
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

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

Commission file number 001-34835

Envestnet, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-1409613
(I.R.S Employer
Identification No.)

35 East Wacker Drive, Suite 2400, Chicago, IL
(Address of principal executive offices)

60601
(Zip Code)

Registrant's telephone number, including area code:
(312) 827-2800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |

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

As of November 1, 2013, 33,799,964 shares of the common stock with a par value of \$0.005 per share were outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

| | <u>Page</u> |
|---|-------------|
| Item 1. Financial Statements (Unaudited) | |
| Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012 | 3 |
| Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2013 and 2012 | 4 |
| Condensed Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 2013 | 5 |
| Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012 | 6 |
| Notes to Condensed Consolidated Financial Statements | 7 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 19 |

| | |
|--|----|
| Forward-Looking Statements | 19 |
| Overview | 20 |
| Results of Operations | 23 |
| Liquidity and Capital Resources | 30 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 31 |
| Item 4. Controls and Procedures | 32 |

PART II - OTHER INFORMATION

| | |
|---|----|
| Item 1. Legal Proceedings | 35 |
| Item 1A. Risk Factors | 35 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 35 |
| Item 6. Exhibits | 35 |

2

[Table of Contents](#)

Envestnet, Inc. Condensed Consolidated Balance Sheets (In thousands, except share information) (Unaudited)

| | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 36,683 | \$ 29,983 |
| Fees receivable, net | 18,634 | 9,188 |
| Deferred tax assets, net | 2,716 | 2,089 |
| Prepaid expenses and other current assets | 8,198 | 2,501 |
| Total current assets | <u>66,231</u> | <u>43,761</u> |
| Property and equipment, net | 12,493 | 11,791 |
| Internally developed software, net | 5,352 | 4,324 |
| Intangible assets, net | 38,348 | 27,150 |
| Goodwill | 74,335 | 65,644 |
| Deferred tax assets, net | 6,942 | 6,194 |
| Other non-current assets | 4,800 | 3,535 |
| Total assets | <u>\$ 208,501</u> | <u>\$ 162,399</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accrued expenses | \$ 30,405 | \$ 20,201 |
| Accounts payable | 4,505 | 2,614 |
| Contingent consideration liability | 5,591 | — |
| Deferred revenue | 6,522 | 5,768 |
| Total current liabilities | <u>47,023</u> | <u>28,583</u> |
| Contingent consideration liability | 10,539 | — |
| Deferred rent liability | 1,916 | 2,195 |
| Lease incentive liability | 3,381 | 3,886 |
| Other non-current liabilities | 2,683 | 1,739 |
| Total liabilities | <u>65,542</u> | <u>36,403</u> |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock, par value \$0.005, 500,000,000 shares authorized; 45,510,657 and 44,071,564 shares issued as of September 30, 2013 and December 31, 2012, respectively; 33,758,951 and 32,355,675 shares outstanding as of September 30, 2013 and December 31, 2012, respectively | 228 | 220 |
| Additional paid-in capital | 188,187 | 173,611 |
| Accumulated deficit | (34,312) | (37,277) |
| Treasury stock at cost, 11,751,706 and 11,715,889 shares as of September 30, 2013 and December 31, 2012, respectively | (11,144) | (10,558) |
| Total stockholders' equity | <u>142,959</u> | <u>125,996</u> |
| Total liabilities and stockholders' equity | <u>\$ 208,501</u> | <u>\$ 162,399</u> |

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

3

[Table of Contents](#)

Envestnet, Inc. Condensed Consolidated Statements of Operations (In thousands, except share and per share information)

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------------|------------------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | |
| Assets under management or administration | \$ 59,580 | \$ 33,223 | \$ 137,150 | \$ 92,498 |
| Licensing and professional services | 10,300 | 9,060 | 30,987 | 20,389 |
| Total revenues | <u>69,880</u> | <u>42,283</u> | <u>168,137</u> | <u>112,887</u> |
| Operating expenses: | | | | |
| Cost of revenues | 30,154 | 15,088 | 66,600 | 40,163 |
| Compensation and benefits | 21,063 | 15,261 | 55,475 | 40,031 |
| General and administration | 11,985 | 7,621 | 30,840 | 22,542 |
| Depreciation and amortization | 4,467 | 3,393 | 10,666 | 9,016 |
| Restructuring charges | 474 | — | 474 | 115 |
| Total operating expenses | <u>68,143</u> | <u>41,363</u> | <u>164,055</u> | <u>111,867</u> |
| Income from operations | 1,737 | 920 | 4,082 | 1,020 |
| Other income (expense): | | | | |
| Interest income | 4 | 3 | 13 | 26 |
| Interest expense | — | — | — | (3) |
| Other income | — | — | 182 | — |
| Total other income | <u>4</u> | <u>3</u> | <u>195</u> | <u>23</u> |
| Income before income tax provision | 1,741 | 923 | 4,277 | 1,043 |
| Income tax provision | 435 | 372 | 1,312 | 420 |
| Net income | <u>\$ 1,306</u> | <u>\$ 551</u> | <u>\$ 2,965</u> | <u>\$ 623</u> |
| Net income per share: | | | | |
| Basic | <u>\$ 0.04</u> | <u>\$ 0.02</u> | <u>\$ 0.09</u> | <u>\$ 0.02</u> |
| Diluted | <u>\$ 0.04</u> | <u>\$ 0.02</u> | <u>\$ 0.08</u> | <u>\$ 0.02</u> |
| Weighted average common shares outstanding: | | | | |
| Basic | <u>33,686,112</u> | <u>32,296,636</u> | <u>32,912,084</u> | <u>32,102,386</u> |
| Diluted | <u>35,871,975</u> | <u>33,358,706</u> | <u>35,260,044</u> | <u>33,179,044</u> |

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

[Table of Contents](#)

Investnet, Inc.
Condensed Consolidated Statement of Stockholders' Equity
(In thousands, except share information)
(Unaudited)

| | Common Stock | | Treasury Stock | | Additional Paid-in Capital | Accumulated deficit | Total Stockholders' Equity |
|---|-------------------|---------------|---------------------|--------------------|----------------------------------|------------------------|----------------------------------|
| | Shares | Amount | Common Shares | Amount | | | |
| Balance, December 31, 2012 | 44,071,564 | \$ 220 | (11,715,889) | \$ (10,558) | \$ 173,611 | \$ (37,277) | \$ 125,996 |
| Exercise of stock options | 606,227 | 3 | — | — | 5,575 | — | 5,578 |
| Issuance of common stock - vesting of restricted stock | 70,964 | 1 | — | — | — | — | 1 |
| Exercise of warrants | 761,902 | 4 | — | — | — | — | 4 |
| Stock-based compensation | — | — | — | — | 6,281 | — | 6,281 |
| Tax benefit attributable to exercise of stock options | — | — | — | — | 2,704 | — | 2,704 |
| Reversal of state uncertain tax position | — | — | — | — | 16 | — | 16 |
| Purchase of treasury stock (at cost) | — | — | (35,817) | (586) | — | — | (586) |
| Net income | — | — | — | — | — | 2,965 | 2,965 |
| Balance, September 30, 2013 | <u>45,510,657</u> | <u>\$ 228</u> | <u>(11,751,706)</u> | <u>\$ (11,144)</u> | <u>\$ 188,187</u> | <u>\$ (34,312)</u> | <u>\$ 142,959</u> |

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

[Table of Contents](#)

Investnet, Inc.
Condensed Consolidated Statements of Cash Flows

**(In thousands)
(Unaudited)**

| | Nine Months Ended September 30, | |
|---|------------------------------------|------------------|
| | 2013 | 2012 |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 2,965 | \$ 623 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 10,666 | 9,016 |
| Deferred rent and lease incentive | (784) | 1,366 |
| Provision for doubtful accounts | 153 | — |
| Deferred income taxes | (1,375) | (562) |
| Stock-based compensation | 6,281 | 3,125 |
| Excess tax benefits from stock-based compensation | (2,704) | — |
| Interest expense | 392 | 3 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Fees receivable | (8,302) | (487) |
| Prepaid expenses and other current assets | (2,993) | 3,084 |
| Other non-current assets | (1,265) | (190) |
| Accrued expenses | 7,946 | 1,791 |
| Accounts payable | 1,891 | 545 |
| Deferred revenue | 754 | 600 |
| Other non-current liabilities | 960 | 179 |
| Net cash provided by operating activities | <u>14,585</u> | <u>19,093</u> |
| INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (4,301) | (4,098) |
| Capitalization of internally developed software | (2,293) | (1,698) |
| Repayment of notes payable assumed in acquisition | — | (174) |
| Acquisition of businesses, net of cash acquired | (8,992) | (61,463) |
| Net cash used in investing activities | <u>(15,586)</u> | <u>(67,433)</u> |
| FINANCING ACTIVITIES: | | |
| Proceeds from exercise of warrants | 4 | — |
| Proceeds from exercise of stock options | 5,578 | 1,927 |
| Issuance of restricted stock | 1 | 2,759 |
| Excess tax benefits from stock-based compensation | 2,704 | — |
| Purchase of treasury stock | (586) | (122) |
| Net cash provided by financing activities | <u>7,701</u> | <u>4,564</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>6,700</u> | <u>(43,776)</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>29,983</u> | <u>64,909</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 36,683</u> | <u>\$ 21,133</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for income taxes, net of refunds | \$ 4,389 | \$ 604 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Leasehold improvements funded by lease incentive | — | 1,054 |
| Contingent consideration liability issued in acquisition of business | 15,738 | — |

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

[Table of Contents](#)

1. Organization and Description of Business

Envestnet, Inc. (“Envestnet”) and its subsidiaries (collectively, the “Company”) provides open-architecture wealth management services and technology to independent financial advisors and financial institutions. These services and related technology are provided via the Envestnet Advisor Suite[®], Envestnet | PMC[®], Envestnet | Vantage[®], and Envestnet | Tamarac[™].

