Eaton Vance Corp.

2004 Annual Report

KEY STATISTICS

(IN MILLIONS EXCEPT PER SHARE AND EMPLOYEE AMOUNTS)

	2003	2004	% CHANGE
ASSETS UNDER MANAGEMENT	$75,044	$94,346	+ 26
AVERAGE ASSETS UNDER MANAGEMENT	$61,228	$85,635	+ 40
GROSS FLOWS	$16,753	$25,501	+ 52
NET FLOWS	$8,261	$13,818	+ 67
REVENUE	$523	$662	+ 27
OPERATING INCOME	$163	$223	+ 37
OPERATING INCOME MARGIN	*31%*	*34%*	
NET INCOME	$106	$139	+ 31
NET INCOME MARGIN	*20%*	*21%*	
DILUTED EARNINGS PER SHARE	$1.51	$1.99	+ 32
DIVIDENDS PER SHARE	$0.40	$0.55	+ 38
CASH, EQUIVALENTS AND S-T INVESTMENTS	$239	$294	+ 23
LONG-TERM DEBT	$126	$74	- 41
EMPLOYEES	616	686	+ 11
MARKET CAPITALIZATION	$2,380	$2,907	+ 22
SHARES OUTSTANDING	68	67	– 1

2004

Eaton Vance Corp. and Form 10-K

Eaton Vance Corp. has filed an Annual Report on Form 10-K with the Securities and Exchange Commission for the 2004 fiscal year. For a copy of that Report, which is available free of charge to shareholders of Eaton Vance Corp. upon request, or other information regarding the Company, please contact:

William M. Steul,
Chief Financial Officer
Eaton Vance Corp.
The Eaton Vance Building
255 State Street
Boston, MA 02109
(617) 482-8260

The foregoing Report and other information about Eaton Vance Corp. are also available on the Company's website: www.eatonvance.com.

Eaton Vance Corp. submitted its annual Chief Executive Officer certification pursuant to Rule 303A.12 of the New York Stock Exchange on November 24, 2004. Eaton Vance has also submitted its Chief Executive Officer and Chief Financial Officer certifications pursuant to the Sarbanes-Oxley Act.

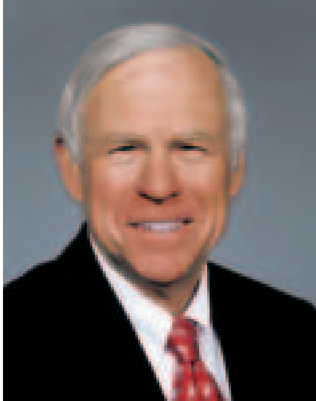
Transfer Agent and Registrar

EquiServe Trust Company, N.A. is the Transfer Agent and Registrar for the Company's common stock and maintains shareholder accounting records. The Transfer Agent should be contacted on questions of change in address, name or ownership, lost certificates and consolidation of accounts. When corresponding with the Transfer Agent, shareholders should state the exact name(s) in which the stock is registered and the certificate number, as well as pertinent account information.
Please contact:

EquiServe Trust Company, N.A.
Post Office Box 219045
Kansas City, MO 64121-9045
(877) 282-1168
www.equiserve.com

Auditors

Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116
(617) 437-2000



James B. Hawkes

To Shareholders and Friends of Eaton Vance

Selecting an appropriate cover for the Annual Report each year is always a challenge. It's challenging because it's so important – the Annual Report represents Eaton Vance and its 686 employees, not just to our shareholders, but to clients, analysts, potential investors and to a growing, worldwide audience. It's therefore important that the cover presents the "right" image and be something we view with pride. As one of the most innovative and creative companies in the financial services industry, we've thought the cover should be attractive, creative and maybe even artistic to reflect these traits so evident in our staff and investment products. That's certainly what we've tried to do in years past.

This year's cover is clearly very different – no one would consider it particularly creative or artistic. Here's the explanation: In late November, when we released our earnings for the year, we published a set of charts and tables for use on our webcast. The last table was a numerical summary of our year. The more I looked at it, the more I became convinced that it belonged on this year's cover. While it won't win any prizes as visual art, from the perspective of an Eaton Vance shareholder, it paints an absolutely beautiful picture. The numbers speak for themselves – fiscal 2004 was an extraordinary year. One good look at our cover "art" makes this crystal clear.

Fiscal 2004 was an extraordinary year in many ways. Our rate of growth significantly exceeded that of the asset management industry overall and resulted in significant gains in our market share. Our growth was broad-based and included open- and closed-end funds, private funds, institutional assets, retail managed accounts and high-net-worth accounts. We broke records in practically every metric that is a measure of success for an asset management company. We achieved record levels of market share and assets under management, record gross and net sales, record earnings, and paid record dividends. Eaton Vance's share price reached an all-time high toward the end of the fiscal year, and the stock was split 2-for-1 in December, subsequent to the fiscal year end. This was the fourth 2-for-1 split since 1997 and the seventh in Company history.

I also think it's particularly appropriate having the numbers on the front cover and the Eaton Vance team on the back cover, side by side. As you know from past years' Annual Reports, we list the name of every Eaton Vance employee on the back cover, in chronological order based on date of hire. We do this because Eaton Vance is the ultimate "people" business. Our employees are critical to our success and are the only asset that really matters. The numbers on the front cover were achieved because the team on the back made the numbers happen. Fiscal 2004 was an extraordinary year because Eaton Vance has an extraordinary team who, year after year, accomplishes extraordinary things. The two go together. Maybe we have it backwards – we should put the employees on the front and the numbers on the back. Next year's cover?

While fiscal 2004 was a great year, we've put together a string of strong years for some time now. I spoke in November at a conference focusing on financial services companies. It's always fun to see the presentations of competitors – we learn interesting things and sometimes get ideas for new initiatives for Eaton Vance. A very successful bank, presenting at the conference, included a slide showing how well their stock had performed since 1980. The slide demonstrated the great job the bank had done for its shareholders. They were ranked among the top 15 U.S. public companies measured by total return to shareholders over a period of almost 25 years – an outstanding achievement. But there were a small number of companies that had done better. And what was particularly interesting about the slide was the company that was listed at the top as Number 1. That company was Eaton Vance! **We have since done our own research and determined that Eaton Vance has been the best performing stock of all publicly traded U.S. companies over the 25 years ending with this calendar year.** We've included this table inside the front cover. I hope you enjoy seeing it as much as I did. A $10,000 investment in Eaton Vance stock on December 31, 1979, assuming reinvestment of all dividends, would have grown to $10,613,474 on December 31, 2004. Returns compounded at high levels for extended periods are truly marvelous.

Eaton Vance's successes in recent years are well documented. What is perhaps less clear is the answer to the question, "Why have we done so well?" As stated above, our accomplishments are the achievements of an exceptional team. We don't have patents or proprietary products. We have outstanding people. People are the asset at Eaton Vance that is critical to our success. How have we been able to attract and inspire the people who have created this outstanding record of achievement? I believe that the answer lies in our corporate culture. I'd like to share with you my personal observations about our corporate culture, because I believe it's a critical component of our success. Here are my thoughts.

At Eaton Vance, we love what we do. Coming to work is fun. Working hard isn't hard work when you enjoy what you do. We aren't an organization that wastes time on bureaucratic exercises. We don't have cliques, and we aren't confused by whose team we're on – we're all on the same team. We treat each other with respect, and we are nice to each other. Eaton Vance is a desirable place to work, our turnover is low, and we are able to attract talent because Eaton Vance is viewed as an excellent place to work. We are ethical and fair in our business dealings with our employees. We are considered an attractive business partner because we are ethical and fair in our business dealings with others. Our incentives for our employees are aligned with our goals. Our employees behave in ways that support the creation of value for shareholders.

All employees are stakeholders. We offer a generous employee stock purchase plan, we award stock options to all employees and we make significant option awards to key employees. Our bonus pool is tied directly to operating income. If operating income increases, our bonuses increase. If operating income decreases, our bonuses decrease. All employees benefit from increased shareholder value, and key employees now have meaningful "skin in the game." We play by the rules and do our best to behave ethically. We take our fiduciary obligations to our clients seriously. We're dedicated to providing superior investment performance and world-class service for our clients. We consistently develop innovative, value-added investment products and get them to market before others. We see opportunities in the constantly changing investment environment and capitalize on them. We take pride in being an organization that adheres to time-tested investment principles and the highest standards of business conduct, while at the same time being creative, nimble, innovative and opportunistic. We're very competitive. We love to win.

Let me give you a good example of how we put these qualities to work to create a big "win" for Eaton Vance – the development of our closed-end fund business. I'll begin by explaining a bit about closed-end funds. These funds differ from open-end mutual funds in several fundamental ways. First, unlike mutual funds, closed-end fund shares are listed and traded on a stock exchange, instead of being redeemed (bought back) by the fund. Therefore, when investors sell their fund shares, they sell them to another investor. Hence, the size of the closed-end fund is not reduced, the assets under management don't shrink from redemptions, and the fund manager need not set aside cash assets to fund potential redemptions. Second, shares of closed-end funds are not offered continuously every day, like mutual funds, but instead are sold in a one-time public offering underwritten by prominent broker-dealer firms, in the same way as shares of regular corporations are sold.

Thus, significant assets under management can be raised very efficiently, all at once, instead of over an extended period of time. As a result, closed-end funds can achieve immediate economies of scale that benefit fund shareholders. Third, closed-end funds can be leveraged, that is, the funds can borrow additional money and invest it for the benefit of fund shareholders, with the borrowings often at a significantly lower cost than would be possible in an open-end mutual fund. These characteristics give the investment manager significant flexibility in managing the funds in pursuit of attractive investment returns for the fund shareholders. So you can see that closed-end funds are a very attractive type of product for both fund investors and fund management companies.

Before October 1998, there were no exchange-listed closed-end funds in the Company's fund family. That month, we capitalized on our leadership position in floating-rate bank loan funds by offering our first new closed-end fund, Eaton Vance Senior Income Trust, which raised a total of $600 million. The following January we raised a total of $1.1 billion in one national and eight state municipal bond closed-end funds, this time capitalizing on our leadership in managing municipal bond mutual funds. After a period of reduced demand for closed-end funds in 2000 and 2001, we responded quickly as interest in closed-end funds was rekindled and offered, in late fiscal 2002 and early fiscal 2003, two national and 10 state closed-end insured, leveraged municipal bond funds that raised $3.1 billion.

By this time, due to the success of our earlier offerings, we had developed strong relationships with major national broker-dealer underwriters. As the economy gained momentum in 2003 and investors became concerned about rising interest rates, we created an innovative fund, Eaton Vance Limited Duration Income Fund, which was responsive to this change in the market environment. This fund was offered in May, 2003, raised (with leverage) $3.1 billion, and established an industry record for the largest closed-end fund ever offered. Several months later, we brought to market a closed-end leveraged equity fund that invests in dividend-paying stocks, structured to take advantage of the new income tax cut on qualified dividend income. That fund raised $2.1 billion. In fiscal 2004, we had a banner year, offering five closed-end funds that raised $5.5 billion in assets, responding to market interest in floating-rate bank loan funds, dividend income funds, and an equity fund using covered calls to enhance its investment returns. At the end of fiscal 2004, Eaton Vance managed a total of 29 closed-end funds, with assets under management totaling $15.8 billion. We are now the 3rd largest manager of closed-end funds in the country, having created a broad-based family of closed-end products that successfully address the investment objectives of their shareholders and that provide great value to Eaton Vance and its shareholders as well.

While Eaton Vance has clearly done well in the past, I'd like to share my thoughts regarding "where do we go from here?" Although Eaton Vance's track record of creating value for its stockholders is quite remarkable, one of the concerns of any good financial analyst regarding a company with a strong long-term record is, "Can they keep it up – can they continue to excel?" My answer: "Yes, we can." Here's why I'm a believer in our continued success.

Although Eaton Vance is a major competitor in both mutual funds and asset management overall, our market share is miniscule – less than 1%. As a result, there is no practical competitive barrier limiting our ability to grow. Eaton Vance has never been stronger. Our investment performance is superior in most areas, and we're working to improve where improvement is needed. Our team is viewed as a winning team and Eaton Vance as an excellent place to work. We can attract talent to address problems and to staff new opportunities. We have a relatively small penetration in institutional segments, we are just now reaching critical mass in our retail managed account effort, and we do not participate meaningfully in qualified retirement plans (IRA, 401(k), etc.). All are huge opportunities for us. We have the necessary resources to fund strategic initiatives. We're a very desirable business partner for firms interested in being acquired by or affiliating with us in some way. If a compelling strategic opportunity comes along, we have the resources to embrace it. In short, I believe our ability to grow at a pace well ahead of the financial services industry is limited only by our ability to continue to innovate, to compete energetically and ethically, and to be opportunistic. Like the development of our closed-end fund business discussed above, most of our accomplishments in recent years were not planned far in advance – they happened because we saw an opportunity and seized it. That's what the Eaton Vance team is good at – and I don't see that changing.

Before closing, I'd like to acknowledge several individuals who've joined the Eaton Vance team this year and one who retired. Winthrop H. (Win) Smith joined our Board of Directors in May. Win held a number of senior executive management positions in his 28-year tenure at Merrill Lynch before founding a private investment firm in 2002. His extensive experience in financial services and international investment management will add valuable experience to our Board. Win replaces John Nelson, who retired from our Board under the Company's retirement policy for independent directors. We are grateful to John for his wise counsel during six years of exemplary service to Eaton Vance and its shareholders.

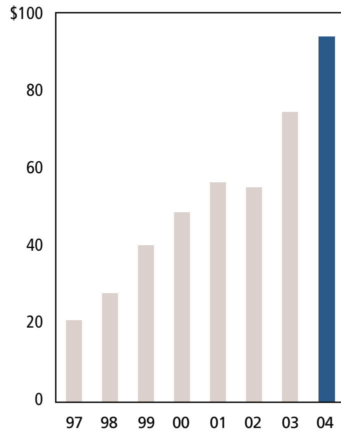
In January, G. West (Westy) Saltonstall came aboard to head our private investment counsel group. Westy brings many years of experience to Eaton Vance, having previously served as the Director of Deutsche Bank's private investment counsel group in Boston. In July, we nearly tripled our private investment counsel assets under management with the acquisition of the assets of Deutsche Bank's private investment counsel office in Boston. As a result of this transaction, we were pleased to bring to Eaton Vance a number of seasoned investment professionals who will help us grow, under Westy's leadership, our investment counsel business in the future.

Welcome to Win and Westy, and grateful thanks to John. Our strong team is getting stronger. We look forward to the challenges of 2005 with confidence and enthusiasm.

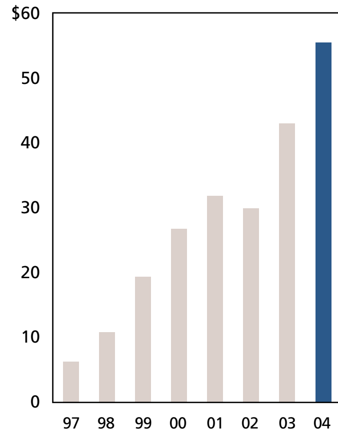
With best wishes,

James B. Hawkes
Chairman, President and Chief Executive Officer

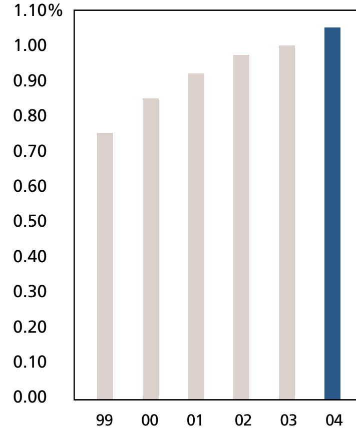
Assets Under Management
(in billions)



Equity Assets Under Management
(in billions)

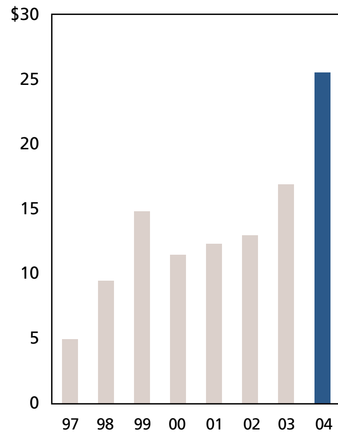


Eaton Vance Market Share Long–Term Fund Assets

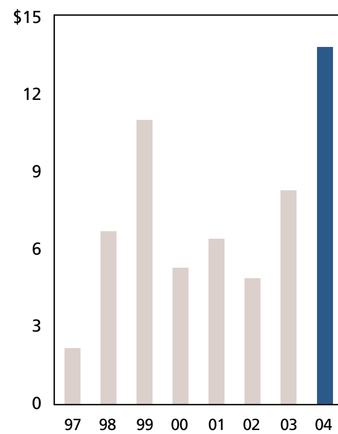


Source: Strategic Insight

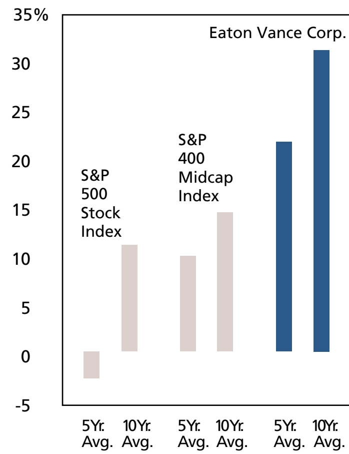
Gross Sales/Inflows
(in billions)



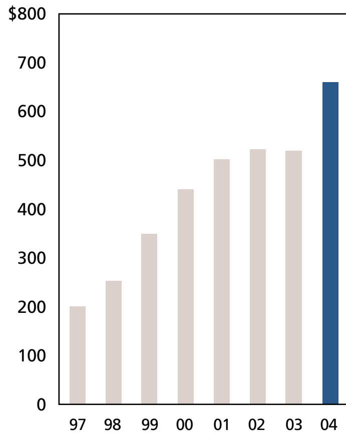
Net Sales/Inflows
(in billions)

