

EATON VANCE CORP.

2006 ANNUAL REPORT



Eaton Vance's Mission and Core Values

Our Mission

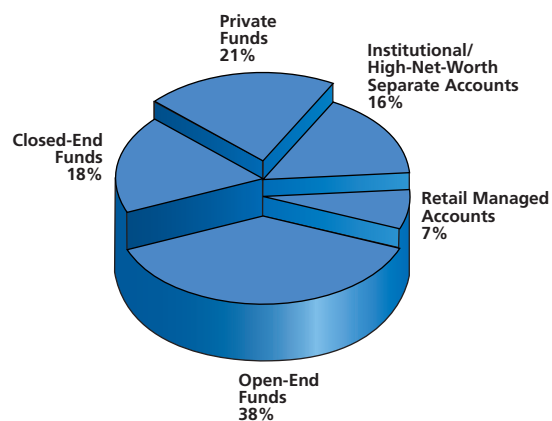
Eaton Vance strives to be the premier investment management organization. We seek to provide clients with superior performance, top quality service and value-added products across a range of investment disciplines and distribution channels. We seek to provide an attractive work environment and fulfilling careers for our dedicated employees. Through the success of clients and associates, we thereby seek to build long-term shareholder value.

Our Core Values

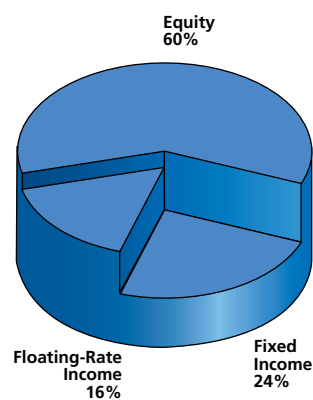
Integrity	<ul style="list-style-type: none">• Honest in word and deed• Adheres to the Company's Code of Ethics, industry standards of business conduct and applicable law• Deals fairly and forthrightly with clients, colleagues and business partners
Professionalism	<ul style="list-style-type: none">• Demonstrates maturity, dedication and a strong work ethic• Behaves appropriately; respectful of clients, colleagues and business partners• Uses the Company's resources wisely
Teamwork	<ul style="list-style-type: none">• Works collaboratively with others to achieve shared goals• Communicates openly and follows through on commitments• Enhances the work experience of colleagues
Client Focus	<ul style="list-style-type: none">• Places the interests of clients first• Meets or exceeds client performance expectations
Creativity/Adaptability	<ul style="list-style-type: none">• Develops business opportunities and process improvements• Open and adaptable to change• Works to achieve personal development
Excellence	<ul style="list-style-type: none">• Achieves outstanding results for clients and shareholders• Advances the record and reputation of Eaton Vance as an industry leader

	2006	2005	% Change
<i>(in millions, except per share and employee amounts)</i>			
Ending assets under management	\$128,906	\$108,493	+19
Average assets under management	\$117,365	\$101,493	+16
Gross flows	\$ 27,095	\$ 24,747	+ 9
Revenue	\$ 862	\$ 753	+14
Operating income	\$ 265	\$ 233	+14
Operating income margin	31%	31%	
Net income	\$ 159	\$ 139	+15
Net income margin	18%	18%	
Diluted earnings per share	\$ 1.17	\$ 0.99	+18
Dividends declared per share	\$ 0.42	\$ 0.34	+24
Cash, cash equivalents and short-term investments	\$ 227	\$ 274	-17
Long-term debt	\$ 0	\$ 75	nm
Employees	869	757	+15
Market capitalization	3,915	3,217	+22

**Ending Assets Under Management
By Investment Vehicle**



**Ending Assets Under Management
By Asset Class**





James B. Hawkes

Over the past ten years, Eaton Vance's dividend per share has grown at a 25 percent annual rate, and our stock price has appreciated at an annual rate of 27 percent, from \$2.73 (split-adjusted) to \$31.04 at fiscal year-end.

Eaton Vance's credit rating was upgraded during the year by Standard & Poor's to A-, an "investment grade" rating held by few firms in the asset management industry.

To Shareholders and Friends of Eaton Vance

It's a pleasure to report that fiscal 2006 was another year of outstanding accomplishment by the Eaton Vance team. Assets under management grew by 19 percent to \$128.9 billion, the highest in Company history. Gross sales and inflows of \$27.1 billion also set a new record, as open-end mutual fund net flows more than doubled. Progress was broad-based, with equity fund assets increasing 18 percent, bank loan fund assets increasing 19 percent, fixed-income fund assets increasing 16 percent and separately managed account assets increasing 10 percent. Eaton Vance continued its year-by-year gains in fund market share, moving up by fiscal year-end to the fifteenth largest in fund industry rankings. We retained our leadership position in closed-end funds, launching at the end of the fiscal year an innovative new fund that, upon its close in November, raised \$2.6 billion and proved to be the largest ever initial public offering of a closed-end fund. In calendar year 2006, Eaton Vance once again ranked number one in closed-end fund assets raised, a position we have held for four consecutive years.

Driven by strong growth in assets under management, total revenue increased 14 percent and fully diluted earnings per share increased 18 percent, from \$0.99 to \$1.17. Dividends declared to shareholders during the fiscal year increased by 24 percent to \$0.42 per share, continuing a 26-year history of dividend increases in each year. Over the past ten years, Eaton Vance's dividend per share has grown at a 25 percent annual rate, and our stock price has appreciated at an annual rate of 27 percent, from \$2.73 (split-adjusted) to \$31.04 at fiscal year-end. The Company used its strong cash flow during the fiscal year to pay \$160 million to repurchase and retire 5.8 million shares of its non-voting common stock, pay \$51.4 million in dividends to its shareholders and pay \$86.2 million to retire its exchangeable long-term debt.

The Company ended the year in a very strong financial position, with no debt. Eaton Vance's credit rating was upgraded during the year by Standard & Poor's to A-, an "investment grade" rating held by few firms in the asset management industry. In terms of financial performance, fiscal 2006 was a very good year.

Our investment teams delivered strong results across diverse asset classes, as reflected in excellent ratings and rankings from performance measurement organizations such as Morningstar and Lipper.

It was also a very good year for our investment performance – the essential component for success in the asset management business. Our investment teams delivered strong results across diverse asset classes, as reflected in excellent ratings and rankings from performance measurement organizations such as Morningstar and Lipper. Our competitive performance records across multiple investment categories enable our sales teams to offer a broad lineup of funds with substantial growth potential. During the fiscal year, Eaton Vance began advertising its strong fund performance in broad-circulation publications such as *The Wall Street Journal* and in industry publications oriented to financial advisors. A copy of a recent ad is included in this annual report as a "centerfold" exhibit. Few competitors have a more compelling performance profile, and the strong results highlighted in these ads position the Company well for continued above-average growth.

While annual reports inherently focus on annual results, our primary goal is the creation of long-term value for our shareholders. As demonstrated in the accompanying charts, Eaton Vance has a remarkable long-term record of accomplishment.

Like many public companies, Eaton Vance is now including major portions of its SEC Form 10-K annual filing as a component of its Annual Report to Shareholders. This content includes a detailed analysis of the Company's financial results for fiscal 2006. Please refer to it for additional information regarding the Company's industry position, business risks, and financial condition. A complete copy of SEC Form 10-K, including all exhibits, can be viewed on our corporate website, www.eatonvance.com, or can be obtained from the Company by request. We've also included a number of tables and charts throughout the early pages of this report showing Eaton Vance's progress over a ten-year period. While annual reports inherently focus on annual results, our primary goal is the creation of long-term value for our shareholders. As demonstrated in these charts, Eaton Vance has a remarkable long-term record of accomplishment.

I can't recall a meeting where the Company's accomplishments were more significant, where our opportunities were more meaningful, where our momentum was greater and where the enthusiasm of the entire room was more palpable. Eaton Vance is humming right now.

We have the organizational size, the products, the investment performance and the strong distribution relationships to sprint ahead of competitors during a period of unusual opportunity.

It has been my policy since becoming CEO in 1996 to gather the entire Eaton Vance team toward the end of each fiscal year for an All-Employee Meeting. It's a chance to say "thank you" to a team that, year after year, accomplishes extraordinary things. It's an occasion to discuss goals, accomplishments, opportunities and strategy. It's a time to pat people on the back, build esprit de corps and emphasize our core values and the importance of team effort. I love doing these meetings – they're always a highlight of the year for me. This year's meeting was in late September. I can't recall a meeting where the Company's accomplishments were more significant, where our opportunities were more meaningful, where our momentum was greater and where the enthusiasm of the entire room was more palpable. Eaton Vance is humming right now.

We're humming at a time when several important competitors are preoccupied with organizational change and when their employees and clients are concerned about uncertainty. Change and uncertainty spell opportunity for Eaton Vance – and we're well positioned to capitalize. Eaton Vance is no longer a "niche" company in the investment management business – we're now a "mainstream" competitor. Our investment products and services are available in retail markets, institutional markets and high-net-worth markets, structured as either funds or separate accounts. We have the organizational size, the products, the investment performance and the strong distribution relationships to sprint ahead of competitors during a period of unusual opportunity. This was the primary message at this year's employee meeting. Everyone at Eaton Vance understands it, is energized by it, and is revved up and ready to make the most of this exceptional opportunity.

Tom Faust, the Company's President, who joined Eaton Vance as an investment analyst in 1985 and who has been involved in the investment and business management of the Company for the past 21 years, will become Eaton Vance's CEO upon my retirement. Eaton Vance is fortunate to have a "deep bench" of experienced younger leaders to guide the Company into the future.

You'll note that, as in years past, we include on the back cover of this Annual Report a listing of all our employees, in the order of their years of service with Eaton Vance. It's our way of emphasizing that our people are our most important asset. It's always gratifying to see how proud our employees are to have their names on the cover and how much interest they take in where they fall on the list. The Company's low rate of employee turnover means that progress up the seniority ranking is usually quite slow. As evidence, I'll observe that, after 36 years with Eaton Vance, I've finally made it to the top row. It was a good year in many ways!

Having recently celebrated my 65th birthday, I will be retiring at the end of fiscal 2007 under the Company's mandatory retirement policy for senior executives. Tom Faust, the Company's President, who joined Eaton Vance as an investment analyst in 1985 and who has been involved in the investment and business management of the Company for the past 21 years, will become Eaton Vance's CEO upon my retirement. Eaton Vance is fortunate to have a "deep bench" of experienced younger leaders to guide the Company into the future. I have no doubt that, under Tom's leadership, Eaton Vance will continue to excel.

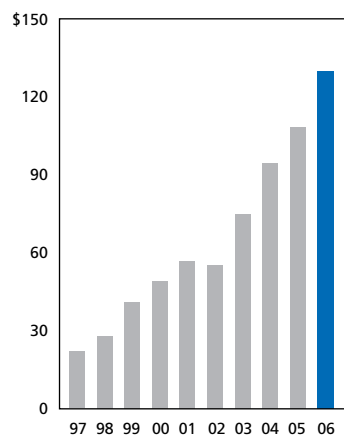
I have two primary goals in my last year as Eaton Vance's CEO: that the Company have one of the most successful years in its history, and that there be a seamless transition to a new management team with the ability to continue the Company's record of outstanding results for its clients, employees and shareholders. I'm confident that both goals can be achieved.

Yours truly,

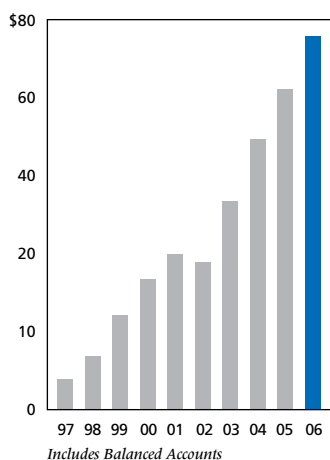


James B. Hawkes
Chairman and CEO

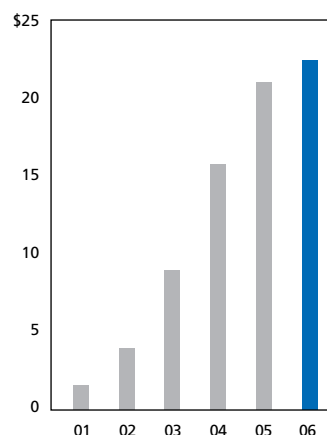
Assets Under Management
(in billions)



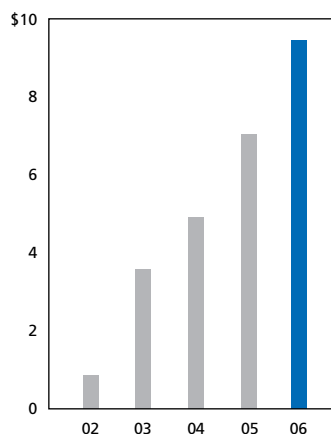
Equity Assets Under Management
(in billions)



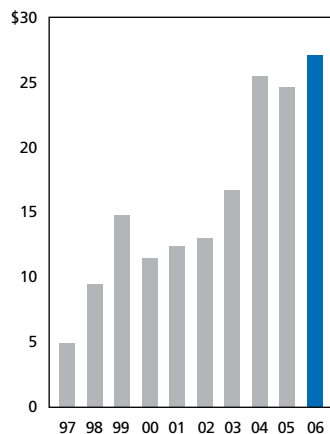
Closed-End Fund Assets Under Management (in billions)



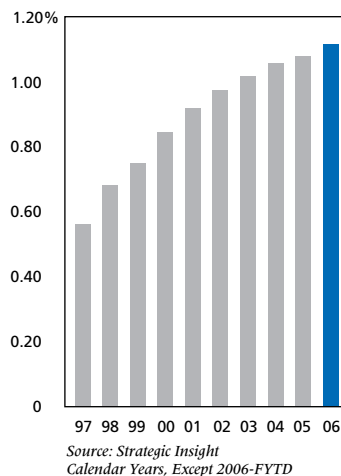
Retail Managed Account Assets Under Management (in billions)



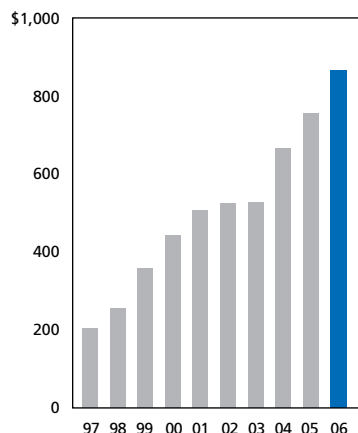
Gross Sales/Inflows
(in billions)



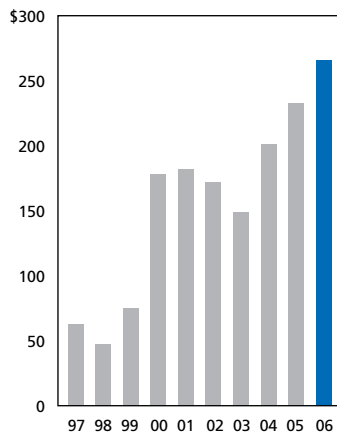
Eaton Vance Market Share
Long-Term Fund Assets



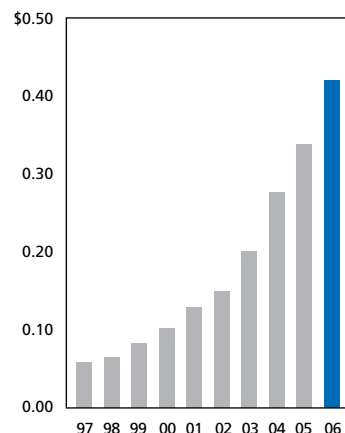
Revenue
(in millions)



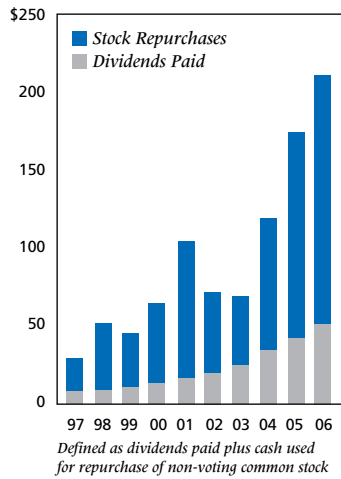
Operating Income
(in millions)



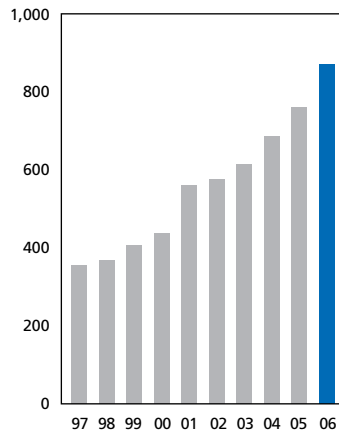
Dividends Per Share
10 Year Compound Annual Growth Rate: 24%



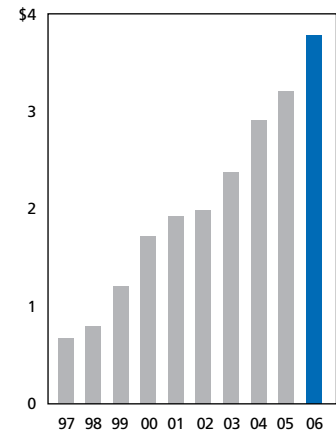
Cash Returned to Shareholders
(in millions)