Advisor Suite is a platform of integrated, internet-based technology applications and related services that provide portfolio diagnostics, proposal generation, investment model management, rebalancing and trading, portfolio performance reporting and monitoring solutions, billing, and back-office and middle-office operations and administration.

The Company’s investment consulting group, Envestnet | PMC, provides investment manager due diligence and research, a full spectrum of investment offerings supported by both proprietary and third-party research, and overlay portfolio management services.

Envestnet | Tamarac provides leading portfolio accounting, rebalancing, trading, performance reporting and client relationship management software, principally to high-end Registered Investment Advisors (“RIAs”).

Through these platform and service offerings, the Company provides open-architecture support for a wide range of investment products (separately managed accounts, multi-manager accounts, mutual funds, exchange-traded funds, stock baskets, alternative investments, and other fee-based investment solutions) from Envestnet | PMC and other leading investment providers via multiple custodians, and also account administration and reporting services.

Envestnet operates four RIAs and a registered broker-dealer. The RIAs are registered as investment advisors with the Securities and Exchange Commission (“SEC”).

The broker-dealer is registered as a broker-dealer with the SEC, all 50 states and the District of Columbia and is a member of the Financial Industry Regulatory Authority (“FINRA”).

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company as of September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012 have not been audited by an independent registered public accounting firm. These unaudited condensed consolidated financial statements reflect all normal recurring adjustments which are, in the opinion of management, necessary to present fairly the Company’s financial position as of September 30, 2013 and the results of operations, stockholders’ equity and cash flows for the periods presented herein. The unaudited condensed consolidated balance sheet as of December 31, 2012 was derived from the Company’s audited financial statements for the year ended December 31, 2012 but does not include all disclosures, including notes required by accounting principles generally accepted in the United States of America (“GAAP”). The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the operating results to be expected for other interim periods or for the full fiscal year. Dollar amounts contained in these unaudited condensed consolidated financial statements are in thousands, except share and per share amounts.

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K filed for the year ended December 31, 2012.

The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and assumptions related to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with GAAP. Significant areas requiring the use of management estimates relate to estimating uncollectible receivables, revenue recognition, costs capitalized for internally developed software, valuations and assumptions used for impairment testing of goodwill, intangible and other long-lived assets, fair value of stock options issued, realization of deferred tax assets and assumptions used to allocate purchase prices in business combinations. Actual results could differ materially from these estimates under different assumptions or conditions.

Segments — The Company’s chief operating decision maker is its chief executive officer, who reviews financial information presented on a consolidated basis. Historically, the Company has determined that it has a single reporting segment and operating unit structure. As a result of the acquisition as discussed in Note 3, the Company has re-examined its reporting and operating structure and has determined it continues to maintain a single reporting segment and operating unit structure.

7

[Table of Contents](#)

Envestnet, Inc. Notes to Unaudited Condensed Consolidated Financial Statements (In thousands, except share and per share amounts)

Prepaid expenses and other current assets — Federal and state income tax receivables of \$5,375 and \$186 are included in the prepaid expenses and other current asset amounts reported in the condensed consolidated balance sheets as of September 30, 2013 and December 31, 2012, respectively.

3. Business Acquisitions

Acquisition of Wealth Management Solutions

On July 1, 2013, the Company completed the acquisition of the Wealth Management Solutions (“WMS”) division of Prudential Investments. In accordance with the purchase agreement, the Company acquired substantially all of the assets and assumed certain liabilities of WMS for total consideration of \$24,730. WMS is a provider of technology solutions that enables financial services firms to develop and enhance their wealth management offerings. The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction and the knowledge and experience of the workforce in place. The goodwill recognized is deductible for income tax purposes.

The consideration in the acquisition was as follows:

| | | |
|---|----|---------------|
| Cash consideration | \$ | 8,992 |
| Contingent consideration | | 15,738 |
| Total estimated fair value of consideration | \$ | <u>24,730</u> |

In connection with the acquisition of WMS, the Company is required to pay Prudential Investments contingent consideration of up to a total of \$23,000 in cash, based upon meeting certain performance targets. The Company has recorded a liability as of the date of acquisition of \$15,738, which represents the estimated fair value of contingent consideration on the date of acquisition and is considered a Level 3 fair value measurement as described in Note 8. This amount is the present value of an undiscounted liability of \$19,043, applying a discount rate of 10%. Payments will be made at the end of three twelve month closing periods. The future undiscounted payments are anticipated to be \$6,000 on July 31, 2014, \$6,434 on July 31, 2015 and \$6,609 on July 31, 2016. The final future payments may be greater or lower than these amounts, based upon the attainment of performance targets. Changes to the estimated fair value of the contingent consideration will be recognized in earnings of the Company.

During the three months ended September 30, 2013, the Company recognized imputed interest expense on contingent consideration of \$392, which is included in general and administration expense in the condensed consolidated statement of operations.

8

[Table of Contents](#)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | | |
|---------------------------------|----|---------------|
| Total tangible assets acquired | \$ | 1,296 |
| Total liabilities assumed | | (2,257) |
| Identifiable intangible assets: | | |
| Customer list | | 14,000 |
| Proprietary technology | | 3,000 |
| Goodwill | | 8,691 |
| Total net assets acquired | \$ | <u>24,730</u> |

The estimated fair value of the intangible assets is provisional and is based on the information that was available as of the acquisition date to estimate the fair value of these amounts. The Company believes the information provides a reasonable basis for estimating the fair values of these amounts, but is waiting for additional information necessary to finalize those fair values. Therefore, provisional measurements of fair value reflected are subject to change and such changes could be significant. The Company expects to finalize the valuation of intangible assets, and complete the acquisition accounting as soon as practicable but no later than December 31, 2013.

A summary of intangible assets acquired, estimated useful lives and amortization method is as follows:

| | Amount | Weighted Average Useful Life in Years | Amortization Method |
|------------------------|------------------|---|------------------------|
| Customer list | \$ 14,000 | 12 | Accelerated |
| Proprietary technology | 3,000 | 1.5 | Accelerated |
| Total | <u>\$ 17,000</u> | | |

The results of WMS operations are included in the condensed consolidated statement of operations beginning July 1, 2013. WMS's revenues and net loss for the three and nine month periods ended September 30, 2013 totaled \$16,130 and \$392, respectively. The net loss includes acquired intangible asset amortization of \$1,082 and imputed interest expense on contingent consideration of \$392.

For the three and nine months ended September 30, 2013, acquisition related costs for WMS totaled \$197 and \$844, respectively, and are included in general and administration expenses. The Company may incur additional WMS acquisition related costs during the fourth quarter of 2013.

Pro forma results for Envestnet, Inc. giving effect to the Prima Capital Holding, Inc., Tamarac, Inc. and WMS acquisitions

The following pro forma financial information presents the combined results of operations of Envestnet, Prima Capital Holding, Inc. ("Prima"), acquired on April 1, 2012, Tamarac, Inc. ("Tamarac"), acquired on May 1, 2012, and WMS, acquired on July 1, 2013, for the three and nine months ended September 30, 2012 and the nine months ended September 30, 2013. The pro forma financial information presents the results as if the acquisitions had occurred as of the beginning of 2012.

[Table of Contents](#)

Envestnet, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(In thousands, except share and per share amounts)

The unaudited pro forma results presented include amortization charges for acquired intangible assets, the elimination of intercompany transactions, restructuring charges, unrealized gain or loss on warrant and imputed interest expense, stock-based compensation expense and the related tax effect on the aforementioned items.

Pro forma financial information is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place as of the beginning of 2012.

| | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---------------------|---|--|--|
| Revenue | \$ 57,342 | \$ 200,585 | \$ 164,024 |
| Net loss | (3,005) | (9,593) | (13,700) |
| Net loss per share: | | | |
| Basic | (0.09) | (0.29) | (0.43) |
| Diluted | (0.09) | (0.29) | (0.43) |

4. Property and Equipment

| | Estimated Useful Life | September 30, 2013 | December 31, 2012 |
|--|---|-----------------------|----------------------|
| Cost: | | | |
| Office furniture and fixtures | 5-7 years | \$ 3,884 | \$ 3,613 |
| Computer equipment and software | 3 years | 26,000 | 22,098 |
| Other office equipment | 5 years | 598 | 598 |
| Leasehold improvements | Shorter of the term of the lease or useful life of the asset | 7,766 | 7,638 |
| | | 38,248 | 33,947 |
| Less accumulated depreciation and amortization | | (25,755) | (22,156) |
| Property and equipment, net | | <u>\$ 12,493</u> | <u>\$ 11,791</u> |

Depreciation and amortization expense was as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Depreciation and amortization expense | <u>\$ 1,381</u> | <u>\$ 1,182</u> | <u>\$ 3,599</u> | <u>\$ 3,442</u> |

5. Internally Developed Software

Internally developed software consists of the following:

| | Estimated Useful Life | September 30, 2013 | December 31, 2012 |
|-------------------------------|-----------------------|-----------------------|----------------------|
| Internally developed software | 5 years | \$ 15,525 | \$ 13,232 |
| Less accumulated amortization | | (10,173) | (8,908) |

| | | |
|------------------------------------|----------|----------|
| Internally developed software, net | \$ 5,352 | \$ 4,324 |
|------------------------------------|----------|----------|

[Table of Contents](#)

Amortization expense was as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------|-------------------------------------|--------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Amortization expense | \$ 436 | \$ 409 | \$ 1,265 | \$ 1,169 |

6. Goodwill and Intangible Assets

Changes in the carrying amount of the Company's goodwill were as follows:

| | |
|-------------------------------|-----------|
| Balance at December 31, 2012 | \$ 65,644 |
| WMS acquisition | 8,691 |
| Balance at September 30, 2013 | \$ 74,335 |

