COMPUTER PROGRAMS & SYSTEMS INC
Form 10-Q
August 06, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended June 30, 2008.

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from ______ to ______.

Commission file number: 000-49796

COMPUTER PROGRAMS AND SYSTEMS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**74-3032373**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
6600 Wall Street, Mobile, Alabama	**36695**
(Address of Principal Executive Offices)	**(Zip Code)**

(251) 639-8100

(Registrant s Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a 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

As of August 4, 2008, there were 10,838,037 shares of the issuer s common stock outstanding.

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COMPUTER PROGRAMS AND SYSTEMS, INC.

Form 10-Q

(For the period ended June 30, 2008)

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

COMPUTER PROGRAMS AND SYSTEMS, INC.

CONDENSED BALANCE SHEETS

	June 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 12,851,081	$ 11,806,017
Investments	11,594,791	11,352,457
Accounts receivable, net of allowance for doubtful accounts of $796,622 and $948,712, respectively	13,178,796	14,333,934
Financing receivables, current portion	1,878,898	1,734,954
Inventories	1,623,913	1,450,164
Deferred tax assets	1,429,023	1,393,602
Prepaid expenses	419,469	505,565
Total current assets	42,975,971	42,576,693
Property and equipment		
Land	936,026	936,026
Maintenance equipment	4,017,401	3,821,013
Computer equipment	5,875,971	5,663,741
Office furniture and equipment	1,745,442	1,576,728
Automobiles	132,926	132,926
	12,707,766	12,130,434
Less accumulated depreciation	(7,586,212)	(6,621,407)
Net property and equipment	5,121,554	5,509,027
Financing receivables, net of current portion	1,280,467	2,322,471
Total assets	$ 49,377,992	$ 50,408,191
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 1,624,672	$ 1,716,882
Deferred revenue	3,971,205	3,580,709
Accrued vacation	2,263,666	2,112,256
Income taxes payable	75,736	541,987
Other accrued liabilities	3,363,158	3,506,845
Total current liabilities	11,298,437	11,458,679
Deferred tax liabilities	367,120	571,142

Stockholders equity:		
Common stock, par value $0.001 per share; 30,000,000 shares authorized; 10,833,142 and 10,807,444 shares issued and outstanding	10,833	10,807
Additional paid-in capital	25,298,646	24,658,818
Accumulated other comprehensive income	36,743	44,825
Retained earnings	12,366,213	13,663,920
Total stockholders equity	37,712,435	38,378,370
Total liabilities and stockholders equity	$ 49,377,992	$ 50,408,191

See accompanying notes.

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COMPUTER PROGRAMS AND SYSTEMS, INC.

CONDENSED STATEMENTS OF INCOME (Unaudited)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Sales revenues:				
System sales	$ 8,458,384	$ 10,265,862	$ 19,113,744	$ 18,582,469
Support and maintenance	13,132,851	12,367,782	26,218,620	24,908,123
Business management services	6,160,287	5,329,436	11,936,426	10,418,915
Total sales revenues	27,751,522	27,963,080	57,268,790	53,909,507
Costs of sales:				
System sales	7,214,583	7,765,596	15,117,166	14,945,403
Support and maintenance	4,772,077	5,006,426	9,569,421	10,062,925
Business management services	3,639,456	3,295,311	7,224,874	6,352,608
Total costs of sales	15,626,116	16,067,333	31,911,461	31,360,936
Gross profit	12,125,406	11,895,747	25,357,329	22,548,571
Operating expenses:				
Sales and marketing	2,129,736	2,306,268	4,389,494	4,382,331
General and administrative	5,286,870	4,764,994	10,761,221	9,657,047
Total operating expenses	7,416,606	7,071,262	15,150,715	14,039,378
Operating income	4,708,800	4,824,485	10,206,614	8,509,193
Other income:				
Interest income	230,708	272,473	495,956	549,108
Total other income	230,708	272,473	495,956	549,108
Income before taxes	4,939,508	5,096,958	10,702,570	9,058,301
Income taxes	1,948,321	1,795,058	4,205,377	3,196,884
Net income	$ 2,991,187	$ 3,301,900	$ 6,497,193	$ 5,861,417
Net income per share - basic	$ 0.28	$ 0.31	$ 0.60	$ 0.55
Net income per share - diluted	$ 0.28	$ 0.31	$ 0.60	$ 0.55
Weighted average shares outstanding				
Basic	10,752,951	10,682,876	10,749,464	10,673,495
Diluted	10,766,996	10,732,503	10,767,348	10,725,519
Dividends declared per share	$ 0.36	$ 0.36	$ 0.72	$ 0.72