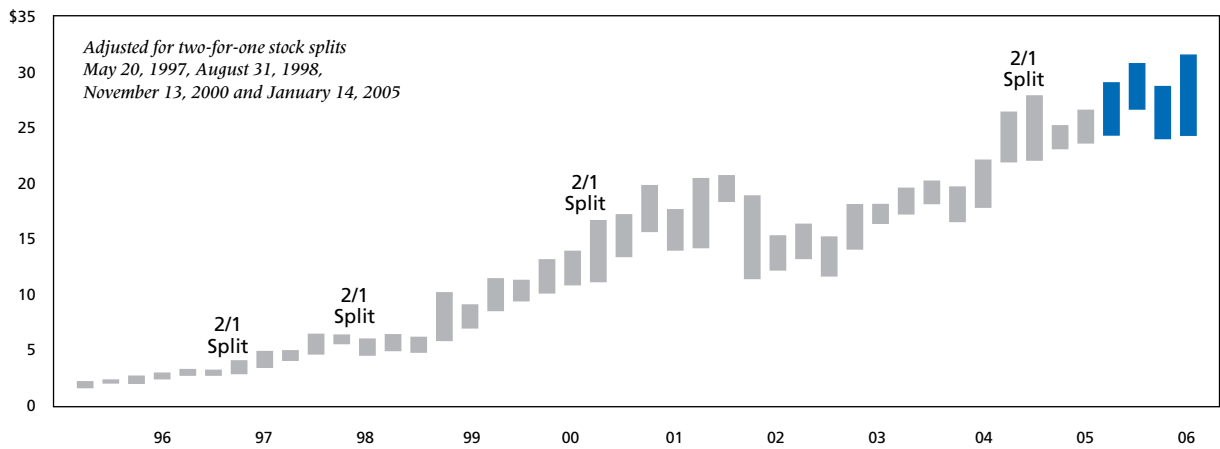
Employees



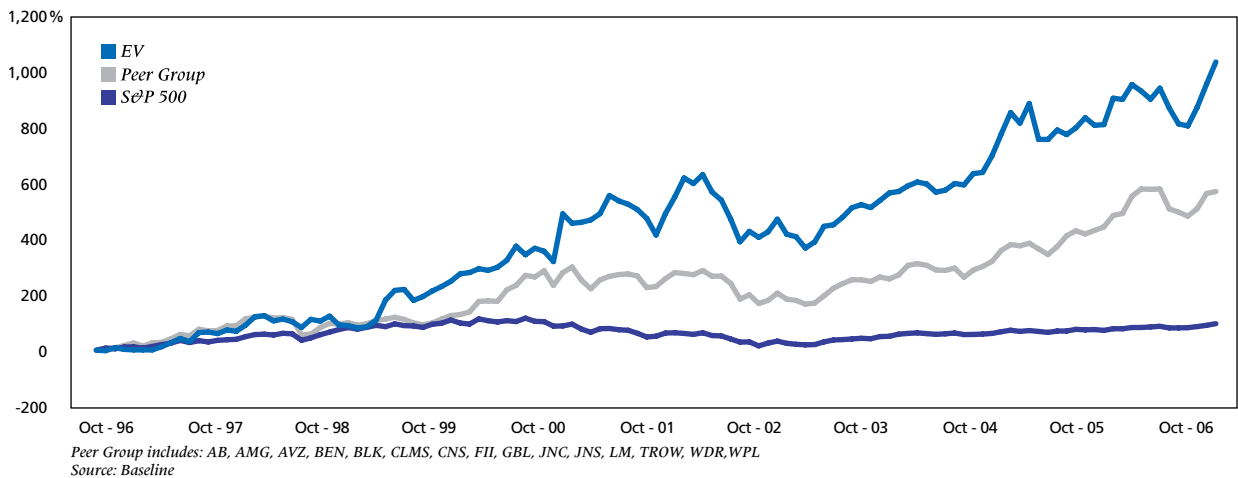
Market Capitalization
(in billions)



Quarterly High and Low Stock Prices



Relative Performance October 1996 – October 2006
Percent Change



Think Performance...

Morningstar Ratings™ as of October 31, 2006 Eaton Vance Mutual Funds—"A" Shares

EQUITY FUNDS				
	OVERALL	3-YEAR	5-YEAR	10-YEAR
LARGE-CAP VALUE				
LARGE-CAP VALUE (EHSTX) Load waived	★★★★★	★★★★	★★★★	★★★★★
LARGE VALUE	1113 Funds	1113 Funds	825 Funds	391 Funds
TAX-MANAGED VALUE				
(EATVX) Load waived	★★★★	★★★★	★★★★	N/A
LARGE VALUE	1113 Funds	1113 Funds	825 Funds	N/A
UTILITIES				
(EVTMX) Load waived	★★★★★	★★★★	★★★★★	★★★★★
SPECIALTY-UTILITIES	89 Funds	89 Funds	74 Funds	51 Funds
LARGE CAP BLEND				
EQUITY RESEARCH (EAERX) Load waived	★★★★	★★★★	N/A	N/A
LARGE BLEND	1525 Funds	1525 Funds		
TAX-MGD EQTY ASSET ALL				
(EAEAX) Load waived	★★★★	★★★★	N/A	N/A
LARGE BLEND	1525 Funds	1525 Funds		
LARGE CAP-GROWTH				
LARGE-CAP GROWTH* (EALCX) Load waived	★★★★	★★★★	N/A	N/A
LARGE GROWTH	1383 Funds	1383 Funds		
INTERNATIONAL				
GREATER INDIA (ETGIX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
PACIFIC/ASIA EX-JAPAN STK	86 Funds	86 Funds	76 Funds	37 Funds
ASIAN SMALL CO** (EVASX) Load waived	★★★★★	★★★★	★★★★★	N/A
PACIFIC/ASIA EX-JAPAN STK	86 Funds	86 Funds	76 Funds	N/A
INCOME FUNDS				
	OVERALL	3-YEAR	5-YEAR	10-YEAR
TAXABLE				
INC FUND OF BOSTON (EVIBX) Load waived	★★★★	★★★★	★★★★	★★★★
HIGH YIELD BOND	470 Funds	470 Funds	380 Funds	148 Funds
NATIONAL TAX FREE				
AMT-FREE MUNI BOND*** (ETMBX) Load waived	★★★★★	★★★★	★★★★★	N/A
MUNICIPAL NATIONAL LONG	284 Funds	284 Funds	265 Funds	N/A
HIGH YIELD MUNI				
(ETHYX) Load waived	★★★★	★★★★	★★★★	★★★★★
HIGH YIELD MUNI	102 Funds	102 Funds	95 Funds	60 Funds
NAT'L LTD MAT				
(EXNAX) Load waived	★★★★	★★★★	★★★★★	★★★★
MUNI NATIONAL INTERM	235 Funds	235 Funds	192 Funds	120 Funds
NATIONAL MUNI				
(EANAX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
MUNI NATIONAL LONG	284 Funds	284 Funds	265 Funds	194 Funds
STATE TAX FREE				
ALABAMA MUNI (ETALX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds
ARIZONA MUNI				
(ETAZX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds
ARKANSAS MUNI				
(ETARX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI SINGLE STATE INTERM	308 Funds	308 Funds	274 Funds	214 Funds
CA LTD MAT MUNI				
(EXCAX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI CALIF INTERM/SHORT	80 Funds	80 Funds	58 Funds	35 Funds
CALIFORNIA MUNI				
(EACAX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI CALIFORNIA LONG	163 Funds	163 Funds	144 Funds	116 Funds
COLORADO MUNI				
(ETCOX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds
CONN MUNI				
(ETCTX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds
FLORIDA INS MUNI				
(EAFIX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI FLORIDA	89 Funds	89 Funds	88 Funds	78 Funds

Based on risk-adjusted returns. Eaton Vance offers other mutual funds that are not listed here and that do not have similar performance records.

*Prior to May 1, 2006, this Fund was named Eaton Vance Large-Cap Core Fund. **Closed to new investors. ***Prior to May 1, 2006, this Fund was named Eaton Vance Municipal Bond Fund.

The Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating™ metrics. ©2006 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers is responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance after adjusting for sales loads (except for load-waived A shares), redemption fees, and the risk-free rate, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars; the next 22.5% receive 4 stars; the next 35% receive 3 stars; the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. Load waived A share star ratings do not include any front-end sales load and are intended for those investors who have access to such purchase terms (e.g., plan participants of a defined contribution plan). Not all A share mutual funds for which Morningstar calculates a load-waived A share star rating may actually waive their front-end load. Therefore, Morningstar strongly encourages investors to contact their investment professional to determine whether they are eligible to purchase the A share without paying the front load. The Morningstar Rating may differ among share classes of a mutual fund as a result of different sales loads and/or expense structure.



Think Eaton Vance

Morningstar Ratings™ as of October 31, 2006 Eaton Vance Mutual Funds—"A" Shares

STATE TAX FREE con't	OVERALL	3-YEAR	5-YEAR	10-YEAR	STATE TAX FREE con't	OVERALL	3-YEAR	5-YEAR	10-YEAR
FLORIDA MUNI (ETFLX) Load waived	★★★★★	★★★	★★★★★	★★★★★	NEW JERSEY MUNI (ETNJX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
MUNI FLORIDA	89 funds	89 Funds	88 Funds	78 Funds	MUNI NEW JERSEY	73 Funds	73 Funds	66 Funds	59 Funds
GEORGIA MUNI (ETGAX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★	NY LTD MAT MUNI (EXNYX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds	MUNI NY INTERM/SHORT	74 Funds	74 Funds	57 Funds	37 Funds
HAWAII MUNI (ETHWX) Load waived	★★★★	★★★★	★★★★	★★★★	NEW YORK MUNI (ETNYX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds	MUNI NEWYORK LONG	119 Funds	119 Funds	105 Funds	84 Funds
KANSAS MUNI (ETKSX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★	N CAROLINA MUNI (ETNCX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI SINGLE STATE INTERM	308 Funds	308 Funds	274 Funds	214 Funds	MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds
KENTUCKY MUNI (ETKYX) Load waived	★★★★	★★★	★★★★	★★★★	OHIO MUNI (ETOHX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds	MUNI OHIO	75 Funds	75 Funds	69 Funds	60 Funds
LOUISIANA MUNI (ETLAX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★	OREGON MUNI (ETORX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds	MUNI SINGLE STATE INTERIM	308 Funds	308 Funds	274 Funds	214 Funds
MARYLAND MUNI (ETMDX) Load waived	★★★★	★★★★	★★★★	★★★★	PENN MUNI (ETPAX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds	MUNI PENNSYLVANIA	91 Funds	91 Funds	91 Funds	80 Funds
MASS MUNI (ETMAX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★	RI MUNI (ETRIX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
MUNI MASSACHUSETTS	82 Funds	82 Funds	77 Funds	63 Funds	MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds
MICHIGAN MUNI (ETMIX) Load waived	★★★★	★★★★	★★★★	★★★★	S CAROLINA MUNI (EASCX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds	MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds
MINN MUNI (ETMNX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★	TENN MUNI (ETTNX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★
MUNI MINNESOTA	71 Funds	71 Funds	66 Funds	62 Funds	MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds
MISSOURI MUNI (ETMOX) Load waived	★★★★★	★★★★★	★★★★★	★★★★★	VIRGINIA MUNI (ETVAX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds	MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds
MISSISSIPPI MUNI (ETMSX) Load waived	★★★★	★★★	★★★★	★★★★	W VIRGINIA MUNI (ETWVX) Load waived	★★★★	★★★★	★★★★	★★★★
MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds	MUNI SINGLE STATE LONG	325 Funds	325 Funds	325 Funds	259 Funds

ABOUT RISK: The value of equity funds' shares is sensitive to stock market volatility. If there is a general decline in the value of publicly-traded stocks, the value of fund shares will also likely decline. The ability of Tax-Managed Equity Funds to use certain tax-management techniques may be curtailed or eliminated in the future by tax legislation, regulations, administrative interpretations, or court decisions. In general, equity funds listed here may invest in foreign companies—domestic funds up to 25% of total assets. The funds may engage in derivatives transactions that may expose the funds to increased risk of principal loss. As interest rates rise, the value of fixed-income securities is likely to decrease. Fluctuations in the value of securities may not affect interest income on existing securities, but will be reflected in the funds' net asset values. Income Fund of Boston invests in high-yielding, below-investment-grade securities, commonly known as "junk bonds," that generally offer higher current yields than higher-rated securities but are subject to greater risks. Except for AMT-Free Municipal Bond Fund, which is not subject to federal alternative minimum tax, a portion of income from an Eaton Vance national municipal bond fund may be subject to federal income and/or alternative minimum tax. Income may be subject to state income tax. High Yield Municipals Fund is non-diversified and invests in "junk bonds," discussed previously. For state municipal funds, a portion of income may be subject to federal, state and local tax; a portion may be subject to federal alternative minimum tax. Please see the fund's prospectus for more information. Consult a tax/legal advisor before making any tax-related investment decisions.

Before investing, prospective investors should consider carefully the Fund's investment objective, risks, charges and expenses. The Fund's current prospectus contains this and other information about the Fund and is available through a financial advisor. Read the prospectus carefully before investing or sending money.

Mutual fund shares are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. Shares are subject to investment risks, including possible loss of principal invested.

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Five-Year Financial Summary

	Years Ended October 31,				
(in thousands, except per share figures)	2006	2005	2004	2003	2002
Income Statement Data					
Revenue:					
Investment adviser and administration fees	\$ 594,632	\$ 503,085	\$ 413,102	\$ 296,344	\$ 280,794
Distribution and underwriter fees	140,331	139,043	150,018	146,907	162,071
Service fees	122,805	104,644	92,087	74,605	77,833
Other revenue	4,426	6,403	6,606	5,277	2,287
Total revenue	862,194	753,175	661,813	523,133	522,985
Expenses:					
Compensation of officers and other employees	244,620	205,663	172,411	130,011	117,713
Amortization of deferred sales commissions	52,048	63,535	81,202	85,192	83,690
Service fee expense	95,573	86,197	76,620	64,285	63,852
Distribution expense	116,741	103,447	81,559	54,790	50,398
Other expenses	88,246	61,726	49,381	40,293	35,791
Total expenses	597,228	520,568	461,173	374,571	351,444
Operating income	264,966	232,607	200,640	148,562	171,541
Other Income (Expense):					
Interest income	8,033	4,354	2,799	4,848	9,019
Interest expense	(12,850)	(1,464)	(5,898)	(5,761)	(7,098)
Gain on investments	3,667	38	275	2,346	1,344
Foreign currency gain (loss)	(222)	(32)	(85)	18	8
Impairment loss on investments	(592)	(2,120)	-	-	-
Income before income taxes, minority interest, equity in net income of affiliates and cumulative effect of change in accounting principle	263,002	233,383	197,731	150,013	174,814
Income taxes	(102,245)	(90,871)	(72,493)	(53,781)	(62,766)
Minority interest	(5,103)	(5,037)	(4,559)	(1,593)	(1,344)
Equity in net income of affiliates, net of tax	4,349	1,231	1,283	171	253
Income before cumulative effect of change in accounting principle	160,003	138,706	121,962	94,810	110,957
Cumulative effect of change in accounting principle, net of tax	(626)	-	-	-	-
Net income	\$ 159,377	\$ 138,706	\$ 121,962	\$ 94,810	\$ 110,957
Earnings per share before cumulative effect of change in Accounting principle:					
Basic	\$ 1.25	\$ 1.05	\$ 0.90	\$ 0.69	\$ 0.80
Diluted	\$ 1.18	\$ 0.99	\$ 0.87	\$ 0.67	\$ 0.76
Earnings per share:					
Basic	\$ 1.25	\$ 1.05	\$ 0.90	\$ 0.69	\$ 0.80
Diluted	\$ 1.17	\$ 0.99	\$ 0.87	\$ 0.67	\$ 0.76
Dividends declared, per share	\$ 0.42	\$ 0.34	\$ 0.28	\$ 0.20	\$ 0.15
Weighted average shares outstanding	\$ 127,807	\$ 131,591	\$ 134,938	\$ 137,832	\$ 138,302
Weighted average shares outstanding assuming dilution	\$ 137,004	\$ 140,520	\$ 144,313	\$ 145,917	\$ 151,001
Balance Sheet Data					
Total assets	\$ 668,195	\$ 702,544	\$ 743,566	\$ 658,702	\$ 616,619
Long-term debt	\$ -	\$ 75,467	\$ 74,347	\$ 118,736	\$ 124,118
Shareholders' equity	\$ 496,485	\$ 476,296	\$ 464,328	\$ 426,511	\$ 379,417
Shareholders' equity per share	\$ 3.93	\$ 3.68	\$ 3.48	\$ 3.12	\$ 2.74

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 "Risk Factors" 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 managing investment 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 marketing, distribution and customer service capability.

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, investment grade and high-yield bond investing. The diversified offerings of Eaton Vance and its affiliates offer fund shareholders, retail managed account investors, institutional investors and high-net-worth clients a wide range of products and services designed and managed to generate attractive risk-adjusted returns over the long term.

The Company's principal marketing strategy is to distribute its retail products (including funds and retail managed accounts) primarily through financial intermediaries in the advice channel. The Company has a broad reach in this marketplace, with distribution partners including national and regional broker/dealers, independent broker/dealers, independent financial advisory firms, banks and insurance companies. Eaton Vance supports these distribution partners with a team of 154 regional and Boston-based sales professionals serving the needs of the Company's partners and clients across the country. Specialized sales and marketing teams provide the increasingly sophisticated information required for distributing the Company's privately placed funds, retail managed accounts, retirement products and charitable giving vehicles.

