
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934
For the quarterly period ended April 30, 2006

or

Transition Report Pursuant to Section 13 or 15 (d) of The Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file no. 1-8100

EATON VANCE CORP.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

04-2718215
(I.R.S. Employer Identification No.)

255 State Street, Boston, Massachusetts 02109
(Address of principal executive offices) (zip code)

(617) 482-8260
(Registrant's telephone number, including area code)

Indicate by check-mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Shares outstanding as of April 30, 2006:

Voting Common Stock – 309,760 shares

Non-Voting Common Stock – 127,613,866 shares

Eaton Vance Corp.
Form 10-Q
For the Six Months Ended April 30, 2006
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Part I - Financial Information

Item 1. Consolidated Financial Statements

Eaton Vance Corp.

Consolidated Balance Sheets (unaudited)

| <i>(in thousands)</i> | April 30, 2006 | October 31, 2005 |
|---|---------------------------|-----------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 158,060 | \$ 146,389 |
| Short-term investments | 128,427 | 127,858 |
| Investment adviser fees and other receivables | 90,066 | 83,868 |
| Other current assets | 6,029 | 10,473 |
| | <hr/> | <hr/> |
| Total current assets | 382,582 | 368,588 |
| Other Assets: | | |
| Deferred sales commissions | 116,148 | 126,113 |
| Goodwill | 89,634 | 89,634 |
| Other intangible assets, net | 31,580 | 40,644 |
| Long-term investments | 53,850 | 61,766 |
| Equipment and leasehold improvements, net | 18,247 | 12,764 |
| Other assets | 2,061 | 3,035 |
| | <hr/> | <hr/> |
| Total other assets | 311,520 | 333,956 |
| | <hr/> | <hr/> |
| Total assets | \$ 694,102 | \$ 702,544 |

See notes to consolidated financial statements.

Eaton Vance Corp.
Consolidated Balance Sheets (unaudited) (continued)

| <i>(in thousands, except share figures)</i> | April 30, 2006 | October 31, 2005 |
|--|---------------------------|-----------------------------|
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Accrued compensation | \$ 40,832 | \$ 62,880 |
| Accounts payable and accrued expenses | 30,939 | 27,987 |
| Dividend payable | 12,833 | 12,952 |
| Other current liabilities | 7,011 | 12,538 |
| | | |
| Total current liabilities | 91,615 | 116,357 |
| | | |
| Long-term Liabilities: | | |
| Long-term debt | 76,027 | 75,467 |
| Deferred income taxes | 26,616 | 29,804 |
| | | |
| Total long-term liabilities | 102,643 | 105,271 |
| | | |
| Total liabilities | 194,258 | 221,628 |
| | | |
| Minority interest | 10,799 | 4,620 |
| | | |
| Commitments and contingencies | - | - |
| | | |
| 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, 127,613,866 and 129,243,023 shares, respectively | 498 | 505 |
| Notes receivable from stock option exercises | (2,204) | (2,741) |
| Accumulated other comprehensive income | 3,192 | 2,566 |
| Retained earnings | 487,558 | 475,965 |
| | | |
| Total shareholders' equity | 489,045 | 476,296 |
| | | |
| Total liabilities and shareholders' equity | \$ 694,102 | \$ 702,544 |
| | | |

See notes to consolidated financial statements.

Eaton Vance Corp.
Consolidated Statements of Income (unaudited)

| <i>(in thousands, except per share figures)</i> | Three Months Ended | | Six Months Ended | |
|--|---------------------------|------------------|-------------------------|------------------|
| | April 30, | | April 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Revenue: | | | | |
| Investment adviser and administration fees | \$ 145,284 | \$ 121,361 | \$ 287,353 | \$ 240,276 |
| Distribution and underwriter fees | 35,090 | 33,809 | 70,267 | 68,869 |
| Service fees | 29,346 | 25,139 | 58,003 | 50,616 |
| Other revenue | 1,752 | 2,195 | 2,199 | 4,521 |
| Total revenue | <u>211,472</u> | <u>182,504</u> | <u>417,822</u> | <u>364,282</u> |
| Expenses: | | | | |
| Compensation of officers and employees | 58,489 | 50,578 | 119,938 | 100,129 |
| Amortization of deferred sales commissions | 13,308 | 16,907 | 27,048 | 34,947 |
| Service fee expense | 22,971 | 20,594 | 45,834 | 41,766 |
| Distribution expense | 27,979 | 23,194 | 54,104 | 46,113 |
| Other expenses | 28,108 | 16,445 | 46,203 | 31,032 |
| Total expenses | <u>150,855</u> | <u>127,718</u> | <u>293,127</u> | <u>253,987</u> |
| Operating income | 60,617 | 54,786 | 124,695 | 110,295 |
| Other Income (Expense): | | | | |
| Interest income | 2,020 | 1,057 | 3,742 | 1,766 |
| Interest expense | (360) | (371) | (724) | (732) |
| Gain on investments | 2,886 | 77 | 3,547 | 87 |
| Foreign currency gain (loss) | (71) | 3 | (127) | 25 |
| Impairment loss on investments | - | (1,840) | (592) | (1,840) |
| Income before income taxes, minority interest, equity in net income (loss) of affiliates and cumulative effect of change in accounting principle | 65,092 | 53,712 | 130,541 | 109,601 |
| Income taxes | (25,074) | (20,338) | (50,217) | (41,534) |
| Minority interest | (1,271) | (1,208) | (2,820) | (2,608) |
| Equity in net income (loss) of affiliates, net of tax | <u>1,153</u> | <u>370</u> | <u>2,153</u> | <u>(207)</u> |
| Net income before cumulative effect of change in accounting principle | 39,900 | 32,536 | 79,657 | 65,252 |
| Cumulative effect of change in accounting principle, net of tax | - | - | (626) | - |
| Net income | <u>\$ 39,900</u> | <u>\$ 32,536</u> | <u>\$ 79,031</u> | <u>\$ 65,252</u> |

See notes to consolidated financial statements.

Eaton Vance Corp.
Consolidated Statements of Income (unaudited) (continued)

| <i>(in thousands, except per share figures)</i> | Three Months Ended April 30, | | Six Months Ended April 30, | |
|---|---|-------------|---------------------------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Earnings Per Share Before Cumulative Effect of Change In Accounting Principle: | | | | |
| Basic | \$ 0.31 | \$ 0.25 | \$ 0.62 | \$ 0.49 |
| Diluted | \$ 0.29 | \$ 0.23 | \$ 0.57 | \$ 0.46 |
| Earnings Per Share: | | | | |
| Basic | \$ 0.31 | \$ 0.25 | \$ 0.61 | \$ 0.49 |
| Diluted | \$ 0.29 | \$ 0.23 | \$ 0.57 | \$ 0.46 |
| Weighted Average Shares Outstanding: | | | | |
| Basic | 128,447 | 132,121 | 128,859 | 132,826 |
| Diluted | 138,736 | 140,954 | 138,942 | 141,636 |

See notes to consolidated financial statements.

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Eaton Vance Corp.
Consolidated Statements of Cash Flows (unaudited)

| <i>(in thousands)</i> | Six Months Ended | |
|---|-------------------------|-------------|
| | April 30, | |
| | 2006 | 2005 |
| Cash and cash equivalents, beginning of period | \$ 146,389 | \$ 147,137 |
| Cash Flows from Operating Activities: | | |
| Net income | 79,031 | 65,252 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Impairment loss on investments | 592 | 1,840 |
| Stock-based compensation expense | 20,499 | 14,411 |
| Depreciation and other amortization | 11,986 | 3,979 |
| Amortization of deferred sales commissions | 27,050 | 34,947 |
| Payment of capitalized sales commissions | (24,765) | (23,306) |
| Contingent deferred sales charges received | 7,676 | 10,608 |
| Deferred income taxes | (6,719) | (11,514) |
| Interest on long-term debt and amortization of debt issuance costs | 633 | 642 |
| (Gain) loss on investments | (3,985) | 143 |
| Minority interest | 2,820 | 2,608 |
| Equity in net (income) loss of affiliates | (3,311) | 312 |
| Dividends received from affiliates | 2,734 | 875 |
| Cumulative effect of change in accounting principle, net of tax | 626 | - |
| Proceeds from the sale of trading securities | 79,974 | 88,754 |
| Purchase of trading securities | (160,172) | (157,408) |
| Changes in other assets and liabilities: | | |
| Investment adviser fees and other receivables | (6,201) | (1,004) |
| Other current assets | 5,375 | (1,174) |
| Other assets | 1,243 | 740 |
| Accrued compensation | (22,050) | (19,671) |
| Accounts payable and accrued expenses | 2,461 | 4,283 |
| Other current liabilities | (5,531) | 1,693 |
| Net cash provided by operating activities | 9,966 | 17,010 |
| Cash Flows From Investing Activities: | | |
| Additions to equipment and leasehold improvements | (7,174) | (1,362) |
| Net decrease in notes receivable from affiliates | 911 | 456 |
| Purchase of management contracts | (1,230) | - |
| Proceeds from sale of available-for-sale investments | 24,496 | 979 |
| Purchase of available-for-sale investments | (5,652) | (6,531) |
| Net cash provided by (used for) investing activities | 11,351 | (6,458) |

See notes to consolidated financial statements.

Eaton Vance Corp.
Consolidated Statements of Cash Flows (unaudited) (continued)

| <i>(in thousands)</i> | Six Months Ended | |
|--|-------------------------|-------------|
| | April 30, | |
| | 2006 | 2005 |
| Cash Flows From Financing Activities: | | |
| Excess tax benefit of stock option exercises | 1,447 | 2,676 |
| Long-term debt issuance costs | - | (428) |
| Distributions to minority shareholders | (2,860) | (2,106) |
| Proceeds from issuance of non-voting common stock | 14,054 | 10,802 |
| Repurchase of non-voting common stock | (76,442) | (73,161) |
| Dividend paid | (25,891) | (21,305) |
| Proceeds from the issuance of mutual fund subsidiary's capital stock | 80,000 | 151,500 |
| Redemption of mutual fund subsidiary's capital stock | - | (66,891) |
| | (9,692) | 1,087 |
| Net cash provided by (used for) financing activities | | |
| Effect of currency rate changes on cash and cash equivalents | 46 | 38 |
| Net increase in cash and cash equivalents | 11,671 | 11,677 |
| Cash and cash equivalents, end of period | \$ 158,060 | \$ 158,814 |
| Supplemental Cash Flow Information: | | |
| Interest paid | \$ 91 | \$ 90 |
| Income taxes paid | \$ 58,512 | \$ 49,960 |
| Supplemental Non-Cash Flow Information - | | |
| Exercise of stock options through issuance of notes receivable | \$ 374 | \$ 600 |

See notes to consolidated financial statements.

Eaton Vance Corp.
Notes to Consolidated Financial Statements

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements of Eaton Vance Corp. (the “Company”) include all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the results for the interim periods in accordance with accounting principles generally accepted in the United States of America. Such financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures have been omitted pursuant to such rules and regulations. As a result, these financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company’s latest annual report on Form 10-K.