See accompanying notes.

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COMPUTER PROGRAMS AND SYSTEMS, INC.

CONDENSED STATEMENT OF STOCKHOLDERS EQUITY (Unaudited)

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders Equity
Balance at December 31, 2007	10,807,444	$ 10,807	$ 24,658,818	$ 44,825	$ 13,663,920	$ 38,378,370
Net income					6,497,193	6,497,193
Issuance of common stock	25,698	26	152,219			152,245
Unrealized loss on available for sale investments, net of tax of $(5,277)				(8,082)		(8,082)
Share-based compensation			454,157			454,157
Dividends					(7,794,900)	(7,794,900)
Income tax benefit from dividends on restricted stock			21,639			21,639
Income tax benefit from stock option exercise			11,813			11,813
Balance at June 30, 2008	10,833,142	$ 10,833	$ 25,298,646	$ 36,743	$ 12,366,213	$ 37,712,435

See accompanying notes.

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COMPUTER PROGRAMS AND SYSTEMS, INC.

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

	Six months ended June 30, 2008	2007
Operating Activities		
Net income	$ 6,497,193	$ 5,861,417
Adjustments to net income:		
Provision for bad debt	1,237,271	14,111
Deferred taxes	(206,960)	65,866
Share-based compensation	454,157	641,648
Excess tax benefit from share-based compensation	(11,813)	(247,770)
Tax benefit from restricted stock dividends	(21,639)	
Depreciation	964,805	1,045,980
Changes in operating assets and liabilities:		
Accounts receivable	(82,133)	(168,669)
Financing receivables	898,060	(66,467)
Inventories	(173,749)	152,276
Prepaid expenses	86,095	25,019
Accounts payable	(92,210)	(1,502)
Deferred revenue	390,496	1,136,769
Other liabilities	7,723	(173,311)
Income taxes payable	(432,799)	324,579
Net cash provided by operating activities	9,514,497	8,609,946
Investing Activities		
Purchases of property and equipment	(577,332)	(656,185)
Purchases of investments	(282,898)	(244,777)
Net cash used in investing activities	(860,230)	(900,962)
Financing Activities		
Proceeds from exercise of stock options	152,245	685,370
Income tax benefit from restricted stock dividends	21,639	
Income tax benefit from stock option exercises	11,813	247,770
Dividends paid	(7,794,900)	(7,745,066)
Net cash used in financing activities	(7,609,203)	(6,811,926)
Increase in cash and cash equivalents	1,045,064	897,058
Cash and cash equivalents at beginning of period	11,806,017	8,760,122
Cash and cash equivalents at end of period	$ 12,851,081	$ 9,657,180
Cash paid for income taxes, net of refund	$ 4,845,136	$ 2,806,438

See accompanying notes.

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COMPUTER PROGRAMS AND SYSTEMS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and include all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments are considered of a normal recurring nature. Quarterly results of operations are not necessarily indicative of annual results.

Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These unaudited condensed financial statements should be read in conjunction with the Company s audited financial statements for the year ended December 31, 2007 and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2007.

2. REVENUE RECOGNITION

The Company recognizes revenue in accordance with accounting principles generally accepted in the United States of America, principally:

Statement of Position (SOP) No. 97 2, *Software Revenue Recognition*, issued by the American Institute of Certified Public Accountants (AICPA).