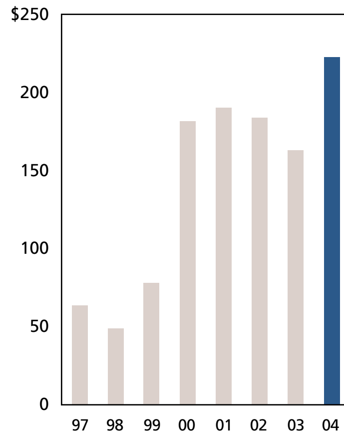


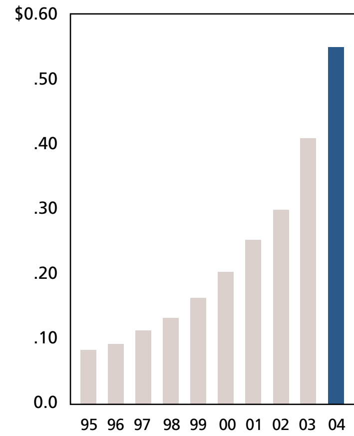
Shareholder Returns



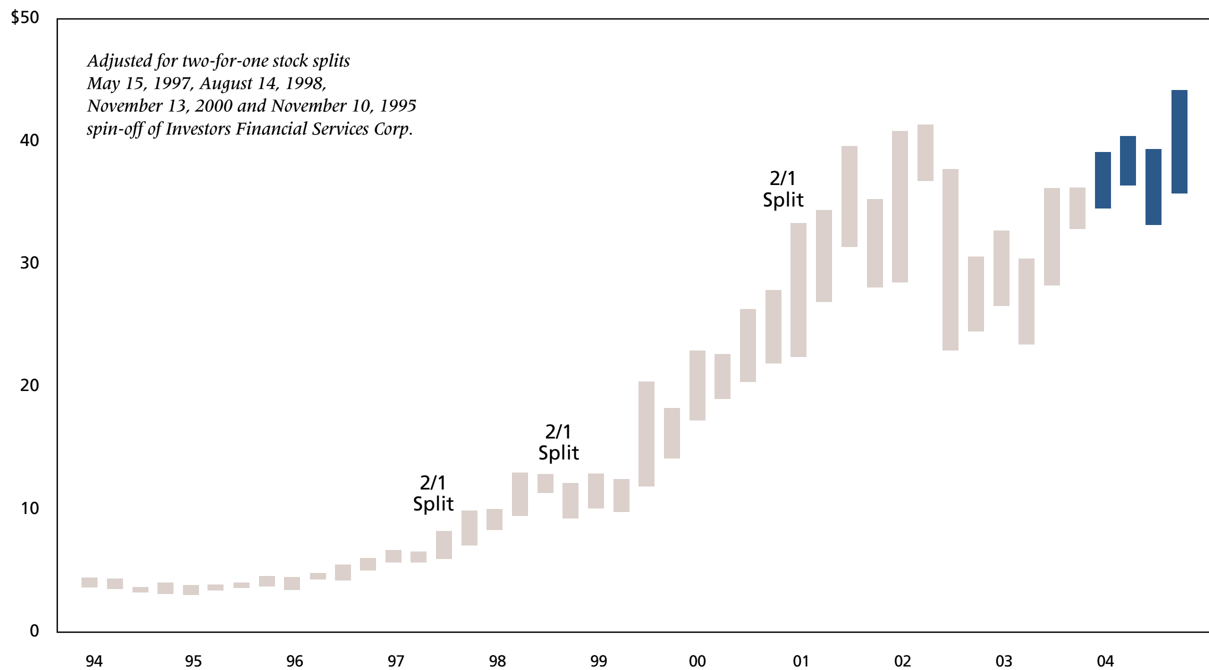
Source: Bloomberg







Quarterly High and Low Stock Prices



2004 was a year to celebrate the extraordinary performance of our Company. It was also the year we celebrated the 80th anniversary of Eaton Vance Corp.

Introduction

As discussed in our President's letter and shown dramatically on the cover of this Report, 2004 was a year to celebrate the extraordinary performance of our Company. It was also the year we celebrated the 80th anniversary of Eaton Vance Corp., which was formed by the 1979 merger of Eaton & Howard (founded in 1924) and Vance, Sanders & Company (founded in 1934). The combined capabilities of these two industry pioneers provided the foundation for the substantial business success achieved by Eaton Vance over the past quarter century.

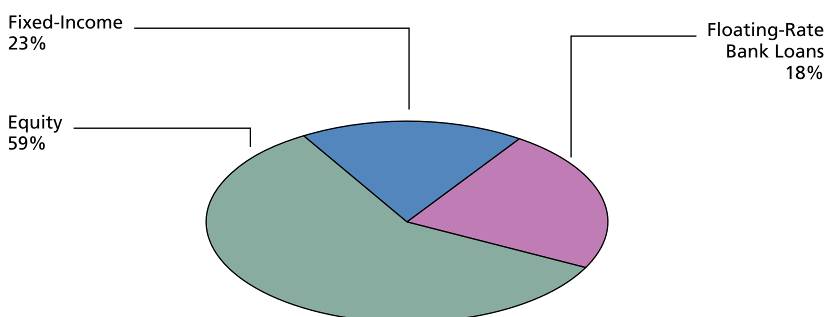
Eaton Vance has developed a well diversified product line and a powerful distribution model, supported by innovative products, a disciplined investment process, a commitment to customer service, and tangible financial strength.

Today, Eaton Vance continues to build on the legacy of investment excellence, distribution strength and product innovation inherited from our predecessors. Eaton Vance's strategy has been three-pronged: to develop and maintain core competencies in a range of investment disciplines; to distribute industry-leading investment products and services across multiple distribution channels; and to be a leading innovator of value-added investment products and services, focused primarily on higher-net-worth investors. In executing this strategy, Eaton Vance has developed a well diversified product line and a powerful distribution model, supported by innovative products, a disciplined investment process, a commitment to customer service, and tangible financial strength.

A Well Diversified Product Line

Eaton Vance has built its reputation as a market leader in a number of investment areas, including tax-managed equity, value equity, floating-rate bank loan, municipal bond and high-yield bond investing. The diversified product offerings of Eaton Vance and its

2004 Asset Mix - $94.3 Billion



Assets under management grew to $94.3 billion at October 31, 2004, a 26 percent increase over the prior year.

affiliates offer fund shareholders, institutional investors and private investment counsel clients a wide range of products and services designed and managed to generate attractive risk-adjusted returns over the long term.

Assets under management grew to $94.3 billion at October 31, 2004, a 26 percent increase over the prior year. Asset growth in fiscal 2004 was the result of record inflows, the acquisition of $1.9 billion of private investment counsel assets, improving equity markets and redemption rates that remain well below those of the industry.

At October 31, 2004, Eaton Vance's product offerings were broadly diversified: 59 percent in equities, 23 percent in fixed-income and 18 percent in floating-rate bank loans. With 74 percent of managed assets in open-end, closed-end and private funds and 26 percent in separate accounts managed for institutional and high-net-worth clients, we are well diversified in terms of investment product objectives and distribution channels. We believe that broad portfolio diversification is a key strength of Eaton Vance and will continue to be instrumental in our future success at weathering volatile markets.

In fiscal 2004, Eaton Vance launched five new closed-end funds and leveraged a sixth, raising more than $6.3 billion in assets.

Innovative Product Design

Founded on innovation in 1924, Eaton Vance remains focused on innovation today. Eaton Vance continues to be opportunistic in anticipating the changing needs of the market and executing product strategies to meet those changing needs. New product initiatives in fiscal 2004 capitalized on the firm's unique investment management strengths, distribution capability and understanding of the marketplace. In fiscal 2004, Eaton Vance launched five new closed-end funds and leveraged a sixth, raising more than $6.3 billion in assets. New closed-end funds this year included two floating-rate bank loan funds, two tax-advantaged global dividend income funds and an equity income fund that combines stock investing with a systematic program of covered call option writing. With these offerings, the Company was able to identify and address current market needs. From open-end to closed-end and private funds, the Company has consistently capitalized on its core competencies and creativity to develop innovative structures and bring best-in-class fund products to market.

At Eaton Vance, rigorous fundamental research drives investment performance. Our investment teams across the board follow accepted, time-tested investment principles that emphasize the avoidance of unnecessary risk and the pursuit of above-average long-term returns.

Product innovation was not confined to the fund business in 2004. In separately managed accounts, Eaton Vance and Merrill Lynch capitalized on the unique expertise of Parametric Portfolio Associates to structure the Eaton Vance Tax-Managed Consults Diversified Portfolios (CDPs®) for distribution to mass affluent clients in the retail separately managed account market. CDPs combine a broadly diversified core allocation (S&P 500) with complementary satellite strategies managed by multiple investment managers with unique investment strengths. Parametric Portfolio Associates, as overlay manager, provides tax-efficient coordination and customization of the core and satellite activity. Clients receive the benefit of investing in a diversified portfolio, with integrated tax management and a single consolidated statement with aggregated holdings and performance information. The separate account portfolio overlay and tax-management skills of Parametric Portfolio Associates make products like the Eaton Vance Tax-Managed CDPs possible.

With more than 75 percent of Eaton Vance's equity fund assets in funds rated four- or five-stars by *Morningstar*™ and top quintile performers in every asset class, the Company continues to offer its mutual fund shareholders outstanding performance over the long term.

A Disciplined Investment Process

At Eaton Vance, rigorous fundamental research drives investment performance. Our investment teams across the board follow accepted, time-tested investment principles that emphasize the avoidance of unnecessary risk and the pursuit of above-average long-term returns. We construct all of our investment portfolios one security at a time, after intensive analysis of risk/reward characteristics and the potential for above-average long-term performance.

This disciplined investment process has resulted in superior investment performance over time. With more than 75 percent of Eaton Vance's equity fund assets in funds rated four- or five-stars by *Morningstar*™ and top quintile performers in every asset class, the Company continues to offer its mutual fund shareholders outstanding performance over the long term.

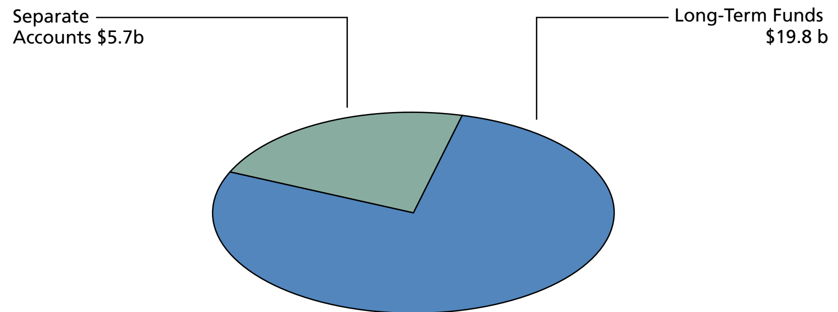
A Powerful Distribution System

Eaton Vance has long enjoyed the distinction as a fund distribution powerhouse. In fiscal 2000, the Company made the strategic decision to extend its distribution capabilities beyond the mutual fund channel and began actively to pursue opportunities in the high-net-worth and institutional marketplace. To that end, the Company made four strategic acquisitions between 2001 and 2004 that significantly broadened the Company's product and service

offerings and distribution capability. Today, with dedicated sales teams in the mutual fund, high-net-worth and institutional distribution channels, Eaton Vance is well positioned to meet the needs of a broad array of clients and to achieve its goal of growing faster than the industry.

Fiscal 2004 was a record sales year for the Company, with gross inflows into Eaton Vance funds and institutional and high-net-worth accounts of $25.5 billion, an increase of 52 percent over last year.

Gross Inflows $25.5 Billion



Fiscal 2004 was a record sales year for the Company, with gross inflows into Eaton Vance funds and institutional and high-net-worth accounts of $25.5 billion, an increase of 52 percent from the $16.8 billion of gross inflows recorded in fiscal 2003. Net inflows (gross inflows less redemptions and withdrawals) totaled $13.8 billion, an increase of 66 percent over last year.

Eaton Vance's distribution partners include national wirehouses, regional broker/dealers, independent financial advisory firms, banks and insurance companies.

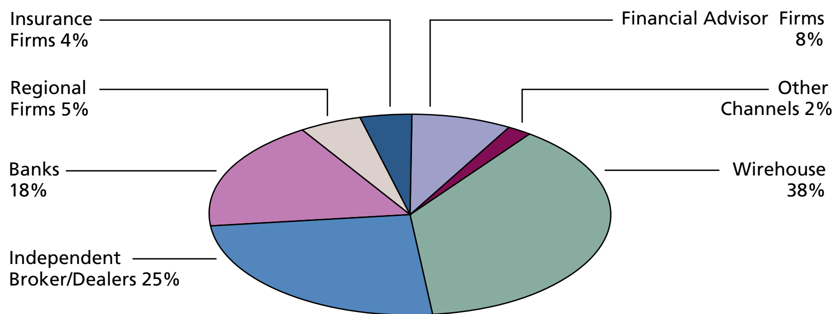
Mutual fund distribution

Eaton Vance's long-term fund distribution strategy is to distribute its mutual funds primarily through financial intermediaries in the advice channel. Eaton Vance has a broad reach in this marketplace, with distribution partners including national wirehouses, regional broker/dealers, independent broker/dealers, independent financial advisory firms, banks and insurance companies. Eaton Vance supports these distribution partners with a team of more than 120 regional and Boston-based representatives who are dedicated to meeting the needs of our partners and clients across the country.

In fiscal 2004, Eaton Vance's mutual fund and specialized sales teams generated gross inflows of $13.5 billion in the Company's open-end funds and $6.3 billion (including leverage) in conjunction with the offering of five new closed-end funds.

Specialized sales and marketing teams provide the increasingly sophisticated information required for distributing privately placed funds, retirement products and charitable giving vehicles.

Mutual Fund Sales By Distribution Channel



In fiscal 2004, Eaton Vance's mutual fund and specialized sales teams generated gross inflows of $13.5 billion in the Company's open-end funds and $6.3 billion (including leverage) in conjunction with the offering of five new closed-end funds, for total gross inflows in this channel of $19.8 billion, a new sales record for the Company. Eaton Vance's success in attracting new flows and bringing new funds to market reflects the strength of its distribution relationships and the effectiveness of its long-term distribution strategy.

Eaton Vance made significant progress in building its separately managed account business in fiscal 2004, with gross inflows totaling $5.7 billion, an 89 percent increase over the prior year.

Institutional and high-net-worth distribution

In fiscal 2000, the Company committed itself to a strategy of diversifying our product offerings to address institutional and high-net-worth clients who access investment advice through separately managed accounts.

Eaton Vance made significant progress in building its separately managed account business in fiscal 2004, with gross inflows totaling $5.7 billion, an 89 percent increase over the prior year. The inclusion of Parametric Portfolio Associates, acquired in September of 2003, contributed meaningfully to the Company's success in this channel.

The Company plans to charter a non-depository trust company in the first quarter of fiscal 2005, and to use the trust company as a platform for launching commingled institutional products.

The trust company has additional strategic value in that it will allow the Company to expand its presence in the growing defined benefit/defined contribution market through participation in qualified plan commingled investment platforms offered in the broker/dealer channel.

Institutional

The Eaton Vance family of asset management companies, including Atlanta Capital, Fox Asset Management and Parametric Portfolio Associates, serves a broad range of clients in the institutional marketplace, including Taft-Hartley plans, foundations, endowments and defined contribution plans for individuals, corporations and municipalities. Specialized sales teams at each of Eaton Vance's affiliates focus exclusively on developing relationships in this market and deal directly with these clients, often on the basis of independent referrals.

The distinct investment styles and philosophies of Eaton Vance and its affiliates allow the Company to offer institutional investors a wide range of products across a broad spectrum of equity and fixed and floating-rate income management styles. Product offerings on the equity side fill style boxes from value to growth and from large-cap to small-cap, while income offerings include high grade and high yield fixed income and floating-rate bank loans.

To further expand our institutional presence, Eaton Vance plans to offer smaller institutional clients additional investment options in fiscal 2005 with the introduction of a series of commingled investment vehicles specifically tailored to meet their needs. To that end, the Company plans to charter a non-depository trust company in the first quarter of fiscal 2005, and to use the trust company as a platform for launching commingled institutional products. The trust company has additional strategic value in that it will allow the Company to expand its presence in the growing defined benefit/defined contribution market through participation in qualified plan commingled investment platforms offered in the broker/dealer channel.

High-net-worth

Eaton Vance delivers investment products and services to high-net-worth clients in two separate and distinct ways – through separately managed accounts distributed in the broker/dealer channel and through the offering of comprehensive private investment counsel services and customized investment accounts to high-net-worth individuals and family offices.

Eaton Vance now participates in more than 40 broker/dealer separately managed account programs and managed $4.9 billion in assets at October 31, 2004.

In fiscal 2004, Eaton Vance announced its acquisition of the assets of Deutsche Bank's private investment counsel group in Boston. The acquisition added $1.9 billion to the Company's private investment counsel assets under management.

Growth in the Company's retail separately managed account business relies on a specialized sales force that seeks to leverage the broad distribution capabilities and corner office broker contacts of the mutual fund sales team. Strengthened by the acquisitions of Atlanta Capital and Fox Asset Management in 2001 and the acquisition of Parametric Portfolio Associates in 2003, Eaton Vance now participates in more than 40 broker/dealer separately managed account programs and managed $4.9 billion in assets at October 31, 2004.

Unlike growth in retail separately managed accounts, growth in private investment counsel relies primarily on the strength of the relationships developed by Eaton Vance professionals with high-net-worth individuals and their families. Eaton Vance's private investment counselors assist the Company's clients in both establishing long-term goals and creating a strategy for achieving them. In fiscal 2004, Eaton Vance announced its acquisition of the assets of Deutsche Bank's private investment counsel group in Boston. The acquisition added $1.9 billion to the Company's private investment counsel assets under management. In conjunction with the transaction, Eaton Vance hired six investment counselors with an average of 29 years of experience in providing customized investment management services. The addition of these investment professionals increases the depth and breadth of Eaton Vance's resources in meeting the investment needs of high-net-worth individuals. Eaton Vance and its affiliates continue to establish long-term relationships with clients in this channel.

Eaton Vance serves over one million shareholders in its mutual funds, with customers in every state and many countries around the world.

World Class Service

Eaton Vance serves over one million shareholders in its mutual funds, with customers in every state and many countries around the world. These customers are able to access the Company's team of shareholder service representatives from 8:00 a.m. to 8:00 p.m. Eastern Time every day that the New York Stock Exchange is open for business. This team of dedicated operations staff members answers over 20,000 telephone calls from shareholders and financial advisors every month. These customer service professionals are knowledgeable, thoroughly trained and constantly striving to provide "world class" service to Eaton Vance's clients.