Intangible assets consist of the following:

| | Useful Life | September 30, 2013 | | | December 31, 2012 | | |
|-------------------------|---------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer lists | 4 - 12 years | \$ 42,103 | \$ (12,858) | 29,245 | \$ 28,103 | \$ (8,720) | \$ 19,383 |
| Proprietary technology | 1.5 - 8 years | 9,580 | (1,987) | 7,593 | 6,580 | (657) | 5,923 |
| Trade names | 5 years | 2,090 | (580) | 1,510 | 2,090 | (246) | 1,844 |
| Total intangible assets | | \$ 53,773 | \$ (15,425) | \$ 38,348 | \$ 36,773 | \$ (9,623) | \$ 27,150 |

Amortization expense was as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------|-------------------------------------|----------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Amortization expense | \$ 2,650 | \$ 1,802 | \$ 5,802 | \$ 4,405 |

7. Other Non-Current Assets

Other non-current assets consist of the following:

| | September 30, 2013 | December 31, 2012 |
|--------------------------------|-----------------------|----------------------|
| Investment in private company | \$ 1,250 | \$ 1,250 |
| Deposits | | |
| Lease | 1,647 | 1,655 |
| Other | 286 | 264 |
| Other | 1,617 | 366 |
| Total other non-current assets | \$ 4,800 | \$ 3,535 |

[Table of Contents](#)

8. Fair Value Measurements

Financial assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon a fair value hierarchy established by GAAP, which prioritizes the inputs used to measure fair value into the following levels:

- Level 1: Inputs based on quoted market prices in active markets for identical assets or liabilities at the measurement date.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or inputs that are observable and can be corroborated by observable market data.
- Level 3: Inputs reflect management's best estimates and assumptions of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation of the instruments.

Fair Value on a Recurring Basis:

The Company periodically invests excess cash in money-market funds not insured by the Federal Deposit Insurance Corporation. The Company believes that the investments in money market funds are on deposit with creditworthy financial institutions and that the funds are highly liquid. The fair values of the Company's investments in money market funds are based on the daily quoted market prices of the net asset value of the various money market funds. These money market funds are considered Level 1 assets, totaled approximately \$25,639 and \$20,682 as of September 30, 2013 and December 31, 2012, respectively, and are included in cash and cash equivalents in the condensed consolidated balance sheets.

The fair value of the contingent consideration liability described in Note 3 was estimated using a discounted cash flow method with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in the FASB's Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. The significant inputs in the Level 3 measurement not supported by market activity included our assessments of expected future cash flows related to our acquisition of WMS during the subsequent three years from the date of acquisition, appropriately discounted considering the uncertainties associated with the obligation, and calculated in accordance with the terms of the agreement.

The Company utilized a discounted cash flow method with expected future performance of WMS, and its ability to meet the target performance objectives as the main driver of the valuation, to arrive at the fair value of the contingent consideration. The Company will continue to reassess the fair value of the contingent consideration at each reporting date until settlement. Changes to the estimated fair value of the contingent consideration will be recognized in earnings of the Company.

The table below sets forth a summary of changes in the fair value of the Company's Level 3 liability for the nine months ended September 30, 2013:

| | <u>Fair Value of Contingent Consideration Liability</u> |
|---|---|
| Balance at December 31, 2012 | \$ — |
| Fair value on WMS acquisition date of July 1, 2013 | 15,738 |
| Imputed interest for the period July 1, 2013 - September 30, 2013 | 392 |
| Balance at September 30, 2013 | <u>\$ 16,130</u> |

9. Accrued Expenses

Accrued expenses consist of the following:

12

[Table of Contents](#)

Investnet, Inc. Notes to Unaudited Condensed Consolidated Financial Statements (In thousands, except share and per share amounts)

| | <u>September 30, 2013</u> | <u>December 31, 2012</u> |
|--|-------------------------------|------------------------------|
| Accrued investment manager fees | \$ 17,659 | \$ 12,937 |
| Accrued compensation and related taxes | 9,629 | 5,726 |
| Accrued professional services | 626 | 408 |
| Other accrued expenses | 2,491 | 1,130 |
| Total accrued expenses | <u>\$ 30,405</u> | <u>\$ 20,201</u> |

13

[Table of Contents](#)

10. Income Taxes

The following table includes income tax provision and the effective tax rate for the Company's income from operations:

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|----------------------------|---|-------------|--|-------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Income before income taxes | \$ 1,741 | \$ 923 | \$ 4,277 | \$ 1,043 |
| Income tax provision | 435 | 372 | 1,312 | 420 |
| Effective tax rate | 25.0% | 40.3% | 30.7% | 40.3% |

The Company's effective tax rate in the three and nine months ended September 30, 2013, was lower than the effective tax rate in the three and nine months ended September 30, 2012, primarily due to the effect of research and development tax credits.

The liability for unrecognized tax benefits reported in other non-current liabilities was \$2,625 and \$1,739 at September 30, 2013 and December 31, 2012, respectively. At September 30, 2013, the amount of unrecognized tax benefits that would benefit the Company's effective tax rate, if recognized, was \$1,785. At this time, the Company estimates it is reasonably possible that the liability for unrecognized tax benefits will decrease by as much as \$261 in the next twelve months due to the completion of reviews by tax authorities, the voluntary filing of certain state income tax returns and the expiration of certain statutes of limitations.

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. The Company had accrued interest and penalties of \$661 and \$642 as of September 30, 2013 and December 31, 2012, respectively.

The Company files a consolidated federal income tax return and separate tax returns with various states. Additionally, a subsidiary of the Company files a tax return in a foreign jurisdiction. The Company's tax returns for the calendar years ended December 31, 2012, 2011 and 2010 remain open to examination by the Internal Revenue Service in their entirety. With respect to state taxing jurisdictions, the Company's tax returns for calendar years ended December 31, 2012, 2011 and 2010 remain open to examination by various state revenue services.

The Company's India subsidiary is currently under examination by the India Taxing Authority for the fiscal years ended March 31, 2009 and March 31, 2010. Based on the outcome of examinations of the Company's subsidiary or the result of the expiration of statutes of limitations, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in the condensed consolidated balance sheets. It is possible that one or more of these audits may be finalized within the next twelve months. The Company's subsidiary's tax returns for the fiscal years ended March 31, 2007 through March 31, 2012 remain open to examination by the India Taxing Authority

in their entirety.

11. Stockholders' Equity

In February 2010, in connection with a Platform Services Agreement between the Company and FundQuest Incorporated ("FundQuest"), a subsidiary of BNP Paribas Investment Partners USA Holdings, Inc., the Company issued to FundQuest a warrant to purchase 1,388,888 shares of the Company's common stock, with an exercise price of \$10.80 per share. During 2011, the warrant was sold by FundQuest to a third party. On June 24, 2013, the third party exercised the warrant via a cashless exercise, and as a result, the Company issued 761,902 shares of the Company's common stock to the third party.

12. Stock-Based Compensation

The Company has stock options and restricted stock outstanding under the 2004 Stock Incentive Plan (the "2004 Plan"), the 2010 Long-Term Incentive Plan (the "2010 Plan") and the Envestnet, Inc. Management Incentive Plan for Envestnet | Tamarac Management Employees (the "2012 Plan"). As of September 30, 2013, the maximum number of stock options and restricted stock available for future issuance under the Company's plans is 1,263,640.

14

[Table of Contents](#)

Employee stock-based compensation expense under the Company's plans was as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Employee stock-based compensation expense | \$ 2,015 | \$ 1,195 | \$ 6,281 | \$ 3,125 |
| Tax effect on employee stock-based compensation expense | (503) | (482) | (1,927) | (1,256) |
| Net effect on income | \$ 1,512 | \$ 713 | \$ 4,354 | \$ 1,869 |

Stock Options

The following weighted average assumptions were used to value options granted during the periods indicated:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------------|-------------------------------------|------|------------------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Grant date fair value of options | \$ — | \$ — | \$ 6.11 | \$ 4.96 |
| Volatility | — | — | 40.4% | 39.6% |
| Risk-free interest rate | — | — | 1.0% | 1.2% |
| Dividend yield | — | — | 0.0% | 0.0% |
| Expected term (in years) | — | — | 6.0 | 6.0 |

The following table summarizes option activity under the Company's plans:

| | Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|--------------------------------------|-----------|---------------------------------------|--|------------------------------|
| Outstanding as of December 31, 2012 | 5,277,412 | \$ 8.86 | | |
| Granted | 190,413 | 15.34 | | |
| Exercised | (9,050) | 6.24 | | |
| Forfeited | (8,050) | 11.91 | | |
| Outstanding as of March 31, 2013 | 5,450,725 | 9.08 | 6.2 | \$ 45,939 |
| Granted | — | — | | |
| Exercised | (233,603) | 9.13 | | |
| Forfeited | (31,815) | 12.41 | | |
| Outstanding as of June 30, 2013 | 5,185,307 | 9.06 | 6.0 | \$ 80,583 |
| Granted | — | — | | |
| Exercised | (363,574) | 9.28 | | |
| Forfeited | (31,275) | 11.38 | | |
| Outstanding as of September 30, 2013 | 4,790,458 | 9.03 | 5.6 | \$ 105,267 |
| Options exercisable | 3,515,090 | 8.03 | 4.8 | \$ 80,727 |

Exercise prices of stock options outstanding as of September 30, 2013 range from \$0.11 to \$15.34.

