Eaton Vance Tax-Managed Buy-Write Income Fund
Form DEF 14A
February 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)
Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:
[ ] Preliminary Proxy Statement
[ ] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-12

Eaton Vance Tax-Managed Buy-Write Income Fund
Eaton Vance Tax-Managed Buy-Write Opportunities Fund
Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):
[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

EATON VANCE TAX-MANAGED BUY-WRITE INCOME FUND
EATON VANCE TAX-MANAGED BUY-WRITE OPPORTUNITIES FUND
EATON VANCE TAX-MANAGED GLOBAL BUY-WRITE OPPORTUNITIES FUND

The Eaton Vance Building
255 State Street
Boston, Massachusetts 02109

February 29, 2008

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of your Fund, which will be held at the principal office of each Fund, The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, on Friday, April 25, 2008 at 1:30 P.M. (Boston time).

At this meeting, you will be asked to consider the election of Trustees. The enclosed proxy statement contains additional information.

We hope that you will be able to attend the meeting. Whether or not you plan to attend and regardless of the number of shares you own, it is important that your shares be represented. I urge you to complete, sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope as soon as possible to assure that your shares are represented at the meeting.

Sincerely,

Duncan W. Richardson
President

YOUR VOTE IS IMPORTANT PLEASE RETURN YOUR PROXY CARD PROMPTLY

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend in person, you are requested to complete, sign and return the enclosed proxy card as soon as possible. You may withdraw your proxy if you attend the Annual Meeting and desire to vote in person.

EATON VANCE TAX-MANAGED BUY-WRITE INCOME FUND
EATON VANCE TAX-MANAGED BUY-WRITE OPPORTUNITIES FUND
EATON VANCE TAX-MANAGED GLOBAL BUY-WRITE OPPORTUNITIES FUND
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Friday, April 25, 2008

The Annual Meeting of Shareholders of each of the above registered investment companies, each a Massachusetts business trust (collectively the Funds), will be held at the principal office of each Fund, The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, on Friday, April 25, 2008 at 1:30 P.M. (Boston time), for the following purposes:

1. To elect two Class I, one Class II and three Class III Trustees of each Fund.

2. To consider and act upon any other matters that may properly come before the meeting and any adjourned or postponed session thereof.

Each Fund will hold a separate meeting. Shareholders of each Fund will vote separately.

The Board of Trustees of each Fund has fixed the close of business on February 15, 2008 as the record date for the determination of the shareholders of a Fund entitled to notice of and to vote at the meeting and any adjournments or postponement(s) thereof.

By Order of each Board of Trustees

February 29, 2008
Boston, Massachusetts

IMPORTANT

Shareholders can help the Board of Trustees of their Fund avoid the necessity and additional expense to the Funds of further solicitations by promptly returning the enclosed proxy. The enclosed addressed envelope requires no postage if mailed in the United States and is intended for your convenience.

EATON VANCE TAX-MANAGED BUY-WRITE INCOME FUND
EATON VANCE TAX-MANAGED BUY-WRITE OPPORTUNITIES FUND
EATON VANCE TAX-MANAGED GLOBAL BUY-WRITE OPPORTUNITIES FUND

The Eaton Vance Building
255 State Street
Boston, Massachusetts 02109

PROXY STATEMENT

A proxy is enclosed with the foregoing Notice of the Annual Meetings of Shareholders of Eaton Vance Tax-Managed Buy-Write Income Fund (the Buy-Write Income Fund), Eaton Vance Tax-Managed Buy-Write Opportunities Fund (the Buy-Write Opportunities Fund) and Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund (the Global Buy-Write Opportunities Fund) (collectively the Funds) to be held Apr 25, 2008, for the benefit of shareholders who do not expect to be present at the meeting. This proxy is solicited on behalf of the Boards of Trustees of the Funds and is revocable by the person giving it prior to exercise by a signed writing filed with each Fund s Secretary or by executing and delivering a later dated proxy or by attending the meeting and voting the shares in person. Each proxy will be voted in accordance with its instructions; if no instruction is given, an executed proxy will authorize the persons named as attorneys, or any of them, to vote in favor of the election of each Trustee. This proxy material is being mailed to shareholders on or about February 29, 2008.

The Board of Trustees of each Fund has fixed the close of business on February 15, 2008 as the record date for the determination of the shareholders entitled to notice of and to vote at the meeting and any adjournments or postponements thereof. Shareholders at the close of business on the record date will be entitled to one vote for each share held. The number of Common Shares, $.01 par value per share of each Fund outstanding on February 15, 2008 were as follows:

Fund	No. of Common Shares Outstanding February 15, 2008
Buy-Write Income Fund	24,581,805.9554
Buy-Write Opportunities Fund	63,173,418.6641
Global Buy-Write Opportunities Fund	106,308,067.0552

Each Fund will vote separately on each item; votes of multiple Funds will not be aggregated.

As of February 15, 2008, to each Fund s knowledge, (i) no shareholder beneficially owned more than 5% of the outstanding shares of a Fund; and (ii) the Trustees and officers of each Fund, individually and as a group, beneficially owned less than 1% of the outstanding shares of each Fund.

The Boards of Trustees of the Funds know of no business other than that mentioned in Item 1 of the Notice of Meeting that will be presented for consideration. If any other matters are properly presented, it is the intention of the persons named as attorneys in the enclosed proxy to vote the proxies in accordance with their judgment on such matters.

PROPOSAL 1. ELECTION OF TRUSTEES

Each Fund s Agreement and Declaration of Trust provides that a majority of the Trustees shall fix the number of the entire Board and that such number shall be at least two and no greater than fifteen. Each Board will fix the appropriate number of Trustees from time to time. Each Fund s Agreement and Declaration of Trust further provides that the Board of Trustees shall be divided into three classes. The term of office of the Class III Trustees expires on the date of the 2008 Annual Meeting, and the term of office of the Class I and Class II Trustees will expire one and two years thereafter, respectively. Accordingly, three nominees for Class III Trustees are currently proposed for election. In addition, the Board has nominated Thomas E. Faust Jr. and Allen R. Freedman for election as Class I Trustees and Heidi L. Steiger for election as a Class II Trustee. Mr. Freedman was appointed by the Board as a Class I Trustee of Tax-Managed Buy-Write Income Fund (Buy-Write Income Fund) effective April 23, 2007.

1

Messrs. Faust and Freedman and Ms. Steiger were appointed by the Board as Class I and Class II Trustees, respectively, of Tax-Managed Buy-Write Opportunities Fund (Buy-Write Opportunities Fund) and Tax-Managed Global Buy-Write Opportunities Fund (Buy-Write Global Opportunities Fund) effective April 23, 2007. Class III Trustees chosen to succeed the Trustees whose terms are expiring will be elected for a three-year term and Messrs. Faust and Freedman and Ms. Steiger will be elected to serve until 2009 and 2010, respectively, to coincide with the term of office of their respective Class. An effect of staggered terms is to limit the ability of entities or persons to acquire control of a Fund.

Proxies will be voted for the election of the following Trustee nominees: Norton H. Reamer, Lynn A. Stout and Ralph F. Verni, all Class III nominees; Messrs. Faust and Freedman, both Class I nominees and Ms. Steiger, a Class II nominee. Each nominee, with the exception of Mr. Faust and Ms. Steiger for Buy-Write Income Fund, is currently serving as a Trustee and has consented to continue to so serve. In the event that a nominee is unable to serve for any reason (which is not now expected) when the election occurs, the accompanying Proxy will be voted for such other person or persons as the Board of Trustees may recommend. Election of Trustees is non-cumulative. Shareholders do not have appraisal rights in connection with the proposals in this proxy statement. The Trustees of each Fund shall be elected by the affirmative vote of a plurality of the shares of each Fund entitled to vote. No nominee is a party adverse to the Funds or any of its affiliates in any material pending legal proceeding, nor does any nominee have an interest materially adverse to the Funds.

The other Class I Trustee serving until the 2009 Annual Meeting is Benjamin C. Esty. The other Class II Trustees serving until the 2010 Annual Meeting are William H. Park and Ronald A. Pearlman.

The nominees for Class III, Class I and Class II Trustees and each Fund s current remaining Class I and Class II Trustees and their principal occupations for at least the last five years are described below.

TRUSTEES

Name, Address and Age(1)	Position(s) Held with Funds	Term of Office and Length of Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee(2)	Other Directorships Held by Trustee
	CLASS III TRUSTEES NOMINATED FOR ELECTION				
NONINTERESTED TRUSTEES					
Norton H. Reamer DOB: 9/21/35	Class III Trustee	Until 2008. 3 years. Trustee since 2005.	Chairman (since 2007) and President, Chief Executive Officer and a Director (since 2003) of Asset Management Finance Corp. (a specialty finance company serving the investment management industry) (since October 2003). President, Unicorn Corporation (an investment and financial advisory services company) (since September 2000). Formerly, Chairman and Chief Operating Officer,	177	None

Hellman, Jordan Management Co., Inc. (an investment management company) (2000-2003). Formerly, Advisory Director of Berkshire Capital Corporation (investment banking firm) (2002-2003).

2

Name, Address and Age(1)	Position(s) Held with Funds	Term of Office and Length of Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee(2)	Other Directorships Held by Trustee
Lynn A. Stout DOB: 9/14/57	Class III Trustee	Until 2008. 3 years. Trustee since 2005.	Paul Hastings Professor of Corporate and Securities Law (since 2006) and Professor of Law (2001-2006), University of California at Los Angeles School of Law.	177	None
Ralph F. Verni DOB: 1/26/43	Chairman of the Board and Class III Trustee	Until 2008. 3 years. Chairman of the Board since 2007 and Trustee since 2005.	Consultant and private investor.	177	None

CLASS I TRUSTEE NOMINATED FOR ELECTION

NONINTERESTED TRUSTEE

Allen R. Freedman DOB: 4/3/40	Class I Trustee	Until 2009. 1 year. Trustee since 2007.	Former Chairman (2002-2004) and a Director (1983-2004) of Systems & Computer Technology Corp. (provider of software to higher education). Formerly, a Director of Loring Ward International (fund distributor) (2005-2007). Formerly, Chairman and a Director of Indus International Inc. (provider of enterprise management software to the power generating industry) (2005-2007).	177	Director of Assurant, Inc. and Stonemor Partners L.P. (owner and operator of cemeteries)

NOMINATED FOR ELECTION AS CLASS I AND CLASS II TRUSTEES

INTERESTED TRUSTEE					
Thomas E. Faust Jr.(3) DOB: 5/31/58	Class I Trustee of Buy-Write Opportunities Fund and Global Buy-Write Opportunities Fund and Vice President	Until 2009. 1 year. Trustee of Buy-Write Opportunities Fund and Global Buy-Write Opportunities Fund since 2007 and Vice President since 2005.	Chairman, Chief Executive Officer and President of Eaton Vance Corp. (EVC), President of Eaton Vance, Inc. (EV), Chief Executive Officer and President of Eaton Vance Management (EVM or Eaton Vance) and Boston Management and Research (BMR), and Director of Eaton Vance Distributors, Inc. (EVD). Trustee and/or officer of 177 registered investment companies and 5 private investment companies managed by Eaton Vance or BMR. Mr. Faust is an interested person because of his positions with EVC, EVM, BMR, EV and EVD, which are affiliates of the Funds.	175	Director of EVC

Name, Address and Age(1)	Position(s) Held with Funds	Term of Office and Length of Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee(2)	Other Directorships Held by Trustee
NONINTERESTED TRUSTEE					
Heidi L. Steiger(4) DOB: 7/8/53	Class II Trustee	Until 2010. 2 years. Trustee of Buy-Write Opportunities Fund and Global Buy-Write Opportunities Fund since 2007.	President, Lowenhaupt Global Advisors, LLC (global wealth management firm) (since 2005); Formerly, President and Contributing Editor, Worth Magazine (2004-2005); Formerly, Executive Vice President and Global Head of Private Asset Management (and various other positions), Neuberger Berman (investment firm) (1986-2004).	175	Director of Nuclear Electric Insurance Ltd. (nuclear insurance provider) and Aviva USA (insurance provider)
		CLASS I AND CLASS II TRUSTEES			
NONINTERESTED TRUSTEES					
Benjamin C. Esty DOB: 1/2/63	Class I Trustee	Until 2009. 3 years. Trustee since 2005.	Roy and Elizabeth Simmons Professor of Business Administration, Harvard University Graduate School of Business Administration.	177	None
William H. Park DOB: 9/19/47	Class II Trustee	Until 2010. 3 years. Trustee since 2005.	Vice Chairman, Commercial Industrial Finance Corp. (specialty finance company) (since 2006). Formerly, President and Chief Executive Officer, Prizm Capital Management, LLC (investment management firm) (2002-2005).	177	None
Ronald A. Pearlman DOB: 7/10/40	Class II Trustee	Until 2010. 3 years.	Professor of Law, Georgetown University Law	177	None

		Trustee since 2005.	Center.

(1) The business address of each Trustee and nominee for Trustee is The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109.

(2) Includes both master and feeder funds in a master-feeder structure.

(3) Nominated for election as a Class I Trustee at the April 25, 2008 Shareholder meeting for Buy-Write Income Fund.

(4) Nominated for election as a Class II Trustee at the April 25, 2008 Shareholder meeting for Buy-Write Income Fund.

Interested Trustee

Thomas E. Faust Jr. is an interested person (as defined in the Investment Company Act of 1940 (the 1940 Act)) by reason of his affiliations with EVM, each Fund s investment adviser, and EVC, a publicly-held holding company, which owns all the outstanding shares of EVM and of EVM s trustee, EV. (EVM, EVC, and their affiliates are sometimes referred to collectively as the Eaton Vance Organization .) Mr. Faust holds a position with other Eaton Vance affiliates that is comparable to his position with Eaton Vance listed above.

Share Ownership by Trustee

The following table shows the dollar range of shares beneficially owned in a Fund and in all Eaton Vance funds by each Trustee and nominee for Trustee:

Name of Trustee	Dollar Range of Fund Shares Held	Aggregate Dollar Range of Equity Securities in all Eaton Vance Funds Overseen by Trustee
Interested Trustee		
Thomas E. Faust Jr.	None	Over $100,000
Noninterested Trustees		
Benjamin C. Esty	None	Over $100,000
Allen R. Freedman	None	Over $100,000
William H. Park	None	Over $100,000
Ronald A. Pearlman	None	Over $100,000
Norton H. Reamer	$10,001 $50,000(1)	Over $100,000
Heidi L. Steiger	None	$50,001 $100,000
Lynn A. Stout	None	Over $100,000*
Ralph F. Verni	None	Over $100,000

* Includes shares held in Trustee Deferred Compensation Plan.

Figures are as of February 15, 2008.

(1) Tax-Managed Buy-Write Opportunities Fund.

Board Meetings and Committees

During the fiscal year ended December 31, 2007, the Trustees of the Funds met eleven times. Each Board of Trustees has three formal standing committees, an Audit Committee, a Special Committee and a Governance Committee. The Audit Committee met seven times, the Special Committee met eleven times and the Governance Committee met three times during such period. Each Trustee attended at least 75% of the Board and Committee meetings on which he or she serves. None of the Trustees attended the Funds 2007 Annual Meeting of Shareholders.

The Audit, Special and Governance Committees of the Board of Trustees of each Fund are each comprised of Trustees who are not interested persons as that term is defined under the 1940 Act (Independent Trustees). The respective duties and responsibilities of these Committees remain under the continuing review of the Governance Committee and the Board.

