23, 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): November 22, 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)

Edgar Filing: EATON VANCE CORP - Form 8-K

“ 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))

Page 1 of 12

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 and fiscal year ended October 31, 2010, as described in Registrant's news release dated November 23, 2010, a copy of which is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

Exhibit No. Document

99.1 Press release issued by the Registrant dated November 23, 2010.

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: November 23, 2010

/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 November 23, 2010. |

Exhibit 99.1

Eaton Vance Corp.

Report for the Three Months and Fiscal Year Ended October 31, 2010

Boston, MA, November 23, 2010 - Eaton Vance Corp. (NYSE: EV) earned \$0.41 per diluted share in the fourth quarter of fiscal 2010 compared to earnings per diluted share of \$0.39 in the fourth quarter of fiscal 2009 and \$0.34 in the third quarter of fiscal 2010. Earnings were reduced \$7.8 million, or \$0.06 per diluted share, in the fourth quarter of fiscal 2010 by adjustments in connection with an increase in the estimated redemption value of non-controlling interests redeemable at other than fair value. Third quarter fiscal 2010 earnings were reduced \$3.0 million, or \$0.01 per diluted share, by expenses associated with the \$200 million initial public offering of Eaton Vance Tax-Advantaged Bond and Option Strategies Fund in June. Fourth quarter fiscal 2009 earnings were increased approximately \$0.05 per diluted share by tax adjustments primarily related to stock-based compensation. The Company earned \$1.40 per diluted share in the fiscal year ended October 31, 2010 compared to \$1.07 per diluted share in the fiscal year ended October 31, 2009. Fiscal 2010 earnings were reduced \$18.4 million, or \$0.15 per diluted share, by adjustments in connection with an increase in the estimated redemption value of non-controlling interests redeemable at other than fair value.

Net inflows of \$3.2 billion into long-term funds and separate accounts in the fourth quarter of fiscal 2010 compare to net inflows of \$5.5 billion in the fourth quarter of fiscal 2009 and \$4.8 billion in the third quarter of fiscal 2010. Net inflows of \$16.3 billion in fiscal 2010 compare to net inflows of \$13.5 billion in fiscal 2009. Fourth quarter and fiscal 2010 net inflows reflect a \$1.5 billion reduction in Parametric Portfolio Associates' retail managed account (RMA) overlay assets as a result of the integration of Bank of America's RMA program into the Merrill Lynch RMA program following Bank of America's 2009 acquisition of Merrill Lynch. Unlike the former Bank of America program, the Merrill Lynch RMA program does not currently utilize outside overlay managers.

The Company's annualized internal growth rate (total net inflows divided by beginning of period long-term assets) was 7 percent in the fourth quarter of fiscal 2010 and 11 percent in fiscal 2010 as a whole. Adjusting for the loss of overlay assets in connection with the Bank of America Merrill Lynch RMA program integration, the Company's annualized internal growth rate was 11 percent in the fourth quarter of fiscal 2010 and 12 percent in fiscal 2010 as a whole.

Assets under management on October 31, 2010 were \$185.2 billion, a new all-time high. This represents an increase of 20 percent over the \$154.9 billion of managed assets as of October 31, 2009 and an increase of 7 percent from the \$173.3 billion of managed assets as of July 31, 2010.

Eaton Vance achieved strong business results in fiscal 2010, with double-digit organic growth, record revenue and record assets under management at fiscal year end, said Thomas E. Faust Jr., Chairman and Chief Executive Officer. We enter the new year with continued optimism for the Company's success over the long term.

Comparison to Fourth Quarter of Fiscal 2009

Long-term fund net inflows of \$3.4 billion in the fourth quarter of fiscal 2010 compare to \$0.5 billion of long-term fund net inflows in the fourth quarter of fiscal 2009, reflecting \$10.2 billion of fund sales and other inflows and \$6.8 billion of fund redemptions and other outflows. Institutional and high-net-