15

[Table of Contents](#)

Restricted Stock

Periodically, the Company grants restricted stock awards to employees that vest one-third on each of the first three anniversaries of the grant date. The following is a summary of the activity for unvested restricted stock awards granted under the Company's plans:

| | Number of Shares | Weighted-Average Grant Date Fair Value per Share |
|------------------------------|---------------------|--|
| Balance at December 31, 2012 | 758,990 | \$ 12.49 |
| Granted | 172,212 | 15.34 |

| | | |
|-------------------------------|-----------|-------|
| Vested | (70,964) | — |
| Forfeited | (3,197) | 13.78 |
| Balance at March 31, 2013 | 857,041 | 13.07 |
| Granted | 105,858 | 18.29 |
| Forfeited | (152,653) | 12.54 |
| Balance at June 30, 2013 | 810,246 | 14.51 |
| Granted | 101,908 | 26.74 |
| Forfeited | (12,981) | 14.10 |
| Balance at September 30, 2013 | 899,173 | 18.93 |

At September 30, 2013, there was \$3,779 of unrecognized compensation expense related to unvested stock options, which the Company expects to recognize over a weighted-average period of 1.2 years. At September 30, 2013, there was \$5,554 of unrecognized compensation expense related to unvested restricted stock awards, which the Company expects to recognize over a weighted-average period of 1.9 years. At September 30, 2013, there was an additional \$3,819 of potential unrecognized stock compensation expense related to unvested restricted stock granted under the 2012 Plan that vests based upon Tamarac meeting certain performance conditions and then a subsequent two-year service condition, which the Company expects to recognize, if earned, over the remaining estimated vesting period of 1.5 to 3.5 years.

On March 31, 2013, 181,625 shares of restricted stock became performance vested under the first year performance condition. These shares will become fully vested upon employees meeting the subsequent two-year service condition.

On April 11, 2013, the Company amended the 2012 Plan. The purpose of the amendment was to amend the methodology for determining the vesting requirements of performance awards granted under the 2012 Plan, as well as to grant awards to additional Envestnet | Tamarac employees eligible to participate in the 2012 Plan. The amendment to the 2012 Plan was treated as a modification. As a result, 113,249 performance awards were valued as of the date of the modification. Concurrent with the amendment, 103,521 performance awards were voluntarily forfeited by certain participants in the 2012 Plan and immediately reallocated to other participants in the 2012 Plan.

13. Earnings Per Share

Basic net income per common share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding for the period. For the calculation of diluted earnings per share, the basic weighted average number of shares is increased by the dilutive effect of stock options, common warrants and restricted stock using the treasury stock method.

16

[Table of Contents](#)

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net income per share:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net income | \$ 1,306 | \$ 551 | \$ 2,965 | \$ 623 |
| Basic number of weighted-average shares outstanding | 33,686,112 | 32,296,636 | 32,912,084 | 32,102,386 |
| Effect of dilutive shares: | | | | |
| Options to purchase common stock | 2,057,245 | 889,373 | 1,812,114 | 897,644 |
| Common warrants | — | 127,324 | 434,392 | 138,889 |
| Unvested restricted stock | 128,618 | 45,373 | 101,454 | 40,125 |
| Diluted number of weighted-average shares outstanding | 35,871,975 | 33,358,706 | 35,260,044 | 33,179,044 |
| Net income per share: | | | | |
| Basic | \$ 0.04 | \$ 0.02 | \$ 0.09 | \$ 0.02 |
| Diluted | \$ 0.04 | \$ 0.02 | \$ 0.08 | \$ 0.02 |

Common share equivalents for securities that were anti-dilutive and therefore excluded from the computation of diluted net income per share were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Options to purchase common stock | — | 1,224,748 | — | 1,224,748 |
| Unvested restricted stock | 377,926 | 559,551 | 434,609 | 559,551 |

14. Major Customers

One customer accounted for more than 10% of the Company's fees receivable:

| | September 30, 2013 | December 31, 2012 |
|----------|-----------------------|----------------------|
| Fidelity | * | 11% |

* There were no fees receivable from a single customer greater than 10%.

One customer accounted for more than 10% of the Company's total revenues:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------|-------------------------------------|------|------------------------------------|------|
| | 2013 | 2012 | 2013 | 2012 |
| Fidelity | 19% | 21% | 21% | 22% |

15. Commitments and Contingencies

The Company is involved in litigation arising in the ordinary course of its business. The Company does not believe that the outcome of any of the current litigation, individually or in the aggregate, would, if determined adversely to it, have a material adverse effect on the Company's results of operations, financial condition, cash flows or business.

The Company includes various types of indemnification and guarantee clauses in certain arrangements. These indemnifications and guarantees may include, but are not limited to, infringement claims related to intellectual property, direct or consequential

17

[Table of Contents](#)

damages and guarantees to certain service providers. The type and amount of any potential indemnification or guarantee varies substantially based on the nature of each arrangement. The Company has experienced no previous claims and cannot determine the maximum amount of potential future payments, if any, related to such indemnification and guarantee provisions. The Company believes that it is unlikely it will have to make material payments under these arrangements and therefore has not recorded a contingent liability in the consolidated balance sheets.

In the third quarter of 2013, the Company exercised its right to early terminate the Denver and Raleigh office leases in accordance with the provisions of the leases. The total termination fees were \$1,142, of which approximately \$551 was paid during the third quarter. The remainder of the fee is due in July 2014. The impact of this early termination has been reflected in the lease commitment table below. During the three and nine months ended September 30, 2013, the Company recorded \$474 of restructuring charges, net of deferred rent adjustment, in the condensed consolidated statement of operations related to these lease termination fees.

Subsequent to the third quarter, the Company has negotiated to sign replacement and/or expansion amendments for the office leases in Denver, Raleigh, New York and Seattle. The impact of these leases is included in the lease commitment table below.

The Company rents office space under leases that expire at various dates through 2026. Future minimum lease commitments under these operating leases, as of September 30, 2013, was as follows:

| Years ending December 31: | |
|---------------------------|------------------|
| Remainder of 2013 | \$ 1,588 |
| 2014 | 5,987 |
| 2015 | 5,592 |
| 2016 | 6,540 |
| 2017 | 6,125 |
| Thereafter | 34,489 |
| | <u>\$ 60,321</u> |

16. Subsequent Events

On October 11, 2013, the Company completed a public offering of common shares on behalf of selling stockholders. A total of 5,801,997 shares were sold, including an overallotment option exercised by the underwriters, at a public offering price of \$29.25 per share. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The Company incurred costs of \$280 during the three and nine months ended September 30, 2013 in relation to the public offering and this amount is included in general and administration expenses in the condensed consolidated statements of operations. During the fourth quarter of 2013, the Company expects to incur approximately \$700 of additional costs related to the public offering.

18

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise indicated, the terms "Envestnet," the "Company," "we," "us" and "our" refer to Envestnet, Inc. and its subsidiaries.

Unless otherwise indicated, all amounts are in thousands, except share and per share information, financial advisors and client accounts.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements regarding future events and our future results within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements are based on our current expectations and projections about future events and are identified by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "expected," "intend," "will," "may," or "should" or the negative of those terms or variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business and other characteristics of future events or circumstances are forward-looking statements. Forward-looking statements may include, among others, statements relating to:

- difficulty in sustaining rapid revenue growth, which may place significant demands on the Company's administrative, operational and financial resources,*
- fluctuations in the Company's revenue,*
- the concentration of nearly all of the Company's revenues from the delivery of investment solutions and services to clients in the financial advisory industry,*
- the Company's reliance on a limited number of clients for a material portion of its revenue,*
- the renegotiation of fee percentages or termination of the Company's services by its clients,*
- the Company's ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies,*
- the impact of market and economic conditions on the Company's revenues,*
- compliance failures,*

- regulatory actions against the Company,
- the failure to protect the Company's intellectual property rights,
- the Company's inability to successfully execute the conversion of its clients' assets from their technology platform to the Company's technology platform in a timely and accurate manner,
- general economic conditions, and
- political and regulatory conditions, as well as management's response to these factors.

Although we believe that our plans, intentions and expectations are reasonable, we may not achieve our plans, intentions or expectations.

These forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in our Annual Report on Form 10-K for

[Table of Contents](#)

the year ended December 31, 2012 (the "2012 Form 10-K") under "Risk Factors"; accordingly, investors should not place undue reliance upon our forward-looking statements. We undertake no obligation to update any of the forward-looking statements after the date of this report to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

You should read this quarterly report on Form 10-Q and our 2012 Form 10-K completely and with the understanding that our actual future results, levels of activity, performance and achievements may be different from what we expect and that these differences may be material. We qualify all of our forward-looking statements by these cautionary statements.

The following discussion and analysis should also be read along with our consolidated financial statements and the related notes included elsewhere in this quarterly report and the consolidated financial statements and related notes included in our 2012 Form 10-K. Except for the historical information contained herein, this discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below.

Overview

We are a leading provider of unified wealth management software and services to financial advisors and institutions. By integrating a wide range of investment solutions and services, our Web-based platform provides financial advisors with the flexibility to address their clients' needs. As of September 30, 2013, approximately 29,000 advisors used our technology platform, supporting approximately \$487 billion of assets in approximately 2.1 million investor accounts.

Envestnet empowers financial advisors to deliver fee-based advice to their clients. We work with both independent Registered Investment Advisors ("RIAs"), as well as advisors associated with financial institutions such as broker dealers and banks. The services we offer and market to financial advisors address advisors' ability to grow their practice as well as operate more efficiently — the Envestnet platform spans the various elements of the wealth management process, from the initial meeting an advisor has with a prospective client to the ongoing day-to-day operations of managing an advisory practice.

Our centrally-hosted technology platform, which we refer to as having "open architecture" because of its flexibility, provides financial advisors with access to a series of integrated services to help them better serve their clients. These services include risk assessment and selection of investment strategies and solutions, asset allocation models, research and due diligence, portfolio construction, proposal generation and paperwork preparation, model management and account rebalancing, account monitoring, customized fee billing, overlay services covering asset allocation, tax management and socially responsible investing, aggregated multi-custodian performance reporting and communication tools, as well as access to a wide range of leading third-party asset custodians.

