EATON VANCE LTD DURATION INCOME FUND
Form N-14 8C/A
December 09, 2009

As filed with the Securities and Exchange Commission on December 9, 2009

1933 Act File No. 333-161589

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-14

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933 ¨

Pre-Effective Amendment No. __1_ X

Post-Effective Amendment No. ___ ¨

EATON VANCE LIMITED DURATION INCOME FUND

(Exact name of Registrant as Specified in Charter)

Two International Place, Boston, MA 02110
(Address of Principal Executive Offices)

(617) 482-8260
(Registrant's Telephone Number)

MAUREEN A. GEMMA
Two International Place, Boston, MA 02110
(Name and Address of Agent for Service)

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of the registration statement.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Titles of Securities Being Registered	Amount Being Registered (1)	Proposed Maximum Offering Price Per Unit (1) (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fees (1)(2)(3)
Common Stock $0.01 par value	4,560,463	$15.8414	$72,244,118.57	$501.76

(1) Estimated solely for the purposes of calculation the filing fee, pursuant to Rule 457(o) under the Securities Act of 1933.

(2) Closing share price as of December 2, 2009.

(3) A registration fee of $3,529.46 was previously paid in connection with the initial filing for the registration of common stock. An additional $501.76 will be paid with this Pre-Effective Amendment.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

EATON VANCE LIMITED DURATION INCOME FUND (the Registrant)

CONTENTS OF REGISTRATION STATEMENT ON FORM N-14

This Registration Statement contains the following papers and documents:

Cover Sheet

Contents of Registration Statement

Letter from the President of Eaton Vance Credit Opportunities Fund

Notice of Special Meeting of Shareholders of Eaton Vance Credit Opportunities Fund

Part A Proxy Statement/Prospectus of Eaton Vance Credit Opportunities Fund and Eaton Vance Limited Duration Income Fund

Part B Statement of Additional Information of Eaton Vance Limited Duration Income Fund

Part C Other Information

Signature Page

Exhibits

EATON VANCE CREDIT OPPORTUNITIES FUND

December 11^ , 2009

Dear Shareholder:

We cordially invite you to attend a Special Meeting of Shareholders of Eaton Vance Credit Opportunities Fund (the Acquired Fund) on January 22, 2010^ , to consider a proposal to approve an Agreement and Plan of Reorganization to merge the Acquired Fund into Eaton Vance Limited Duration Income Fund (the Acquiring Fund). In the transaction, the common shares of the Acquired Fund will be exchanged for common shares of the Acquiring Fund, and the holders of auction preferred shares (APS) of the Acquired Fund will receive cash equal to the liquidation preference of such shares (the Reorganization). The enclosed combined Proxy Statement and Prospectus describes the Reorganization in detail. We ask you to read the enclosed information carefully and to submit your vote promptly.

After consideration and recommendation by the Acquired Fund s investment adviser, Eaton Vance Management, the Board of Trustees of the Acquired Fund has determined that it is in the best interest of the Acquired Fund to merge into the Acquiring Fund. Common shareholders of the Acquired Fund will benefit from the Reorganization because they will become common shareholders of a larger, more diversified fund that has the same investment objectives and similar policies and restrictions as the Acquired Fund. The Acquiring Fund also has lower total operating expenses. As noted above, holders of Acquired Fund APS will receive cash in full liquidation of their APS holdings.

We realize that most shareholders will not be able to attend the meeting and vote their shares in person. However, the Acquired Fund does need your vote. You can vote by ***mail, telephone,*** or over the ***Internet***, as explained in the enclosed material. If you later decide to attend the meeting, you may revoke your proxy and vote your shares in person. By voting promptly, you can help the Acquired Fund avoid the expense of additional solicitation.

If you would like additional information concerning this proposal, please call one of our service representatives at 1-800-262-1122 Monday through Friday 8:00 a.m. to 6:00 p.m., Eastern Time. ***Your participation in this vote is extremely important.***

Sincerely,

/s/ Payson F. Swaffield

Payson F. Swaffield
President

Your vote is important please return your proxy card promptly.
Shareholders are urged to sign and mail the enclosed proxy in the enclosed postage prepaid envelope or vote by telephone or over the Internet by following the enclosed instructions. Your vote is important whether you own a few shares or many shares.

EATON VANCE CREDIT OPPORTUNITIES FUND

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD JANUARY 22, 2010^

To the shareholders of the Eaton Vance Credit Opportunities Fund (the Acquired Fund):

A shareholder meeting for the Acquired Fund will be held at Two International Place, Boston, Massachusetts, on January 22, 2010^ , at 3:00 p.m., Eastern Time, to consider the following:

1. A proposal to approve an Agreement and Plan of Reorganization between the Acquired Fund and Eaton Vance Limited Duration Income Fund (the Acquiring Fund), the termination of the Acquired Fund s registration under the Investment Company Act of 1940, as amended, and the dissolution of the Acquired Fund under applicable state law. Under this Agreement, the Acquiring Fund will acquire substantially all of the assets and assume substantially all of the liabilities of the Acquired Fund in exchange for an equal aggregate value of newly-issued common shares of beneficial interest of the Acquiring Fund, with par value of $0.01 per share, and cash consideration equal to the aggregate liquidation preference of the Acquired Fund s auction preferred shares.