worth separate account net inflows in the fourth quarter of fiscal 2010 were \$0.9 billion, consisting of gross inflows of \$2.3 billion offset by \$1.4 billion of outflows. In the fourth quarter of fiscal 2009, inflows of \$5.7 billion into institutional and high-net-worth separate accounts were offset by outflows of \$1.3 billion. Retail managed account net outflows were \$1.1 billion in the fourth quarter of fiscal 2010 compared to \$0.7 billion of net inflows in the fourth quarter of fiscal 2009, and reflect the loss of \$1.5 billion of overlay assets in connection with the Bank of America Merrill Lynch RMA program integration as described above. Retail managed account gross inflows of \$1.6 billion in the fourth quarter of fiscal 2010 decreased from the \$2.2 billion of inflows in the fourth quarter of fiscal 2009, while outflows of \$2.7 billion in the fourth quarter of fiscal 2010 increased from outflows of \$1.5 billion in the fourth quarter of fiscal 2009. Tables 1-4 on page 8 summarize the Company's assets under management and asset flows by investment category.

Revenue in the fourth quarter of fiscal 2010 increased \$49.5 million, or 19 percent, to \$303.6 million from revenue of \$254.1 million in the fourth quarter of fiscal 2009. Investment advisory and administration fees increased 18 percent to \$230.4 million, reflecting an 18 percent increase in average assets under management. Distribution and underwriter fees increased 26 percent due to an increase in average fund assets that pay distribution fees and an increase in fund sales for which the Company received underwriting fees. Service fee revenue increased 12 percent due to an increase in average fund assets subject to service fees. Other revenue, which increased by \$4.0 million, included \$3.3 million of net realized and unrealized gains on investments of consolidated funds in the fourth 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 \$20.2 million, or 11 percent, to \$197.5 million in the fourth quarter of fiscal 2010 compared to operating expenses of \$177.3 million in the fourth quarter of fiscal 2009. Compensation expense increased 11 percent due to increases in employee headcount and base salaries, adjusted operating income-based bonus accruals, sales-based incentives and stock-based compensation. Distribution expense increased 20 percent from the prior fiscal year's fourth quarter due primarily to increases in asset- and sales-based distribution expenses, including intermediary marketing support payments, Class C distribution fees, marketing and promotion expenses, and commissions paid on certain sales of Class A shares. Service fee expense increased 14 percent, in line with the increase in assets subject to service fees. Amortization of deferred sales commissions increased 29 percent, reflecting an increase in Class C amortization as a result of strong sales of Class C fund shares, offset by a decrease in Class B amortization consistent with a declining trend in Class B fund share sales and assets. Fund expenses decreased 38 percent in the fourth quarter of fiscal 2010 compared to the fourth quarter of fiscal 2009, primarily reflecting a decrease in sub-advisory expenses due the termination by the Company of certain sub-advisory agreements in the fourth quarter of 2009 and associated additional accruals made at that time. Other expenses increased 9 percent, reflecting increases in consulting, facilities and travel expenses and a decrease in information technology expense.

Operating income in the fourth quarter of fiscal 2010 was \$106.1 million, an increase of 38 percent over operating income of \$76.9 million in the fourth 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

Edgar Filing: EATON VANCE CORP - Form 8-K

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 \$112.6 million in the fourth quarter of fiscal 2010 was 31 percent higher than the \$85.7 million of adjusted operating income in the fourth quarter of fiscal 2009. The Company's adjusted operating margin improved to 37.1 percent in the fourth quarter of fiscal 2010 from 33.7 percent in the fourth 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

| | Three Months Ended | | | % Change | |
|---|---------------------|------------------|---------------------|--------------------------|--------------------------|
| | October 31, 2010 | July 31, 2010 | October 31, 2009 | Q4 2010 to Q3 2010 | Q4 2010 to Q4 2009 |
| <i>(in thousands)</i> | | | | | |
| Operating income | \$ 106,084 | \$ 78,762 | \$ 76,865 | 35% | 38% |
| Closed-end fund structuring fees | - | 2,583 | - | (100)% | NM |
| Operating loss (income) of consolidated funds | (4,432) | 1,532 | (1,363) | NM | NM |
| Stock-based compensation | 10,960 | 11,852 | 10,196 | (8)% | 7% |
| Adjusted operating income | \$ 112,612 | \$ 94,729 | \$ 85,698 | 19% | 31% |

