EATON VANCE CORP
Form 10-Q
June 05, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] **Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
For the quarterly period ended April 30, 2008
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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[X]	Accelerated filer	[ ]
Non-accelerated filer	[ ] (Do not check if smaller reporting company)	Smaller reporting company	[ ]

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

Shares outstanding as of April 30, 2008:

Voting Common Stock 371,386 shares

Non-Voting Common Stock 115,407,502 shares

Eaton Vance Corp.

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For the Six Months Ended April 30, 2008

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Part I - Financial Information

Item 1. Consolidated Financial Statements

Eaton Vance Corp.

Consolidated Balance Sheets (unaudited)

(in thousands)	**April 30, 2008**	**October 31, 2007**
Assets		
Current Assets:		
Cash and cash equivalents	$ 300,131	$ 434,957
Short-term investments	50,574	50,183
Investment advisory fees and other receivables	109,196	116,979
Other current assets	6,426	8,033
Total current assets	466,327	610,152
Other Assets:		
Deferred sales commissions	85,329	99,670
Goodwill	103,003	103,003
Other intangible assets, net	34,633	35,988
Long-term investments	93,696	86,111
Deferred income taxes	30,793	-
Equipment and leasehold improvements, net	26,426	26,247
Other assets	5,183	5,660
Total other assets	379,063	356,679
Total assets	$ 845,390	$ 966,831

See notes to consolidated financial statements.

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Eaton Vance Corp.

Consolidated Balance Sheets (unaudited) (continued)

(in thousands, except share figures)	**April 30, 2008**	**October 31, 2007**
Liabilities and Shareholders Equity		
Current Liabilities:		
Accrued compensation	$ 61,647	$ 106,167
Accounts payable and accrued expenses	44,201	66,955
Dividends payable	17,366	17,780
Taxes payable	2,027	21,107
Deferred income taxes	20,148	-
Other current liabilities	5,568	5,690
Total current liabilities	150,957	217,699
Long-Term Liabilities:		
Long-term debt	500,000	500,000
Taxes payable	1,039	-
Deferred income taxes	-	11,740
Total long-term liabilities	501,039	511,740
Total liabilities	651,996	729,439
Minority interest	9,157	8,224
Commitments and contingencies (See Note 14)	-	-
Shareholders Equity:		
Voting Common Stock, par value $0.00390625 per share:		
Authorized, 1,280,000 shares Issued and outstanding, 371,386 shares	1	1
Non-Voting Common Stock, par value $0.00390625 per share:		
Authorized, 190,720,000 shares Issued and outstanding, 115,407,502 and 117,798,378 shares, respectively	451	460
Notes receivable from stock option exercises	(5,039)	(2,342)
Accumulated other comprehensive income	996	3,193
Retained earnings	187,828	227,856
Total shareholders' equity	184,237	229,168
Total liabilities and shareholders' equity	$ 845,390	$ 966,831

See notes to consolidated financial statements.

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Eaton Vance Corp.

Consolidated Statements of Income (unaudited)

(in thousands, except per share figures)	**Three Months Ended April 30, 2008**	**2007**	**Six Months Ended April 30, 2008**	**2007**
Revenue:				
Investment advisory and administration fees	$ 201,738	$ 185,437	$ 412,424	$ 354,834
Distribution and underwriter fees	32,497	36,053	69,536	71,965
Service fees	38,057	37,228	78,860	73,240
Other revenue	1,134	1,466	2,402	3,321
Total revenue	273,426	260,184	563,222	503,360
Expenses:				
Compensation of officers and employees	75,244	79,161	157,171	157,143
Distribution expense	29,184	77,884	61,360	176,537
Service fee expense	31,441	28,609	64,898	56,684
Amortization of deferred sales commissions	12,194	13,552	25,618	26,971
Fund expenses	5,910	4,455	12,426	8,674
Other expenses	23,308	20,231	46,437	39,062
Total expenses	177,281	223,892	367,910	465,071
Operating income	96,145	36,292	195,312	38,289
Other Income (Expense):				
Interest income	2,745	2,058	7,125	4,335
Interest expense	(8,405)	(57)	(16,819)	(84)
Gains/(losses) on investments	(118)	965	235	1,673
Unrealized gains/(losses) on investments	384	-	(437)	-
Foreign currency losses	(12)	(61)	(32)	(133)
Income before income taxes, minority interest and equity in net income of affiliates	90,739	39,197	185,384	44,080
Income taxes	(33,909)	(15,098)	(70,932)	(16,971)
Minority interest	(4,042)	(1,420)	(5,404)	(2,876)