   The Board of Trustees of the Acquired Fund recommends that you vote FOR this proposal.

2. Any other business that may properly come before the meeting and any adjourned or postponed sessions thereof.

Shareholders of record as of the close of business on November 12^ , 2009, are entitled to vote at the meeting or any adjournment thereof.

By order of the Board of Trustees,

/s/ Maureen A. Gemma

Maureen A. Gemma
Secretary

December 11^ , 2009

IMPORTANT

Shareholders can help the Board of Trustees of the Acquired Fund avoid the necessity and additional expense of further solicitations, which may be necessary to obtain a quorum, by promptly returning the enclosed proxy or voting by telephone or over the Internet. The enclosed addressed envelope requires no postage if mailed in the United States and is included for your convenience.

PROXY STATEMENT of
Eaton Vance Credit Opportunities Fund
(the Acquired Fund)

PROSPECTUS for
Common Shares of
Eaton Vance Limited Duration Fund
(the Acquiring Fund)

Two International Place
Boston, Massachusetts 02110

We are sending you this combined Proxy Statement and Prospectus (Proxy Statement/Prospectus) in connection with the Special Meeting of Shareholders (the Special Meeting) of the Acquired Fund, a Massachusetts business trust registered as a closed-end management investment company, to be held on January 22, 2010^ (the Meeting Date) at 3:00 p.m., Eastern Time, at Two International Place, Boston, Massachusetts 02110. This document is both the Proxy Statement of the Acquired Fund and the Prospectus of the Acquiring Fund. (The Acquired Fund and the Acquiring Fund hereinafter are sometimes referred to as a Fund or collectively as the Funds). A proxy is enclosed with the foregoing Notice of a Special Meeting of Shareholders for the benefit of shareholders who wish to vote, but do not expect to be present at the Special Meeting. Shareholders also may vote by telephone or via the Internet. The proxy is solicited on behalf of the Board of Trustees of the Acquired Fund.

This Proxy Statement/Prospectus relates to the proposed reorganization of the Acquired Fund into the Acquiring Fund (the Reorganization). The Agreement and Plan of Reorganization (the Plan) is attached as Appendix A. The Plan provides as follows:

- In the Reorganization, the Acquired Fund will transfer all of its assets and liabilities to the Acquiring Fund;
- The Acquiring Fund will issue common shares to the Acquired Fund equal in value to the net assets of the Acquired Fund attributable to its common shares immediately prior to the Reorganization;
- The Acquiring Fund will pay cash consideration to the Acquired Fund equal in value to the aggregate liquidation preference of the Acquired Fund auction preferred shares (APS) immediately prior to the Reorganization;
- The Acquired Fund will distribute the Acquiring Fund common shares so received to its common shareholders in proportion to their holdings immediately prior to the Reorganization;
- The Acquired Fund will distribute the cash consideration so received to its APS holders in proportion to their holdings immediately prior to the Reorganization;
- The Acquired Fund will then terminate its registration under the Investment Company Act of 1940, as amended (the 1940 Act) and dissolve under applicable state law; and
- After the Reorganization, the Acquiring Fund will continue to operate as a registered closed-end investment company with the investment objective and policies described in this Proxy Statement/Prospectus.

The common shares of the Acquired Fund are listed on the New York Stock Exchange (NYSE) under the ticker symbol EOE). The common shares of the Acquiring Fund are listed on the NYSE Amex under the ticker symbol EVV and will continue to be so listed after the Reorganization. Reports, proxy statements and other information concerning the Funds may be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

^ As described in this Proxy Statement/Prospectus, in approving the Reorganization, the Board of Trustees of each Fund determined that the Reorganization is in the best interest of each Fund and that no

^ As described in this Proxy Statement/Prospectus, in approving the Reorganization, the Board of Trustees of each Fund determined that the Reorganization is in the best interest of each Fund and that no dilution will occur as a result of the Reorganization. In reaching this determination, each Board considered the similarities between the Funds investment objectives and policies, the lower total operating expenses that would be realized by the Acquired Fund common shareholders after the Reorganization, the economies that would be realized by allocating Fund expenses over a larger asset base after the Reorganization, that the Acquired Fund APS will be liquidated and that the Reorganization is expected to be tax-free to the Funds and their shareholders, as well as other factors.

Each proxy will be voted in accordance with its instructions. If no instruction is given, an executed proxy will authorize the persons named as proxies, or any of them, to vote in favor of each matter. A written proxy is revocable by the person giving it prior to exercise by a signed writing filed with the Fund s proxy tabulator, D.F. King, 48 Wall Street, New York, NY 10005, or by executing and delivering a later dated proxy, or by attending the meeting and voting the shares in person. Proxies voted by telephone or over the Internet may be revoked at any time in the same manner that proxies voted by mail may be revoked. This Proxy Statement/Prospectus is initially being mailed to shareholders on or about December 11^ , 2009. Supplementary solicitations may be made by mail, telephone, telegraph, facsimile or electronic means.

