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EATON VANCE CORP  
Form 8-K  
November 26, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 26, 2002  
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EATON VANCE CORP.  
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(Exact name of registrant as specified in its charter)

Maryland	1-8100	04-2718215
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
255 State Street, Boston, Massachusetts		02109
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(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (617) 482-8260  
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INFORMATION INCLUDED IN THE REPORT

ITEM 5. OTHER EVENTS  
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Registrant has reported its results of operations for the three and twelve months ended October 31, 2002, as described in Registrant's news release dated November 26, 2002, a copy of which is filed herewith as Exhibit 99.1 and incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.  
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(c) Exhibits.

Exhibit No. Document

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99.1 Press release issued by the Registrant dated  
November 26, 2002.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

EATON VANCE CORP.  
(Registrant)

Date: November 26, 2002 /s/ William M. Steul  
-----  
William M. Steul, Chief Financial Officer

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## EXHIBIT INDEX

Each exhibit is listed in this index according to the number assigned to it in the exhibit table set forth in Item 601 of Regulation S-K. The following exhibit is filed as part of this Report:

Exhibit No.	Description
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99.1	Copy of Registrant's news release dated November 26, 2002.

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## NEWS RELEASE

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{LOGO} Eaton Vance Corp.  
The Eaton Vance Building  
255 State Street, Boston, MA 02109  
(617) 482-8260  
Contact: William M. Steul  
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November 26, 2002

FOR IMMEDIATE RELEASE  
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EATON VANCE CORP.  
REPORT FOR THE THREE MONTHS AND FISCAL YEAR ENDED

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OCTOBER 31, 2002

BOSTON, MA--Eaton Vance Corp. earned \$0.34 per diluted share in the fourth quarter of fiscal 2002 compared to \$0.44 per diluted share in the fourth quarter of fiscal 2001. In fiscal 2002 the Company earned \$1.70 per diluted share compared to \$1.60 per diluted share in fiscal 2001.

Fourth quarter earnings in 2002 were adversely affected by the payment of \$2.8 million of sales incentives in connection with the successful offering during the quarter of three closed-end municipal bond funds that raised \$2.5 billion of assets. Management fee revenue from the new closed-end funds is expected to exceed \$8.0 million annually beginning in fiscal 2003. In addition, in this year's fourth quarter the Company expensed \$2.1 million of capitalized debt offering costs associated with the repurchase of \$87.0 million of a subsidiary's zero-coupon exchangeable notes. The combined effect of these two items reduced fourth quarter 2002 earnings by \$0.05 per diluted share.

Assets under management on October 31, 2002 were \$55.6 billion, a 2 percent decrease from the \$56.6 billion of managed assets at the end of fiscal 2001. Fiscal 2002 year-end assets under management would have been approximately \$5.6 billion higher without the impact of market price declines. Total gross asset inflows into Eaton Vance funds and separate accounts were \$12.8 billion, an increase of 3 percent from fiscal 2001 and the second highest annual inflows in Company history. Net inflows (gross asset inflows less redemptions and withdrawals) were \$4.9 billion in fiscal 2002 compared to \$6.4 billion in fiscal 2001.

"Eaton Vance had another very good year considering the very difficult stock market," said James B. Hawkes, Chairman and CEO. "Total assets under management declined only 2 percent and equity fund assets were off only 9 percent in a period when the S&P 500 declined 15 percent and the Nasdaq Composite declined 21 percent. The Company continued to achieve outstanding investment results in a volatile and challenging investment climate. For example, at fiscal year end, 92 percent of the assets of equity mutual funds rated by Morningstar received 4 or 5 stars. The power of the Eaton Vance mutual fund brand is evidenced by the strong gross and net sales achieved in fiscal 2002. Furthermore, our two September 2001 acquisitions, Atlanta Capital Management, LLC and Fox Asset Management LLC, added to the variety of the Company's mutual funds and provided significant growth in separate accounts."