Messrs. Reamer (Chair), Park and Verni and Ms. Stout serve on the Audit Committee of the Board of Trustees of each Fund and Ms. Steiger serves on the Audit Committee of the Board of Trustees of Buy-Write Opportunities Fund and Global Buy-Write Opportunities Fund, such Audit Committee being established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. Each Audit Committee member is independent under applicable listing standards of the New York Stock Exchange. The purposes of the Audit Committee are to (i) oversee each Fund s accounting and financial reporting processes, its internal control over financial reporting, and, as appropriate, the internal control over financial reporting of certain service providers; (ii) oversee or, as appropriate, assist Board oversight of the quality and integrity of each Fund s financial statements and the independent audit thereof; (iii) oversee, or, as appropriate, assist Board oversight of, each Fund s compliance with legal and regulatory requirements that relate to the Fund s accounting and financial reporting, internal control over financial reporting and independent audits; (iv) approve, prior to appointment, the engagement and, when appropriate, replacement of the independent auditors, and, if applicable, nominate independent auditors to be proposed for shareholder ratification in any proxy statement of each Fund; (v) evaluate the qualifications, independence and performance of the independent auditors and the audit partner in charge of leading the audit; and (vi) prepare such Audit Committee reports consistent with the requirements of Rule 306 of Regulation S-K for inclusion in the proxy statement for the Annual Meeting of Shareholders of each Fund. Each Fund s Board of Trustees has adopted a written charter for its Audit Committee, a copy of which, without appendices is attached as Exhibit A. The Audit Committee s Report is set forth below under Additional Information . The Board of Trustees of each Fund has designated Messrs. Park and Reamer as the Fund s Audit Committee financial experts.

Messrs. Verni (Chair), Esty, Freedman, Park, Pearlman and Reamer serve on the Special Committee of the Board of Trustees of each Fund. The purposes of the Special Committee are to consider, evaluate and make recommendations to the Board of Trustees concerning the following matters: (i) contractual arrangements with each service provider to a Fund, including advisory, sub-advisory, transfer agency, custodial and fund accounting, distribution services (if any) and administrative services; (ii) any and all other matters in which any of a Fund s service providers (including Eaton Vance or any affiliated entity thereof) has any actual or potential conflict of interest with the interests of a Fund or its shareholders; and (iii) any other matter appropriate for review by the Independent Trustees, unless the matter is within the responsibilities of the Audit Committee or the Governance Committee of each Fund.

Ms. Stout (Chair) and Messrs. Esty, Freedman, Park, Pearlman, Reamer and Verni serve on the Governance Committee of the Board of Trustees of each Fund and Ms. Steiger serves on the Governance Committee of the Board of Trustees of Buy-Write Opportunities Fund and Global Buy-Write Opportunities Fund. Each Governance Committee member is independent under applicable listing standards of the New York Stock Exchange. The purpose of the Governance Committee is to consider, evaluate and make recommendations to the Board of Trustees with respect to the structure, membership and operation of the Board of Trustees and the Committees thereof, including the nomination and selection of Independent Trustees and a Chairperson of the Board and the compensation of Independent Trustees.

Each Fund s Board of Trustees has adopted a written charter for its Governance Committee, a copy of which is attached as Exhibit B but is not available on Eaton Vance s website. The Governance Committee identifies candidates by obtaining referrals from such sources as it deems appropriate, which may include current Trustees, management of the Funds, counsel and other advisors to the Trustees, and shareholders of a Fund who submit recommendations in accordance with the procedures described in the Committee s charter. In no event shall the Governance Committee consider as a candidate to fill any vacancy an individual recommended by management of the Fund, unless the Governance Committee has invited management to make such a recommendation. The Governance Committee will, when a vacancy exists or is anticipated, consider any nominee for Independent Trustee recommended by a shareholder if such recommendation is submitted in writing to the Governance Committee, contains sufficient background information concerning the candidate, including evidence the candidate is willing to serve as an Independent Trustee if selected for the position, and is received in a sufficiently timely manner. The Governance Committee s procedures for identifying and evaluating candidates for the position of Independent Trustee, including the procedures to be followed by shareholders of the Fund wishing to recommend such candidates for consideration by the Governance Committee and the qual-ifications the Governance Committee will consider, are set forth in Appendix A to the Committee s charter.

Communications with the Board

Shareholders wishing to communicate with the Board may do so by sending a written communication to the Chairperson of the Board, the Chairperson of any of the Audit Committee, Special Committee or Governance Committee or to the Independent Trustees as a group, at the following address: The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, - the Secretary of the applicable Fund.

Remuneration of Trustees

The fees and expenses of those Trustees of each Fund who are not members of the Eaton Vance Organization will be paid by the Funds. For the fiscal year ended December 31, 2007, the Trustees of the Funds earned the compensation set forth below in their capacities as Trustees of the Funds and as Trustees of the funds in the Eaton Vance Fund Complex(1):

	Benjamin C. Esty	Allen R. Freedman	William H. Park	Ronald A. Pearlman	Norton H. Reamer	Heidi L. Steiger	Lynn A. Stout	Ralph F. Verni
Buy-Write Income Fund	$ 2,465	$ 1,860	$ 2,456(3)	$ 2,023	$ 2,665	n/a(2)	$ 2,690(4)	$ 3,142(5)
Buy-Write Opportunities Fund	3,244	2,463	3,199(3)	2,670	3,457	2,515	3,578(4)	4,105(5)
Global Buy-Write Opportunities Fund	3,849	2,931	3,777(3)	3,174	4,074	3,013	4,269(4)	4,853(5)
Total Compensation from Fund and Fund Complex	$200,000	$150,000	$200,000(6)	$166,667	$217,500	$150,000	$217,500(7)	$257,500(8)

(1) As of February 15, 2008, the Eaton Vance Fund Complex consisted of 177 registered investment companies or series thereof.

(2) Ms. Steiger was only appointed as Trustee of the Buy-Write Opportunities and the Global Buy-Write Opportunities Funds effective April 23, 2007.

(3) Includes deferred compensation as follows: Buy-Write Income Fund $1,190; Buy-Write Opportunities Fund $1,550; and Global Buy-Write Opportunities Fund $1,830.

(4) Includes deferred compensation as follows: Buy-Write Income Fund $681; Buy-Write Opportunities Fund $905; and Global Buy-Write Opportunities Fund $1,080.

(5) Includes deferred compensation as follows: Buy-Write Income Fund $1,905; Buy-Write Opportunities Fund $2,489; and Global Buy-Write Opportunities Fund $2,943.

(6) Includes $80,000 of deferred compensation.

(7) Includes $45,000 of deferred compensation

(8) Includes $128,750 of deferred compensation.

Trustees of each Fund who are not affiliated with Eaton Vance may elect to defer receipt of all or a percentage of their annual fees in accordance with the terms of a Trustees Deferred Compensation Plan (a Trustees Plan). Under each Trustees Plan, an eligible Trustee may elect to have his or her deferred fees invested by each Fund in the shares of one or more funds in the Eaton Vance Fund Complex, and the amount paid to the Trustees under each Trustees Plan will be determined based upon the performance of such investments. Deferral of Trustees fees in accordance with each Trustees Plan will have a negligible effect on a Fund s assets, liabilities, and net income per share, and will not obligate a Fund to retain the services of any Trustee or obligate a Fund to pay any particular level of compensation to the Trustee. No Fund has a retirement plan for its Trustees.

The Board of Trustees of each Fund recommends that shareholders vote FOR the election of the two Class I Trustee nominees, one Class II Trustee nominee and three Class III Trustee nominees.

NOTICE TO BANKS AND BROKER/DEALERS

Each Fund has previously solicited all Nominee and Broker/Dealer accounts as to the number of additional proxy statements required to supply owners of shares. Should additional proxy material be required for beneficial owners, please forward such requests to PFPC Inc., P.O. Box 43027, Providence, RI 02940-3027.

ADDITIONAL INFORMATION

Audit Committee Report

Each Fund s Audit Committee reviewed and discussed the audited financial statements with Fund management. Each Audit Committee also discussed with the independent registered public accounting firm the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards), as modified or supplemented. Each Audit Committee received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as modified or supplemented, and discussed with the independent registered public accounting firm their independence.

Based on the review and discussions referred to above, each Audit Committee recommended to the Board of Trustees that the audited financial statements be included in each Fund s annual report to shareholders for the fiscal year ended December 31, 2007 for filing with the Securities and Exchange Commission. As mentioned, the Audit Committee is comprised of Messrs. Reamer (Chair), Park and Verni and Ms. Stout and Ms. Steiger for Buy-Write Opportunities Fund and Global Buy-Write Opportunities Fund.

Auditors, Audit Fees and All Other Fees

Deloitte & Touche LLP (Deloitte), 200 Berkeley Street, Boston, Massachusetts 02116, serves as the independent registered public accounting firm of each Fund. Deloitte is expected to be present at the Annual Meeting, but if not, a representative will be available by telephone should the need for consultation arise. Representatives of Deloitte will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Aggregate audit, audit-related, tax, and other fees billed for professional services rendered to each Fund by the Fund s independent registered public accounting firm for the relevant periods are set forth on Exhibit C hereto. Aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed for services rendered for the relevant periods to (i) each Fund by the Fund s independent registered public accounting firm; and (ii) the Eaton Vance Organization by each Fund s independent registered public accounting firm are also set forth on Exhibit C hereto.

Each Fund s Audit Committee has adopted policies and procedures relating to the pre-approval of services provided by the Fund s independent registered public accounting firm (the Pre-Approval Policies). The Pre-Approval Policies establish a framework intended to assist the Audit Committee in the proper discharge of its pre-approval responsibilities. As a general matter, the Pre-Approval Policies (i) specify certain types of audit, audit-related, tax, and other services determined to be pre-approved by the Audit Committee; and (ii) delineate specific procedures governing the mechanics of the pre-approval process, including the approval and monitoring of audit and non-audit service fees. Unless a service is specifically pre-approved under the Pre-Approval Policies, it must be separately pre-approved by the Audit Committee. The Pre-Approval Policies and the types of audit and non-audit services pre-approved therein must be reviewed and ratified by each Fund s Audit Committee at least annually. Each Fund s Audit Committee maintains full responsibility for the appointment, compensation, and oversight of the work of each Fund s independent registered public accounting firm.

Each Fund s Audit Committee has considered whether the provision by the Fund s independent registered public accounting firm of non-audit services to the Fund s investment adviser, as well as any of its affiliates that provide ongoing services to the Fund, that were not pre-approved pursuant to Rule 2-01(c)(7)(ii) of Regulation S-X is compatible with maintaining the independent registered public accounting firm s independence.

Officers of the Funds

The officers of the Funds and their length of service are set forth below, except for officers who also serve as Trustee. The officers hold indefinite terms of office. Each officer affiliated with Eaton Vance may hold a position with other Eaton Vance affiliates that is comparable to his or her position with Eaton Vance listed below. Because of their positions with Eaton Vance and their ownership of EVC stock, the officers of the Funds will benefit from the advisory fees paid by each Fund to Eaton Vance.

Name, Address and Age(1)	Position(s) Held with Funds	Term of Office and Length of Time Served	Principal Occupations During Past Five Years(2)
Duncan W. Richardson DOB: 10/26/57	President	Since 2005	Executive Vice President and Chief Equity Investment Officer of EVC, Eaton Vance and BMR. Officer of 81 registered investment companies managed by Eaton Vance or BMR.
Michael R. Mach DOB: 07/15/47	Vice President	Since 2005	Vice President of Eaton Vance and BMR. Officer of 57 registered investment companies managed by Eaton Vance or BMR.

Name, Address and Age(1)	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupations During Past Five Years(2)
Walter A. Row, III DOB: 07/20/57	Vice President of Buy-Write Opportunities Fund and Global Buy-Write Opportunities Fund	Since 2005	Director of Equity Research and a Vice President of Eaton Vance and BMR. Officer of 25 registered investment companies managed by Eaton Vance or BMR.
Judith A. Saryan DOB: 08/21/54	Vice President	Since 2005	Vice President of Eaton Vance and BMR. Officer of 55 registered investment companies managed by Eaton Vance or BMR.
Barbara E. Campbell DOB: 06/19/57	Treasurer	Since 2005	Vice President of Eaton Vance and BMR. Officer of 177 registered investment companies managed by Eaton Vance or BMR.
Maureen A. Gemma DOB: 5/24/60	Secretary	Since 2007	Deputy Chief Legal Officer and Vice President of Eaton Vance and BMR. Officer of 177 registered investment companies managed by Eaton Vance or BMR.
Paul M. O Neil DOB: 07/11/53	Chief Compliance Officer	Since 2005	Vice President of BMR and Eaton Vance. Officer of 177 registered investment companies managed by Eaton Vance or BMR.
John E. Pelletier DOB: 6/24/64	Chief Legal Officer	Since 2007	Vice President and Chief Legal Officer of BMR, Eaton Vance, EVD, EV and EVC. Previously, Chief Operating Officer and Executive Vice President (2004-2007) and General Counsel (1997-2004) of Natixis Global Associates. Officer of 177 registered investment companies managed by Eaton Vance or BMR.

(1) The business address of each officer is The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109.

(2) Includes both master and feeder funds in a master-feeder structure.

Investment Adviser and Administrator

Eaton Vance, with its principal office at The Eaton Vance Building, 255 State Street, Boston, Mas-sachusetts 02109, serves as the investment adviser and administrator to each Fund.

Proxy Solicitation and Tabulation

The expense of preparing, printing and mailing this Proxy Statement and enclosures and the costs of soliciting proxies on behalf of the Board of Trustees of each Fund will be borne ratably by the Funds. Proxies will be solicited by mail and may be solicited in person or by telephone or facsimile by officers of a Fund, by personnel of its administrator, Eaton Vance, by the transfer agent, PFPC Inc., or by broker-dealer firms. The expenses associated with the solicitation of these proxies and with any further proxies that may be solicited by a Fund s officers, by Eaton Vance personnel, by PFPC Inc., or by broker-dealer firms, in person, or by telephone or by facsimile will be borne by that Fund. A written proxy may be delivered to a Fund or its transfer agent prior to the meeting by facsimile machine, graphic communication equipment or similar electronic transmission. A Fund will reimburse banks, broker-dealer firms, and other persons holding that Fund s shares registered in their names or in the names of their nominees, for their expenses incurred in sending proxy material to and obtaining proxies from the beneficial owners of such shares. Total estimated proxy solicitation costs per Fund are approximately $107,500.

All proxy cards solicited by the Board of Trustees that are properly executed and received by the Secretary prior to the meeting, and which are not revoked, will be voted at the meeting. Shares represented by such proxies will be voted in accordance with the instructions thereon. If no specification is made on the proxy card with respect to Proposal 1, it will be voted FOR the matters specified on the proxy card. All shares that are voted and votes to ABSTAIN will be counted towards establishing a quorum, as will broker non-votes. (Broker non-votes are shares for which (i) the beneficial owner has not voted and (ii) the broker holding the shares does not have discretionary authority to vote on the particular matter.) Accordingly, abstentions and broker non-votes, which will be treated as shares that are present at the meeting but which have not been voted, will assist the Fund in obtaining a quorum, but will have no effect on the outcome of Proposal 1.

In the event that a quorum is not present at the meeting, or if a quorum is present at the meeting but sufficient votes by the shareholders of the Fund in favor of the Proposal set forth in the Notice of this meeting are not received by April 25, 2008, the persons named as attorneys in the enclosed proxy may propose one or more adjournments of the meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the shares of that Fund present in person or by proxy at the session of the meeting to be adjourned. The persons named as attorneys in the enclosed proxy will vote in favor of such adjournment those proxies which they are entitled to vote in favor of the Proposal for which further solicitation of proxies is to be made. They will vote against any such adjournment those proxies required to be voted against such Proposal. The costs of any such additional solicitation and of any adjourned session will be borne by the relevant Fund. If any of the nominees are not elected by shareholders, the current Trustees may consider other courses of action.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of the copies of the forms received by the Funds, the Funds believe that all of the Trustees and officers of each Fund, EVM and its affiliates, and any person who owns more than ten percent of a Fund s outstanding securities have made all filings required under Section 16(a) of the Securities Exchange Act of 1934 regarding ownership of shares of the Funds for each Fund s fiscal year ended December 31, 2007.

Each Fund will furnish without charge a copy of its most recent Annual and Semiannual Reports to any shareholder upon request. Shareholders desiring to obtain a copy of such reports should write to the Fund - PFPC Inc., P.O. Box 43027, Providence, RI 02940-3027, or call 1-800-331-1710.