Eaton Vance employees understand that ethical behavior is the foundation of the Company's business relationships with its distribution partners and customers, alike, and a cornerstone of the Company's success.

Eaton Vance will continue to strive to justify the faith and confidence that fund shareholders and other clients have placed in us by maintaining adherence to the highest ethical standards.

Code of Ethics

At Eaton Vance, all employees are subject to the Company's Code of Ethics and Rules of Conduct, which require employees to obey applicable laws and regulations, maintain high ethical standards and place clients' interests first. Eaton Vance employees are trained, as appropriate, in compliance programs, privacy guidelines and anti-money laundering prevention efforts.

Eaton Vance strives to safeguard its funds and its fund shareholders. The Company does not permit late trading, aggressively enforces policies to deter market timing and does not use fund trading commissions to pay for distribution. Eaton Vance takes its legal and ethical obligations, Code of Ethics, and privacy and compliance responsibilities very seriously. Eaton Vance employees understand that ethical behavior is the foundation of the Company's business relationships with its distribution partners and customers, alike, and a cornerstone of the Company's success. Eaton Vance will continue to strive to justify the faith and confidence that fund shareholders and other clients have placed in us by maintaining adherence to the highest ethical standards.

Financial Strength

The diversification we have achieved in our product offerings and distribution channels allows us to grow and prosper in widely ranging market conditions. Our strong balance sheet and cash flow from operations provide us with the financial strength and liquidity necessary to take advantage of strategic opportunities as they arise. Our business model and financial capability give us the staying power to endure even the most difficult market environments and to stay focused on the long-term growth of the Company.

Five Year Financial Summary 21

Management's Discussion and Analysis 22

Consolidated Statements of Income 42

Consolidated Balance Sheets 43

Consolidated Statements of Shareholders' Equity
and Comprehensive Income 44

Consolidated Statements of Cash Flows 46

Notes to Consolidated Financial Statements 47

Report of Independent Registered Public Accounting Firm 69

Corporate and Investor Information 70

	Years Ended October 31,				
	2004	2003	2002	2001	2000
(in thousands, except per share figures)					
Income Statement Data					
Revenue:					
Investment adviser and administration fees	**$413,102**	$296,344	$280,794	$252,332	$226,344
Distribution and underwriter fees	**150,018**	146,907	162,071	170,892	169,786
Service fees	**92,087**	74,605	77,833	77,777	40,807
Other revenue	**6,606**	5,277	2,287	1,558	3,389
Total revenue	**661,813**	523,133	522,985	502,559	440,326
Expenses:					
Compensation of officers and employees	**150,489**	115,429	105,331	91,428	77,178
Amortization of deferred sales commissions	**81,202**	85,192	83,690	79,997	84,557
Service fee expense	**76,620**	64,285	63,852	60,524	26,293
Distribution expense	**81,559**	54,790	50,398	50,847	45,811
Other expenses	**49,381**	40,293	35,791	28,870	23,823
Total expenses	**439,251**	359,989	339,062	311,666	257,662
Operating income	**222,562**	163,144	183,923	190,893	182,664
Other Income (Expense):					
Interest income	**2,799**	4,848	9,019	6,765	5,668
Interest expense	**(5,898)**	(5,761)	(7,098)	(2,209)	(2,016)
Gain (loss) on investments	**275**	2,346	1,344	(2,649)	226
Foreign currency gain (loss)	**(85)**	18	8	—	—
Equity in net income of affiliates	**2,005**	263	389	967	637
Impairment loss on long-term investments[1]	**—**	—	—	(15,101)	—
Income before income taxes and minority interest	**221,658**	164,858	187,585	178,666	187,179
Income taxes	**79,797**	57,700	65,654	62,531	71,128
Minority interest, net of tax	**2,918**	1,035	874	115	—
Net income	**$138,943**	$106,123	$121,057	$116,020	$116,051
Earnings per share:					
Basic	**$ 2.06**	$ 1.54	$ 1.75	$ 1.69	$ 1.65
Diluted	**$ 1.99**	$ 1.51	$ 1.70	$ 1.60	$ 1.58
Dividends declared, per share	**$ 0.55**	$ 0.40	$ 0.30	$ 0.25	$ 0.20
Weighted average shares outstanding	**67,469**	68,916	69,151	68,750	70,390
Weighted average shares outstanding assuming dilution	**69,789**	70,375	71,412	72,316	73,222
Balance Sheet Data					
Total assets	**$743,566**	$658,702	$616,619	$675,301	$432,989
Long-term debt	**$ 74,347**	$118,736	$124,118	$215,488	$ 21,429
Shareholders' equity	**$449,506**	$416,277	$372,302	$301,126	$254,950
Shareholders' equity per share	**$ 6.73**	$ 6.09	$ 5.38	$ 4.39	$ 3.67

[1]In fiscal 2001, the Company recognized a $15.1 million impairment loss related to the Company's minority equity investments in three collateralized debt obligation entities whose collateral assets are managed by the Company.

Management's discussion and analysis includes statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, intentions or strategies regarding the future. All statements, other than statements of historical facts included in this Annual Report regarding our financial position, business strategy and other plans and objectives for future operations, are forward-looking statements. Although we believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations reflected in such forward-looking statements will prove to have been correct or that we will take any actions that may presently be planned. Certain important factors that could cause actual results to differ materially from our expectations are disclosed in the "Certain Factors That May Affect Future Results" section of this Annual Report. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by such factors.

General

The Company's principal business is creating, marketing and managing investment companies ("funds") and providing investment management and counseling services to high-net-worth individuals and institutions. The Company's long-term strategy is to develop value-added core competencies in a range of investment disciplines and to offer industry-leading investment products and services across multiple distribution channels. In executing this strategy, the Company has developed a broadly diversified product line and a powerful distribution model.

The Company is a market leader in a number of investment areas, including tax-managed equity, value equity, equity income, floating-rate bank loan, municipal bond and high-yield bond investing. The diversified offerings of Eaton Vance and its affiliates offer fund shareholders, institutional investors and private investment counsel clients a wide range of products and services designed and managed to generate attractive risk-adjusted returns over the long term.

The Company's fund distribution strategy is to distribute its funds primarily through financial intermediaries in the advice channel. The Company has a broad reach in this marketplace, with distribution partners including national wirehouses, regional broker/dealers, independent broker/dealers, independent financial advisory firms, banks and insurance companies. Eaton Vance supports these distribution partners with a team of more than 146 regional and Boston-based representatives who are dedicated to meeting the needs of our partners and clients across the country. Specialized sales and marketing teams provide the increasingly sophisticated information required for distributing privately placed funds, retirement products and charitable giving vehicles.

The Company is also committed to a strategy of expanding distribution to reach institutional and high-net-worth clients who access investment advice outside of traditional retail broker/dealer channels. The Company and its subsidiaries, including Atlanta Capital Management, LLC ("Atlanta Capital") Fox Asset Management LLC ("Fox Asset Management") and Parametric Portfolio Associates LLC ("Parametric Portfolio Associates"), serve a broad range of clients in the institutional marketplace, including Taft-Hartley plans, foundations, endowments and defined contribution plans for individuals, corporations and municipalities. Specialized sales teams at each of the Company's affiliates focus exclusively on developing relationships in this market and deal directly with these clients, often on the basis of independent referrals.

The Company's revenue is primarily derived from investment adviser, administration, distribution and service fees received from the Eaton Vance funds and investment adviser fees received from separate accounts. Fees paid to the Company are based primarily on the value of the investment portfolios managed by the Company and fluctuate with changes in the total value of the assets under management. Such fees are recognized over the period that the Company manages these assets. The Company's major expenses are employee compensation, the amortization of deferred sales commissions and distribution-related expenses.

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to investments, deferred sales commissions, intangible assets, income taxes and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Assets Under Management

Assets under management of $94.3 billion on October 31, 2004 were 26 percent higher than the $75.0 billion reported a year earlier. The Company experienced asset growth in nearly every asset category in fiscal 2004, reflecting record long-term fund and separate account net inflows, a series of successful closed-end fund offerings, a strategic acquisition of separate account assets and recovering equity markets. In fiscal 2003, total assets under management increased to $75.0 billion from $55.6 billion a year earlier, reflecting strong net inflows, recovering equity markets and the acquisition of Parametric Portfolio Associates in September of 2003.

Ending Assets Under Management by Investment Objective

	October 31,			2004 vs.	2003 vs.
	2004	2003	2002	2003	2002
(in billions)					
Equity assets	**$55.8**	$43.1	$30.2	29%	43%
Fixed income assets	**21.7**	21.6	17.3	0%	25%
Floating-rate income assets	**16.8**	10.3	8.1	63%	27%
Total	**$94.3**	$75.0	$55.6	26%	35%

Equity assets represented 59 percent of total assets under management at October 31, 2004, up from 57 percent at October 31, 2003 and 54 percent at October 31, 2002. Fixed income assets, including money market funds, represented 23 percent of total assets under management at October 31, 2004, down from 29 percent at October 31, 2003 and 31 percent at October 31, 2002. Floating-rate income assets represented 18 percent of total assets under management at October 31, 2004, up from 14 percent at October 31, 2003 and 15 percent at October 31, 2002. The shift in asset mix from fixed income to equity reflects investor response to the recent improvements in equity markets and a rise in short-term interest rates.

The Company had positive net inflows in both long-term fund assets and separate accounts in each of the last three years. Net inflows of long-term fund assets in fiscal 2004 were $11.2 billion compared to $7.2 billion last year and $3.5 billion in fiscal 2002. Closed-end fund offerings contributed significantly to net inflows in all three fiscal years, with $6.3 billion in closed-end fund assets added in fiscal 2004, $5.0 billion added in fiscal 2003 and $2.5 billion added in fiscal 2002.

Excluding closed-end fund offerings, other net inflows totaled $4.9 billion, $2.2 billion and $1.0 billion in fiscal 2004, 2003 and 2002, respectively. Long-term fund redemptions remain well below the industry average, representing 13 percent of average long-term fund assets under management in both fiscal 2004 and 2003, down from 15 percent of average long-term fund assets under management in fiscal 2002. The industry average, by comparison, exceeded 20 percent of average long-term fund assets under management for each of the last three years.

Net inflows of separate account assets under management were $2.6 billion in fiscal 2004, up from $1.0 billion in fiscal 2003 and $1.5 billion in fiscal 2002. These net inflows exclude the assets gained in the acquisition of the investment counsel assets of Deutsche Bank’s Private Investment Counsel Boston office in July of 2004 ($1.9 billion in assets at acquisition date) and the acquisition of Parametric in September of 2003 ($5.3 billion in assets at acquisition date). Net inflows in separate account assets in fiscal 2004 reflect the expansion of the Company’s high-net-worth and retail managed account product lines resulting from the acquisition of Parametric in fiscal 2003.

Asset Flows

(in billions)	For the Years Ended October 31, 2004	2003	2002	2004 vs. 2003	2003 vs. 2002
Equity fund assets – beginning	**$28.9**	$22.9	$25.3	26%	-9%
Sales/inflows	**9.8**	4.2	4.4	133%	-5%
Redemptions/outflows	**(4.1)**	(2.8)	(3.1)	46%	-10%
Exchanges	**0.1**	—	(0.2)	NM[2]	NM
Market value change	**2.2**	3.9	(3.5)	-44%	NM
Assets acquired	**—**	0.7	—	NM	NM
Equity fund assets – ending	**$36.9**	$28.9	$22.9	28%	26%
Fixed income fund assets – beginning	**$17.8**	$13.3	$10.1	34%	32%
Sales/inflows	**2.4**	6.4	5.0	-63%	28%
Redemptions/outflows	**(2.3)**	(2.2)	(1.5)	5%	47%
Exchanges	**(0.2)**	(0.1)	0.4	100%	NM
Market value change	**(0.1)**	0.4	(0.7)	NM	NM
Fixed income fund assets – ending	**$17.6**	$17.8	$13.3	-1%	34%
Floating-rate fund assets – beginning	**$ 9.5**	$ 7.7	$ 9.6	23%	-20%
Sales/inflows	**7.6**	3.1	1.0	145%	210%
Redemptions/outflows	**(2.2)**	(1.5)	(2.3)	47%	-35%
Exchanges	**0.1**	—	(0.3)	NM	NM
Market value change	**—**	0.2	(0.3)	NM	NM
Floating-rate fund assets – ending	**$15.0**	$ 9.5	$ 7.7	58%	23%
Total long-term fund assets – beginning	**$56.2**	$43.9	$45.0	28%	-2%
Sales/inflows	**19.8**	13.7	10.4	45%	32%
Redemptions/outflows	**(8.6)**	(6.5)	(6.9)	32%	-6%
Exchanges	**—**	(0.1)	(0.1)	NM	NM
Market value change	**2.1**	4.5	(4.5)	-53%	NM
Assets acquired	**—**	0.7	—	NM	NM
Total long-term fund assets – ending	**$69.5**	$56.2	$43.9	24%	28%
Separate accounts – beginning	**$18.4**	$10.8	$10.5	70%	3%
Inflows – HNW and institutional[1]	**3.7**	2.1	2.0	76%	5%
Outflows – HNW and institutional	**(2.0)**	(1.7)	(1.1)	18%	55%
Inflows – retail managed account	**2.0**	0.9	0.7	122%	29%
Outflows – retail managed account	**(1.1)**	(0.3)	(0.1)	267%	200%
Market value change	**1.5**	2.0	(1.2)	-25%	NM
Assets acquired	**1.9**	4.6	—	-59%	NM
Separate accounts – ending	**$24.4**	$18.4	$10.8	33%	70%
Money market fund assets – ending	**0.4**	0.4	0.9	0%	-56%
Assets under management – ending	**$94.3**	$75.0	$55.6	26%	35%

[1] *High-net-worth ("HNW").*
[2] *Not meaningful ("NM").*

Ending Assets Under Management by Asset Class

	October 31,			2004 vs.	2003 vs.
	2004	2003	2002	2003	2002
(in billions)					
Class A[1]	**$15.4**	$ 8.2	$ 6.2	88%	32%
Class B[2]	**8.7**	13.1	12.8	-34%	2%
Class C[3]	**7.1**	6.1	5.3	16%	15%
Class I[4]	**2.0**	1.0	1.0	100%	0%
Private funds	**18.7**	17.3	14.9	8%	16%
Closed-end funds	**15.8**	9.1	4.0	74%	128%
Other	**2.2**	1.8	0.6	22%	200%
Total fund assets	**69.9**	56.6	44.8	23%	26%
Total separate account assets	**24.4**	18.4	10.8	33%	70%
Total	**$94.3**	$75.0	$55.6	26%	35%

[1]Share class includes Eaton Vance Advisers Senior Floating-Rate Fund, an interval fund.
[2]Share class includes Eaton Vance Prime Rate Reserves, an interval fund.
[3]Share class includes Eaton Vance Senior Floating-Rate Fund, an interval fund.
[4]Share class includes Eaton Vance Institutional Senior Floating-Rate Fund, an interval fund.

The Company currently sells its sponsored mutual funds under four primary pricing structures: front-end load commission ("Class A"); spread-load commission ("Class B"); level-load commission ("Class C"); and institutional no-load ("Class I"). Under certain conditions, the Company waives the sales load on Class A shares. In such cases, the shares are sold at net asset value. The 23 percent increase in ending long-term fund assets under management in fiscal 2004 was primarily the result of record closed-end fund offerings and strong Class A share sales, net of a decline in Class B share assets under management. Class B share assets under management declined by 34 percent in fiscal 2004 because of lower Class B share sales and the second quarter implementation of an automatic conversion of Class B shares to Class A shares after eight years of ownership for certain of the Company's mutual funds. The increase in ending long-term fund assets under management in fiscal 2003 was primarily a result of significant closed-end fund sales and strong Class A sales.

The Company experienced a significant shift in the asset mix among fund share classes in fiscal 2004. Class A share assets increased to 22 percent of total fund assets under management from 14 percent at October 31, 2003. The increase in Class A share assets as a percentage of total fund assets under management reflects the overall increasing popularity of Class A shares in the industry, the declining popularity of Class B shares as an asset class and the conversion of certain of the Company's Class B share assets to Class A share assets in fiscal 2004. Private funds and closed-end funds grew to 49 percent of the Company's fund assets under management at October 31, 2004, from 47 percent at October 31, 2003 and 42 percent at October 31, 2002.

The growth in separate account assets under management in fiscal 2004 can be primarily attributed to the acquisition of the Deutsche Bank assets in July 2004 and separate account net inflows of $2.6 billion. The growth in separate account assets under management in fiscal 2003 can be primarily attributed to the acquisition of Parametric in September 2003.

Average Assets Under Management by Asset Class [1]

	For the Years Ended October 31,			2004 vs.	2003 vs.
	2004	2003	2002	2003	2002
(in billions)					
Class A [2]	**$12.2**	$ 6.9	$ 6.5	77%	6%
Class B [3]	**10.8**	12.7	13.9	-15%	-9%
Class C [4]	**6.7**	5.6	5.8	20%	-3%
Class I [5]	**1.5**	0.9	1.1	67%	-18%
Private funds	**18.1**	15.6	16.2	16%	-4%
Closed-end funds	**12.9**	6.1	2.0	111%	205%
Other	**2.0**	0.9	1.0	122%	-10%
Total fund assets	**64.2**	48.7	46.5	32%	5%
Total separate account assets	**21.4**	12.5	11.0	71%	14%
Total	**$85.6**	$61.2	$57.5	40%	6%

[1] Assets under management attributable to the acquisitions of the Deutsche Bank assets on July 1, 2004 and of Parametric on September 10, 2003 are included on a weighted average basis for the period from their respective closing dates.
[2] Share class includes Eaton Vance Advisers Senior Floating-Rate Fund, an interval fund.
[3] Share class includes Eaton Vance Prime Rate Reserves, an interval fund.
[4] Share class includes Eaton Vance Senior Floating-Rate Fund, an interval fund.
[5] Share class includes Eaton Vance Institutional Senior Floating-Rate Fund, an interval fund.

The average assets under management presented in the table above represent a monthly average by asset class. This table is intended to provide useful information in the analysis of the Company's revenue and asset-based distribution expenses. With the exception of the Company's separate account investment adviser fees, which are generally calculated as a percentage of either beginning or ending quarterly assets, the Company's investment adviser, administration, distribution and service fees are calculated primarily as a percentage of average daily assets.