Equity in net income of affiliates, net of tax	374	414	2,042	1,419
Net income	$ 53,162	$ 23,093	$ 111,090	$ 25,652
Earnings Per Share:				
Basic	$ 0.46	$ 0.18	$ 0.96	$ 0.20
Diluted	$ 0.43	$ 0.17	$ 0.89	$ 0.19
Weighted Average Shares Outstanding:				
Basic	115,421	125,937	115,849	126,094
Diluted	123,271	135,163	125,537	135,219
Dividends Declared Per Share	$ 0.15	$ 0.12	$ 0.30	$ 0.24

See notes to consolidated financial statements.

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Eaton Vance Corp.

Consolidated Statements of Cash Flows (unaudited)

(in thousands)	**Six Months Ended April 30, 2008**	**2007**
Cash and cash equivalents, beginning of period	$ 434,957	$ 206,705
Cash Flows from Operating Activities:		
Net income	111,090	25,652
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gains)/losses on investments	352	(2,362)
Amortization of long-term investments	928	946
Equity in net income of affiliates	(3,228)	(2,122)
Dividends received from affiliates	3,750	268
Minority interest	5,404	2,876
Interest on long-term debt and amortization of debt issuance costs	673	43
Deferred income taxes	(19,601)	(2,611)
Excess tax benefit of stock option exercises	(6,037)	(4,795)
Stock-based compensation	20,668	22,476
Depreciation and other amortization	6,754	4,978
Amortization of deferred sales commissions	25,618	26,969
Payment of capitalized sales commissions	(18,064)	(30,472)
Contingent deferred sales charges received	6,793	6,606

Proceeds from the sale of trading investments	6,737	49,412
Purchase of trading investments	(25,524)	(28,548)
Changes in other assets and liabilities:		
Investment advisory fees and other receivables	7,767	(18,254)
Other current assets	101	(350)
Other assets	(85)	(1,906)
Accrued compensation	(44,499)	(28,533)
Accounts payable and accrued expenses	(22,684)	1,681
Taxes payable current	(18,043)	6,744
Other current liabilities	(129)	4,745
Taxes payable long-term	1,035	-
Net cash provided by operating activities	39,776	33,443
Cash Flows From Investing Activities:		
Additions to equipment and leasehold improvements	(5,583)	(3,810)
Proceeds from sale of available-for-sale investments	16,462	5,421
Purchase of available-for-sale investments	(11,533)	(7,925)
Net cash used for investing activities	(654)	(6,314)

See notes to consolidated financial statements.

Eaton Vance Corp.

Consolidated Statements of Cash Flows (unaudited) (continued)

(in thousands)	**Six Months Ended April 30, 2008**	**2007**
Cash Flows From Financing Activities:		
Distributions to minority shareholders	(4,150)	(2,915)
Excess tax benefit of stock option exercises	6,037	4,795
Proceeds from issuance of Non-Voting Common Stock	19,862	24,127
Repurchase of Common Stock	-	(146)
Repurchase of Non-Voting Common Stock	(161,071)	(74,945)
Principal repayments on notes receivable from stock option exercises	399	411
Dividends paid	(35,134)	(30,355)
Proceeds from the issuance of mutual fund subsidiaries capital stock	199	-
Redemption of mutual fund subsidiaries capital stock	(52)	-
Net cash used for financing activities	(173,910)	(79,028)
Effect of currency rate changes on cash and cash equivalents	(38)	62

Net decrease in cash and cash equivalents	(134,826)	(51,837)
Cash and cash equivalents, end of period	$300,131	$154,868
Supplemental Cash Flow Information:		
Interest paid	$16,320	$41
Income taxes paid	$108,734	$8,808
Supplemental Non-Cash Flow Information:		
Exercise of stock options through issuance of notes receivable	$3,096	$1,148

See notes to consolidated financial statements.

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Eaton Vance Corp.

Notes to Consolidated Financial Statements (unaudited)

(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 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.