The Trustees have fixed the close of business on November 12^ , 2009 as the record date (Record Date) for the determination of the shareholders entitled to notice of and to vote at the meeting and any adjournments or postponements thereof. The Acquired Fund shareholders at the close of business on the Record Date will be entitled to one vote for each share of the Acquired Fund held.

This Proxy Statement/Prospectus sets forth concisely the information that you should know before investing. You should read and retain this Proxy Statement/Prospectus for future reference. To ask questions about this Proxy Statement/Prospectus, please call our toll-free number at 1-800-262-1122 Monday through Friday 8:00 a.m. to 6:00 p.m., Eastern time.

The following documents are on file with the Securities and Exchange Commission (SEC) or are available at no charge by calling Eaton Vance Management at 1-800-262-1122. The documents are incorporated by reference (and therefore legally part of) this Proxy Statement/Prospectus.

- The Acquiring Fund s annual report to shareholders dated April 30, 2009
- The Acquired Fund s annual report to shareholders dated April 30, 2009
- A Statement of Additional Information dated December 11^ , 2009 that relates to this Proxy Statement/Prospectus and the Reorganization, and contains additional information about the Acquired Fund and the Acquiring Fund

Shares of the Acquiring Fund are not deposits or obligations of, or guaranteed or endorsed by, any bank or other depository institution. These shares are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

Shares of the Acquiring Fund have not been approved or disapproved by the Securities and Exchange Commission nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this Proxy Statement/Prospectus. Any representation to the contrary is a criminal offense.

The date of this Proxy Statement/Prospectus is December 11^ , 2009.

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No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained in this Proxy Statement/Prospectus, and you should not rely on such other information or representations.

PROPOSAL 1

APPROVE AGREEMENT AND PLAN OF REORGANIZATION

The Board of each Fund, including the Trustees who are not interested persons (as defined in the Investment Company Act of 1940, as amended (the 1940 Act)) of the Fund (the Independent Trustees), has approved the Plan for the Reorganization of the Acquired Fund into the Acquiring Fund. If the shareholders of the Acquired Fund approve the Plan, then Acquiring Fund common shares and cash consideration will be issued to the holders of the Acquired Fund common shares and APS, respectively, in exchange for substantially all of the assets of the Acquired Fund and the assumption of substantially all of the liabilities of the Acquired Fund. The Acquired Fund will then terminate its registration under the 1940 Act and dissolve under applicable state law. The aggregate net asset value (NAV) of the Acquiring Fund common shares received in the Reorganization will equal the aggregate NAV of the Acquired Fund common shares held immediately prior to the Reorganization (though common shareholders may receive cash for their fractional shares). The cash consideration received in the Reorganization will equal the aggregate liquidation preference of the Acquired Fund APS held immediately prior to the Reorganization.

The Reorganization seeks to combine two similar Funds to achieve certain economies of scale and other operational efficiencies. At the June 2009 Board meeting the ^ Reorganization was^ considered by the Board of Trustees of each Fund upon the recommendation of the Funds investment adviser, Eaton Vance Management (EV or the Adviser). In reaching the decision to recommend that the shareholders of the Acquired Fund vote to approve the Reorganization, the Trustees, including the Independent Trustees, concluded, based on the information provided as of the dates noted below, that the Reorganization would be in the best interest of the Acquired Fund s shareholders and that the interests of existing shareholders would not be diluted as a consequence thereof. In making this determination, the Trustees considered a number of factors, including the following:

Similar Objectives, Restrictions and Policies. The Acquired Fund and the Acquiring Fund have the same investment objectives and similar policies and restrictions. While the Acquired Fund invests at least 80% of its total assets in (a) publicly and privately issued debt securities and (b) bank loans and loan participations, including senior secured, second lien secured and other types of secured and unsecured loan obligations, the Acquiring Fund invests at least 50^ % of its total assets in two investment categories: each of (1) mortgage backed securities and (2) below investment grade investments, including senior loans and high yield bonds.

The Acquiring Fund has a lower risk profile than the Acquired Fund because by prospectus the Acquiring Fund maintains a weighted average portfolio credit quality of investment grade. The Acquired Fund does not have similar investment restrictions and as of May 22, 2009 had a weighted average portfolio credit quality of B-. If the Acquired Fund and the Acquiring Fund merge, Acquired Fund shareholders would be invested in a portfolio with a higher average credit quality and would have less exposure to second lien loans. Because the Acquiring Fund is significantly larger than the Acquired Fund, the acquisition of the Acquired Fund s assets would have an immaterial impact on the Acquiring Fund s credit quality and asset allocation.

