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

FORM 10-K

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

For the year ended December 31, 2011

☐ **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	**20-1409613**
(State or other jurisdiction of incorporation or organization)	**(I.R.S Employer Identification No.)**
35 East Wacker Drive, Suite 2400, Chicago, IL	**60601**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	**Name of Each Exchange on Which Registered:**
Common stock, par value $0.005 per share	**NYSE**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

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

Aggregate market value of registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on June 30, 2011 as reported on The New York Stock Exchange on that date: $185,791,246. For purposes of this calculation, shares of common stock held by (i) persons holding more than 5% of the outstanding shares of stock, and (ii) officers and directors of the registrant, as of June 30, 2011, are excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive of affiliate status.

As of March 1, 2012, 31,871,467 shares of the common stock with a par value of $0.005 per share were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our proxy statement for the 2012 Annual Meeting of Stockholders to be held May 17, 2012, are incorporated by reference into Parts II and III of this Form 10-K, to the extent indicated.

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Forward-Looking Statements

This annual report on Form 10-K 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 other comparable terminology. 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 annual report are set forth in Part I 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 annual report to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

You should read this annual report on 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 annual report. 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.

Item 1. Business

General

Envestnet, Inc. (NYSE: ENV) is a leading independent provider of integrated wealth management software and services to financial advisors and institutions. Envestnet AdvisorSuite® software empowers advisors to better manage client outcomes and strengthen their practice. Envestnet® also offers advanced portfolio solutions through its Portfolio Management Consultants group ("Envestnet|PMC"®). Envestnet Reporting Solutions ("Envestnet|Vantage"™) gives advisors an in-depth view of clients' various investments, empowering them to give holistic, personalized advice. By integrating a wide range of investment solutions and services, our Web-based technology platform provides financial advisors with the flexibility to address their clients' needs. We work with financial advisors who are independent, as well as those who are associated with financial advisory firms and financial institutions, which we refer to as enterprise clients. We focus our technology development efforts and our sales and marketing approach on addressing financial advisors' front-, middle- and back-office needs. We believe that our investment solutions and services allow financial advisors to be more efficient and effective in the activities critical to their businesses by facilitating client interactions, supporting and enhancing portfolio management and analysis, and enabling reliable account support and administration. In addition, we are not controlled by a financial institution, broker-dealer or other entity operating in the securities or wealth management industry, which we believe affords us a greater level of independence and impartiality.

Our centrally-hosted technology platform provides financial advisors with the flexibility to choose freely among a wide range of investment solutions, services, investment managers and custodians to identify those that are most appropriate for their clients. Given the flexibility of choice it provides, we refer to our technology

platform as having “open architecture”. In addition, our technology platform allows us to add new or upgrade existing features and functionality as the industry and financial advisors’ needs evolve.

Our technology platform provides financial advisors with the following:

- A series of integrated services to help them better serve their clients, including risk assessment and selection of investment strategies, 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;
- Web-based access to a wide range of technology-enabled investment solutions, including:
    - separately managed accounts, or SMAs, which allow advisors to offer their investor clients a customized, professionally managed portfolio of securities with a personalized tax basis;
    - unified managed accounts, or UMAs, which are similar to SMAs but allow the advisor to use different types of investment vehicles in one account;
    - mutual funds and portfolios of exchange-traded funds, or ETFs; and
    - advisor as portfolio manager, or APM, where advisors create, implement and maintain their own investment portfolio models to address specific client needs;
- Access to a broad range of investment managers and investment strategists, which allow advisors to use the research and recommendations of other investment experts, as well as to our internal investment management and portfolio consulting group, Envestnet|PMC.

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.

While our technology platform is designed for financial advisors working at any size and type of financial services firm, we target our sales and marketing efforts towards:

- Independent financial advisors, including those that are part of financial advisory firms; and
- Enterprise clients. In some cases, enterprise clients establish relationships with more than one platform provider, allowing their financial advisors to choose the technology platform that best supports their needs. In these cases, we focus our sales efforts on the firm’s affiliated financial advisors to demonstrate the distinguishing features of our technology solutions and to work with them on transitioning their assets onto our technology platform. Other enterprise clients hire us to be their exclusive technology platform provider, and all financial advisors with that firm will transition their client accounts to our technology platform.