Interest income decreased 16 percent in the fourth quarter of fiscal 2010 compared to the fourth quarter of fiscal 2009 due to lower effective interest rates earned on cash balances. In the fourth quarter of fiscal 2010, the Company recognized \$1.1 million of net realized and unrealized losses on separate account and corporate investments compared to \$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 in the fourth quarter of fiscal 2009. The Company's effective tax rate, calculated as a percentage of income before income taxes and equity in net income (loss) of affiliates, was 38.0 percent and 29.8 percent in the fourth quarter of fiscal 2010 and fiscal 2009, respectively. The increase in the Company's fourth 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 increased \$7.9 million in the fourth quarter of fiscal 2010 over the fourth quarter of fiscal 2009, reflecting the adoption of a new accounting pronouncement in fiscal 2010 that requires changes in the estimated redemption value of non-controlling interests redeemable at other than fair value to be recognized in net income attributable to non-controlling interests.

Net income attributable to Eaton Vance Corp. shareholders in the fourth quarter of fiscal 2010 was \$50.3 million, compared to net income attributable to Eaton Vance Corp. shareholders of \$48.4 million in the fourth quarter of fiscal 2009.

Comparison to Third Quarter of Fiscal 2010

Long-term fund net inflows of \$3.4 billion in the fourth quarter of fiscal 2010 were in line with the \$3.4 billion of long-term fund net inflows in the third quarter of fiscal 2010. Institutional and high-net-worth separate account net inflows in the fourth quarter of fiscal 2010 were \$0.9 billion, consisting of gross inflows of \$2.3 billion offset by \$1.4 billion of outflows. In the third quarter of fiscal 2010, inflows of \$3.5 billion into institutional and high-net-worth separate accounts were offset by outflows of \$2.2 billion. Retail managed account net outflows were \$1.1 billion in the fourth quarter of fiscal 2010 compared to \$0.1 billion of net inflows in the third quarter of fiscal

2010, and reflect the loss of \$1.5 billion of overlay assets in connection with the Bank of America Merrill Lynch RMA program integration as described above. Retail managed account gross inflows of \$1.6 billion in the fourth quarter of fiscal 2010 increased from the \$1.5 billion of inflows in the third quarter of fiscal 2010, while outflows of \$2.7 billion in the fourth quarter of fiscal 2010 increased from outflows of \$1.4 billion in the third quarter of fiscal 2010. Tables 1-4 on page 8 summarize the Company's assets under management and asset flows by investment category.

Revenue in the fourth quarter of fiscal 2010 increased \$30.5 million, or 11 percent, to \$303.6 million from \$273.1 million in the third quarter of fiscal 2010. Investment advisory and administration fees increased 7 percent to \$230.4 million, reflecting a 4 percent increase in average assets under management and \$1.9 million in performance fees earned in the fourth quarter of fiscal 2010. Distribution and underwriter fees increased 23 percent due primarily to an increase in average fund assets that pay these fees. Service fee revenue increased 8 percent due to an increase in average fund assets subject to service fees. Other revenue, which increased by \$6.4 million over the prior quarter, included \$3.3 million of net realized and unrealized gains on investments of consolidated funds recognized in the fourth quarter of fiscal 2010 compared to \$1.9 million of net realized and unrealized losses on investments of consolidated funds in the third quarter of fiscal 2010.

Operating expenses increased \$3.2 million, or 2 percent, to \$197.5 million in the fourth quarter of fiscal 2010 from \$194.3 million in the third quarter of fiscal 2010. Compensation expense increased 2 percent, reflecting increases in adjusted operating income-based bonus accruals offset by decreases in sales-based incentives, stock-based compensation, payroll taxes and employee benefits. Distribution expense decreased 4 percent from the prior fiscal quarter, reflecting the \$2.6 million in closed-end fund-related structuring fees paid to distribution partners in the third quarter, partially offset by increases in intermediary support payments and other asset and sales-based distribution expenses, Class C distribution fees and marketing and promotion expenses. Service fee expense increased 5 percent, in line with the increase in assets subject to service fees. Fund expenses decreased 24 percent from the third quarter of fiscal 2010 due to a decrease in fund expenses borne by the Company. Other expenses increased 6 percent from the third quarter, due to increases in information technology and consulting expenses.

Operating income in the fourth quarter of fiscal 2010 was \$106.1 million, an increase of 35 percent from operating income of \$78.8 million in the third quarter of fiscal 2010. Adjusted operating income of \$112.6 million in the fourth quarter of fiscal 2010 was 19 percent higher than the \$94.7 million of adjusted operating income recognized in the third quarter of fiscal 2010. The Company's adjusted operating margin increased to 37.1 percent in the fourth quarter of fiscal 2010 from 34.7 percent in the third quarter of fiscal 2010.