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 financials statements for all periods presented on a basis consistent with the pro forma disclosures previously made under SFAS No. 123.

(2) Principles of Consolidation

The accompanying financial statements include the accounts of the Company 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.

(3) 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 three and six month periods ended April 30, 2006 and 2005:

| <i>(in thousands, except per share data)</i> | For the Three Months Ended April 30, | | For the Six Months Ended April 30, | |
|--|---|-------------|---|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Net income – basic | \$39,900 | \$32,536 | \$79,031 | \$65,252 |
| Interest adjustment related to contingently convertible debt, net of tax | 181 | 184 | 364 | 371 |
| Net income – diluted | \$40,081 | \$32,720 | \$79,395 | \$65,623 |
| Weighted-average shares outstanding – basic | 128,447 | 132,121 | 128,859 | 132,826 |
| Incremental common shares from stock options and restricted stock awards | 7,101 | 5,645 | 6,895 | 5,622 |
| Incremental common shares related to contingently convertible debt | 3,188 | 3,188 | 3,188 | 3,188 |
| Weighted-average shares outstanding – diluted | 138,736 | 140,954 | 138,942 | 141,636 |
| Earnings per share: | | | | |
| Basic | \$0.31 | \$0.25 | \$0.61 | \$0.49 |
| Diluted | \$0.29 | \$0.23 | \$0.57 | \$0.46 |

The Company uses the treasury stock method to account for the dilutive effect of unexercised stock options and unvested restricted stock on diluted earnings per share. Antidilutive incremental common shares related to stock options excluded from the computation of earnings per share were 27,000 and 63,000 for the six months ended April 30, 2006 and 2005, respectively.

(4) Other Intangible Assets

The following is a summary of other intangible assets at April 30, 2006:

| April 30, 2006 | Weighted- average amortization period (in years) | Gross carrying amount | Accumulated amortization |
|--|---|--------------------------------------|-------------------------------------|
| <i>(dollars in thousands)</i> | | | |
| Amortizing intangible assets: | | | |
| Client relationships acquired | 14.7 | \$ 51,679 | \$ 21,410 |
| Non-amortizing intangible assets: | | | |
| Mutual fund management contract acquired | | 1,311 | - |
| Total | | \$ 52,990 | \$ 21,410 |

In the second quarter of fiscal 2006, the Company accelerated non-cash amortization by \$8.9 million 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 was computed by comparing the net present value of projected client cash flows to the carrying value of the intangible asset at April 30, 2006. The write-off is included in other expenses in the Company's Consolidated Statements of Income for the three and six month periods ended April 30, 2006.

(5) Investments

The following is a summary of investments at April 30, 2006:

| <i>(in thousands)</i> | April 30, 2006 |
|---|---------------------------|
| Short-term investments: | |
| Short-term debt securities | \$ 30,805 |
| Investment in affiliates | 97,622 |
| Total | \$128,427 |
| Long-term investments: | |
| Sponsored funds | \$ 30,647 |
| Collateralized debt obligation entities | 7,208 |
| Investments in affiliates | 15,050 |
| Other investments | 945 |
| Total | \$ 53,850 |

The Company recognized a \$0.6 million and \$1.8 million impairment loss for the six months ended April 30, 2006 and 2005, respectively, related to its investments in collateralized debt obligation 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 management fee on the underlying collateral pools.

The Company realized gains of \$2.2 million upon the disposition of its investment in sponsored funds and \$1.4 million on liquidation of its investment in a collateralized debt obligation entity for the six months ended April 30, 2006.

(6) Debt

The Company's long-term debt balance at April 30, 2006 is comprised entirely of its 1.5% zero-coupon exchangeable senior notes due in 2031.

(7) Stock-Based Compensation Plans

The Company has four stock-based compensation plans, which are described below. The Company recognized total compensation expense related to those plans of \$20.5 million and \$14.4 million for the six months ended April 30, 2006 and 2005, respectively. The total income tax benefit recognized for stock-based compensation arrangements was \$5.1 million and \$3.4 million for the six months ended April 30, 2006 and 2005, respectively.

In its computation of stock-based compensation expense for the purposes of pro forma disclosure 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.

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 plan with an exercise price of less than the fair market value of the stock at the time the stock option is granted. The options 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 35.0 million shares have been reserved for issuance under the 1998 Plan. Through April 30, 2006, options to purchase 33.1 million shares have been issued pursuant to the 1998 Plan.

Prior to November 1, 2005, the Company used the intrinsic value method as described in Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” to measure employee stock-based compensation. Under this method, compensation expense was measured as the difference between the current value of the underlying shares and the price the employee was required to pay on the grant date, if any. 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 123R under the modified retrospective method, the Company established a deferred tax asset of \$21.3 million and adjusted retained earnings by \$18.7 million.

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. 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 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, regardless of employee retirement eligibility, over the vesting period without regard to retirement eligibility.

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 six months ended April 30, 2006 and 2005 using the Black-Scholes option pricing model were as follows:

| | April 30, 2006 | April 30, 2005 |
|---|---------------------------|---------------------------|
| Weighted average grant date fair value of options granted | \$8.36 | \$8.00 |
| Assumptions: | | |
| Dividend yield | 1.4% | 1.4% |
| Volatility | 28% | 30% |
| Risk-free interest rate | 5.1% | 4.2% |
| Expected life of options | 6.8 years | 8.0 years |

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

For the Six Month Period Ended April 30, 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 | 4,433 | 24.97 | | |
| Exercised | (927) | 11.50 | | |
| Forfeited/Expired | (143) | 19.63 | | |
| Options outstanding, end of period | 27,154 | \$ 17.30 | 6.8 | \$ 469,737 |
| Options exercisable, end of period | 13,333 | \$ 13.82 | 5.4 | \$ 184,200 |

The Company received \$10.3 million related to the exercise of options under the 1998 Plan. Options exercised represent newly issued shares. The total intrinsic value of options exercised during the six months ended April 30, 2006 and 2005 was \$14.9 million and \$10.1 million, respectively.

A summary of the status of the Company's nonvested shares as of April 30, 2006, and changes during the six months ended April 30, 2006, is presented below:

For the Six Month Period Ended April 30, 2006

| <i>(share figures in thousands)</i> | Shares | Weighted Average Grant Date Fair Value |
|-------------------------------------|---------------|---|
| Nonvested, beginning of period | 13,869 | \$6.60 |
| Granted | 4,433 | 8.36 |
| Vested | (4,341) | 5.40 |
| Forfeited/Expired | (140) | 7.02 |
| Nonvested, end of period | 13,821 | \$7.26 |

The total fair value of shares vested during the six months ended April 30, 2006 was \$23.4 million.

The Company recorded compensation expense of \$19.3 million and \$13.6 million for the six months ended April 30, 2006 and 2005, respectively, relating to the 1998 Plan. As of April 30, 2006, there was \$76.5 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 4.5 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 six months ended April 30, 2006 and 2005, 40,209 and 45,546 shares, respectively, were issued pursuant to the plan at a weighted average grant date fair value of \$24.87 and \$21.96 per share. Because these shares are contingently forfeitable, compensation expense is recorded over the forfeiture period. The Company recorded compensation expense of \$0.5 million and \$0.4 million for the six months ended April 30, 2006 and 2005, respectively, relating to shares issued in fiscal 2006 and prior years. As of April 30, 2006, there was \$3.1 million of compensation cost related to nonvested share-based compensation arrangements granted under the plan related to nonvested awards not yet recognized. That cost is expected to be recognized over a weighted average period of 3.5 years.

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 April 30, 2006, 7.0 million shares have been issued pursuant to this plan. The Company recorded compensation expense of \$0.3 million and \$0.4 million for the six months ended April 30, 2006 and 2005, respectively. The Company received \$1.4 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 days subsequent to the end of the offering period. Through April 30, 2006, 2.9 million shares have been issued pursuant to this plan. The Company received \$2.4 million related to shares issued under the Incentive Plan-Stock Alternative. In compliance with SFAS 123R, the Company recorded compensation expense of \$0.4 million for the six months ended April 30, 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.

(8) Common Stock Repurchases

The Company's current share repurchase program was announced on April 14, 2005. 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 the first six months of fiscal 2006, the Company purchased approximately 2.8 million shares of its non-voting common stock under this share repurchase authorization. Approximately 2.5 million additional shares may be repurchased under the current authorization.

(9) Regulatory Requirements

Eaton Vance Distributors, Inc. ("EVD"), a wholly owned subsidiary of the Company and principal underwriter of the Eaton Vance Funds, is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of minimum net capital. For purposes of this rule, EVD had net capital of \$29.5 million, which exceeded its minimum net capital requirement of \$1.3 million at April 30, 2006. The ratio of aggregate indebtedness to net capital at April 30, 2006 was .68 to 1.

(10) Income Taxes

The provision for income taxes for the six months ended April 30, 2006 and 2005 consists of the following:

| <i>(in thousands)</i> | For the Six Months Ended | |
|-----------------------|---------------------------------|------------------|
| | April 30, | |
| | 2006 | 2005 |
| Current: | | |
| Federal | \$ 51,746 | \$ 49,531 |
| State | 5,189 | 3,517 |
| Deferred: | | |
| Federal | (6,141) | (10,694) |
| State | (577) | (820) |
| Total | \$ 50,217 | \$ 41,534 |

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> | April 30, 2006 | October 31, 2005 |
|--|---------------------------|-----------------------------|
| Deferred tax assets: | | |
| Stock-based compensation | \$ 23,125 | \$ 21,367 |
| Capital loss carryforward | 1,524 | 2,701 |
| Deferred rent | 716 | 666 |
| Differences between book and tax bases of investments | 2,011 | 2,098 |
| Other | 668 | 1,088 |
| Gross deferred tax asset | 28,044 | 27,920 |
| Valuation allowance | - | (216) |
| Total deferred tax asset | \$ 28,044 | \$ 27,704 |
| Deferred tax liabilities: | | |
| Deferred sales commissions | \$ (41,712) | \$ (44,022) |
| Accretion on zero-coupon exchangeable notes | (2,874) | (2,207) |
| Differences between book and tax bases of goodwill and intangibles | (5,546) | (7,865) |
| Differences between book and tax bases of property | (661) | (845) |
| Unrealized net holding gains on investments | (1,880) | (1,509) |
| Total deferred tax liability | \$ (52,673) | \$ (56,448) |
| Net deferred tax liability | \$ (24,629) | \$ (28,744) |

Deferred tax assets and liabilities reflected on the Company's Consolidated Balance Sheets (unaudited) at April 30, 2006 and October 31, 2005 are as follows:

| <i>(in thousands)</i> | April 30, 2006 | October 31, 2005 |
|--|---------------------------|-----------------------------|
| Net current deferred tax asset, included in other current assets | \$ 1,987 | \$ 1,060 |
| Net non-current deferred tax liability | (26,616) | (29,804) |
| Net deferred tax liability | \$(24,629) | \$(28,744) |

The exercise of stock options resulted in a reduction of taxes payable of approximately \$1.4 million and \$2.7 million for the six months ended April 30, 2006 and 2005, respectively. Such benefit has been reflected in shareholders' equity.