Results of Operations

	For the Years Ended October 31,			2004 vs.	2003 vs.
	2004	2003	2002	2003	2002
(in thousands)					
Net income	**$138,943**	$106,123	$121,057	31%	-12%
Earnings per share:					
Basic	**$ 2.06**	$ 1.54	$ 1.75	34%	-12%
Diluted	**$ 1.99**	$ 1.51	$ 1.70	32%	-11%
Operating margin	**34%**	31%	35%	NM	NM

Net income increased by 31 percent in fiscal 2004, following a decrease of 12 percent in fiscal 2003. The increase in fiscal 2004 can be primarily attributed to strong net sales and recovering equity markets, which resulted in a 40 percent increase in average assets under management, and disciplined cost control in a period of rapid growth. The decrease in fiscal 2003 can be attributed to weak equity markets in the first half of the year, which negatively impacted average assets under management, and the impact of marketing costs associated with the $5.0 billion in closed-end fund offerings completed during the year.

Revenue

(in thousands)	For the Years Ended October 31, 2004	2003	2002	2004 vs. 2003	2003 vs. 2002
Investment adviser and administration fees	$413,102	$296,344	$280,794	39%	6%
Distribution and underwriter fees	150,018	146,907	162,071	2%	-9%
Service fees	92,087	74,605	77,833	23%	-4%
Other revenue	6,606	5,277	2,287	25%	131%
Total revenue	$661,813	$523,133	$522,985	27%	0%

The Company's effective fee rate (revenue as a percentage of average assets under management) decreased to 0.77 percent in fiscal 2004 from 0.85 percent in fiscal 2003 and 0.91 percent in fiscal 2002 largely as a result of the change in the Company's long-term fund asset mix. As Class B shares have decreased as a percentage of total long-term fund assets under management, distribution and underwriter fees have decreased as a percentage of total revenue. Distribution and underwriter fees as a percentage of total revenue decreased to 23 percent in 2004 from 28 percent in fiscal 2003 and 31 percent in fiscal 2002. Given a continuing shift in asset mix, the Company currently estimates that its effective fee rate over the next twelve-month period is likely to decline to a level between 0.70 percent and 0.75 percent. The anticipated decline in the future effective fee rate will be offset in part by a reduction in deferred sales commissions amortization expense as deferred sales commissions paid on Class B share sales will also decline with the anticipated change in asset mix.

Investment adviser and administration fees

Investment adviser and administration fees are generally calculated under contractual agreements with the Company's sponsored funds and separate accounts and are based upon a percentage of the market value of assets under management. Changes in the market value of managed assets affect the amount of investment adviser and administration fees earned, while shifts in asset mix affect the Company's effective fee rate.

The increase in investment adviser and administration fees of 39 percent in fiscal 2004 can be attributed to a 40 percent increase in average assets under management tempered by a modest reduction in the Company's effective advisory fee rate. The decrease in the effective advisory fee rate can be attributed primarily to the lower average advisory fee rates of the Parametric Portfolio Associates assets acquired in fiscal 2003.

The increase in investment adviser and administration fees of 6 percent in fiscal 2003 can be attributed to a 6 percent increase in average assets under management. The acquisition of Parametric Portfolio Associates, which occurred on September 10, 2003, did not significantly affect either the Company's revenue or effective advisory fee rate in fiscal 2003.

Distribution and underwriter fees

Distribution plan payments, which are made under contractual agreements with the Company's sponsored funds, are calculated as a percentage of average assets under management in specific share classes of the Company's mutual funds (principally Class B and Class C, as well as certain private funds). These fees fluctuate with both the level of average assets under management and the relative mix of assets between share classes. Underwriter commissions are earned on the sale of shares of the Company's sponsored funds on which investors pay a sales charge at the time of purchase (Class A share sales). Sales charges, and therefore underwriter commissions, are waived or reduced on sales to shareholders or intermediaries that exceed specified minimum amounts and waived on shares that are purchased as part of a fee-based account. Underwriter commissions fluctuate with both the level of Class A share sales and the mix of Class A shares offered with and without a sales charge.

Distribution and underwriter fees increased by 2 percent in fiscal 2004 over a year ago, primarily reflecting an increase in average Class C share and certain private fund assets under management, offset by a decrease in Class B share assets under management. As noted in the table "Ending Assets Under Management," ending Class B share assets under management declined 34 percent year-over-year as a result of lower Class B share sales and the implementation of an 8-year Class B to Class A share conversion feature for certain of the Company's mutual funds in the second quarter of fiscal 2004. Financial results for the third and fourth quarters of fiscal 2004 reflect the full impact of the conversion.

Distribution and underwriter fees decreased by 9 percent in fiscal 2003, reflecting a 6 percent decrease in average Class B, Class C and certain private assets under management and an increase in Class A shares offered without a sales charge. The decrease in average Class B assets under management in fiscal 2003 can be principally attributed to a gradual shift in asset mix from Class B assets under management to Class A assets under management and the decline in equity markets experienced during the period.

Service fees

Service fee payments, which are made under contractual agreements with the Company's sponsored funds, are calculated as a percent of average assets under management in specific share classes of the Company's mutual funds (principally Classes A, B and C) as well as certain private funds. Service fees represent payments made by sponsored funds to the principal underwriter (Eaton Vance Distributors, Inc., a wholly owned subsidiary of Eaton Vance Management) for personal service and/or the maintenance of shareholder accounts.

Service fee revenue increased by 23 percent in fiscal 2004 over a year ago, primarily reflecting a 17 percent increase in average Class A, B, C and certain private fund assets under management.

Service fee revenue decreased by 4 percent in fiscal 2003, reflecting a 4 percent decrease in average Class A, B, C and certain private fund assets under management.

Other revenue

Other revenue increased by 25 percent in fiscal 2004 over a year ago, primarily reflecting investment income earned by two majority owned investment companies consolidated by the Company. The first of the two funds was consolidated beginning in the second quarter of fiscal 2003; the second was consolidated beginning in the first quarter of fiscal 2004. The Company consolidated each fund at the point in time at which the Company's investment in the fund exceeded 50 percent of the total net asset value of the fund.

Other revenue increased by 131 percent in fiscal 2003, primarily as a result of an increase in shareholder service fees and an increase in interest income earned by a majority-owned mutual fund consolidated by the Company for the first time in fiscal 2003.

Expenses

	For the Years Ended October 31,			2004 vs.	2003 vs.
	2004	2003	2002	2003	2002
(in thousands)					
Compensation of officers and employees	**$150,489**	$115,429	$105,331	30%	10%
Amortization of deferred sales commissions	**81,202**	85,192	83,690	-5%	2%
Service fee expense	**76,620**	64,285	63,852	19%	1%
Distribution expense	**81,559**	54,790	50,398	49%	9%
Other expenses	**49,381**	40,293	35,791	23%	13%
Total expenses	**$439,251**	$359,989	$339,062	22%	6%

Compensation of officers and employees

Compensation expense increased by 30 percent in fiscal 2004 and by 10 percent in fiscal 2003. The increase in compensation expense in fiscal 2004 can be primarily attributed to higher marketing incentives associated with a 35 percent increase in compensatable fund sales, including the offering of $6.3 billion of new closed-end funds, the inclusion of Parametric Portfolio Associates employee compensation for a full fiscal year and higher operating income-based bonus accruals. The increase in compensation expense in fiscal 2003 reflects incentive costs associated with $5.0 billion of closed-end fund offerings and increases in all compensation categories resulting from the acquisition of Parametric on September 10, 2003. Compensation costs associated with the acquisition of Parametric Portfolio Associates totaled $9.5 million in fiscal 2004 and $1.1 million in fiscal 2003.

Amortization of deferred sales commissions

Amortization of deferred sales commissions decreased by 5 percent in fiscal 2004, following an increase of 2 percent in fiscal 2003. Amortization expense is affected by ongoing sales and redemptions of mutual fund Class B shares, Class C shares and certain private funds. In fiscal 2004, the increases noted in Class C share and private fund sales were offset by a decrease in Class B share sales. As amortization expense is a function of the Company's product mix, a continuing shift from Class B sales to Class A sales over time will most likely result in a further reduction in amortization expense.

Service fees

Service fees the Company receives from sponsored funds are generally retained by the Company in the first year and paid to broker/dealers after the first year pursuant to third-party service arrangements. These fees are calculated as a percent of average assets under management in specific share classes of the Company's mutual funds (principally Classes A, B and C) as well as certain private funds. Service fee expense increased by 19 percent in fiscal 2004 and 1 percent in fiscal 2003, reflecting increases in average long-term fund assets retained more than one year that are subject to service fees.

Distribution expense

Distribution expense consists primarily of payments made to distribution partners pursuant to third-party distribution arrangements (calculated as a percentage of average Class C share and closed-end fund assets under management), commissions paid to broker/dealers on the sale of Class A shares at net asset value and other marketing expenses, including marketing expenses associated with revenue sharing arrangements with the Company's distribution partners. Distribution expense increased by 49 percent in fiscal 2004 and 9 percent in fiscal 2003, largely as a result of increases in average closed-end fund assets and in average other assets under management subject to third-party distribution and revenue-sharing arrangements.

Other expenses

Other expenses consist primarily of travel, facilities, information technology, consulting, fund expenses assumed by the Company, communications and other corporate expenses, including the amortization of intangible assets.

Other expenses increased by 23 percent in fiscal 2004, primarily as a result of facilities, information technology, consulting and amortization expense associated with the acquisition of Parametric Portfolio Associates in the fourth quarter of fiscal 2003. Other expenses increased by 13 percent in fiscal 2003, primarily as a result of increases in travel and fund expenses associated with the $5.0 billion in closed-end fund offerings completed in fiscal 2003.

Other Income and Expense

	For the Years Ended October 31,			2004 vs.	2003 vs.
	2004	2003	2002	2003	2002
(in thousands)					
Interest income	**$ 2,799**	$ 4,848	$ 9,019	-42%	-46%
Interest expense	**(5,898)**	(5,761)	(7,098)	2%	-19%
Gain on investments	**275**	2,346	1,344	-88%	75%
Foreign currency gain (loss)	**(85)**	18	8	NM	125%
Equity in net income of affiliates	**2,005**	263	389	NM	-32%
Total other income (expense)	**$ (904)**	$ 1,714	$ 3,662	NM	-53%

Interest income decreased by 42 percent in fiscal 2004 and 46 percent in fiscal 2003, primarily due to the Company's investment in and consolidation of two sponsored mutual funds. Interest and dividend income earned by the two consolidated funds, which invest in short-term debt instruments, is recorded in other revenue. Prior to the Company's investment in and consolidation of these two funds, the Company invested its excess cash in sponsored funds that were classified as available-for-sale. Investment income on investments classified as available-for-sale is included in interest income.

Interest expense increased to $5.9 million in fiscal 2004 from $5.8 million a year ago, following a $1.3 million decrease in interest expense in fiscal 2003. The increase in interest expense in fiscal 2004 reflects the recognition of additional interest expense ($0.2 million) in conjunction with the Company's Internal Revenue Service audits for the fiscal years ended October 31, 1999 and 2000, offset by a decrease in average long-term debt balances. The decrease in average long-term debt balances in fiscal 2004 can be attributed to the retirement of Eaton Vance Management's ("EVM's") 6.22 percent senior notes in March 2004 and the repurchase of $46.0 million of EVM's zero-coupon exchangeable senior notes in August 2004. The decrease in interest expense in fiscal 2003 reflects a decrease in average long-term debt balances due to the repurchase of $87.0 million of the EVM's zero-coupon exchangeable senior notes in August 2002, net of the additional cash interest paid to holders of the exchangeable senior notes beginning in November 2002.

Equity in net income of affiliates increased to $2.0 million in fiscal 2004 from $0.3 million a year ago, following a decrease of $0.1 million in fiscal 2003. Equity in net income of affiliates reflects the Company's 20 percent minority equity interest in Lloyd George Management.

Income Taxes

The Company's effective tax rate was 36 percent during fiscal 2004, up from 35 percent in fiscal 2003 and 2002. The increase in the tax rate was primarily due to adjustments in the Company's contingent tax liabilities and the completion of the phase-in of favorable tax legislation in Massachusetts for mutual fund service companies during fiscal 2003. The tax law change in Massachusetts required companies to meet certain criteria over a period of several years, and as these criteria were met and deferred tax liabilities recorded with higher tax rates under the previous law were adjusted, the Company benefited from a lower effective state tax rate.

The Company anticipates that its effective tax rate will increase by approximately 1 percent during fiscal 2005 due to state income taxes.

In January 2004, the Internal Revenue Service issued a new regulation that changed the tax treatment of deferred sales commissions recoverable pursuant to Rule 12b-1 plans. The new tax regulation, which allows for the immediate deduction of these commissions when paid, has been applied prospectively to such commissions paid in fiscal year 2004 and retroactively to such commissions paid during fiscal years 2003 and 2002. Sales commission payments made in fiscal years 2003 and 2002 were previously capitalized for tax purposes and deducted over their useful lives. Unamortized balances relating to fiscal years 2003 and 2002 will be deducted for tax purposes in fiscal 2004. The change in tax accounting treatment will not require amendments to prior year returns and has no impact on the Company's effective tax rate. As discussed in "Changes in Financial Condition and Liquidity and Capital Reserves," deferred income taxes increased by approximately 74 percent in fiscal 2004 as a result of the change in tax accounting treatment.

Minority Interest, Net of Tax

Minority interest, net of tax, increased by 182 percent in fiscal 2004 and by 18 percent in fiscal 2003, primarily due to the increased minority interest of unaffiliated investors in the Company's consolidated short-term income funds, the acquisition of Parametric in September of 2003 and the increased profitability of the Company's other majority owned subsidiaries, Atlanta Capital and Fox Asset Management.

Changes in Financial Condition and Liquidity and Capital Resources

The following table summarizes certain key financial data relating to the Company's liquidity and capital resources at October 31, 2004, 2003 and 2002:

	For the Years Ended October 31,			2004 vs.	2003 vs.
	2004	2003	2002	2003	2002
(in thousands)					
Balance sheet data:					
Cash and cash equivalents	**$ 147,137**	$138,328	$ 144,078	6%	-4%
Short-term investments	**210,429**	104,484	43,886	101%	138%
Long-term investments	**36,895**	36,490	39,982	1%	-9%
Deferred sales commissions	**162,259**	199,322	239,048	-19%	-17%
Current portion of long-term debt	**—**	7,143	7,143	NM	0%
Long-term debt	**74,347**	118,736	124,118	-37%	-4%
Deferred income taxes	**57,644**	33,203	50,531	74%	-34%
Cash flow data:					
Operating cash flows	**$ 117,085**	$ 43,809	$ 134,111	167%	-67%
Investing cash flows	**(3,212)**	25,675	42,031	NM	-39%
Financing cash flows	**(105,146)**	(75,296)	(147,745)	-40%	NM

The Company's financial condition is highly liquid, with a significant percentage of the Company's assets represented by cash, cash equivalents and short-term investments. Short-term investments consist principally of short-term debt instruments and investments in the Company's sponsored money market mutual funds. Long-term investments consist principally of seed investments in certain of the Company's other sponsored mutual funds and minority equity investments in CDO entities.

Deferred sales commissions paid to broker/dealers in connection with the distribution of the Company's Class B and Class C fund shares, as well as certain private funds, decreased by 19 percent in fiscal 2004 and 17 percent in fiscal 2003, primarily reflecting the decline in Class B share assets over the last two fiscal years. Deferred income taxes, which relate principally to deferred sales commissions, increased by 74 percent in fiscal 2004 following a decrease of 34 percent in fiscal 2003, reflecting a change in the treatment of deferred sales commissions for tax purposes. The change in the timing of the deduction of sales commission payments has had the effect of increasing deferred income taxes and reducing current income tax payments in fiscal 2004.

The following table details the Company's future contractual obligations under its operating lease arrangements:

Contractual Obligation	Payments due				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
(in millions)					
Operating leases	$28.6	$6.9	$12.3	$9.3	$0.1

Excluded from the table above are EVM's zero-coupon exchangeable senior notes ("Notes"). On August 13, 2001, EVM issued the Notes at a principal amount of $314.0 million due August 13, 2031, resulting in net proceeds of approximately $195.5 million after payment of debt issuance costs. The discounted price reflects a yield to maturity of 1.5 percent per year. Upon certain events, each Note is exchangeable into 14.3657 shares of the Company's non-voting common stock, subject to adjustment. EVM may redeem the Notes on or after August 13, 2006 at their accreted value. At the option of Note holders, EVM may be required to repurchase the Notes at their accreted value on August 13, 2006 and at five-year intervals thereafter until maturity. EVM may also be required to repurchase the Notes at their accreted value if the credit rating of the Notes is decreased by three or more rating subcategories below its initial rating by either Moody's or Standard & Poor's. Such repurchases can be paid in cash, shares of the Company's non-voting common stock, or a combination of both, as elected by the Company.

Note holders also have the right to surrender their Notes for exchange into shares of the Company's non-voting common stock in any fiscal quarter if, as of the last day of the preceding fiscal quarter, the closing sale price of Eaton Vance Corp.'s non-voting common stock for at least 20 of the last 30 consecutive trading days is more than a specified percentage of the accreted exchange price per share on that date. On October 31, 2004, the contingent conversion price for the Company's non-voting common stock was $55.34. EVM has the right to settle the exchange in cash, shares of the Company's non-voting common stock, or a combination of both. In the event that the requirements for exchange are met and shareholders elect to execute the exchange, EVM will recognize a charge to interest expense equal to the difference between the accreted value of the debt and the market value of the non-voting common stock on that date. On October 31, 2004, 110,945 Notes remained outstanding.

On December 21, 2004, the Company executed a new revolving credit facility with several banks. The facility, which expires in December 21, 2009, provides that the Company may borrow up to

$180 million at LIBOR-based rates of interest that vary depending on the level of usage of the facility and credit ratings of the Notes. The agreement contains financial covenants with respect to leverage and interest coverage and requires the Company to pay an annual commitment fee on any unused portion. This facility replaces a $170 million facility which expired on December 21, 2004.

Operating Cash Flows

Operating cash flows consist primarily of the operating results of the Company adjusted to reflect changes in current assets and liabilities, deferred sales commissions, deferred income taxes and investments classified as trading. Cash provided by operating activities totaled $117.1 million, $43.8 million and $134.1 million in fiscal 2004, 2003 and 2002, respectively.