SHAREHOLDER PROPOSALS

To be considered for presentation at a Fund s 2009 Annual Meeting of Shareholders, a shareholder proposal submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 must be received at the Fund s principal office the Secretary of the Fund no later than November 1, 2008. Written notice of a shareholder proposal submitted outside the processes of Rule 14a-8 must be delivered to the Fund s principal office the Secretary of the Fund no later than January 26, 2009 and no earlier than December 27, 2008. In order to be included in a Fund s proxy statement and form of proxy, a shareholder proposal must comply with all applicable legal requirements. Timely submission of a proposal does not guarantee that such proposal will be included.

February 29, 2008

EXHIBIT A

EATON VANCE FUNDS

AUDIT COMMITTEE CHARTER

I. Composition of the Audit Committee. The Audit Committee of each registered investment company sponsored by Eaton Vance Management (each a Fund) shall be comprised of at least three Trustees of the Board. All members of the Audit Committee shall be Trustees who are not interested persons (as defined under the Investment Company Act of 1940, as amended) of any Fund or of the investment adviser or sub-adviser of any Fund (each, an Independent Trustee and collectively, the Independent Trustees). The members of the Audit Committee shall consist of the Chairperson of the Board of Trustees and such other Independent Trustees as may be appointed by the Board, which shall also determine the number and term of such members. Each member of the Audit Committee shall have been determined by the Board of Trustees to have no material relationship that would interfere with the exercise of his or her independent judgment. No member of the Audit Committee shall receive any compensation from a Fund except compensation for service as a member or Chairperson of the Board of Trustees or of a committee of the Board. Each member of the Audit Committee shall also satisfy the applicable Audit Committee membership requirements imposed under the rules of the American Stock Exchange and New York Stock Exchange (and any other national securities exchange on which a Fund s shares are listed), as in effect from time to time, including with respect to the member s former affiliations or employment and financial literacy. At least one member of the Audit Committee must have the accounting or related financial management expertise and financial sophistication required under applicable rules of the American Stock Exchange and New York Stock Exchange. Unless it determines that no member of the Audit Committee qualifies as an audit committee financial expert as defined in Item 3 of Form N-CSR, the Board of Trustees will identify one (or in its discretion, more than one) member of the Audit Committee as an audit committee financial expert. A Chairperson of the Audit Committee shall be appointed by the Board of Trustees on the recommendation of the Governance Committee.

II. Purposes of the Audit Committee. The purposes of the Audit Committee are to:

1. oversee each Fund s accounting and financial reporting processes, its internal control over financial reporting, and, as appropriate, the internal control over financial reporting of certain service providers;

2. oversee or, as appropriate, assist Board oversight of the quality and integrity of the Funds financial statements and the independent audit thereof;

3. oversee, or, as appropriate, assist Board oversight of, the Funds compliance with legal and regulatory requirements that relate to the Funds accounting and financial reporting, internal control over financial reporting and independent audits;

4. approve prior to appointment the engagement and, when appropriate, replacement of the independent registered public accountants (independent auditors), and, if applicable, nominate independent auditors to be proposed for shareholder ratification in any proxy statement of a Fund;

5. evaluate the qualifications, independence and performance of the independent auditors and the audit partner in charge of leading the audit; and

6. prepare such audit committee reports consistent with the requirements of Rule 306 of Regulation S-K for inclusion in the proxy statement for the annual meeting of shareholders of a Fund.

The primary function of the Audit Committee is oversight. The Committee is not responsible for managing the Funds or for performing tasks that are delegated to the officers of any Fund, any investment adviser to a Fund, the custodian of a Fund, and other service providers for the Funds, and nothing in this charter shall be construed to reduce the responsibilities or liabilities of management or the Funds service providers, including the independent auditors. It is management s responsibility to maintain appropriate systems for accounting and internal control over financial reporting. Specifically, management is responsible for: (1) the preparation, presentation and integrity of the financial statements of each Fund; (2) the maintenance of appropriate accounting and financial reporting principles and policies; and (3) the maintenance of internal control over financial reporting and other procedures designed to assure compliance with accounting standards and related laws and regulations. The independent auditors are responsible for planning and carrying out an audit consistent with applicable legal and professional standards and the terms of their engagement letter, and shall report directly to the Audit Committee. In performing its oversight function, the Committee shall be entitled to rely upon advice and information that it receives in its discussions and communications with management, the independent auditors and such experts, advisors and professionals as may be consulted by the Committee.

III. Meetings of the Audit Committee. Meetings of the Audit Committee shall be held at such times (but not less frequently than annually), at such places and for such purposes (consistent with the purposes set forth in this charter) as determined from time to time by the Board of Trustees, the Chairperson of the Board of Trustees, the Committee or the Chairperson of the Committee. The Audit Committee shall set its agenda and the places and times of its meetings. The Audit Committee may meet alone and outside the presence of management personnel with any auditor of a Fund, and shall periodically meet separately with management, with internal auditors (or other personnel responsible for internal control of financial reporting), with any independent auditors rendering reports to the Audit Committee or the Board of Trustees and with legal counsel. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business at any meeting, and the decision of a majority of the members present and voting shall determine any matter submitted to a vote. The Audit Committee may adopt such procedures or rules as it deems appropriate to govern its conduct under this charter.

IV. Duties and Powers of the Audit Committee. To carry out its purposes, the Audit Committee shall have the following duties and powers with respect to each Fund:

1. To meet to review and discuss with management and the independent auditors the audited financial statements and other periodic financial statements of the Fund (includ- ing the Fund s specific disclosures under the item Management s Discussion of Fund Performance).

2. To consider the results of the examination of the Fund s financial statements by the independent auditors, the independent auditors opinion with respect thereto, and any management letter issued by the independent auditors.

3. To review and discuss with the independent auditors: (a) the scope of audits and audit reports and the policies relating to internal auditing procedures and controls and the accounting principles employed in the Fund s financial reports and any proposed changes therein; (b) the personnel, staffing, qualifications and experience of the independent auditors; and (c) the compensation of the independent auditors.

4. To review and assess the performance of the independent auditors and to approve, on behalf of the Board of Trustees, the appointment and compensation of the independent auditors. Approval by the Audit Committee shall be in addition to any approval required under applicable law by a majority of the members of the Board of Trustees who are not interested persons of the Fund as defined in Section 2(a)(19) of the 1940 Act. In performing this function, the Committee shall: (a) consider whether there should be a regular rotation of the Fund s independent auditing firm; (b) discuss with the independent

auditors matters bearing upon the qualifications of such auditors as independent under applicable standards of independence established from time to time by the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board and other regulatory authorities; and (c) shall secure from the independent auditors the information required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as in effect from time to time. The Audit Committee shall actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors.

5. To pre-approve: (a) audit and non-audit services provided by the independent auditors to the Fund; and (b) non-audit services provided by the independent auditors to the adviser or any other entity controlling, controlled by or under common control with the adviser that provides on-going services to the Fund (Adviser Affiliates) if the engage- ment of the independent auditors relates directly to the operations and financial reporting of the Fund, as contemplated by the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) and the rules issued by the SEC in connection therewith (except, in the case of non-audit services provided to the Fund or any Adviser Affiliate, those within applicable *de minimis* statutory or regulatory exceptions), and to consider the possible effect of providing such services on the independence of the independent auditors.

6. To adopt, to the extent deemed appropriate by the Audit Committee, policies and procedures for pre-approval of the audit or non-audit services referred to above, including policies and procedures by which the Audit Committee may delegate to one or more of its members authority to grant such pre-approval on behalf of the Audit Committee (subject to subsequent reporting to the Audit Committee). The Audit Committee hereby delegates to each of its members the authority to pre-approve any non-audit services referred to above between meetings of the Audit Committee, provided that: (i) all reasonable efforts shall be made to obtain such pre-approval from the Chairperson of the Committee prior to seeking such pre-approval from any other member of the Committee; and (ii) all such pre-approvals shall be reported to the Audit Committee not later than the next meeting thereof.

7. To consider the controls implemented by the independent auditors and any measures taken by management to ensure that all items requiring pre-approval by the Audit Committee are identified and referred to the Audit Committee in a timely fashion.

8. To receive at least annually and prior to the filing with the SEC of the independent auditors report on the Fund s financial statements, a report from such independent auditors of: (i) all critical accounting policies and practices used by the Fund (or, in connection with any update, any changes in such accounting policies and practices), (ii) all material alternative accounting treatments within GAAP that have been discussed with management since the last annual report or update, including the ramifications of the use of the alternative treatments and the treatment preferred by the accounting firm, (iii) other material written communications between the independent auditors and the management of the Fund since the last annual report or update, (iv) a description of all non-audit services provided, including fees associated with the services, to any fund complex of which the Fund is a part since the last annual report or update that was not subject to the pre-approval requirements as discussed above; and (v) any other matters of concern relating to the Fund s financial statements, including any uncorrected mis-statements (or audit differences) whose effects management believes are immaterial, both individually and in aggregate, to the financial statements taken as a whole. If this information is not communicated to the Committee within 90 days prior to the audit report s filing with the SEC, the independent auditors will be required to provide an update, in the 90 day period prior to the filing, of any changes to the previously reported information.

9. To review and discuss with the independent auditors the matters required to be communicated with respect to the Fund pursuant to Statement on Auditing Standards (SAS) No. 61 Communication With Audit Committees, as in effect from time to time, and to receive such other communications or reports from the independent auditors (and management s responses to such reports or communications) as may be required under applicable listing standards of the national securities exchanges on which the Fund s shares are listed, including a report describing: (1) the internal quality-control procedures of the independent auditors, any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional regulatory authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and (2) all relationships between the independent auditors and the Fund and any other relationships or services that may impact the objectivity and independence of the independent auditors. To the extent unresolved disagreements exist between management and the independent auditors regarding the financial reporting of the Fund, it shall be the responsibility of the Audit Committee to resolve such disagreements.

10. To consider and review with the independent auditors any reports of audit problems or difficulties that may have arisen in the course of the audit, including any limitations on the scope of the audit, and management s response thereto.

11. To establish hiring policies for employees or former employees of the independent audi- tors who will serve as officers or employees of the Fund.

12. With respect to each Fund the securities of which are listed on a national securities exchange, to: (a) provide a recommendation to the Board of Trustees regarding whether the audited financial statements of the Fund should be included in the annual report to shareholders of the Fund; and (b) to prepare an audit committee report consistent with the requirements of Rule 306 of Regulation S-K for inclusion in the proxy statement for the Fund s annual meeting of shareholders.

13. To discuss generally the Fund s earnings releases, as well as financial information and guidance provided to analysts and rating agencies, in the event a Fund issues any such releases or provides such information or guidance. Such discussions may include the types of information to be disclosed and the type of presentation to be made. The Audit Committee need not discuss in advance each earnings release or each instance in which earnings guidance may be provided.

14. To consider the Fund s major financial risk exposures and the steps management has taken to monitor and control such exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken.

15. To review and report to the Board of Trustees with respect to any material accounting, tax, valuation, or record-keeping issues which may affect the Fund, its respective financial statements or the amount of their dividend or distribution rates.

16. To establish procedures for: (a) the receipt, retention, and treatment of complaints received by the Fund regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Fund or its service providers (including its investment advisers, administrators, principal under-writers and any other provider of accounting related services to the Fund) of concerns regarding questionable accounting or auditing matters. The Audit Committee hereby establishes the procedures set forth in *Appendix A* hereto with respect to such matters.

17. To direct and supervise investigations with respect to the following: (a) evidence of fraud or significant deficiencies in the design or implementation of internal controls reported to the Committee by the principal executive or financial officers of the Fund pursuant to the requirements of the Sarbanes-Oxley Act and related rules; and (b) any other matters within the scope of this charter, including the integrity of reported facts and figures, ethical conduct, and appropriate disclosure concerning the financial statements of the Funds.

18. To review and recommend to the Board of Trustees policies and procedures for valuing portfolio securities of the Fund and to make recommendations to the Board of Trustees with respect to specific fair value determinations and any pricing errors involving such portfolio securities.

19. To act on such other matters as may be delegated to the Audit Committee by the Board of Trustees from time to time.

20. To review the adequacy of this charter and evaluate the Audit Committee s performance of its duties and responsibilities hereunder at least annually, and to make recommendations to the Board of Trustees for any appropriate changes or other action.

21. To report its activities to the Board of Trustees on a regular basis and make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate.

V. Resources and Authority of the Audit Committee. The Audit Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage independent auditors for special audits, reviews and other procedures and to retain special counsel and other experts or consultants at the expense of the Funds. The Audit Committee may determine the appropriate levels of funding for payment of compensation to such independent auditors, counsel, experts and consultants, and the ordinary administrative expenses of the Audit Committee necessary or appropriate in carrying out its duties under this charter. In fulfilling its duties under this charter, the Audit Committee shall have direct access to such officers and employees of the Funds, Eaton Vance Management and any of its affiliated companies and the Funds other services providers as it deems necessary or desirable.

EXHIBIT B

EATON VANCE GROUP OF FUNDS

GOVERNANCE COMMITTEE CHARTER

I. Composition of the Governance Committee. The Governance Committee of each registered investment company sponsored by Eaton Vance Management (each a Fund) shall be comprised of at least three Trustees of the Board. All members of the Governance Committee shall be Trustees who are not interested persons (as defined under the Investment Company Act of 1940, as amended) of any Fund or of the investment adviser or sub-adviser of any Fund (each, an Independent Trustee and collectively, the Independent Trustees). The members of the Governance Committee shall consist of the Chairperson of the Board of Trustees and such other Independent Trustees as may be appointed by the Board, which shall also determine the number and term of such members. A Chairperson of the Governance Committee shall be appointed by the Board of Trustees on the recommendation of the Governance Committee.

II. Purpose of the Governance Committee. The purpose of the Governance Committee is to consider, evaluate and make recommendations to the Board of Trustees with respect to the structure, membership and operation of the Board of Trustees and the Committees thereof, including the nomination and selection of Independent Trustees and a Chairperson of the Board of Trustees, and the compensation of such persons.

III. Meetings of the Governance Committee. Meetings of the Governance Committee shall be held at such times (but not less frequently than annually), at such places and for such purposes (consistent with the purposes set forth in this charter) as determined from time to time by the Board of Trustees, the Chairperson of the Board of Trustees, the Committee or the Chairperson of the Committee. A majority of the members of the Governance Committee shall constitute a quorum for purposes of transacting business at any meeting, and the decision of a majority of the members present and voting shall determine any matter submitted to a vote. The Governance Committee may adopt such procedures or rules as it deems appropriate to govern its conduct under this charter.

IV. Duties and Powers of the Governance Committee. To carry out its purpose, the Governance Committee shall have the following duties and powers with respect to each Fund:

1. To consider and adopt procedures for identifying and evaluating candidates for the position of Independent Trustee, including the procedures to be followed by shareholders of the Fund that wish to recommend such candidates for consideration by the Governance Committee. Such procedures are set forth on Appendix A hereto.

2. To recommend to the Board of Trustees individuals to be appointed or nominated for election as Independent Trustees.

3. To recommend to the Board of Trustees from time to time, and in any event at least every four years, an Independent Trustee to be appointed as Chairperson of the Board of Trustees, with such duties and powers as are set forth on Appendix B hereto.

4. To evaluate the Board of Trustees performance of its duties and responsibilities at least annually, which evaluation shall include consideration of the number of funds on whose boards each Trustee serves, and to make recommendations to the Board of Trustees for any appropriate action designed to enhance such performance.

5. To review periodically the compensation of the Trustees and the Chairperson of the Board of Trustees and to make recommendations to the Board of Trustees for any appropriate changes to such compensation.

6. To review at least annually and make recommendations to the Board of Trustees with respect to the identity, responsibilities, composition and effectiveness of the various Committees of the Board of Trustees.

7. To review periodically the Board s membership, structure and operation, and make recommendations to the Board of Trustees with respect to these matters, including the identity of any Trustee to be selected to serve as a Chairperson of a Committee of the Board.

8. To review periodically, and make recommendations with respect to, the allocation of responsibilities among the various committees established from time to time by the Board of Trustees.