The Company is also committed to serving institutional and high-net-worth clients who access investment advice outside of traditional retail broker/dealer channels. The Company and its majority-owned subsidiaries, including Atlanta Capital Management Company, LLC ("Atlanta Capital"), Fox Asset Management LLC ("Fox Asset Management") and Parametric Portfolio Associates LLC ("Parametric Portfolio Associates"), have a broad range of clients in the institutional and high-net-worth marketplace, including corporations, endowments, foundations, family offices and public and private employee retirement plans. Specialized sales teams at each of the Company's affiliates focus on developing relationships in this market and deal directly with these clients, often on the basis of independent referrals.

The Company's revenue is derived primarily from investment adviser, administration, distribution and service fees received from 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, amortization of deferred sales commissions and distribution-related expenses.

The discussion and analysis of the Company's 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 deferred sales commissions, goodwill and intangible assets, income taxes, investments, stock-based compensation and litigation. The Company bases its estimates on historical experience and on various other assumptions that it believes 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 \$128.9 billion on October 31, 2006 were 19 percent higher than the \$108.5 billion reported a year earlier. Long-term fund net inflows contributed \$7.8 billion to growth in assets under management over the last twelve months, including \$7.5 billion of open-end and private fund net inflows and \$0.3 billion of closed-end fund assets raised. Separate account net outflows totaled \$0.7 billion, reflecting \$1.4 billion of retail managed account net inflows offset by \$2.1 billion of institutional and high-net-worth net outflows. Market price appreciation, reflecting favorable equity markets, contributed \$9.6 billion to the increase in assets under management.

Ending Assets Under Management by Investment Objective⁽¹⁾

<i>(in billions)</i>	October 31,			2006 vs.	2005 vs.
	2006	2005	2004	2005	2004
Equity assets	\$76.8	\$ 66.2	\$55.8	16%	19%
Fixed income assets	30.8	23.2	21.7	33%	7%
Floating-rate bank loan assets	21.3	19.1	16.8	12%	14%
Total	\$128.9	\$108.5	\$94.3	19%	15%

⁽¹⁾ Includes funds and separate accounts.

Equity assets represented 60 percent of total assets under management on October 31, 2006, compared to 61 percent on October 31, 2005 and 59 percent on October 31, 2004. Assets in equity funds managed for after-tax returns totaled \$39.1 billion, \$34.6 billion and \$29.1 billion on October 31, 2006, 2005 and 2004, respectively. Fixed income assets, including money market funds, represented 24 percent of total assets under management on October 31, 2006, compared to 21 percent on October 31, 2005 and 23 percent on October 31, 2004. Fixed income assets included \$14.8 billion, \$11.7 billion and \$10.7 billion of tax-exempt municipal bond funds and \$3.6 billion, \$0.3 billion and \$0.4 billion of money market fund assets on October 31, 2006, 2005 and 2004, respectively. Floating-rate bank loan assets represented 16 percent of total assets under management on October 31, 2006, compared to 18 percent on both October 31, 2005 and October 31, 2004.

Long-Term Fund and Separate Account Net Flows

<i>(in billions)</i>	For the Years Ended October 31,			2006	2005
	2006	2005	2004	vs. 2005	vs. 2004
Long-term funds:					
Closed-end funds	\$0.3	\$5.0	\$ 6.3	-94%	-21%
Open-end funds	5.3	2.4	3.7	121%	-35%
Private funds	2.2	1.2	1.2	83%	0%
Total long-term fund net inflows	7.8	8.6	11.2	-9%	-23%
Institutional/HNW ⁽¹⁾ accounts	(2.1)	(0.6)	1.7	-250%	-135%
Retail managed accounts	1.4	1.6	0.9	-13%	78%
Total separate account net inflows (outflows)	(0.7)	1.0	2.6	-170%	-62%
Total net inflows	\$7.1	\$9.6	\$13.8	-26%	-30%

⁽¹⁾ *High-net-worth ("HNW")*

Long-term fund net inflows totaled \$7.8 billion in fiscal 2006 compared to \$8.6 billion in fiscal 2005 and \$11.2 billion in fiscal 2004. The decrease in fund net inflows in fiscal 2006 can be attributed primarily to lower closed-end fund sales. Closed-end fund offerings contributed \$0.3 billion to net inflows in fiscal 2006 compared to contributions of \$5.0 billion and \$6.3 billion in fiscal 2005 and fiscal 2004, respectively. Open-end fund net inflows of \$5.3 billion, \$2.4 billion and \$3.7 billion for fiscal 2006, 2005 and 2004, respectively, reflect gross inflows of \$16.3 billion, \$10.9 billion and \$10.1 billion, respectively, net of redemptions of \$11.0 billion, \$8.5 billion and \$6.4 billion, respectively. Open-end gross inflows increased by 49 percent in fiscal 2006, while open-end fund redemptions increased by 29 percent. Private fund net inflows of \$2.2 billion in fiscal 2006 include \$1.1 billion in assets raised in conjunction with the private offering of debt securities by two collateralized debt obligation ("CDO") entities for which the Company acts as collateral manager, \$0.9 billion in other private bank loan fund net inflows, and \$0.2 billion of other private fund net inflows.

The Company experienced net outflows of separate account assets of \$0.7 billion in fiscal 2006, compared to net inflows of \$1.0 billion and \$2.6 billion in fiscal 2005 and 2004, respectively. Retail managed account net inflows totaled \$1.4 billion in fiscal 2006, compared to \$1.6 billion and \$0.9 billion in fiscal 2005 and 2004, respectively. Retail managed account net inflows in fiscal 2006 reflect strong net sales of Parametric Portfolio Associates' tax efficient overlay and core equity products and Eaton Vance Management's ("EVM's") large cap value and municipal bond products. Institutional and high-net-worth net outflows totaled \$2.1 billion in fiscal 2006 compared to net outflows of \$0.6 billion in fiscal 2005 and net inflows of \$1.7 billion in fiscal 2004. Institutional and high-net-worth account net outflows in fiscal 2006 reflect withdrawals of assets by two EVM bank loan institutional accounts and withdrawals by certain Atlanta Capital institutional clients.

Money market fund assets, which are not included in long-term fund net flows because of their short-term characteristics, increased to \$3.6 billion on October 31, 2006 from \$0.3 billion on October 31, 2005 and \$0.4 billion on October 31, 2004. The increase in money market fund assets in fiscal 2006 can be primarily attributed to investments by institutional clients in one of the Company's sponsored short-term treasury funds and the introduction of a cash collateral fund managed by the Company in fiscal 2006. The cash collateral fund was introduced in conjunction with a securities lending program in which certain of the Company's sponsored funds participate.

The following table summarizes the asset flows by investment objective for fiscal years ended October 31, 2006, 2005 and 2004:

Asset Flows

(in billions)	For the Years Ended October 31,			2006 vs.	2005 vs.
	2006	2005	2004	2005	2004
Equity fund assets – beginning	\$ 45.2	\$ 36.9	\$28.9	22%	28%
Sales/inflows	7.8	9.7	9.8	-20%	-1%
Redemptions/outflows	(5.4)	(4.3)	(4.1)	26%	5%
Exchanges	-	-	0.1	NM ⁽¹⁾	-100%
Market value change	5.6	2.9	2.2	93%	32%
Equity fund assets – ending	53.2	45.2	36.9	18%	22%
Fixed income fund assets – beginning	18.6	17.6	17.8	6%	-1%
Sales/inflows	6.4	3.7	2.4	73%	54%
Redemptions/outflows	(3.8)	(2.4)	(2.3)	58%	4%
Exchanges	-	(0.1)	(0.2)	-100%	-50%
Market value change	0.4	(0.2)	(0.1)	NM	100%
Fixed income fund assets – ending	21.6	18.6	17.6	16%	6%
Floating-rate bank loan fund assets – beginning	16.8	15.0	9.5	12%	58%
Sales/inflows	7.0	5.2	7.6	35%	-32%
Redemptions/outflows	(4.2)	(3.3)	(2.2)	27%	50%
Exchanges	(0.1)	-	0.1	NM	-100%
Market value change	0.5	(0.1)	-	NM	NM
Floating-rate bank loan fund assets – ending	20.0	16.8	15.0	19%	12%
Total long-term fund assets – beginning	80.6	69.5	56.2	16%	24%
Sales/inflows	21.2	18.6	19.8	14%	-6%
Redemptions/outflows	(13.4)	(10.0)	(8.6)	34%	16%
Exchanges	(0.1)	(0.1)	-	0%	NM
Market value change	6.5	2.6	2.1	150%	24%
Total long-term fund assets – ending	94.8	80.6	69.5	18%	16%
Separate accounts – beginning	27.6	24.4	18.4	13%	33%
Inflows – HNW and institutional	2.3	2.9	3.7	-21%	-22%
Outflows – HNW and institutional	(4.4)	(3.5)	(2.0)	26%	75%
Inflows – retail managed accounts	3.6	3.2	2.0	13%	60%
Outflows – retail managed accounts	(2.2)	(1.6)	(1.1)	38%	45%
Market value change	3.1	2.1	1.5	48%	40%
Assets acquired	0.5	0.1	1.9	400%	-95%
Separate accounts – ending	30.5	27.6	24.4	11%	13%
Money market fund assets – ending	3.6	0.3	0.4	NM	-25%
Assets under management – ending	\$128.9	\$108.5	\$94.3	19%	15%

⁽¹⁾ Not meaningful (“NM”)

Ending Assets Under Management by Asset Class

<i>(in billions)</i>	October 31,			2006 vs.	2005 vs.
	2006	2005	2004	2005	2004
Class A ⁽¹⁾	\$ 27.0	\$ 18.8	\$15.4	44%	22%
Class B ⁽²⁾	6.8	7.7	8.7	-12%	-11%
Class C ⁽³⁾	8.4	7.4	7.1	14%	4%
Class I ⁽⁴⁾	4.5	1.5	1.1	200%	36%
Private funds ⁽⁵⁾	26.4	21.8	19.6	21%	11%
Closed-end funds	22.5	21.1	15.8	7%	34%
Other ⁽⁶⁾	2.8	2.6	2.2	8%	18%
Total fund assets	98.4	80.9	69.9	22%	16%
HNW and institutional account assets	21.0	20.5	19.5	2%	5%
Retail managed account assets	9.5	7.1	4.9	34%	45%
Total separate account assets	30.5	27.6	24.4	11%	13%
Total	\$128.9	\$108.5	\$94.3	19%	15%

⁽¹⁾ Includes Eaton Vance Advisers Senior Floating-Rate Fund, an interval fund.

⁽²⁾ Includes Eaton Vance Prime Rate Reserves, an interval fund.

⁽³⁾ Includes Eaton Vance Senior Floating-Rate Fund, an interval fund.

⁽⁴⁾ Includes Eaton Vance Institutional Senior Floating-Rate Fund, an interval fund.

⁽⁵⁾ Includes privately offered equity and bank loan funds and CDO entities.

⁽⁶⁾ Includes other classes of open-end funds and non-Eaton Vance funds subadvised by Atlanta Capital, Fox Asset Management and Parametric Portfolio Associates.

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"). The Company waives the sales load on Class A shares when sold under a fee-based broker/dealer program. In such cases, the shares are sold at net asset value.

Fund assets represented 76 percent of total assets under management at October 31, 2006, compared to 75 percent and 74 percent at October 31, 2005 and 2004, respectively. Class A share assets increased to 21 percent of total assets under management at October 31, 2006 from 17 percent and 16 percent at October 31, 2005 and 2004, respectively, while Class B shares dropped to 5 percent at October 31, 2006 from 7 percent and 9 percent at October 31, 2005 and 2004, respectively. The shift from Class B share assets to Class A share assets reflects the overall increasing popularity of Class A shares in the industry and the declining popularity of Class B shares in broker/dealer distribution systems. Class C share assets remained stable at 7 percent of total assets under management on October 31, 2006, 2005 and 2004 while Class I share assets increased to 3 percent of total assets under management from 1 percent on both October 31, 2005 and 2004, primarily as a result of significant inflows into one of the Company's short-term income funds utilized by institutional investors. Private funds and closed-end funds collectively represented 38 percent of the Company's total assets under management at October 31, 2006 compared to 40 percent and 38 percent at October 31, 2005 and 2004, respectively.

The shift in fund asset mix from Class B share assets to Class A share assets experienced by the Company has impacted the Company's revenue and expense structure. The decline in Class B share sales and assets under management resulted in a reduction in both distribution income (distribution plan payments received) and amortization of deferred sales commissions. As a result of the decline in distribution plan payments received, the Company's overall effective fee rate, defined as total revenue as a percentage of average assets under management, declined to 73 basis points in fiscal 2006 from 74 basis points and 77 basis points in fiscal 2005 and 2004, respectively. The 3 percent decrease in distribution plan payments in fiscal 2006 was offset by an 18 percent decrease in the amortization of deferred sales commissions over the same period.

Separate account assets, including high-net-worth, institutional and retail managed account assets, totaled \$30.5 billion at October 31, 2006, up from \$27.6 billion and \$24.4 billion at October 31, 2005 and 2004, respectively. High-net-worth and institutional account assets increased by 2 percent and 5 percent in fiscal 2006 and 2005, respectively, while retail managed account assets increased by 34 percent and 45 percent in the same periods. As noted above, high-net-worth and institutional net inflows were negatively impacted in fiscal 2006 by the withdrawal of assets by two EVM bank loan institutional accounts and withdrawals by certain Atlanta Capital institutional clients. Fiscal 2005 high-net-worth and institutional net inflows were negatively impacted by client withdrawals at both Fox Asset Management and Atlanta Capital. Retail managed account assets were positively impacted in both fiscal 2006 and 2005 by strong net sales of Parametric Portfolio Associates' tax-efficient overlay and core equity products and EVM's large-cap value and municipal bond products.

The average assets under management presented in the following table 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, average or ending quarterly assets, the Company's investment adviser, administration, distribution and service fees are calculated as a percentage of average daily assets.

Average Assets Under Management by Asset Class⁽¹⁾

<i>(in billions)</i>	For the Years Ended October 31,			2006 vs.	2005 vs.
	2006	2005	2004	2005	2004
Class A ⁽²⁾	\$ 22.7	\$ 17.2	\$ 12.2	32%	41%
Class B ⁽³⁾	7.3	8.3	10.8	-12%	-23%
Class C ⁽⁴⁾	7.8	7.3	6.7	7%	9%
Class I ⁽⁵⁾	2.4	1.2	0.8	100%	50%
Private funds ⁽⁶⁾	23.7	20.9	18.8	13%	11%
Closed-end funds	21.8	18.2	12.9	20%	41%
Other ⁽⁷⁾	2.5	2.3	2.0	9%	15%
Total fund assets	88.2	75.4	64.2	17%	17%
HNW and institutional account assets	21.0	20.0	17.1	5%	17%
Retail managed account assets	8.2	6.1	4.3	34%	42%
Total separate account assets	29.2	26.1	21.4	12%	22%
Total	\$117.4	\$ 101.5	\$ 85.6	16%	19%

⁽¹⁾ Assets under management attributable to acquisitions that closed during the relevant periods are included on a weighted average basis for the period from their respective closing dates.

⁽²⁾ Includes Eaton Vance Advisers Senior Floating-Rate Fund, an interval fund.

⁽³⁾ Includes Eaton Vance Prime Rate Reserves, an interval fund.

⁽⁴⁾ Includes Eaton Vance Senior Floating-Rate Fund, an interval fund.

⁽⁵⁾ Includes Eaton Vance Institutional Senior Floating-Rate Fund, an interval fund.

⁽⁶⁾ Includes privately offered equity and bank loan funds and CDO entities.

⁽⁷⁾ Includes other classes of open-end funds and non-Eaton Vance funds subadvised by Atlanta Capital, Fox Asset Management and Parametric Portfolio Associates.

Results of Operations

Net income increased by 15 percent in fiscal 2006 and by 14 percent in fiscal 2005. The increases in net income in both fiscal 2006 and 2005 can be attributed primarily to increases in average assets under management of 16 percent and 19 percent, respectively. Operating results in fiscal 2006 include the acceleration of non-cash amortization of \$8.9 million or \$0.04 per diluted share to write off intangible assets relating to the termination of certain institutional and high-net-worth asset management contracts at Fox Asset Management. The write-off is included in other expenses in the Company's Consolidated Statement of Income for the year ended October 31, 2006. Fiscal 2006 results also include the recognition of \$9.8 million in interest expense and the write-off of \$1.5 million of deferred financing fees associated with the retirement of EVM's zero-coupon exchangeable notes in August 2006. The additional interest expense plus the write-off of the deferred financing fees reduced diluted earnings per share by \$0.06 per share.

Effective November 1, 2005, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment." The Company elected to apply the modified version of retrospective application for all periods prior to the required effective date and adjusted its financial statements for all periods presented on a basis consistent with the pro forma disclosures previously made under SFAS No. 123, "Accounting for Stock-Based Compensation." The Company's adoption of SFAS No. 123R using the modified retrospective method resulted in the recognition of \$36.3 million of stock-based compensation in fiscal 2006 compared to \$28.6 million and \$23.5 million in fiscal 2005 and 2004, respectively. In fiscal 2006, stock-based compensation reduced after-tax earnings by \$26.4 million, or \$0.19 per diluted share. In fiscal 2005 and fiscal 2004, stock-based compensation reduced after-tax earnings by \$21.7 million and \$18.0 million, respectively, or \$0.15 and \$0.12 per diluted share, respectively.