Lower Fund Fees and Expenses. After the Reorganization, Acquiring Fund shareholders would realize modest savings in Fund operating expenses, while the former common shareholders of the Acquired Fund would realize a decrease in Fund operating expenses of approximately 0.49% annually. After the Acquiring Fund s contractual expense reimbursement expires in 2011, former common shareholders of the Acquired Fund would continue to benefit from total operating expenses that are approximately 0.44% lower annually than the Acquired Fund s current total operating expenses.

Relative Performance. The Acquiring Fund s total return for the one-year, three-year, and life-of-fund periods ended May 31, 2009 substantially exceeded that of the Acquired Fund. However, as of May 31, 2009, the distribution rate on the common shares of the Acquired Fund exceeded that on the common shares of the Acquiring Fund. As of May 31, 2009, the distribution rate on common shares of the

Acquired Fund was 12.93% and on the Acquiring Fund was 10.48%. The Acquired Fund s relatively higher distribution rate is attributable to its higher concentration in second lien loans and other lower investment quality assets.

Trading Discounts to NAV; Exchange Listing. As of May 29, 2009, the Acquired Fund s common shares were trading at a discount to NAV of -8.28% while the Acquiring Fund s common shares were trading at a discount to NAV of -9.02%. Since mid-2006, the Acquired Fund s common shares generally have traded at a smaller discount or a greater premium to NAV than the Acquiring Fund s common shares largely due to the Acquired Fund s lower net asset value per share and higher distribution rate. There can be no assurance, that after the Reorganization, the common shares of the combined fund (the Combined Fund) will trade at a higher premium to NAV, or at a smaller discount to NAV than is currently the case for the Acquiring Fund s common shares. While the Acquired Fund common shares trade on the NYSE and the Acquiring Fund common shares trade on the NYSE Amex, moving to the NYSE Amex is not expected to have a substantive impact on the former common shareholders of the Acquired Fund.

Economies of Scale and Other Benefits. The Combined Fund offers economies of scale that may lead to lower fixed expenses on a per share basis for common shareholders. Such economies may be realized with respect to exchange listing fees, printing fees, costs for legal, auditing, custodial and administrative services, and miscellaneous fees. In addition, the greater asset size of the Combined Fund may result in greater diversification of portfolio holdings.

No Dilution. After the Reorganization, each former shareholder of the Acquired Fund will own shares of the Acquiring Fund equal to the aggregate value of his or her shares of the Acquired Fund immediately prior to the Reorganization. Because shares of the Acquiring Fund will be issued at NAV in exchange for the assets of the Acquired Fund, that, net of the liabilities of the Acquired Fund assumed by the Acquiring Fund, will equal the aggregate value of those shares, the Acquiring Fund s NAV will be unchanged. Thus, the Reorganization will not result in any dilution to shareholders.

No Tax Consequences. The Acquired Fund expects to obtain an opinion of counsel that the Reorganization will be tax-free for federal income tax purposes. Shareholders will not recognize a taxable gain or loss on the receipt of shares of the Acquiring Fund in liquidation of their interest in the Acquired Fund. Their tax basis in the Acquiring Fund shares received in the Reorganization will be the same as their tax basis for their Acquired Fund shares, and the tax holding period will be the same. The Acquiring Fund s tax basis for the assets received in the Reorganization will be the same as the Acquired Fund s basis immediately before the Reorganization, and the Acquiring Fund s tax holding period for those assets will include the Acquired Fund s holding period. Furthermore, it is not anticipated that the Reorganization will preclude utilization of ^ the capital loss carryovers of ^the Funds based on the Adviser s analysis using data from the first quarter of 2009. The receipt of cash consideration by the Acquired Fund APS holders is a taxable exchange, but because the consideration generally should equal each such shareholder s tax basis in the APS being exchanged, no gain or loss is expected to be recognized by such shareholders.

Effect on Eaton Vance. The Board also considered that the Funds investment adviser, Eaton Vance^, will benefit from the Reorganization. After the Reorganization, Eaton Vance will continue to collect advisory fees on the Acquired Fund s assets acquired by the Acquiring Fund pursuant to the Reorganization. The Acquired Fund commenced operations three years after the Acquiring Fund and Eaton Vance is currently waiving a greater portion of the Acquired Fund s advisory fee as compared to the Acquiring Fund pursuant to the contractual fee waivers in place. Accordingly, the Acquiring Fund currently has a higher effective fee rate than the Acquired Fund and will continue to do so through May 31, 2014, when the Acquired Fund s waiver expires. As a result, assuming the Reorganization occurred on May 31, 2009, Eaton Vance estimates that it would collect an additional $58,000, $87,000, $87,000, $58,000 and $29,000 in advisory fees for the years ended 2010, 2011, 2012, 2013 and 2014 respectively. There is no impact to advisory fees in subsequent years as the Acquired Fund s contractual waiver expires on May 31, 2014 and thereafter the Acquired Fund and the Acquiring Fund are subject to the same advisory fee rate.