Cash flows associated with the purchase and sale of trading securities included in operating cash flows primarily represent the purchase and sale of short-term debt securities by the Company's two consolidated short-term funds. The first of these two funds was consolidated beginning in fiscal 2003; the second was consolidated beginning in fiscal 2004. Net cash used in the purchase and sale of trading securities totaled $105.8 million and $103.4 million in fiscal 2004 and 2003. Net cash provided by the sale of trading securities totaled $1.0 million in fiscal 2002.

Capitalized sales commissions paid to financial intermediaries for the distribution of the Company's Class B and Class C fund shares, as well as the Company's private funds, decreased by $6.1 million in fiscal 2004 and $18.0 million in fiscal 2003 due to a decline in Class B share sales. Although the Company anticipates that the payment of capitalized sales commissions will continue to be a significant use of cash in the future, the payment of sales commissions will likely continue to decline if sales of Class B shares continue to decline. The amortization of deferred sales commissions and contingent deferred sales charges received will likely be similarly affected.

Deferred income taxes contributed $24.1 million to operating cash flows in fiscal 2004 compared to a reduction in operating cash flows of $16.2 million and $22.3 million in fiscal 2003 and 2002, respectively, primarily as a result of the change in the tax treatment of deferred sales commissions paid as described above.

Investing Cash Flows

Investing activities consist primarily of the purchase and sale of investments in the Company's sponsored funds and the acquisition of majority-owned subsidiaries. Cash provided by (used for) investing activities totaled ($3.2) million, $25.7 million and $42.0 million in fiscal 2004, 2003 and 2002, respectively. The decrease in cash provided by investing activities in fiscal 2004 reflects the Company's sale of certain available-for-sale securities in fiscal 2003 and the investment of those proceeds in two consolidated mutual funds (see discussion of purchase and sale of trading securities described in *Operating Cash Flows*).

Financing Cash Flows

Financing cash flows primarily reflect the issuance and repayment of long-term debt, the issuance and repurchase of the Company's non-voting common stock and the payment of dividends to the Company's shareholders. Cash used for financing activities totaled $105.1 million, $75.3 million and $147.7 million in fiscal 2004, 2003 and 2002, respectively.

The Company repaid $53.2 million, $18.0 million and $144.1 million in long-term debt in fiscal 2004, 2003, and 2002 respectively. Debt repayments in fiscal 2004 include the retirement of EVM's 6.22 percent senior loan and the repurchase of $46.0 million at accreted value of EVM's zero-coupon exchangeable notes (issued in August 2001). Debt repayments in fiscal 2003 included a principal installment of $7.1 million on EVM's 6.22 percent senior loan and the retirement of $10.8 million of debt carried by Parametric at the date of acquisition. Debt repayments in fiscal 2002 included a principal installment of $7.1 million on EVM's 6.22 percent senior loan and the repurchase of $87.0 million at accreted value of EVM's zero-coupon exchangeable notes.

In fiscal 2004, the Company repurchased a total of 2.3 million shares of its non-voting common stock for $85.0 million under its authorized repurchase program and issued 0.6 million shares of non-voting common stock in connection with the exercise of stock options and employee stock purchases for total proceeds of $11.9 million. The Company has authorization to purchase an additional 1.6 million shares under its present share repurchase authorization program and anticipates that future repurchases will continue to be a significant use of cash. The Company's dividend was $0.55 per share in fiscal 2004 compared to $0.40 in fiscal 2003 and $0.30 in fiscal 2002. The Company increased its quarterly dividend by 25 percent to $0.15 per share in the third quarter of fiscal 2004 and again by 7 percent to $0.16 per share in the fourth quarter of fiscal 2004.

On December 15, 2004, the Company's Board of Directors authorized, and the Company's voting shareholders approved, a two-for-one stock split of the Company's outstanding non-voting common stock. The split entitles each shareholder of record as of December 31, 2004 to receive two shares for every one share of non-voting common stock held on the record date. The additional shares of non-voting common stock will be distributed after the close of business on January 14, 2005.

Off-Balance Sheet Arrangements

The Company does not invest in any off-balance sheet vehicles that provide financing, liquidity, market or credit risk support or engage in any leasing activities that expose the Company to any liability that is not reflected in the Consolidated Financial Statements.

Critical Accounting Policies

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Deferred Sales Commissions

Sales commissions paid by the Company to broker/dealers in connection with the sale of certain classes of shares of open-end funds, bank loan interval funds and private funds are generally capitalized and amortized over the period during which the shareholder is subject to a contingent deferred sales charge, which does not exceed six years. Distribution plan payments received by the Company from these funds are recorded in revenue as earned. Contingent deferred sales charges and early withdrawal charges received by the Company from redeeming shareholders of open-end and bank loan interval funds reduce unamortized deferred sales commissions first, with any remaining amount recorded in income. Should the Company lose its ability to recover such sales commissions through distribution plan payments and contingent deferred sales charges, the value

of these assets would immediately decline, as would future cash flows. The Company periodically reviews the recoverability of deferred sales commission assets as events or changes in circumstances indicate that the carrying amount of deferred sales commission assets may not be recoverable and adjusts the deferred sales commissions assets accordingly.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of the Company's investment in the net assets of acquired companies over the fair value of the underlying identifiable net assets at the dates of acquisition. Goodwill is not amortized but is tested at least annually for impairment by comparing the fair values of the companies acquired to their carrying amounts, including goodwill. Identifiable intangible assets generally represent the cost of client relationships and management contracts acquired. The Company periodically reviews identifiable intangibles for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of the companies exceed their respective fair values, additional impairment tests will be performed to measure the amount of the impairment loss, if any.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax bases of the Company's assets and liabilities. Deferred taxes relate principally to capitalized sales commissions paid to broker/dealers. As noted previously, new IRS regulations provide that commission payments made subsequent to November 1, 2003 are deductible for tax purposes at the time of payment. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing its taxes, changes in tax laws may result in a change to the Company's tax position and effective tax rate.

Investments in Collateralized Debt Obligation Entities

The Company acts as collateral manager for five collateralized debt obligation entities ("CDO entities") pursuant to collateral management agreements between the Company and each CDO entity. At October 31, 2004, combined assets under management in the collateral pools of the five CDO entities were approximately $1.6 billion. The Company had combined minority equity investments of $14.4 million in three of these entities on October 31, 2004.

The Company accounts for its investments in CDO entities under Emerging Issues Task Force ("EITF") 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets." The excess of future cash flows over the initial investment at the date of purchase is recognized as interest income over the life of the investment using the effective yield method. The Company reviews cash flow estimates throughout the life of each CDO investment pool to determine whether an impairment loss relating to its equity investments should be recognized. Cash flow estimates are based on the underlying pool of collateral securities and take into account the overall credit quality of the issuers of the collateral securities, the forecasted default rate of the collateral securities and the Company's past experience in managing similar securities. If the updated estimate of future cash flows (taking into account both timing and amounts) is less than the last revised estimate, an impairment loss is recognized based on the excess of the carrying amount of the investment over its fair value. Fair value is determined using current information, notably market yields and projected cash flows based on

forecasted default and recovery rates that a market participant would use in determining the current fair value of the equity interest. Market yields, default rates and recovery rates used in the Company's estimate of fair value vary based on the nature of the investments in the underlying collateral pools. In periods of rising credit default rates and lower debt recovery rates, the fair value, and therefore carrying value, of the Company's investments in these CDO entities may be adversely affected. The Company's risk of loss in the CDO entities is limited to the $14.4 million carrying value of the minority equity investments on the Company's Consolidated Balance Sheet at October 31, 2004.

A CDO entity issues non-recourse debt securities, which are sold in a private offering by an underwriter to institutional and high-net-worth investors. The CDO debt securities issued by the CDO entity are secured by collateral in the form of high-yield bonds and/or floating-rate income instruments that the CDO entity purchases. The Company manages the collateral securities for a fee and, in most cases, is a minority investor in the equity interests of the CDO entity. An equity interest in a CDO entity is subordinated to all other interests in the CDO entity and entitles the investor to receive the residual cash flows, if any, from the CDO entity. As a result, the Company's equity investment in a CDO entity is sensitive to changes in the credit quality of the issuers of the collateral securities including changes in the forecasted default rates and any declines in anticipated recovery rates. The Company's financial exposure to the CDOs it manages is limited to its equity interests in the CDO entities as reflected in the Company's Consolidated Balance Sheet.

Loss Contingencies

The Company continuously reviews any investor, employee or vendor complaints and pending or threatened litigation. The likelihood that a loss contingency exists is evaluated under the criteria of SFAS No. 5, "Accounting for Contingencies," through consultation with legal counsel and a loss contingency is recorded if the contingency is probable and reasonably estimable at the date of the financial statements. No losses of this nature have been recorded in the financial statements included in this report.

Accounting Developments

In October 2004, the Financial Accounting Standards Board ("FASB") ratified the consensus of the EITF regarding the effect of contingently convertible debt on diluted earnings per share. EITF 04-08 states that any shares of common stock that may be issued to settle contingently convertible securities must be considered issued in the calculation of diluted earnings per share, regardless of whether the market price trigger (or other contingent feature) has been met. The consensus, which is effective for reporting periods ending after December 15, 2004, will require the restatement of diluted earnings per share for all prior periods presented. Had the consensus been in effect for fiscal years ending October 31, 2004, 2003 and 2002, approximately 2.2 million shares, 2.6 million shares and 3.8 million shares would have been added to the Company's diluted earnings per share calculations, respectively, and diluted earnings per share would have been reduced by $0.02, $0.01, and $0.06, respectively.

In March 2004, the FASB ratified the consensus of the EITF regarding the recognition and measurement of other-than-temporary impairments of certain investments. The effective date

of the recognition and measurement guidance in EITF 03-01 has been delayed until the implementation guidance provided by a FASB staff position on the issue has been finalized. The disclosure guidance was unaffected by the delay and is effective for fiscal years ending after June 15, 2004. The Company implemented the disclosure provisions of EITF 03-01 in its annual financial statements for the fiscal year ended October 31, 2004 and does not anticipate that the implementation of the recognition and measurement guidance, when released, will have a material effect on the Company's financial statements.

In December 2004, the FASB revised Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), requiring public companies to recognize the cost resulting from all share-based payment transactions in their financial statements. Using a modified version of prospective application, compensation cost will be recognized on or after the effective date for the portion of all outstanding awards for which the requisite service has not yet been rendered. Compensation cost will be based on the grant-date fair value of those awards. Entities electing to apply a modified version of retrospective application for periods prior to the required effective date will adjust results on a basis consistent with the pro forma disclosures previously made under SFAS No. 123. The revised statement is effective for the Company's fourth fiscal quarter beginning August 1, 2005. Had the Company implemented the provsions of SFAS No. 123 as revised for the fiscal years ended October 31, 2004, 2003 and 2002, diluted earnings per share would have been reduced to $1.75, $1.35 and $1.55, respectively.

Certain Factors That May Affect Future Results

The Company is subject to substantial competition in all aspects of its business. The Company's ability to market investment products is highly dependent on access to the various distribution systems of national and regional securities dealer firms, which generally offer competing internally and externally managed investment products. Although the Company has historically been successful in maintaining access to these channels, there can be no assurance that it will continue to do so. The inability to have such access could have a material adverse effect on the Company's business.

There are few barriers to entry in the investment management business. The Company's funds and separate accounts compete against an ever-increasing number of investment products sold to the public by investment dealers, banks, insurance companies and others that sell tax-free or tax-advantaged investments, taxable income funds, equity funds and other investment products. Many institutions competing with the Company have greater resources than the Company. The Company competes with other providers of investment products on the basis of the products offered, the investment performance of such products, quality of service, fees charged, the level and type of financial intermediary compensation, the manner in which such products are marketed and distributed, and the services provided to investors.

The Company derives almost all of its revenue from investment adviser and administration fees and distribution income received from the Eaton Vance funds, other pooled investment vehicles and separate accounts. As a result, the Company is dependent upon management contracts, administration contracts, underwriting contracts or service contracts under which these fees and income are paid. If any of these contracts are terminated, not renewed, or amended to reduce fees, the Company's financial results may be adversely affected.

The Company's assets under management, which impact revenue, are subject to significant fluctuations. The major sources of revenue for the Company (i.e., investment adviser, administration, distribution, and service fees) are calculated as percentages of assets under management. A decline in securities prices or in the sale of investment products or an increase in fund redemptions generally would reduce fee income. Financial market declines or adverse changes in interest rates would generally negatively impact the level of the Company's assets under management and consequently its revenue and net income. A recession or other economic or political events could also adversely impact the Company's revenue if it led to a decreased demand for products, a higher redemption rate, or a decline in securities prices. Like other businesses, the Company's actual results could be affected by the loss of key employees through competition or retirement. The Company's operations and actual results could also be affected by increased expenses due to such factors as greater competition for personnel, higher costs for distribution of mutual funds and other investment products, costs for insurance and other services by outside providers, or by the disruption of services such as power, communications, information technology, fund transfer agency or fund administration.

The Company's business is subject to substantial governmental regulation. Changes in legal, regulatory, accounting, tax and compliance requirements could have a significant effect on the Company's operations and results, including but not limited to increased expenses and reduced investor interest in certain funds and other investment products offered by the Company. The Company continually monitors legislative, tax, regulatory, accounting, and compliance developments that could impact its business.

Market Risk

The Company is routinely subjected to different types of risk, including market risk. Market risk is the risk that the Company will incur losses due to adverse changes in equity prices, interest rates, credit risk, or currency exchange rates.

The Company's primary exposure to equity price risk arises from its investments in sponsored equity funds. Equity price risk as it relates to these investments represents the potential future loss of value that would result from a decline in the fair values of the fund shares. The Company's investments in sponsored equity funds totaled $10.4 million at October 31, 2004, and are carried at fair value on the Company's Consolidated Balance Sheets.

The Company's primary exposure to interest rate risk arises from its investment in fixed- and floating-rate income funds sponsored by the Company and short-term debt securities. The negative effect on the Company's pre-tax interest income of a 50 basis point (0.50%) decline in interest rates would be approximately $1.1 million based on fixed-income and floating-rate income investments of $211.4 million as of October 31, 2004. A 50 basis point decline in interest rates is a hypothetical scenario used to demonstrate potential risk and does not represent management's view of future market changes. The Company is not exposed to interest rate risk in its debt instruments as all of the Company's funded debt instruments carry fixed interest rates.

The Company's primary exposure to credit risk arises from its minority equity interests in three CDO entities that are included in long-term investments in the Company's Consolidated Balance Sheets. As a minority equity investor in a CDO entity, the Company is only entitled to a residual interest in the CDO entity, making these investments sensitive to the default rates of the underlying issuers of the high-yield bonds or floating-rate income instruments held by the CDO entity. The Company's minority equity investments are subject to an impairment loss in the event that the cash flows generated by the collateral securities are not sufficient to allow equity holders to recover their investments. If there is deterioration in the credit quality of the issuers underlying the collateral securities and a corresponding increase in the number of defaults, cash flows generated by the collateral securities may be adversely impacted and the Company may be unable to recover its investment. The Company's total investment in minority equity interests in CDO entities is approximately $14.4 million at October 31, 2004, which represents the total value at risk with respect to such entities as of October 31, 2004.

The Company does not enter into foreign currency transactions for speculative purposes and currently has no material investments that would expose it to foreign currency exchange risk.

In evaluating market risk, it is also important to note that most of the Company's revenue is based on the market value of assets under management. As noted in "Certain Factors That May Affect Future Results," declines of financial market values will negatively impact revenue and net income.

Evaluation of Disclosure Controls and Procedures

As of October 31, 2004, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures. Disclosure controls and procedures are the controls and other procedures that the Company designed to ensure that it records, processes, summarizes and reports in a timely manner the information it must disclose in reports that it files with or submits to the SEC. The Company's Chief Executive Officer and Chief Financial Officer participated in this evaluation. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective.

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

(in thousands, except per share figures)	Years Ended October 31, 2004	2003	2002
Revenue:			
Investment adviser and administration fees	**$413,102**	$296,344	$280,794
Distribution and underwriter fees	**150,018**	146,907	162,071
Service fees	**92,087**	74,605	77,833
Other revenue	**6,606**	5,277	2,287
Total revenue	**661,813**	523,133	522,985
Expenses:			
Compensation of officers and employees	**150,489**	115,429	105,331
Amortization of deferred sales commissions	**81,202**	85,192	83,690
Service fee expense	**76,620**	64,285	63,852
Distribution expense	**81,559**	54,790	50,398
Other expenses	**49,381**	40,293	35,791
Total expenses	**439,251**	359,989	339,062
Operating income	**222,562**	163,144	183,923
Other Income (Expense):			
Interest income	**2,799**	4,848	9,019
Interest expense	**(5,898)**	(5,761)	(7,098)
Gain on investments	**275**	2,346	1,344
Foreign currency gain (loss)	**(85)**	18	8
Equity in net income of affiliates	**2,005**	263	389
Income before income taxes and minority interest	**221,658**	164,858	187,585
Income taxes	**79,797**	57,700	65,654
Minority interest, net of tax	**2,918**	1,035	874
Net income	**$138,943**	$106,123	$121,057
Earnings per share:			
Basic	**$ 2.06**	$ 1.54	$ 1.75
Diluted	**$ 1.99**	$ 1.51	$ 1.70

See notes to consolidated financial statements.