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Because of greater average assets under management for the full year, revenue increased \$20.4 million or 4 percent to \$523.0 million in fiscal 2002 from \$502.6 million in fiscal 2001. Investment adviser and administration fee revenue increased 11 percent. Distribution and underwriter fee revenue declined 5 percent primarily due to the continuing shift from sales of Class B and Class C mutual fund shares to other share classes and assets with low or no distribution fees. Service fee revenue did not increase in fiscal 2002 compared to fiscal 2001, reflecting flat average assets in mutual funds that pay service fees.

Operating expenses increased \$27.4 million or 9 percent because of higher compensation, marketing, distribution and other expenses. Compensation expense increased 15 percent, primarily reflecting the full-year compensation expenses of Atlanta Capital Management and Fox Asset Management in fiscal 2002 (compared to one month in the prior year), incentive costs associated with the increase in closed-end fund and separate account asset inflows, and completion of the staffing of the managed account sales and marketing organization.

Amortization of deferred sales commissions increased 5 percent in fiscal 2002 due to the on-going sales of mutual fund Class B shares and equity fund private

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placements and the residual effect of an accounting change in fiscal 1998. Service fee expense increased 5 percent because of the growth in fund assets retained more than one year. Distribution fee expense increased 5 percent due to the increase in mutual fund Class C assets retained more than one year. Eaton Vance collects Rule 12b-1 distribution fees on Class C shares and pays such fees to broker/dealers on fund assets retained more than one year. Other expenses increased 11 percent in fiscal 2002, reflecting increased travel and facilities costs and higher information technology expenditures.

Fiscal 2002 operating income decreased 4 percent to \$183.9 million. Net income increased 4 percent to \$121.1 million from \$116.0 million in fiscal 2001. Fiscal 2001 net income included a \$15.1 million impairment loss on investments and a \$2.6 million loss on the sale of an investment. Fiscal 2002 interest income of \$9.0 million includes \$2.1 million of interest received from the settlement of a fiscal 1993-1995 Massachusetts income tax dispute. As previously noted, 2002 interest expense includes \$2.1 million of previously capitalized debt offering costs associated with the repurchase in the fourth quarter of \$87.0 million (\$134 million principal amount at maturity) of a subsidiary's 30-year zero-coupon senior exchangeable notes. The Company's effective tax rate was 35 percent in both fiscal 2002 and fiscal 2001.

Cash, cash equivalents and short-term investments were \$188.0 million on October 31, 2002 and \$210.7 million on October 31, 2001. Long-term debt was reduced by \$91.3 million from \$222.6 million on October 31, 2001 to \$131.3 million on October 31, 2002. During fiscal 2002 the Company used \$51.4 million of its cash to repurchase and retire 1,606,400 shares of its non-voting common stock and paid \$20.0 million in dividends to its shareholders. Approximately 2.3 million shares remain of the current repurchase authorization.

Eaton Vance Corp., a Boston-based investment management firm, is traded on the New York Stock Exchange under the symbol EV.

This news release contains statements that are not historical facts, referred to as "forward-looking statements." The Company's actual future results may differ significantly from those stated in any forward-looking statements, depending on factors such as changes in securities or financial markets or general economic conditions, the volume of sales and repurchases of fund shares, the continuation of investment advisory, administration, distribution and service contracts, and other risks discussed from time to time in the Company's filings with the Securities and Exchange Commission.

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### Eaton Vance Corp. Summary of Results of Operations (in thousands, except per share amounts)

	Three Months Ended			October 2001
	October 31, 2002	October 31, 2001	% Change	
Revenue:				
Investment adviser and administration fees	\$ 66,898	\$ 67,360	(0.7)%	\$ 280
Distribution and underwriter fees	37,939	42,918	(11.6)	162
Service fees	18,024	19,897	(9.4)	77
Other income	957	565	69.4	2
Total revenue	123,818	130,740	(5.3)	522