(2) Principles of Consolidation

The consolidated 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, or in instances in which the Company is able to exercise significant influence, but not control, over the investee (such as representation on the investee s board of directors). The Company consolidates all investments in affiliates in which the Company s ownership exceeds 50 percent or where the Company has control. 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) Reclassifications and Presentation

Certain prior year amounts have been reclassified to conform to the current year presentation. Certain fees have been reclassified from distribution and underwriter fees to service fees. Certain fees earned on Class A shares have been reclassified from distribution expenses to distribution and underwriter fees. Taxes payable have been reclassified from other current liabilities to taxes payable.

(4) Earnings Per Share

The following table provides a reconciliation of common shares used in the earnings per basic share and earnings per diluted share computations for the three and six months ended April 30, 2008 and 2007:

	For the Three Months Ended April 30,		For the Six Months Ended April 30,	
(in thousands, except per share data)	**2008**	**2007**	**2008**	**2007**
Weighted-average shares outstanding basic	115,421	125,937	115,849	126,094
Incremental common shares from stock options and restricted stock awards	7,850	9,226	9,688	9,125
Weighted-average shares outstanding diluted	123,271	135,163	125,537	135,219
Earnings per share:				
Basic	$ 0.46	$ 0.18	$ 0.96	$ 0.20
Diluted	$ 0.43	$ 0.17	$ 0.89	$ 0.19

The Company uses the treasury stock method to account for the dilutive effect of unexercised stock options and unvested restricted stock on earnings per diluted share. Antidilutive incremental common shares related to stock options excluded from the computation of earnings per diluted share were approximately 3,354,000 and 27,000 for the six months ended April 30, 2008 and 2007, respectively.

(5) Other Intangible Assets

The following is a summary of other intangible assets at April 30, 2008:

(dollars in thousands)	**Weighted-average amortization period (in years)**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Amortizing intangible assets:				
Client relationships acquired	12.2	$58,404	$26,579	$31,825
Non-amortizing intangible assets:				
Mutual fund management contract acquired		2,808	-	2,808
Total		$61,212	$26,579	$34,633

(6) Investments

The following is a summary of investments at April 30, 2008:

(in thousands)	**April 30, 2008**
Short-term investments:	
Sponsored fund	$ 50,574
Total	$ 50,574

(in thousands)	**April 30, 2008**
Long-term investments:	
Debt securities	$ 1,256
Equity securities	20,437
Sponsored funds	34,293
Collateralized debt obligation entities	18,034
Investments in affiliates	18,711
Other investments	965
Total	$ 93,696

(7) Long-Term Debt

The Company s long-term debt balance at April 30, 2008 is comprised entirely of its 6.5% ten-year senior notes due October 2, 2017. Interest is payable semi-annually in arrears on April 2 and October 2 of each year.

As of April 30, 2008, the Company had no borrowings against its $200.0 million credit facility.

(8) Stock-Based Compensation Plans

The Company has four stock-based compensation plans, which are described below. The Company recognized total compensation cost related to those plans of $20.7 million and $22.5 million for the six months ended April 30, 2008 and 2007, respectively. The total income tax benefit recognized for stock-based compensation arrangements was $5.4 million and $6.4 million for the six months ended April 30, 2008 and 2007, respectively.

Stock Option Plan

The Company has a Stock Option Plan (the 2007 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 2007 Plan with an exercise price that is less than the closing fair market value of the stock on the day the stock option is granted. The options granted under the 2007 Plan expire ten years from the date of grant; options to employees vest over a five-year period as stipulated in each grant. The 2007 Plan contains provisions that, in the event of a change of control of the Company as defined in the 2007 Plan, may accelerate the vesting of awards. A total of 4.0 million shares have been reserved for issuance under the 2007 Plan. Through April 30, 2008, options to purchase 3.4 million shares have been issued pursuant to the 2007 Plan.

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 and the expected term of options granted. 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 per share of options granted during the six months ended April 30, 2008 and 2007 using the Black-Scholes option pricing model were as follows:

	April 30, 2008	2007
Weighted average grant date fair value of options granted	$14.83	$9.53
Assumptions:		
Dividend yield	1.2% to 1.9%	1.3% to 1.5%
Volatility	25% to 28%	26% to 27%
Risk-free interest rate	3.6% to 4.4%	4.6% to 4.8%
Expected life of options	6.8 to 7.8 years	6.8 years

Stock option transactions under the 2007 Plan and predecessor plans are summarized as follows:

For the Six Months Ended April 30, 2008

(share and intrinsic value figures in thousands)	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Options outstanding, beginning of period	27,579	$19.99		
Granted	3,377	48.09		
Exercised	(1,100)	14.80		
Forfeited/expired	(171)	31.31		
Options outstanding, end of period	29,685	$23.31	6.2	$433,726
Options exercisable, end of period	17,696	$17.39	4.9	$340,381
Vested or expected to vest	29,205	$23.17	6.2	$429,992

The Company received $13.2 million and $19.6 million related to the exercise of options for the six months ended April 30, 2008 and 2007, respectively. Options exercised represent newly issued shares. The total intrinsic value of options exercised during the six months ended April 30, 2008 and 2007 was $27.7 million and $25.3 million, respectively. The total fair value of options that vested during the six months ended April 30, 2008 was $23.6 million.

The Company recorded compensation expense of $18.9 million and $21.3 million for the six months ended April 30, 2008 and 2007, respectively, relating to the 2007 Plan and successor plans. As of April 30, 2008, there was $90.2 million of deferred compensation expense related to stock options, which is expected to be recognized over a weighted-average period of 3.4 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 five years from date of grant. A total of 2.0 million shares have been reserved under the plan. Through April 30, 2008, 0.9 million shares have been issued pursuant to this plan.

In the six months ended April 30, 2008 and 2007, 29,965 shares and 40,209 shares were issued pursuant to this plan at a weighted average fair value of $48.39 and $24.87 per share, respectively. Because these shares are contingently forfeitable, compensation expense is recorded over the forfeiture period. The Company recorded compensation expense of $0.7 million and $0.5 million for the six months ended April 30, 2008 and 2007, respectively, relating to shares issued pursuant to this plan. As of April 30, 2008, there was $2.9 million of compensation cost related to unvested awards not yet recognized. That cost is expected to be recognized over a weighted-average period of 3.4 years.

A summary of the Company's restricted stock activity for the six months ended April 30, 2008 is presented below:

For the Six Months Ended April 30, 2008

(share figures in thousands)	**Shares**	**Weighted Average Grant Date Fair Value**
Unvested, beginning of period	178	$21.93
Granted	30	48.39
Vested	(58)	18.97
Unvested, end of period	150	$28.36

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 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, 2008, 7.3 million shares have been issued pursuant to this plan. The Company recorded compensation expense of $0.7 million and $0.4 million for the six months ended April 30, 2008 and 2007, respectively, relating to the Employee Stock Purchase Plan. The Company received $1.8 million and $1.6 million related to shares issued under the Employee Stock Purchase Plan in the six months ended April 30, 2008 and 2007, respectively.

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 closing market price of the stock for five business days subsequent to the end of the offering period. Through April 30, 2008, 3.3 million shares have been issued pursuant to this plan. The Company recorded compensation expense of $0.4 million and $0.3 million for the six months ended April 30, 2008 and 2007, respectively, relating to the Incentive Plan-Stock Alternative. The Company received $4.9 million and $2.9 million related to shares issued under the Incentive Plan-Stock Alternative in the six months ended April 30, 2008 and 2007, respectively.

(9) Common Stock Repurchases

The Company s current share repurchase program was announced on October 24, 2007. The Board authorized management to repurchase up to 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 program is not subject to an expiration date.

In the first six months of fiscal 2008, the Company purchased approximately 3.7 million shares of its Non-Voting Common Stock under the current share repurchase authorization. Approximately 3.5 million additional shares may be repurchased under the current authorization.

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(10) 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 $41.9 million at April 30, 2008, which exceeded its minimum net capital requirement of $2.2 million. EVD s ratio of aggregate indebtedness to net capital at April 30, 2008 was 0.78-to-1.

(11) Income Taxes

Effective November 1, 2007, the Company adopted Financial Accounting Standards Board s (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements for a tax position taken or expected to be taken in a tax return. FIN 48 requires that the tax effects of a position be recognized only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of the benefit. The difference between the tax benefit recognized in the financial statements for a tax position in accordance with FIN 48 and the tax benefit claimed in the income tax return is referred to as an unrecognized tax benefit.

The adoption of FIN 48 on November 1, 2007 resulted in a reduction to beginning retained earnings in the amount of $5.0 million, which was reflected as a cumulative effect of a change in accounting principle, and a corresponding $5.0 million increase to the Company s liability for uncertain tax positions. This increase in the liability for unrecognized tax benefits primarily reflects accruals for state income taxes.