	October 31,	
	2004	2003
(in thousands, except per share figures)		
Assets		
Current Assets:		
Cash and cash equivalents	**$147,137**	$138,328
Short-term investments	**210,429**	104,484
Investment adviser fees and other receivables	**32,249**	25,922
Other current assets	**4,861**	3,583
Total current assets	**394,676**	272,317
Other Assets:		
Deferred sales commissions	**162,259**	199,322
Goodwill	**89,281**	88,879
Other intangible assets, net	**43,965**	46,193
Long-term investments	**36,895**	36,490
Equipment and leasehold improvements, net	**12,413**	12,411
Other assets	**4,077**	3,090
Total other assets	**348,890**	386,385
Total assets	**$743,566**	$658,702
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accrued compensation	**$ 52,299**	$ 35,339
Accounts payable and accrued expenses	**23,789**	23,822
Dividend payable	**10,660**	8,189
Current portion of long-term debt	**—**	7,143
Other current liabilities	**7,451**	8,302
Total current liabilities	**94,199**	82,795
Long-Term Liabilities:		
Long-term debt	**74,347**	118,736
Deferred income taxes	**57,644**	33,203
Total long-term liabilities	**131,991**	151,939
Total liabilities	**226,190**	234,734
Minority interest	**67,870**	7,691
Commitments and contingencies	**—**	—
Shareholders' Equity:		
Common stock, par value $0.0078125 per share:		
Authorized, 640,000 shares		
Issued and outstanding, 154,880 shares	**1**	1
Non-voting common stock, par value $0.0078125 per share:		
Authorized, 95,360,000 shares		
Issued and outstanding, 66,635,780 and 68,250,464 shares, respectively	**521**	533
Notes receivable from stock option exercises	**(2,718)**	(2,995)
Deferred compensation	**(2,400)**	(1,000)
Accumulated other comprehensive income	**1,854**	1,245
Retained earnings	**452,248**	418,493
Total shareholders' equity	**449,506**	416,277
Total liabilities and shareholders' equity	**$743,566**	$658,702

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(in thousands)	Common and Non-Voting Common Shares	Common Stock	Non-Voting Common Stock	Additional Paid-In Capital
Balance, October 31, 2001	68,617	$ 1	$535	$ —
Net income	—	—	—	—
Other comprehensive income:				
Unrealized losses on investments, net of tax	—	—	—	—
Foreign currency translation adjustments, net of tax	—	—	—	—
Total comprehensive income				
Dividends declared ($0.2975 per share)	—	—	—	—
Issuance of non-voting common stock:				
On exercise of stock options	2,109	—	16	15,659
Under employee stock purchase plan	70	—	1	1,795
Under employee incentive plan	67	—	1	1,942
Tax benefit of stock option exercises	—	—	—	4,787
Repurchase of non-voting common stock	(1,606)	—	(13)	(24,183)
Principal repayments	—	—	—	—
Compensation expense related to restricted stock issuance	—	—	—	—
Balance, October 31, 2002	69,257	1	540	—
Net income	—	—	—	—
Other comprehensive income:				
Unrealized losses on investments, net of tax	—	—	—	—
Foreign currency translation adjustments, net of tax	—	—	—	—
Total comprehensive income				
Dividends declared ($0.4000 per share)	—	—	—	—
Issuance of non-voting common stock:				
On exercise of stock options	424	—	3	5,753
Under employee stock purchase plan	81	—	1	2,099
Under employee incentive plan	60	—	—	1,581
Tax benefit of stock option exercises	—	—	—	487
Repurchase of non-voting common stock	(1,417)	—	(11)	(9,920)
Principal repayments	—	—	—	—
Compensation expense related to restricted stock issuance	—	—	—	—
Balance, October 31, 2003	68,405	1	533	—
Net income	—	—	—	—
Other comprehensive income:				
Unrealized gains on investments, net of tax	—	—	—	—
Foreign currency translation adjustments, net of tax	—	—	—	—
Total comprehensive income				
Dividends declared ($0.5500 per share)	—	—	—	—
Issuance of non-voting common stock:				
On exercise of stock options	439	—	3	8,194
Under employee stock purchase plan	70	—	1	2,024
Under employee incentive plan	54	—	1	1,695
Under restricted stock plan	86	—	1	2,999
Tax benefit of stock option exercises	—	—	—	1,865
Repurchase of non-voting common stock	(2,263)	—	(18)	(16,777)
Principal repayments	—	—	—	—
Compensation expense related to restricted stock issuance	—	—	—	—
Balance, October 31, 2004	**66,791**	**$ 1**	**$521**	**$ —**

See notes to consolidated financial statements.

Notes Receivable from Stock Option Excercises	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity	Comprehensive Income (Loss)
$(2,641)	$(3,200)	$4,898	$301,533	$301,126	
—	—	—	121,057	121,057	$121,057
—	—	(2,314)	—	(2,314)	(2,314)
—	—	1	—	1	1
					$118,744
—	—	—	(20,604)	(20,604)	
(1,498)	—	—	—	14,177	
—	—	—	—	1,796	
—	—	—	—	1,943	
—	—	—	—	4,787	
—	—	—	(27,180)	(51,376)	
609	—	—	—	609	
—	1,100	—	—	1,100	
(3,530)	(2,100)	2,585	374,806	372,302	
—	—	—	106,123	106,123	$106,123
—	—	(1,381)	—	(1,381)	(1,381)
—	—	41	—	41	41
					$104,783
—	—	—	(27,499)	(27,499)	
(219)	—	—	—	5,537	
—	—	—	—	2,100	
—	—	—	—	1,581	
—	—	—	—	487	
—	—	—	(34,937)	(44,868)	
754	—	—	—	754	
—	1,100	—	—	1,100	
(2,995)	(1,000)	1,245	418,493	416,277	
—	—	—	138,943	138,943	$138,943
—	—	558	—	558	558
—	—	51	—	51	51
					$139,552
—	—	—	(36,962)	(36,962)	
(577)	—	—	—	7,620	
—	—	—	—	2,025	
—	—	—	—	1,696	
—	(3,000)	—	—	—	
—	—	—	—	1,865	
—	—	—	(68,226)	(85,021)	
—	—	—	—	—	
854	1,600	—	—	2,454	
$(2,718)	**$(2,400)**	**$1,854**	**$452,248**	**$449,506**	

	Years Ended October 31,		
	2004	2003	2002
(in thousands)			
Cash and cash equivalents, beginning of year	$ 138,328	$ 144,078	$ 115,681
Cash Flows From Operating Activities:			
Net income	138,943	106,123	121,057
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on investments	(326)	(2,039)	(1,343)
Equity in net income of affiliates	(2,005)	(263)	(389)
Dividend received from affiliate	438	394	375
Minority interest	4,559	1,593	1,344
Interest on long-term debt	2,969	2,100	5,262
Deferred income taxes	24,133	(16,234)	(22,307)
Tax benefit of stock option exercises	1,865	487	5,797
Compensation related to restricted stock issuance	1,600	1,100	1,100
Depreciation and other amortization	6,627	5,468	5,110
Amortization of deferred sales commissions	81,202	85,192	83,690
Payment of capitalized sales commissions	(63,830)	(69,949)	(87,925)
Contingent deferred sales charges received	19,691	24,483	31,925
Proceeds from sale of trading investments	19,177	43,487	1,038
Purchase of trading investments	(125,015)	(146,923)	—
Changes in assets and liabilities:			
Investment adviser fees and other receivables	(6,327)	(4,039)	3,057
Other current assets	(1,329)	2,315	(2,613)
Other assets	(1,338)	1,262	5,074
Accrued compensation	16,960	2,325	(6,459)
Accounts payable and accrued expenses	(33)	7,121	(4,555)
Other current liabilities	(876)	(194)	(5,127)
Net cash provided by operating activities	117,085	43,809	134,111
Cash Flows From Investing Activities:			
Additions to equipment and leasehold improvements	(3,600)	(1,090)	(2,096)
Net (increase) decrease in notes and receivables from affiliates	277	535	(889)
Acquisitions of subsidiaries, net of cash acquired	—	(16,689)	—
Purchase of management contracts	(801)	(1,925)	—
Proceeds from sale of available-for-sale investments	3,279	54,960	103,351
Purchase of available-for-sale investments	(2,367)	(10,116)	(58,335)
Net cash provided by (used for) investing activities	(3,212)	25,675	42,031
Cash Flows From Financing Activities:			
Proceeds from issuance of short-term debt	—	—	50,000
Long-term debt issuance costs	—	—	(720)
Distributions to minority shareholders	(3,169)	(992)	(911)
Repayment of debt	(53,171)	(17,975)	(144,115)
Proceeds from issuance of non-voting common stock	11,918	9,438	19,414
Repurchase of non-voting common stock	(85,021)	(44,868)	(51,376)
Dividends paid	(34,491)	(24,832)	(20,037)
Proceeds from the issuance of mutual fund subsidiary's capital stock	76,818	22,000	—
Redemption of mutual fund subsidiary's capital stock	(18,030)	(18,067)	—
Net cash used for financing activities	(105,146)	(75,296)	(147,745)
Foreign currency translation adjustment	82	62	—
Net increase (decrease) in cash and cash equivalents	8,809	(5,750)	28,397
Cash and cash equivalents, end of year	$ 147,137	$ 138,328	$ 144,078
Supplemental Cash Flow Information:			
Interest paid	$ 3,589	$ 3,101	$ 1,892
Income taxes paid	$ 54,344	$ 70,183	$ 90,266

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Business and Organization

Eaton Vance Corp. and its subsidiaries ("the Company") provide investment advisory and distribution services to mutual funds and other investment funds, and investment management and counseling services to individual high-net-worth investors, family offices and institutional clients. Revenue is largely dependent on the total value and composition of assets under management, which include sponsored funds and other investment portfolios. Accordingly, fluctuations in financial markets and in the composition of assets under management impact revenue and the results of operations.

Principles of Consolidation

The consolidated financial statements include the accounts of Eaton Vance Corp. and its wholly and majority owned subsidiaries. The equity method of accounting is used for investments in affiliates in which the Company's ownership ranges from 20 to 50 percent. The Company consolidates all investments in affiliates in which the Company's ownership exceeds 50 percent. The Company provides for minority interests in consolidated companies for which the Company's ownership is less than 100 percent. All material intercompany accounts and transactions have been eliminated.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Segment Information

Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes disclosure requirements relating to operating segments in annual and interim financial statements. Management has determined that the Company operates in one business segment, namely as an investment adviser managing funds and separate accounts.

Accounting Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Changes in these estimates may affect amounts reported in future periods.

Cash Equivalents

Cash equivalents consist principally of highly liquid investments in sponsored money market mutual funds, which are readily convertible to cash.

Investments

Marketable securities classified as available-for-sale consist primarily of investments in sponsored funds and are carried at fair value based on quoted market prices. Unrealized holding gains or losses are reported net of tax as a separate component of accumulated other comprehensive income (loss) until realized. Realized gains or losses are reflected as a component of gain (loss) on investments. The average cost method is used to determine the realized gain or loss on securities sold.

Marketable securities classified as trading consist primarily of investments in short-term debt instruments and sponsored funds and are carried at fair value based on quoted market prices. Net unrealized holding gains or losses, as well as realized gains or losses, are reflected as a component of other revenue. The average cost method is used to determine the realized gain or loss on securities sold except for those securities held by the Company's mutual fund subsidiaries, which use the first-in-first-out method to determine the realized gain or loss on securities sold.

The Company evaluates the carrying value of marketable securities for impairment on a quarterly basis. In its impairment analysis, the Company takes into consideration numerous criteria, including the duration and extent of any decline in fair value. If the decline in value is determined to be other than temporary, the carrying value of the security is written down to fair value through net income.

Investments in the equity of collateralized debt obligation entities ("CDOs") are carried at fair value based on discounted cash flows. The excess of actual and anticipated future cash flows over the initial investment at the date of purchase is recognized as interest income over the life of the investment using the effective yield method. The Company reviews cash flow estimates throughout the life of each collateralized debt obligation entity. If the updated estimate of future cash flows (taking into account both timing and amounts) is less than the last revised estimate, an impairment loss is recognized based on the excess of the carrying amount of the investment over its fair value.

Certain other investments are carried at the lower of cost or management's estimate of net realizable value owing primarily to restrictions relative to resale of the investments.

Deferred Sales Commissions

Sales commissions paid by the Company to broker/dealers in connection with the sale of certain classes of shares of open-end funds, bank loan interval funds and private funds are generally capitalized and amortized over the period during which the shareholder is subject to a contingent deferred sales charge, which does not exceed six years. Distribution plan payments received by the

Company from these funds are recorded in revenue as earned. Contingent deferred sales charges and early withdrawal charges received by the Company from redeeming shareholders of open-end and bank loan interval funds reduce unamortized deferred sales commissions first, with any remaining amount recorded in income.

The Company evaluates the carrying value of its deferred sales commission asset for impairment on a quarterly basis. In its impairment analysis, the Company compares the carrying value of the deferred sales commission asset to the undiscounted cash flows expected to be generated by the asset over its remaining useful life to determine whether impairment has occurred. If the carrying value of the asset exceeds the undiscounted cash flows, the asset is written down to fair value based on discounted cash flows. Impairment adjustments are recognized in operating income as a component of amortization of deferred sales commissions.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of the Company's investment in the net assets of acquired companies over the fair value of the underlying identifiable net assets at the dates of acquisition. Goodwill is not amortized, but is tested at least annually for impairment.

Identifiable intangible assets generally represent the cost of client relationships and management contracts acquired. Identifiable intangible assets with indefinite useful lives are not amortized, but are tested at least annually for impairment. Identifiable intangible assets with discrete useful lives are amortized on a straight-line basis over their weighted average lives, and are also tested annually for impairment.

Equipment and Leasehold Improvements

Equipment and other fixed assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, which range from three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the lease.

Debt Issuance Costs

Deferred debt issuance costs are amortized on a straight-line basis over the related term of the debt and are included in other assets.

Revenue Recognition

Investment adviser, administration, distribution and service fees for the funds and investment adviser fees for separate accounts managed by the Company are recognized as the services are performed. Such fees are primarily based on predetermined percentages of the market values of the assets under management. With the exception of the Company's separate account investment adviser fees, which are calculated generally as a percentage of either beginning or ending quarterly assets, the Company's investment adviser, administration, distribution and service fees are

calculated principally as a percentage of average daily assets. The Company may waive certain fees for investment and administration services at its discretion. Investment adviser and administration fees are recorded gross of any subadvisory arrangements based on the terms of those arrangements, with the corresponding fees paid to any subadvisor included in other expenses. In instances where the Company acts as subadvisor or co-manager, investment adviser fees are recorded net. Distribution and service fees are recorded gross of any third-party distribution and service arrangements; the expenses associated with these third-party distribution and service arrangements are recorded in distribution and service fee expense, respectively.

Sales of shares of investment companies in connection with the Company's activities as principal underwriter are accounted for on a settlement date basis, which approximates trade date basis, with the related commission income and expense recorded on a trade date basis.

Interest income is accrued as earned.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax bases of the Company's assets and liabilities. Deferred taxes relate principally to capitalized sales commissions paid to brokers and dealers. In January 2004, the Internal Revenue Service issued a new regulation that changed the tax treatment of deferred sales commissions recoverable pursuant to Rule 12b-1 plans. The new tax regulation, which allows for the immediate deduction of these commissions when paid, has been applied prospectively to such commissions paid in fiscal year 2004 and retroactively to such commissions paid during fiscal years 2003 and 2002. Sales commission payments made in fiscal years 2003 and 2002 were previously capitalized for tax purposes and deducted over their useful lives. Unamortized balances relating to fiscal years 2003 and 2002 were deducted for tax purposes in fiscal 2004. This change in tax accounting treatment will not require amendments to prior year returns and had no impact on the Company's effective tax rate.

Earnings Per Share

Basic earnings per share are based on the weighted-average number of common shares outstanding during each period less non-vested restricted stock. Diluted earnings per share are based on basic shares as determined above plus the incremental shares that would be issued upon the assumed exercise of in-the-money stock options and non-vested restricted stock using the treasury stock method.

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," encourages entities to use a fair value-based method in accounting for employee stock-based compensation plans but allows entities to apply the intrinsic value-based method prescribed by Accounting Principles Board

("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Entities that elect to apply the intrinsic value-based method must disclose pro forma net income and earnings per share as if the fair value-based method had been applied for all awards in measuring compensation costs.

The Company continues to use the intrinsic value method as described in APB Opinion No. 25. At October 31, 2004, the Company has four stock-based compensation plans, which are described more fully in Note 9. Had compensation cost for the Company's stock-based compensation plans been determined consistent with the fair value method as described in SFAS No. 123, the Company's net income and earnings per share for the years ended October 31, 2004, 2003 and 2002 would have been reduced to the following pro forma amounts:

(in thousands, except per share figures)	**2004**	2003	2002
Net income as reported	**$138,943**	$106,123	$121,057
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	**1,024**	715	715
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	**(18,005)**	(12,028)	(10,815)
Pro forma net income	**$121,962**	$ 94,810	$110,957
Earnings per share:			
Basic – as reported	**$ 2.06**	$ 1.54	$ 1.75
Basic – pro forma	**$ 1.81**	$ 1.38	$ 1.60
Diluted – as reported	**$ 1.99**	$ 1.51	$ 1.70
Diluted – pro forma	**$ 1.75**	$ 1.35	$ 1.55

For purposes of pro forma disclosure, the estimated fair value of each option grant is amortized to expense ratably over the vesting period of the option. See Note 9 for assumptions as to dividend yield, volatility, risk-free interest rate and the expected life of options used in determining fair value.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates as of the end of the accounting period. Related revenue and expenses are translated at average exchange rates in effect during the accounting period. Net translation exchange gains and losses are excluded from income and recorded in accumulated other comprehensive income. Foreign currency transaction gains and losses are reflected in other income currently.

Comprehensive Income

The Company reports all changes in comprehensive income in the Consolidated Statements of Shareholders' Equity and Comprehensive Income. Comprehensive income includes net income, unrealized gains and losses on securities classified as available-for-sale (net of tax) and foreign currency translation adjustments (net of tax).

2. Accounting Developments

In October 2004, the Financial Accounting Standards Board ratified the consensus of the Emerging Issues Task Force ("EITF") regarding the effect of contingently convertible debt on diluted earnings per share. EITF 04-08 states that any shares of common stock that may be issued to settle contingently convertible securities must be considered issued in the calculation of diluted earnings per share, regardless of whether the market price trigger (or other contingent feature) has been met. The consensus, which is effective for reporting periods ending after December 15, 2004, will require the restatement of diluted earnings per share for all prior periods presented. Had the consensus been in effect for fiscal years ending October 31, 2004, 2003 and 2002, approximately 2.2 million shares, 2.6 million shares and 3.8 million shares would have been added to the Company's diluted earnings per share calculations, respectively, and diluted earnings per share would have been reduced by $0.02, $0.01, and $0.06, respectively.

In March 2004, the Financial Accounting Standards Board ratified the consensus of the EITF regarding the recognition and measurement of other-than-temporary impairments of certain investments. The effective date of the recognition and measurement guidance in EITF 03-01 has been delayed until the implementation guidance provided by a FASB staff position on the issue has been finalized. The disclosure guidance was unaffected by the delay and is effective for fiscal years ending after June 15, 2004. The Company implemented the disclosure provisions of EITF 03-01 in its annual financial statements for the fiscal year ended October 31, 2004 and does not anticipate that the implementation of the recognition and measurement guidance, when released, will have a material effect on the Company's financial statements.