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Liquidation of Acquired Fund APS. As discussed below in greater detail, since mid-February 2008 the market for APS has become generally illiquid and investors have not been able to sell their securities through the auction process. As a result of the Reorganization, Acquired Fund APS holders will receive cash in exchange for their APS, thus liquidating their APS holdings in their entirety. The cash consideration paid by the Acquiring Fund to the Acquired Fund to liquidate its APS will be paid from cash on the Acquiring Fund s balance sheet and not from bank borrowings.

Terms of the Plan and Cost of Reorganization. The Trustees considered the terms and conditions of the Plan and the costs associated with the Reorganization to be borne by Eaton Vance^ , estimated to be approximately $400,000.

The Board of the Acquired Fund recommends that shareholders of the Acquired Fund approve the Fund s proposed Reorganization at the Special Meeting to be held on January 22, 2010^ .

Shareholder approval of the Reorganization requires, with respect to the Acquired Fund, the vote of the holders of at least a majority of the common shares and APS, voting together. Subject to the requisite approval of the shareholders of the Acquired Fund with regard to the Reorganization, it is expected that the closing date of the Reorganization will be on the Acquired Fund APS dividend payment date immediately following the Special Meeting.

Summary

Comparison of the Funds. The following is a summary of certain information contained elsewhere in this Proxy Statement/Prospectus and is qualified in its entirety to the more complete information contained herein and in the Statement of Additional Information. Shareholders should read the entire Proxy Statement/Prospectus carefully.

Investment Objectives and Policies. Each Fund is a registered, diversified closed-end management investment company under the 1940 Act. Each Fund s investment objective is to provide a high level of current income. Each Fund may seek, as a secondary objective, capital appreciation.

Acquired Fund: Under normal market conditions, at least 80% of the Acquired Fund s total assets will be invested in (1) publicly and privately issued bonds and other debt securities (Bonds) including Bonds, commonly known as junk bonds that are of below investment grade quality (rated below Baa3- by Moody s Investors Service, Inc. (Moody s) or below BBB- by Standard & Poor s Rating Group (S&P) or Fitch Ratings (Fitch) (each a Rating Agency) or, if unrated, determined by the Adviser^ to be of comparable quality) (Non-Investment Grade Bonds) and (2) loans and loan participations (collectively, Loans), including senior secured floating rate Loans (Senior Loans), second lien secured floating rate Loans (Second Lien Loans), and other types of secured and unsecured Loans with fixed and variable interest rates.

Acquiring Fund: The Acquiring Fund invests its at least 50^ % of its total assets in two investment categories: ^ (1) mortgage-backed securities that are issued, backed or otherwise guaranteed by the U.S. Government or its agencies or instrumentalities or that are issued by private issuers (MBS) and (2) investments rated below investment grade (as defined above), which include (but are not limited to) Senior Loans and high yield bonds.

Acquired Fund: The Acquired Fund may purchase and sell derivative instruments (which derive their value by reference to another instrument, security or index) for investment purposes, such as obtaining investment exposure to an investment category; risk management purposes, such as hedging against fluctuations in securities prices or interest rates; diversification purposes; or to change the duration of the Fund. The Acquired Fund may invest in the following types of derivative instruments: purchase or sale of futures contracts on securities, indices, other financial instruments or currencies; options on futures contracts and exchange-traded and over-the-counter options on securities, indices or currencies; interest rate swaps; credit default swaps; total return swaps; forward rate contracts and options thereon; structured notes; foreign exchange hedging instruments; and derivatives based on various Loan and Bond indices. In order to help protect the soundness of derivative transactions and outstanding derivative positions, Eaton

Vance requires derivative counterparties to have a minimum credit rating of A from Moody s^(or comparable rating from another Rating Agency) and monitors such rating on an on-going basis.

Acquiring Fund. The Acquiring Fund may purchase or sell derivative instruments (which derive their value from another instrument, security or index) for risk management purposes, such as hedging against fluctuations in securities prices or interest rates; diversification purposes; or changing the duration of the Fund. Transactions in derivative instruments may include: the purchase or sale of futures contracts on securities, indices and other financial instruments;^ credit-linked notes;^ tranches of collateralized loan obligations;^ options on futures contracts; ^ exchange-traded and over-the-counter options on securities or indices;^ and interest rate, total return and credit default swaps. The Acquiring Fund may invest up to 10% of its gross assets in long credit default swap positions on below investment grade corporate securities, Senior Loans and/or indices relating to such investments. The Acquiring Fund may enter into forward commitments to purchase generic MBS, with the total amount of such outstanding commitments not to exceed 10% of its total net assets. In addition, the Acquiring Fund may enter into forward commitments to sell generic MBS with the total amount of outstanding commitments not to exceed 50% of the Fund s holdings of MBS. Counterparties to these agreements are required to have an investment grade credit quality rating at the time of investment.

Guidelines of a Rating Agency that rates any preferred shares issued by a Fund may limit the Funds ability to engage in derivative^ transactions.