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Expenses:				
Compensation of officers and employees	27,996	23,114	21.1	105
Amortization of deferred sales commissions	20,925	20,938	(0.1)	83
Service fee expense	15,584	16,012	(2.7)	65
Distribution fee expense	7,559	7,884	(4.1)	31
Other expenses	13,681	11,299	21.1	53
	-----	-----	-----	-----
Total expenses	85,745	79,247	8.2	339
	-----	-----	-----	-----
Operating Income	38,073	51,493	(26.1)	183
Other Income/ (Expense):				
Interest income	2,068	1,980	4.4	9
Interest expense	(3,584)	(985)	263.9	(7
Gain (loss) on investments	68	(2,491)	n/a	1
Foreign currency gain	8	-	n/a	
Equity in net income (loss) of affiliates	163	(16)	n/a	
Impairment loss on investments	-	(1,307)	n/a	
	-----	-----	-----	-----
Income Before Minority Interest and Income Taxes	36,796	48,674	(24.4)	187
Minority Interest	(107)	(177)	n/a	(1
	-----	-----	-----	-----
Income Before Income Taxes	36,689	48,497	(24.3)	186
Income Taxes	12,841	16,973	(24.3)	65
	-----	-----	-----	-----
Net Income	\$ 23,848	\$ 31,524	(24.3)	\$ 121
	=====	=====	=====	=====
Earnings Per Share:				
Basic	\$ 0.35	\$ 0.46	(23.9)	\$
	=====	=====	=====	=====
Diluted	\$ 0.34	\$ 0.44	(22.7)	\$
	=====	=====	=====	=====
Dividends Declared, Per Share	\$ 0.0800	\$ 0.0725	10.3	\$ 0.
	=====	=====	=====	=====
Weighted Average Shares Outstanding:				
Basic	68,943	67,861	1.6	69
	=====	=====	=====	=====
Diluted	70,343	71,354	(1.4)	71
	=====	=====	=====	=====

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Eaton Vance Corp.  
Balance Sheet  
(in thousands)

October 31,    October 31,  
2002            2001  
-----

ASSETS

Current Assets:

Cash and cash equivalents	\$ 144,078	\$ 115,681
Short-term investments	43,886	95,028
Investment adviser fees and other receivables	19,502	22,559

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Other current assets	6,101	4,212
	-----	-----
Total current assets	213,567	237,480
	-----	-----
Other Assets:		
Deferred sales commissions	239,048	266,738
Goodwill	69,467	69,212
Other intangible assets, net	37,296	39,269
Long-term investments	39,982	36,704
Equipment and leasehold improvements, net	13,897	14,938
Other assets	3,362	10,960
	-----	-----
Total other assets	403,052	437,821
	-----	-----
Total assets	\$ 616,619	\$ 675,301
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accrued compensation	\$ 31,899	\$ 38,358
Accounts payable and accrued expenses	16,324	20,879
Dividend payable	5,522	4,955
Current portion of long-term debt	7,143	7,143
Other current liabilities	7,382	12,509
	-----	-----
Total current liabilities	68,270	83,844
	-----	-----
Long-term Liabilities:		
Long-term debt	124,118	215,488
Deferred income taxes	50,531	73,878
	-----	-----
Total long-term liabilities	174,649	289,366
	-----	-----
Total liabilities	242,919	373,210
	-----	-----
Minority interest	1,398	965
	-----	-----
Commitments and contingencies	-	-
Shareholders' Equity:		
Common stock, par value \$0.0078125 per share:		
Authorized, 640,000 shares		
Issued, 154,880 shares	1	1
Non-voting common stock, par value \$0.0078125 per share:		
Authorized, 95,360,000 shares		
Issued, 69,102,459 and 68,462,051 shares, respectively	540	535
Notes receivable from stock option exercises	(3,530)	(2,641)
Deferred compensation	(2,100)	(3,200)
Accumulated other comprehensive income	2,585	4,898
Retained earnings	374,806	301,533
	-----	-----
Total shareholders' equity	372,302	301,126
	-----	-----
Total liabilities and shareholders' equity	\$ 616,619	\$ 675,301
	=====	=====

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Asset Flows (in millions)  
Twelve Months Ended October 31, 2002