9. To review the adequacy of this charter and evaluate the Governance Committee s performance of its duties and responsibilities hereunder, and make recommendations for any appropriate changes or other action to the Board of Trustees.

10. To report its activities to the Board of Trustees on a regular basis and make such recommendations with respect to the above and other matters as the Governance Committee may deem necessary or appropriate.

V. Resources and Authority of the Governance Committee. The Governance Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage special counsel, other experts and consultants, at the expense of the Funds. The Governance Committee may determine the appropriate levels of funding for payment of compensation to such counsel, experts and consultants, and the ordinary administrative expenses of the Governance Committee necessary or appropriate in carrying out its duties under this charter. The Governance Committee may also make recommendations with respect to making available educational resources to the Independent Trustees. In fulfilling its duties under this charter, the Governance Committee shall have direct access to such officers and employees of the Funds, Eaton Vance Management and any of its affiliated companies and the Funds other services providers as it deems necessary or desirable.

APPENDIX A

EATON VANCE FUNDS

PROCEDURES WITH RESPECT TO NOMINEES TO THE BOARD

I. Identification of Candidates. When a vacancy on the Board of a Fund exists or is anticipated, and such vacancy is to be filled by an Independent Trustee, the Governance Committee shall identify candidates by obtaining referrals from such sources as it may deem appropriate, which may include current Trustees, management of the Funds, counsel and other advisors to the Trustees, and shareholders of a Fund who submit recommendations in accordance with these procedures. In no event shall the Governance Committee consider as a candidate to fill any such vacancy an individual recommended by management of the Funds, unless the Governance Committee has invited management to make such a recommendation.

II. Shareholder Candidates. The Governance Committee shall, when identifying candidates for the position of Independent Trustee, consider any such candidate recommended by a shareholder of a Fund if such recommendation contains (i) sufficient background information concerning the candidate, including evidence the candidate is willing to serve as an Independent Trustee if selected for the position; and (ii) is received in a sufficiently timely manner (and in any event no later than the date specified for receipt of shareholder proposals in any applicable proxy statement with respect to a Fund). Shareholders shall be directed to address any such recommendations in writing to the attention of the Governance Committee, - the Secretary of the Fund. The Secretary shall retain copies of any shareholder recommendations which meet the foregoing requirements for a period of not more than 12 months following receipt. The Secretary shall have no obligation to acknowledge receipt of any shareholder recommendations.

III. Evaluation of Candidates. In evaluating a candidate for a position on the Board of a Fund, including any candidate recommended by shareholders of the Fund, the Governance Committee shall consider the following: (i) the candidate s knowledge in matters relating to the mutual fund industry; (ii) any experience possessed by the candidate as a director or senior officer of public companies; (iii) the candidate s educational background, (iv) the candidate s reputation for high ethical standards and professional integrity; (v) any specific financial, technical or other expertise possessed by the candidate, and the extent to which such expertise would complement the Board s existing mix of skills, core competencies and qualifications; (vi) the candidate s perceived ability to contribute to the ongoing functions of the Board, including the candidate s ability and commitment to attend meetings regularly and work collaboratively with other members of the Board; (vii) the candidate s ability to qualify as an Independent Trustee for purposes of the 1940 Act and any other actual or potential conflicts of interest involving the candidate and the Fund; and (viii) such other factors as the Governance Committee determines to be relevant in light of the existing composition of the Board and any anticipated vacancies. Prior to making a final recommendation to the Board, the Governance Committee shall conduct personal interviews with those candidates it concludes are the most qualified candidates.

APPENDIX B

EATON VANCE FUNDS

OFFICE OF CHAIRPERSON OF THE BOARD

I. Independent Chairperson of the Board. The Governance Committee is empowered to recom- mend an Independent Trustee for appointment by the full Board of Trustees as the Chairperson of the Board. The power and authority vested in the Chairperson and his or her status as an Independent Trustee are intended to enhance the ability of the Trustees to promote the interests of the shareholders of the Funds. The Chairperson s role is non-executive in nature, and the Chairperson shall not be directly responsible for the day-to-day operation or administration of the Funds, nor for decisions with respect to matters that would otherwise be within the purview of the Board as a whole or the Independent Trustees as a group.

II. Duties and Powers of the Chairperson. The Chairperson of the Board shall have the following duties and powers with respect to each Fund:

1. To preside at meetings of the Board of Trustees; and to exercise primary responsibility with respect to the agenda of such meetings, the topics discussed, the amount of time spent on each topic and the order in which topics are addressed.

2. To serve as a member of the Governance, Special and Audit Committees of the Board of Trustees and to serve as the Chairperson of the Special Committee of the Board.

3. To call meetings of the Board of Trustees and of any Committee thereof on such occasions and under such circumstances as the Chairperson may deem necessary or desirable.

4. To serve as a principal liaison with management and counsel to the Funds with respect to matters involving the Board of Trustees.

5. To have the power and authority (but not the duty) to preside from time to time at meetings of the shareholders of the Fund, and to delegate such power and authority to other Trustees or officers of the Fund, in each case on such occasions and under such circumstances as may be deemed necessary or desirable by the Chairperson; provided, however, that in the event that the Chairperson does not preside at a meeting of shareholders or delegate such power and authority to another Trustee or officer of the Fund, the President of the Fund or the President s designee shall preside at such meeting.

6. To serve as a point of contact for shareholders and other persons wishing to communicate with the Independent Trustees or the Board of Trustees.

7. To have and exercise such duties and powers as are typically vested in a lead independent trustee of a mutual fund.

8. To have, exercise and perform such additional duties and powers with respect to the Fund as from time to time may be delegated to the Chairperson by the Board of Trustees.

III. Term of Appointment. Each appointee to the office of Chairperson of the Board shall serve in such capacity for a term of four years or until (i) such appointee s earlier resignation or removal from such office by the Board of Trustees upon the recommendation of the Governance Committee, or (ii) such appointee ceases to be a member of the Board of Trustees.

IV. Resources and Authority of the Chairperson. The Chairperson of the Board shall have the resources and authority appropriate to discharge the responsibilities of the office, including the authority to engage, at the expense of the Funds, such advisors, agents, clerks, employees and counsel as may be deemed necessary or desirable by the Governance Committee or the Chairperson. The Chairperson, in consultation with the Governance Committee, may determine the appropriate levels of funding for payment of compensation to such persons. In fulfilling his or her responsibilities hereunder, the Chairperson shall have direct access to such officers and employees of the Funds, Eaton Vance Management and any of its affiliated companies and the Funds other service providers as he or she deems necessary or desirable.

V. Ongoing Review by Committee. In establishing the office of the Chairperson of the Board, the Governance Committee has sought to implement, in a timely manner, certain governance practices set forth in final rules of the Securities and Exchange Commission, in respect of which compliance is required on or before January 16, 2006. The Committee will continue to monitor the effectiveness of the office of the Chairperson, and will make, on an ongoing basis, such further changes to the duties, powers and prerogatives of such office as it may determine are appropriate to enhance its effectiveness.

EXHIBIT C

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEE INFORMATION

The following table presents the aggregate fees billed to each Fund for the Fund s two fiscal years ended December 31, 2007 by the Fund s independent registered public accounting firm for professional services rendered for the audit of the Fund s annual financial statements and fees billed for other services rendered by the independent registered public accounting firm during those years. No services described below were approved pursuant to the de minimis exception set forth in Rule 2-01(c)(7)(i)(C) of Regulation S-X.

	AUDIT FEES		AUDIT-RELATED FEES[1]		TAX FEES[2]		ALL OTHER FEES[3]		TOTAL	
	Fiscal Year Ended 12/31/06	Fiscal Year Ended 12/31/07	Fiscal Year Ended 12/31/06	Fiscal Year Ended 12/31/07	Fiscal Year Ended 12/31/06	Fiscal Year Ended 12/31/07	Fiscal Year Ended 12/31/06	Fiscal Year Ended 12/31/07	Fiscal Year Ended 12/31/06	Fiscal Year Ended 12/31/07
Buy-Write Income Fund	$32,790	$38,290			$7,650	$7,918		$ 417	$40,440	$46,625
Buy-Write Opportunities Fund	$32,790	$38,290			$7,650	$7,918		$1,041	$40,440	$47,249
Global Buy-Write Opportunities Fund	$35,680	$41,180			$7,650	$7,918		$2,019	$43,330	$51,117

(1) Audit-related fees consist of the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit of each Fund s financial statements and are not reported under the category of audit fees and specifically include fees for services related to the initial organization of the Fund.

(2) Tax fees consist of the aggregate fees billed for professional services rendered by the independent registered public accounting firm relating to tax compliance, tax advice, and tax planning and specifically include fees for tax return preparation.

(3) All other fees consist of the aggregate fees billed for products and services provided by the independent registered public accounting firm other than audit, audit-related, and tax services.

The following table presents (i) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed for services rendered to each Fund for the Fund s last two fiscal years ended December 31, 2007 by the Fund s independent registered public accounting firm; and (ii) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed for services rendered to the Eaton Vance Organization by each Fund s independent registered public accounting firm for the fiscal years ended December 31, 2006 and December 31, 2007.

	Fiscal Year Ended December 31, 2006	Fiscal Year Ended December 31, 2007
Buy-Write Income Fund	$ 7,650	$ 8,335
Buy-Write Opportunities Fund	$ 7,650	$ 8,959
Global Buy-Write Opportunities Fund	$ 7,650	$ 9,937
Eaton Vance(1)	$74,600	$281,446

(1) The Funds investment adviser and any of its affiliates that provide ongoing services to the Funds are subsidiaries of Eaton Vance Corp.

Eaton Vance

Tax-Managed Buy-Write Income Fund C123456789

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Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. X

Annual Meeting Proxy Card

- PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. -

A Election of Six Trustees

1. Election of Trustees:	**For**	**Withhold**		**For**	**Withhold**		**For**	**Withhold**
01 - Thomas E. Faust Jr.	[ ]	[ ]	02 - Allen R. Freedman	[ ]	[ ]	03 - Norton H. Reamer	[ ]	[ ]
04 - Heidi L. Steiger	[ ]	[ ]	05 - Lynn A. Stout	[ ]	[ ]	06 - Ralph F. Verni	[ ]	[ ]

B Non-Voting Items

Change of Address Please print your new address below.

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Comments Please print your comments below.

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Meeting Attendance

Mark the box to the right if you plan to attend the Annual Meeting. [ ]

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign this proxy exactly as your name appears on the books of the Fund. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation, this signature should be that of an authorized officer who should state his or her title.

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Proxy Eaton Vance Tax-Managed Buy-Write Income Fund

Annual Meeting of Shareholders, April 25, 2008
Proxy Solicited on Behalf of Board of Trustees

HOLDERS OF COMMON SHARES

The undersigned holder of Common Shares of beneficial interest of Eaton Vance Tax-Managed Buy-Write Income Fund, a Massachusetts business trust (the Fund), hereby appoints DUNCAN W. RICHARDSON, BARBARA E. CAMPBELL, MAUREEN A. GEMMA and DEBORAH A. CHLEBEK, 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, The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, on Friday, April 25, 2008 at 1:30 P.M. (Boston 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 PROPOSAL SET FORTH ON THE REVERSE SIDE 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-Managed Buy-Write C123456789
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Proxy Eaton Vance Tax-Managed Buy-Write Opportunities Fund

Annual Meeting of Shareholders, April 25, 2008

Proxy Solicited on Behalf of Board of Trustees

HOLDERS OF COMMON SHARES

The undersigned holder of Common Shares of beneficial interest of Eaton Vance Tax-Managed Buy-Write Opportunities Fund, a Massachusetts business trust (the Fund), hereby appoints DUNCAN W. RICHARDSON, BARBARA E. CAMPBELL, MAUREEN A. GEMMA and DEBORAH A. CHLEBEK, 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, The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, on Friday, April 25, 2008 at 1:30 P.M. (Boston 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.

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Eaton Vance

Tax-Managed Global C123456789
Buy-Write Opportunities Fund

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Proxy Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund

Annual Meeting of Shareholders, April 25, 2008
Proxy Solicited on behalf of Board of Trustees

HOLDERS OF COMMON SHARES

The undersigned holder of Common Shares of beneficial interest of Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund, a Massachusetts business trust (the Fund), hereby appoints DUNCAN W. RICHARDSON, BARBARA E. CAMPBELL, MAUREEN A. GEMMA and DEBORAH A. CHLEBEK, 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, The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, on Friday, April 25, 2008 at 1:30 P.M. (Boston 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.

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adoption of FIN 48 and the amounts reported after

Table of Contents

adoption should be accounted for as an adjustment to the beginning balance of retained earnings. FIN 48 is effective for fiscal years beginning after December 15, 2006.

The Company is currently evaluating the impact of the adoption of FIN 48 and has not yet determined what impact, if any, it will have on the Company s financial statements.

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussions in this Quarterly Report on Form 10-Q should be read in conjunction with our accompanying financial statements and the related notes thereto. This Quarterly Report on Form 10-Q contains forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. All statements included or incorporated by reference in this Quarterly Report, other than statements that are purely historical, are forward-looking statements. Words such as anticipates, expects, intends, plans, believes, seeks, estimates and similar expressions also forward looking statements. The forward looking statements in this Quarterly Report on Form 10-Q are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward looking statements and include, without limitation, statements regarding:

Our expectation that our DECT products will be the main driver of our growth in 2006 and 2007.

Our expectation that sales of our 2.4GHz, 5.8GHz and DECT products and continued penetration of new markets, such as the Japanese domestic market, will drive our growth in 2006.

Our expectation that products for home communication, including Wi-Fi and VoIP products, will start contributing to our revenues in 2007 and beyond;

Our expectation that the strategic acquisitions we made in 2003 and 2004 of various video and Wi-Fi technologies will enable us to integrate voice, data and video technologies with broadband offerings and prepare us for the dynamic and evolving nature of the short-range multimedia communication and home wireless markets;

Our expectation that our 2.4GHz and 5.8GHz products will continue to generate a significant portion of our revenue for 2006 and in future periods;

Our expectation that sales to our customers in Hong Kong may increase in absolute dollars and as a percentage of total revenues in future periods;

Our expectation that our research and development expenses in absolute dollars will increase in the remaining two quarters of 2006; and

Our expectation that our current cash, cash equivalents, cash deposits and marketable securities, and our forecasted positive cash flows for future periods, will be sufficient to meet our cash requirements for both the short and long term.

All forward-looking statements included in this Quarterly Report on Form 10-Q are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement. Many factors may cause actual results to differ materially from those expressed or implied by the forward-looking statements contained in this report. These factors include, but are not limited to, our dependence on one primary distributor, our OEM relationships and competition, as well as those risks described in Part II Item 1A Risk Factors of this Form 10-Q.

Overview

The following discussion and analysis is intended to provide an investor with a narrative of our financial results and an evaluation of our financial condition and results of operations. The discussion should be read in conjunction with our consolidated financial statements and notes thereto.

Our business model is relatively straightforward. DSP Group is a fabless semiconductor company that is a leader in providing chipsets to telephone equipment and design manufacturers (OEMs and ODMs) for incorporation into

Table of Contents

consumer products for the residential wireless telecommunication market. Our chipsets incorporate advanced technologies, such as DSP processors, communications technologies, highly advanced radio frequency (RF) devices and in-house developed Voice-over-Internet-Protocol (VoIP) hardware and software technologies. Our products include 1.9GHz (Digital Enhanced Cordless Telephony (DECT)), 2.4GHz and 5.8GHz chipsets for cordless telephones, Bluetooth for voice, data and video communication, solutions for digital voice recorders and VoIP and other voice-over-packet applications. Our current primary focus is digital cordless telephony with sales of our DECT, 2.4GHz and 5.8GHz chipsets representing approximately 82% and 81% of our total revenues for the second quarter and the first six months of 2006, respectively; and 80% and 77% of our total revenues for the second quarter and first six months of 2005, respectively.