In December 2004, the Financial Accounting Standards Board revised Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), requiring public companies to recognize the cost resulting from all share-based payment transactions in their financial statements. Using a modified version of prospective application, compensation cost will be recognized on or after the effective date for the portion of all outstanding awards for which the requisite service has not yet been rendered. Compensation cost will be based on the grant-date fair value of those awards. Entities electing to apply a modified version of retrospective application for periods prior to the required effective date will adjust results on a basis consistent with the pro forma disclosures previously made under SFAS No. 123. The revised statement is effective for the Company's fourth fiscal quarter beginning August 1, 2005. Had the Company implemented the provisions of SFAS No. 123 as revised for the fiscal years ended October 31, 2004, 2003 and 2002, diluted earnings per share would have been reduced to $1.75, $1.35 and $1.55, respectively.

3. Acquisitions

On September 10, 2003, the Company acquired an 80 percent capital interest and an 81.2 percent profits interest in Parametric Portfolio Associates LLC ("Parametric Portfolio Associates") for an aggregate initial payment of $28.0 million in cash. Beginning in calendar 2005, certain minority

shareholders of Parametric Portfolio Associates will have the right to sell and the Company will have the right to purchase an additional 8.6 percent of the capital of Parametric Portfolio Associates over a three-year period. Beginning in calendar 2007, certain minority shareholders of Parametric Portfolio Associates will have the right to sell and the Company will have the right to purchase the remaining 11.4 percent of the capital of Parametric Portfolio Associates (which entitles the holder to the remaining 18.8 percent profits interest) over a six-year period. The price for acquiring the remaining capital and profits interests in Parametric Portfolio Associates will be based on a multiple of earnings before interest and taxes (a measure that is intended to approximate fair market value) in those years. Any additional payments made will be treated as additional purchase price for accounting purposes.

The acquisition of Parametric Portfolio Associates was accounted for using the purchase method of accounting and, accordingly, the excess of purchase price, including acquisition costs, over the fair value of the net assets acquired resulted in goodwill of $19.4 million. Net assets acquired included $9.1 million of other intangible assets, which consisted of client relationships and technology acquired. These assets are being amortized on a straight-line basis over their weighted average estimated useful lives of approximately 19 years. Goodwill and intangible assets acquired in conjunction with the Parametric Portfolio Associates transaction are not deductible for tax purposes.

These financial statements include the operating results of Parametric Portfolio Associates from September 10, 2003, the date of acquisition. Pro forma results of operations for the acquisition have not been presented because the results of operations would not have been materially different from those reported in the accompanying consolidated statements of income.

Condensed balance sheets disclosing the amount of each major asset and liability category attributable to the acquired entity at acquisition date have not been provided, as the net assets of Parametric Portfolio Associates, excluding goodwill and intangible assets, are not material to the consolidated financial statements of the Company.

In fiscal 2001, the Company acquired majority interests in Atlanta Capital Management, LLC ("Atlanta Capital") and Fox Asset Management LLC ("Fox Asset Management"). Atlanta Capital's principals will continue to hold 30 percent of the equity of Atlanta Capital through December 31, 2004; Fox Asset Management's principals will continue to hold 20 percent of the equity of Fox Asset Management through December 31, 2007. Beginning in calendar 2005, Atlanta Capital's principals will have the right to sell and the Company will have the right to purchase the remaining 30 percent of Atlanta Capital over a five-year period at a price based on a multiple of earnings before taxes in those years. Beginning in calendar 2008, Fox Asset Management's principals will have the right to sell and the Company will have the right to purchase the remaining 20 percent of Fox Asset Management over a four-year period at a price based on a multiple of earnings before interest and taxes in those years. Any additional payments made to the principals of either Atlanta Capital or Fox Asset Management will be treated as additional purchase price for accounting purposes.

4. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the years ended October 31, 2004 and 2003 are as follows:

(in thousands)	**2004**	2003
Balance, beginning of period	**$88,879**	$69,467
Adjustments to goodwill	**402**	19,412
Balance, end of period	**$89,281**	$88,879

The adjustment to goodwill in fiscal 2004 reflects additional direct costs recognized in connection with the Parametric Portfolio Associates acquisition; the adjustment to goodwill in fiscal 2003 reflects the acquisition of Parametric Portfolio Associates.

The following is a summary of other intangible assets at October 31, 2004 and 2003:

2004 *(in thousands)*	Weighted Average Amortization Period (In Years)	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:			
Client relationships and technology acquired	**16.0**	**$49,986**	**$7,332**
Non-amortized intangible assets:			
Mutual fund management contract acquired	**—**	**1,311**	**—**
Total		**$51,297**	**$7,332**

2003 *(in thousands)*	Weighted Average Amortization Period (In Years)	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:			
Client relationships and technology acquired	16.9	$49,185	$4,303
Non-amortized intangible assets:			
Mutual fund management contract acquired	—	1,311	—
Total		$50,496	$4,303

Amortization expense was $3.0 million, $2.1 million and $2.0 million for the years ended October 31, 2004, 2003 and 2002, respectively. Estimated amortization expense for the next five years is as follows:

(in thousands)	Years Ending October 31, Estimated Amortization Expense
2005	$3,137
2006	$3,137
2007	$2,763
2008	$2,496
2009	$2,496

5. Investments

The following is a summary of investments at October 31, 2004 and 2003:

(in thousands)	2004	2003
Short-term investments:		
Sponsored funds	$ 1,412	$ 1,355
Short-term debt securities	209,017	103,129
Total	$210,429	$104,484
Long-term investments:		
Sponsored funds	$ 13,164	$ 12,948
Collateralized debt obligation entities	14,388	15,766
Investments in affiliates	8,424	6,857
Other investments	919	919
Total	$ 36,895	$ 36,490

Investments in Sponsored Funds and Short-Term Debt Securities

The following is a summary of the cost and fair value of investments in sponsored funds and short-term debt instruments at October 31, 2004, and 2003:

2004		Gross Unrealized		
(in thousands)	Cost	Gains	Losses	Fair Value
Sponsored funds:				
Short-term	$ 1,012	$ 400	$ —	$ 1,412
Long-term	10,765	2,433	(34)	13,164
Short-term debt securities	209,025	21	(29)	209,017
Total	$220,802	$2,854	$(63)	$223,593

2003		Gross Unrealized		
(in thousands)	Cost	Gains	Losses	Fair Value
Sponsored funds:				
Short-term	$ 1,106	$ 249	$ —	$ 1,355
Long-term	11,308	1,721	(81)	12,948
Short-term debt securities	103,265	35	(171)	103,129
Total	$115,679	$2,005	$(252)	$117,432

Gross unrealized gains and losses on investments in sponsored funds, which are classified as available-for-sale, have been excluded from earnings and reported as a component of accumulated other comprehensive income, net of deferred taxes. No investment with a gross unrealized loss has been in a loss position for greater than one year.

Gross unrealized gains and losses on short-term debt securities, which are classified as trading, have been reported in income currently as a component of other revenue.

The following is a summary of the Company's realized gains and (losses) upon disposition of sponsored funds and short-term debt securities for the years ended October 31, 2004, 2003 and 2002:

	2004	2003	2002
(in thousands)			
Gains	$ 476	$ 4,572	$1,888
Losses	(186)	(2,199)	(544)
Net realized gain	$ 290	$ 2,373	$1,344

Investments in Collateralized Debt Obligation Entities

The Company provides investment management services for, and has made investments in, a number of CDO entities. The Company's minority equity ownership interests in the CDO entities are reported at fair value. The Company earns investment management fees, including subordinated management fees in some cases, for managing the collateral for the CDOs, as well as incentive fees that are contingent on certain performance conditions. At October 31, 2004, combined assets under management in the collateral pools of these CDO entities were approximately $1.6 billion. The Company's maximum exposure to loss as a result of its investments in the equity of CDO entities was approximately $14.4 million, which is the carrying value of these investments at October 31, 2004. Investors in CDOs have no recourse against the Company for any losses sustained in the CDO structure. Management has concluded that the Company is not required to consolidate any of the CDO entities in which it has a minority equity investment.

The carrying value of $14.4 million and $15.8 million at October 31, 2004 and 2003, respectively, for the Company's minority equity ownership interests in CDO entities is their estimated fair value.

Investments in Affiliates

The Company has a 20 percent equity interest in Lloyd George Management (BVI) Limited ("LGM"), an independent investment management company based in Hong Kong that manages or co-manages several international funds sponsored by the Company. The Company's investment in LGM was $8.1 million and $6.6 million at October 31, 2004 and 2003, respectively. At October 31, 2004, the Company's investment exceeded its share of the underlying net assets of LGM by $4.7 million. The Company does not amortize this excess. The Company reviews its investment in LGM annually for impairment pursuant to APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

A subsidiary of the Company invests in certain investment limited partnerships in which the subsidiary is a general partner. The investments are recorded on the equity method of accounting owing to the subsidiary's general partner role. The subsidiary's investment in these partnerships was $0.3 million and $0.2 million at October 31, 2004, and 2003, respectively.

Other Investments

Included in other investments are certain investments carried at cost, amounting to $0.9 million at both October 31, 2004, and 2003. Management believes that the fair value of these investments approximates their carrying value.

6. Equipment and Leasehold Improvements

The following is a summary of equipment and leasehold improvements at October 31, 2004 and 2003:

	2004	2003
(in thousands)		
Equipment	$ 20,614	$ 18,081
Leasehold improvements	10,394	9,770
Subtotal	31,008	27,851
Less: Accumulated depreciation and amortization	(18,595)	(15,440)
Equipment and leasehold improvements, net	$ 12,413	$ 12,411

7. Long-term Debt

The following is a summary of long-term debt at October 31, 2004 and 2003:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(in thousands)				
6.22% senior notes due 2004	$ —	$ —	$ 7,143	$ 7,323
1.5% zero-coupon exchangeable senior notes due 2031	74,347	77,800	118,736	122,485
Total	74,347	77,800	125,879	129,808
Less: current maturities	—	—	(7,143)	(7,323)
Total long-term debt	$74,347	$77,800	$118,736	$122,485

6.22% Senior Notes

The Company repaid the remaining balance of its 6.22% senior notes at maturity in March 2004.

Zero-coupon Exchangeable Senior Notes

On August 13, 2001, the Company's operating subsidiary, Eaton Vance Management ("EVM"), issued zero-coupon exchangeable senior notes ("Notes") with a principal amount of $314.0 million due August 13, 2031, resulting in net proceeds of approximately $195.5 million after payment of debt issuance costs. The Notes were issued in a private placement to qualified institutional buyers at an initial offering price of $638.70 per $1,000 principal amount at maturity. The discounted price reflects a yield to maturity of 1.5 percent per year. Upon certain events, each Note is exchangeable into 14.3657 shares of the Company's non-voting common stock, subject to adjustment. EVM may redeem the Notes for cash on or after August 13, 2006, at their accreted value. At the option of Note holders, EVM may be required to repurchase the Notes at their accreted value on August 13, 2006 and at five-year intervals thereafter until maturity or in the event that the credit rating of the

Notes is decreased by three or more rating subcategories below its initial rating by either Moody's or Standard & Poor's. Such repurchases can be paid in cash, shares of the Company's non-voting common stock or a combination of both, at the Company's election.

Note holders also have the right to surrender their Notes for exchange into shares of the Company's non-voting common stock in any fiscal quarter if, as of the last day of the preceding fiscal quarter, the closing sale price of Eaton Vance Corp.'s non-voting common stock for at least 20 of the last 30 consecutive trading days is more than a specified percentage of the accreted exchange price per share on that date. On October 31, 2004, the contingent conversion price for the Company's non-voting common stock was $55.34. EVM has the right to settle the exchange in cash, shares of the Company's non-voting common stock, or a combination of both. In the event that the requirements for exchange are met and shareholders elect to execute the exchange, EVM will recognize a charge to interest expense equal to the difference between the accreted value of the debt and the market value of the non-voting common stock on that date.

On August 14, 2002, EVM repurchased for cash $87.0 million of the Notes at accreted value ($134.1 million principal amount at maturity) from redeeming Note holders. EVM made a one-time cash interest payment to remaining Note holders totaling $0.6 million on August 15, 2002. In addition, Note holders of record on November 13, 2002 received additional incremental cash interest payments equal to 1.627 percent per year of each Note's principal amount at maturity for a period of 21 months.

On August 14, 2004, EVM repurchased for cash $46.0 million of the Notes ($68.9 million principal amount at maturity). Remaining Note holders have the option to next require EVM to repurchase the Notes on August 13, 2006. On October 31, 2004, 110,945 Notes remained outstanding.

The Company expensed approximately $1.0 million and $2.1 million of deferred debt issuance costs in conjunction with the repurchase of Notes on August 14, 2004 and August 14, 2002, respectively.

For fair value purposes, the Notes have been valued by discounting future cash flows using a market interest rate available for debt with similar terms and remaining maturity.

Corporate Credit Facility

In December 2001, EVM executed a revolving credit facility with several banks. This facility, which expired December 21, 2004, provides that EVM may borrow up to $170 million at LIBOR-based rates of interest that vary depending on the level of usage of the facility and credit ratings of the Notes. The agreement contained financial covenants with respect to leverage and interest coverage and required EVM to pay an annual commitment fee on any unused portion. At October 31, 2004, EVM had no borrowings outstanding under its revolving credit facility. On December 21, 2004, the Company executed a new revolving credit facility with several banks which expires in December of 2009 and provides that the Company may borrow up to $180 million at LIBOR-based rates of interest with similar terms and conditions.

8. Contingencies

In the normal course of business, the Company enters into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, information technology agreements, distribution agreements and service agreements. The Company has also agreed to indemnify its directors and certain of its officers and employees in accordance with the Company's by-laws. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities. In certain cases, the Company has recourse against third parties with respect to these indemnities. Further, the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

The Company and its subsidiaries are subject to various legal proceedings. In the opinion of management, after discussions with legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial condition or results of operations of the Company.

The Company leases certain office space and equipment under noncancelable operating leases. Rent expense under these leases in 2004, 2003 and 2002 amounted to $6.6 million, $5.6 million and $5.2 million, respectively. Future minimum lease commitments are as follows:

Years Ending October 31,	Amount
(in thousands)	
2005	$ 6,920
2006	6,322
2007	5,986
2008	6,025
2009	3,239
2010 – thereafter	128
Total	$28,620

9. Stock Plans

Stock Option Plan

The Company has a Stock Option Plan ("the 1998 Plan") administered by the Compensation Committee of the Board of Directors under which options to purchase shares of the Company's non-voting common stock may be granted to all eligible employees and independent directors of the Company. No stock options may be granted under the plan with an exercise price of less than the fair market value of the stock at the time the stock option is granted. The options expire five to ten years from the date of grant and vest over a five-year period as stipulated in each grant. The 1998 Plan contains provisions that, in the event of a change in control of the Company, may accelerate the vesting of awards. A total of 14.7 million shares has been reserved for issuance under the 1998 Plan. Through October 31, 2004, 11.7 million shares have been issued pursuant to this plan.

Stock option transactions under the 1998 Plan and predecessor plans are summarized as follows:

	2004		2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
(share figures in thousands)						
Options outstanding, beginning of period	**8,053**	**$24.80**	6,127	$22.18	6,453	$15.42
Granted	**2,547**	**35.15**	2,609	29.36	1,881	28.88
Exercised	**(439)**	**18.68**	(424)	13.58	(2,109)	7.43
Forfeited/Expired	**(151)**	**30.00**	(259)	27.01	(98)	22.81
Options outstanding, end of period	**10,010**	**$27.63**	8,053	$24.80	6,127	$22.18
Options exercisable, end of period	**3,605**	**$22.20**	2,463	$19.31	1,531	$16.09

Outstanding options to purchase shares of non-voting common stock issued under the 1998 Plan and predecessor plans are summarized as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares Outstanding as of 10/31/04	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Exercisable as of 10/31/04	Weighted Average Exercise Price
(share figures in thousands)					
$10.06 – $11.47	768	2.0	$11.44	768	$11.44
$17.19 – $18.25	841	5.0	17.20	619	17.20
$21.16 – $24.03	44	5.3	21.69	35	21.67
$24.53 – $28.13	1,464	6.0	24.63	861	24.60
$28.67 – $32.01	4,226	7.5	29.02	1,266	28.99
$33.16 – $36.27	2,556	9.0	34.99	51	34.80
$37.08 – $40.32	111	8.7	37.89	5	37.60
	10,010	7.0	$27.63	3,605	$22.20

In November 2004, the Company granted options for the purchase of an additional 2.6 million shares under the 1998 Plan at a price of $43.91.

The weighted average fair value of options granted on the date of grant using the Black-Scholes option pricing model was as follows:

	2004	2003	2002
Weighted average fair value of options granted	**$12.33**	$10.75	$10.83
Assumptions:			
Dividend yield	**1.47%**	1.38%	1.11%
Volatility	**29%**	30%	30%
Risk-free interest rate	**4.1%**	4.2%	4.0%
Expected life of options	**8 years**	8 years	8 years

Restricted Stock Plan

The Company has a Restricted Stock Plan administered by the Compensation Committee of the Board of Directors under which restricted stock may be granted to key employees. Shares of the Company's non-voting common stock granted under the plan are subject to restrictions on transferability and carry the risk of forfeiture, based in each case on such considerations as the Compensation Committee shall determine. Unless the Compensation Committee determines otherwise, restricted stock that is still subject to restrictions upon termination of employment shall be forfeited. Restrictions on shares granted lapse in three to seven years from date of grant. A total of 1,000,000 shares has been reserved under the plan.

In fiscal 2004, 85,665 shares were issued pursuant to the plan at a weighted average grant date fair value of $35.02 per share. No such shares were issued in fiscal 2003 or 2002. Because these shares are contingently forfeitable, compensation expense is recorded over the forfeiture period. The Company recorded compensation expense of $1.6 million, $1.1 million and $1.1 million for the years ended October 31, 2004, 2003, and 2002, respectively, relating to shares issued in fiscal 2004 and prior years.