In conjunction with the adoption of SFAS No. 123R in the first quarter of fiscal 2006, the Company also recognized a cumulative effect of change in accounting principle. In its calculations of stock option expense for the purposes of pro forma disclosure in previous filings, the Company chose to recognize forfeitures when they occurred rather than estimate them at grant date. Upon implementation, the Company was required to recognize the difference between actual forfeitures of awards granted prior to the adoption of SFAS No. 123R and the calculation of expected forfeitures for these awards as an adjustment to compensation cost. The cumulative effect, net of tax, was \$0.6 million.

Results of Operations

(in thousands)	For the Years Ended October 31,			2006 vs. 2005	2005 vs. 2004
	2006	2005	2004		
Net income	\$159,377	\$138,706	\$121,962	15%	14%
Earnings per share before cumulative effect of change in accounting principle:					
Basic	\$1.25	\$1.05	\$0.90	19%	17%
Diluted	\$1.18	\$0.99	\$0.87	19%	14%
Earnings per share:					
Basic	\$1.25	\$1.05	\$0.90	19%	17%
Diluted	\$1.17	\$0.99	\$0.87	18%	14%
Operating margin	31%	31%	30%	NM	NM

Revenue

The Company's effective fee rate (total revenue as a percentage of average assets under management) decreased to 73 basis points in fiscal 2006 from 74 basis points in fiscal 2005 and 77 basis points in fiscal 2004, largely as a result of the change in the Company's fund asset mix. As Class B shares have decreased as a percentage of total fund assets under management, distribution fees have decreased in both absolute dollars and as a percentage of total revenue. Distribution fees as a percentage of total revenue decreased to 16 percent in 2006 from 18 percent in fiscal 2005 and 23 percent in fiscal 2004. The impact of the decline in the Company's effective fee rate was offset in part by a reduction in deferred sales commissions amortization expense, as capitalized sales commissions paid on Class B share sales also declined with the change in asset mix.

Revenue

(in thousands)	For the Years Ended October 31,			2006 vs. 2005	2005 vs. 2004
	2006	2005	2004		
Investment adviser and administration fees	\$ 594,632	\$ 503,085	\$ 413,102	18%	22%
Distribution and underwriter fees	140,331	139,043	150,018	1%	-7%
Service fees	122,805	104,644	92,087	17%	14%
Other revenue	4,426	6,403	6,606	-31%	-3%
Total revenue	\$ 862,194	\$ 753,175	\$ 661,813	14%	14%

Investment adviser and administration fees

Investment adviser and administration fees are generally determined by contractual agreements with the Company's sponsored funds and separate accounts and are generally based upon a percentage of the market value of assets under management. Net asset flows and 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 18 percent and 22 percent in fiscal 2006 and 2005, respectively, over the same periods a year earlier can be attributed primarily to an increase in average assets under management and a modest increase in the Company's effective investment adviser and administration fee rates. While separately managed account effective fee rates remained stable at 34 basis points for all three years, fund effective fee rates increased to 56 basis points in fiscal 2006 from 55 basis points and 53 basis points in fiscal 2005 and 2004, respectively. Average assets under management increased by 16 percent and 19 percent in fiscal 2006 and 2005, respectively, over the prior year periods.

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. Underwriter commissions are earned on the sale of shares of the Company's sponsored mutual funds on which investors pay a sales charge at the time of purchase (Class A share sales). Sales charges and underwriter commissions are waived or reduced on sales that exceed specified minimum amounts and on fee-based accounts. Underwriter commissions fluctuate with the level of Class A share sales and the mix of Class A shares offered with and without sales charges.

Distribution and underwriter fees increased by 1 percent in fiscal 2006 compared to the same period a year ago. Distribution plan payments decreased 3 percent to \$127.5 million in fiscal 2006 from \$131.1 million in fiscal 2005, reflecting a decrease in average Class B share assets under management offset in part by an

increase in average Class C and certain private fund assets also subject to distribution fees. As noted in the table “Average Assets Under Management by Asset Class,” average Class B share assets under management declined 12 percent year-over-year in fiscal 2006, while average Class C share and private fund assets under management subject to distribution fees increased by 7 percent each. Underwriter fees and other distribution income increased 62 percent to \$12.8 million in fiscal 2006 from \$7.9 million in fiscal 2005, primarily reflecting a 56 percent increase in Class A share sales.

Distribution and underwriter fees decreased by 7 percent in fiscal 2005 compared to the same period a year earlier, primarily reflecting a decrease in average Class B share assets under management. Average Class B share assets under management declined 23 percent year-over-year in fiscal 2005, principally as a result of net redemptions in the asset class, while average Class C share and private fund assets under management subject to distribution fees increased by 9 percent and 13 percent, respectively.

Service fees

Service plan 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 EVM) for personal service and/or the maintenance of shareholder accounts.

Service fee revenue increased by 17 percent in fiscal 2006 over the same period a year ago, primarily reflecting a 15 percent increase in average assets under management in Class A, B, and C shares and private funds subject to distribution fees. Service fee revenue increased by 14 percent in fiscal 2005, reflecting an 11 percent increase in average Class A, B, C and I and certain private fund assets under management.

Other revenue

Other revenue, which consists primarily of shareholder service fees, miscellaneous dealer income, custody fees, and investment income earned by consolidated funds, declined by 31 percent and 3 percent in fiscal 2006 and 2005, respectively. The decrease in other revenue in fiscal 2006 can be attributed primarily to a decrease in investment income related to Eaton Vance Short-Term Income Fund and Eaton Vance Short-Term Treasury Fund, which the Company stopped consolidating in April 2005 and April 2006, respectively. Other revenue for fiscal 2006, 2005 and 2004 includes \$1.2 million, \$2.2 million and \$2.0 million, respectively, of investment income related to consolidated funds for the periods during which they were consolidated.

Expenses

Operating expenses increased by 15 percent in fiscal 2006 and 13 percent in fiscal 2005 because of increases in compensation, service fees, distribution and other expenses.

Expenses

<i>(in thousands)</i>	For the Years Ended October 31,			2006 vs. 2005	2005 vs. 2004
	2006	2005	2004		
Compensation of officers and employees	\$244,620	\$205,663	\$172,411	19%	19%
Amortization of deferred sales commissions	52,048	63,535	81,202	-18%	-22%
Service fee expense	95,573	86,197	76,620	11%	12%
Distribution expense	116,741	103,447	81,559	13%	27%
Other expenses	88,246	61,726	49,381	43%	25%
Total expenses	\$597,228	\$520,568	\$461,173	15%	13%

Compensation of officers and employees

Compensation expense increased by 19 percent in both fiscal 2006 and fiscal 2005 over the same periods a year earlier. The increase in compensation expense in both periods can be primarily attributed to an increase in headcount (up 15 percent in fiscal 2006 and 10 percent in fiscal 2005), higher stock-based compensation expense, higher operating income-based employee bonus accruals, higher marketing incentives associated with the Company's separately managed account business, and higher marketing incentives associated with the increase in long-term fund sales. The increase in headcount in fiscal 2006 reflects additions to the Company's investment management, marketing and operations teams to support the significant growth in assets under management as well as the build-out of the Company's institutional sales team, which began in fiscal 2005.

The Company's adoption of SFAS No. 123R resulted in the recognition of \$36.3 million of stock-based compensation in the fiscal 2006 (\$26.4 million after tax or \$0.19 per diluted share) compared to \$28.6 million in fiscal 2005 (\$21.7 million after tax or \$0.15 per diluted share) and \$23.5 million in fiscal 2004 (\$18.0 million after tax or \$0.12 per diluted share). Approximately \$4.0 million of the total \$7.7 million increase in fiscal 2006 stock-based compensation expense can be attributed to the acceleration in the recognition of stock-based compensation for retirement-eligible employees under SFAS No. 123R.

The Company's current retirement policy provides that an employee is eligible for retirement at age 65, or for early retirement with the Company's consent when the employee reaches age 55 and has a combined age plus years of service to the Company of at least 75 years. Because many of the Company's outstanding stock options allow for accelerated vesting of options upon retirement, the adoption of SFAS No. 123R resulted in the immediate recognition of compensation expense at grant date for all awards granted to retirement-eligible employees on or after the adoption of SFAS No. 123R on November 1, 2005. For awards granted to employees approaching retirement eligibility, the adoption of SFAS No. 123R resulted in compensation expense on a straight-line basis over the period from the grant date through the retirement eligibility date. Stock-based compensation expense for employees who are not retirement eligible is recognized on a straight-line basis over the service or vesting period of the option (generally five years). Prior to the implementation of SFAS No. 123R, and consistent with SFAS No. 123, it had been the Company's policy to recognize all stock-based compensation expense over the vesting period without regard to retirement eligibility.

The accelerated recognition of compensation cost for employees who are retirement-eligible or are nearing retirement eligibility under the Company's existing retirement policy is applicable for all grants made on or after the Company's adoption of SFAS No. 123R (November 1, 2005). The accelerated recognition of compensation expense associated with stock option grants to retirement-eligible employees in the quarter when the options are granted will reduce the associated stock-based compensation expense recognized in subsequent quarters.

Amortization of deferred sales commissions

Amortization of deferred sales commissions decreased by 18 percent and 22 percent in fiscal 2006 and 2005, respectively, over the same periods a year earlier. Amortization expense is affected by ongoing sales and redemptions of mutual fund Class B shares, Class C shares and certain private funds. As amortization expense is a function of the Company's fund asset mix, a continuing shift away from Class B shares to other classes over time, particularly Class A shares, will most likely result in further reductions 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 11 percent in fiscal 2006 and 12 percent in fiscal 2005, reflecting increases in average long-term fund assets retained more than one year in funds and share classes that are subject to service fees.

Distribution expense

Distribution expense consists primarily of payments made to distribution partners pursuant to third-party distribution arrangements (for certain Class C share and closed-end fund assets, calculated as a percentage of average 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 13 percent in fiscal 2006 and 27 percent in fiscal 2005, largely as a result of increases in closed-end fund assets and other assets 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 43 percent, or \$26.5 million, in fiscal 2006 over the same period a year ago, primarily reflecting increases in fund-related expenses of \$4.6 million, facilities-related expenses of \$3.7 million, information technology expense of \$8.4 million and amortization of intangible assets of \$7.7 million. The increase in fund-related expenses can be attributed primarily to payments made to external investment advisers for subadvisory services provided and an increase in the recognition of fund expenses for certain institutional funds for which the Company is paid an all-in management fee. The increase in facilities-related expenses can be attributed to an increase in rent associated with additional office space leased by the Company to support the 15 percent increase in headcount, additional building expenses associated with the build-out of that office space and related increases in insurance and depreciation. The increase in information technology expense can be attributed to an overall increase in data services and costs incurred in fiscal 2006 in conjunction with several significant system implementations.

The increase in the amortization of intangible assets in fiscal 2006 can be attributed to the acceleration of non-cash amortization to write-off intangible assets relating to the termination of certain institutional and high-net-worth asset management contracts at Fox Asset Management. These contracts were identified and accounted for as intangible assets at the time of the Fox Asset Management acquisition in September 2001. 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. The write-off, which totaled \$8.9 million or \$0.04 per diluted share, was computed by comparing the net present value of the projected future client cash flows to the carrying value of the intangible asset at April 30, 2006. Assets under management at Fox Asset Management have remained relatively stable despite the attrition of the original contracts acquired as these contracts have been replaced over time by similar asset management contracts.

Other expenses increased by 25 percent or \$12.3 million in fiscal 2005 over the same period a year earlier, primarily reflecting increases in fund-related expenses of \$8.0 million, information technology expense of \$1.3 million, other consulting expense of \$1.6 million and amortization of intangible assets of \$0.8 million. The increase in fund-related expenses can be attributed to costs borne by the Company to support product development prior to new product launch and payments made to external investment advisers for subadvisory services provided. The increase in information technology can be attributed to an overall increase in data services. The increase in the amortization of intangible assets can be attributed to a \$0.9 million write-off of intangible assets recognized in the second quarter of fiscal 2005 relating to terminations of management contracts acquired by Fox Asset Management in fiscal 2003.

Other Income and Expense

(in thousands)	For the Years Ended October 31,			2006 vs. 2005	2005 vs. 2004
	2006	2005	2004		
Interest income	\$ 8,033	\$4,354	\$ 2,799	84%	56%
Interest expense	(12,850)	(1,464)	(5,898)	778%	-75%
Gain on investments	3,667	38	275	NM	-86%
Foreign currency loss	(222)	(32)	(85)	594%	-62%
Impairment loss on investments	(592)	(2,120)	-	-72%	NM
Total other income (expense)	\$ (1,964)	\$ 776	\$(2,909)	NM	NM

Interest income increased by 84 percent in fiscal 2006 over the same period a year ago, primarily due to an increase in short-term interest rates and an increase in interest income earned on the Company's minority equity investments in CDO entities. Interest income increased by 56 percent in fiscal 2005, primarily due to an increase in short-term interest rates offset by a decrease in interest income earned on the Company's minority equity investments in CDO entities.

Interest expense increased by \$11.4 million in fiscal 2006 over the same period a year ago, primarily due to the redemption of EVM's zero-coupon exchangeable senior notes ("Notes") in August 2006. Upon receipt of EVM's notice of its intent to redeem the Notes for cash, Noteholders had the option to exchange the Notes into Eaton Vance Corp. non-voting common stock. EVM ultimately had the right to settle the exchange in cash in lieu of shares. As a result of the redemption and resultant settlement in cash, EVM recognized \$9.8 million in additional interest expense representing the premium value of the shares that would have been issued upon exchange in excess of the accreted value of the Notes on the redemption date. In addition, EVM recognized an additional \$1.5 million in interest expense representing the write-off of related debt issuance costs.

Interest expense decreased by 75 percent in fiscal 2005, primarily reflecting a decrease in average long-term debt balances. The decrease in average long-term debt balances is attributed to the retirement of EVM's 6.22 percent notes in March 2004 and the repurchase of \$46.0 million of EVM's zero-coupon exchangeable senior notes in August 2004. As noted above, these Notes were ultimately redeemed in full in August 2006.

In fiscal 2006, the Company recognized net gains of \$2.2 million upon the disposition of certain investments in sponsored funds and \$1.4 million on liquidation of investments in two CDO entities.

The Company recognized impairment losses of \$0.6 million and \$2.1 million in fiscal 2006 and 2005, respectively, related to its investments in two CDO entities. The impairment losses resulted from the effect of tightening credit spreads and higher than forecasted prepayment rates on the entity's investments. The Company continues to earn management fees on both underlying collateral pools.

Income Taxes

The Company's effective tax rate (income taxes as a percentage of income before income taxes, minority interest, equity in net income of affiliates, and the cumulative effect of a change in accounting principle) was 39 percent in both fiscal 2006 and 2005 and 37 percent in fiscal 2004.

The Company's policy for accounting for income taxes includes monitoring its business activities and tax policies to ensure that the Company is in compliance with federal, state and foreign tax laws. In the ordinary course of business, various taxing authorities may not agree with certain tax positions taken by the Company, or applicable law may not be clear. The Company periodically reviews these tax positions and provides for and adjusts as necessary estimated liabilities relating to such positions as part of its overall tax provision. During the year ended October 31, 2005, the Company increased its provision for income taxes by \$1.9 million related to uncertain tax positions, which resulted in an increase in the Company's effective tax rate.

Minority Interest

Minority interest increased by 1 percent and 10 percent in fiscal 2006 and 2005, respectively, primarily due to the increased profitability of two of the Company's majority-owned subsidiaries, Atlanta Capital and Parametric Portfolio Associates.

Minority interest is not adjusted for taxes due to the underlying tax status of the Company's majority-owned subsidiaries. Atlanta Capital, Fox Asset Management and Parametric Portfolio Associates are limited liability companies that are treated as partnerships for tax purposes. Funds consolidated by the Company are registered investment companies or private funds that are treated as pass-through entities for tax purposes.

Equity in Net Income of Affiliates, Net of Tax

Equity in net income of affiliates, net of tax, at October 31, 2006 reflects the Company's 20 percent minority equity interest in Lloyd George Management, a 20 percent minority equity interest in the Eaton Vance Short-Term Income Fund, a 20 percent minority equity interest in the Eaton Vance Equity Research Fund and a 7 percent minority equity interest in a private equity partnership. Equity in net income of affiliates, net of tax, increased by \$3.1 million or 253 percent in fiscal 2006, primarily due to a \$2.8 million increase in net income (after tax) attributed to the Company's minority equity investment in the Eaton Vance Short-Term Income Fund.

Equity in net income of affiliates, net of tax, decreased by 4 percent in fiscal 2005, largely as a result of calendar year-end bonuses paid and expensed by Lloyd George Management in December 2004. Equity in net income of affiliates in fiscal 2005 primarily reflects the Company's 20 percent minority equity interest in Lloyd George Management as well as the Company's 30 percent minority equity interest in the Eaton Vance Short-Term Income Fund.