For more information about the Funds investment objectives or policies see the table following Comparison of the Funds: Investment Objectives and Policies below.

Purchase and Sale of Fund Shares. Purchase and sale procedures for the common shares of each Fund are identical. Investors typically purchase and sell common shares of the Funds through a registered broker-dealer on the New York Stock Exchange (NYSE) for the Acquired Fund or the NYSE Amex for the Acquiring Fund, or may purchase or sell common shares through privately negotiated transactions with existing shareholders. The Acquired Fund and the Acquiring Fund currently have APS outstanding. When initially offered, it was contemplated that each Fund s APS would be purchased and sold at separate auctions conducted on a regular basis (unless the Fund elected, subject to certain conditions, to declare a special dividend period). However, since mid-February 2008 the functioning of the auction markets for certain types of auction rate securities (including APS) have been disrupted by an imbalance between buy and sell orders. As a result of this imbalance, auctions for APS have not cleared and APS generally have become illiquid. There is no current expectation that these circumstances will change following the Reorganization and it is possible that the APS markets will never resume normal functioning.

Redemption Procedures. Redemption procedures for the Acquired Fund and the Acquiring Fund are also similar. The common shares of each Fund have no redemption rights. However, the Board of each Fund may consider open market share repurchases of, or tendering for, common shares to seek to reduce or eliminate any discount in the market place of the common shares from the NAV thereof. Each Fund s ability to repurchase, or tender for, its common shares may be limited by 1940 Act asset coverage requirements and by the Rating Agency rating its APS. Although a Fund will not ordinarily redeem APS, it may be required to redeem APS if, for example, it does not meet an asset coverage ratio required by law or in order to correct a failure to meet the Rating Agency guidelines in a timely manner.

Comparison of the Funds:

Investment Objectives and Policies

The investment objectives for each Fund is identical. Each Fund has similar investment policies and risks. Set forth below is a comparison of the Funds, including their investment objectives, policies and other pertinent factors.

	Acquired Fund	Acquiring Fund
Business	Diversified, closed-end management investment company organized as a Massachusetts business trust.	
Investment objective	The primary investment objective is to provide a high level of current income with a secondary objective to seek capital appreciation.	
Net assets attributable to common shares as of May 31, 2009	$50.1 million	$1.5 billion
Listing (common shares)	NYSE (ticker symbol EOE)	NYSE Amex (ticker symbol EVV)
APS	One series, rated AA from Fitch	Five series, rated AAA by Fitch
Fiscal year end	April 30	
Investment adviser (Adviser)	Eaton Vance	
Portfolio managers	Scott H. Page (since inception) Andrew N. Sveen (since 4/23/2007) Payson F. Swaffield (since inception) Michael W. Weilheimer (since inception) All are Vice Presidents of Eaton Vance.	Christine M. Johnston (since 3/1/2007) Catherine C. McDermott (since 1/30/2008) Scott H. Page (since inception) Susan Schiff (since inception) Payson F. Swaffield (since inception) Mark S. Venezia (since 3/16/2004) Michael W. Weilheimer (since inception) All are Vice Presidents of Eaton Vance.
Primary investments	The Acquired Fund invests in credit-related investments. The Fund invests its total assets in the following categories of credit-related investments (collectively, the Fund s principal investment categories): (1) publicly and privately issued Non-Investment Grade Bonds and (2) Loans, including	The Acquiring Fund invests primarily in two investment categories: (1) MBS; and (2) investments related below investment grade, which include, but are not limited to Senior Loans and high yield bonds.

	Senior Loans, Second Lien Loans and other types of secured and unsecured Loans with fixed and variable interest rates.	
Allocation of assets ^	The Adviser has broad discretion to allocate the Acquired Fund s assets between and within its principal investment categories and to change allocations over time as conditions warrant. The Acquired Fund is not obligated to hold investments in each category and may at times focus its investments in a single category or in a particular type of investment within a single category. ^	The Adviser has broad discretion to allocate the Acquiring Fund s assets among the principal asset classes; provided that, under normal market conditions, at least ^ 50% of its total assets will be invested in ^ the two investment categor^ ies. ^

	Acquired Fund	**Acquiring Fund**
Credit quality	The Acquired Fund may invest in credit-related investments of any credit quality. The Acquired Fund will not invest more than 15% of its total assets in interest-bearing investments that, at the time of purchase, are not current on their interest payment obligations.	The Acquiring Fund maintains an average dollar weighted average portfolio credit quality of investment grade (BBB- or above).
Duration	The Acquired Fund does not maintain fixed duration or maturity policies, and may invest in securities and obligations of any duration or maturity.	The Acquiring Fund maintains a dollar-weighted average duration of between two and five years (including the effect of leverage). In comparison to maturity (which is the date on which a debt instrument ceases and the issuer is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result of changes in market rates of interest, based on the weighted average timing of the instrument s expected principal and interest payments. Duration differs from maturity in that it considers a security s yield, coupon payments, principal payments and call features in addition to the amount of time until the security finally matures. As the value of a security changes over time, so will its duration. Prices of securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. In general, a portfolio of securities with a longer duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter duration. In computing the duration of its portfolio, the Fund has to estimate the duration of debt obligations that are subject to prepayment or redemption of the issuer.