AICPA SOP No. 98 9, *Modification of SOP 97 2, Software Revenue Recognition, With Respect to Certain Transactions*.

Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, issued by the United States Securities and Exchange Commission, as amended by SAB No. 104.

The Emerging Issues Task Force (EITF) Issue 00 3, *Application of AICPA Statement of Position 97 2 to Arrangements That Include the Right to Use Software Stored on Another Entities Hardware*.

EITF Issue 03 5, *Applicability of AICPA Statement of Position 97 2 to Non Software Deliverables in an Arrangement Containing More Than Incidental Software*.

The Company s revenue is generated from three sources:

the sale of information systems, which includes software, conversion and installation services, hardware, peripherals, forms and supplies.

the provision of system support services, which includes software application support, hardware maintenance, continuing education, application service provider (ASP) products, and internet service provider (ISP) products.

the provision of business management services, which includes electronic billing, statement processing, payroll processing and accounts receivable management.

The Company enters into contractual obligations to sell hardware, perpetual software licenses, installation and training services, and maintenance services. Revenue from hardware sales is recognized upon shipment, when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collection is probable. Revenue from the perpetual software licenses and installation and training services are recognized using the residual method. The residual method allocates an amount of the arrangement to the elements for which fair value can be determined and any remaining arrangement consideration (the residual revenue) is then allocated to the delivered elements. The fair value of maintenance services is determined based on vendor specific objective evidence (VSOE) of fair value and is deferred and recognized as revenue ratably over the maintenance term. VSOE of fair value of maintenance services is determined by reference to the price the Company s customers are required to pay for the services when sold separately via renewals. The residual revenue is allocated to the perpetual license and installation and training services and is recognized over the term that the installation and training services are performed for the entire arrangement. The method of recognizing revenue for the perpetual license for the associated modules included in the arrangement and related installation and training services over the term the services are performed is on a module by module basis as the respective installation and training for each specific module is completed as this is representative of the pattern of provision of these services. The installation and training services are normally completed in three to four weeks.

Revenue derived from maintenance contracts primarily includes revenue from software application support, hardware maintenance, continuing education and related services. Maintenance contracts are typically sold for a separate fee with initial contract periods ranging from one to seven years, with renewal for additional periods thereafter. Maintenance revenue is recognized ratably over the term of the maintenance agreement.

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The Company accounts for ASP contracts in accordance with the EITF 00 3, *Application of AICPA Statement of Position 97 2 to Arrangements That Include the Right to Use Software Stored on Another Entity s Hardware*. EITF 00 3 states that the software element of ASP services is covered by SOP 97 2 only if the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty and it is feasible for the customer to either run the software on its own hardware or contract with another party related to the vendor to host the software. Each ASP contract includes a system purchase and buyout clause, and this clause specifies the total amount of the system buyout.

In addition, a clause is included which states that should the system be bought out by the customer, the customer would be required to enter into a general support agreement (for post contract support services) for the remainder of the original ASP term. Accordingly, the Company has concluded that ASP customers do not have the right to take possession of the system without significant penalty (i.e. the purchase price of the system), and thus ASP revenue of the Company does not fall within the scope of SOP 97 2. In accordance with SAB No. 104, revenue is recognized when the services are performed.

Revenue for ISP and business management services are recognized in the period in which the services are performed.

3. DETAILS ON BALANCE SHEET AMOUNTS

Other accrued liabilities are comprised of the following:

	June 30, 2008	December 31, 2007
Accrued salaries and benefits	$ 2,125,022	$ 2,560,116
Accrued commissions	367,033	392,033
Accrued self-insurance reserves	418,400	388,400
Fair value of lease guaranty	244,038	
Other	208,665	166,296
	$ 3,363,158	$ 3,506,845

4. INVESTMENTS

The Company accounts for investments in accordance with Statement of Financial Accounting Standards SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Accordingly, investments are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders equity. The Company s management determines the appropriate classifications of investments in fixed maturity securities at the time of acquisition and re-evaluates the classifications at each balance sheet date. The Company s investments in fixed maturity securities are classified as available-for-sale.