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 on October 31, 2006, 2005 and 2004 and for the years then ended:

Balance Sheet and Cash Flow Data

	For the years ended October 31,				
<i>(in thousands)</i>	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
Balance sheet data:					
Cash and cash equivalents	\$206,705	\$146,389	\$147,137	41%	-1%
Short-term investments	20,669	127,858	210,429	-84%	-39%
Long-term investments	73,075	61,766	36,895	18%	67%
Deferred sales commissions	112,314	126,113	162,259	-11%	-22%
Long-term debt	-	75,467	74,347	-100%	2%
Deferred income taxes	22,520	29,804	42,821	-24%	-30%
Cash flow data:					
Operating cash flows	\$262,851	\$104,052	\$115,220	153%	-10%
Investing cash flows	(26,197)	(30,868)	(3,489)	-15%	NM
Financing cash flows	(176,407)	(73,856)	(103,004)	139%	-28%

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 include investments in the Company's sponsored money market and short-term income funds. Long-term investments consist principally of investments in certain of the Company's sponsored mutual funds, investments in affiliates 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 11 percent in fiscal 2006 and 22 percent in fiscal 2005, primarily reflecting the ongoing decline in Class B share sales and assets. Deferred income taxes, which relate principally to the deferred tax liability for deferred sales commissions offset by the deferred tax benefit for stock-based compensation, decreased by 24 percent in fiscal 2006 and 30 percent in fiscal 2005. Upon adoption of SFAS No. 123R in the first quarter of fiscal 2006, the Company established a deferred tax asset of \$21.3 million.

The following table details the Company's future contractual obligations:

<i>(in millions)</i>	Contractual Obligations				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases – facilities and equipment	\$203.5	\$9.6	\$21.0	\$25.5	\$147.4
Investment in private equity partnership	10.3	-	10.3	-	-

In July 2006, the Company committed to invest \$15.0 million in a private equity partnership that invests in companies in the financial services industry. In August 2006, the Company invested \$4.7 million of the total \$15.0 million of committed capital.

In September 2006, the Company signed a long-term lease to move the Company's corporate headquarters to a new location in Boston. The lease will commence in May 2009.

Excluded from the table above are future payments to be made by the Company to purchase the minority interests retained by minority investors in Atlanta Capital, Fox Asset Management and Parametric Portfolio

Associates. The Company's acquisition agreements provide the minority shareholders the right to require the Company to purchase these retained interests at specific intervals over time. These agreements also provide the Company with the right to require the minority shareholders to sell their retained equity interests to the Company at specific intervals over time, as well as upon certain events such as death and permanent disability. These purchases and sales will occur at varying times at varying amounts over the next 7 years and will generally be based upon a multiple of earnings before interest and taxes, a measure which is intended to represent fair market value. Although the timing and amounts of these purchases cannot be predicted with certainty, the Company anticipates that the purchase of the remaining minority interests in its majority-owned subsidiaries may be a significant use of cash in future years.

In the third quarter of fiscal 2006, the Company exercised a call option and purchased an additional 2 percent interest in Parametric Portfolio Associates from minority interest holders for \$4.0 million, increasing the Company's capital ownership interest from 80 percent to 82 percent. In addition, the Company purchased an additional 7 percent interest in Atlanta Capital from minority interest holders for \$7.2 million upon exercise of a minority investor put option, increasing the Company's ownership from 70 to 77 percent. The additional purchase price in each case was allocated between intangible assets and goodwill based on independent valuations obtained in the third quarter. Minority interest decreased by \$0.3 million as a result of these transactions.

On July 28, 2006, EVM announced its intention to redeem for cash all of its outstanding Notes (\$110.9 million principal amount at maturity with an accreted value on redemption date of \$76.4 million). Upon receipt of EVM's notice of its intent to redeem, holders of the Notes had the option to exchange the Notes into Eaton Vance Corp. non-voting common stock at a rate of 28.7314 shares of common stock per \$1,000 principal amount at maturity until the close of business on August 10, 2006. As of the close of business on August 10, 2006, all but \$6,000 principal amount at maturity of the Notes were tendered for exchange into the Company's non-voting common stock. EVM elected to pay the holders cash in lieu of delivering stock as provided for in the indenture agreement governing the Notes. As a result, EVM paid \$86.2 million to holders who presented their Notes for exchange. The remaining Notes with a principal amount at maturity of \$6,000 were redeemed by the Company for cash in the aggregate amount of \$4,130.

The redemption of the Notes resulted in the elimination of all of the Company's long-term debt and reduced its diluted shares outstanding on the redemption date by 3.2 million shares (approximately 0.7 million shares on a weighted average basis in fiscal 2006). The \$9.8 million premium value of the shares in excess of the accreted value of the Notes paid in cash to Note holders was recorded as interest expense in the Company's fiscal fourth quarter, in addition to the write-off of \$1.5 million of related debt issuance costs. Approximately \$2.6 million of the total premium value was not deductible for tax purposes.

The Company maintains a revolving credit facility with several banks, which expires on December 21, 2009. It 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. On October 31, 2006, the Company had no outstanding borrowings under its revolving credit facility.

Operating Cash Flows

Operating cash flows of the Company are calculated by adjusting the net income to reflect changes in current assets and liabilities, deferred sales commissions, stock-based compensation, deferred income taxes and investments classified as trading. Cash provided by operating activities totaled \$262.9 million, \$104.1 million and \$115.2 million in the fiscal years ended October 31, 2006, 2005 and 2004, respectively. The increase in cash provided by operating activities in fiscal 2006 can be attributed primarily to an increase in net income and an increase in cash provided by the purchase and sale of trading securities by two consolidated short-term income funds, which regularly purchase and sell short-term debt instruments. The Company deconsolidated the first of the two funds in April 2005 and the second in April 2006. Net cash provided by (used for) the

purchase and sale of trading securities totaled \$30.6 million, (\$68.8) million and (\$105.8) million in fiscal 2006, 2005 and 2004, respectively. The decrease in cash provided by operating activities in fiscal 2005 can be attributed primarily to a change in the timing of advisory, administration, distribution and service fee payments made by the custodian of the Company's sponsored funds in the quarter ended July 31, 2005. Prior to July 31, 2005, the custodian made all fee payments on the last business day of the month. Effective July 31, 2005, the custodian pays all fees on the third business day of the following month. As a result, investment adviser fees and other receivables increased at October 31, 2005 and cash and cash equivalents decreased in comparison to October 31, 2004.

Capitalized sales commissions paid to financial intermediaries for the distribution of the Company's Class B and Class C fund shares and certain private funds increased by \$6.9 million in fiscal 2006 due primarily to a 23 percent increase in Class C share sales. Capitalized sales commissions decreased by \$16.9 million in fiscal 2005 due to declines in both Class B and Class C share sales. The Company anticipates that the payment of capitalized sales commissions will continue to be a significant use of cash in the future.

Investing Cash Flows

Investing activities consist primarily of the purchase of equipment and leasehold improvements and the purchase and sale of investments in Company-sponsored mutual funds that the Company does not consolidate. Cash used for investing activities totaled \$26.2 million, \$30.9 million and \$3.5 million in fiscal 2006, 2005 and 2004, respectively. In fiscal 2006, additions to equipment and leasehold improvements totaled \$12.7 million, compared to \$3.4 million in fiscal 2005 and \$3.6 million in fiscal 2004, reflecting primarily additional leasehold improvements made in conjunction with additional office space leased to accommodate increased headcount. Proceeds from the sale of available-for-sale investments of \$27.0 million in fiscal 2006 were offset by the purchase of shares in Company-sponsored mutual funds and other investments of \$27.6 million. In fiscal 2005 and 2004, total proceeds from the sale of available-for-sale investments of \$1.4 million and \$3.3 million, respectively, were offset by the purchase of available-for-sale investments of \$28.1 million and \$2.4 million, respectively. In addition, the Company purchased an additional 7 percent interest in Atlanta Capital and an additional 2 percent interest in Parametric Portfolio Associates in fiscal 2006 for a total of \$11.3 million.

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. Financing cash flows also include proceeds from the issuance of capital stock by the Company's consolidated mutual fund affiliates and cash paid to meet redemptions by minority shareholders of these mutual fund subsidiaries. Cash used for financing activities totaled \$176.4 million, \$73.9 million and \$103.0 million in fiscal 2006, 2005 and 2004, respectively, reflecting net proceeds from the issuance of the Company's mutual fund affiliates' capital stock of \$79.3 million, \$84.6 million and \$58.8 million in fiscal 2006, 2005 and 2004, respectively.

In fiscal 2006, EVM retired its zero-coupon exchangeable notes with an accreted value on redemption date of \$76.4 million. The Company made no long-term debt payments in fiscal 2005. Debt repayments in fiscal 2004 included the retirement of EVM's 6.22 percent senior loan for \$7.1 million and the repurchase of \$46.0 million at accreted value of EVM's zero-coupon exchangeable notes.

In fiscal 2006, the Company repurchased a total of 5.8 million shares of its non-voting common stock for \$159.9 million under its authorized repurchase program and issued 2.7 million shares of non-voting common stock in connection with the exercise of stock options and employee stock purchases for total proceeds of \$28.2 million. The Company has authorization to purchase an additional 6.3 million shares under its present share repurchase authorization and anticipates that future repurchases will continue to be a significant use of cash. The Company's dividends per share were \$0.42 in fiscal 2006, \$0.34 in fiscal 2005 and \$0.28 in fiscal

2004. The Company increased its quarterly dividend by 20 percent to \$0.12 per share in the fourth quarter of fiscal 2006.

The Company believes that cash provided by operating activities and borrowings available under the Company's \$180 million credit facility will provide the Company with sufficient liquidity to meet its short-term and long-term cash demands.

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. 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 commission 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. The Company attributes all goodwill associated with the acquisitions of Atlanta Capital, Fox Asset Management and Parametric Portfolio Associates to a single reporting unit. Goodwill is not amortized but is tested at least annually for impairment by comparing the fair value of the reporting unit to its carrying amount, including goodwill. The Company establishes fair value for the purpose of impairment testing using discounted cash flow analyses and appropriate market multiples. In this process, the Company makes assumptions related to projected future earnings and cash flow, market multiples and applicable discount rates. Changes in these estimates could materially affect the Company's impairment conclusion.

Identifiable intangible assets generally represent the cost of client relationships and management contracts acquired. In valuing these assets, the Company makes assumptions regarding useful lives and projected growth rates and significant judgment is required. In most instances, the Company engages third party consultants to perform these valuations. 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 assets exceed their respective fair values, additional impairment tests are performed to measure the amount of the impairment loss, if any.

Deferred 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. The Company's deferred taxes relate principally to stock-based compensation expense and capitalized sales commissions paid to broker/dealers. IRS regulations issued in 2004 provide that capitalized sales commission payments are deductible for tax purposes at the time of payment. While the Company has considered future taxable income and ongoing tax planning 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 CDO Entities

The Company acts as collateral manager for a number of CDO entities pursuant to collateral management agreements between the Company and each CDO entity. At October 31, 2006, combined assets under management in the collateral pools of these CDO entities plus warehoused assets upon which the Company earns a management fee were approximately \$2.9 billion. The Company had combined minority equity investments of \$9.1 million in four of these entities on October 31, 2006.

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 of 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 \$9.1 million carrying value of the minority equity investments on the Company's Consolidated Balance Sheet at October 31, 2006.

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 CDO entities it manages is limited to its equity interests in the CDO entities as reflected in the Company's Consolidated Balance Sheet.

Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards measured at grant date, is recognized over the relevant service period, and is adjusted each period for anticipated forfeitures. The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, volatility, an appropriate risk-free interest rate and the expected life of the option. Many of these assumptions require management's judgment. Management must also apply judgment in developing an expectation of awards that may be forfeited. If actual experience differs significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially affected.

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 Statement of Financial Accounting Standards ("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. There are no losses of this nature that are probable and reasonably estimable, and thus none have been recorded in the financial statements included in this report.

Inflation

The Company's assets are, to a large extent, liquid in nature and therefore the Company does not believe that inflation has had a material impact on the Company's results of operations. To the extent that inflation, or the expectation thereof, results in rising interest rates, it may adversely affect the Company's financial condition and results of operations. A substantial decline in the value of fixed-income or equity investments could adversely affect the net asset value of funds and accounts the Company manages, which in turn would result in a decline in investment advisory revenue.

Accounting Developments

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements but does not in itself require any new fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management is currently evaluating this standard and its impact, if any, on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS No. 158 requires employers to recognize the overfunded or underfunded status of a defined postretirement plan in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. The provisions of SFAS No. 158 are effective for fiscal years ending after December 15, 2006 for employers with publicly traded equity securities. The Company does not anticipate that the provisions of SFAS No. 158 will have an impact on the Company's consolidated financial statements because the Company does not maintain any defined benefit, pension or other post-retirement plans.

In June 2006, the Financial Accounting Standards Board (“FASB”) issued interpretation No. 48, “Accounting for the Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” (FIN 48). FIN 48 clarifies certain aspects of accounting for uncertain tax positions, including issues related to the recognition and measurement of those tax positions. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. Management is currently evaluating the potential impact of the adoption of this interpretation.

In June 2005, the FASB ratified the EITF’s consensus on EITF Issue No. 04-05, “Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights.” The Task Force reached a consensus that for general partners of all new limited partnerships formed and for existing limited partnerships for which the partnership agreements are modified, the guidance is effective after June 29, 2005. The Task Force also reached a consensus that for general partners in all other limited partnerships, the guidance is effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of the consensus did not have a material effect on the consolidated results of operations or the consolidated financial position of the Company.

Quantitative and Qualitative Disclosures about Market Risk

The Company is 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 and bond prices, interest rates, credit risk, or currency exchange rates.

The Company’s primary direct exposure to equity price risk arises from its investments in sponsored equity funds and equity securities held by sponsored funds the Company consolidates. The Company’s investments in sponsored equity funds and equity securities are carried at fair value on the Company’s Consolidated Balance Sheets. 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 or underlying equity securities. The following is a summary of the effect that a 10 percent increase or decrease in equity prices would have on the Company’s investments subject to equity price fluctuation at October 31, 2006:

<i>(in thousands)</i>	Carrying Value	Carrying Value assuming a 10% increase	Carrying Value assuming a 10% decrease
Trading:			
Equity securities	\$12,775	\$14,053	\$11,498
Available for sale securities:			
Sponsored funds	32,747	36,022	29,472
Total	<u>\$45,522</u>	<u>\$50,075</u>	<u>\$40,970</u>

The Company’s primary direct exposure to interest rate risk arises from its investment in fixed and floating-rate income funds sponsored by the Company and debt securities held by sponsored funds the Company consolidates. The Company considered the negative effect on pre-tax interest income of a 50 basis point (0.50%) decline in interest rates as of October 31, 2006. 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 following is a summary of the effect that a 50 basis point percent (0.50%) decline in interest rates would have on the Company’s pre-tax net income as of October 31, 2006:

<i>(in thousands)</i>	Carrying Value	Pre-tax interest income impact of a 50 basis point decline in interest rates
Trading:		
Debt securities	\$ 761	\$ 4
Available for sale securities:		
Sponsored funds	3,736	19
Investment in affiliates	20,669	103
Total	<u>\$ 25,166</u>	<u>\$ 126</u>

The Company's primary direct exposure to credit risk arises from its minority equity interests in four 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 entitled to only a residual interest in the CDO entity, making these investments highly 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 \$9.1 million at October 31, 2006, which represents the total value at risk with respect to such entities as of October 31, 2006.

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 "Risk Factors," declines of financial market values will negatively impact the Company's revenue and net income.

Risk Factors

The Company is subject to substantial competition in all aspects of its investment management business and there are few barriers to entry. The Company's funds and separate accounts compete against an ever-increasing number of investment products and services sold to the public by investment management companies, investment dealers, banks, insurance companies and others. 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, the reputation of the Company and the services provided to investors. In addition, 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 which could limit the distribution of the Company's investment products. There can be no assurance that the Company will be able to retain access to these channels. The inability to have such access could have a material adverse effect on the Company's business. To the extent that existing or potential customers, including securities broker/dealers, decide to invest in or broaden distribution relationships with the Company's competitors, the sales of the Company's products as well as the Company's market share, revenues and net income could decline.

The Company derives almost all of its revenue from investment adviser and administration fees and distribution income received from the Eaton Vance funds and separate accounts. As a result, the Company is dependent upon management contracts, administration contracts, distribution contracts, underwriting contracts or service contracts under which these fees and income are paid. Generally, these contracts are terminable upon 30 to 60 days' notice without penalty. If any of these contracts are terminated, not renewed, or amended to reduce fees, the Company's financial results could 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 or client withdrawals 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. Any decrease in the level of assets under management resulting from price declines, interest rate volatility or uncertainty or other factors could negatively impact the Company's revenue and net income.

Poor investment performance of the Company's products could affect the Company's sales or reduce the amount of assets under management, potentially negatively impacting revenue and net income. Investment performance, along with achieving and maintaining superior distribution and client service, is critical to the Company's success. While strong investment performance could stimulate sales of the Company's investment products, poor investment performance as compared to third-party benchmarks or competitive products could lead to a decrease in sales and stimulate higher redemptions, thereby lowering the amount of assets under management and reducing the investment adviser fees the Company earns. Past or present investment performance in the investment products the Company manages is not indicative of future performance.

The Company's success depends on key personnel and the Company's financial performance could be negatively affected by the loss of their services. The Company's success depends upon the Company's ability to attract, retain and motivate qualified portfolio managers, analysts, investment counselors, sales and management personnel and other key professionals including the Company's executive officers. Financial services professionals are in high demand, and the Company faces strong competition for qualified personnel. The Company's key employees do not have employment contracts and may voluntarily terminate their employment with the Company at any time. Certain senior executives and directors are subject to the Company's mandatory retirement policy. The loss of the services of key personnel or the Company's failure to attract replacement or additional qualified personnel could negatively affect the Company's financial performance. Any increase in compensation made by the Company in order to attract or retain key personnel could result in a decrease in net income.