In the fourth quarter of fiscal 2010, the Company recognized \$1.1 million of net realized and unrealized losses on separate account and corporate investments. In the third quarter of fiscal 2010, the Company recognized \$1.3 million of net realized and unrealized gains on separate account and corporate investments. The Company's effective tax rate, calculated as a percentage of income before income taxes and equity in net income (loss) of affiliates, was 38.0 percent and 39.9 percent in the fourth quarter and third quarter of fiscal 2010, respectively.

Net income attributable to non-controlling interests increased \$8.2 million in the fourth quarter of fiscal 2010 compared to the prior quarter, primarily reflecting increases in the carrying value of non-controlling interests redeemable at other than fair value recorded in the fourth quarter of fiscal 2010.

Net income attributable to Eaton Vance Corp. shareholders in the fourth quarter of fiscal 2010 was \$50.3 million compared to net income attributable to Eaton Vance Corp. shareholders of \$41.8 million in the third quarter of fiscal 2010.

Cash and cash equivalents and short-term investments totaled \$307.9 million on October 31, 2010 compared to \$360.5 million on October 31, 2009. During fiscal 2010, the Company used \$111.2 million to repurchase and retire approximately 3.7 million shares of its Non-Voting Common Stock

and paid \$75.7 million of dividends to shareholders. There were no outstanding borrowings against the Company's \$200.0 million credit facility on October 31, 2010. Approximately 4.8 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.

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)

| | Three Months Ended | | | | | Twelve Months Ended | | |
|---|---------------------|------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|----------|
| | October 31, 2010 | July 31, 2010 | October 31, 2009 | % Change | % Change | October 31, 2010 | October 31, 2009 | % Change |
| | | | | Q4 2010 to Q3 2010 | Q4 2010 to Q4 2009 | | | |
| Revenue: | | | | | | | | |
| Investment advisory and administration fees | \$ 230,403 | \$ 214,752 | \$ 194,983 | 7 % | 18 % | \$ 867,683 | \$ 683,820 | 27 % |
| Distribution and underwriter fees | 29,954 | 24,341 | 23,713 | 23 | 26 | 103,995 | 85,234 | 22 |
| Service fees | 37,055 | 34,243 | 33,228 | 8 | 12 | 139,741 | 116,331 | 20 |
| Other revenue | 6,182 | (257) | 2,214 | NM | 179 | 10,242 | 4,986 | 105 |
| Total revenue | 303,594 | 273,079 | 254,138 | 11 | 19 | 1,121,661 | 890,371 | 26 |
| Expenses: | | | | | | | | |
| Compensation of officers and employees | 87,855 | 86,079 | 78,883 | 2 | 11 | 348,897 | 293,062 | 19 |
| Distribution expense | 32,584 | 33,771 | 27,095 | (4) | 20 | 126,064 | 95,988 | 31 |
| Service fee expense | 30,265 | 28,906 | 26,441 | 5 | 14 | 116,900 | 94,468 | 24 |
| Amortization of deferred sales commissions | 10,011 | 9,187 | 7,779 | 9 | 29 | 35,533 | 35,178 | 1 |
| Fund expenses | 4,792 | 6,267 | 7,786 | (24) | (38) | 20,455 | 22,432 | (9) |
| Other expenses | 32,003 | 30,107 | 29,289 | 6 | 9 | 120,530 | 116,023 | 4 |
| Total expenses | 197,510 | 194,317 | 177,273 | 2 | 11 | 768,379 | 657,151 | 17 |
| Operating Income | 106,084 | 78,762 | 76,865 | 35 | 38 | 353,282 | 233,220 | 51 |
| Other Income/(Expense): | | | | | | | | |
| Interest income | 659 | 719 | 789 | (8) | (16) | 2,864 | 3,745 | (24) |
| Interest expense | (8,426) | (8,413) | (8,413) | - | - | (33,666) | (33,682) | - |
| Realized gains (losses) on investments | (508) | 6,445 | 1,846 | NM | NM | 7,434 | (915) | NM |
| Unrealized gains (losses) on investments | (597) | (5,132) | 341 | (88) | NM | (3,134) | 6,993 | NM |
| Foreign currency gains (losses) | (131) | (22) | 36 | 495 | NM | 181 | 165 | 10 |
| Impairment losses on investments | - | - | (226) | - | NM | - | (1,863) | NM |
| Income Before Income Taxes and Equity in Net Income (Loss) of Affiliates | 97,081 | 72,359 | 71,238 | 34 | 36 | 326,961 | 207,663 | 57 |
| Income Taxes | (36,849) | (28,889) | (21,211) | 28 | 74 | (126,263) | (71,044) | 78 |
| Equity in Net Income (Loss) of Affiliates, Net of Tax | (16) | 10 | 410 | NM | NM | 527 | (1,094) | NM |
| Net Income | 60,216 | 43,480 | 50,437 | 38 | 19 | 201,225 | 135,525 | 48 |
| Net Income Attributable to Non-Controlling Interests | (9,910) | (1,730) | (2,003) | 473 | 395 | (26,927) | (5,418) | 397 |
| Net Income Attributable to Eaton Vance Corp. Shareholders | \$ 50,306 | \$ 41,750 | \$ 48,434 | 20 | 4 | \$ 174,298 | \$ 130,107 | 34 |
| Earnings Per Share Attributable to Eaton Vance Corp. Shareholders: | | | | | | | | |