We offer these solutions principally through the following product and services suites:

- Envestnet's wealth management software empowers advisors to better manage client outcomes and strengthen their practice. Our software unifies the applications and services advisors use to manage their practice and advise their clients, including financial planning; capital markets assumptions; asset allocation guidance; research and due diligence on investment managers and funds; portfolio management, trading and rebalancing; multi-custodial, aggregated performance reporting; and billing calculation and administration.
- Our Portfolio Management Consultants group ("Envestnet | PMC®") primarily engages in consulting services aimed at providing financial advisors with additional support in addressing their clients' needs, as well as the creation of proprietary investment solutions and products. Envestnet | PMC's investment solutions and products include managed account and multi-manager portfolios, mutual fund portfolios and ETF portfolios. Envestnet | PMC also offers Prima Premium Research, comprising institutional-quality research and due diligence on investment managers, mutual funds, ETFs and liquid alternatives funds.
- Envestnet | Tamarac provides leading portfolio accounting, rebalancing, trading, performance reporting and client relationship management software, principally to high-end RIAs.
- Envestnet Reporting Solutions software aggregates and manages investment data, provides performance reporting and benchmarking, giving advisors an in-depth view of clients' various investments, empowering advisors to give holistic, personalized advice.

[Table of Contents](#)

Operational Highlights

Revenues from assets under management ("AUM") or assets under administration ("AUA") increased 79% from \$33,223 in the three months ended September 30, 2012 to \$59,580 in the three months ended September 30, 2013. Total revenues, which include licensing and professional service fees, increased 65% from \$42,283 in the three months ended September 30, 2012 to \$69,880 in the three months ended September 30, 2013. The increase in total revenues were a result of the positive effects of new account growth and positive net flows of AUM or AUA, as well as an increase in revenues related to the WMS acquisition. Net income for the three months ended September 30, 2013 was \$1,306, or \$0.04 per diluted share, compared to net income of \$551, or \$0.02 per diluted share for the three months ended September 30, 2012.

Revenues from assets under management ("AUM") or assets under administration ("AUA") increased 48% from \$92,498 in the nine months ended September 30, 2012

to \$137,150 in the nine months ended September 30, 2013. Total revenues, which include licensing and professional service fees, increased 49% from \$112,887 in the nine months ended September 30, 2012 to \$168,137 in the nine months ended September 30, 2013. The increase in total revenues were a result of the positive effects of new account growth and positive net flows of AUM or AUA, as well as an increase in revenues related to the Prima and Tamarac and WMS acquisitions. Net income for the nine months ended September 30, 2013 was \$2,965, or \$0.08 per diluted share, compared to \$623, or \$0.02 per diluted share for the nine months ended September 30, 2012.

Adjusted revenues for the three months ended September 30, 2013 was \$69,880, an increase of 64% from \$42,684 in the prior year period. Adjusted EBITDA for the three months ended September 30, 2013 was \$10,041, an increase of 58% from \$6,362 in the prior year period. Adjusted net income for the three months ended September 30, 2013 was \$5,068, or \$0.14 per diluted share, compared to adjusted net income of \$2,853, or \$0.09 per diluted share in the prior year period.

Adjusted revenues for the nine months ended September 30, 2013 was \$168,297, an increase of 48% from \$113,905 in the prior year period. Adjusted EBITDA for the nine months ended September 30, 2013 was \$27,554, an increase of 64% from \$16,770 in the prior year period. Adjusted net income for the nine months ended September 30, 2013 was \$13,653, or \$0.39 per diluted share, compared to adjusted net income of \$7,282, or \$0.22 per diluted share in the prior year period.

Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are non-GAAP financial measures. See "Non-GAAP Financial Measures" for a discussion of non-GAAP measures and a reconciliation of such measures to the most directly comparable GAAP measures.

Recent Events

WMS Acquisition

On July 1, 2013, we completed the acquisition of the Wealth Management Solutions ("WMS") division of Prudential Investments. In accordance with the purchase agreement, we acquired substantially all of the assets of WMS for total consideration of \$24,730. WMS is a provider of technology solutions that enables financial services firms to develop and enhance their wealth management offerings. The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction and the knowledge and experience of the workforce in place. The goodwill recognized is deductible for income tax purposes.

In connection with the acquisition of WMS, we are required to pay Prudential Investments contingent consideration of up to a total of \$23,000 in cash, based upon meeting certain performance targets. We have recorded a liability as of the date of acquisition of \$15,738, which represents the estimated fair value of contingent consideration on the date of acquisition. This amount is the present value of an estimated undiscounted liability of \$19,043. The fair value of this liability has been estimated using a discount rate of 10% and payments will be made at the end of a twelve month closing period, over three years. The future undiscounted payments are anticipated to be \$6,000 on July 31, 2014, \$6,434 on July 31, 2015 and \$6,609 on July 31, 2016. The final future payments may be greater or lower than these amounts, based upon the attainment of performance targets.

Share offering

On October 11, 2013, the Company completed a public offering of common shares on behalf of selling stockholders. A total of 5,801,997 shares were sold, including an overallotment option exercised by the underwriters, at a public offering price of \$29.25 per share. We did not receive any proceeds from the sale of shares by the selling stockholders. We incurred costs of \$280 during the three and nine months ended September 30, 2013 in relation to the public offering and this amount is included in general and administration expenses in the condensed consolidated statements of operations. During the fourth quarter of 2013, we expect to incur approximately \$700 of additional costs related to the public offering.

Table of Contents

Key Operating Metrics

The following table provides information regarding the amount of assets utilizing our platform, financial advisors and investor accounts in the periods indicated.

AUM/A metrics in the table below, include WMS, which added approximately \$25 billion in assets, 86,000 accounts and 3,100 advisors as of July 1, 2013.

| | As of | | | | |
|---|--------------------|-------------------|-------------------|-------------------|--------------------|
| | September 30, 2012 | December 31, 2012 | March 31, 2013 | June 30, 2013 | September 30, 2013 |
| (in millions, except accounts and advisor data) | | | | | |
| Platform Assets | | | | | |
| Assets Under Management (AUM) | \$ 29,232 | \$ 30,970 | \$ 34,870 | \$ 38,705 | \$ 41,932 |
| Assets Under Administration (AUA) | 64,229 | 67,368 | 74,839 | 85,601 | 118,228 |
| Subtotal AUM/A | 93,461 | 98,338 | 109,709 | 124,306 | 160,160 |
| Licensing | 254,256 | 269,729 | 295,330 | 302,604 | 326,567 |
| Total Platform Assets | \$ 347,717 | \$ 368,067 | \$ 405,039 | \$ 426,910 | \$ 486,727 |
| Platform Accounts | | | | | |
| AUM | 148,920 | 156,327 | 167,167 | 190,883 | 200,648 |
| AUA | 278,192 | 293,151 | 311,884 | 357,283 | 456,461 |
| Subtotal AUM/A | 427,112 | 449,478 | 479,051 | 548,166 | 657,109 |
| Licensing | 1,170,978 | 1,228,016 | 1,289,491 | 1,365,773 | 1,425,102 |
| Total Platform Accounts | 1,598,090 | 1,677,494 | 1,768,542 | 1,913,939 | 2,082,211 |
| Advisors | | | | | |
| AUM/A | 15,735 | 16,085 | 16,419 | 18,154 | 21,759 |
| Licensing | 6,878 | 6,941 | 6,970 | 7,261 | 7,511 |
| Total Advisors | 22,613 | 23,026 | 23,389 | 25,415 | 29,270 |

The following table provides information regarding the degree to which gross sales, redemptions, net flows and changes in the market values of assets contributed to changes in AUM or AUA in the periods indicated.

| | Asset Rollforward - Three Months Ended September 30, 2013 | | | | | | |
|------------------------------------|---|--------|-------------|-------------|-----------|---------------|---------------|
| | As of 6/30/13 | WMS | Gross Sales | Redemptions | Net Flows | Market Impact | As of 9/30/13 |
| (in millions, except account data) | | | | | | | |
| Assets under Management (AUM) | \$ 38,705 | \$ — | \$ 4,437 | \$ (2,715) | \$ 1,722 | \$ 1,505 | \$ 41,932 |
| Assets under Administration (AUA) | 85,601 | 24,680 | 10,841 | (6,796) | 4,045 | 3,902 | 118,228 |

| | | | | | | | |
|---------------------------|-------------------|------------------|------------------|-------------------|-----------------|-----------------|-------------------|
| Subtotal AUM/A | \$ 124,306 | \$ 24,680 | \$ 15,278 | \$ (9,511) | \$ 5,767 | \$ 5,407 | \$ 160,160 |
| <i>Fee-Based Accounts</i> | <i>548,166</i> | <i>86,014</i> | <i>53,804</i> | <i>(30,875)</i> | <i>22,929</i> | | <i>657,109</i> |

Gross sales for the three months ended September 30, 2013 included \$3.1 billion in new client conversions included in the above AUM/A gross sales figures, and an additional \$4.0 billion of conversions in Licensing.

[Table of Contents](#)

| Asset Rollforward - Nine Months Ended September 30, 2013 | | | | | | | |
|--|-------------------|------------------|------------------|--------------------|------------------|------------------|-------------------|
| | As of 12/31/12 | WMS | Gross Sales | Redemptions | Net Flows | Market Impact | As of 9/30/13 |
| (in millions, except account data) | | | | | | | |
| Assets under Management (AUM) | \$ 30,970 | \$ — | \$ 15,545 | \$ (7,012) | \$ 8,533 | \$ 2,429 | \$ 41,932 |
| Assets under Administration (AUA) | 67,368 | 24,680 | 35,352 | (15,231) | 20,121 | 6,059 | 118,228 |
| Subtotal AUM/A | \$ 98,338 | \$ 24,680 | \$ 50,897 | \$ (22,243) | \$ 28,654 | \$ 8,488 | \$ 160,160 |
| <i>Fee-Based Accounts</i> | <i>449,478</i> | <i>86,014</i> | <i>204,740</i> | <i>(83,123)</i> | <i>121,617</i> | | <i>657,109</i> |

Gross sales for the nine months ended September 30, 2013 included \$18.0 billion in new client conversions included in the above AUM/A gross sales figures, and an additional \$21.3 billion of conversions in Licensing.