Employee Stock Purchase Plan

A total of 4.5 million shares of the Company's non-voting common stock has been reserved for issuance under the Employee Stock Purchase Plan. The plan qualifies under Section 423 of the United States Internal Revenue Code and permits eligible employees to direct up to 15 percent of their salaries to a maximum of $12,500 toward the purchase of Eaton Vance Corp. non-voting common stock at the lower of 90 percent of the market price of the non-voting common stock at the beginning or at the end of each six-month offering period. Through October 31, 2004, 3.4 million shares have been issued pursuant to this plan. No compensation expense has been recorded for the discounted purchase price because the Company's plan qualifies under Section 423.

Incentive Plan-Stock Alternative

A total of 2.4 million shares of the Company's non-voting common stock has been reserved for issuance under the Incentive Plan-Stock Alternative, a plan that qualifies under Section 423 of the United States Internal Revenue Code. The plan permits employees and officers to direct up to half of their monthly and annual incentive bonuses toward the purchase of non-voting common stock at 90 percent of the average market price of the stock for the five days subsequent to the end of the six-month offering period. Through October 31, 2004, 1.3 million shares have been issued pursuant to this plan. No compensation expense has been recorded for the discounted purchase price because the plan qualifies under Section 423.

Stock Option Income Deferral Plan

The Company has established an unfunded, non-qualified Stock Option Income Deferral Plan. The Plan is intended to permit key employees to defer recognition of income upon exercise of non-qualified stock options previously granted by the Company. As of October 31, 2004, 659,400 options have been exercised and placed in trust with the Company.

Employee Loan Program

The Company has established an Employee Loan Program under which a program maximum of $10.0 million is available for loans to officers (other than executive officers) and other key employees of the Company for purposes of financing the exercise of employee stock options. Loans are written for a seven-year period, at varying fixed interest rates (currently ranging from 2.8 percent to 6.7 percent), are payable in annual installments commencing with the third year in which the loan is outstanding, and are collateralized by the stock issued upon exercise of the option. The Company ceased making new loans under a previous loan program to directors or executive officers in conformity with a federal law effective July 30, 2002. Loans outstanding under this program are reflected as notes receivable from stock option exercises in shareholders' equity and amounted to $2.7 million and $3.0 million at October 31, 2004 and 2003, respectively.

The fair value of loans receivable has been determined by discounting expected future cash flows using management's estimates of current market interest rates for such receivables. The fair value of these receivables approximates their carrying value (see Note 15).

10. Employee Benefit Plans

Profit Sharing Retirement Plan

The Company has a profit sharing retirement plan for the benefit of substantially all employees. The Company has contributed $7.2 million, $6.0 million and $5.6 million for the years ended October 31, 2004, 2003, and 2002, respectively, representing 15 percent of eligible compensation for each of the three years.

Savings Plan and Trust

The Company has a Savings Plan and Trust that is qualified under Section 401 of the Internal Revenue Code. All full-time employees who have met certain age and length of service requirements are eligible to participate in the plan. This plan allows participating employees to make elective deferrals up to the plan's annual limitations. The Company then matches each participant's contribution on a dollar-for-dollar basis up to a maximum of $1,040. The Company's expense under the plan was $0.5 million, $0.5 million and $0.4 million for each of the years ended October 31, 2004, 2003, and 2002, respectively.

Supplemental Profit Sharing Plan

The Company has an unfunded, non-qualified Supplemental Profit Sharing Plan whereby certain key employees of the Company may receive profit sharing contributions in excess of the amounts allowed under the profit sharing retirement plan. No employee may receive combined contributions in excess of $30,750 related to the Profit Sharing Retirement Plan and the Supplemental Profit Sharing Plan. The Company's expense under the supplemental plan for each of the years ended October 31, 2004, 2003, and 2002 was $48,000, $94,000 and $47,000, respectively.

11. Common Stock

All outstanding shares of the Company's voting common stock are deposited in a voting trust, the trustees of which have unrestricted voting rights with respect to the voting common stock. The trustees of the voting trust are all officers of the Company. Non-voting common shares do not have voting rights under any circumstances.

The Company's current share repurchase program was announced on October 22, 2003. The Board authorized management to repurchase 4.0 million shares of its non-voting common stock on the open market and in private transactions in accordance with applicable securities laws. The Company's stock repurchase plan is not subject to an expiration date.

In fiscal 2004, the Company purchased approximately 2.3 million shares of its non-voting common stock under this share repurchase authorization. Approximately 1.6 million additional shares may be repurchased under the current authorization.

12. Income Taxes

The provision for income taxes for the years ended October 31, 2004, 2003 and 2002 consists of the following:

(in thousands)	2004	2003	2002
Current:			
Federal	$ 50,444	$ 69,575	$ 82,912
State	5,220	4,359	5,049
Deferred:			
Federal	22,415	(14,750)	(18,679)
State	1,718	(1,484)	(3,628)
Total	$ 79,797	$ 57,700	$ 65,654

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax bases of the Company's assets and liabilities. The significant components of deferred income taxes are as follows:

	2004	2003
(in thousands)		
Deferred tax assets:		
Capital loss carryforward	$ 2,844	$ 2,914
Deferred rent	829	879
Differences between book and tax bases of investments	437	988
Differences between book and tax bases of accruals	2,011	—
Other	871	1,274
Total deferred tax asset	$ 6,992	$ 6,055
Deferred tax liabilities:		
Deferred sales commissions	$51,874	$30,604
Accretion on zero-coupon exchangeable notes	3,746	2,758
Differences between book and tax bases of goodwill and intangibles	6,630	4,357
Differences between book and tax bases of property	1,231	694
Unrealized net holding gains on investments	1,092	732
Total deferred tax liability	$64,573	$39,145
Net deferred tax liability	$57,581	$33,090

Deferred tax assets and liabilities are reflected on the Company's Consolidated Balance Sheets at October 31, 2004 and 2003 as follows:

	2004	2003
(in thousands)		
Net current deferred tax asset	$ 63	$ 113
Net non-current deferred tax liability	(57,644)	(33,203)
Net deferred tax liability	$(57,581)	$(33,090)

A reconciliation from the U.S. Federal statutory income tax rate to the Company's effective income tax rate for the years ended October 31, 2004, 2003 and 2002 is as follows:

	2004	2003	2002
(in thousands)			
Federal statutory rate	35.0%	35.0%	35.0%
State and local income tax, net of federal income tax benefit	2.0	1.1	0.5
Other	(1.0)	(1.1)	(0.5)
Effective income tax rate	36.0%	35.0%	35.0%

The Company has recorded deferred income tax assets of $2.8 million and $0.7 million as of October 31, 2004, relating to $7.7 million in capital loss carryforwards and $23.7 million in state operating loss carryforwards, respectively. A $0.6 million reserve has been established against the $0.7 million deferred tax asset associated with the state operating loss carryforwards, reflecting management's belief that not all of the state operating loss carryforwards will be recoverable. No reserve has been

established against the deferred income tax asset associated with the capital loss carryforwards as management believes that this asset is fully recoverable.

The exercise of non-qualified stock options resulted in a reduction of taxes payable of approximately $1.9 million, $0.5 million and $4.8 million for the years ended October 31, 2004, 2003 and 2002, respectively. Such benefit has been reflected as a component of shareholders' equity.

In December 2003, the Company completed the audit of its fiscal 2000 and 1999 federal tax filings with the Internal Revenue Service. The changes generated by this audit were primarily timing in nature and had no impact on the Company's Statement of Income during fiscal 2004. The Company is in the process of amending its federal tax filings and has recorded a receivable relating to these tax filings in the amount of $2.3 million.

13. Comprehensive Income

Total comprehensive income is reported in the Consolidated Statements of Shareholders' Equity and Comprehensive Income and is composed of net income and other comprehensive income (loss), net of tax.

The components of other comprehensive income (loss) at October 31, 2004, 2003, and 2002 are as follows:

(in thousands)	Gross Amount	Tax (Expense) or Benefit	Net Amount
2004			
Unrealized gains on investments	**$ 885**	**$ (327)**	**$ 558**
Foreign currency translation adjustments	**82**	**(31)**	**51**
Other comprehensive income	**$ 967**	**$ (358)**	**$ 609**
2003			
Unrealized losses on investments	$(2,149)	$ 768	$(1,381)
Foreign currency translation adjustments	62	(21)	41
Other comprehensive loss	$(2,087)	$ 747	$(1,340)
2002			
Unrealized losses on investments	$(3,641)	$1,327	$(2,314)
Foreign currency translation adjustments	2	(1)	1
Other comprehensive loss	$(3,639)	$1,326	$(2,313)

During the years ended October 31, 2004, 2003, and 2002, the Company reclassified gains and (losses) of $0.4 million, $2.7 million and $0.9 million, respectively, from other comprehensive income to net income as gains and losses were realized upon the sale of available-for-sale securities.

Accumulated other comprehensive income is reported in the Consolidated Statements of Shareholders' Equity and Comprehensive Income. The components of accumulated other comprehensive income at October 31, 2004, and 2003 are as follows:

(in thousands)	2004	2003
Unrealized gains on investments, net of tax	$1,761	$1,203
Foreign currency translation adjustments, net of tax	93	42
Total	$1,854	$1,245

14. Earnings Per Share

The following table provides a reconciliation of net income and common shares used in the basic and diluted earnings per share computations for the years ended October 31, 2004, 2003 and 2002:

(in thousands, except per share data)	2004	2003	2002
Net income	$138,943	$106,123	$121,057
Weighted-average shares outstanding – basic	67,469	68,916	69,151
Incremental common shares from stock options and restricted stock awards	2,320	1,459	2,261
Weighted-average shares outstanding – diluted	69,789	70,375	71,412
Earnings per share:			
Basic	$ 2.06	$ 1.54	$ 1.75
Diluted	$ 1.99	$ 1.51	$ 1.70

The Company uses the treasury stock method to account for the dilutive effect of unexercised stock options and unvested restricted stock in diluted earnings per share. Antidilutive incremental common shares related to stock options excluded from the computation of earnings per share were 39,000, 105,000 and 45,000 for the years ended October 31, 2004, 2003 and 2002, respectively.

15. Fair Value of Financial Instruments

The following is a summary of the carrying amounts and estimated fair values of the Company's financial instruments at October 31, 2004 and 2003:

	2004		2003	
(in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Investments:				
Sponsored funds	$ 14,576	$ 14,576	$ 14,303	$ 14,303
Short-term debt securities	209,017	209,017	103,129	103,129
Collateralized debt obligation entities	14,388	14,388	15,766	15,766
Other investments	9,343	9,343	7,776	7,776
Total	$247,324	$247,324	$140,974	$140,974
Notes receivable from stock option exercises	$ 2,718	$ 2,718	$ 2,995	$ 2,995
Long-term debt	$ 74,347	$ 77,800	$118,736	$122,485

Assumptions used in the determination of fair value have been described in Notes 5, 7 and 9.

16. Regulatory Requirements

Eaton Vance Distributors, Inc., a wholly owned subsidiary of the Company and principal underwriter of the Eaton Vance Funds, is subject to the Securities and Exchange Commission uniform net capital rule (Rule 15c3-1), which requires the maintenance of minimum net capital. For purposes of this rule, the subsidiary had net capital of $23.3 million, which exceeds its minimum net capital requirement of $1.1 million at October 31, 2004. The ratio of aggregate indebtedness to net capital at October 31, 2004 was .71-to-1.

17. Concentration of Credit Risk and Significant Relationships

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains cash and cash equivalents with various financial institutions. Cash deposits maintained at a financial institution may exceed the federally insured limit.

The portfolios and related funds that provided over 10 percent of the total revenue of the Company are as follows:

	2004	2003	2002
(dollar figures in thousands)			
Tax-Managed Growth Portfolio and related funds:			
Investment adviser and administration fees, underwriting commissions, distribution plan payments, contingent deferred sales charges and service fees	**$185,091**	$161,544	$180,244
Percent of revenue	**28.0%**	30.9%	34.5%
Senior Debt Portfolio and related funds:			
Investment adviser and administration fees, distribution fees, early withdrawal charges and service fees	**$ 40,604**	$ 45,519	$ 65,885
Percent of revenue	**6.1%**	8.7%	12.6%

18. Comparative Quarterly Financial Information (Unaudited)

	2004				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
(in thousands, except per share figures)					
Total revenue	**$156,973**	**$165,291**	**$165,943**	**$173,606**	**$661,813**
Operating income	**$ 50,103**	**$ 56,175**	**$ 55,398**	**$ 60,886**	**$222,562**
Net income	**$ 30,813**	**$ 35,169**	**$ 35,033**	**$ 37,928**	**$138,943**
Earnings per share:					
Basic	**$ 0.45**	**$ 0.52**	**$ 0.52**	**$ 0.57**	**$ 2.06**
Diluted	**$ 0.44**	**$ 0.50**	**$ 0.50**	**$ 0.55**	**$ 1.99**

	2003				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
(in thousands, except per share figures)					
Total revenue	$124,934	$120,876	$133,904	$143,419	$523,133
Operating income	$ 38,388	$ 38,616	$ 40,872	$ 45,268	$163,144
Net income	$ 25,909	$ 25,014	$ 26,527	$ 28,673	$106,123
Earnings per share:					
Basic	$ 0.37	$ 0.36	$ 0.39	$ 0.42	$ 1.54
Diluted	$ 0.37	$ 0.36	$ 0.38	$ 0.41	$ 1.51

19. Subsequent Event

On December 15, 2004, the Company's Board of Directors authorized, and the Company's voting shareholders approved, a two-for-one stock split of the Company's outstanding non-voting common stock. The split entitles each shareholder of record as of December 31, 2004 to receive two shares for every one share of non-voting common stock held on the record date. The additional shares of non-voting common stock will be distributed after the close of business on January 14, 2005.

The following unaudited table presents earnings per share for each period as adjusted for the pending stock split.

	Years Ended October 31,		
	2004	2003	2002
Earnings per share:			
Basic - as reported	**$2.06**	$1.54	$1.75
Basic - split-adjusted	**$1.03**	$0.77	$0.87
Diluted - as reported	**$1.99**	$1.51	$1.70
Diluted - split-adjusted	**$1.00**	$0.75	$0.85

To the Board of Directors and Shareholders of Eaton Vance Corp.:

We have audited the accompanying consolidated balance sheets of Eaton Vance Corp. and its subsidiaries as of October 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended October 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Eaton Vance Corp. and its subsidiaries as of October 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
December 21, 2004

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Thomas E. Faust Jr.

James B. Hawkes

Leo I. Higdon, Jr.

Vincent M. O'Reilly

Winthrop H. Smith, Jr.

Ralph Z. Sorenson

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Chairman, President,
and Chief Executive Officer

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Executive Vice President
and Chief Investment Officer

Jeffrey P. Beale
Vice President
and Chief Administrative Officer

Alan R. Dynner
Vice President, Secretary
and Chief Legal Officer

Laurie G. Hylton
Vice President
and Chief Accounting Officer

William M. Steul
Vice President, Treasurer
and Chief Financial Officer

Wharton P. Whitaker
Vice President
and Chief Sales and Marketing Officer

Founded in 1924

Ownership: Publicly owned; listed on the New York Stock Exchange, Symbol EV.

Assets: $94.3 billion* in assets under management by Eaton Vance and its affiliates.

Clients: Individual investors, trusts, charitable organizations, and institutions, including corporations, hospitals, retirement plans, foundations and universities.

Products: Equity, fixed income, and floating-rate bank loan mutual funds and closed-end funds for U.S. and non-U.S. investors. Managed accounts and charitable trusts for U.S. investors only.

Organization: At Eaton Vance, more than 90 investment management professionals, including portfolio managers, analysts, and traders, with an average of over 15 years' industry experience; backed by more than 250 service and support staff.* Plus three majority owned subsidiaries:

• *Atlanta Capital Management Company, LLC,* which emphasizes investing in high-quality securities and offers three investment disciplines: High Quality Growth Plus, High Quality Small-Cap, and Fixed Income.

• *Fox Asset Management LLC,* which takes a disciplined, value-oriented approach to investing and offers five investment disciplines: Large-Cap Value, Small-Cap Value, All-Cap Value, Balanced, and Intermediate Fixed Income.

• *Parametric Portfolio Associates, LLC,* which is a recognized leader in tax-efficient equity portfolio management and offers a primary investment discipline of Tax-Managed Core.

** As of October 31, 2004.*

BEST PERFORMING PUBLICLY TRADED U.S. STOCKS FOR 25 YEARS ENDING DECEMBER 31, 2004

RANK	COMPANY	% ANNUAL RETURN
1	Eaton Vance Corp.	32.14
2	Kansas City Southern	31.78
3	Countrywide Financial Corp.	30.41
4	Progressive Corp.	29.18
5	Stryker Corp.	28.56
6	National Technical Systems Inc.	27.96
7	Forest Laboratories Inc.	27.76
8	Wal-Mart Stores Inc.	27.66
9	State Street Corp.	27.20
10	Mylan Laboratories Inc.	27.15
11	M&T Bank Corp.	26.38
12	Leucadia National Corp.	26.38
13	Allete Inc.	26.06
14	Dollar General Corp.	25.94
15	Berkshire Hathaway Inc.	25.16

TOTAL RETURN WITH DIVIDENDS REINVESTED
SOURCE: FACTSET

Eaton Vance Corp. Elsie A. Flaherty Violet Apalakian Elizabeth S. Boveroux Janet E. Sanders Catherine M. Harvey Dianne Sillers Patricia M. Shea Julia Balas Jean M. Plante James B. Hawkes Charles A. Brown Jean F. McGoey Constance T. Wagner Patricia M. Procopio Linda C. Hanson Stuart B. Strong Patricia A. Andersen Nora B. Bernazzani Wayne R. Saulnier Mark A. Carlson Robert A. Chisholm Linda S. Pingiaro Paula D. Bucciero William J. Austin Anne M. Morgan Theresa S. Thorley Daniel C. Cataldo Jenilde A. Mastrangelo Mark S. Venezia Barbara E. Wagner Jane A. Nussbaum Linda A. Doherty Thomas E. Faust Jennifer J. Kirk Cynthia J. Clemson Susan S. Kiewra Thomas J. Fetter Marlo-Jean Tulis Lauren T. Mannone James L. O'Connor Anne Marie Gallagher Margaret M. Redmond Wharton P. Whitaker Stephanie H. Brady Duncan W. Richardson Thomas M. Metzold Mary D. Maestranzi Jill D. Lyons James F. Foley Veth S. Huorn Amarilis B. DaSilva Mary V. Little R. Douglas McMahon Louise E. Kelley Diane Brissette David L. 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