	Acquired Fund	Acquiring Fund
Mortgage backed securities (MBS)	The Acquired Fund does not invest in MBS.	The Acquiring Fund invests ^ in MBS that are backed by a guarantee of the U.S. Government (or one of its agencies or instrumentalities), although certain of these instruments may be privately issued. MBS represent participation interests in pools of fixed-rate and adjustable-rate mortgage loans. Unlike conventional debt obligations, MBS provide monthly payments derived from the monthly interest and principal payments (including any prepayments) made by the individual borrowers on the pooled mortgage loans. The Adviser invests primarily in MBS that have had a history of refinancing opportunities (so called "seasoned MBS"). Seasoned MBS tend to have a higher collateral to debt ratio than other MBS because a greater percentage of the underlying debt has been repaid and the collateral property may have appreciated in value. The Adviser may discontinue the practice of focusing on seasoned MBS at any time. The Adviser expects that under current market conditions many of the MBS held by the Fund will be premium bonds acquired at prices that exceed their par or principal value. The Acquiring Fund may also invest in commercial MBS (CMBS). CMBS include securities that reflect an interest in, and are secured by, mortgage loans or on commercial real estate property.
Senior Loans	Each Fund invests in Senior Loans. Senior Loans are floating rate Loans made to corporations and other non-governmental entities and issuers. Senior Loans typically hold a senior position in the capital structure of the issuing entity, are typically secured	

with specific collateral and typically have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debt holders and stockholders of the borrower. The proceeds of Senior Loans primarily are used to finance leveraged buyouts, recapitalizations, mergers, acquisitions, stock repurchases, dividends, and, to a lesser extent, to finance internal growth and for other corporate purposes. Senior Loans typically have rates of interest that are redetermined daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium or credit spread. Base lending rates in common usage today are primarily the London-Interbank Offered Rate (LIBOR), and secondarily the prime rate offered by one or more major U.S. banks (the Prime Rate) and the certificate of deposit (CD) rate or other base lending rates used by commercial lenders. The Senior Loans held by a Fund typically have a dollar-weighted average period until the next interest rate adjustment of approximately 90 days or less. In the experience of the Adviser, the average life of Senior Loans over the last decade has been two to four years because of prepayments. For the Acquired Fund only, floating rate debt investments with the characteristics of Senior Loans, such as debtor-in-possession or DIP Loans, and derivative instruments based on indices of Senior Loans (*e.g.,* AMIs are, for purposes of the Fund s investment policies, considered Senior Loans.

	Acquired Fund	Acquiring Fund
Senior Loans (continued)	Each Fund may purchase and retain in its portfolio Senior Loans where the borrowers have experienced, or may be perceived to be likely to experience, credit problems, including default, involvement in or recent emergence from bankruptcy reorganization proceedings or other forms of debt restructuring. At times, in connection with the restructuring of a Senior Loan either outside of bankruptcy court or in the context of bankruptcy court proceedings, a Fund may determine or be required to accept equity securities or junior debt securities in exchange for all or a portion of a Senior Loan. Each Fund primarily purchases Senior Loans by assignment from a participant in the original syndicate of lenders or from subsequent assignees of such interests. A Fund may also purchase participations in the original syndicate making Senior Loans. Loan participations typically represent direct participations in a loan to a corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates. Each Fund may participate in such syndications, or can buy part of a loan, becoming a part lender. When purchasing loan participations, a Fund assumes the credit risk associated with the corporate borrower and may assume the credit risk associated with an interposed bank or other financial intermediary.	
Second Lien Loans, other secured and unsecured Loans	Each Fund may invest in Second Lien Loans, other secured loans and unsecured loans. These are Loans made by public or private corporations or other non-governmental entities and issuers for a variety of purposes. The Acquired Fund may invest in these instruments as part of its primary investment strategy. Second Lien Loans are second in right of payment to one or more Senior Loans of the related borrower. Second Lien Loans typically are secured by a second priority security interest or lien to or on specified collateral securing the borrower s obligation under the Loan and typically have similar protections and rights as Senior Loans. Second Lien Loans, like Senior Loans, typically have adjustable floating rate interest payments. Secured Loans other than Senior Loans and Second Lien Loans may rank lower in right of payment to one or more Senior Loans and Second Lien Loans of the borrower and typically are secured by a lower priority security interest or lien to or on specified collateral securing the borrower s obligation under the Loan, and typically have more subordinated protections and rights than Senior Loans and Second Lien Loans. Secured Loans may become subordinated in right of payment to more senior obligations of the borrower issued in the future. Such secured Loans may have fixed or adjustable floating rate interest payments. Unsecured Loans generally have lower priority in right of payment compared to holders of secured debt of the borrower. Unsecured Loans are not secured by a security interest or lien to or on specified collateral securing the borrower s obligation under the Loan. Unsecured Loans by their terms may be or may become subordinate in right of payment to other obligations of the borrower, including Senior Loans, Second Lien Loans and other secured Loans. Unsecured Loans may have fixed or adjustable floating rate interest payments.	