In recent years we have become a worldwide leader in developing and marketing Total Telephony Solutions for the wireless residential market. We believe we were able to capture the residential wireless telephony market and increase our market share and customer base by taking advantage of the market transformation from analog-based to digital-based technologies for telephony products, the earlier shift from 900MHz to 2.4GHz technologies, and the recent shift from 2.4GHz to 5.8GHz technologies. Our focus on the convergence of these trends has allowed us to offer products with more features, and better range, security and voice quality. Another factor that contributed to our growth in recent years is our focus on new emerging markets such as the Japanese domestic market. An additional factor that contributed significantly to our revenue growth over the past few years is the market acceptance of our multi-handset solutions for cordless telephony.

However, in recognition of the need to penetrate new markets and introduce new products to further expand our business, we decided to penetrate the DECT market, introducing our first DECT products for the European market in late 2004. Revenues derived from the sale of DECT products represented 17% of our revenues for the second quarter of 2006 and sales of DECT represent the main driver of our growth in sales as compared to the same period in 2005. Our future growth is also dependent on our success in expanding our presence in the European DECT market and the general market deployment and acceptance of our DECT products as these products are expected to be the main driver of our growth in 2006 and 2007.

However, our business operates in a highly competitive environment. Competition has historically increased pricing pressures for our products and decreased our average selling prices. In order to penetrate new markets and maintain our market share with our existing products, we may need to offer our products in the future at lower prices which may result in lower profits. Our future growth is dependent not only on the continued success of our existing products but also the successful introduction of new products. Also, since our products are incorporated into end products of original equipment manufacturer (OEM) customers, our business is very dependent on their ability to introduce products that achieve market acceptance in consumer electronic markets, which are equally competitive. Moreover, we are currently witnessing a move of manufacturing activities from large system suppliers in the US, Japan and Europe to Southeast Asia, a trend that could also adversely affect our business.

Moreover, we must continue to monitor and control our operating costs and our gross margins in order to offset future declines in average selling prices. In addition, as we are a fabless semiconductor company, global market trends such as over-capacity problems (shortage of capacity to meet our fabrication, testing and assembly needs) may increase our raw material and production costs and thus decrease our gross margins. In this regard, we view 2006 as a challenging year for fabless companies as foundries, and assembly and test houses seem to be at their peak capacity cycle. Also, future increases in the pricing of silicon wafers and assembly or testing costs may affect our ability to implement cost reductions and may decrease our gross profit in future periods.

There are also several emerging market trends that challenge our continued business growth potential. We believe that new developments in the home residential market may adversely affect our operating results. For example, the rapid deployment of new communication access methods, including mobile, wireless broadband, cable and other connectivity, as well as the projected lack of growth in products using fixed-line telephony, may reduce our revenues derived from, and unit sales of cordless telephony products, which are currently our primary focus. Our business may

Table of Contents

also be affected by the outcome of the current competition between cellular phone operators and fixed-line operators for the provision of residential communication. Our revenues are currently primarily generated from sales of chipsets used in cordless phones that are based on fixed-line telephony. As a result, a decline in the use of fixed-line telephony for residential communication would adversely affect our financial condition and operating results.

We are taking several steps to address the new challenges and market trends. First, we are introducing new features into our existing products and are penetrating additional markets, including China, Korea, South America and the domestic Japanese market, with our existing products. The new features include a cellular cradle to extend the cellular coverage throughout the residence by turning the cellular phone into an extra line of the cordless system; a universal serial bus (USB) dongle to connect the residential handsets to the public network using Internet protocol through personal computers; and other pioneer features such as polyphonic ringer. We believe that these pioneer solutions could allow us to provide the desired flexibility for residential users. We are also preparing for the deployment of broadband services to the residence, a current trend in our market. We are currently engaged in two projects in which we are working with customers designing cordless phones that incorporate VoIP chipsets. We cannot provide any assurances, however, that these new features will achieve market acceptance, allow us to maintain our market share or provide for our future growth.

One additional factor that could affect the results of our operations is the potential shift in the U.S. digital telephony market towards DECT products as the Federal Communications Commission (FCC) has authorized the use of the DECT frequency band in the U.S. (DECT 6.0). The U.S. market is currently the dominant market for our customers. An increase in demand for DECT 6.0 products in the U.S. in lieu of our 2.4GHz and 5.8GHz products, and our inability to successfully develop and market new DECT 6.0 products to address this market may have a material adverse effect on our profits and results of operations.

Our long term goal is to leverage the Wi-Fi technology acquired in 2004 from Bermai to develop and offer products for home communication in future years. We believe the strategic acquisitions we made in 2003 and 2004 of various video and Wi-Fi technologies will enable us to integrate voice, data and video technologies with broadband offerings and prepare us for the dynamic and evolving nature of the short-range multimedia communication and home wireless markets.

We believe that our current products, including DECT, 2.4GHz and 5.8GHz products and our continued penetration of new markets, such as the Japanese domestic market, will drive our growth in 2006. We expect that products for home communication, including VoIP and Wi-Fi products will start contributing to our revenues in 2007 and beyond. However, our ability to introduce new products and expand into new markets may not occur and may require us to substantially increase our operating expenses. As a result, our past operating results should not be relied upon as an indication of future performance.

RESULTS OF OPERATIONS

Beginning in fiscal 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, (SFAS 123(R)) on a modified prospective basis, including equity-based compensation expense related to employee stock options and employee stock purchases. Total equity-based compensation expenses amounted to \$3.4 million and \$5.9 million for the second quarter and the first six months of 2006, respectively. As we are using the modified prospective transition method, our prior period financial statements have not been restated to reflect the impact of SFAS 123(R); therefore equity-based compensation expenses are not included in our results of operations for the second quarter and the first six month of 2005. This difference should be noted when comparing our results of operations for these periods.

Total Revenues. Our total revenues were \$60.7 million for the second quarter of 2006 as compared to \$49.0 million for the same period in 2005. Our revenues were \$112.7 million in the first 6 months of 2006 as compared to \$89.2 million for the same period in 2005. This increase of 24% and 26% for the three and the six months ended June 30,

Table of Contents

2006, respectively, as compared to the same period in 2005, was primarily as a result of strong demand for our DECT and 5.8GHz products. Sales of DECT products were $10.3 million and $17.7 million for the second quarter and first six months of 2006, respectively, representing 17% and 16% of total revenues, respectively. Sales of DECT product for the second quarter and first six months of 2005 were $2.0 million and $3.0 million, respectively, representing 4% of revenues for both periods in 2005. Sales of 5.8GHz products for the second quarter of 2006 and 2005 were $21.8 million and $16.3 million, respectively, representing approximately 36% and 33% of our total revenues, respectively, an increase of 33% in absolute dollars comparing sales for the second quarter of 2006 in relation to sales for the second quarter of 2005. Sales of 5.8GHz products for the first two quarters of 2006 and 2005 were $40.4 million and $28.4 million, respectively, representing approximately 36% and 32% of our total revenues, respectively, an increase of 42% in absolute dollars comparing sales for the first two quarters of 2006 in relation to the first two quarters of 2005. The above mentioned increases were partially offset by a decrease in sales of our 2.4GHz chipsets. Revenues from 2.4GHz products for the second quarter of 2006 and 2005 were $17.9 million and $20.7 million, respectively, representing approximately 29% and 42% of our total revenues, respectively, a decrease of 14% in absolute dollars comparing sales for the second quarter of 2006 in relation to sales for the second quarter of 2005. Revenues from 2.4GHz products for the first two quarters of 2006 and 2005 were $32.9 million and $37.1 million, respectively, representing approximately 29% and 42% of our total revenues, respectively, a decrease of 11% in absolute dollars comparing sales for the first two quarters of 2006 in relation to the first two quarters of 2005. As is typical in the semiconductor consumer industry, we experienced pricing pressures for our current products during the second quarter of 2006. However, the impact of the decline in average selling prices of our products was offset by an increase in the number of units sold for the same period. We cannot provide any assurances, however, that we will be able to offset future declines in average selling prices with an increase in the number of units sold.

Sales to manufacturers in Europe and Asia, including Japan and Asia Pacific, represented 99% of our total revenues for the first and second quarters of 2006 and 2005. All sales are denominated in U.S. dollars. The following table shows the breakdown of net revenues for the periods indicated by geographic location (in thousands):

	Three months ended June 30,		**Six months ended June 30,**	
	2006	**2005**	**2006**	**2005**
United States	$ 323	$ 103	$ 448	$ 739
Japan	39,765	37,640	75,175	68,882
Europe	458	367	799	632
Hong-Kong	16,747	8,220	30,344	13,711
Other	3,444	2,717	5,923	5,246
Total revenues	$ 60,737	$ 49,047	$ 112,689	$ 89,210

Sales to our customers in Hong Kong increased in the second quarter and in the first six months of 2006 as compared to the same periods in 2005 and may continue to increase in future periods in absolute dollars and as a percentage of total revenues. This increase was a result of our penetration of new markets and the expansion of our product lines, specifically our new DECT products, which are sold to original design manufacturers (ODMs) located mainly in Hong Kong.

As our products are generally incorporated into consumer products sold by our OEM customers, our revenues are affected by seasonal buying patterns of consumer products sold by our OEM customers that incorporate our products. The fourth quarter in any given year is usually the strongest quarter of sales for our OEM customers and, as a result, the third quarter in any given year is usually the strongest quarter for our revenues as our OEM customers request increased shipments of our products in anticipation of the fourth quarter holiday season. This trend can be generally observed from reviewing our quarterly information and results of operations. However, the magnitude of this trend varies annually.

Table of Contents

Significant Customers. Revenues through one distributor, Tomen Electronics Corporation (Tomen Electronics), accounted for 65% and 77% of our total revenues for the three months ended June 30, 2006 and 2005, respectively. Additionally, Tomen Electronics accounted for 67% and 77% of our total revenues for the six months ended June 30, 2006 and 2005, respectively. The decrease in 2006 as compared to 2005 was primarily due to increased sales to customers in Hong Kong.

The Japanese market and the OEMs that operate in that market are among the largest suppliers for residential wireless products with significant market share in the U.S. market. Tomen Electronics sells our products to a limited number of customers. One customer, Panasonic Communications Co., Ltd. (Panasonic), has continually accounted for a majority of the sales through Tomen Electronics. The loss of Tomen Electronics as a distributor and our inability to obtain a satisfactory replacement in a timely manner would harm our sales and results of operations. Additionally, the loss of Panasonic and Tomen Electronics inability to thereafter effectively market our products would also harm our sales and results of operations.

Significant Products. Revenues from our 5.8GHz and 2.4GHz digital products represented 36% and 29%, respectively, of total revenues for the first and second quarter of 2006. We believe that sales of 5.8GHz digital products and to a lesser extent 2.4GHz digital products will continue to represent a substantial percentage of our revenues for the remainder of 2006 and in future periods as we are seeing a continued decline in sales for some of our older products. In addition, we witnessed an increase in sales of multi-hand-set products, in comparison to a decrease in sales of single-hand-set products. For the long-term, we believe that the rapid deployment of new communication access methods, as well as the projected lack of growth in fixed-line telephony, will reduce our total revenues derived from, and unit sales of, cordless telephony products, including future sales of our 2.4GHz and 5.8GHz products. Revenues from our DECT products represented 17% and 16% of revenues for the second quarter and first six months of 2006 and represent the main driver of our growth in 2006. We believe that in order to maintain our growth, we will need to continue increasing our market share in the DECT market and to expand our product lines by developing a portfolio of system-on-a-chip solutions that will integrate video, voice, and data, as well as communications technologies in a broader multimedia market.

Gross Profit. Gross profit as a percentage of revenues was 41% for the second quarter of 2006 and 47% for the second quarter of 2005. Gross profit as a percentage of revenues was 41% for the first half of 2006 and 46% for the first half of 2005. The decrease in our gross profit for the second quarter and the first half of 2006 as compared to the same periods in 2005 was primarily due to (i) increased cost of goods expenses, mainly due to increased assembly and testing costs, (ii) the continued decline in the average selling prices of our products, and (iii) the fact that our chipsets for the DECT market are currently incorporated into high volume basic DECT products that generate lower gross margins. The increased assembly and testing expenses and the continued decline in the average selling prices of our products in the aggregate represented approximately 60% and 75% of the reduction in gross profit for the three and the six months ended June 30, 2006, respectively. Sales of lower margin DECT products represented approximately 40% and 35%, f the reduction in gross profit for the three and the six months ended June 30, 2006, respectively. The decrease in both comparable periods in 2006 was also attributed to expenses related to equity-based compensation resulting from the adoption of SFAS 123(R) on January 1, 2006. Equity-based compensation expenses included in cost of goods amounted to $0.1 million and $0.2 million for the second quarter and the first six months of 2006, respectively.

Our gross profit may decrease further in the future due to a variety of factors, including the continued decline in the average selling prices of our products, our failure to achieve the corresponding cost reductions, roll-out of new products in any given period and our failure to introduce new engineering processes. We cannot guarantee that our ongoing efforts in cost reduction and yield improvements will be successful or that they will keep pace with the anticipated continuing decline in average selling prices of our products. Future increases in the pricing of silicon wafers or in other production costs, such as testing and assembly, may affect our ability to implement cost reductions and may decrease our gross profit in future periods. As we are a fabless company, global market trends such as over-capacity problems (shortage of capacity to meet our fabrication, testing and assembly needs) may also increase our raw material costs and decrease our gross profit. In this regard, we view 2006 as a challenging year for fabless companies as foundries

Table of Contents

and assembly and test houses seem to be at their peak capacity cycle. One additional step we are taking to offset the expected decrease in gross profit is offering our customers bare-die chips that eliminate assembly and testing services in return for lower selling prices to our customers. However, we have no assurance that this solution will be accepted by our customers or that it will help us to offset the expected decrease in gross profit.

As gross profit reflects the sale of chips and chipsets that have different margins, changes in the mix of products sold have impacted and will continue to impact our gross profit in future periods. Moreover, penetration of new competitive markets, such as the European DECT market, could require us to reduce the sale prices of our products or increase the cost per product and thus reduce our total gross profit in future periods. As an example, the fact that our chipsets are currently incorporated in high volume basic DECT products decreased our gross margin for the second quarter and the first half of 2006 as compared to the same periods in 2005. As a result, our past gross profit figures should not be relied upon as an indication of future performance.

Cost of goods sold consists primarily of costs of wafer manufacturing and fabrication, assembly and testing of integrated circuit devices and related overhead costs, and compensation and associated expenses relating to manufacturing and testing support and logistics personnel.

Research and Development Expenses. Our research and development expenses increased to $12.4 million for the second quarter of 2006 from $10.5 million for the second quarter of 2005. Research and development expenses increased to $23.3 million for the first six months of 2006 from $19.9 million for the first six months of 2005. The increase for the second quarter and the first half of 2006 was primarily attributed to expenses related to equity-based compensation resulting from the adoption of SFAS 123(R). Equity-based compensation expenses amounted to $1.7 million and $2.9 million for the second quarter and the first six months of 2006, respectively. The increase in research and development expenses also was a result of an increase in tape out expenses for the first and second quarters of 2006 as compared to the same periods in 2005.

Our research and development expenses as a percentage of total revenues were 20% and 21% for the three months ended June 30, 2006 and 2005, respectively, and 21% and 22% for the six months ended June 30, 2006 and 2005, respectively. This slight decrease in research and development expenses as a percentage of total revenues was due to the increase in total revenues offset by an increase in absolute dollars of the research and development expenses.

As our research and development staff is currently working on various projects simultaneously, we may need to incur additional expenses and hire additional research and development staff and contractors related to the development of new products and to support the development of existing products and technologies. As a result, our research and development expenses in absolute dollars are expected to increase in the remaining two quarters of 2006.

Research and development expenses consist mainly of payroll expenses to employees involved in research and development activities, expenses related to tape-out and mask work, subcontracting, labor contractors and engineering expenses, depreciation and maintenance fees related to equipment and software tools used in research and development, and facilities expenses associated with and allocated to research and development activities.