The Company's expenses are subject to fluctuations that could materially affect the Company's operating results. The Company's results of operations are dependent on the level of expenses, which can vary significantly. The Company's expenses may fluctuate as a result of variations in the level of total compensation expense, future impairments of intangible assets or goodwill, expenses incurred to enhance the Company's infrastructure (including technology and compliance) and other expenses incurred to support distribution of the Company's investment products.

The Company's reputation could be damaged. Eaton Vance Corp. has spent over 80 years building a reputation based on strong investment performance, a high level of integrity and superior client service. The Company's reputation is extremely important to its success. Any damage to the Company's reputation could result in client withdrawals from funds or separate accounts that are advised by the Company and ultimately impede the Company's ability to attract and retain key personnel. The loss of

either client relationships or key personnel could reduce the amount of assets under management and cause the Company to suffer a loss in revenue or net income.

The Company is subject to federal securities laws, state laws regarding securities fraud, other federal and state laws and rules and regulations of certain regulatory and self-regulatory organizations, including, among others, the Securities and Exchange Commission, the NASD and the New York Stock Exchange. In addition, financial reporting requirements are comprehensive and complex. While the Company has focused significant attention and resources on the development and implementation of compliance policies, procedures and practices, non-compliance with applicable laws, rules or regulations, either in the United States or abroad, or the Company's inability to adapt to a complex and ever-changing regulatory environment could result in sanctions against the Company, which could adversely affect the Company's reputation, prospects, revenue, and earnings.

Evaluation of Disclosure Controls and Procedures

As of October 31, 2006, 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits to the SEC is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers or persons performing similar functions, to allow timely decisions regarding required disclosure. 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.

Consolidated Statements of Income

	Years Ended October 31,		
<i>(in thousands, except per share figures)</i>	2006	2005	2004
Revenue:			
Investment adviser and administration fees	\$ 594,632	\$ 503,085	\$ 413,102
Distribution and underwriter fees	140,331	139,043	150,018
Service fees	122,805	104,644	92,087
Other revenue	4,426	6,403	6,606
Total revenue	862,194	753,175	661,813
Expenses:			
Compensation of officers and other employees	244,620	205,663	172,411
Amortization of deferred sales commissions	52,048	63,535	81,202
Service fee expense	95,573	86,197	76,620
Distribution expense	116,741	103,447	81,559
Other expenses	88,246	61,726	49,381
Total expenses	597,228	520,568	461,173
Operating income	264,966	232,607	200,640
Other Income (Expense):			
Interest income	8,033	4,354	2,799
Interest expense	(12,850)	(1,464)	(5,898)
Gain on investments	3,667	38	275
Foreign currency loss	(222)	(32)	(85)
Impairment loss on investments	(592)	(2,120)	-
Income before income taxes, minority interest, equity in net income of affiliates and cumulative effect of change in accounting principle	263,002	233,383	197,731
Income taxes	(102,245)	(90,871)	(72,493)
Minority interest	(5,103)	(5,037)	(4,559)
Equity in net income of affiliates, net of tax	4,349	1,231	1,283
Income before cumulative effect of change in accounting principle	160,003	138,706	121,962
Cumulative effect of change in accounting principle, net of tax	(626)	-	-
Net income	\$ 159,377	\$ 138,706	\$ 121,962
Earnings per share before cumulative effect of change in accounting principle:			
Basic	\$ 1.25	\$ 1.05	\$ 0.90
Diluted	\$ 1.18	\$ 0.99	\$ 0.87
Earnings per share:			
Basic	\$ 1.25	\$ 1.05	\$ 0.90
Diluted	\$ 1.17	\$ 0.99	\$ 0.87
Weighted average shares outstanding:			
Basic	127,807	131,591	134,938
Diluted	137,004	140,520	144,313

See notes to consolidated financial statements.

Consolidated Balance Sheets

	October 31,	
(in thousands, except share figures)	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 206,705	\$ 146,389
Short-term investments	20,669	127,858
Investment adviser fees and other receivables	94,669	83,868
Other current assets	7,324	10,473
Total current assets	329,367	368,588
Other Assets:		
Deferred sales commissions	112,314	126,113
Goodwill	96,837	89,634
Other intangible assets, net	34,549	40,644
Long-term investments	73,075	61,766
Equipment and leasehold improvements, net	21,495	12,764
Other assets	558	3,035
Total other assets	338,828	333,956
Total assets	\$ 668,195	\$ 702,544
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accrued compensation	\$ 80,975	\$ 62,880
Accounts payable and accrued expenses	33,660	27,987
Dividend payable	15,187	12,952
Other current liabilities	9,823	12,538
Total current liabilities	139,645	116,357
Long-Term Liabilities:		
Long-term debt	-	75,467
Deferred income taxes	22,520	29,804
Total long-term liabilities	22,520	105,271
Total liabilities	162,165	221,628
Minority interest	9,545	4,620
Commitments and contingencies (See Note 7)	-	-
Shareholders' Equity:		
Common stock, par value \$0.00390625 per share:		
Authorized, 1,280,000 shares		
Issued and outstanding, 309,760 shares	1	1
Non-voting common stock, par value \$0.00390625 per share:		
Authorized, 190,720,000 shares		
Issued and outstanding, 126,125,717 and 129,243,023 shares, respectively	493	505
Notes receivable from stock option exercises	(1,891)	(2,741)
Accumulated other comprehensive income	4,383	2,566
Retained earnings	493,499	475,965
Total shareholders' equity	496,485	476,296
Total liabilities and shareholders' equity	\$ 668,195	\$ 702,544

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income (Continued)

<i>(in thousands)</i>	Common and Non-Voting Common Shares	Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable From Stock Option Exercises
Balance, October 31, 2003	136,810	\$ 1	\$ 533	\$ -	\$ (2,995)
Net income	-	-	-	-	-
Other comprehensive income:					
Unrealized gains on investments, net of tax	-	-	-	-	-
Foreign currency translation adjustments, net of tax	-	-	-	-	-
Total comprehensive income					
Dividends declared (\$0.28 per share)	-	-	-	-	-
Issuance of non-voting common stock:					
On exercise of stock options	878	-	3	8,194	(577)
Under employee stock purchase plan	140	-	1	2,024	-
Under employee incentive plan	108	-	1	1,695	-
Under restricted stock plan	171	-	1	-	-
Stock-based compensation	-	-	-	23,522	-
Tax benefit of stock option exercises	-	-	-	1,511	-
Repurchase of non-voting common stock	(4,526)	-	(18)	(36,946)	-
Principal repayments	-	-	-	-	854
Balance, October 31, 2004	133,581	1	521	-	(2,718)
Net income	-	-	-	-	-
Other comprehensive income:					
Unrealized gains on investments, net of tax	-	-	-	-	-
Foreign currency translation adjustments, net of tax	-	-	-	-	-
Total comprehensive income					
Dividends declared (\$0.34 per share)	-	-	-	-	-
Issuance of non-voting common stock:					
On exercise of stock options	1,075	-	4	12,623	(615)
Under employee stock purchase plan	134	-	1	2,424	-
Under employee incentive plan	126	-	-	2,641	-
Under restricted stock plan	46	-	-	-	-
Stock-based compensation	-	-	-	28,607	-
Tax benefit of stock option exercises	-	-	-	3,434	-
Repurchase of non-voting common stock	(5,409)	-	(21)	(49,729)	-
Principal repayments	-	-	-	-	592
Balance, October 31, 2005	129,553	1	505	-	(2,741)
Net income	-	-	-	-	-
Other comprehensive income:					
Unrealized gains on investments, net of tax	-	-	-	-	-
Foreign currency translation adjustments, net of tax	-	-	-	-	-
Total comprehensive income					
Dividends declared (\$0.42 per share)	-	-	-	-	-
Issuance of non-voting common stock:					
On exercise of stock options	2,388	-	9	22,238	(552)
Under employee stock purchase plan	134	-	1	2,910	-
Under employee incentive plan	153	-	1	3,589	-
Under restricted stock plan	40	-	-	-	-
Stock-based compensation	-	-	-	36,867	-
Tax benefit of stock option exercises	-	-	-	6,073	-
Repurchase of non-voting common stock	(5,833)	-	(23)	(71,677)	-
Principal repayments	-	-	-	-	1,402
Balance, October 31, 2006	126,435	\$ 1	\$ 493	\$ -	\$ (1,891)

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income (Concluded)

<i>(in thousands)</i>	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity	Comprehensive Income (Loss)
Balance, October 31, 2003	\$ 1,245	\$ 427,727	\$ 426,511	
Net income	-	121,962	121,962	\$ 121,962
Other comprehensive income:				
Unrealized gains on investments, net of tax	558	-	558	558
Foreign currency translation adjustments, net of tax	51	-	51	51
Total comprehensive income				<u>\$ 122,571</u>
Dividends declared (\$0.28 per share)	-	(36,962)	(36,962)	
Issuance of non-voting common stock:				
On exercise of stock options	-	-	7,620	
Under employee stock purchase plan	-	-	2,025	
Under employee incentive plan	-	-	1,696	
Under restricted stock plan	-	-	1	
Stock-based compensation	-	-	23,522	
Tax benefit of stock option exercises	-	-	1,511	
Repurchase of non-voting common stock	-	(48,057)	(85,021)	
Principal repayments	-	-	854	
Balance, October 31, 2004	1,854	464,670	464,328	
Net income	-	138,706	138,706	\$ 138,706
Other comprehensive income:				
Unrealized gains on investments, net of tax	760	-	760	760
Foreign currency translation adjustments, net of tax	(48)	-	(48)	(48)
Total comprehensive income				<u>\$ 139,418</u>
Dividends declared (\$0.34 per share)	-	(44,539)	(44,539)	
Issuance of non-voting common stock:				
On exercise of stock options	-	-	12,012	
Under employee stock purchase plan	-	-	2,425	
Under employee incentive plan	-	-	2,641	
Under restricted stock plan	-	-	-	
Stock-based compensation	-	-	28,607	
Tax benefit of stock option exercises	-	-	3,434	
Repurchase of non-voting common stock	-	(82,872)	(132,622)	
Principal repayments	-	-	592	
Balance, October 31, 2005	2,566	475,965	476,296	
Net income	-	159,377	159,377	\$ 159,377
Other comprehensive income:				
Unrealized gains on investments, net of tax	1,754	-	1,754	1,754
Foreign currency translation adjustments, net of tax	63	-	63	63
Total comprehensive income				<u>\$ 161,194</u>
Dividends declared (\$0.42 per share)	-	(53,629)	(53,629)	
Issuance of non-voting common stock:				
On exercise of stock options	-	-	21,695	
Under employee stock purchase plan	-	-	2,911	
Under employee incentive plan	-	-	3,590	
Under restricted stock plan	-	-	-	
Stock-based compensation	-	-	36,867	
Tax benefit of stock option exercises	-	-	6,073	
Repurchase of non-voting common stock	-	(88,214)	(159,914)	
Principal repayments	-	-	1,402	
Balance, October 31, 2006	\$ 4,383	\$ 493,499	\$ 496,485	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Years Ended October 31,		
(in thousands)	2006	2005	2004
Cash and cash equivalents, beginning of year	\$ 146,389	\$ 147,137	\$ 138,328
Cash Flows From Operating Activities:			
Net income	159,377	138,706	121,962
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment loss on long-term investments	592	2,120	-
(Gain) loss on investments	(4,256)	192	(326)
Equity in net income of affiliates	(6,845)	(1,958)	(2,005)
Dividends received from affiliate	2,734	875	438
Minority interest	5,103	5,037	4,559
Interest on long-term debt and amortization of debt issuance costs	2,551	1,282	2,969
Deferred income taxes	(11,206)	(14,539)	19,192
Stock-based compensation	36,314	28,607	23,522
Cumulative effect of change in accounting principle, net of tax	626	-	-
Depreciation and other amortization	15,524	6,830	6,627
Amortization of deferred sales commissions	52,048	63,540	81,202
Payment of capitalized sales commissions	(53,848)	(46,950)	(63,830)
Contingent deferred sales charges received	15,628	19,548	19,691
Proceeds from sale of trading investments	190,725	88,762	19,177
Purchase of trading investments	(160,172)	(157,562)	(125,015)
Changes in assets and liabilities:			
Investment adviser fees and other receivables	(10,801)	(52,356)	(6,327)
Other current assets	3,773	(4,643)	(1,329)
Other assets	3,942	2,688	(1,338)
Accrued compensation	18,093	10,583	16,960
Accounts payable and accrued expenses	5,666	8,199	(33)
Other current liabilities	(2,717)	5,091	(876)
Net cash provided by operating activities	262,851	104,052	115,220
Cash Flows From Investing Activities:			
Additions to equipment and leasehold improvements	(12,721)	(3,397)	(3,600)
Purchase of minority members' interests	(11,256)	(360)	-
Purchase of management contracts	(1,703)	(463)	(801)
Proceeds from sale of available-for-sale investments	27,048	1,441	3,279
Purchase of available-for-sale investments	(27,565)	(28,089)	(2,367)
Net cash used for investing activities	(26,197)	(30,868)	(3,489)
Cash Flows From Financing Activities:			
Distributions to minority shareholders	(5,828)	(4,379)	(3,169)
Long-term debt issuance costs	-	(428)	-
Repayment of long-term debt	(76,358)	-	(53,171)
Excess tax benefit of stock option exercises	8,234	3,542	1,865
Proceeds from issuance of non-voting common stock	28,196	17,078	11,341
Repurchase of non-voting common stock	(159,914)	(132,622)	(85,021)
Principal repayments on notes receivable from stock option exercises	1,402	592	854
Dividends paid	(51,394)	(42,248)	(34,491)
Proceeds from the issuance of mutual fund subsidiaries' capital stock	80,000	151,500	76,818
Redemption of mutual fund subsidiaries' capital stock	(745)	(66,891)	(18,030)
Net cash used for financing activities	(176,407)	(73,856)	(103,004)
Effect of currency rate changes on cash and cash equivalents	69	(76)	82
Net increase (decrease) in cash and cash equivalents	60,316	(748)	8,809
Cash and cash equivalents, end of year	\$ 206,705	\$ 146,389	\$ 147,137
Supplemental Cash Flow Information:			
Interest paid	\$ 10,022	\$ 182	\$ 3,589
Income taxes paid	\$ 107,404	\$ 100,702	\$ 54,344
Supplemental Non-Cash Flow Information:			
Exercise of stock options through issuance of notes receivable	\$ 552	\$ 615	\$ 577

See notes to consolidated financial statements.

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.

Reclassification and Presentation

In December 2004, the Financial Accounting Standards Board (“FASB”) revised Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting For Stock-Based Compensation,” requiring public companies to recognize the cost resulting from all share-based payment transactions in their financial statements based on the grant-date fair value of those awards. The Company has applied the modified version of retrospective application of SFAS No. 123R, “Share-Based Payment,” for all periods prior to the required effective date and adjusted its financial statements for all periods presented on a basis consistent with the pro forma disclosures previously made under SFAS No. 123.

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

Segment Information

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 Company’s 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 trading consist primarily of investments in debt and equity securities held in the portfolios of sponsored funds consolidated by the Company 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 specific identified cost method is used to determine the realized gain or loss on securities sold.

Marketable securities classified as available-for-sale consist primarily of investments in sponsored funds and other debt and equity securities held by the Company in separately managed accounts and are carried at fair value based on quoted market prices. Unrealized holding gains or losses are reported net of deferred 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 the sale of shares of sponsored funds. The specific identified cost method is used to determine the realized gain or loss on sale of debt and equity securities maintained in separately managed accounts.

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 ("CDO entities") 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 CDO 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 on 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, bank loan interval and private funds reduce unamortized deferred sales commissions.

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. Identifiable intangible assets with discrete useful lives are amortized on a straight-line basis over their weighted average lives. The Company periodically reviews identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

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. The amortization of deferred debt issuance costs is included in interest expense.

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, average 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 measured using rates expected to be in effect when such differences reverse. Deferred taxes relate principally to stock-based compensation expense and capitalized sales commissions paid to brokers and dealers.

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, non-vested restricted stock using the treasury stock method and contingently convertible debt using the if-converted method.

Stock-Based Compensation

The Company accounts for stock-based compensation expense in accordance with SFAS No. 123R. Under SFAS No. 123R, stock-based compensation expense reflects the fair value of stock-based awards measured at grant date, is recognized over the relevant service period, and is adjusted each period for anticipated forfeitures. The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, volatility, an appropriate risk-free interest rate and the expected life of the option. Stock-based compensation expense for employees who are not retirement eligible is recognized on a straight-line basis over the service or vesting period of the option (generally five years). Prior to the implementation of SFAS No. 123R, and consistent with SFAS 123, it had been the Company's policy to recognize all stock-based compensation expense over the vesting period without regard to retirement eligibility. The Company continues to recognize all stock-based compensation expense for awards granted to retirement-eligible employees prior to November 1, 2005 over the vesting period. The Company immediately recognizes compensation expense at grant date for all awards granted to retirement-eligible employees on or after adoption of SFAS No. 123R on November 1, 2005. For awards granted to employees approaching retirement eligibility, the adoption of SFAS No. 123R resulted in compensation expense on a straight-line basis over the period from the grant date through the retirement eligibility date.