A reconciliation from the U.S. Federal statutory income tax rate to the Company's effective income tax rate for the quarters ended April 30, 2006 and 2005 is as follows:

| | 2006 | 2005 |
|--|-------|-------|
| Federal statutory rate | 35.0% | 35.0% |
| State and local income tax, net of federal income tax benefit | 2.3 | 1.8 |
| Minority interest | (0.7) | (0.8) |
| Stock-based compensation (incentive stock options) | 1.2 | 1.6 |
| Other | 0.7 | 0.3 |
| Effective income tax rate | 38.5% | 37.9% |

The Company has recorded a deferred income tax asset of \$1.5 million as of April 30, 2006, relating to a \$4.1 million capital loss carry forward. The capital loss expires on October 31, 2008. No reserve has been established against the deferred tax asset associated with the capital loss carry forward as management believes that this asset is fully recoverable.

Due to the expiration of state net operating loss carry forwards during the current fiscal year, the Company reduced its deferred tax assets by \$0.3 million and a related valuation allowance of \$0.2 million.

(11) Comprehensive Income

Total comprehensive income includes net income and other comprehensive income, net of tax. The components of comprehensive income for the six months ended April 30, 2006 and 2005 are as follows:

| (in thousands) | For the Six Months Ended April 30, | |
|--|---------------------------------------|-----------|
| | 2006 | 2005 |
| Net income | \$ 79,031 | \$ 65,252 |
| Net unrealized gains on available-for-sale securities, net of income taxes of \$353 and \$61, respectively | 594 | 118 |
| Foreign currency translation adjustments, net of income taxes of \$18 and \$13, respectively | 31 | 26 |
| Comprehensive income | \$ 79,656 | \$ 65,396 |

(12) 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 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.

(13) Recent Accounting Developments

In June 2005, the FASB ratified the Emerging Issues Task Force's ("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.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Item 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 Form 10-Q 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 “Competitive Conditions and Risk Factors” section of this Form 10-Q. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by such factors.

General

The Company’s principal business is creating, marketing and managing investment companies (open-end and closed-end 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 private investment counsel clients a wide range of products and services designed and managed to generate attractive risk-adjusted returns over the long term.

The Company’s 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 approximately 150 regional and Boston-based representatives serving the needs of the Company’s partners and clients across the country. Specialized sales and marketing teams supporting the regional and Boston-based representatives noted above 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 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 exclusively on developing relationships in this market and deal directly with these clients, often on the basis of independent referrals.

The Company's revenue is 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 investments, deferred sales commissions, intangible assets, stock-based compensation, income taxes 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 \$118.8 billion on April 30, 2006 were 20 percent higher than the \$98.8 billion reported a year earlier. Long-term fund net inflows contributed \$7.7 billion to growth in assets under management over the last twelve month period, including \$4.5 billion of open-end and private fund net inflows and \$3.2 billion of closed-end fund offerings. Separate account net inflows totaled \$1.2 billion, reflecting \$1.5 billion of retail managed account net inflows offset by \$0.3 billion of institutional and high-net-worth net outflows. Market price appreciation, reflecting favorable equity markets, contributed \$9.8 billion to the increase in assets under management.

Ending Assets Under Management by Investment Objective

| <i>(in billions)</i> | April 30, | | % Change |
|--------------------------------|------------------|----------------|-----------------|
| | 2006 | 2005 | |
| Equity assets | \$ 72.9 | \$ 58.1 | 25% |
| Fixed income assets | 25.6 | 22.2 | 15% |
| Floating-rate bank loan assets | 20.3 | 18.5 | 10% |
| Total | \$118.8 | \$ 98.8 | 20% |

Equity assets represented 61 percent of total assets under management on April 30, 2006, up from 59 percent on April 30, 2005. Assets in equity funds managed for after-tax returns totaled \$33.1 billion and \$30.1 billion on April 30, 2006 and 2005, respectively. Fixed income assets, including money market funds, represented 22 percent of total assets under management on April 30, 2006 and 2005. Fixed income assets included \$12.7 billion and \$11.1 billion of tax-exempt municipal bond funds on April 30, 2006 and 2005, respectively. Floating-rate bank loan assets represented 17 percent of total assets under management on April 30, 2006, compared to 19 percent on April 30, 2005.

Long-Term Fund and Separate Account Net Flows

| <i>(in billions)</i> | For the Three Months Ended April 30, | | | For the Six Months Ended April 30, | | |
|---|---|-------------|---------------------|---|-------------|---------------------|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Long-term funds: | | | | | | |
| Closed-end funds | \$ - | \$ 1.1 | -100% | \$ 0.1 | \$ 1.9 | -95% |
| Open-end funds | 1.5 | 0.8 | 88% | 2.3 | 1.3 | 77% |
| Private funds | 0.8 | 0.1 | 700% | 0.3 | 0.4 | -25% |
| Total long-term fund net inflows | 2.3 | 2.0 | 15% | 2.7 | 3.6 | -25% |
| Institutional/HNW ⁽¹⁾ accounts | 0.1 | (0.4) | NM ⁽²⁾ | (0.7) | (1.1) | -36% |
| Retail managed accounts | 0.4 | 0.5 | -20% | 0.7 | 0.9 | -22% |
| Total separate account net inflows (outflows) | 0.5 | 0.1 | 400% | - | (0.2) | NM |
| Total net inflows (outflows) | \$ 2.8 | \$ 2.1 | 33% | \$ 2.7 | \$ 3.4 | -21% |

⁽¹⁾ *High-net-worth* (“HNW”)

⁽²⁾ *Not meaningful* (“NM”)

Long-term fund net inflows totaled \$2.3 billion in the second quarter of fiscal 2006 compared to \$2.0 billion in the second quarter of fiscal 2005. The increase in fund net inflows in the second quarter of fiscal 2006 can be attributed primarily to an 88 percent increase in open-end fund net inflows and a 700 percent increase in private fund net inflows. Open-end fund net inflows of \$1.5 billion and \$0.8 billion for the second quarters of fiscal 2006 and 2005, respectively, reflect gross inflows of \$4.0 billion and \$3.0 billion, respectively, net of redemptions of \$2.5 billion and \$2.2 billion, respectively. Private fund net inflows in the second quarter of fiscal 2006 include \$0.5 billion in assets raised in conjunction with the private offering of debt securities by a collateralized debt obligation entity for which the Company acts as collateral manager.

The Company experienced net inflows of separate account assets of \$0.5 billion in the second quarter of fiscal 2006, compared to net inflows of \$0.1 billion in the second quarter of fiscal 2005. Retail managed account net flows decreased to \$0.4 billion in the second quarter of fiscal 2006 from \$0.5 billion in the second quarter of fiscal 2005. However, retail managed account net flows primarily reflect sales of Parametric Portfolio Associates’ tax efficient overlay and core equity products, as well as sales of Eaton Vance Management’s municipal bond products. Institutional and high-net-worth net inflows of \$0.1 billion in the second quarter of fiscal 2006 and net outflows of \$0.4 billion in the second quarter of fiscal 2005 reflect withdrawals by certain Atlanta Capital and Fox Asset Management institutional clients in both years.

Money market fund assets increased \$0.8 billion in the second quarter and first half of fiscal 2006 compared to the second quarter and first half of fiscal 2005 due to cash collateral received in connection with the securities lending programs.

The following table summarizes the asset flows by investment objective for the three and six-month periods ended April 30, 2006 and 2005:

Asset Flows

| <i>(in billions)</i> | For the Three Months Ended April 30, | | | For the Six Months Ended April 30, | | |
|--|--|--------|-------------|--|--------|-------------|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Equity fund assets – beginning | \$48.1 | \$39.3 | 22% | \$45.2 | \$36.9 | 22% |
| Sales/inflows | 2.0 | 1.7 | 18% | 3.7 | 3.8 | -3% |
| Redemptions/outflows | (1.2) | (1.2) | -% | (2.7) | (2.2) | 23% |
| Exchanges | - | - | -% | - | - | -% |
| Market value change | 1.2 | (0.7) | NM | 3.9 | 0.6 | 550% |
| Equity fund assets – ending | 50.1 | 39.1 | 28% | 50.1 | 39.1 | 28% |
| Fixed income fund assets – beginning | 19.1 | 17.7 | 8% | 18.6 | 17.6 | 6% |
| Sales/inflows | 1.4 | 1.2 | 17% | 2.8 | 1.8 | 56% |
| Redemptions/outflows | (0.8) | (0.6) | 33% | (1.8) | (1.2) | 50% |
| Exchanges | - | - | -% | - | - | -% |
| Market value change | (0.1) | (0.3) | 67% | - | (0.2) | 100% |
| Fixed income fund assets – ending | 19.6 | 18.0 | 9% | 19.6 | 18.0 | 9% |
| Floating-rate bank loan fund assets – beginning | 16.8 | 15.6 | 8% | 16.8 | 15.0 | 12% |
| Sales/inflows | 1.8 | 1.7 | 6% | 3.0 | 2.9 | 3% |
| Redemptions/outflows | (0.9) | (0.8) | 13% | (2.3) | (1.5) | 53% |
| Exchanges | - | - | -% | - | - | -% |
| Market value change | 0.1 | (0.1) | NM | 0.3 | - | NM |
| Floating-rate bank loan fund assets – ending | 17.8 | 16.4 | 9% | 17.8 | 16.4 | 9% |
| Total long-term fund assets – beginning | 84.0 | 72.6 | 16% | 80.6 | 69.5 | 16% |
| Sales/inflows | 5.2 | 4.6 | 13% | 9.5 | 8.5 | 12% |
| Redemptions/outflows | (2.9) | (2.6) | 12% | (6.8) | (4.9) | 39% |
| Exchanges | - | - | -% | - | - | -% |
| Market value change | 1.2 | (1.1) | NM | 4.2 | 0.4 | NM |
| Total long-term fund assets – ending | 87.5 | 73.5 | 19% | 87.5 | 73.5 | 19% |
| Separate accounts – beginning | 29.0 | 25.1 | 16% | 27.6 | 24.5 | 13% |
| Inflows – HNW and institutional | 0.6 | 0.7 | -14% | 1.3 | 1.5 | -13% |
| Outflows – HNW and institutional | (0.5) | (1.1) | -55% | (2.1) | (2.6) | -19% |
| Inflows – retail managed accounts | 0.9 | 0.9 | -% | 1.7 | 1.7 | -% |
| Outflows – retail managed accounts | (0.5) | (0.4) | 25% | (0.9) | (0.9) | -% |
| Market value change | 0.7 | (0.2) | NM | 2.2 | 0.8 | 175% |
| Assets acquired | - | - | -% | 0.4 | - | NM |
| Separate accounts – ending | 30.2 | 25.0 | 21% | 30.2 | 25.0 | 21% |
| Money market fund assets – ending | 1.1 | 0.3 | 267% | 1.1 | 0.3 | 267% |
| Assets under management – ending | \$118.8 | \$98.8 | 20% | \$118.8 | \$98.8 | 20% |

Ending Assets Under Management by Asset Class

| <i>(in billions)</i> | <u>April 30,</u> | | % Change |
|--------------------------------------|------------------|---------------|-----------------|
| | 2006 | 2005 | |
| Class A ⁽¹⁾ | \$23.1 | \$16.9 | 37% |
| Class B ⁽²⁾ | 7.4 | 8.2 | -10% |
| Class C ⁽³⁾ | 7.8 | 7.3 | 7% |
| Class I ⁽⁴⁾ | 2.0 | 1.2 | 67% |
| Private funds ⁽⁵⁾ | 23.7 | 20.3 | 17% |
| Closed-end funds | 22.0 | 17.8 | 24% |
| Other ⁽⁶⁾ | 2.6 | 2.1 | 24% |
| Total fund assets | 88.6 | 73.8 | 20% |
| HNW and institutional account assets | 21.7 | 19.1 | 14% |
| Retail managed account assets | 8.5 | 5.9 | 44% |
| Total separate account assets | 30.2 | 25.0 | 21% |
| Total | \$118.8 | \$98.8 | 20% |

⁽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 collateralized debt obligation entities.*

⁽⁶⁾ *Includes other open-end funds and 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. The private fund asset category includes equity and bank loan private funds offered to high-net-worth and institutional investors and collateralized debt obligation entities.