Sales and Marketing Expenses. Our sales and marketing expenses were $4.1 million and $3.3 million for the second quarter of 2006 and 2005, respectively. For the six months ended June 30, 2006, sales and marketing expenses were $7.9 million as compared to $6.2 million for the same period in 2005. This increase was attributed mainly to higher levels of salary and labor expenses, mainly due to a greater number of application support employees and contractors. The increase also was a result of expenses related to equity-based compensation resulting from the adoption of SFAS 123(R). Equity-based compensation expenses amounted to $0.4 million and $0.6 million for the three and the six months ended June 30, 2006, respectively.

Our sales and marketing expenses as a percentage of total revenues were 7% for both the three and six months ended June 30, 2006 and 2005.

Table of Contents

Sales and marketing expenses consist mainly of sales commissions to our representatives and distributors, payroll expenses to direct sales and marketing employees, travel, trade show expenses, and facilities expenses associated with and allocated to sales and marketing activities.

General and Administrative Expenses. Our general and administrative expenses were $2.9 million for the three months ended June 30, 2006, as compared to $1.8 million for the three months ended June 30, 2005. For the first half of 2006, general and administrative expenses were $5.7 million as compared to $3.6 million for the same period in 2005. The increase was attributed mainly to equity-based compensation expenses related to the adoption of SFAS 123(R) that amounted to $1.2 million and $2.1 million for the second quarter and first six months of 2006, respectively.

General and administrative expenses as percentage of total revenues were 5% and 4% for the second quarter of 2006 and 2005, respectively. General and administrative expenses as percentage of total revenues were 5% and 4% for the first six months of 2006 and 2005, respectively. The increase in general and administrative expenses as a percentage of total revenues for both comparable periods was a result of the increase in absolute dollar amount of general and administrative expenses.

General and administrative expenses consist mainly of payroll for management and administrative employees, accounting and legal fees, expenses related to investor relations as well as facilities expenses associated with general and administrative activities.

Interest and Other Income, net. Interest and other income, net, for the three months ended June 30, 2006 increased to $3.4 million from $2.5 million for the three months ended June 30, 2005 and increased to $6.5 million for the six months ended June 30, 2006 from $4.8 million for the six months ended June 30, 2005. The increase was due to an increase in the levels of cash, cash equivalents and marketable securities and overall higher market interest rates during the three and the six months ended June 30, 2006, as compared to the same periods in 2005. Our total cash, cash equivalents and marketable securities were $352.8 million as of June 30, 2006, compared to $328.5 million as of June 30, 2005.

Provision for Income Taxes. Our tax provision for the second quarter of 2006 and for the first half of 2006 was $2.0 million and $3.6 million, respectively. Our tax provision for the second quarter of 2005 and for the first half of 2005 was $1.7 million and $2.7 million, respectively. The provision for income taxes as a percentage of income before taxes was 22% and 17% for the three months ended June 30, 2006 and 2005, respectively. The provision for income taxes as a percentage of income before taxes was 22% and 17% for the six months ended June 30, 2006 and 2005, respectively. The increase in provision for income taxes as a percentage of pretax income in both periods was a result of expenses related to SFAS 123(R) that are not deductible for taxes. Tax benefit related to the expensing of equity-based compensation amounted to $0.1 million and $0.2 million for the second quarter and first half of 2006, respectively.

In 2006 and 2005 we benefited for tax purposes from foreign tax holiday and tax-exempt income in Israel. DSP Group Ltd., our Israeli subsidiary, was granted Approved Enterprise status by the Israeli government with respect to six separate investment plans. Approved Enterprise status allows our Israeli subsidiary to enjoy a tax holiday for a period of two to four years and a reduced corporate tax rate of 10%-25% for an additional six or eight years, on each investment plan s proportionate share of taxable income. The tax benefits under these investment plans are scheduled to gradually expire by 2017.

Equity-Based Compensation Expense. On January 1, 2006, we adopted SFAS 123(R) which requires the measurement and recognition of compensation expense for all equity-based payment awards made to our employees and directors including employee stock options and employee stock purchases based on estimated fair values. Equity-based compensation expense recognized under SFAS 123(R) for the three and the six months ended June 30, 2006 was $3.4 million and $5.9 million, respectively. There was no equity-based compensation expense related to employee stock options and employee stock purchases recognized during the three and the six months ended June 30, 2005. Upon adoption of SFAS 123(R), we also changed our method of valuation for equity-based awards granted beginning in fiscal

Table of Contents

2006 to a exercise multiple-based lattice option-pricing model (EMLM /binomial model) from the Black-Scholes option-pricing model (Black-Scholes model) which was previously used for our presentation of pro forma information required under SFAS 123. The use of EMLM model requires various judgmental assumptions, including estimating stock price volatility, forfeiture rates and exercise behavior. In addition, we consider many factors when estimating expected forfeitures and expected life, including types of awards, employee class, and historical experience. If any of the assumptions used in the EMLM model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. See Note I to the Consolidated Financial Statements for additional information.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities. Our cash flows from operating activities were $6.0 million for the first six months of 2006. During the first half of 2005, we used $27,000 for our operating activities. The increase in net cash provided by operating activities in the first half of 2006 as compared to the same period in 2005 resulted mainly from the increase in net income and from the payment of capital gains tax for the sale of AudioCodes shares in the first quarter of 2005 (in respect to the sale of these shares in 2004). Net income for the first half of 2006 includes the non-cash net effect of equity-based compensation expenses of $5.9 million and the related tax benefit of $0.2 million. The increase in net cash provided by operating activities was offset by an increase in inventory for the first half of 2006. Inventories increased by $6.7 million for the first half of 2006 compared to $3.1 million for the same period of 2005.

Investing Activities. We invest excess cash in marketable securities of varying maturity, depending on our projected cash needs for operations, capital expenditures and other business purposes. During the first six months of 2006, we purchased $53.5 million of investments classified as held-to-maturity marketable securities and short term investments, as compared to $48.8 million during the first six months of 2005. During the same periods, $28.1 million and $33.9 million, respectively, of investments classified as held-to-maturity marketable securities and short term investments matured.

Our capital equipment purchases for the first six months of 2006, consisting primarily of research and development software tools and computers, totaled $2.1 million, as compared to $6.9 million for the first six months of 2005.

As part of our acquisition of Teleman s assets for an aggregate consideration of $5.25 million in cash, including transaction costs of approximately $0.25 million, we paid $2.1 million during 2003, as well as $1.45 million during each of the quarters ended June 30, 2005 and 2004.

Financing Activities. During the first half of 2006, we received $29.1 million upon the exercise of employee stock options, as compared to $6.8 million during the first half of 2005. We cannot predict cash flows from option exercises and employee stock purchases for future periods.

In March 1999, our board of directors authorized the repurchase of up to an aggregate of 4.0 million shares of our common stock. In July 2003, our board authorized the repurchase of an additional 2.5 million shares of our common stock. In October 2004, our board authorized the repurchase of an additional 2.5 million shares. During the second quarter of 2006, we repurchased 976,400 shares of Common Stock at an average purchase price of $25.58 per share, for a total consideration of $25 million. An aggregate of 2,037,556 shares of our common stock remain authorized for repurchase as of June 30, 2006.

At June 30, 2006, our principal source of liquidity consisted of cash and cash equivalents totaling approximately $33.0 million, short term investments of $33.1 million and marketable securities of approximately $286.7 million. Market value of marketable securities as of June 30, 2006 was $281.0 million.

Table of Contents

Our working capital at June 30, 2006 was approximately $171.1 million. As we generate most of our cash flows from our operating activities, we believe that our current cash, cash equivalents, cash deposits and marketable securities and our forecasted positive cash flows for future periods, will be sufficient to meet our cash requirements for both the short and long term.

In addition, as part of our business strategy, we occasionally evaluate potential acquisitions of businesses, products and technologies. Accordingly, a portion of our available cash may be used at any time for the acquisition of complementary products or businesses. Such potential transactions may require substantial capital resources, which may require us to seek additional debt or equity financing. We cannot assure you that we will be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into our current operations, or expand into new markets. Furthermore, we cannot assure you that additional financing will be available to us in any required time frame and on commercially reasonable terms, if at all. See Factors Affecting Future Operating Results We may engage in future acquisitions that could dilute our stockholders equity and harm our business, results of operations and financial condition. for more detailed information.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as such term is defined in recently enacted rules by the Securities and Exchange Commission, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. It is our policy not to enter into interest rate derivative financial instruments, except for hedging of foreign currency exposures discussed below. We do not currently have any significant interest rate exposure since we do not have any financial obligation and our financial assets are measured on a held-to-maturity basis.

Foreign Currency Exchange Rate Risk. As a significant part of our sales and expenses are denominated in U.S. dollars, we have experienced only insignificant foreign exchange gains and losses to date, and do not expect to incur significant gains and losses in the remaining of 2006. However, due to the volatility in the exchange rate of the NIS versus the U.S. dollar, we decided to hedge part of the risk of a devaluation of the NIS, which could have an adverse effect on the expenses that we incur in the State of Israel. For example, to protect against an increase in value of forecasted foreign currency cash flows resulting from salary payments and lease payments for our Israeli facilities denominated in NIS during 2006 we instituted a foreign currency cash flow hedging program.

These option and forward contracts are designated as cash flow hedges, as defined by SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , and are all effective as hedges of these expenses. For more information about our hedging activity, see Note G to the attached Notes to Consolidated Financial Statement for the period ended June 30, 2006.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth the information with respect to repurchases of our common stock during the three months ended June 30, 2006, in open market purchases.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
Month #1 (April 1, 2006 to April 30, 2006)				3,013,956
Month #2 (May 1, 2006 to May 31, 2006)	976,400	$ 25.58	976,400	3,013,956
Month #3 (June 1, 2006 to June 30, 2006)				2,037,556
TOTAL	976,400	$ 25.58	976,400	2,037,556(2)

(1) In March 1999, our board of directors authorized a repurchase of up to an aggregate of 4.0 million shares of our common stock. In July 2003, we announced that our board approved an increase of 2.5 million shares for repurchase. In October 2004, our board approved another increase of 2.5 million shares for repurchase. The repurchase program is being affected from time to time, depending on market conditions and other factors, through open market purchases and privately negotiated transactions. The repurchase program has no set expiration or termination date.

(2) The number represents the number of shares of our common stock that remained available for repurchase pursuant to our Board s authorizations as of June 30, 2006.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

See Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risk.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in this report.

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in litigation relating to claims arising from our ordinary course of business activities. Also, as is typical in the semiconductor industry, we have been and may from time to time be notified

Table of Contents

of claims that we may be infringing patents or intellectual property rights owned by third parties. For example, in a lawsuit against Microsoft Corporation, AT&T asserted that our TrueSpeech 8.5 algorithm includes certain elements covered by a patent held by AT&T. AT&T sued Microsoft, one of our TrueSpeech 8.5 licensees, for infringement. We were not named in AT&T s suit against Microsoft. We currently believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on us.

ITEM 1A. RISK FACTORS.

This Form 10-Q contains forward-looking statements concerning our future products, expenses, revenue, liquidity and cash needs as well as our plans and strategies. These forward-looking statements are based on current expectations and we assume no obligation to update this information. Numerous factors could cause our actual results to differ significantly from the results described in these forward-looking statements, including the following risk factors.

There are no material changes to the Risk Factors described under the title Factors That May Affect Future Performance in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 other than: (1) changes to the Risk Factor below entitled We rely on a primary distributor for a significant portion of our total revenues and the failure of this distributor to perform as expected would materially reduce our future sales and revenues ; (2) changes to the Risk Factor below entitled We generate a significant amount of our total revenues from the sale of Integrated Digital Telephony (IDT) products and our business and operating results may be materially adversely affected if we do not continue to succeed in the highly competitive IDT market ; (3) changes to the Risk Factor below entitled Our gross margins and profitability may be materially adversely affected by the continued decline in average selling prices of our products and other factors, including increases in assembly and testing expenses ; (4) changes to the Risk Factor below entitled In order to sustain the future growth of our business, we must penetrate new markets and our new products, such as our DECT products, must achieve widespread market acceptance ; (5) addition of the Risk Factor below entitled Our failure to compete effectively in the U.S. DECT market could have a material adverse effect on the growth of our business ; (6) addition of the Risk Factor below entitled We are dependent on a small number of customers and distributors, and our business could be harmed by the loss of any of these customers or reductions in their purchasing volumes ; and (7) changes to the Risk Factor below entitled Because we have significant operations in Israel, we may be subject to political, economic and other conditions affecting Israel that could increase our operating expenses and disrupt our business .

We rely on a primary distributor for a significant portion of our total revenues and the failure of this distributor to perform as expected would materially reduce our future sales and revenues.

We sell our products to customers primarily through a network of distributors and original equipment manufacturer (OEM) representatives. Particularly, revenues derived from sales through one distributor, Tomen Electronics Corporation (Tomen Electronics), accounted for 65% and 77% of the Company s total revenues for the three months ended June 30, 2006 and 2005, respectively. Additionally, Tomen Electronics accounted for 67% and 77% of the Company s total revenues for the six months ended June 30, 2006 and 2005, respectively. Our future performance will depend, in part, on this distributor to continue to successfully market and sell our products. Furthermore, Tomen Electronics sells our products to a limited number of customers. One customer, Panasonic Communications Co., Ltd., has continually accounted for a majority of the sales through Tomen Electronics. The loss of Tomen Electronics as our distributor and our inability to obtain a satisfactory replacement in a timely manner would materially harm our sales and results of operations. Additionally, the loss of Panasonic and Tomen Electronics inability to thereafter effectively market our products would also materially harm our sales and results of operations.

Table of Contents

Because our products are components of end products, if OEMs do not incorporate our products into their end products or if the end products of our OEM customers do not achieve market acceptance, we may not be able to generate adequate sales of our products.

Our products are not sold directly to the end-user; rather, they are components of end products. As a result, we rely upon OEMs to incorporate our products into their end products at the design stage. Once an OEM designs a competitor s product into its end product, it becomes significantly more difficult for us to sell our products to that customer because changing suppliers involves significant cost, time, effort and risk for the customer. As a result, we may incur significant expenditures on the development of a new product without any assurance that an OEM will select our product for design into its own product and without this design win, it becomes significantly difficult to sell our products. Moreover, even after an OEM agrees to design our products into its end products, the design cycle is long and may be delayed due to factors beyond our control which may result in the end product incorporating our products not to reach the market until long after the initial design win with the OEM. From initial product design-in to volume production, many factors could impact the timing and/or amount of sales actually realized from the design-in. These factors include, but are not limited to, changes in the competitive position of our technology, our customers financial stability, and our ability to ship products according to our customers schedule.

Furthermore, we rely on the end products of our OEM customers that incorporate our products to achieve market acceptance. Many of our OEM customers face intense competition in their markets. If end products that incorporate our products are not accepted in the marketplace, we may not achieve adequate sales volume of our products, which would have a negative effect on our results of operations.

We generate a significant amount of our total revenues from the sale of cordless telephony products and our business and operating results may be materially adversely affected if we do not continue to succeed in the highly competitive telephony market.

Sales of our cordless telephony products comprise majority of our total revenues for the first two quarters of 2006. Specifically, sales of our 2.4GHz and 5.8GHz products comprised 29% and 36%, respectively, of our total revenues for the second quarter of 2006. We expect that our 2.4GHz and 5.8GHz products, especially our 5.8GHz products, will continue to account for a substantial portion of our revenues for the remainder of 2006. As a result, any adverse change in the digital cordless telephony market or in our ability to compete and maintain our competitive position in that market would harm our business, financial condition and results of operations. The cordless telephony market is extremely competitive, and we expect that competition will only increase. Our existing and potential competitors in each of our markets include large and emerging domestic and foreign companies, many of which have significantly greater financial, technical, manufacturing, marketing, sale and distribution resources and management expertise than we do. It is possible that we may one day be unable to respond to increased price competition for cordless telephony processors or other products through the introduction of new products or reduction of manufacturing costs. This inability would have a material adverse effect on our business, financial condition and results of operations. Likewise, any significant delays by us in developing, manufacturing or shipping new or enhanced products in this market also would have a material adverse effect on our business, financial condition and results of operations.