Our customers include registered investment advisors, or RIAs, which are financial advisors registered with a state securities commissioner and/or the Securities and Exchange Commission, or the SEC, and who typically receive fees based on a percentage of the client assets they manage, independent broker-dealers, or IBDs, which provide processing and oversight for their affiliated financial advisors who are registered with the Financial Industry Regulatory Authority, or FINRA, and dually registered advisors, which are financial advisors registered with both the SEC and FINRA.

We earn revenues primarily under two pricing models. First, a majority of our revenues is derived from fees charged as a percentage of the assets that are managed or administered on our technology platform by

financial advisors. Our asset-based fees vary based on the types of investment solutions and services that financial advisors utilize. Asset-based fees accounted for approximately 80%, 77% and 73% of our total revenues for the years ended December 31, 2011, 2010 and 2009, respectively. As of December 31, 2011, approximately $70 billion of investment assets for which we receive asset-based fees were managed or administered utilizing our technology platform by approximately 13,900 financial advisors in approximately 341,000 investor accounts.

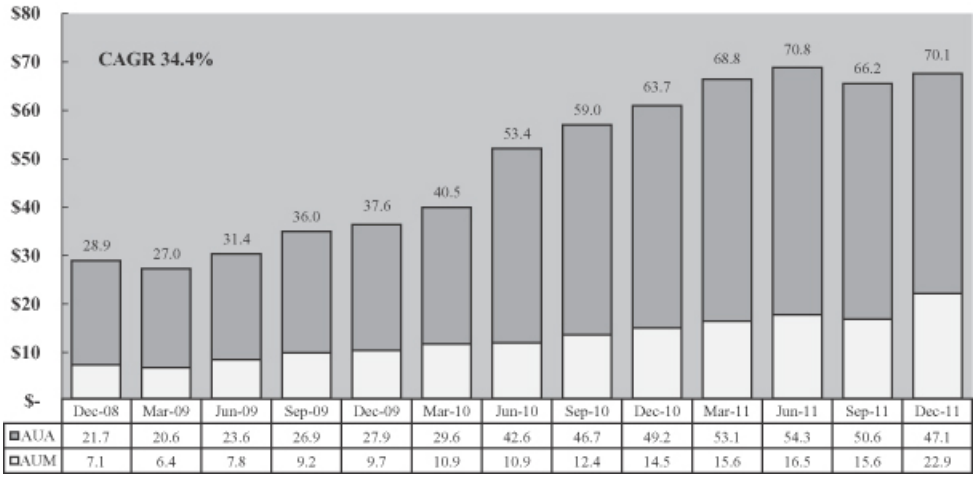
Second, we generate revenues from recurring, contractual licensing fees for providing access to our technology platform, generally from a small number of enterprise clients. Licensing fees are generally fixed for the contract term and are based on the level and types of investment solutions and services provided, rather than on the amount of client assets on our technology platform. Generally, our licensing contracts range from two to five years and have annual renewal provisions. Licensing fees accounted for 16%, 20% and 24% of our total revenues for the years ended December 31, 2011, 2010 and 2009, respectively. Fees received in connection with professional services account for the remainder of our total revenues. As of December 31, 2011, approximately $70 billion of investment assets for which we receive licensing fees for utilizing our technology platform were serviced by approximately 5,700 financial advisors through approximately 588,000 investor accounts.

For over 85% of our asset-based fee arrangements, we bill customers at the beginning of each quarter based on the market value of customer assets on our technology platform as of the end of the prior quarter, providing for a high degree of visibility in the current quarter. Furthermore, our licensing fees are highly predictable because they are generally set in multi-year contracts providing longer term visibility regarding that portion of our total revenues.

The following table sets forth the assets under management or administration as of the end of the quarters indicated:

Quarterly Assets under Management or Administration

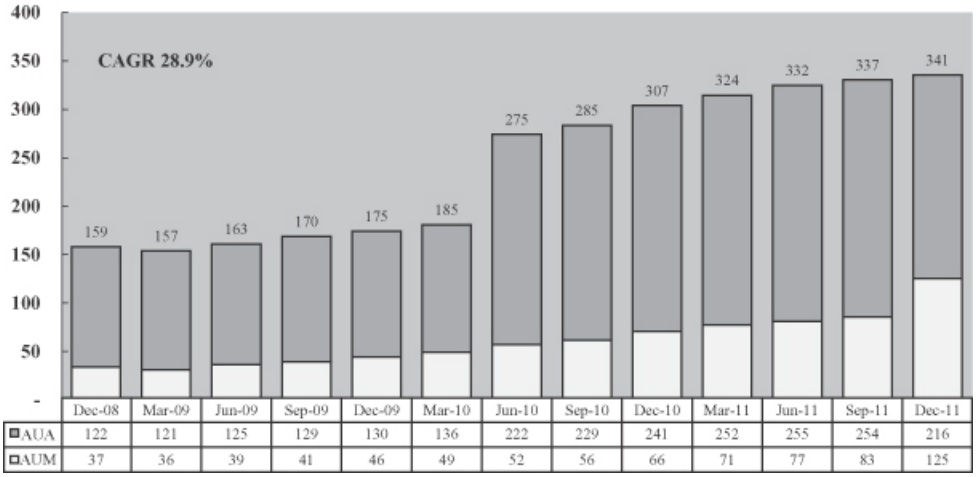
($ In Billions)