Fund assets represented 75 percent of total assets under management on both April 30, 2006 and April 30, 2005. Class A share assets increased to 19 percent of total assets under management at April 30, 2006 from 17 percent at April 30, 2005, while Class B shares dropped to 6 percent at April 30, 2006 from 8 percent on April 30, 2005. The shift from Class B share assets to Class A share assets reflects the increasing popularity of Class A shares in the industry and the declining popularity of Class B shares as a share class. Private funds and closed-end funds collectively represented 38 percent and 39 percent of the Company’s total assets under management at April 30, 2006 and 2005, 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 has 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 the second quarter of fiscal 2006 from 74 basis points in the second quarter of fiscal 2005.

Separate account assets, including high-net-worth, institutional and retail managed account assets, totaled \$30.2 billion on April 30, 2006, up from \$25.0 billion on April 30, 2005. High-net-worth and institutional account assets increased by 14 percent in the second quarter of fiscal 2006 over the same period a year ago, while retail managed account assets increased by 44 percent in the same period. As noted above, high-net-worth and institutional net flows were negatively impacted in the second quarters of both fiscal 2006 and 2005 by client withdrawals at Atlanta Capital and Fox Asset Management. Retail managed account assets were positively impacted by strong net sales of Parametric Portfolio Associates' tax-efficient overlay and core equity products and the Company's large cap value and municipal bond products.

Average Assets Under Management by Asset Class⁽¹⁾

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 or ending quarterly assets, the Company's investment adviser, administration, distribution and service fees are calculated as a percentage of average daily assets.

| <i>(in billions)</i> | For the Three Months Ended April 30, | | | For the Six Months Ended April 30, | | |
|--------------------------------------|---|---------------|---------------------|---|---------------|---------------------|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Class A ⁽²⁾ | \$21.7 | \$16.6 | 31% | \$20.7 | \$16.3 | 27% |
| Class B ⁽³⁾ | 7.5 | 8.4 | -11% | 7.6 | 8.5 | -11% |
| Class C ⁽⁴⁾ | 7.7 | 7.3 | 5% | 7.6 | 7.3 | 4% |
| Class I ⁽⁵⁾ | 1.9 | 1.2 | 58% | 1.7 | 1.1 | 55% |
| Private funds ⁽⁶⁾ | 22.9 | 20.5 | 12% | 22.6 | 20.5 | 10% |
| Closed-end funds | 21.8 | 17.4 | 25% | 21.6 | 16.8 | 29% |
| Other ⁽⁷⁾ | 2.7 | 2.3 | 17% | 2.6 | 2.2 | 18% |
| Total fund assets | 86.2 | 73.7 | 17% | 84.4 | 72.7 | 16% |
| HNW and institutional account assets | 21.3 | 19.4 | 10% | 21.2 | 19.6 | 8% |
| Retail managed account assets | 8.2 | 5.8 | 41% | 7.8 | 5.5 | 42% |
| Total separate account assets | 29.5 | 25.2 | 17% | 29.0 | 25.1 | 16% |
| Total | \$115.7 | \$98.9 | 17% | \$113.4 | \$97.8 | 16% |

⁽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 collateralized debt obligation entities.*

⁽⁷⁾ *Includes other open-end funds and funds subadvised by Atlanta Capital, Fox Asset Management and Parametric Portfolio Associates.*

Results of Operations

Net income increased by 23 percent and 21 percent in the second quarter and first six months of fiscal 2006, respectively, over the same periods a year ago. The increase in net income noted in both the second quarter and first six months of fiscal 2006 can be primarily attributed to a 17 percent increase and a 16 percent increase in average assets under management in the second quarter and first six months of fiscal 2006 over the same periods a year ago. Operating results for the second quarter and first six months of 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 the Company's Fox Asset Management subsidiary. The amortization expense is included in other expenses in the Company's Consolidated Statements of Income for the three and six-month periods ended April 30, 2006.

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 \$8.0 million and \$20.5 million of stock-based compensation expense in the second quarter and first six months of fiscal 2006, respectively, compared to \$6.9 million and \$14.4 million in the second quarter and first six months of fiscal 2005, respectively. In the second quarter and first six months of fiscal 2006, stock-based compensation reduced after-tax earnings by \$6.5 million and \$15.5 million, respectively, or \$0.05 and \$0.11 per diluted share. In the second quarter and first six months of fiscal 2005, stock-based compensation reduced after-tax earnings by \$5.2 million and \$11.0 million, respectively, or \$0.04 and \$0.08 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 of this adjustment, net of tax, was \$0.6 million.

| <i>(in thousands)</i> | For the Three Months Ended April 30, | | | For the Six Months Ended April 30, | | |
|--|---|-------------|---------------------|---|-------------|---------------------|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Net income | \$39,900 | \$32,536 | 23% | \$79,031 | \$65,252 | 21% |
| Earnings per share before cumulative effect of change in accounting principle: | | | | | | |
| Basic | \$0.31 | \$0.25 | 24% | \$0.62 | \$0.49 | 27% |
| Diluted | \$0.29 | \$0.23 | 26% | \$0.57 | \$0.46 | 24% |
| Earnings per share: | | | | | | |
| Basic | \$0.31 | \$0.25 | 24% | \$0.61 | \$0.49 | 25% |
| Diluted | \$0.29 | \$0.23 | 26% | \$0.57 | \$0.46 | 24% |
| Operating margin | 29% | 30% | | 30% | 30% | |

Revenue

The Company's effective fee rate (total revenue as a percentage of average assets under management) decreased to 73 basis points in the second quarter of fiscal 2006 from 74 basis points in the second quarter of fiscal 2005, largely as a result of the change in the Company's long-term fund asset mix. As Class B shares have decreased as a percentage of total long-term fund assets under management, distribution and underwriter fees have decreased as a percentage of total revenue. Distribution and underwriter fees as a percentage of total revenue decreased to 17 percent in the second quarter of fiscal 2006 from 19 percent a year ago. 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 deferred sales commissions paid on Class B share sales also declined with the change in asset mix.

| <i>(in thousands)</i> | For the Three Months Ended April 30, | | | For the Six Months Ended April 30, | | |
|---|---|------------------|---------------------|---|------------------|---------------------|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Investment adviser and administration fees | \$145,284 | \$121,361 | 20% | \$287,353 | \$240,276 | 20% |
| Distribution and underwriter fees | 35,090 | 33,809 | 4% | 70,267 | 68,869 | 2% |
| Service fees | 29,346 | 25,139 | 17% | 58,003 | 50,616 | 15% |
| Other revenue | 1,752 | 2,195 | -20% | 2,199 | 4,521 | -51% |
| Total revenue | \$211,472 | \$182,504 | 16% | \$417,822 | \$364,282 | 15% |

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 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 20 percent in both the second quarter and first six months of fiscal 2006, respectively, over the same periods a year ago can be attributed to an increase in average assets under management and a shift in asset mix from lower fee fixed income to higher fee equity. Average assets under management increased by 17 percent and 16 percent in the second quarter and first six months of fiscal 2006, respectively, over the same periods a year ago.

Distribution and underwriter fees

Distribution plan payments, which are made under contractual agreements with the Company's sponsored funds, are calculated as a percentage of average assets under management in specific share classes of the Company's mutual funds (principally Class B and Class C), as well as certain private funds. These fees fluctuate with both the level of average assets under management and the relative mix of assets between share classes. Underwriter commissions are earned on the sale of shares of the Company's sponsored 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 both 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 4 percent in the second quarter of fiscal 2006 and by 2 percent in the first six months of fiscal 2006 over the same periods a year ago, primarily reflecting a decrease in Class B share assets under management offset by increases in average Class C share and

private equity fund assets under management. As noted in the table “Average Assets Under Management by Asset Class,” average Class B share assets under management declined by 11 percent year-over-year in the first six months of fiscal 2006, as a result of lower sales and redemptions in the asset class. The decrease in average Class B share assets under management was in contrast to a 4 percent increase in average Class C share assets under management and a 10 percent increase in private fund assets under management. As noted above, Class C shares and certain private funds are also subject to distribution fees.

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 Eaton Vance Management) for shareholder services.

Service fees increased by 17 percent and 15 percent in the second quarter and first six months of fiscal 2006, respectively, over the same periods a year ago, reflecting an increase in average Class A, B, C and private fund assets under management that are subject to service fees.

Other revenue

Other revenue, which consists primarily of investment income related to two consolidated short-term income funds, which the Company no longer consolidates as of April 30, 2006, shareholder service fees and realized and unrealized gains and losses on investments classified as trading, declined by 20 and 51 percent in the second quarter and first six months of fiscal 2006, respectively, over the same periods a year ago. The decrease in other revenue can be attributed primarily to a decrease in investment income related to Eaton Vance Short-Term Income Fund, which the Company stopped consolidating in April 2005. The Company’s investments in Eaton Vance Short-Term Income Fund and Eaton Vance Short-Term Treasury Fund are recorded under the equity method, beginning April 1, 2005 and April 1, 2006, respectively. Other revenue for the six-month period ended April 30, 2006 and 2005 includes \$0.3 million and \$2.0 million of investment income related to these funds for the period during which they were consolidated.

Expenses

Operating expenses increased by 18 percent and 15 percent in the second quarter and first six months of fiscal 2006, respectively, over the same period a year ago because of increases in compensation, service fees, distribution and other expenses.

| <i>(in thousands)</i> | For the Three Months Ended April 30, | | | For the Six Months Ended April 30, | | |
|---|---|------------------|---------------------|---|------------------|---------------------|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Compensation of officers and employees | \$ 58,489 | \$ 50,578 | 16% | \$119,938 | \$100,129 | 20% |
| Amortization of deferred sales commissions | 13,308 | 16,907 | -21% | 27,048 | 34,947 | -23% |
| Service fee expense | 22,971 | 20,594 | 12% | 45,834 | 41,766 | 10% |
| Distribution expense | 27,979 | 23,194 | 21% | 54,104 | 46,113 | 17% |
| Other expenses | 28,108 | 16,445 | 71% | 46,203 | 31,032 | 49% |
| Total expenses | \$150,855 | \$127,718 | 18% | \$293,127 | \$253,987 | 15% |

Compensation of officers and employees

Compensation expense increased by 16 percent and 20 percent in the second quarter and first six months of fiscal 2006, respectively, over the same periods a year ago. The increase in compensation expense in both periods can be attributed to a 12 percent increase in headcount, higher operating income-based employee bonus accruals and higher stock-based compensation costs. The 12 percent increase in headcount from April 30, 2005 to April 30, 2006 reflects additions to the Company's investment management, marketing and operational teams to support its significant growth in assets under management as well as the build-out of its institutional sales team.