In addition, we believe new developments in the home residential market may adversely affect the revenues we derive from our cordless telephony products. For example, the rapid deployment of new communication access methods, including mobile, wireless broadband, cable and other connectivity, may reduce the market for products using fixed-line telephony. This decrease in demand would reduce our revenues derived from, and unit sales of, our cordless telephony products.

Table of Contents

Because our quarterly operating results may fluctuate significantly, the price of our common stock may decline.

Our quarterly results of operations may vary significantly in the future for a variety of reasons, many of which are outside our control, including the following:

- fluctuations in volume and timing of product orders;
- changes in demand for our products due to seasonal consumer buying patterns and other factors;
- timing of new product introductions by us, including our DECT products, and by our customers or competitors;
- changes in the mix of products sold by us or our competitors;
- fluctuations in the level of sales by our OEM customers and other vendors of end products incorporating our products;
- timing and size of expenses, including expenses to develop new products and product improvements;
- entry into new markets, including China, Korea, South America and the domestic Japanese market;
- mergers and acquisitions by us, our competitors, including the recent disposition by National Semiconductor Corporation of its DECT division, and our existing and potential customers; and
- general economic conditions, including the changing economic conditions in the United States and worldwide.

Each of the above factors is difficult to forecast and could harm our business, financial condition and results of operations. Also, we sell our products to OEM customers that operate in consumer markets. As a result, our revenues are affected by seasonal buying patterns of consumer products sold by our OEM customers that incorporate our products and the market acceptance of such products supplied by our OEM customers. The fourth quarter in any given year is usually the strongest quarter for sales by our OEM customers in the consumer markets, and thus, our third quarter in any given year is usually the strongest quarter for revenues as our OEM customers request increased shipments of our products in anticipation of the increased activity in the fourth quarter. By contrast, the first quarter in any given year is usually the weakest quarter for us.

Our gross margins and profitability may be materially adversely affected by the continued decline in average selling prices of our products and other factors, including increases in assembly and testing expenses.

We have experienced and will continue to experience a decrease in the average selling prices. Decreasing average selling prices could result in decreased revenues even if the volume of products sold increases. Decreasing average selling prices may also require us to sell our products at much lower gross margin than in the past and reduce profitability. Although we have to date been able to partially offset on an annual basis the declining average selling prices through manufacturing cost reductions by achieving a higher level of product integration and improving our yield percentages, there is no guarantee that our ongoing efforts will be successful or that they will keep pace with the anticipated, continued decline in average selling prices. As an example, our gross profit for the second quarter of 2005 was 47% and for the second quarter of 2006 was 41%. In addition to the continued decline in the average selling prices of our products, our gross profit may decrease in the future due to other factors, including the roll-out of new products in any given period and the penetration of new markets which may require us to sell products at a lower margin, our failure to introduce new engineering processes, mix of products sold, increases in the pricing of silicon wafers, and increases in other production costs, including testing and assembly. Furthermore, as we are a fabless company, global market trends such as over-

31

Table of Contents

capacity problems so that there is a shortage of capacity to fulfill our fabrication needs also may increase our raw material costs and thus decrease our gross margin.

Because we depend on independent foundries to manufacture, and assembly and test houses to assemble and test, all of our integrated circuit products, we are subject to additional risks that may materially disrupt our business.

All of our integrated circuit products are manufactured by independent foundries. While these foundries have been able to adequately meet the demands of our increasing business, we are and will continue to be dependent upon these foundries to achieve acceptable manufacturing yields, quality levels and costs, and to allocate to us a sufficient portion of their foundry capacity to meet our needs in a timely manner.

A significant majority of our integrated circuit products at this time is manufactured by TSMC and tested and assembled at ASE. We have entered into a short-term supply arrangement with ASE pursuant to which it is obligated to provide us with a specified amount of packages and test capacity for a specific period. We may incur charges to ASE if we fail to utilize all the quantities of products reserved for us in accordance with this arrangement, which may increase our operating expenses and adversely affect our gross margin and operating profit. While we currently believe we have adequate capacity to support our current sales levels pursuant to our arrangement with our foundries, we may encounter capacity shortage issues in the future. In the event of a worldwide shortage in foundry capacity, we may not be able to obtain a sufficient allocation of foundry capacity to meet our product needs or we may incur additional costs to ensure specified quantities of products and services. Over-capacity at the current foundries we use, or future foundries we may use, to manufacture our integrated circuit products may lead to increased operating costs and lower gross margins. In addition, such a shortage could lengthen our products manufacturing cycle and cause a delay in the shipment of our products to our customers. This could ultimately lead to a loss of sales of our products, harm our reputation and competitive position, and our revenues could be materially reduced. Our business could also be harmed if our current foundries terminate their relationship with us and we are unable to obtain satisfactory replacements to fulfill customer orders on a timely basis and in a cost-effective manner.

In addition, as TSMC produces a significant portion of our integrated circuit products and ASE tests and assembles them, earthquakes, aftershocks or other natural disasters in Asia, or adverse changes in the political situation in Taiwan, could preclude us from obtaining an adequate supply of wafers to fill customer orders. Such events could harm our reputation, business, financial condition, and results of operations.

Because the manufacture of our products is complex, the foundries and test houses on which we depend may not achieve the necessary yields or product reliability that our business requires.

The manufacture, assembly and testing of our products is a highly complex and precise process, requiring production in a highly controlled environment. Changes in manufacturing, assembly or testing processes or the inadvertent use of defective or contaminated materials by a foundry could adversely affect the manufacturer s ability to achieve acceptable manufacturing yields and product reliability. If the foundries, assembly and test houses we currently use do not achieve the necessary yields or product reliability, our ability to fulfill our customers needs could suffer. This could ultimately lead to a loss of sales of our products and have a negative effect on our gross margins and results of operations.

Furthermore, there are other significant risks associated with relying on these third-party foundries and test houses, including:

- risks due to the fact that we have reduced control over production cost, delivery schedules and product quality;
- less recourse if problems occur as the warranties on wafers or products supplied to us are limited; and

Table of Contents

- increased exposure to potential misappropriation of our intellectual property.

- increased exposure to potential mistakes at the assembly and testing stage after the completion of previous manufacturing stages.

As we depend on independent subcontractors, located in Asia, to assemble and test our semiconductor products, we are subject to additional risks that may materially disrupt our business.

Independent subcontractors, located in Asia, assemble and test our semiconductor products. Because we rely on independent subcontractors to perform these services, we cannot directly control our product delivery schedules or quality levels. Our future success also depends on the financial viability of our independent subcontractors. If the capital structures of our independent subcontractors weaken, we may experience product shortages, quality assurance problems, increased manufacturing costs, and/or supply chain disruption.

Moreover, the economic, market, social, and political situations in countries where some of our independent subcontractors are located are unpredictable, can be volatile, and can have a significant impact on our business because we may not be able to obtain product in a timely manner. Market and political conditions, including currency fluctuation, terrorism, political strife, war, labor disruption, and other factors, including natural or man-made disasters, adverse changes in tax laws, tariff, import or export quotas, power and water shortages, or interruption in air transportation, in areas where our independent subcontractors are located also could have a severe negative impact on our operating capabilities.

Because we have significant international operations, we may be subject to political, economic and other conditions relating to our international operations that could increase our operating expenses and disrupt our business.

Although the majority of end users of the consumer products that incorporate our products are located in the U.S., we are dependent on sales to OEM customers, located outside of the U.S., that manufacture these consumer products. We expect that international sales will continue to account for a significant portion of our net product sales for the foreseeable future. For example, sales, primarily consisting of IDT speech processors shipped to manufacturers in Europe and Asia, including Japan and Asia Pacific, represented 99% of our total revenues for the second quarter of 2006. As a result, the occurrence of any negative international political, economic or geographic events could result in significant revenue shortfalls. These shortfalls could cause our business, financial condition and results of operations to be harmed. Some of the risks of doing business internationally include:

- unexpected changes in regulatory requirements;

- fluctuations in the exchange rate for the United States dollar;

- imposition of tariffs and other barriers and restrictions;

- burdens of complying with a variety of foreign laws;

- political and economic instability; and

- changes in diplomatic and trade relationships.

In order to sustain the future growth of our business, we must penetrate new markets and our new products, such as our DECT products, must achieve widespread market acceptance.

In order to increase our sales volume and expand our business, we must penetrate new markets and introduce new products. We are exploring opportunities to expand sales of our products in China, Korea, South America and the

domestic Japanese market. We anticipate that Hong Kong and the domestic Japanese market will be the geographic drivers of our business in the near future. However, there are no assurances that we will gain significant market share in those competitive markets. In addition, many North American, European and Japanese OEMs are moving their manufacturing sites to Southeast Asia as a result of the cyclical nature of manufacturing capacity issues and cost of silicon integrated circuits, the continued decline of average selling prices of chipsets and other industry-wide factors. This trend may cause the mix of our OEM customers to change in the future, thereby further necessitating our need to penetrate new markets.

Furthermore, to sustain the future growth of our business, we need to introduce new products as sales of our older products taper off. In consideration of this, we introduced our new DECT product for the European market in 2004. Sale of DECT products represented approximately 17% of our total revenues for the second quarter of 2006. We anticipate that sales of DECT products to the European market will be the main driver of our business in the near future. However, there are no assurances that we will successfully penetrate the competitive European DECT market or that our DECT products will achieve general market deployment and acceptance.

Moreover, the penetration of new competitive markets and introduction of new products could require us to reduce sale prices of our products or increase the cost per product and thus reduce our total gross profit in future periods. As an example, the fact that our chipsets are currently incorporated in high volume basic DECT products decreased our gross margin in 2006 as compared to 2005. Also, the development of new products has increased our research and development expenses for which we may not be able to recoup if these products do not achieve general market acceptance.

Our failure to compete effectively in the U.S. DECT market could have a material adverse effect on our business.

The U.S. digital telephony market is currently our dominant market as our OEM customers have significant market share in this market. Although the current telephony technology for the U.S. market is based on 2.4GHz and 5.8GHz, we believe there may be a potential shift in the U.S. market towards DECT products. In 2005, at the conclusion of negotiations between the DECT Forum and the Federal Communications Commission (FCC), the FCC authorized the use of the DECT frequency band in the U.S. This FCC decision allows companies and households to use the multifunctional DECT technology for various communication needs and may lead to the expansion of the U.S. DECT market (DECT 6.0). However, we can provide no assurance that our current OEM customers, with whom we have strong existing relationships, will gain significant market share in the DECT 6.0 market. Moreover, as our DECT chipsets are in the early stages of deployment, we can provide no assurance that our chipsets will be acceptable to our OEM customers. If we are unable to develop and market DECT products to compete effectively in any emerging DECT 6.0 market against the introduction of new products by our competitors, our profits and results of operation may be materially adversely effected. In addition, if our OEM customers do not succeed in penetrating any emerging DECT 6.0 market or fail to incorporate our chipsets in new DECT products introduced by them for this market, our business also could suffer. However, there are no assurances that we can successfully develop and market DECT products that are targeted at the DECT 6.0 market.

We are dependent on a small number of OEM customers, and our business could be harmed by the loss of any of these customers or reductions in their purchasing volumes.

We sell our products to a limited number of OEM customers through a network of distributors and OEM representatives. Moreover, many North American, European and Japanese OEMs are moving their manufacturing sites to Southeast Asia, as a result of the cyclical nature of manufacturing capacity issues and cost of silicon integrated circuits, the continued decline of average selling prices of chipsets and other industry-wide factors. In addition OEMs located in Southeast Asia are growing and gaining competitive strength. As a result, the mix of our OEM customers may change in the future. This trend also may promote the consolidation of OEMs located in North America, Europe and Japan with OEMs located in Southeast Asia, which may reduce the number of our potential customers and reduce the volume of chipsets the combined OEM may purchase from us. For example, it was recently announced that Uniden Corporation, a

Table of Contents

Japanese OEM with principal operations in Japan acquired a significant equity stake in SunCorp Technologies Limited, an OEM located in Southeast Asia. However, as is common in our industry, we typically do not enter into long term contracts with our customers in which they commit to purchase products from us. The loss of any of our OEM customers can have a material adverse effect on our results of operations.

Also, with the shift of manufacturing facilities to Southeast Asia, the mix of potential OEM customers may change in the future. However, we may not succeed in attracting new customers as these potential customers may have pre-existing relationships with our current or potential competitors and any consolidation of the OEM industry will further reduce the number of potential customers. To attract new customers, we may be faced with intense price competition, which may affect our revenues and gross margins

There are several emerging market trends that may challenge our ability to continue to grow our business.

We believe new technological developments in the home residential market may adversely affect our operating results. For example, the rapid deployment of new communication access methods, including mobile, wireless broadband, cable and other connectivity, as well as the projected lack of growth in products using fixed-line telephony would reduce our total revenues derived from, and unit sales of, cordless telephony products. Our ability to maintain our growth will depend on the expansion of our product lines to capitalize on the emerging access methods and on our success in developing and selling a portfolio of system-on-a-chip solutions that integrate video, voice, data and communication technologies in a wider multimedia market, as well as on our success in developing and selling DECT and video products. We cannot assure you that we will succeed in expanding our product lines, or develop and sell in a timely manner a portfolio of system-on-a-chip solutions.

The possible emerging trend of our OEM customers outsourcing their production may cause our revenue to decline.

We believe there may be an emerging trend of our OEM customers outsourcing their production to third parties. We have invested substantial resources to build relationships with our OEM customers. However the outsourcing companies whom our OEM customers may choose to outsource production may not have prior business relationship with us or may instead have prior or ongoing relationships with our competitors. The emergence of this trend may require us to expend substantial additional resources to build relationships with these outsourcing companies, which would increase our operating expenses. Even if we do expend such resources, there are no assurances that these outsourcing companies will choose to incorporate our chipsets rather than chipsets of our competitors. Our inability to retain an OEM customer once such customer chooses to outsource production would have a material adverse effect on our future revenue.

Because we have significant operations in Israel, we may be subject to political, economic and other conditions affecting Israel that could increase our operating expenses and disrupt our business.

Our principal research and development facilities are located in the State of Israel and, as a result, at June 30, 2006, 228 of our 302 employees were located in Israel, including 144 out of 203 of our research and development personnel. In addition, although we are incorporated in Delaware, a majority of our directors and executive officers are residents of Israel. Although substantially all of our sales currently are being made to customers outside of Israel, we are nonetheless directly influenced by the political, economic and military conditions affecting Israel. Any major hostilities involving Israel, including the current conflict with Lebanon, or the interruption or curtailment of trade between Israel and its present trading partners, could significantly harm our business, operating results and financial condition.

Israel s economy has been subject to numerous destabilizing factors, including a period of rampant inflation in the early to mid-1980s, low foreign exchange reserves, fluctuations in world commodity prices, military conflicts and civil unrest. In addition, Israel and companies doing business with Israel have been the subject of an economic boycott by the Arab countries since Israel s establishment. Although they have not done so to date, these restrictive laws and policies may have an adverse impact on our operating results, financial condition or expansion of our business.

Table of Contents

Since the establishment of the State of Israel in 1948, a state of hostility has existed, varying in degree and intensity, between Israel and the Arab countries. Although Israel has entered into various agreements with certain Arab countries and the Palestinian Authority, and various declarations have been signed in connection with efforts to resolve some of the economic and political problems in the Middle East, hostilities between Israel and some of its Arab neighbors have recently escalated and intensified. We cannot predict whether or in what manner these conflicts will be resolved. Our results of operations may be negatively affected by the obligation of key personnel to perform military service. In addition, certain of our officers and employees are currently obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called for active military duty at any time. Although we have operated effectively under these requirements since our inception, we cannot predict the effect of these obligations on the company in the future. Our operations could be disrupted by the absence, for a significant period, of one or more of our officers or key employees due to military service.

Our future profits may be diminished if the current Israeli tax benefits that we enjoy are reduced or withheld.