The mix of AUM and AUA was as follows for the periods indicated:

| | September 30, 2012 | December 31, 2012 | March 31, 2013 | June 30, 2013 | September 30, 2013 |
|--|-----------------------|----------------------|-------------------|------------------|-----------------------|
| Assets under management (AUM) | 31% | 31% | 32% | 31% | 26% |
| Assets under administration (AUA) | 69% | 69% | 68% | 69% | 74% |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

Results of Operations

Three months ended September 30, 2013 compared to three months ended September 30, 2012

| | Three Months Ended September 30, | | Increase (Decrease) | |
|---|----------------------------------|---------------|---------------------|-------------|
| | 2013 | 2012 | Amount | % |
| (In thousands) | | | | |
| Revenues: | | | | |
| Assets under management or administration | \$ 59,580 | \$ 33,223 | \$ 26,357 | 79% |
| Licensing and professional services | 10,300 | 9,060 | 1,240 | 14% |
| Total revenues | <u>69,880</u> | <u>42,283</u> | <u>27,597</u> | <u>65%</u> |
| Operating expenses: | | | | |
| Cost of revenues | 30,154 | 15,088 | 15,066 | 100% |
| Compensation and benefits | 21,063 | 15,261 | 5,802 | 38% |
| General and administration | 11,985 | 7,621 | 4,364 | 57% |
| Depreciation and amortization | 4,467 | 3,393 | 1,074 | 32% |
| Restructuring charges | 474 | — | 474 | 100% |
| Total operating expenses | <u>68,143</u> | <u>41,363</u> | <u>26,780</u> | <u>65%</u> |
| Income from operations | 1,737 | 920 | 817 | 89% |
| Other income: | | | | |
| Interest income | 4 | 3 | 1 | 33% |
| Total other income | <u>4</u> | <u>3</u> | <u>1</u> | <u>33%</u> |
| Income before income tax provision | 1,741 | 923 | 818 | 89% |
| Income tax provision | 435 | 372 | 63 | 17% |
| Net income | <u>\$ 1,306</u> | <u>\$ 551</u> | <u>\$ 755</u> | <u>137%</u> |

[Table of Contents](#)

Revenues

Total revenues increased 65% from \$42,283 in the three months ended September 30, 2012 to \$69,880 in the three months ended September 30, 2013. The increase was primarily due to an increase in revenues from assets under management or assets under administration of \$26,357. Revenues from assets under management or administration were 85% and 79% of total revenues in the three months ended September 30, 2013 and 2012, respectively.

Assets under management or administration

Revenues earned from assets under management or assets under administration increased 79% from \$33,223 in the three months ended September 30, 2012 to \$59,580 in the three months ended September 30, 2013. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle in 2013, relative to the corresponding period in 2012. In the third quarter of 2013, revenues were positively affected by new account growth and positive net flows of AUM or AUA during 2012 and the first three quarters of 2013, as well as an increase in revenues related to the WMS acquisition.

The number of financial advisors with AUM or AUA on our technology platform increased from 15,735 as of September 30, 2012 to 21,814 as of September 30, 2013 and the number of AUM or AUA client accounts increased from approximately 427,000 as of September 30, 2012 to approximately 657,000 as of September 30, 2013.

Licensing and professional services

Licensing and professional services revenues increased 14% from \$9,060 in the three months ended September 30, 2012 to \$10,300 in the three months ended September 30, 2013, primarily due to an increase in licensing revenue of \$2,000 and a decrease in professional services revenue of \$759.

Cost of revenues

Cost of revenues increased 100% from \$15,088 in the three months ended September 30, 2012 to \$30,154 in the three months ended September 30, 2013, primarily due to a corresponding increase in revenues from AUM or AUA as well as an increase related to the WMS acquisition. As a percentage of total revenues, cost of revenues increased from 36% in the three months ended September 30, 2012 to 43% in the three months ended September 30, 2013.

Compensation and benefits

Compensation and benefits increased 38% from \$15,261 in the three months ended September 30, 2012 to \$21,063 in the three months ended September 30, 2013, primarily due to an increase in salaries, benefits and commission expense of \$3,677 related to an increase in headcount, primarily a result of an increase in headcount associated with the WMS acquisition, an increase in incentive compensation of \$1,073, and an increase in non-cash compensation expense of \$820, primarily related to Tamarac meeting certain performance metrics related to the Envestnet [Tamarac Management Incentive Plan (the "2012 Plan") as well as the accounting impact of a modification to the 2012 Plan in April of 2013. As a percentage of total revenues, compensation and benefits decreased from 36% in the three months ended September 30, 2012 to 30% in the three months ended September 30, 2013.

General and administration

General and administration expenses increased 57% from \$7,621 in the three months ended September 30, 2012 to \$11,985 in the three months ended September 30, 2013, primarily due to year-over-year increases in professional and legal fees of \$1,055, website and systems development costs of \$1,324, occupancy costs of \$351, imputed interest expense on contingent consideration of \$392, travel and entertainment of \$315, and communication, research and data services costs of \$464. As a percentage of total revenues, general and administration expenses decreased from 18% in the three months ended September 30, 2012 to 17% in the three months ended September 30, 2013.

Depreciation and amortization

Depreciation and amortization expense increased 32% from \$3,393 in the three months ended September 30, 2012 to \$4,467 in the three months ended September 30, 2013, primarily due to an increase in intangible asset amortization of \$1,082 as a result of the WMS acquisition. As a percentage of total revenues, depreciation and amortization expense decreased from 8% in the three months ended September 30, 2012 to 6% in the three months ended September 30, 2013.

[Table of Contents](#)

Restructuring charges

Restructuring expense increased from \$0 in the three months ended September 30, 2012 to \$474 in the three months ended September 30, 2013, due to lease termination penalties incurred to terminate the Denver and Raleigh leases in the third quarter of 2013.

Income tax provision

| | Three Months Ended September 30, | |
|----------------------|-------------------------------------|--------|
| | 2013 | 2012 |
| | (in thousands) | |
| Income tax provision | \$ 435 | \$ 372 |
| Effective tax rate | 25.0 % | 40.3 % |

For the three months ended September 30, 2013, our effective tax rate differs from the statutory rate primarily due to the effect of research and development tax credits. For the three months ended September 30, 2012, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes and permanent differences.

Results of Operations

Nine months ended September 30, 2013 compared to nine months ended September 30, 2012

| | Nine Months Ended September 30, | | Increase (Decrease) | |
|---|---------------------------------|-----------|---------------------|------|
| | 2013 | 2012 | Amount | % |
| | (In thousands) | | | |
| Revenues: | | | | |
| Assets under management or administration | \$ 137,150 | \$ 92,498 | \$ 44,652 | 48% |
| Licensing and professional services | 30,987 | 20,389 | 10,598 | 52% |
| Total revenues | 168,137 | 112,887 | 55,250 | 49% |
| Operating expenses: | | | | |
| Cost of revenues | 66,600 | 40,163 | 26,437 | 66% |
| Compensation and benefits | 55,475 | 40,031 | 15,444 | 39% |
| General and administration | 30,840 | 22,542 | 8,298 | 37% |
| Depreciation and amortization | 10,666 | 9,016 | 1,650 | 18% |
| Restructuring charges | 474 | 115 | 359 | * |
| Total operating expenses | 164,055 | 111,867 | 52,188 | 47% |
| Income from operations | 4,082 | 1,020 | 3,062 | * |
| Other income (expense): | | | | |
| Interest income | 13 | 26 | (13) | -50% |
| Interest expense | — | (3) | 3 | * |
| Other income | 182 | — | 182 | 100% |
| Total other income | 195 | 23 | 172 | * |
| Income before income tax provision | 4,277 | 1,043 | 3,234 | * |
| Income tax provision | 1,312 | 420 | 892 | * |
| Net income | \$ 2,965 | \$ 623 | \$ 2,342 | * |

* Not meaningful.

Revenues

Total revenues increased 49% from \$112,887 in the nine months ended September 30, 2012 to \$168,137 in the nine months ended September 30, 2013. The increase was primarily due to an increase in revenues from assets under management or assets under

[Table of Contents](#)

administration of \$44,652. Revenues from assets under management or administration were 82% of total revenues in the nine months ended September 30, 2013 and 2012.

Assets under management or administration

Revenues earned from assets under management or assets under administration increased 48% from \$92,498 in the nine months ended September 30, 2012 to \$137,150 in the nine months ended September 30, 2013. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycles in 2013, relative to the corresponding period in 2012. In 2013, revenues were positively affected by new account growth and positive net flows of AUM or AUA during 2012 and the first three quarters of 2013, as well as an increase in revenues related to the WMS acquisition.

The number of financial advisors with AUM or AUA on our technology platform increased from 15,735 as of September 30, 2012 to 21,814 as of September 30, 2013 and the number of AUM or AUA client accounts increased from approximately 427,000 as of September 30, 2012 to approximately 657,000 as of September 30, 2013.

Licensing and professional services

Licensing and professional services revenues increased 52% from \$20,389 in the nine months ended September 30, 2012 to \$30,987 in the nine months ended September 30, 2013, primarily due to an increase in licensing revenue of \$10,825 and offset by a decrease in professional services revenue of \$218.

Cost of revenues

Cost of revenues increased 66% from \$40,163 in the nine months ended September 30, 2012 to \$66,600 in the nine months ended September 30, 2013, primarily due to a corresponding increase in revenues from AUM or AUA as well as an increase related to the WMS acquisition. As a percentage of total revenues, cost of revenues increased from 36% in the nine months ended September 30, 2012 to 40% in the nine months ended September 30, 2013.