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 September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements but does not in itself require any new fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management is currently evaluating this standard and its impact, if any, on the Company’s consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R).” SFAS No. 158 requires employers to recognize the overfunded or underfunded status of a defined postretirement plan in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. The provisions of SFAS No. 158 are effective for fiscal years ending after December 15, 2006 for employers with publicly traded equity securities. The Company does not anticipate that the provisions of SFAS No. 158 will have an impact on the Company’s consolidated financial statements because the Company does not maintain any defined benefit, pension or other post-retirement plans.

In June 2006, the FASB issued interpretation No. 48, “Accounting for the Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” (FIN 48). FIN 48 clarifies certain aspects of accounting for uncertain tax positions, including issues related to the recognition and measurement of those tax positions. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. Management is currently evaluating the potential impact of the adoption of this interpretation.

In June 2005, the FASB ratified the EITF’s consensus on EITF Issue No. 04-05, “Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights.” The Task Force reached a consensus that for general partners of all new limited partnerships formed and for existing limited partnerships for which the partnership agreements are modified, the guidance is effective after June 29, 2005. The Task Force also reached a consensus that for general partners in all other limited partnerships, the guidance is effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of the consensus did not have a material effect on the consolidated results of operations or the consolidated financial position of the Company.

3. Goodwill and Other Intangible Assets

In fiscal 2003, the Company acquired a majority interest in Parametric Portfolio Associates LLC (“Parametric Portfolio Associates”). Parametric Portfolio Associates’ minority shareholders held a 20 percent capital and an 18.8 percent profits interest at closing. Certain minority shareholders of Parametric Portfolio Associates have the right to sell and the Company has the right to purchase an additional 8.6 percent of the capital of Parametric Portfolio Associates over a three-year period beginning January 1, 2006. Beginning January 1, 2008, 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 the previous calendar year. Any additional payments made will be treated as additional purchase price for accounting purposes. In fiscal

2006, the Company exercised a call option with the minority shareholders of Parametric Portfolio Associates whereby units representing a 2 percent capital ownership interest in Parametric were sold to the Company for \$4.0 million. Pursuant to the acquisition agreement, the purchase price was based on a multiple of earnings before taxes for the calendar year ended December 31, 2005. As a result of the transaction, the Company's capital ownership interest in Parametric Portfolio Associates increased to 82 percent on May 31, 2006 and the Company recorded intangible assets of \$1.4 million (representing \$0.7 million of amortizable intangible assets and \$0.7 million of non-amortizable intangible assets) and goodwill of \$2.5 million. The remainder of the purchase price was allocated to minority interest.

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 minority shareholders held 30 percent of the equity of Atlanta Capital at closing. Atlanta Capital's minority shareholders have the right to sell and the Company has the right to purchase the remaining 30 percent of Atlanta Capital over a five-year period beginning January 1, 2005, at a price based on a multiple of earnings before taxes in the previous calendar year. In fiscal 2006, the minority shareholders of Atlanta Capital Management, LLC ("Atlanta Capital") exercised a put option whereby units representing a 7 percent ownership interest in Atlanta Capital were sold to the Company for \$7.2 million. Pursuant to the acquisition agreement, the purchase price was based on a multiple of earnings before taxes for the calendar year ended December 31, 2005. As a result of the transaction, the Company's ownership interest in Atlanta Capital increased to 77.4 percent on June 30, 2006 and the Company recorded intangible assets of \$2.4 million and goodwill of \$4.7 million. The remainder of the purchase price was allocated to minority interest. In June 2005, the minority shareholders of Atlanta Capital exercised a put option whereby units representing a 0.4 percent ownership interest in Atlanta Capital were sold to the Company for \$0.4 million.

Fox Asset Management's principals held 20 percent of the equity of Fox Asset Management at closing. Beginning January 1, 2008, Fox Asset Management's minority shareholders 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 the previous calendar year. Any additional payments made to the minority shareholders of either Atlanta Capital or Fox Asset Management will be treated as additional purchase price for accounting purposes.

The changes in the carrying amount of goodwill for the years ended October 31, 2006 and 2005 are as follows:

<i>(in thousands)</i>	2006	2005
Balance, beginning of period	\$89,634	\$89,281
Goodwill acquired	7,203	353
Balance, end of period	\$96,837	\$89,634

The following is a summary of other intangible assets at October 31, 2006 and 2005:

2006	Weighted Average Amortization Period (In Years)	Gross Carrying Amount	Accumulated Amortization
<i>(in thousands)</i>			
Amortized intangible assets:			
Client relationships and technology acquired	13.9	\$55,242	\$22,648
Non-amortized intangible assets:			
Mutual fund management contracts	-	1,955	-
Total		\$57,197	\$22,648

2005	Weighted Average Amortization Period (In Years)	Gross Carrying Amount	Accumulated Amortization
<i>(in thousands)</i>			
Amortized intangible assets:			
Client relationships and technology acquired	15.3	\$50,449	\$11,116
Non-amortized intangible assets:			
Mutual fund management contracts	-	1,311	-
Total		\$51,760	\$11,116

In fiscal 2006 and 2005, the Company accelerated non-cash amortization by \$8.9 million and \$0.9 million, respectively, to write-off intangible assets relating to the termination of certain institutional and high-net-worth asset management contracts at Fox Asset Management. The write-offs were computed by comparing the net present value of projected future client cash flows to the carrying value of the intangible assets. The write-offs are included in other expenses in the Company's Consolidated Statements of Income for the years ended October 31, 2006 and 2005.

During fiscal 2006 and 2005, the Company acquired certain client relationships for \$1.7 million and \$0.5 million, respectively.

Amortization expense, including the write-offs of intangible assets noted above, was \$11.5 million, \$3.8 million and \$3.0 million for the years ended October 31, 2006, 2005 and 2004, respectively. Estimated amortization expense for the next five years is as follows:

Year Ending October 31, (in thousands)	Estimated Amortization Expense
2007	\$2,465
2008	2,385
2009	2,385
2010	2,385
2011	2,385

4. Investments

The following is a summary of investments at October 31, 2006 and 2005:

<i>(in thousands)</i>	2006	2005
Short-term investments:		
Debt securities	\$ -	\$ 10,199
Investment in affiliate	20,669	117,659
Total	\$ 20,669	\$ 127,858
Long-term investments:		
Debt securities	\$ 761	\$ -
Equity securities	12,775	-
Sponsored funds	36,483	31,066
Collateralized debt obligation entities	9,105	21,906
Investments in affiliates	13,006	7,875
Other investments	945	919
Total	\$ 73,075	\$ 61,766

Investments in sponsored funds and debt and equity securities

The following is a summary of the cost and fair value of investments in sponsored funds and debt and equity securities at October 31, 2006 and 2005:

2006 <i>(in thousands)</i>	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Long-term investments:				
Debt securities	\$ 759	\$ 8	\$ (6)	\$ 761
Equity securities	12,410	616	(251)	12,775
Sponsored funds	30,051	6,446	(14)	36,483
Total	\$43,220	\$7,070	\$ (271)	\$50,019
2005 <i>(in thousands)</i>	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Short-term investments:				
Debt securities	\$10,199	\$ -	\$ -	\$10,199
Long-term investments:				
Sponsored funds	27,066	4,048	(48)	31,066
Total	\$37,265	\$4,048	\$ (48)	\$41,265

Gross unrealized gains and losses on debt and equity securities classified as trading have been reported in income currently as a component of other revenue.

Gross unrealized gains and losses on investments in sponsored funds and debt and equity securities 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.

The following is a summary of the Company's realized gains and (losses) upon disposition of sponsored funds and certain debt and equity securities classified as available for sale for the years ended October 31, 2006, 2005 and 2004:

<i>(in thousands)</i>	2006	2005	2004
Gains	\$4,252	\$ 267	\$ 476
Losses	(484)	(44)	(186)
Net realized gain	\$3,768	\$ 223	\$ 290

The Company recognized \$2,000 of unrealized gains, \$0.2 million of unrealized losses and \$0.1 million of unrealized gains related to investments in debt and equity securities classified as trading for the years ended October 31, 2006, 2005 and 2004, respectively.

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 CDO entities, as well as incentive fees that are contingent on certain performance conditions. At October 31, 2006, combined assets under management in the collateral pools of these CDO entities were \$2.9 billion. The Company's maximum exposure to loss as a result of its investments in the equity of CDO entities was \$9.1 million, which is the carrying value of these investments at October 31, 2006. Investors in CDO entities 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 Company recognized impairment losses of \$0.6 million and \$2.1 million for the years ended October 31, 2006 and 2005, respectively, related to its investments in CDO entities. The impairment losses resulted from the effect of tightening credit spreads and higher than forecasted prepayment rates on the underlying collateral pools and, therefore, the Company's investment. The Company continues to earn a fee for providing investment management services on the underlying collateral pools.

The carrying value of \$9.1 million and \$21.9 million at October 31, 2006 and 2005, 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 interest in the Eaton Vance Institutional Short-Term Income Fund ("EVSI"), an open-end mutual fund that invests in short-term debt securities. The Company classifies this investment as a short-term investment for financial reporting purposes due to the short-term nature of the underlying securities in which EVSI invests. The Company's investment in EVSI was \$20.7 million and \$117.7 million at October 31, 2006 and 2005, respectively. At October 31, 2006, the Company's investment was equal to its share of the underlying net assets.

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 primarily manages international equity funds and separate accounts, including several funds sponsored by the Company. The Company's investment in LGM was \$8.3 million and \$7.1 million at October 31, 2006 and 2005, respectively. At October 31, 2006, the Company's investment exceeded its share of the underlying net assets of LGM by \$2.2 million. The Company does not amortize this excess.

The Company has a 7 percent equity interest in a private equity partnership that invests in companies in the financial services industry. At October 31, 2006, the Company's investment in the partnership was \$4.2 million. The Company had no investment in this partnership at October 31, 2005.

The Company has equity interests in excess of 20 percent in various other sponsored investment partnerships and funds. The Company's investment in these affiliates totaled \$0.5 million and \$0.7 million at October 31, 2006 and October 31, 2005, respectively. At October 31, 2006, the Company's investment in these entities was equal to its share of their underlying net assets.

The Company reviews its equity method investments annually for impairment pursuant to Accounting Principles Board ("APB") Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

Other investments

Included in other investments are certain investments carried at cost totaling \$0.9 million at both October 31, 2006 and 2005. Management believes that the fair value of these investments approximates their carrying value.

5. Equipment and Leasehold Improvements

The following is a summary of equipment and leasehold improvements at October 31, 2006 and 2005:

<i>(in thousands)</i>	2006	2005
Equipment	\$26,845	\$20,155
Leasehold improvements	14,649	10,478
Subtotal	41,494	30,633
Less: Accumulated depreciation and amortization	(19,999)	(17,869)
Equipment and leasehold improvements, net	\$21,495	\$12,764

Depreciation and amortization expense was \$4.0 million, \$3.0 million and \$3.6 million for the years ended October 31, 2006, 2005 and 2004, respectively.

6. Long-term Debt

Zero-coupon Exchangeable Senior Notes

On July 28, 2006, Eaton Vance Management ("EVM"), a wholly owned subsidiary of the Company, announced its intention to redeem for cash all of its outstanding zero-coupon exchangeable senior notes ("the Notes"), representing \$110.9 million principal amount at maturity with an accreted value on redemption date of \$76.4 million. Upon receipt of EVM's notice of its intent to redeem, holders of the Notes had the option to exchange the Notes into Eaton Vance Corp. non-voting common stock at a rate of 28.7314 shares of common stock per \$1,000 principal amount at maturity until the close of business on August 10, 2006. As of the close of business on August 10, 2006, all but \$6,000 principal amount at maturity of the Notes were tendered for exchange into the Company's non-voting common stock. EVM elected to pay the holders cash in lieu of delivering stock, as provided for in the indenture agreement governing the Notes. As a result, EVM paid \$86.2 million to holders of the Notes who presented their Notes for exchange. The remaining Notes with a principal amount at maturity of \$6,000 were redeemed for cash in the aggregate amount of \$4,130.

The redemption of the Notes resulted in the elimination of all of the Company's long-term debt and reduced its diluted shares outstanding on the redemption date by 3.2 million shares (approximately 0.7 million shares on a weighted average basis for the year ended October 31, 2006). The \$9.8 million premium value of the shares in excess of the accreted value of the Notes paid in cash to Note holders was recorded as interest expense in the Company's fiscal fourth quarter income statement, in addition to the write-off of \$1.5 million of related debt issuance costs. Approximately \$2.6 million of the total premium value was not deductible for tax purposes.

Corporate Credit Facility

In December 2004, the Company executed a five-year revolving credit facility with several banks. Under this facility, 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. At October 31, 2006, the Company had no borrowings outstanding under its revolving credit facility.

7. Commitments and 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 bylaws. 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 also subject to various legal proceedings. In the opinion of management, after discussions with legal counsel, the ultimate resolution of these matters would 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 2006, 2005 and 2004 amounted to \$8.2 million, \$6.8 million and \$6.6 million, respectively. In September 2006, the Company signed a long-term lease to move the Company's corporate headquarters to a new location in Boston, Massachusetts. The lease will commence in May 2009. Future minimum lease commitments are as follows:

Year Ending October 31, (in thousands)	Amount
2007	\$ 9,596
2008	9,741
2009	11,263
2010	12,787
2011 – thereafter	160,061
Total	\$ 203,448

On July 31, 2006, the Company committed to invest \$15.0 million in a private equity partnership that invests in companies in the financial services industry. In August 2006, the Company invested \$4.7 million of the total \$15.0 million of committed capital.

8. Stock Plans

Effective November 1, 2005, the Company adopted SFAS No. 123R, using the modified version of the retrospective transition method. Using this transition method, the Company restated all prior period results on a basis consistent with the pro forma disclosures previously made under SFAS No. 123. Upon the adoption of SFAS No. 123R under the modified retrospective method, the Company established a deferred tax asset of \$21.3 million and increased retained earnings by \$18.7 million.

Under SFAS No. 123, the Company had previously made the election to recognize actual forfeitures when they occurred rather than estimate them at the grant date. Under SFAS No. 123R, this election no longer exists. The Company recognized a cumulative effect of a change in accounting principle of \$0.6 million on November 1, 2005, the adoption date, in order to adjust for expected forfeitures in excess of actual forfeitures on all grants made prior to October 31, 2005.

The Company recognized total compensation expense related to its stock-based compensation plans of \$36.3 million, \$28.6 million and \$23.5 million for the years ended October 31, 2006, 2005 and 2004, respectively. The total income tax benefit recognized for stock-based compensation arrangements was \$10.0 million, \$6.9 million and \$5.5 million for the years ended October 31, 2006, 2005 and 2004, respectively.

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 are automatically granted to independent directors of the Company. No stock options may be granted under the 1998 Plan with an exercise price that is less than the fair market value of the stock at the time the stock option is granted. The options granted under the 1998 Plan expire five to ten years from the date of grant; options to employees vest over a five-year period as stipulated in each grant. The 1998 Plan contains provisions that, in the event of a change of control of the Company, may accelerate the vesting of awards. A total of 40.0 million shares have been reserved for issuance under the 1998 Plan. Through October 31, 2006, options to purchase 33.2 million shares have been issued pursuant to the 1998 Plan.

The Company’s current retirement policy provides that an employee is eligible for retirement at age 65 and for early retirement with the Company’s consent when the employee reaches age 55 with a combined age and years of service equal to at least 75 years. Because many of the Company’s outstanding stock options allow for accelerated vesting of options upon retirement, the adoption of SFAS 123R resulted in the immediate recognition of compensation expense at grant date for all awards granted to retirement-eligible employees subsequent to the implementation of SFAS 123R on November 1, 2005. For awards granted to employees approaching retirement eligibility, the adoption of SFAS 123R resulted in compensation expense recognition on a straight-line basis over the period from the grant date through the retirement eligibility date. Stock-based compensation expense for employees who are not retirement eligible is recognized on a straight-line basis over the service or vesting period of the option (generally five years). Prior to the implementation of SFAS No. 123R, and consistent with SFAS 123, it had been the Company’s policy to recognize all stock-based compensation expense over the vesting period without regard to retirement eligibility. The Company continues to recognize all stock-based compensation expense for awards granted to retirement-eligible employees prior to November 1, 2005 over the vesting period.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, volatility, an appropriate risk-free interest rate and the expected life of the option. Many of these assumptions require management’s judgment. The Company’s stock volatility

assumption is based upon its historical stock price fluctuations. The Company has no reason to believe that its future stock price volatility will differ from the past. The Company uses historical data to estimate option forfeiture rates. The expected term of options granted is derived using the simplified method in accordance with SEC Staff Accounting Bulletin No. 107. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The weighted average fair values of stock options granted during the years ended October 31, 2006, 2005 and 2004 using the Black-Scholes option pricing model were as follows:

	October 31, 2006	October 31, 2005	October 31, 2004
Weighted average grant date fair value of options granted	\$8.35	\$7.98	\$6.17
Assumptions:			
Dividend yield	1.4% to 1.6%	1.61%	1.47%
Volatility	27% to 30%	28%	29%
Risk-free interest rate	4.5% to 5.1%	4.6%	4.1%
Expected life of options	6.75 years	8.0 years	8.0 years

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

For the Year Ended October 31, 2006

<i>(share and intrinsic value figures in thousands)</i>	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding, beginning of period	23,791	\$15.66		
Granted	4,501	24.96		
Exercised	(2,388)	9.32		
Forfeited/Expired	(264)	19.99		
Options outstanding, end of period	25,640	\$17.84	6.6	\$338,520
Options exercisable, end of period	12,104	\$14.59	5.4	\$199,149

The Company received \$21.7 million, \$12.0 million and \$7.6 million related to the exercise of options under the 1998 Plan for the years ended October 31, 2006, 2005, and 2004, respectively. Options exercised represent newly issued shares. The total intrinsic value of options exercised during the years ended October 31, 2006, 2005 and 2004 was \$44.5 million, \$13.4 million and \$8.5 million, respectively. The total fair value of options that vested during the year ended October 31, 2006 was \$29.2 million.