The Company's adoption of SFAS No. 123R resulted in the recognition of \$20.5 million of stock-based compensation expense in the first six months of fiscal 2006 (\$15.5 million after tax or \$0.11 per diluted share) compared to \$14.4 million in the first six months of fiscal 2005 (\$11.0 million after tax or \$0.08 per diluted share). Approximately \$4.0 million of the total \$6.1 million year-over-year increase in 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 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. 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 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, regardless of employee retirement eligibility, 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 Company anticipates that stock-based compensation expense recognized in the remaining half of fiscal 2006 will be consistent with that recognized in the second quarter of fiscal 2006 due to the accelerated recognition in the first fiscal quarter of 2006 of compensation cost associated with stock option grants made to retirement-eligible employees in November 2005. The accelerated recognition of compensation expense associated with retirement eligible employees in the first quarter of a fiscal year will reduce stock-based compensation expense recognized in subsequent quarters.

Amortization of deferred sales commissions

Amortization of deferred sales commissions decreased by 21 percent and 23 percent in the three and six month periods ending April 30, 2006 over the same periods a year ago. Amortization expense is affected by ongoing sales and redemptions of mutual fund Class B shares, Class C shares and certain private funds. In the first six months of fiscal 2006, increases in Class C share and private fund net sales were offset by a decrease in Class B net share sales. As amortization expense is a function of the Company's product mix, a continuing shift away from Class B sales and assets to other classes over time will most likely result in further reductions in amortization expense.

Service fees expense

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 12 percent and 10 percent in the second quarter and first six months of fiscal 2006, respectively, over the same periods a year ago, 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 (calculated as a percentage of average Class C share and closed-end fund assets under management), commissions paid to broker/dealers on the sale of Class A shares at net asset value and other marketing expenses, including marketing expenses associated with revenue sharing arrangements with the Company's distribution partners. Distribution expense increased by 21 percent and 17 percent in the second quarter and first six months of fiscal 2006, respectively, over the same periods a year ago, largely as a result of increases in closed-end fund assets and other assets subject to third-party distribution fees and revenue-sharing payments.

Other expenses

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

Other expenses increased by 71 percent and 49 percent in the second quarter and first six months of fiscal 2006, respectively, over the same periods a year ago, primarily reflecting increases in the amortization of intangible assets, fund-related expenses, facilities expenses, information technology expenses and compliance costs.

In the second quarter of fiscal 2006, the Company accelerated non-cash amortization by \$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 the Company's Fox Asset Management subsidiary. 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 was computed by comparing the net present value of 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 Income and Expense

| <i>(in thousands)</i> | For the Three Months Ended April 30, | | | For the Six Months Ended April 30, | | |
|-------------------------------------|---|------------------|---------------------|---|-----------------|---------------------|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Interest income | \$ 2,020 | \$ 1,057 | 91% | \$3,742 | \$1,766 | 112% |
| Interest expense | (360) | (371) | -3% | (724) | (732) | -1% |
| Gain on investments | 2,886 | 77 | NM | 3,547 | 87 | NM |
| Foreign currency gain (loss) | (71) | 3 | NM | (127) | 25 | NM |
| Impairment loss on investments | - | (1,840) | NM | (592) | (1,840) | NM |
| Total other income (expense) | \$ 4,475 | \$(1,074) | NM | \$5,846 | \$ (694) | NM |

Interest income increased by 112 percent in the first six months of fiscal 2006 over the same period a year ago, primarily due to an increase in short-term interest rates.

Interest income earned on investments classified as available-for-sale is included in interest income. Interest and dividend income earned by funds that the Company had consolidated, is recorded in other revenue.

Interest expense decreased by 1 percent in the first six months of fiscal 2006 over the same period a year ago and represents the accretion of interest on the Company's zero-coupon exchangeable notes.

The Company recognized a \$0.6 million and \$1.8 million impairment loss for the six months ended April 30, 2006 and 2005, respectively, related to its investments in collateralized debt obligation 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 management fee on the underlying collateral pools.

The Company realized gains of \$2.2 million upon the disposition of its investment in sponsored funds and \$1.4 million on liquidation of its investment in a collateralized debt obligation entity for the six months ended April 30, 2006.

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 38.5 percent and 37.9 percent in the first six months of fiscal 2006 and 2005, respectively.

Minority Interest

Minority interest increased by 5 percent and 8 percent in the second quarter and first six months of fiscal 2006, respectively, over the same periods last year, primarily due to the increased profitability of Parametric Portfolio Associates, a majority-owned subsidiary.

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. The short-term income funds previously consolidated by the Company are registered investment companies 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 at April 30, 2006 reflects the Company's 20 percent minority equity interest in Lloyd George Management. In addition, the Company's has a 22 percent minority equity interest in the Eaton Vance Short-Term Income Fund, a 28 percent minority equity interest in the Eaton Vance Institutional Short-Term Treasury Fund and a 24 percent minority equity interest in the Eaton Vance Equity Research Fund.

Equity in net income of affiliates, net of tax, increased to \$1.2 million in the second quarter of fiscal 2006 from \$0.4 million in the second quarter of fiscal 2005 largely due to the deconsolidation of Eaton Vance Institutional Short-Term Income Fund on April 1, 2005. Subsequent to deconsolidation, the Company's investment in the fund was accounted for as an equity-method investment.

Equity in net income of affiliates, net of tax, increased to \$2.2 million in the first six months of fiscal 2006 from a loss of \$0.2 million in the first six months of fiscal 2005 because of the strong growth in assets under management at Lloyd George Management. Also, calendar year-end bonuses paid by Lloyd George Management in December 2005 were accrued throughout the calendar year, whereas they were expensed entirely in December 2004.

Cumulative Effect of Change in Accounting Principle, Net of Tax

In December 2004, the FASB revised SFAS No. 123 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 elected to apply the modified version of retrospective application for periods prior to the required effective date and adjusted results on a basis consistent with the pro forma disclosures previously made under SFAS No. 123. The Company implemented the revised statement effective November 1, 2005.

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 of this adjustment, net of tax, was \$0.6 million.

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 April 30, 2006 and October 31, 2005 and for the six-month periods ended April 30, 2006 and 2005:

| <i>(in thousands)</i> | April 30, 2006 | October 31, 2005 | % Change |
|----------------------------|---|-----------------------------|-----------------|
| Balance sheet data: | | | |
| Cash and cash equivalents | \$158,060 | \$146,389 | 8% |
| Short-term investments | 128,427 | 127,858 | -% |
| Long-term investments | 53,850 | 61,766 | -13% |
| Deferred sales commissions | 116,148 | 126,113 | -8% |
| Long-term debt | 76,027 | 75,467 | 1% |
| Deferred income taxes | 26,616 | 29,804 | -11% |
| | For the Six Months Ended April 30, | | |
| <i>(in thousands)</i> | 2006 | 2005 | % Change |
| Cash flow data: | | | |
| Operating cash flows | \$9,966 | \$17,010 | -41% |
| Investing cash flows | 11,351 | (6,458) | 276% |
| Financing cash flows | (9,692) | 1,087 | -992% |

The Company's financial condition is highly liquid, with a significant percentage of the Company's assets represented by cash, cash equivalents and short-term investments. Short-term investments consist principally of 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, affiliates and minority equity investments in collateralized debt obligation 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 8 percent in the first six months of fiscal 2006, 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 the stock-based compensation, decreased by 11 percent in the first six months of fiscal 2006. The decrease in deferred income taxes relates to the continuing decrease in deferred sales commissions and an increase in the tax benefit derived from stock-based compensation. Upon adoption of SFAS 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 under its operating lease arrangements:

| Contractual Obligations <i>(in millions)</i> | Payments due | | | | |
|--|---------------------|-----------------------------|----------------------|----------------------|--------------------------|
| | Total | Less than 1 Year | 1-3 Years | 4-5 Years | After 5 Years |
| Operating leases – facilities and equipment | 34.3 | 7.9 | 15.7 | 2.2 | 8.5 |

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/or sales will occur at varying times at varying amounts over the next 10 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. The timing and amounts of these purchases cannot be predicted with certainty. However, 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 \$4.0 million interest in Parametric Portfolio Associates from minority interest holders, increasing the Company's ownership from 80 percent to 85 percent.

Also excluded from the table above are EVM's zero-coupon exchangeable senior notes ("Notes"). On August 13, 2001, EVM issued 314,000 Notes due August 13, 2031 in a private placement to qualified institutional buyers at an initial offering price of \$638.70 per \$1,000 principal amount at maturity. The discounted price reflects a yield to maturity of 1.5 percent per year. Upon certain events, each Note is exchangeable into 28.7314 shares of the Company's non-voting common stock, subject to adjustment. EVM may redeem the Notes on or after August 13, 2006. At the option of Note holders, EVM may be required to repurchase the Notes at their accreted value on August 13, 2006 and at five-year intervals thereafter until maturity or in the event that the credit rating of the Notes is decreased by three or more rating subcategories below its initial rating by either Moody's or Standard & Poor's. Such repurchases can be paid in cash, shares of the Company's non-voting common stock, or a combination of both, at the Company's election.

Note holders also have the right to surrender their Notes for exchange into shares of the Company's non-voting common stock in any fiscal quarter if, as of the last day of the preceding fiscal quarter, the closing sale price of Eaton Vance Corp.'s non-voting common stock for at least 20 of the last 30 consecutive trading days is more than a specified percentage of the accreted exchange price per share on that date. On April 30, 2006, the contingent conversion price for the Company's non-voting common stock was \$28.18. EVM has the right to settle the exchange in cash, shares of the Company's non-voting common stock, or a combination of both. On April 30, 2006, 110,945 Notes remained outstanding (\$110.9 million principal amount at maturity).

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. At April 30, 2006, the Company had no outstanding borrowings under its revolving credit facility.

Operating Cash Flows

Operating cash flows consist primarily of the operating results of the Company adjusted to reflect changes in current assets and liabilities, deferred sales commissions, stock based compensation, deferred income taxes and investments classified as trading. Cash provided by operating activities totaled \$10.0 million and \$17.0 million in the six months ended April 30, 2006 and 2005, respectively. The decrease in cash provided by operating activities in the first six months of fiscal 2006 compared to the first six months of fiscal 2005 can be attributed primarily to a decrease in cash provided by the purchase and sale of trading securities by the Company's two consolidated short-term income funds, which regularly purchase and sell short-term debt instruments. As described in the Company's discussion of operating results (see "Other revenue" above), the Company stopped consolidating the funds on April 1, 2005 and April 1, 2006, respectively. The Company consolidates investments in affiliates in which the Company's ownership exceeds 50 percent. As a result, cash flows from the operating activities of the consolidated funds are included in operating cash flows. Net cash used for the purchase and sale of trading securities totaled \$80.2 million in the first six months of fiscal 2006 compared to \$68.7 million in the first six months of fiscal 2005.