Investments are comprised of the following at June 30, 2008:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short term investments	$ 711,767	$ 200	$ 783	$ 711,184
Obligations of U.S. Treasury, U.S. government corporation and agencies	4,890,903	57,192	5,226	4,942,869
Mortgaged backed securities	237,055		2,658	234,397
Corporate bonds	5,696,838	31,890	22,387	5,706,341
	$ 11,536,563	$ 89,282	$ 31,054	$ 11,594,791

Shown below are the amortized cost and estimated fair value of securities with fixed maturities at June 30, 2008, by contract maturity date. Actual maturities may differ from contractual maturities because issuers of certain securities retain early call or prepayment rights.

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	Amortized Cost	Fair Value
Due in 2008	$ 2,410,531	$ 2,415,877
Due in 2009	6,548,019	6,609,326
Due in 2010	1,932,257	1,925,379
Due in 2011	408,701	409,812
Due thereafter	237,055	234,397
	$ 11,536,563	$ 11,594,791

Investments are comprised of the following at December 31, 2007:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short term investments	$ 377,360	$	$	$ 377,360
Obligations of U.S. Treasury, U.S. government corporation and agencies	5,571,662	55,860	804	5,626,718
Mortgaged backed securities	298,097		436	297,661
Municipal obligations	800,000			800,000
Corporate bonds	4,219,731	36,840	5,853	4,250,718
	$ 11,266,850	$ 92,700	$ 7,093	$ 11,352,457

5. NET INCOME PER SHARE

The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period presented. Diluted EPS amounts are based upon the weighted average number of common and common equivalent shares outstanding during the period presented. The Company uses the treasury stock method to calculate the impact of outstanding stock options and unvested restricted stock grants. Potentially dilutive shares are derived from outstanding stock options that have an exercise price less than the weighted average market price of our common stock and unvested restricted stock grants. Any options with an exercise price greater than the weighted average market price of our common stock or unvested restricted stock grants that are considered antidilutive are excluded from the computation of diluted earnings per share. The difference between basic and diluted EPS is attributable to stock options. For the three month periods ended June 30, 2008 and 2007, these dilutive shares were 14,045 and 49,627, respectively. For the six month periods ended June 30, 2008 and 2007, these dilutive shares were 17,884 and 52,024, respectively. The number of unvested restricted stock grants considered antidilutive and thus excluded from the year to date dilutive earnings per share computation at June 30, 2008 were 76,086.

6. INCOME TAXES

The Company accounts for income taxes using the liability method in accordance with Statement of Financial Accounting Standards SFAS No. 109, *Accounting for Income Taxes*. Deferred income taxes arise from the temporary differences in the recognition of income and expenses for tax purposes. Deferred tax assets and liabilities are comprised of the following:

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	June 30, 2008	December 31, 2007
Deferred tax assets:		
Accounts receivable	$ 310,683	$ 369,998
Accrued vacation	882,830	823,780
Stock-based compensation	528,033	519,571
Other comprehensive income	5,276	
Other accrued liabilities	230,234	227,031
Total deferred tax assets	$ 1,957,056	$ 1,940,380
Deferred tax liabilities:		
Other comprehensive income	$	$ 33,449
Depreciation	895,153	1,090,713
Total deferred tax liabilities	$ 895,153	$ 1,124,162

Significant components of the Company s income tax provision for the six months ended June 30 are as follows:

	2008	2007
Current provision:		
Federal	$ 3,629,364	$ 2,546,263
State	782,973	584,755
Deferred (benefit) provision:		
Federal	(185,733)	59,110
State	(21,227)	6,756
Total income tax provision	$ 4,205,377	$ 3,196,884