	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
AUA	21.7	20.6	23.6	26.9	27.9	29.6	42.6	46.7	49.2	53.1	54.3	50.6	47.1
AUM	7.1	6.4	7.8	9.2	9.7	10.9	10.9	12.4	14.5	15.6	16.5	15.6	22.9

The following table sets forth the number of accounts with assets under management or administration as of the end of the quarters indicated:

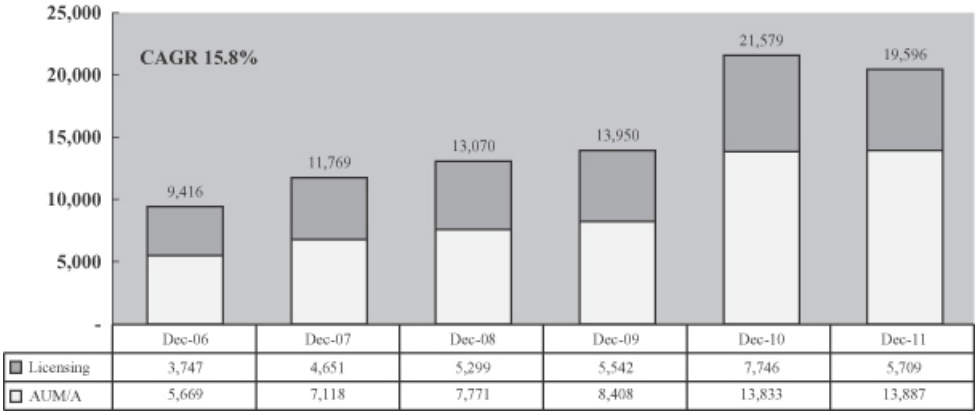
Quarterly Accounts under Management or Administration
(In Thousands)



	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
AUA	122	121	125	129	130	136	222	229	241	252	255	254	216
AUM	37	36	39	41	46	49	52	56	66	71	77	83	125

The following table sets forth as of the dates indicated the number of financial advisors that had client accounts on our technology platform:

Total Advisors



	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Licensing	3,747	4,651	5,299	5,542	7,746	5,709
AUM/A	5,669	7,118	7,771	8,408	13,833	13,887

We were founded in 1999 and through organic growth and strategic transactions we have grown to become a leading independent provider of integrated wealth management software and services to financial advisors and institutions. Our headquarters are located in Chicago and we have offices in New York, New York; Denver, Colorado; Sunnyvale, California; Boston, Massachusetts; Landis, North Carolina; and two locations in Trivandrum, India.

Our Market Opportunity

According to the Federal Reserve, U.S. household and non-profit organization financial assets totaled $47.7 trillion as of September 30, 2011, down from $49.2 trillion in 2010 and a peak of $51.5 trillion in 2007. According to Cerulli Associates, an industry research firm, as of December 31, 2010, $11.2 trillion of assets were professionally managed for retail investors. In addition, according to Cerulli Associates, in 2010, there were approximately 320,000 financial advisors registered with FINRA or the SEC that were focused on retail investors. For 2011, Cerulli Associates estimated there to be 318,000 retail financial advisors in the U.S., a decline in the advisor force due in large part to retirements and firm layoffs of less productive representatives.

In addition, the wealth management industry is characterized by a number of important trends, including those described below, which we believe create a significant market opportunity for technology-enabled investment solutions and services like ours.

Increased prevalence of independent financial advisors. Based on industry news reports, we believe that over the past several years an increasing percentage of financial advisors have elected to leave large financial institutions and start their own financial advisory practices or move to smaller, more independent firms. In 2011, according to the Investment News database called "Advisors on the Move," $60 billion in assets shifted advisory channels. The independent and regional broker-dealer channels were the main beneficiaries of this movement, with both registering asset gains, while the wirehouses and insurance company owned broker-dealers experienced net asset outflows.