Compensation and benefits

Compensation and benefits increased 39% from \$40,031 in the nine months ended September 30, 2012 to \$55,475 in the nine months ended September 30, 2013, primarily due to an increase in salaries, benefits and commission expense of \$9,847 related to an increase in headcount, primarily a result of an increase in headcount associated with the WMS acquisition, an increase in incentive compensation of \$2,010 and an increase in non-cash compensation expense of \$3,156, primarily related to Tamarac meeting certain performance metrics related to the 2012 Plan, as well as the accounting impact of a modification to the 2012 Plan in April of 2013. As a percentage of total revenues, compensation and benefits decreased from 35% to 33% in the nine months ended September 30, 2012 and 2013, respectively.

General and administration

General and administration expenses increased 37% from \$22,542 in the nine months ended September 30, 2012 to \$30,840 in the nine months ended September 30, 2013, primarily due to one-time re-audit related expenses of \$3,005, and year-over-year increases in website and systems development costs of \$1,947, professional and legal fees of \$701, travel and entertainment of \$640, occupancy costs of \$768, imputed interest expense on contingent consideration of \$392, and communication, research and data services costs of \$1,124. As a percentage of total revenues, general and administration expenses decreased from 20% in the nine months ended September 30, 2012 to 18% in the nine months ended September 30, 2013. Excluding re-audit related expenses of \$3,005, general and administration expenses as a percentage of total revenues would have been 17% in the nine months ended September 30, 2013.

Depreciation and amortization

Depreciation and amortization expense increased 18% from \$9,016 in the nine months ended September 30, 2012 to \$10,666 in the nine months ended September 30, 2013, primarily due to an increase in intangible asset amortization of \$1,398 as a result of intangible assets recorded in purchase accounting related to the Prima and Tamarac acquisitions in 2012 and the WMS acquisition in the third quarter of 2013. As a percentage of total revenues, depreciation and amortization expense decreased from 8% in the nine months ended September 30, 2012 to 6% in the nine months ended September 30, 2013.

[Table of Contents](#)

Restructuring charges

Restructuring expense increased from \$115 in the nine months ended September 30, 2012 to \$474 in the nine months ended September 30, 2013, due to lease termination penalties incurred to terminate the Denver and Raleigh leases in the third quarter of 2013.

Income tax provision

| | Nine Months Ended September 30, | |
|----------------------|------------------------------------|--------|
| | 2013 | 2012 |
| Income tax provision | \$ 1,312 | \$ 420 |
| Effective tax rate | 30.7% | 40.3% |

For the nine months ended September 30, 2013, our effective tax rate differs from the statutory rate primarily due to the effect of net research and development tax credits. For the nine months September 30, 2012, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes and permanent differences.

Non-GAAP Financial Measures

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------|-------------------------------------|------|------------------------------------|------|
| | 2013 | 2012 | 2013 | 2012 |
| (in thousands, unaudited) | | | | |

| | | | | | | | | |
|-------------------------------|----|--------|----|--------|----|---------|----|---------|
| Adjusted revenues | \$ | 69,880 | \$ | 42,684 | \$ | 168,297 | \$ | 113,905 |
| Adjusted EBITDA | | 10,041 | | 6,362 | | 27,554 | | 16,770 |
| Adjusted net income | | 5,068 | | 2,853 | | 13,653 | | 7,282 |
| Adjusted net income per share | | 0.14 | | 0.09 | | 0.39 | | 0.22 |

“Adjusted revenues” excludes the effect of purchase accounting on the fair value of acquired deferred revenue. Under GAAP, we record at fair value the acquired deferred revenue for contracts in effect at the time the entities were acquired. Consequently, revenue related to acquired entities for periods subsequent to the acquisition does not reflect the full amount of revenue that would have been recorded by these entities had they remained stand-alone entities.

“Adjusted EBITDA” represents net income before deferred revenue fair value adjustment, interest income, interest expense, income tax provision (benefit), depreciation and amortization, non-cash compensation expense, restructuring charges and transaction costs, re-audit related expenses, severance, imputed interest on contingent consideration liability and litigation-related expense.

“Adjusted net income” represents net income before deferred revenue fair value adjustment, non-cash compensation expense, restructuring charges and transaction costs, re-audit related expenses, severance, amortization of acquired intangibles, imputed interest on contingent consideration liability and litigation-related expense. Reconciling items are tax-effected using the income tax rates in effect on the applicable date.

“Adjusted net income per share” represents adjusted net income divided by the diluted number of weighted-average shares outstanding.

Our Board of Directors and our management use adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share:

- As measures of operating performance;
- For planning purposes, including the preparation of annual budgets;
- To allocate resources to enhance the financial performance of our business;
- To evaluate the effectiveness of our business strategies; and

27

[Table of Contents](#)

- In communications with our Board of Directors concerning our financial performance.

Our Compensation Committee, Board of Directors and our management may also consider adjusted EBITDA, among other factors, when determining management’s incentive compensation.

We also present adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share as supplemental performance measures because we believe that they provide our Board of Directors, management and investors with additional information to assess our performance. Adjusted revenues provide comparisons from period to period by excluding the effect of purchase accounting on the fair value of acquired deferred revenue. Adjusted EBITDA provides comparisons from period to period by excluding potential differences caused by variations in the age and book depreciation of fixed assets affecting relative depreciation expense and amortization of internally developed software, amortization of acquired intangible assets, re-audit related expenses, litigation-related expense, severance, gain on investments, and changes in interest expense and interest income that are influenced by capital structure decisions and capital market conditions. Our management also believes it is useful to exclude non-cash compensation expense from adjusted EBITDA, adjusted operating income and adjusted net income because non-cash equity grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time.

We believe adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are useful to investors in evaluating our operating performance because securities analysts use adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share as supplemental measures to evaluate the overall performance of companies, and we anticipate that our investor and analyst presentations will include adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share.

Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are not measurements of our financial performance under GAAP and should not be considered as an alternative to net income, or any other performance measures derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of our profitability or liquidity.

We understand that, although adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are frequently used by securities analysts and others in their evaluation of companies, these measures have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under GAAP. In particular you should consider:

- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect non-cash components of employee compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements;
- Other companies in our industry may calculate adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share differently than we do, limiting their usefulness as a comparative measure.

Management compensates for the inherent limitations associated with using adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share through disclosure of such limitations, presentation of our financial statements in accordance with GAAP and reconciliation of adjusted revenues to revenues, adjusted EBITDA, adjusted net income and adjusted net income per share to net income and net income per share, the most directly comparable GAAP measures. Further, our management also reviews GAAP measures and evaluates individual measures that are not included in some or all of our non-GAAP financial measures, such as our level of capital expenditures and interest income, among other measures.

28

[Table of Contents](#)

The following table sets forth a reconciliation of total revenues to adjusted revenues based on our historical results:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | (in thousands, unaudited) | | | |
| Total revenues | \$ 69,880 | \$ 42,283 | \$ 168,137 | \$ 112,887 |
| Deferred revenue fair value adjustment | — | 401 | 160 | 1,018 |
| Adjusted revenues | <u>\$ 69,880</u> | <u>\$ 42,684</u> | <u>\$ 168,297</u> | <u>\$ 113,905</u> |

The following table sets forth a reconciliation of net income to adjusted EBITDA based on our historical results:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------------|------------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | (in thousands, unaudited) | | | |
| Net income | \$ 1,306 | \$ 551 | \$ 2,965 | \$ 623 |
| Add (deduct): | | | | |
| Deferred revenue fair value adjustment | — | 401 | 160 | 1,018 |
| Interest income | (4) | (3) | (13) | (26) |
| Interest expense | — | — | — | 3 |
| Income tax provision | 435 | 372 | 1,312 | 420 |
| Depreciation and amortization | 4,467 | 3,393 | 10,666 | 9,016 |
| Non-cash compensation expense | 2,015 | 1,195 | 6,462 | 3,125 |
| Restructuring charges and transaction costs | 1,119 | 215 | 2,173 | 2,212 |
| Re-audit related expenses | 118 | — | 3,005 | — |
| Severance | 193 | 146 | 425 | 229 |
| Imputed interest expense | 392 | — | 392 | — |
| Litigation related expense | — | 92 | 7 | 150 |
| Adjusted EBITDA | <u>\$ 10,041</u> | <u>\$ 6,362</u> | <u>\$ 27,554</u> | <u>\$ 16,770</u> |

29

[Table of Contents](#)

The following table sets forth the reconciliation of net income to adjusted net income and adjusted net income per share based on our historical results:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------------|------------------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | (in thousands, unaudited) | | | |
| Net income | \$ 1,306 | \$ 551 | \$ 2,965 | \$ 623 |
| Add: | | | | |
| Deferred revenue fair value adjustment | — | 240 | 93 | 609 |
| Non-cash compensation expense | 1,169 | 714 | 3,748 | 1,868 |
| Restructuring charges and transaction costs | 648 | 129 | 1,260 | 1,322 |
| Re-audit related expenses | 68 | — | 1,742 | — |
| Severance | 112 | 87 | 247 | 137 |
| Amortization of acquired intangibles | 1,537 | 1,077 | 3,366 | 2,633 |
| Imputed interest expense | 228 | — | 228 | — |
| Litigation related expense | — | 55 | 4 | 90 |
| Adjusted net income | <u>5,068</u> | <u>2,853</u> | <u>13,653</u> | <u>7,282</u> |
| Diluted number of weighted-average shares outstanding | <u>35,871,975</u> | <u>33,358,706</u> | <u>35,260,044</u> | <u>33,179,044</u> |
| Adjusted net income per share | <u>\$ 0.14</u> | <u>\$ 0.09</u> | <u>\$ 0.39</u> | <u>\$ 0.22</u> |

* Adjustments are tax effected using an income tax rate of 42.0% for 2013 and 40.2% for 2012.

Liquidity and Capital Resources

As of September 30, 2013, we had total cash and cash equivalents of \$36,683 compared to \$29,983 as of December 31, 2012. We plan to use existing cash as of September 30, 2013 and cash generated in the ongoing operations of our business to fund our current operations and capital expenditures for the remainder of 2013.