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	Acquired Fund	**Acquiring Fund**
Foreign investments	The Acquired Fund may invest without limitation in securities and obligations of both domestic and foreign issuers and obligors, except that the Fund will not invest in securities or obligations of issuers or obligors located in emerging markets. The Acquired Fund seeks to hedge its exposures to foreign currencies but may, at the discretion of the Adviser, at any time limit or eliminate foreign currency hedging activity.	The Acquiring Fund may invest up to 15% of its total assets in foreign investments denominated in Euros, British pounds, sterling, Swiss francs and Canadian dollars. The Fund may invest without limit in U.S. dollar denominated investments of non U.S. issuers. The Acquiring Fund seeks to hedge its exposures to foreign currencies but may, at the discretion of the Adviser, at any time limit or eliminate foreign currency hedging activity.
Investment in investment companies and other pooled investment vehicles	The Acquired Fund may invest in other investment companies and/or other pooled investment vehicles holding primarily credit-related investments. The Acquired Fund may invest up to 10% of its total assets in other registered investment companies and up to 20% of its total assets collectively in private investment funds and other pooled investment vehicles holding primarily credit-related investments. For this purpose, registered investment companies means investment companies that are registered under the 1940 Act, and "private investment funds" means privately offered pooled investment funds that are excluded from the definition of investment company under the 1940 Act by operation of Section 3(c)(1) or 3(c)(7) thereof. Investments by the Acquired Fund in private investment funds and other pooled investment vehicles are collectively limited to not more than 20% of the Fund assets. Pooled vehicles in which the Acquired Fund may invest include mortgage REITs and master limited partnerships, business development companies and other entities holding primarily credit-related investments.	Upon the approval of the Board, the Acquiring Fund may invest more than 10% of its total assets in one or more other management investment companies (or may invest in affiliated investment companies) to the extent permitted by the 1940 Act.

	Acquired Fund	Acquiring Fund
Distressed Debt Obligations	The Acquired Fund may invest in Distressed Debt Obligations . Distressed Debt Obligations include Bonds, Loans and other debt obligations of issuers that are experiencing financial distress are obligations are the subject of bankruptcy proceedings or otherwise in default as to the repayment of principal or interest or are rated in the lowest rating categories (Ca or lower by Moody s pr CC or lower by S&P and Fitch) or, if unrated, considered by the Adviser to be of comparable quality. The Acquired Fund will make investments in Distressed Debt Obligations in circumstances in which the Adviser determines that the purchase price of the debt is attractive relative to the level of risk assumed. In addition to pre-existing outstanding debt obligations of issuers undergoing financial distress, Distressed Debt Obligations also include "debtor-in-possession" or DIP Loans newly issued in connection with special situation restructuring and refinancing transactions. DIP Loans are Loans to a debtor-in-possession in a proceeding under the U.S. bankruptcy code that have been approved by the bankruptcy court. DIP Loans are typically fully secured by a lien on the debtor s otherwise unencumbered assets or secured by a junior lien on the debtor s encumbered assets (so long as the Loan is fully secured based on the most recent current valuation or appraisal report of the debtor).	The Acquiring Fund may invest up to 5% of its total assets in DIP Loans.

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	Acquired Fund	**Acquiring Fund**
Derivative instruments[1]	The Acquired Fund may purchase and sell derivative instruments (which derive their value by reference to another instrument, security or index) for investment purposes, such as obtaining investment exposure to an investment category; risk management purposes, such as hedging against fluctuations in securities prices or interest rates; diversification purposes; or to change the duration of the Fund. The Acquired Fund currently intends to invest in the following types of derivative instruments, although it retains the flexibility in the future to invest in other such instruments: purchase or sale of futures contracts on securities, indices, other financial instruments or currencies; options on futures contracts and exchange-traded and over-the-counter options on securities, indices or currencies; interest rate swaps; credit default swaps; total return swaps; forward rate contracts and options	The Acquiring Fund may purchase or sell derivative instruments (which derive their value from another instrument, security or index) for risk management purposes, such as hedging against fluctuations in securities prices or interest rates; diversification purposes; or changing the duration of the Fund. Transactions in derivative instruments may include: the purchase or sale of futures contracts on securities;^ indices and other financial instruments;^ credit-linked notes;^ tranches of collateralized loan obligations;^ options on futures contracts;^ exchange-traded and over-the-counter options on securities or indices;^ and interest rate, total return and credit default swaps. The Acquiring Fund may invest up to 10% of its gross assets in long credit default swap positions on below investment grade corporate securities, Senior Loans and/or indices relating to such investments. Counterparties to these agreements are required to have an investment grade credit quality