We receive certain tax benefits in Israel, particularly as a result of the Approved Enterprise status of our facilities and programs. To be eligible for tax benefits, we must meet certain conditions, relating principally to adherence to the investment program filed with the Investment Center of the Israeli Ministry of Industry and Trade and to periodic reporting obligations. Although we have met such conditions in the past, should we fail to meet such conditions in the future, we would be subject to corporate tax in Israel at the standard corporate tax rate 31% for 2006 and could be required to refund tax benefits already received. We cannot assure you that such grants and tax benefits will be continued in the future at their current levels, if at all. The tax benefits under these investment plans are scheduled to gradually expire by 2017. The termination or reduction of certain programs and tax benefits (particularly benefits available to us as a result of the Approved Enterprise status of our facilities and programs) or a requirement to refund tax benefits already received may have a material adverse effect on our business, operating results and financial condition.

On April 1, 2005, an amendment to the Investments Law came into effect. As a result of the amendment, tax-exempt income generated under the provisions of the new law for investment programs approved after December 31, 2004 will subject us to taxes upon distribution or liquidation and we may be required to record deferred tax liability with respect to such tax-exempt income. The amendment may increase our tax rate in future years.

We may engage in future acquisitions that could dilute our stockholders equity and harm our business, results of operations and financial condition.

We have pursued, and will continue to pursue, growth opportunities through internal development and acquisition of complementary businesses, products and technologies. We are unable to predict whether or when any other prospective acquisition will be completed. The process of integrating an acquired business may be prolonged due to unforeseen difficulties and may require a disproportionate amount of our resources and management s attention. We cannot assure you that we will be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into our operations, or expand into new markets. Further, once integrated, acquisitions may not achieve comparable levels of revenues, profitability or productivity as our existing business or otherwise perform as expected. The occurrence of any of these events could harm our business, financial condition or results of operations. Future acquisitions may require substantial capital resources, which may require us to seek additional debt or equity financing.

Future acquisitions by us could result in the following, any of which could seriously harm our results of operations or the price of our stock:

- issuance of equity securities that would dilute our current stockholders percentages of ownership;

- large one-time write-offs;

36

Table of Contents

- the incurrence of debt and contingent liabilities;
- difficulties in the assimilation and integration of operations, personnel, technologies, products and information systems of the acquired companies;
- diversion of management s attention from other business concerns;
- contractual disputes;
- risks of entering geographic and business markets in which we have no or only limited prior experience; and
- potential loss of key employees of acquired organizations.

Third party claims of infringement or other claims against us could adversely affect our ability to market our products, require us to redesign our products or seek licenses from third parties, and seriously harm our operating results and disrupt our business.

As is typical in the semiconductor industry, we have been and may from time to time be notified of claims that we may be infringing patents or intellectual property rights owned by third parties. For example, in a lawsuit against Microsoft Corporation, AT&T asserted that our TrueSpeech 8.5 algorithm includes certain elements covered by a patent held by AT&T. AT&T sued Microsoft, one of our TrueSpeech 8.5 licensees, for infringement. We were not named in AT&T s suit against Microsoft. If litigation becomes necessary to determine the validity of any third party claims, it could result in significant expense to us and could divert the efforts of our technical and management personnel, whether or not the litigation is determined in our favor.

If it appears necessary or desirable, we may try to obtain licenses for those patents or intellectual property rights that we are allegedly infringing. Although holders of these types of intellectual property rights commonly offer these licenses, we cannot assure you that licenses will be offered or that the terms of any offered licenses will be acceptable to us. Our failure to obtain a license for key intellectual property rights from a third party for technology used by us could cause us to incur substantial liabilities and to suspend the manufacturing of products utilizing the technology.

Alternatively, we could be required to expend significant resources to develop non-infringing technology. We cannot assure you that we would be successful in developing non-infringing technology.

We may not be able to adequately protect or enforce our intellectual property rights, which could harm our competitive position.

Our success and ability to compete is in part dependent upon our internally-developed technology and other proprietary rights, which we protect through a combination of copyright, trademark and trade secret laws, as well as through confidentiality agreements and licensing arrangements with our customers, suppliers, employees and consultants. In addition, we have filed a number of patents in the United States and in other foreign countries with respect to new or improved technology that we have developed. However, the status of any patent involves complex legal and factual questions, and the breadth of claims allowed is uncertain. Accordingly, we cannot assure you that any patent application filed by us will result in a patent being issued, or that the patents issued to us will not be infringed by others. Also, our competitors and potential competitors may develop products with similar technology or functionality as our products, or they may attempt to copy or reverse engineer aspects of our product line or to obtain and use information that we regard as proprietary. Moreover, the laws of certain countries in which our products are or may be developed, manufactured or sold, including China, Japan and Taiwan, may not protect our products and intellectual property rights to the same extent as the laws of the United States. Policing the unauthorized use of our products is difficult and may result in significant expense to us and could divert the efforts of our technical and management personnel. Even if we spend significant

Table of Contents

resources and efforts to protect our intellectual property, we cannot assure you that we will be able to prevent misappropriation of our technology. Use by others of our proprietary rights could materially harm our business and expensive litigation may be necessary in the future to enforce our intellectual property rights.

Because our products are complex, the detection of errors in our products may be delayed, and if we deliver products with defects, our credibility will be harmed, the sales and market acceptance of our products may decrease and product liability claims may be made against us.

Our products are complex and may contain errors, defects and bugs when introduced. If we deliver products with errors, defects or bugs, our credibility and the market acceptance and sales of our products could be significantly harmed. Furthermore, the nature of our products may also delay the detection of any such error or defect. If our products contain errors, defects and bugs, then we may be required to expend significant capital and resources to alleviate these problems. This could result in the diversion of technical and other resources from our other development efforts. Any actual or perceived problems or delays may also adversely affect our ability to attract or retain customers. Furthermore, the existence of any defects, errors or failures in our products could lead to product liability claims or lawsuits against us or against our customers. We generally provide our customers with a standard warranty for our products, generally lasting one year from the date of purchase. Although we attempt to limit our liability for product defects to product replacements, we may not be successful, and customers may sue us or claim liability for the defective products. A successful product liability claim could result in substantial cost and divert management s attention and resources, which would have a negative impact on our financial condition and results of operations.

Our executive officers and key personnel are critical to our business, and because there is significant competition for personnel in our industry, we may not be able to attract and retain such qualified personnel.

Our success depends to a significant degree upon the continued contributions of our executive management team, and our technical, marketing, sales customer support and product development personnel. The loss of significant numbers of such personnel could significantly harm our business, financial condition and results of operations. We do not have any life insurance or other insurance covering the loss of any of our key employees. Because our products are specialized and complex, our success depends upon our ability to attract, train and retain qualified personnel, including qualified technical, marketing and sales personnel. However, the competition for personnel is intense and we may have difficulty attracting and retaining such personnel.

We are exposed to fluctuations in currency exchange rates.

A significant portion of our business is conducted outside the United States. Sales to manufacturers in Europe and Asia, including Japan and Asia Pacific, represented 99% of our total revenues in the second quarter of 2006. Although most of our revenue and expenses are transacted in U.S. dollars, we may be exposed to currency exchange fluctuations in the future as business practices evolve and we are forced to transact business in local currencies. Moreover, part of our expenses in Israel are paid in Israeli currency, which subjects us to the risks of foreign currency fluctuations between the U.S. dollar and the New Israeli Shekel (NIS) and to economic pressures resulting from Israel s general rate of inflation. Our primary expenses paid in NIS are employee salaries and lease payments on our Israeli facilities. As a result, an increase in the value of Israeli currency in comparison to the U.S. dollar could increase the cost of our technology development, research and development expenses and general and administrative expenses. From time to time, we use derivative instruments in order to minimize the effects of currency fluctuations, but our hedging positions may be partial, may not exist at all in the future or may not succeed in minimizing our foreign currency fluctuation risks.

Because the markets in which we compete are subject to rapid changes, our products may become obsolete or unmarketable.

The markets for our products and services are characterized by rapidly changing technology, short product life cycles, evolving industry standards, changes in customer needs, demand for higher levels of integration, growing

Table of Contents

competition and new product introductions. Our future growth is dependent not only on the continued success of our existing products but also successful introduction of new products as some of our existing products, such as 900MHz and 2.4GHz, experienced decreased sales. Our ability to adapt to changing technology and anticipate future standards, and the rate of adoption and acceptance of those standards, will be a significant factor in maintaining or improving our competitive position and prospects for growth. If new industry standards emerge, our products or our customers products could become unmarketable or obsolete, and we could lose market share. We may also have to incur substantial unanticipated costs to comply with these new standards. If our product development and improvements take longer than planned, the availability of our products would be delayed. Any such delay may render our products obsolete or unmarketable, which would have a negative impact on our ability to sell our products and our results of operations.

Because of changing customer requirements and emerging industry standards, we may not be able to achieve broad market acceptance of our products. Our success is dependent, in part, on our ability to:

- successfully develop, introduce and market new and enhanced products at competitive prices and in a timely manner in order to meet changing customer needs;
- convince leading OEMs to select our new and enhanced products for design into their own new products;
- respond effectively to new technological changes or new product announcements by others;
- effectively use and offer leading technologies; and
- maintain close working relationships with our key customers.

We cannot be sure that we will be successful in these pursuits, that the growth in demand will continue or that our products will achieve market acceptance. Our failure to develop and introduce new products that are compatible with industry standards and that satisfy customer requirements, and the failure of our products to achieve broad market acceptance, could have a negative impact on our ability to sell our products and our results of operations.

Because the markets in which we compete are highly competitive, and many of our competitors have greater resources than we do, we cannot be certain that our products will be accepted in the marketplace or capture market share.

The markets in which we operate are extremely competitive and characterized by rapid technological change, evolving standards, short product life cycles and price erosion. We expect competition to intensify as current competitors expand their product offerings and new competitors enter the market. Given the highly competitive environment in which we operate, we cannot be sure that any competitive advantages enjoyed by our current products would be sufficient to establish and sustain our new products in the market. Any increase in price or competition could result in the erosion of our market share, to the extent we have obtained market share, and would have a negative impact on our financial condition and results of operations.

In each of our business activities, we face current and potential competition from competitors that have significantly greater financial, technical, manufacturing, marketing, sales and distribution resources and management expertise than we do. These competitors may also have pre-existing relationships with our customers or potential customers. Further, in the event of a manufacturing capacity shortage, these competitors may be able to manufacture products when we are unable to do so. Our principal competitors in the cordless market include SiTel (formerly the DECT division of National Semiconductor), Philips, Oki Electronic, Micro Linear and Infineon. Our principal competitors in the VoIP market include Broadcom, AudioCodes, Texas Instruments, Infineon and new Taiwanese IC vendors.

As discussed above, various new developments in the home residential market may require us to enter into new markets with competitors that have more established presence, and significantly greater financial, technical,

Table of Contents

manufacturing, marketing, sales and distribution resources and management expertise than we do. The expenditure of greater resources to expand our current product lines and develop a portfolio of system-on-a-chip solutions that integrate video, voice, data and communication technologies in a wider multimedia market may increase our operating expenses and reduce our gross profit. We cannot assure you that we will succeed in developing and introducing new products that are responsive to market demands.

We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.

A growing trend in our industry is the integration of greater semiconductor content into a single chip to achieve higher levels of functionality. In order to remain competitive, we must achieve higher levels of design integration and deliver new integrated products on a timely basis. This will require us to expend greater research and development resources, and may require us to modify the manufacturing processes for some of our products, to achieve greater integration. We periodically evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies to reduce our costs. Although this migration to smaller geometry process technologies has helped us to offset the declining average selling prices of our cordless telephony products, this effort may not continue to be successful. Also, because we are a fabless semiconductor company, we depend on our foundries to transition to smaller geometry processes successfully. We cannot assure you that our foundries will be able to effectively manage the transition. In case our foundries or we experience significant delays in this transition or fail to efficiently implement this transition, our business, financial condition and results of operations could be materially and adversely affected.

Newly adopted accounting standard that requires companies to expense stock options will result in a decrease in our earnings and our stock price may decline.

Our adoption of the accounting standard SFAS 123(R) as of January 1, 2006 requires us to account for share-based compensation transactions using a fair-value-based method and record as compensation expense in our consolidated statement of income the unvested portion of previously granted awards that remain outstanding as of, and new options granted after, January 1, 2006. The adoption of this new accounting standard has had a significant impact on our results of operations as our reported earnings decreased as a result of including these non-cash equity-based compensation expenses. Furthermore, if we reduce or alter our use of stock-based compensation to minimize the recognition of these expenses or if we are unable to introduce alternative methods of compensation, our ability to recruit, motivate and retain employees may be impaired, which could put us at a significant disadvantage in the employee marketplace relative to our competitors.

Our certificate of incorporation and bylaws contain anti-takeover provisions that could prevent or discourage a third party from acquiring us.

Our certificate of incorporation and bylaws contain provisions that may prevent or discourage a third party from acquiring us, even if the acquisition would be beneficial to our stockholders. We have a staggered board, which means it will generally take two years to change the composition of our board. Our board of directors also has the authority to fix the rights and preferences of shares of our preferred stock and to issue such shares without a stockholder vote. We also have a rights plan in place. It is possible that these provisions may prevent or discourage third parties from acquiring us, even if the acquisition would be beneficial to our stockholders. In addition, these factors may also adversely affect the market price of our common stock, and the voting and other rights of the holders of our common stock.

Our stock price may be volatile so you may not be able to resell your shares of our common stock at or above the price you paid for them.

Announcements of developments related to our business, announcements by competitors, quarterly fluctuations in our financial results, changes in the general conditions of the highly dynamic industry in which we compete or the

Table of Contents

national economies in which we do business, and other factors could cause the price of our common stock to fluctuate, perhaps substantially. In addition, in recent years, the stock market has experienced extreme price fluctuations, which have often been unrelated to the operating performance of affected companies. These factors and fluctuations could have a material adverse effect on the market price of our common stock.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company held its 2006 Annual Meeting of Stockholders on May 24, 2006. The following proposals were voted on by the Company stockholders and results obtained thereon:

Proposal 1: Election of Directors

The election of one Class III director was approved as follows:

	Votes For	Votes Withheld	Abstentions	Broker Non-Votes
Patrick Tanguy	24,565,594	1,420,887	0	0

Continuing as directors after the meeting are Eliyahu Ayalon, Zvi Limon, Yair Seroussi, Yair Shamir, Louis Silver and Patrick Tanguy.

Proposal 2: Approval of the 1993 Director Stock Option Plan

Amendment and restatement of the 1993 Director Stock Option Plan to increase the number of shares of common stock authorized thereunder by 250,000 shares was approved with 14,382,979 in favor, 7,908,621 against, 197,053 abstentions and 3,497,828 broker non-votes.

Proposal 3: Approval of the 1993 Employee Stock Purchase Plan

Amendment and restatement of the 1993 Employee Stock Purchase Plan to increase the number of shares of common stock authorized thereunder by 300,000 shares was approved with 17,686,898 in favor, 4,602,574 against, 199,181 abstentions and 3,497,828 broker non-votes.

Proposal 4: Ratification of Appointment of Independent Auditors

Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global, was ratified as the Company s independent auditors for fiscal year 2006 with 24,269,743 in favor, 2,162,744 against, 3,387 abstentions and 0 broker non-votes.

ITEM 6. EXHIBITS.

Exhibit 10.37	Stock Appreciation Right Agreement by and between the Company and Eliyahu Ayalon (filed as Exhibit 99.1 to the Company s Current Report on 8-K filed with the Commission on June 5, 2006, and incorporated herein by reference).
Exhibit 10.38	Stock Appreciation Right Agreement by and between the Company and Boaz Edan (filed as Exhibit 99.2 to the Company s Current Report on 8-K filed with the Commission on June 5, 2006, and incorporated herein by reference).
Exhibit 31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Table of Contents

Exhibit 32.1	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

SIGNATURES

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

DSP GROUP, INC.

(Registrant)

Date: August 9, 2006

By: /s/ Dror Levy
Dror Levy, Chief Financial Officer and Secretary

(Principal Financial Officer and Principal Accounting Officer)