Assets 10/31/2001 - Beginning of Period	\$ 56,606
Long-term Fund Sales/Inflows	10,321
Long-term Fund Redemptions/Outflows	(6,899)
Long-term Fund Net Exchanges	(108)
Long-term Fund Mkt. Depreciation	(4,439)
Separate Accounts Inflows - Institutional/HNW	1,778
Separate Accounts Outflows - Institutional/HNW	(905)
Separate Accounts Inflows - Managed Accounts	714
Separate Accounts Outflows - Managed Accounts	(104)
Separate Accounts Mkt. Depreciation	(1,149)
Change in Money Market Funds	(204)
	-----
Net Decrease	(995)
	-----
Assets 10/31/2002 - End of Period	\$ 55,611
	=====

Table 2  
Assets Under Management  
By Investment Objective (in millions)

	October 31, 2002	October 31, 2001	% Change
	-----	-----	-----
Equity Funds	\$ 22,910	\$ 25,277	-9%
Fixed Income Funds	13,302	10,165	31%
Bank Loan Funds	7,687	9,582	-20%
Money Market Funds	910	1,114	-18%
Separate Accounts	10,802	10,468	3%
	-----	-----	-----
Total	\$ 55,611	\$ 56,606	-2%
	=====	=====	=====

Table 3  
Asset Flows by Investment Objective (in millions)

	Three Months Ended Oct 31,                      Oct 31, 2002                              2001	
	-----	-----
Equity Fund Assets - Beginning of Period	\$ 23,684	\$ 26,752
Sales/Inflows	627	1,435
Redemptions/Outflows	(729)	(689)
Exchanges	(84)	(68)
Market Value Change	(588)	(2,763)
Assets Acquired with Acquisitions <sup>1</sup>	-	610
	-----	-----
Net Change	(774)	(1,475)
	-----	-----
Equity Fund Assets - End of Period	\$ 22,910	\$ 25,277
	-----	-----
Fixed Income Fund Assets - Beginning of Period	10,573	9,933
Sales/Inflows	3,268	540

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Redemptions/Outflows	(447)	(316)
Exchanges	112	59
Market Value Change	(204)	(91)
Assets Acquired with Acquisitions <sup>1</sup>	-	40
Net Change	2,729	232
Fixed Income Fund Assets - End of Period	\$ 13,302	\$ 10,165
Bank Loan Fund Assets - Beginning of Period	8,415	9,612
Sales/Inflows	174	900
Redemptions/Outflows	(666)	(628)
Exchanges	(93)	(119)
Market Value Change	(143)	(183)
Net Change	(728)	(30)
Bank Loan Fund Assets - End of Period	\$ 7,687	\$ 9,582
Long-Term Fund Assets - Beginning of Period	42,672	46,297
Sales/Inflows	4,069	2,875
Redemptions/Outflows	(1,842)	(1,633)
Exchanges	(65)	(128)
Market Value Change	(935)	(3,037)
Assets Acquired with Acquisitions <sup>1</sup>	-	650
Net Change	1,227	(1,273)
Total Long-Term Fund Assets - End of Period	\$ 43,899	\$ 45,024
Separate Accounts - Beginning of Period	10,601	2,961
Inflows - Institutional/HNW Accounts	533	250
Outflows - Institutional/HNW Accounts	(167)	(27)
Assets Acquired with Acquisitions - Institutional Accounts <sup>1</sup>	-	6,863
Inflows - Managed Accounts	170	48
Outflows - Managed Accounts	(42)	(8)
Assets Acquired with Acquisitions - Managed Accounts <sup>1</sup>	-	343
Market Value Change	(293)	38
Net Change	201	7,507
Separate Accounts - End of Period	\$ 10,802	\$ 10,468
Money Market Fund Assets - End of Period	910	1,114
Total Assets Under Management - End of Period	\$ 55,611	\$ 56,606

<sup>1</sup> Atlanta Capital Management and Fox Asset Management acquired by Eaton Vance on September 30, 20