Edgar Filing: EATON VANCE CORP - Form 8-K

| | | | | | | | | |
|---|----------|----------|----------|-----|-----|----------|----------|----|
| Basic | \$ 0.43 | \$ 0.35 | \$ 0.41 | 23 | 5 | \$ 1.47 | \$ 1.11 | 32 |
| Diluted | \$ 0.41 | \$ 0.34 | \$ 0.39 | 21 | 5 | \$ 1.40 | \$ 1.07 | 31 |
| Dividends Declared, Per Share | \$ 0.180 | \$ 0.160 | \$ 0.160 | 13 | 13 | \$ 0.660 | \$ 0.625 | 6 |
| Weighted Average Shares Outstanding: | | | | | | | | |
| Basic | 116,217 | 116,549 | 116,478 | - | - | 116,444 | 116,175 | - |
| Diluted | 121,601 | 122,612 | 122,657 | (1) | (1) | 122,632 | 120,575 | 2 |

Page 10 of 12

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

| | October 31, | October 31, |
|---|--------------------|--------------------|
| | 2010 | 2009 |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 307,886 | \$ 310,586 |
| Short-term investments | - | 49,924 |
| Investments advisory fees and other receivables | 129,380 | 107,975 |
| Other current assets | 57,276 | 19,677 |
| Total current assets | 494,542 | 488,162 |
| Other Assets: | | |
| Deferred sales commissions | 48,104 | 51,966 |
| Goodwill | 135,786 | 135,786 |
| Other intangible assets, net | 73,018 | 80,834 |
| Long-term investments | 334,409 | 133,536 |
| Deferred income taxes | 119,341 | 97,044 |
| Equipment and leasehold improvements, net | 71,219 | 75,201 |
| Note receivable from affiliate | - | 8,000 |
| Other assets | 4,188 | 4,538 |
| Total other assets | 786,065 | 586,905 |
| Total assets | \$ 1,280,607 | \$ 1,075,067 |
| LIABILITIES, TEMPORARY EQUITY AND PERMANENT EQUITY | | |
| Current Liabilities: | | |
| Accrued compensation | \$ 119,957 | \$ 85,273 |
| Accounts payable and accrued expenses | 60,843 | 51,881 |
| Dividend payable | 21,319 | 18,812 |
| Deferred income taxes | 22,067 | 15,580 |
| Contingent purchase price liability | 5,079 | 13,876 |
| Other current liabilities | 28,736 | 2,902 |
| Total current liabilities | 258,001 | 188,324 |
| Long-Term Liabilities: | | |
| Long-term debt | 500,000 | 500,000 |
| Other long-term liabilities | 44,732 | 35,812 |
| Total long-term liabilities | 544,732 | 535,812 |