These independent firms include IBDs for FINRA-registered financial advisors, RIAs working as sole practitioners or as part of small firms with SEC registrations, and dually registered financial advisors. We believe, based on our industry experience, that this trend was accelerated in the past three to four years as a result of the reputational harm suffered by several of the largest financial institutions during the recent financial crisis. In particular, according to Cerulli Associates, an estimated 41% of financial advisors were considered independent in 2010, and by the end of 2015, 44% of financial advisors will likely be independent, implying that the percentage of financial advisors employed by large financial institutions (wirehouse, regional, insurance and bank) will shrink from 59% in 2010 to 56% in 2015.

Moreover, according to projections by Cerulli Associates, the percentage of assets invested by retail clients with independent financial advisors is expected to rise from 30% in 2007 to 39% in 2013, while the wirehouse market share will shrink from 48% in 2007 to 35% in 2013.

Increased reliance on technology among independent financial advisors. Outsourced technology solutions are growing in popularity among independent advisors. Flexibility and customization are among advisors' highest technology demands. In addition, according to Cerulli Associates, financial advisors desire technology solutions that offer integration among multiple programs. Third-party providers have entered the market to satisfy these needs. According to a survey of 146 registered investment advisors conducted by the Aite Group in 2011, advisors who utilize an integrated platform have the best potential for increasing operational efficiency. These RIAs reduced the time spent on operational tasks by 40%, which increased the amount of time they could spend on client acquisition and prospecting threefold. Aite Group noted that integration would enable advisors to spend more time on investment research, client management and interaction, and acquisition and prospecting. Given this research, we believe that advanced technological support is a key driver for growth in an independent financial advisor's business. A fully integrated technology platform helps reduce technology-related costs, the need for manual processing of data and the potential for incompatible technology applications, thus allowing financial advisors to spend more time interacting with their clients.

Increased use of financial advisors. We believe, based on an analysis done by Cerulli Associates, the recent significant volatility and increasing complexity in securities markets have resulted in increased investor interest in receiving professional financial advisory services. According to Cerulli Associates, 66% of households with investable assets, use one or more financial advisors. Following the market recession and amidst low

confidence ratings for advisors, investors are increasingly implementing additional advisory relationships as a method to compare performance and service between advisors.

Independent financial advisors are well positioned to attract clients interested in managed account solutions over the next three years. According to Cerulli Associates, over the last five years, retail managed accounts in independent channels (i.e. independent broker-dealers, third-party vendors, and discounters) grew from 28% to 34% of total separate account assets. In addition, according to Cerulli Associates, financial advisors that serve as portfolio managers have grown their assets under management at a compound annual rate of 21% from $182 billion in 2006 to $436 billion as of June 30, 2011.

Increased use of fee-based investment solutions. According to Cerulli Associates, fee-based retail assets (those in separately managed accounts and assets managed by RIAs) totaled more than $4 trillion in 2011. Retail investor assets in managed accounts exceeded $2 trillion as of September 30, 2011. In order for financial advisors to effectively manage their clients' assets, we believe they are utilizing account types that offer the flexibility to choose among the widest range of investment solutions.

Financial advisors typically charge their clients fees for these types of flexible accounts based on a percentage of assets rather than on a commission or other basis. According to Cerulli Associates, the percentage of commission-only financial advisors declined from 29% in 2005 to 14% in 2011. In addition, according to information provided by the Securities Industry and Financial Markets Association on NYSE and NASD member firms, revenues from asset management fees (fee based revenue) increased at a compound annual growth rate of 7% from 2000 to 2010, while revenues based on commissions increased at a compound annual growth rate of 3% during the same period. Based on these trends, we believe that financial advisors will increasingly require a sophisticated technology platform to support their changing practice patterns and their ability to address their clients' needs.

More stringent standards applicable to financial advisors. In light of legislative reform initiatives related to securities markets, we believe that there will be increased attention on investor consumer protection, whether as a result of regulatory changes, voluntary industry initiatives or competitive dynamics. Increased scrutiny of financial advisors to ensure compliance with current laws, coupled with the possibility of new laws focused on a fiduciary standard, may require changes to the way financial advisors offer advice. In order to adapt to these changes, we believe that financial advisors will benefit from utilizing a technology platform, such as ours, that allows them to address their clients' wealth management needs, manage and memorialize decisions made throughout the process, and that assists them with recordkeeping and account monitoring.