On November 1, 2007, the Company carried a liability for unrecognized tax benefits of $18.5 million, including $3.0 million for interest and related charges, for uncertain state tax positions existing prior to the adoption of FIN 48. In the event that all of these liabilities were resolved favorably, the Company would reduce its income tax provision by approximately $18.5 million, thereby lowering its effective tax rate. In the six-month period ended April 30, 2008, there were no material changes to these liabilities.

The Company historically classified the liability for unrecognized tax benefits in current taxes payable. Upon adoption of FIN 48, unrecognized tax benefits of $0.9 million that are not expected to be paid in the next twelve months were reclassified to long-term taxes payable.

The Company s policy is to include interest and penalties in its income tax provision. The Company and its subsidiaries file income tax returns in U.S. federal, state, local and foreign jurisdictions. The Company is generally no longer subject to income tax examinations by U.S. federal, state, local, or non-U.S. tax authorities for fiscal years prior to fiscal 2004.

During the first quarter of fiscal 2008, the Company filed a request for change in accounting method with the Internal Revenue Service under the Service s automatic consent program. This request relates to the Company s treatment of expenses associated with the launch of closed-end funds. Historically the Company expensed these costs as incurred for tax purposes; the Company has now elected to capitalize and amortize these expenses for tax purposes over a 15 year period.

In conjunction with the filing of the request for a change in accounting method, the Company recorded a deferred tax asset of $84.9 million, the majority of which will amortize over the 15 year period. In addition, the Company recorded a corresponding deferred tax liability in the amount of $84.9 million, which will reverse over a four-year period ending October 31, 2011.

In the ordinary course of business, various taxing authorities may not agree with certain tax positions the Company has taken, or the applicable law may not be clear. To resolve some of these uncertainties, the Company has filed Voluntary Disclosure Agreements (VDAs) with specific state taxing authorities.

The Company believes that over the next 12 months its outstanding VDA filings and current state tax audits will be completed and it is reasonably possible that the Company s uncertain state tax positions could decrease between $14.0 million and $19.0 million in that period.

The provision for income taxes for the six months ended April 30, 2008 and 2007 consists of the following:

	For the Six Months Ended April 30,	
(in thousands)	**2008**	**2007**
Current:		
Federal	$ 80,234	$ 17,296
State	10,299	2,286
Deferred:		
Federal	(17,716)	(2,341)
State	(1,885)	(270)
Total	$ 70,932	$ 16,971

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:

(in thousands)	**April 30, 2008**	**October 31, 2007**
Deferred tax assets:		
Stock-based compensation	$ 37,267	$ 33,899
Deferred rent	587	676
Differences between book and tax bases of investments	726	619
Differences between book and tax bases of property	1,264	1,111
Unrealized losses on derivative instruments	1,479	1,558
Closed-end fund expenses	87,766	-
Other	426	1,931
Total deferred tax asset	$ 129,515	$ 39,794

(in thousands)	**April 30, 2008**	**October 31, 2007**
Deferred tax liabilities:		
Deferred sales commissions	$ (31,918)	$(37,573)
Closed-end fund expenses	(74,608)	-

Differences between book and tax bases of		
goodwill and intangibles	(10,103)	(8,858)
Unrealized net holding gains on investments	(2,241)	(3,600)
Total deferred tax liability	$(118,870)	$(50,031)
Net deferred tax asset/(liability)	$ 10,645	$(10,237)

Deferred tax assets and liabilities reflected on the Company s Consolidated Balance Sheets (unaudited) at April 30, 2008 and October 31, 2007 are as follows:

(in thousands)	**April 30, 2008**	**October 31, 2007**
Net current deferred tax asset/(liability)	$(20,148)	$ 1,503
Net non-current deferred tax asset/(liability)	30,793	(11,740)
Net deferred tax asset/(liability)	$ 10,645	$(10,237)

The net current deferred tax liability of $20.1 million as of April 30, 2008, principally represents the current portion of the remaining $74.6 million deferred tax liability associated with the change in accounting method.

The net current deferred tax asset of $1.5 million as of October 31, 2007 is classified as a component of other current assets on the Company s Consolidated Balance Sheet.

The exercise of stock options resulted in a reduction of taxes payable of approximately $6.0 million and $4.8 million for the six months ended April 30, 2008 and 2007, respectively