Edgar Filing: EATON VANCE CORP - Form 8-K

| | | |
|--|--------------|--------------|
| Total liabilities | 802,733 | 724,136 |
| Commitments and contingencies | - | - |
| Temporary Equity: | | |
| Redeemable non-controlling interests | 67,019 | 43,871 |
| Total temporary equity | 67,019 | 43,871 |
| Permanent Equity: | | |
| Voting common stock, par value \$0.00390625 per share: | | |
| Authorized, 1,280,000 shares | | |
| Issued, 399,240 and 431,790 shares, respectively | 2 | 2 |
| Non-voting common stock, par value \$0.00390625 per share: | | |
| Authorized, 190,720,000 shares | | |
| Issued, 117,927,054 and 117,087,810 shares, respectively | 461 | 457 |
| Additional paid-in capital | 50,225 | 44,786 |
| Notes receivable from stock option exercises | (3,158) | (3,078) |
| Accumulated other comprehensive loss | (435) | (1,394) |
| Retained earnings | 363,190 | 266,196 |
| Total Eaton Vance Corp. shareholders' equity | 410,285 | 306,969 |
| Non-redeemable non-controlling interests | 570 | 91 |
| Total permanent equity | 410,855 | 307,060 |
| Total liabilities, temporary equity and permanent equity | \$ 1,280,607 | \$ 1,075,067 |

Edgar Filing: EATON VANCE CORP - Form 8-K

Table 1
Asset Flows (in millions)

Twelve Months Ended October 31, 2010
(unaudited)

Assets as of October 31, 2009 -
beginning of

| period | \$ 154,896 | | October 31, | July 31, | % | October 31, | % |
|---|------------|-----------------------|-------------|------------|--------|-------------|--------|
| | | | 2010 | 2010 | Change | 2009 | Change |
| Long-term fund sales and inflows | 34,123 | | | | | | |
| Long-term fund redemptions and outflows | (22,681) | Equity Funds | \$ 59,552 | \$ 56,979 | 5% | \$ 54,779 | 9% |
| Long-term fund net exchanges | (74) | Fixed Income Funds | 36,423 | 32,933 | 11% | 24,970 | 46% |
| Institutional/HNW account inflows | 12,000 | Bank Loan Funds | 17,999 | 16,359 | 10% | 16,452 | 9% |
| Institutional/HNW account outflows | (7,267) | Cash Management Funds | 1,143 | 1,165 | -2% | 1,417 | -19% |
| Retail managed account inflows | 6,683 | Separate Accounts | 70,126 | 65,876 | 6% | 57,278 | 22% |
| Retail managed account outflows | (6,512) | Total | \$ 185,243 | \$ 173,312 | 7% | \$ 154,896 | 20% |
| Market value change | 14,349 | | | | | | |
| Change in cash management funds | (274) | | | | | | |
| Net change | 30,347 | | | | | | |
| Assets as of October 31, 2010 - end of period | \$ 185,243 | | | | | | |

Table 2
Assets Under Management

By Investment Category (in millions)
(unaudited)

Table 3

Asset Flows by Investment Category (in millions)
(unaudited)

| | Three Months Ended | | Twelve Months Ended | | |
|---|--------------------|-----------|---------------------|-------------|-------------|
| | October 31, | July 31, | October 31, | October 31, | October 31, |
| | 2010 | 2010 | 2009 | 2010 | 2009 |
| Equity fund assets - beginning of period | \$ 56,979 | \$ 60,997 | \$ 52,873 | \$ 54,779 | \$ 51,956 |
| Sales/inflows | 3,642 | 2,907 | 2,919 | 13,272 | 14,108 |
| Redemptions/outflows | (4,358) | (2,991) | (3,053) | (13,514) | (12,667) |
| Exchanges | (46) | (57) | (17) | 346 | (77) |
| Market value change | 3,335 | (3,877) | 2,057 | 4,669 | 1,459 |
| Net change | 2,573 | (4,018) | 1,906 | 4,773 | 2,823 |
| Equity assets - end of period | \$ 59,552 | \$ 56,979 | \$ 54,779 | \$ 59,552 | \$ 54,779 |
| Fixed income fund assets - beginning of period | 32,933 | 29,383 | 23,078 | 24,970 | 20,382 |
| Sales/inflows | 4,828 | 4,644 | 2,305 | 15,878 | 6,994 |
| Redemptions/outflows | (1,918) | (1,398) | (1,691) | (6,471) | (5,026) |
| Exchanges | 44 | 65 | 6 | 219 | 106 |
| Market value change | 536 | 239 | 1,272 | 1,827 | 2,514 |
| Net change | 3,490 | 3,550 | 1,892 | 11,453 | 4,588 |
| Fixed income assets - end of period | \$ 36,423 | \$ 32,933 | \$ 24,970 | \$ 36,423 | \$ 24,970 |