Cash Flows

The following table presents information regarding our cash flows and cash and cash equivalents for the periods indicated:

| | Nine Months Ended September 30, | |
|--|------------------------------------|-----------|
| | 2013 | 2012 |
| | (In thousands, unaudited) | |
| Net cash provided by operating activities | \$ 14,585 | \$ 19,093 |
| Net cash used in investing activities | (15,586) | (67,433) |
| Net cash provided by financing activities | 7,701 | 4,564 |
| Net increase (decrease) in cash and cash equivalents | 6,700 | (43,776) |
| Cash and cash equivalents, end of period | 36,683 | 21,133 |

Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2013 decreased by \$4,508 compared to the same period in 2012, primarily due to an increase in the change in operating assets and liabilities of \$6,531, offset by an increase in non-cash adjustments, primarily non-cash stock-based compensation expense, totaling \$3,156, and an increase in net income of \$2,342.

[Table of Contents](#)

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2013 decreased by \$51,847 compared to the same period in 2012. The decrease is primarily a result of cash disbursements for the acquisition of Prima and Tamarac totaling \$61,463 in 2012 compared to total cash consideration for the WMS acquisition in 2013 of \$8,992.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2013 increased by \$3,137 compared to the same period in 2012, due to an increase in the proceeds from the exercise of stock options of \$3,651, an increase in excess tax benefits of \$2,704, and offset by a decrease in proceeds from the issuance of restricted stock of \$2,758.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. Note 2, Summary of Significant Accounting Policies, to the Consolidated Financial Statements in our most recent Form 10-K describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Our critical accounting estimates, identified in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our most recent Form 10-K include the discussion of estimates used for recognition of revenues, customer inducements, purchase accounting, internally developed software, non-cash stock-based compensation expense, and income taxes. Such accounting policies and estimates require significant judgments and assumptions to be used in the preparation of the Condensed Consolidated Financial Statements, and actual results could differ materially from the amounts reported.

The fair value of the contingent consideration liability described in Note 3 was estimated using a discounted cash flow method with expected future performance of WMS, and its ability to meet the target performance objectives as the main driver of the valuation, to arrive at the fair value of the contingent consideration. The Company will continue to reassess the fair value of the contingent consideration at each reporting date until settlement. Changes to the estimated fair value of the contingent consideration will be recognized in earnings of the Company.

Commitments and Off-Balance Sheet Arrangements

Leases

In the third quarter of 2013, the Company exercised its right to early terminate the Denver and Raleigh office leases in accordance with the provisions of the leases. The total estimated termination fees are \$1,142, of which approximately \$551 was paid during the third quarter. The remainder of the fee is due in July 2014. The impact of these early terminations has been reflected in the lease commitment table below. During the three and nine months ended September 30, 2013, we recorded an expense in the amount of \$474, net of deferred rent adjustment, and is recorded in restructuring charges in the condensed consolidated statement of operations.

Subsequent to the third quarter of 2013, we are in final negotiations to sign replacement and/or expansion amendments for office leases in Denver, Raleigh, New York and Seattle. The impact of these leases is included in the lease commitment table below.

We lease facilities under non-cancelable operating leases expiring at various dates through 2026. Future minimum lease commitments under these operating leases as of September 30, 2013, was as follows:

| Years ending December 31: | |
|----------------------------------|------------------|
| Remainder of 2013 | \$ 1,588 |
| 2014 | 5,987 |
| 2015 | 5,592 |
| 2016 | 6,540 |
| 2017 | 6,125 |
| Thereafter | 34,489 |
| | <u>\$ 60,321</u> |

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk

Our exposure to market risk is directly related to revenues from asset management or administration services earned based upon a contractual percentage of AUM or AUA. In the three and nine months ended September 30, 2013, 85% and 82% of our revenues

[Table of Contents](#)

were derived from revenues based on the market value of AUM or AUA. We expect this percentage to vary over time. A decrease in the aggregate value of AUM or AUA may cause our revenue and income to decline.

Foreign currency risk

The expenses of our India subsidiary, which primarily consist of expenditures related to compensation and benefits, are paid using the Indian Rupee. We are directly exposed to changes in foreign currency exchange rates through the translation of these monthly expenditures into U.S. dollars. For the three and nine months ended September 30, 2013, we estimate that a hypothetical 10% increase in the value of the Indian Rupee to the U.S. dollar would result in a decrease of approximately \$150 and \$450 to pre-tax earnings, respectively, and a hypothetical 10% decrease in the value of the Indian Rupee to the U.S. dollar would result in an increase of approximately \$150 and \$400, to pre-tax earnings, respectively.

Interest rate risk

We have no floating interest rate debt and therefore we are not directly exposed to interest rate risk.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2013. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2013, and due to the material weakness in our internal control over financial reporting described below under *Management’s Report on Internal Control Over Financial Reporting* our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were not effective.

Beginning in the second quarter of fiscal year 2013, management included the internal controls of Prima and Tamarac in its assessment of the effectiveness of Investnet’s internal control over financial reporting. Prima and Tamarac were acquired during the second quarter of 2012 as discussed in Note 3, *Business Acquisitions*, in the notes to consolidated financial statements included in our 2012 Form 10-K, and were excluded from management’s assessment of internal control over financial reporting as of December 31, 2012 in accordance with the guidance issued by the SEC regarding exclusion of certain acquired businesses.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, as a process designed by, or under the supervision of, a company’s principal executive and principal financial officers and effected by the Company’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made in accordance with authorizations of management and directors of the company; and

32

[Table of Contents](#)

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of September 30, 2013. In connection with this assessment, we identified a material weakness, as described below, in internal control over financial reporting as of September 30, 2013. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—An Integrated Framework* (September 1992). Because of the material weakness described below, management concluded that, as of September 30, 2013, our internal control over financial reporting was not effective.

Inadequate and ineffective controls over accounting for income taxes

We did not have adequate design or operation of controls that provide reasonable assurance that the accounting for income taxes, including the related financial statement disclosures, were in accordance with GAAP. Specifically, we relied on third-party subject matter experts and did not have sufficient technical expertise in the income tax function to provide adequate review and control with respect to the (a) identification and ongoing evaluation of uncertain tax positions in foreign tax jurisdictions; (b) complete and accurate recording of deferred tax assets and liabilities due to differences in accounting treatment for book and tax purposes; and (c) complete and accurate recording of inputs to the consolidated income tax provision and related accruals.

Remediation Plans

Management is committed to remediating its material weakness in a timely fashion. We are in the process of executing remediation plans that address the material weakness in internal controls relating to the accounting for income taxes. Specifically, we replaced our third-party subject matter experts and also hired internal personnel dedicated to managing the income tax function to enhance our expertise in determining the appropriate accounting for material and complex tax transactions. In addition, management’s planned actions to further address the material weakness include:

- Review of tax accounting process to identify and implement enhanced tax accounting processes and related internal control procedures,
- Enhancement of our controls related to the preparation of tax accounting position papers documenting our analysis and conclusions for all technical tax accounting matters, and
- Establish training and education programs for financial personnel responsible for income tax accounting.

The Audit Committee has directed management to develop a detailed plan and timetable for the implementation of the foregoing remedial measures (to the extent not already completed) and will monitor their implementation. In addition, under the direction of the Audit Committee, management will continue to review and make necessary changes to the overall design of the Company’s internal control environment, as well as policies and procedures to improve the overall effectiveness of internal control over

financial reporting.

Management believes the measures described above and others that will be implemented will remediate the control deficiencies identified and will strengthen our internal control over financial reporting. Management is committed to continuous improvement of the Company's internal control processes and will continue to diligently review our financial reporting controls and procedures. As management continues to evaluate and work to improve internal control over financial reporting, we may take additional measures to address control deficiencies or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above. We expect these remedial actions and or other actions related to this material weakness to be effectively implemented in 2013 in order to successfully remediate the material weakness reported within this Form 10-Q by December 31, 2013.

If the remedial measures described above are insufficient to address the identified material weakness or are not implemented effectively, or additional deficiencies arise in the future, material misstatements in our interim or annual financial statements may

33

[Table of Contents](#)

occur in the future. Among other things, any un-remediated material weakness could result in material post-closing adjustments in future financial statements.

Changes in Internal Control Over Financial Reporting

During the nine months ended September 30, 2013, other than replacing our third-party subject matter experts related to income taxes and the hiring of internal personnel dedicated to managing the income tax function, there were no changes to our internal control over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

34

[Table of Contents](#)

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in litigation arising in the ordinary course of our business. We do not believe that the outcome of any of the current litigation, individually or in the aggregate, would, if determined adversely to us, have a material adverse effect on our results of operations, financial condition or business.

Item 1A. Risk Factors

Investment in our securities involves risk. An investor or potential investor should consider the risks summarized under the caption "Risk Factors" in Part I, Item 1A of our 2012 Form 10-K, when making investment decisions regarding our securities. The risk factors that were disclosed in our 2012 Form 10-K have not materially changed since the date our 2012 Form 10-K was filed.

Item 2. Unregistered Sales of Equity Securities

Unregistered Sales of Equity Securities

(c) Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) *Exhibits*

See the exhibit index, which is incorporated herein by reference.

35

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on November 7, 2013.

ENVESTNET, INC.

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Judson Bergman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2013, of Envestnet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2013

/s/ Judson Bergman

Judson Bergman
Chairman and Chief Executive Officer
(Principal Executive Officer)

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Peter H. D'Arrigo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2013, of Envestnet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2013

/s/ Peter H. D'Arrigo
Peter H. D'Arrigo
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Envestnet, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Judson Bergman, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Judson Bergman

By: Judson Bergman
Chairman and Chief Executive Officer
(Principal Executive Officer)

Dated: November 7, 2013

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Envestnet, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter D'Arrigo, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Peter H. D'Arrigo

By: Peter H. D'Arrigo
Chief Financial Officer
(Principal Financial Officer)

Dated: November 7, 2013

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