The difference between income taxes at the U. S. federal statutory income tax rate of 35% and those reported in the condensed statements of income for the six months ended June 30 are as follows:

	2008	2007
Income taxes at U. S. Federal statutory rate	$ 3,745,900	$ 3,170,405
State income tax, net of federal tax effect	487,706	421,697
Other	(28,229)	(395,218)
Total income tax provision	$ 4,205,377	$ 3,196,884

We had no unrecognized tax benefits or accrued interest or penalties related to uncertain tax positions as of June 30, 2008 under the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). The tax year 2006 and 2007 federal returns remain open to examination and the tax years 2003 2007 remain open to other taxing jurisdictions to which we are subject.

7. STOCK BASED COMPENSATION

Effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share Based Payment* (SFAS No. 123R). SFAS No. 123R establishes accounting for stock-based awards exchanged for employee services. Accordingly, stock-based compensation cost is measured at grant date based on the fair value of the award, and is recognized as an expense over the employee s requisite service period. The Company previously applied Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations and provided pro forma disclosures of SFAS No. 123, *Accounting for Stock Based*

Compensation. The Company elected to adopt the modified prospective application method as provided by SFAS No. 123R, and, accordingly, prior periods are not restated for the effects of SFAS No. 123R. The Company recorded compensation costs as the requisite service rendered for the unvested portion of previously issued awards that remain outstanding at the initial date of adoption and any awards issued, modified, repurchased, or cancelled after the effective date of SFAS 123R.

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The following table shows total stock-based compensation expense for the three and six months ended June 30, 2008 and 2007, included in the Condensed Statements of Income:

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Costs of sales	$ 74,998	$ 116,793	$ 149,996	$ 269,529
Operating expenses	154,998	179,288	304,161	372,119
Pre-tax stock-based compensation expense	229,996	296,081	454,157	641,648
Less: income tax effect	91,078	117,248	179,846	254,093
Net stock-based compensation expense	$ 138,918	$ 178,833	$ 274,311	$ 387,555

2002 Stock Option Plan

Under the 2002 Stock Option Plan, as amended, the Company has authorized the issuance of equity-based awards for up to 865,333 shares of common stock to provide additional incentive to employees and officers. Pursuant to the plan, the Company can grant either incentive or non-qualified stock options. Options to purchase common stock under the 2002 Stock Option Plan have been granted to Company employees with an exercise price equal to the fair market value of the underlying shares on the date of grant.

Stock options granted under the 2002 Stock Option Plan to executive officers of the Company become vested as to all of the shares covered by such grant on the fifth anniversary of the grant date and expire on the seventh anniversary of the grant date. Stock options granted under the 2002 Stock Option Plan to employees other than executive officers become vested as to 50% of the shares covered by the option grant on the third anniversary of the grant date and as to 100% of such shares on the fifth anniversary of the grant date. In addition, options become vested upon termination of employment resulting from death, disability or retirement. Such options expire on the seventh anniversary of the grant date.

Under the methodology of SFAS No. 123, the fair value of the Company s stock options was estimated at the date of grant using the Black-Scholes option pricing model. The multiple option approach was used, with assumptions for expected option life of 5 years and 44% expected volatility for the market price of the Company s stock in 2002. An estimated dividend yield of 3% was used. The risk-free rate of return was determined to be 2.79% in 2002. No options were granted during 2007 or the first six months of 2008.

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A summary of stock option activity under the plan during the six month periods ended June 30, 2008 and 2007 is as follows:

	June 30, 2008		June 30, 2007	
	Shares	Exercise Price	Shares	Exercise Price
Outstanding at beginning of year	152,444	$ 16.50	222,597	$ 16.50
Granted				
Exercised	(9,227)	16.50	(41,523)	16.50
Forfeited			(9,991)	16.50
Outstanding at end of period	143,217	$ 16.50	171,083	$ 16.50
Exercisable at end of period	143,217	$ 16.50	171,083	$ 16.50
Shares available for future grants under the plan at end of period		495,134		495,355
Weighted-average grant date fair value		$		$
Weighted-average remaining contractual life		1.0		2.0
Aggregate intrinsic value outstanding options		$ 118,870		
Aggregate intrinsic value exercisable options		$ 118,870		

The aggregate intrinsic value in the above table represents the total pre-tax intrinsic value (the difference between the Company s closing stock price on the last trading date of the second quarter of 2008 and the exercise price, multiplied by the number of options.) The amount of aggregate intrinsic value will change based on the fair market value of the Company s stock.