Edgar Filing: EATON VANCE CORP - Form 8-K

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Bank loan fund assets - beginning of period | 16,359 | 17,739 | 15,847 | 16,452 | 13,806 |
| Sales/inflows | 1,704 | 1,042 | 1,257 | 4,973 | 4,270 |
| Redemptions/outflows | (530) | (780) | (1,284) | (2,696) | (4,251) |
| Exchanges | 5 | (670) | (3) | (639) | 3 |
| Market value change | 461 | (972) | 635 | (91) | 2,624 |
| Net change | 1,640 | (1,380) | 605 | 1,547 | 2,646 |
| Bank loan assets - end of period | \$ 17,999 | \$ 16,359 | \$ 16,452 | \$ 17,999 | \$ 16,452 |
| Long-term fund assets - beginning of period | 106,270 | 108,119 | 91,798 | 96,201 | 86,144 |
| Sales/inflows | 10,174 | 8,593 | 6,481 | 34,123 | 25,372 |
| Redemptions/outflows | (6,806) | (5,169) | (6,028) | (22,681) | (21,944) |
| Exchanges | 3 | (662) | (14) | (74) | 32 |
| Market value change | 4,333 | (4,610) | 3,964 | 6,405 | 6,597 |
| Net change | 7,704 | (1,848) | 4,403 | 17,773 | 10,057 |
| Total long-term fund assets - end of period | \$ 113,974 | \$ 106,271 | \$ 96,201 | \$ 113,974 | \$ 96,201 |
| Separate accounts - beginning of period | 65,876 | 66,602 | 50,452 | 57,278 | 35,832 |
| Institutional/HNW account inflows | 2,275 | 3,455 | 5,674 | 12,000 | 13,015 |
| Institutional/HNW account outflows | (1,393) | (2,143) | (1,261) | (7,267) | (5,103) |
| Institutional/HNW account exchanges | - | 660 | - | - | - |
| Institutional/HNW assets acquired ¹ | - | - | - | - | 4,818 |
| Retail managed account inflows | 1,599 | 1,488 | 2,153 | 6,683 | 8,379 |
| Retail managed account outflows | (2,688) | (1,403) | (1,482) | (6,512) | (6,261) |
| Retail managed account acquired ¹ | - | - | - | - | 2,035 |
| Separate accounts market value change | 4,457 | (2,783) | 1,742 | 7,944 | 4,563 |
| Net change | 4,250 | (726) | 6,826 | 12,848 | 21,446 |
| Separate accounts - end of period | \$ 70,126 | \$ 65,876 | \$ 57,278 | \$ 70,126 | \$ 57,278 |
| Cash management fund assets - end of period | 1,143 | 1,165 | 1,417 | 1,143 | 1,417 |
| Total assets under management - end of period | \$ 185,243 | \$ 173,312 | \$ 154,896 | \$ 185,243 | \$ 154,896 |

Table 4

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

(unaudited)

| | Three Months Ended | | Twelve Months Ended | | |
|----------------------------|--------------------|----------|---------------------|-------------|-------------|
| | October 31, | July 31, | October 31, | October 31, | October 31, |
| | 2010 | 2010 | 2009 | 2010 | 2009 |
| Long-term funds: | | | | | |
| Open-end and other funds | \$ 3,207 | \$ 3,431 | \$ 1,094 | \$ 12,804 | \$ 7,398 |
| Closed-end funds | 389 | 171 | 107 | 691 | (9) |
| Private funds | (228) | (178) | (748) | (2,053) | (3,961) |
| Institutional/HNW accounts | 882 | 1,311 | 4,413 | 4,733 | 7,912 |
| Retail managed accounts | (1,089) | 85 | 671 | 171 | 2,118 |
| Total net flows | \$ 3,161 | \$ 4,820 | \$ 5,537 | \$ 16,346 | \$ 13,458 |

Edgar Filing: EATON VANCE CORP - Form 8-K

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

Page 12 of 12