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 \$1.5 million in the first six months of fiscal 2006 compared to the first six months of fiscal 2005. Although the Company anticipates that the payment of capitalized sales commissions will continue to be a significant overall use of cash in the future, the payment of sales commissions will likely continue to decline if sales of Class B shares continue to decline. The amortization of deferred sales commissions and contingent deferred sales charges received will likely be similarly affected if sales of Class B shares decline.

Investing Cash Flows

Investing activities consist primarily of the purchase of equipment and leasehold improvements and the purchase and sale of investments by Company-sponsored mutual funds that the Company does not consolidate. Cash provided by investing activities totaled \$11.4 million in the first six months of fiscal 2006 compared to \$6.5 million used for investing activities in the first six months of fiscal 2005. The increase in cash provided by investing activities in the first six months of fiscal 2006 reflects the proceeds received from the sale of available-for-sale investments.

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 subsidiaries (which were deconsolidated in April, 2005 and April, 2006) and cash paid to meet redemptions by minority shareholders of these mutual fund subsidiaries. Cash used for financing activities totaled \$9.7 million in the first six months of fiscal 2006 compared to \$1.1 million provided by financing activities in the first six months of fiscal 2005. Cash used for financing activities in the six months ended April 30, 2006 reflects proceeds of \$80.0 million from the issuance of the Company's mutual fund subsidiaries' capital stock compared to net payments of \$84.6 million for the redemption of the Company's mutual fund subsidiaries' capital stock for the six months ended April 30, 2005.

In the first six months of fiscal 2006, the Company repurchased a total of 2.8 million shares of its non-voting common stock for \$76.4 million under its authorized repurchase program and issued 1.1 million shares of non-voting common stock in connection with the exercise of stock options and employee stock purchases for total proceeds of \$14.1 million. The Company has authorization to purchase an additional 2.5 million shares under its present share repurchase authorization and anticipates that share repurchases will continue to be a significant use of cash. The Company's dividends per share were \$0.20 in the first six months of fiscal 2006 compared to \$0.16 in the first six months of fiscal 2005.

Off-Balance Sheet Arrangements

The Company does not invest in any off-balance sheet vehicles that provide financing, liquidity, market or credit risk support or engage in any leasing activities that expose the Company to liabilities that are 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. Goodwill is not amortized but is tested at least annually for impairment by comparing the fair values of the companies acquired to their carrying amounts, including goodwill. Identifiable intangible assets generally represent the cost of client relationships and management contracts acquired. The Company periodically reviews identifiable intangibles for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of the companies exceed their respective fair values, additional impairment tests will be performed to measure the amount of the impairment loss, if any.

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. As noted in previous filings, IRS regulations issued in 2004 provide that commission payments made after November 1, 2003, 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 Collateralized Debt Obligation Entities

The Company acts as collateral manager for five collateralized debt obligation entities and Eaton Vance Variable Leveraged Fund (collectively the "CDO entities") pursuant to collateral management agreements between the Company and each CDO entity. At April 30, 2006, combined assets under management in the collateral pools of these CDO entities were approximately 1.9 billion. The Company had combined minority equity investments of \$7.2 million in three of these entities on April 30, 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 \$7.2 million carrying value of the minority equity investments on the Company's Consolidated Balance Sheet at April 30, 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 CDOs it manages is limited to its equity interests in the CDO entities as reflected in the Company's Consolidated Balance Sheets.

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. 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 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.

Accounting Developments

In June 2005, the Financial Accounting Standards Board ("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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

The Company's primary exposure to equity price risk arises from its investments in sponsored equity funds. Equity price risk as it relates to these investments represents the potential future loss of value that would result from a decline in the fair values of the fund shares. The Company's investments in sponsored equity funds totaled \$23.6 million at April 30, 2006, and are carried at fair value on the Company's Consolidated Balance Sheets.

The Company's primary exposure to interest rate risk arises from its investment in fixed-and floating-rate income funds sponsored by the Company and short-term debt securities. The negative effect on the Company's pre-tax interest income of a 50 basis point decline in interest rates would be approximately \$0.7 million based on fixed-income and floating-rate income investments of \$132.4 million as of April 30, 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 Company is not exposed to interest rate risk in its debt instruments as all of the Company's funded debt instruments carry fixed interest rates.

The Company's primary exposure to credit risk arises from its minority equity interests in three CDO entities that are included in long-term investments in the Company's Consolidated Balance Sheets. As a minority equity investor in a CDO entity, the Company is only entitled to a residual interest in the CDO entity, making these investments sensitive to the default rates of the underlying issuers of the high-yield bonds or floating-rate income instruments held by the CDO entity. The Company's minority equity investments are subject to an impairment loss in the event that the cash flows generated by the collateral securities are not sufficient to allow equity holders to recover their investments. If there is deterioration in the credit quality of the issuers underlying the collateral securities and a corresponding increase in the number of defaults, cash flows generated by the collateral securities may be adversely impacted and the Company may be unable to recover its investment. The Company's total investment in minority equity interests in CDO entities is approximately \$7.2 million at April 30, 2006, which represents the total value at risk with respect to such entities as of April 30, 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" in Part 2, Item 1A, declines of financial market values will negatively impact revenue and net income.

Item 4. Controls and Procedures

As of April 30, 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. 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.

On February 15, 2006, the Company implemented a new financial consolidation and reporting software tool, Hyperion Financial Management. The Company considers implementation of this application to have a material effect on the Company's internal control over financial reporting for the quarter ended April 30, 2006. There were no other significant changes that would have a material effect on the Company's internal control over financial reporting for the quarter ended April 30, 2006.

Report of Management on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Internal control over financial reporting is the process designed and affected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances.

Management has evaluated the effectiveness of internal control over financial reporting as of April 30, 2006 in relation to criteria described in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on management's assessment, management concluded that the Company's internal control over financial reporting was effective as of April 30, 2006.

Part II - Other Information

Item 1. Legal Proceedings

There have been no material developments in litigation previously reported in the Company's SEC filings.

Item 1A. Risk Factors

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

There are few barriers to entry in the investment management business. The Company's funds and separate accounts compete against an ever-increasing number of investment products and services sold to the public by 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, and the services provided to investors.

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

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

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

continually monitors legislative, tax, regulatory, accounting, and compliance developments that could impact its business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information regarding the Company's purchases of its non-voting common stock on a monthly basis during the second quarter of fiscal 2006:

Issuer Repurchases of Equity Securities

| Period | (a) Total Number of Shares Purchased | (b) Average price paid per share | (c) Total Number of Shares Purchased of Publicly Announced Plans or Programs ¹ | (d) Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs |
|---|---|--|--|---|
| February 1, 2006 through February 28, 2006 | 237,500 | \$28.86 | 237,500 | 3,808,599 |
| March 1, 2006 through March 31, 2006 | 641,853 | \$27.18 | 641,853 | 3,166,746 |
| April 1, 2006 through April 30, 2006 | 657,200 | \$28.36 | 657,200 | 2,509,546 |
| Total | 1,536,553 | \$27.94 | 1,536,553 | 2,509,546 |

¹ The Company's share repurchase program was announced on April 14, 2005. The Board authorized management to repurchase 8.0 million shares of its non-voting common stock in 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.

Item 4. Submission of Matters to a Vote of Security Holders

On April 3, 2006, the holders of all of the outstanding Voting Common Stock, by unanimous written consent, elected Dorothy E. Puhly as a Director.

On April 12, 2006, the holders of all of the outstanding Voting Common Stock, by unanimous written consent, approved the 1998 Stock Plan – Restatement No. 7.

Item 6. Exhibits

(a) Exhibits

| Exhibit No. | Description |
|-------------|---|
| 31.1 | Certification of Chief Executive Officer |
| 31.2 | Certification of Chief Financial Officer |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

(b) Reports on Form 8-K

The Company filed a Form 8-K with the SEC on February 28, 2006, regarding the Company's press release of its results of operations for the quarter ended January 31, 2006.

The Company filed a Form 8-K with the SEC on April 7, 2006, regarding the election of Dorothy E. Puhly as a Director.

The Company filed a Form 8-K with the SEC on April 13, 2006, regarding preliminary assets under management reports.

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EATON VANCE CORP.

(Registrant)

DATE: June 8, 2006

/s/Thomas E. Faust Jr.

(Signature)

Thomas E. Faust Jr.

President

DATE: June 8, 2006

/s/William M. Steul

(Signature)

William M. Steul

Chief Financial Officer

Exhibit 10.1

As effective April 12, 2006

EATON VANCE CORP. 1998 STOCK OPTION PLAN RESTATEMENT NO. 7

1. Definitions. As used in this Eaton Vance Corp. 1998 Stock Option Plan the following terms shall have the following meaning:

Board means the Company's Board of Directors.

Code means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include successor provisions and regulations and other guidance issued thereunder.

Committee means the Compensation Committee of the Board, or such other Board committee as may be appointed by the Board to administer the Plan pursuant to Section 5.

Company means Eaton Vance Corp., a Maryland corporation, or any successor corporation.

Director Option means a nonqualified stock option granted to a director pursuant to the formula plan set forth in Section 8.

Exchange Act means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include successor provisions thereto and regulations and other guidance issued thereunder.

Grant Date means the date on which an Option is granted.

Incentive Option means an Option that satisfies the requirements of Section 422 of the Code.

Market Value means the closing price on the New York Stock Exchange for the Shares for any date.

Nonqualified Option means an Option other than an Incentive Option granted to an employee.

Option means an option to purchase Shares granted under the Plan.

Option Agreement means an agreement between the Company and an Optionee, setting forth the terms and conditions of an Option.

Option Price means the price to be paid by an Optionee upon exercise of an Option.

Optionee means a person eligible to receive an Option to whom an Option shall have been granted under the Plan.

Plan means this 1998 Stock Option Plan, as amended or restated from time to time.

Qualified Member means a member of the Committee who is a “non-employee director” within the meaning of Rule 16b-3(b)(3) and an “outside director” within the meaning of Treasury Regulation 1.162-27(e)(3) under Code Section 162(m).

Rule 16b-3 means Rule 16b-3, as from time to time in effect and applicable to the Plan and any Optionee, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

Shares means shares of Non-Voting Common Stock of the Company or such other securities as may be substituted or resubstituted therefor pursuant to Section 4.

Subsidiary means a subsidiary of the Company, as defined in Section 424(f) of the Code.

2. Purpose. The purpose of the Plan is to advance the interests of the Company by strengthening the ability of the Company and its Subsidiaries to attract, retain and motivate directors and employees by providing them with an opportunity to purchase Shares and thus participate in the ownership of the Company, including the opportunity to share in any appreciation in the value of such Shares. It is intended that the Plan will strengthen the mutuality of interest between such persons and the stockholders of the Company. Both Incentive Options and Nonqualified Options may be granted under the Plan. This Plan is the successor to the Company’s 1995 Stock Option Plan – Restatement No. 2.