The aggregate intrinsic value of options exercised during the quarters ended June 30, 2008 and June 30, 2007 was $15,513 and $621,213, respectively.

As of June 30, 2008, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under 2002 Stock Option Plan.

2005 Restricted Stock Plan

On January 27, 2006, the Compensation Committee of the Board of Directors approved the grant of 116,498 shares of restricted stock, effective January 30, 2006, to certain executive officers of the Company under the 2005 Restricted Stock Plan. The grant date fair value was $42.91 per share. The restricted stock vests in five equal annual installments commencing on the first anniversary of the date of grant. On May 17, 2006, the Compensation Committee of the Board of Directors approved the grant of 17,810 shares of restricted stock to Michael Jones, the newly named Chief Operating Officer of the Company. The grant date fair value was $42.11 per share. The restricted stock vests in five equal annual installments commencing January 30, 2007, and each January 30 thereafter. On January 23, 2008, the Compensation Committee of the Board of Directors approved the grant of 16,471 shares of restricted stock to Darrell G. West, the Company s Vice President Finance and Chief Financial Officer. The grant date fair value was $21.25 per share. The restricted stock vests in five equal annual installments commencing January 30, 2009, and each January 30 thereafter.

Six Months Ended June 30, 2008		Six Months Ended June 30, 2007	
	Weighted-Average Grant-Date		Weighted-Average Grant-Date
Shares	Fair Value	Shares	Fair Value

Nonvested stock outstanding at beginning of year	79,487	$	42.77	111,009	$	42.79
Granted	16,471		21.25			
Vested	(19,872)		42.77	(22,202)		42.81
Nonvested stock outstanding at end of period	76,086	$	38.11	88,807	$	42.79

As of June 30, 2008, there was $2,361,809 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2005 Restricted Stock Plan. This cost is expected to be recognized over a weighted-average period of 2.7 years.

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8. COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income*, requires the disclosure of certain revenue, expenses, gains and losses that are excluded from net income in accordance with accounting principles generally accepted in the United States of America. Total comprehensive income for the three and six months ended June 30, 2008 and 2007 are as follows:

	Three months ended June 30, 2008	2007	Six months ended June 30, 2008	2006
Net income as reported	$ 2,991,187	$ 3,301,900	$ 6,497,193	$ 5,861,417
Other comprehensive income:				
Unrealized loss on investments, net of taxes	(46,780)	(10,948)	(8,082)	7,606

NOMINEES	WITHHOLD AUTHORITY FOR ALL NOMINEES	FOR ALL EXCEPT (instructions below)		
..	..	..	a. Mark R. Fetting (Class III)	..
			b. Valerie A. Mosley (Class III)	..
			c. Helen Frame Peters (Class III)	..
			d. Ralph F. Verni (Class III)	..

MARK THE BOX TO THE RIGHT IF YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE BE PREPARED TO PRESENT PHOTO IDENTIFICATION AND PROOF OF SHARE OWNERSHIP. ..

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and fill in the square next to each nominee you wish to withhold, as shown here: n

TO CHANGE THE ADDRESS ON YOUR ACCOUNT, PLEASE INDICATE YOUR NEW ADDRESS IN THE SPACE BELOW. PLEASE NOTE THAT CHANGES TO THE REGISTERED NAME(S) ON THE ACCOUNT MAY NOT BE SUBMITTED VIA THIS METHOD.