The Company recorded compensation expense of \$34.2 million, \$27.2 million and \$21.4 million for the years ended October 31, 2006, 2005 and 2004, respectively, relating to the 1998 Plan. As of October 31, 2006, there was \$62.8 million of compensation expense related to nonvested share-based compensation arrangements granted under the 1998 Plan attributed to nonvested awards not yet recognized. That cost is expected to be recognized over a weighted-average period of 3 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 2,000,000 shares have been reserved under the plan.

In the years ended October 31, 2006, 2005 and 2004, 40,209, 45,546 and 171,330 shares, respectively, were issued pursuant to the plan at a weighted average grant date fair value of \$24.87, \$21.96 and \$17.51 per share. Because these shares are contingently forfeitable, compensation expense is recorded over the forfeiture period. The Company recorded compensation expense of \$1.0 million, \$0.8 million and \$1.6 million for the years ended October 31, 2006, 2005 and 2004, respectively, relating to shares issued in fiscal 2006 and prior years. As of October 31, 2006, there was \$2.6 million of compensation cost related to nonvested awards not yet recognized. That cost is expected to be recognized over a weighted average period of 3 years.

A summary of the Company's restricted stock activity for the year ended October 31, 2006, is presented below:

For the Year Ended October 31, 2006		
<i>(share figures in thousands)</i>	Shares	Weighted Average Grant Date Fair Value
Nonvested, beginning of period	200	\$18.52
Granted	40	24.87
Vested	(30)	18.18
Forfeited/Expired	-	-
Nonvested, end of period	210	\$19.79

Employee Stock Purchase Plan

A total of 9.0 million shares of the Company's non-voting common stock have 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 up to a maximum of \$12,500 per six-month offering period 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, 2006, 7.1 million shares have been issued pursuant to this plan. The Company recorded associated compensation expense of \$0.6 million, \$0.6 million and \$0.5 million for the years ended October 31, 2006, 2005 and 2004, respectively. The Company received \$2.9 million related to shares issued under the Employee Stock Purchase Plan.

Incentive Plan-Stock Alternative

A total of 4.8 million shares of the Company's non-voting common stock have been reserved for issuance under the Incentive Plan-Stock Alternative. 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 business days subsequent to the end of the offering period. Through October 31, 2006, 3.0 million shares have been issued pursuant to this plan. The Company received \$3.6 million related to shares issued under the Incentive Plan-Stock Alternative. In accordance with SFAS 123R, the Company recorded associated compensation expense of \$0.5 million for the year ended October 31, 2006. The Company did not record any compensation cost related to this plan in prior periods as it was not subject to the provisions of SFAS No. 123.

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, 2006, options to purchase 1.3 million shares 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. Loans outstanding under this program are reflected as notes receivable from stock option exercises in shareholders' equity and amounted to \$1.9 million and \$2.7 million at October 31, 2006 and 2005.

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 14).

9. 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 \$9.9 million, \$8.2 million and \$7.2 million for the years ended October 31, 2006, 2005 and 2004, respectively, representing 15 percent of eligible employee 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 per annum. The Company's expense under the plan was \$0.6 million, \$0.5 million and \$0.5 million for the years ended October 31, 2006, 2005 and 2004, 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 \$33,000 per annum 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, 2006, 2005 and 2004 was \$77,000, \$55,000 and \$48,000, respectively.

10. 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 July 12, 2006. The Board authorized management to repurchase 8.0 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 2006, the Company purchased approximately 4.1 million shares of its non-voting common stock under a previous share repurchase authorization and 1.7 million shares under the current share repurchase authorization. Approximately 6.3 million additional shares may be repurchased under the current authorization.

11. Income Taxes

The provision for income taxes for the years ended October 31, 2006, 2005 and 2004 consists of the following:

<i>(in thousands)</i>	2006	2005	2004
Current:			
Federal	\$ 102,297	\$ 94,330	\$ 48,081
State	11,153	11,080	5,220
Deferred:			
Federal	(10,228)	(12,976)	17,916
State	(977)	(1,563)	1,276
Total	\$ 102,245	\$ 90,871	\$72,493

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:

<i>(in thousands)</i>	2006	2005
Deferred tax assets:		
Stock-based compensation	\$ 26,584	\$ 21,367
Capital loss carryforward	-	2,701
Deferred rent	838	666
Differences between book and tax bases of investments	1,993	2,098
Differences between book and tax bases of accruals	160	-
Other	483	1,088
Gross deferred tax asset	30,058	27,920
Valuation allowance	-	(216)
Total deferred tax asset	\$ 30,058	\$ 27,704
Deferred tax liabilities:		
Deferred sales commissions	\$ (41,947)	\$ (44,022)
Accretion on zero-coupon exchangeable notes	-	(2,207)
Differences between book and tax bases of goodwill and intangibles	(6,371)	(7,865)
Differences between book and tax bases of property	-	(845)
Unrealized net holding gains on investments	(2,584)	(1,509)
Total deferred tax liability	\$ (50,902)	\$ (56,448)
Net deferred tax liability	\$ (20,844)	\$ (28,744)

Deferred tax assets and liabilities are reflected on the Company's Consolidated Balance Sheets at October 31, 2006 and 2005 as follows:

<i>(in thousands)</i>	2006	2005
Net current deferred tax asset, included in other current assets	\$ 1,676	\$ 1,060
Net non-current deferred tax liability	(22,520)	(29,804)
Net deferred tax liability	\$ (20,844)	\$ (28,744)

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, 2006, 2005 and 2004 is as follows:

	2006	2005	2004
Federal statutory rate	35.0%	35.0%	35.0%
State and local income tax, net of federal income tax benefit	2.5	2.9	2.1
Minority interest	(0.7)	(0.8)	(0.8)
Stock-based compensation	1.2	1.6	1.5
Other	0.9	0.2	(1.1)
Effective income tax rate	38.9%	38.9%	36.7%

The Company had recorded deferred income tax assets of \$2.7 million and \$0.3 million as of October 31, 2005, relating to \$7.3 million in capital loss carryforwards and \$6.6 million in state operating loss carryforwards, respectively. A \$0.2 million valuation allowance was established against the \$0.3 million deferred tax asset associated with the state operating loss carryforwards, reflecting management's belief that not all of the state operating loss carryforwards would be recoverable. All

capital loss carry-forwards were utilized and all remaining state operating loss carryforwards expired during the year ended October 31, 2006. Consequently there are no deferred tax assets related to capital loss carry-forwards or state operating losses as of October 31, 2006.

The exercise of non-qualified stock options resulted in a reduction of taxes payable of approximately \$8.2 million, \$3.5 million and \$1.9 million for the years ended October 31, 2006, 2005 and 2004, respectively. Such benefit has been reflected as a component of shareholders' equity.

12. 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, 2006, 2005 and 2004 are as follows:

<i>(in thousands)</i>	Gross Amount	Tax (Expense) or Benefit	Net Amount
2006			
Unrealized gains on investments	\$ 2,793	\$ (1,039)	\$ 1,754
Foreign currency translation adjustments	99	(36)	63
Other comprehensive income/(loss)	\$ 2,892	\$ (1,075)	\$ 1,817
2005			
Unrealized gains on investments	\$ 1,201	\$ (441)	\$ 760
Foreign currency translation adjustments	(71)	23	(48)
Other comprehensive income/(loss)	\$ 1,130	\$ (418)	\$ 712
2004			
Unrealized gains on investments	\$ 885	\$ (327)	\$ 558
Foreign currency translation adjustments	82	(31)	51
Other comprehensive income/(loss)	\$ 967	\$ (358)	\$ 609

During the years ended October 31, 2006, 2005 and 2004, the Company reclassified gains of \$4.1 million, \$0.2 million and \$0.4 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, 2006 and 2005 are as follows:

<i>(in thousands)</i>	2006	2005
Unrealized gains on investments, net of tax	\$4,275	\$2,521
Foreign currency translation adjustments, net of tax	108	45
Total	\$4,383	\$2,566

13. 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, 2006, 2005 and 2004:

<i>(in thousands, except per share data)</i>	2006	2005	2004
Net income – basic	\$159,377	\$138,706	\$ 121,962
Interest adjustment related to contingently convertible debt, net of tax	1,512	740	3,245
Net income – diluted	\$160,889	\$139,446	\$ 125,207
Weighted average shares outstanding – basic	127,807	131,591	134,938
Incremental common shares from stock options and restricted stock awards	6,726	5,741	4,640
Incremental common shares related to contingently convertible debt	2,471	3,188	4,735
Weighted average shares outstanding – diluted	137,004	140,520	144,313
Earnings per share:			
Basic	\$1.25	\$1.05	\$0.90
Diluted	\$1.17	\$0.99	\$0.87

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 140,000, 63,000 and 78,000 for the years ended October 31, 2006, 2005 and 2004, respectively.

14. 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, 2006 and 2005:

<i>(in thousands)</i>	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Short-term investments:				
Debt securities	\$ -	\$ -	\$ 10,199	\$ 10,199
Investment in affiliate	20,669	20,669	117,659	117,659
Long-term investments:				
Debt securities	761	761	-	-
Equity securities	12,775	12,775	-	-
Sponsored funds	36,483	36,483	31,066	31,066
Collateralized debt obligation entities	9,105	9,105	21,906	21,906
Investments in affiliates	13,006	13,006	7,875	7,875
Other investments	945	945	919	919
Total	\$ 93,774	\$ 93,774	\$189,624	\$189,624
Notes receivable from stock option exercises	\$ 1,891	\$ 1,891	\$ 2,741	\$ 2,741

Assumptions used in the determination of fair value have been described in Notes 4 and 8.

15. 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 \$31.2 million, which exceeds its minimum net capital requirement of

\$1.7 million at October 31, 2006. The ratio of aggregate indebtedness to net capital at October 31, 2006 was .81-to-1.

16. 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 following portfolio and related funds provided over 10 percent of the total revenue of the Company:

<i>(dollar figures in thousands)</i>	2006	2005	2004
<i>Tax-Managed Growth Portfolio and related funds:</i>			
Investment adviser and administration fees, underwriting commissions, distribution plan payments, contingent deferred sales charges and service fees	\$192,109	\$190,461	\$185,091
Percent of revenue	22.2%	25.3%	28.0%

17. Comparative Quarterly Financial Information (Unaudited)

<i>(in thousands, except per share figures)</i>	2006				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Total revenue ⁽¹⁾	\$206,540	\$211,796	\$216,575	\$227,283	\$862,194
Operating income	\$ 64,079	\$ 60,617	\$ 67,885	\$ 72,385	\$264,966
Net income	\$ 39,131	\$ 39,900	\$ 41,819	\$ 38,527	\$159,377
Earnings per share:					
Basic	\$ 0.30	\$ 0.31	\$ 0.33	\$ 0.30	\$ 1.25
Diluted	\$ 0.28	\$ 0.29	\$ 0.31	\$ 0.29	\$ 1.17
<i>(in thousands, except per share figures)</i>	2005				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Total revenue	\$181,781	\$182,504	\$190,751	\$198,139	\$753,175
Operating income	\$ 55,512	\$ 54,786	\$ 60,803	\$ 61,506	\$232,607
Net income	\$ 32,719	\$ 32,536	\$ 35,756	\$ 37,695	\$138,706
Earnings per share:					
Basic	\$ 0.24	\$ 0.25	\$ 0.27	\$ 0.29	\$ 1.05
Diluted	\$ 0.23	\$ 0.23	\$ 0.26	\$ 0.27	\$ 0.99

⁽¹⁾Certain amounts from prior quarters have been reclassified to conform to the current quarter presentation.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Eaton Vance Corp. (the “Company”) and subsidiaries as of October 31, 2006 and 2005, 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, 2006. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 subsidiaries as of October 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of October 31, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 12, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

As discussed in Note 1, effective November 1, 2005, the Company adopted Statement of Financial Accounting Standards No. 123R, “Share-Based Payment,” applying the modified retrospective method.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
January 12, 2007

A Special Dedication

Eaton Vance is blessed with many dedicated employees who have enjoyed long and distinguished careers with the firm.

This year marks an important anniversary for one of those special employees. On January 20, 2007, Elsie Flaherty celebrated 60 years with Eaton Vance, the company she has called home for her entire career. Elsie exemplifies the professionalism, dedication and integrity that are so prized by our organization, and the entire Company joins together in thanking her for her commitment and unflagging support.

Elsie, you have, indeed, been a pleasure to work with. It is people like you who make Eaton Vance a wonderful place to be employed. Thank you for all you have done for Eaton Vance and Happy Anniversary.



Directors

Ann E. Berman^(1,3)

John G.L. Cabot* ^(1,2,3)

Thomas E. Faust Jr.

James B. Hawkes

Leo I. Higdon, Jr.^(2,3)

Vincent M. O'Reilly^(1,3)

Dorothy E. Puhly^(2,3)

Winthrop H. Smith, Jr.^(1,2,3)

**Lead Director*

Board Committees:

1. Audit

2. Compensation

3. Nominating and Governance

Officers

James B. Hawkes

Chairman and Chief Executive Officer

Thomas E. Faust Jr.

President and Chief Investment Officer

Duncan W. Richardson

*Executive Vice President and
Chief Equity 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*

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 2006 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. The Company has included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2006 with the Securities and Exchange Commission certificates of the Chief Executive Officer and Chief Financial Officer of the Company certifying the quality of the Company's public disclosure, and the Company has submitted to the New York Stock Exchange a certificate of the Chief Executive Officer of the Company certifying that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

Transfer Agent and Registrar

Computershare Trust Company 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:

Computershare Trust Company
Post Office Box 43078
Providence, RI 02940-3078
(877) 282-1168
www.computershare.com

Independent Registered Public Accounting Firm

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

Eaton Vance Corp. Elsie A. Flaherty Patricia M. Procopio Violet Apalakian Janet E. Sanders Dianne Sillers Patricia M. Shea Jean M. Plante James B. Hawkes Charles A. Brown Jean F. McGoey Constance T. Wagner Linda C. Hanson Stuart B. Strong Patricia A. Andersen Nora B. Bernazzani Wayne R. Saulnier Mark A. Carlson 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 Marlo-Jean Tulis Lauren T. Mannone 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. Stokkink William H. Ahern Rosemary Leavitt Scott H. Page Lynn W. Ostberg Garfield S. Cover Marie Y. Calixte Kathleen McManus James A. Thebad Lynn M. Hetu Payson F. Swaffield Cornelius J. Sullivan Michael W. Weilheimer William M. Gillen Robert B. MacIntosh Karen M. Zemotel Kelley Creedon Barbara E. Campbell Hugh J. Gilmartin Christopher R. Berg Paul F. Jones Amy B. Ursillo Bonnie B. Ramage Perry D. Hooker John W. Gibson Raymond P. Cox Jeffrey P. Beale Gregory P. Parker Hadi C. Mezher Delores A. Wood Timothy P. Roach Peter D. Stokinger Julie A. Neviera Richard Finelli Morgan C. Mohrman Donna M. D'Addario Mark D. Nelson Linda D. Newkirk A. John Murphy Deanna R. Berry Jane A. Rudnick Walter W. Shulits Leighton Young Geoffrey G. Marshall Robert H. Bortnick Cecilia J. O'Keefe Barclay Tittmann Louann Penzo-O'Neill Elizabeth S. Kenyon Maureen Gemma David A. Michaud John M. Trotsky John P. Pumphrey Christine M. Johnston David C. Olivieri Laurie G. Hylton Jie Lu William M. Steul Stanley B. Weiland Kathleen Fryer Jonathan G. Isaac Kathleen M. Costello Thomas H. Luster Thomas P. Luka James A. Naughton Dana C. Robinson Thomas J. Weyl James J. Godfrey Dawn E. Filiatreault Wood Stefan L. Thielen Dorothy J. Bouchard Cynthia M. Beckhusen Mary K. Kreider Maria D. Reyes Denis J. Hill Marie T. Preston Olympia K. Wheeler William R. Cross Christopher Gaylord Walter A. Row David McDonald Elizabeth Prall John W. Vaughan Alan R. Dynner John Macejka Joseph K. Nelson Marie Y. Charles Brian Dunkley Derek Devine Leanne A. Parziale Mark D. Burkhard Peter F. Crowley Andrew O. Ogren Craig P. Russ Jerome A. Vainisi James C. Queen Thomas P. Huggins Bree E. Barletto Michelle Green Roseann Sulano Yana Barton Michael Bothof Vincent M. Cottone Lisa B. Hill Lorri W. Wheeler Deborah Trachtenberg Martha Locke Roberto Crugnale John P. Redding Keith R. Burke Paul M. O'Neil Duke E. Laflamme Kristin S. Anagnost Sotiria Kourtellis Tiffany T. Cayarga Joanne M. Mey William J. Delahunty Linda B. Carter Scott M. Burg John D. Crowley Michael R. McGurn Heather L. Griffin Michael A. Kinahan Daniel J. 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