3. Effective Date. The Plan became effective on July 7, 1998, the date it was adopted by the Board and approved by the voting stockholders of the Company. This Restatement No. 7 became effective on April 12, 2006, the date it was adopted by the Board and approved by the voting stockholders of the Company.

4. Stock Subject to the Plan; Adjustments.

(a) Shares Reserved. Subject to adjustment as hereinafter provided, the total number of Shares reserved for issuance in connection with Options under the Plan shall be 35,000,000. No Option may be granted if the number of shares to which such Option relates, when added to the number of Shares previously issued under the Plan, exceeds the number of shares reserved under this Section 4(a). Shares issued under the Plan shall be counted against this limit in the manner specified in Section 4(b).

(b) Manner of Counting Shares. If any Shares subject to an Option are forfeited, canceled, exchanged, or surrendered or such Option is settled in cash or otherwise terminates without a distribution of Shares to the Participant, including (i) the number of Shares withheld in payment of any Option Price or tax obligation relating to the exercise of such Option and (ii) the number of Shares equal to the number surrendered in payment of any Option Price or tax obligation relating to the exercise of such Option, such number of Shares will again be available for Options under the Plan. The Committee may make determinations and adopt regulations for the counting of Shares relating to any Option to ensure appropriate counting, avoid double counting (in the case of substitute Options), and provide for adjustments in any case in which the number of Shares actually distributed differs from the number of Shares previously counted in connection with such Option.

(c) Type of Shares Distributable. Any Shares delivered upon exercise of an Option may consist, in whole or in part, of authorized and unissued Shares or Shares reacquired by the Company through purchase in the open market or in private transactions.

(d) Adjustments. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, or other property) which is unusual and non-recurring, or any recapitalization, stock split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase or share exchange, or other similar corporate transaction or event affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Optionees under the Plan, then the Committee shall make such equitable changes or adjustments as it deems appropriate and, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of Shares which may thereafter be issued in connection with Options, (ii) the

number and kind of Shares issued or issuable in respect of outstanding Options or, if deemed appropriate, make provisions for payment of cash or other property with respect to any outstanding Option, (iii) the Option Price relating to any Option, and (iv) the number and kind of Shares set forth in Section 7(d) as the per-person limitation for any three calendar years; provided, however, in each case that, with respect to Incentive Options, such adjustment shall be made in accordance with Section 424 of the Code, unless the Committee determines otherwise. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and any criteria and performance objectives or goals included in, Options in recognition of unusual or non-recurring events (including events described in the preceding sentence, as well as acquisitions and dispositions of assets or all or part of businesses) affecting the Company or any Subsidiary or any business unit, or the financial statements thereof, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations, or business conditions or in view of the Committee's assessment of the business strategy of the Company, a Subsidiary, or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of an Optionee, and any other circumstances deemed relevant; provided that, unless otherwise determined by the Committee, no such adjustment shall be made if and to the extent that such adjustment would cause Options granted to employees who are "covered employees" within the meaning of Code Section 162(m) to fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder.

5. Administration.

(a) Authority of the Committee. The Plan shall be administered by the Committee. The Committee shall have full and final authority and discretion to take the following actions, in each case subject to and consistent with the provisions of the Plan:

(i) to select employees to whom Options may be granted;

(ii) to determine the type and number of Options to be granted to employees, the number of Shares to which such an Option may relate, the terms and conditions of any Option granted to an employee under the Plan (including the Option Price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability, or settlement of such an Option, and waivers or accelerations thereof, and waivers of performance conditions relating to such an option, based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with any Option granted to an employee;

(iii) to determine whether, to what extent, and under what circumstances an Option may be settled, or the Option Price may be paid, in cash, Shares or other property, or an Option may be canceled, forfeited, exchanged, or surrendered;

(iv) to determine whether, to what extent, and under what circumstances cash, Shares or other property payable with respect to an Option will be deferred either automatically, at the election of the Committee, or at the election of the Optionee, and whether to create trusts and deposit Shares or other property therein;

(v) to prescribe the form of each Option Agreement, which need not be identical for each Optionee;

(vi) to adopt, amend, suspend, waive, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(vii) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Option, rules and regulations, Option Agreement, or other agreement or instrument hereunder; and

(viii) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

In its administration of the Plan, the Committee shall not take any action which would result in a transaction involving a Director Option failing to be exempt under Rule 16b-3(d). Other provisions of the Plan notwithstanding, the Board may perform any function of the Committee under the Plan, including for the purpose of ensuring that transactions under the Plan by Optionees who are then subject to Section 16 of the Exchange Act in respect of the Company are exempt under Rule 16b-3. In any case in which the Board is performing a function of the Committee under the Plan, each reference to the Committee herein shall be deemed to refer to the Board, except where the context otherwise requires.

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action of the Committee relating to an Option to be granted to an employee who is then subject to Section 16 of the Exchange Act in respect of the Company, or relating to an Option intended to constitute “qualified performance-based compensation” within the meaning of Code Section 162(m) and regulations thereunder, may be taken either (i) by a subcommittee composed solely of two or more Qualified Members, or (ii) by the Committee but with each such member who is a not Qualified Member abstaining or recusing himself or herself from such action, provided that, upon such abstention or recusal, the Committee remains composed solely of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Company, Subsidiaries, Optionees, any person claiming any rights under the Plan from or through any Optionee, and stockholders of the Company. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Subsidiary the authority, subject to such terms as the Committee shall determine, to perform administrative functions and such other functions as the Committee may determine, to the extent permitted under applicable law and, with respect to any Optionee who is then subject to Section 16 of the Exchange Act in respect of the Company, to the extent performance of such function will not result in a subsequent transaction failing to be exempt under Rule 16b-3(d).

(c) Limitation of Liability. Each member of the Committee shall be entitled in good faith to rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any Subsidiary, the Company’s independent certified public accountants, or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, nor any officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

6. Duration of the Plan. This Plan shall terminate ten years from the original effective date hereof, unless terminated earlier pursuant to Section 12, and no Options may be granted thereafter.

7. Options for Employees.

(a) Eligible Employees. Options may be granted to those employees of the Company or of any of its Subsidiaries as are selected by the Committee.

(b) Restrictions on Incentive Options. Incentive Options shall be subject to the following restrictions:

(i) Limitation on Number of Shares. To the extent that the aggregate Market Value on the Grant Date of the Shares with respect to which an Option that would otherwise constitute an Incentive Option (when aggregated, if appropriate, with incentive stock options granted before the Option under this Plan or any other plan maintained by the Company or any Subsidiary of the Company) is exercisable for the first time by the Optionee during any calendar year exceeds \$100,000, the Option shall be treated as a Nonqualified Option.

(ii) 10% Stockholder. If any Optionee to whom an Incentive Option is granted is on the Grant Date the owner of stock (as determined under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, then the following special provisions shall be applicable to that Incentive Option:

(A) The Option Price per Share shall not be less than 110% of the Market Value on the Grant Date; and

(B) The Incentive Option shall expire not more than five years after the Grant Date.

(c) Price. Subject to the conditions on certain Incentive Options in Section 7(b), the Option Price per Share payable upon the exercise of each Incentive Option shall be not less than 100% of the Market Value on the Grant Date. The Option Price per Share of stock payable upon exercise of each Nonqualified Option shall be determined by the Committee, provided that the Option Price shall not be less than 100% of the Market Value on the Grant Date.

(d) Limitation on Number of Shares to be Granted to Each Optionee. Each Option Agreement shall specify the number of Shares to which it pertains. No Optionee may receive, during any three calendar year period, Options to purchase more than 7,200,000 Shares. If any Option granted to an employee is canceled, the canceled Option continues to be counted against the maximum number of Shares for which Options may be granted to that employee under the Plan. If, after grant of an Option to an employee, the Option Price is reduced, the transaction will be treated as a cancellation of the Option and the grant of a new Option, and in such case both the Option that is deemed to be canceled and the Option that is deemed to be granted reduce the maximum number of Shares for which Options may be granted to that employee under the Plan. The preceding two sentences apply only to calculating the maximum number of Shares available to an Optionee during any three calendar year periods, and shall not apply to or affect the manner of counting Shares pursuant to Section 4(b).

(e) Exercise of Options. Subject to the terms and conditions set forth in the Option Agreement, each Option shall be exercisable for the full amount or for any part thereof and at such intervals or in such installments as the Committee may determine at the time it grants the Option; provided, however, that no Option shall be exercisable with respect to any Shares later than ten years after the Grant Date.

8. Formula Plan; Options for Directors. At the first Board meeting following the first election to the Board of a person who was not, within twelve months preceding election, either an officer of employee of the Company or any Subsidiary, such person shall be granted a Director Option to purchase such number of Shares that, on the Grant Date, has a value under the Black-Scholes method of \$80,000 (using the methodology used by the Company in determining the value of Options granted to employees). On the first business day in November in each year, each director who is not an employee of the Company and its Subsidiaries shall receive a Director Option to purchase such number of Shares that, on the Grant Date, has a value under the Black-Scholes method of \$80,000 (using the methodology used by the Company in determining the value of Options granted to employees). In the event that on any Grant Date there is not a sufficient number of Shares available to implement fully the preceding sentences, then each such director shall receive a pro rata portion of the Director Option contemplated by the preceding sentences. The Option Price for each Director Option shall be the Market Value on the Grant Date or, in the event there is no Market Value available on the Grant Date, on the date next following the Grant Date for which a Market Value is available. Each Director Option shall become exercisable immediately on the Grant Date. No Director Option shall be exercisable later than ten years after the Grant Date. It is intended that each Director Option

automatically granted pursuant to this Section 8 shall be made pursuant to a formula plan as defined in Release No. 34-37260 of the Securities and Exchange Commission (adopting restated Rule 16b-3).

9. Terms and Conditions Applicable to All Options.

(a) Non-Transferability. Except as otherwise expressly provided in an Option Agreement, no Option shall be transferable by the Optionee, other than by will or the laws of descent and distribution, and each Option shall be exercisable, during the Optionee's lifetime, only by him or her (i.e. if the Option is exercised during the Optionee's lifetime, it shall only be exercisable by the Optionee).

(b) Notice of Exercise and Payment. An Option shall be exercisable only by delivery of a written notice to the Company's Treasurer or any other officer of the Company designated by the Committee to accept such notices on its behalf, specifying the number of Shares for which it is exercised. If the Shares are not at that time effectively registered under the Securities Act of 1933, as amended, the Optionee shall include with such notice a letter, in form and substance satisfactory to the Company, confirming that the Shares are being purchased for the Optionee's own account for investment and not with a view to distribution. Payment shall be made in full at the time the Option is exercised. Payment shall be made by (i) cash or check, (ii) delivery and assignment to the Company of Shares having been owned by the Optionee for such period as the Company's Treasurer may determine and having a Market Value as of the date of exercise equal to the exercise price, (iii) if approved by the Committee, delivery of the Optionee's promissory note for the exercise price, or (iv) any combination of (i), (ii) or (iii) above.