COMMENTS:

ADDRESS CHANGE:

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL

The Notice of Annual Meeting of Shareholders, Proxy Statement, Proxy Card and Shareholder Report are available on the Eaton Vance website, www.eatonvance.com, by selecting Individual Investors followed by Products and then Closed-End Funds Documents.

[PROXY ID NUMBER HERE] [BAR CODE HERE]

[CUSIP HERE]

EATON VANCE TAX-ADVANTAGED GLOBAL DIVIDEND OPPORTUNITIES FUND

Annual Meeting of Shareholders, February 16, 2017

Proxy Solicited on Behalf of the Board of Trustees

HOLDERS OF COMMON SHARES

The undersigned holders of Common Shares of beneficial interest of Eaton Vance Tax-Advantaged Global Dividend Opportunities Fund, a Massachusetts business trust (the Fund), hereby appoints JUSTINE E. ABBADESSA, MICHAEL A. ALLISON, MAUREEN A. GEMMA, JAMES F. KIRCHNER and DEIDRE E. WALSH, and each of them, with full power of substitution and revocation, as proxies to represent the undersigned at the Annual Meeting of Shareholders of the Fund to be held at the principal office of the Fund, Two International Place, Boston, Massachusetts 02110, on February 16, 2017 at 11:30 a.m. (Eastern Time), and at any and all adjournments or postponements thereof, and to vote all Common Shares of the Fund which the undersigned would be entitled to vote, with all powers the undersigned would possess if personally present, in accordance with the instructions on this proxy.

WHEN THIS PROXY IS PROPERLY EXECUTED, THE SHARES REPRESENTED HEREBY WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF EACH OF THE TRUSTEES AS SET FORTH BELOW AND IN THE DISCRETION OF THE PROXIES WITH RESPECT TO ALL OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE ANNUAL MEETING AND ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF. THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THE ACCOMPANYING NOTICE OF ANNUAL MEETING AND PROXY STATEMENT.

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EATON VANCE TAX-ADVANTAGED GLOBAL DIVIDEND OPPORTUNITIES FUND

PROXY CARD

YOUR SIGNATURE IS REQUIRED FOR YOUR VOTE TO BE COUNTED.

Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If a partnership, please sign in partnership name by authorized person.

SIGNATURE DATE

SIGNATURE DATE

TITLE IF A CORPORATION, PARTNERSHIP OR OTHER ENTITY

YOUR VOTE IS IMPORTANT. PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE POSTMARKED ENVELOPE ENCLOSED.

TO INCLUDE ANY COMMENTS, USE THE COMMENTS BOX BELOW.

PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: **x**

1.	Election of Trustees: NOMINEES: a. Scott E. Eston (Class I) b. Cynthia E. Frost (Class I) c. Valerie A. Mosley (Class I) d. Scott E. Wennerholm (Class I)	¨ ¨ ¨ ¨	FOR ALL NOMINEES ¨	WITHHOLD AUTHORITY FOR ALL NOMINEES ¨	FOR ALL EXCEPT (instructions below) ¨

MARK THE BOX TO THE RIGHT IF YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE BE PREPARED TO PRESENT PHOTO IDENTIFICATION AND PROOF OF ¨

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and fill in the square next to each nominee you wish to withhold, as shown here: n

SHARE OWNERSHIP.

TO CHANGE THE ADDRESS ON YOUR ACCOUNT, PLEASE INDICATE YOUR NEW ADDRESS IN THE SPACE BELOW. PLEASE NOTE THAT CHANGES TO THE REGISTERED NAME(S) ON THE ACCOUNT MAY NOT BE SUBMITTED VIA THIS METHOD.

ADDRESS CHANGE:

COMMENTS:

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL

The Notice of Annual Meeting of Shareholders, Proxy Statement, Proxy Card and Shareholder Report are available on the Eaton Vance website, www.eatonvance.com, by selecting Individual Investors followed by Products and then Closed-End Funds Documents.

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