(c) No Rights to Options; No Stockholder Rights. No employee shall have any claim to be granted an Option under the Plan, and there is no obligation for uniformity of treatment of employees. No Option shall confer upon the Optionee any rights as a stockholder or any claim to dividends paid with respect to any Shares to which the Option relates unless and until such Shares are duly issued to him or her in accordance with the terms of the Option.

(d) Cancellation and Rescission of Options. The Committee may provide in any Option Agreement that, in the event an Optionee violates a term of the Option Agreement or other agreement with or policy of the Company or a Subsidiary, takes or omits to take actions that are deemed to be in competition with the Company or its Subsidiaries, an unauthorized solicitation of customers, suppliers, or employees of the Company or its Subsidiaries, or an unauthorized disclosure or misuse of proprietary or confidential information of the Company or its Subsidiaries, or takes or omits to take any other action as may be specified in the Option Agreement, the Optionee shall be subject to forfeiture of such Option or portion, if any, of the Option as may then remain outstanding and also to forfeiture of any amounts of cash, Shares or other property received by the Optionee upon exercise or settlement of such Option or in connection with such Option during such period (as the Committee may provide in the Option Agreement) prior to the occurrence which gives rise to the forfeiture.

(e) Options to Optionees Outside the United States. The Committee may modify the terms of any Option under the Plan granted to an Optionee who is, at the time of grant or during the term of the Option, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Option shall conform to laws, regulations, and customs of the country in which the Optionee is then resident or primarily employed, or so that the value and other benefits of the Option to the Optionee, as affected by foreign tax laws and other restrictions applicable as a result of the Optionee's residence or employment abroad, shall be comparable to the value of such an Option to an Optionee who is resident or primarily employed in the United States. An Option may be modified under this Section 9(f) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation.

10. Termination of Options. Each Option shall terminate and may no longer be exercised if the Optionee ceases to perform services for the Company or a Subsidiary, in accordance with the following provisions:

(i) if the Optionee's services shall have been terminated by resignation or other voluntary action, or if such services shall have been terminated involuntarily for cause, all of the Optionee's Options shall terminate and may no longer be exercised;

(ii) if the Optionee's services shall have been terminated for any reason other than cause, resignation or other voluntary action before his or her eligibility to retire, and before his or her disability or death, he or she may at any time within a period of fifteen (15) months after such termination of service exercise his or her Options to the extent that the Options were exercisable on the date of termination of service;

(iii) if the Optionee's service shall have been terminated because of disability within the meaning of Section 22(e)(3) of the Code, he or she may at any time within a period of fifteen (15) months after such termination of service exercise his or her Options to the extent that such Options were exercisable on the date of termination of service; and

(iv) if the Optionee dies at a time when he or she might have exercised an Option, then his or her estate, personal representative or beneficiary to whom it has been transferred pursuant to Section 9(a) hereof may at any time within a period of fifteen (15) months after the Optionee's death exercise the Option to the extent the Optionee might have exercised it at the time of death;

provided, however, that the Committee may, at its sole discretion, provide specifically in an Option Agreement for such other period of time (shorter or longer than as set forth above) during which an Optionee may exercise an Option after termination of the Optionee's services as the Committee may approve, subject to the overriding limitation that no Option may be exercised to any extent by anyone after the date of expiration of the Option.

11. Withholding Taxes; Delivery of Shares. The Company's obligation to deliver Shares upon exercise of an Option shall be subject to the Optionee's satisfaction of all applicable federal, state and local income and employment tax withholding obligations. The Optionee may satisfy the obligations by electing (a) to make a cash payment to the Company, or (b) to have the Company withhold Shares with a value equal to the amount required to be withheld, or (c) to deliver to the Company Shares having been owned by the Optionee for such period as the Company's Treasurer may determine and having a value equal to the amount required to be withheld. The value of Shares to be withheld or delivered shall be based on the Market Value on the date the amount of tax to be withheld is to be determined. The Optionee's election to have Shares withheld for this purpose will be subject to the following restrictions: (1) the election must be made prior to the date the amount of tax is to be determined, (2) the election must be irrevocable, and (3) the election will be subject to the disapproval of the Committee.

12. Termination or Amendment of Plan. The Board may at any time terminate the Plan or make such changes in or additions to the Plan as it deems advisable without further action on the part of the shareholders of the Company, provided:

(a) that no such termination or amendment shall adversely affect or impair any then outstanding Option without the consent of the Optionee holding that Option; and

(b) that any such amendment which: (i) increases the maximum number of Shares subject to this Plan, or (ii) changes the class of persons eligible to participate in this Plan, or (iii) materially increases the benefits accruing to participants under this Plan, shall be subject to approval by the voting stockholders of the Company within one year from the effective date of such amendment and shall be null and void if such approval is not obtained.

13. Change of Control - Automatic Vesting of Options. Notwithstanding anything to the contrary herein, the Board or the Committee shall include in the Option Agreement for each unvested Option granted under this Plan the following provision, and such inclusion may be effected by incorporating this provision by reference to this Section 13:

This Option shall be immediately exercisable and the Optionee shall become eligible to purchase any and all shares covered by each Option at any time or from time to time after the occurrence of a Change of Control of the Company. A “Change of Control” shall mean:

(a) The acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d) (3) or 14(d) (2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of either (i) the then outstanding non-voting common stock of the Company (the “Non-Voting Stock”) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”); provided, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any Person that is eligible, pursuant to Rule 13d-1(b) under the Exchange Act, to file a statement on Schedule 13G with respect to its beneficial ownership of Company Voting Securities, whether or not such Person shall have filed a statement on Schedule 13G, unless such Person shall have filed a statement on Schedule 13D with respect to beneficial ownership of 25% or more of the Company Voting Securities, shall not constitute a Change of Control; and provided, further, that the provisions of this subsection (a) shall apply whether or not the Company Voting Securities or the Non-Voting Stock is registered or required to be registered under the Exchange Act; or

(b) Individuals who, as of the date hereof, constitute the Company’s Board of Directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, that any individual becoming a director of the Company (“Director”) subsequent to the date of the Option whose election or nomination for election by the Company’s shareholders was approved by at least a majority of the Directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of the Regulation 14A promulgated under the Exchange Act); or

(c) Approval by the shareholders of the Company of a reorganization, merger or consolidation (a “Business Combination”), in each case with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Non-Voting Stock and of the Company Voting Securities immediately prior to such Business Combination will not, following such Business Combination, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding non-voting stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other entity resulting from the Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Non-Voting Stock and Company Voting Securities, as the case may be; or

(d) Approval by the shareholders of the Company of (i) a complete liquidation or dissolution of the Company, or (ii) a sale or other disposition of all or substantially all of the assets of the Company, or (iii) a sale or disposition of Eaton Vance Management (or any successor thereto) or of all or substantially all of the assets of Eaton Vance Management (or any successor thereto), or (iv) an assignment by any direct or indirect investment adviser subsidiary of the Company of investment advisory agreements pertaining to more than 50% of the aggregate assets under management of all such subsidiaries of the Company, in the case of (ii), (iii) or (iv) other than to a corporation or other entity with respect to which, following such sale or disposition or assignment, more than 60% of, respectively, the outstanding non-voting stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the Non-Voting Stock and Company Voting Securities immediately prior to such sale, disposition or assignment in substantially the same proportion as their ownership of the Non-Voting Stock and Company Voting Securities, as the case may be, immediately prior to such sale, disposition or assignment.

Notwithstanding the foregoing, the following events shall not cause, or be deemed to cause, and shall not constitute, or be deemed to constitute, a Change of Control:

(1) The acquisition, holding or disposition of Company Voting Securities deposited under the Voting Trust Agreement dated as of October 30, 1997, as amended, or of the voting trust receipts issued therefor, or any change in the persons who are voting trustees thereunder, or the acquisition, holding or disposition of Company Voting Securities deposited under any subsequent replacement voting trust agreement or of the voting trust receipts issued therefor, or any change in the persons who are voting trustees under any such subsequent replacement voting trust agreement; provided, that any such acquisition, disposition or change shall have resulted solely by reason of the death, incapacity, retirement, resignation, election or replacement of one or more voting trustees.

(2) Any termination or expiration of a voting trust agreement under which Company Voting Securities have been deposited or the withdrawal therefrom of any Company Voting Securities deposited thereunder, if all Company Voting Securities and/or the voting trust receipts issued therefor continue to be held thereafter by the same persons in the same amounts, or if contemporaneously there shall be a Business Combination or change in the capitalization of the Company as described in clause (3) below.

(3) A Business Combination or change in the capitalization of the Company pursuant to which the holders of the Non-Voting Stock of the Company become holders of voting securities of the Company or of the corporation or other entity resulting from such Business Combination, in substantially the same proportion as their ownership of Non-Voting Stock immediately prior to such Business Combination or change in capitalization.

14. General Provisions.

(a) Compliance with Legal and Exchange Requirements. The Plan, the granting and exercising of Options thereunder, and the other obligations of the Company under the Plan and any Option Agreement, shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Shares under any Option until completion of such stock exchange listing or registration or qualification of such Shares or other required action under any state, federal or foreign law, rule or regulation as the Company may consider appropriate, and may require any Optionee to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Shares in compliance with applicable laws, rules and regulations.

(b) Compliance with Section 162(m) and Rule 16b-3. If any provision of the Plan or any Option Agreement relating to a “covered employee” or a person subject to Section 16 of the Exchange Act does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder or Rule 16b-3, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

(c) No Right to Continued Employment. Neither the Plan nor any action taken thereunder shall be construed as giving any employee the right to be retained in the employ of the Company or any of its Subsidiaries, nor shall it interfere in any way with the right of the Company or any of its Subsidiaries to terminate any employee’s employment at any time.

(d) Taxes. The Company or any Subsidiary is authorized to withhold from any payment relating to an Option under the Plan, or any distribution of Shares, or any payroll or other payment to an Optionee, amounts of withholding and other taxes due in connection with any transaction involving an Option, and to take such other action as the Committee may deem advisable to enable the Company and Optionees to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Option or exercise thereof. This authority shall include authority to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of an Optionee’s tax obligations.

(e) Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the voting stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including the granting of stock options and other awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

(f) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan, and any Option Agreement shall be determined in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to principles of conflicts of laws, and applicable federal law.

Exhibit 31.1

CERTIFICATION

I, James B. Hawkes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eaton Vance Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined by Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: June 8, 2006

/s/James B. Hawkes

(Signature)

James B. Hawkes

Chairman, Director and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, William M. Steul, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eaton Vance Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined by Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: June 8, 2006

/s/William M. Steul

(Signature)

William M. Steul
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Eaton Vance Corp. (the "Company") on Form 10-Q for the period ending April 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James B. Hawkes, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: June 8, 2006

/s/James B. Hawkes

(Signature)

James B. Hawkes
Chairman, President and
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Eaton Vance Corp. (the "Company") on Form 10-Q for the period ending April 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William M. Steul, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: June 8, 2006

/s/William M. Steul
(Signature)
William M. Steul
Chief Financial Officer