Our Growth Strategy

We intend to increase our revenue and profitability by continuing to pursue the following strategies:

- ***Increase the advisor base within our existing enterprise clients.*** Through the outreach and marketing activities of our regional sales and client service teams, we intend to continue the process of leveraging our existing enterprise client relationships to add new financial advisors to our technology platform. Generally, when we establish an enterprise client relationship, we are provided access to the client's financial advisors and given the opportunity to move them to our technology platform. During the past five years, with existing enterprises, we have increased the number of advisors with assets under management or administration on our platform at a compound annual growth rate of 13%. Despite that growth, we have the opportunity to continue increasing the number of financial advisors we serve within our existing enterprise client relationships.
- ***Extend the account base within a given advisor relationship.*** As our working relationships with our financial advisor customers develop over time, and through our sales and marketing efforts, we will seek to move more of their clients' assets onto our technology platform. During the five-year period

ended December 31, 2011, the average number of AUM or AUA accounts per advisor on our technology platform has grown from approximately 13 to 25, an increase of 90%. As a result, total AUM or AUA accounts have grown at a compound annual growth rate of 36% from December 31, 2006 through December 31, 2011.

- ***Expand the services we provide each advisor.*** In many cases, when we first enter into a client relationship with a financial advisor, the financial advisor utilizes some, but not all, of the investment solutions and services provided through our technology platform. Accordingly, through our sales and marketing efforts, we will continue to educate our financial advisor customers regarding our company in order to expand the scope of our investment solutions and services they employ.
- ***Obtain new enterprise clients***. New enterprise clients provide us with access to a large number of financial advisors that may be interested in utilizing our technology platform, as well as to the assets under management or administration that are managed by these financial advisors. In most cases, a new enterprise client will provide us with the opportunity to attract a large number of financial advisors to our technology platform over time. In other cases, new enterprise clients elect to convert all or a significant portion of the assets on their platform to our technology platform, with the financial advisors managing such assets migrating onto our platform at the time of the asset conversion. We believe that the current market opportunity for enterprise conversions is significant, particularly compared to historical levels. New enterprise clients also provide further opportunities to execute on the other strategies discussed above.
- ***Continue to invest in our technology platform.*** To continue to attract and retain enterprise clients and financial advisors, and to deepen our relationships with them, we intend to continue to invest in our technology platform to provide financial advisors with access to investment solutions and services that address the widest range of the financial advisors' front-, middle- and back-office needs. In the years ended December 31, 2011, 2010 and 2009, we had technology development expenditures totaling $6.4 million, $5.6 million and $4.9 million, respectively. We expect that we will have similar levels of technology development expenses in 2012. We will continue to invest to develop our technology platform to provide access to investment solutions and services from a wide range of leading third-party providers, while also continuing to enhance the investment solutions and services we offer through Envestnet|PMC.
- ***Continue to pursue transactions and other relationships.*** On December 13, 2011, we completed the acquisition of FundQuest Incorporated ("FundQuest"), a subsidiary of BNP Paribas Investment Partners USA Holdings, Inc. FundQuest, now operating as Envestnet Portfolio Solutions, Inc., is a provider of fee-based managed services and solutions. The Boston-based firm had approximately $15 billion in assets under management and administration as of June 30, 2011.

  On February 9, 2012, we entered into an agreement to acquire Prima Capital Holding, Inc. ("Prima"), a provider of investment manager due diligence, research applications, asset allocation modeling and multi-manager portfolios to the wealth management and retirement industries. Prima's clientele includes seven of the top 20 banks in the U.S. as measured by total assets, independent RIAs, regional broker-dealers, family offices and trust companies.

  On February 16, 2012, we entered into a merger agreement with Tamarac, Inc. ("Tamarac"), a provider of sophisticated portfolio management technology that enables RIAs to efficiently deliver customized individual account management to their clients.

  We intend to continue to selectively pursue acquisitions, investments and other relationships that we believe can enhance the attractiveness of our technology platform or expand our client base.

We believe we have been successful historically in identifying and executing transactions that have complemented our business and allowed us to compete more effectively in our industry. Given our scale of operations and record of past transactions, we believe we are well positioned to engage in such transactions in the future.

Our Business Model

We believe that a number of attractive characteristics significantly contribute to the success of our business model, including:

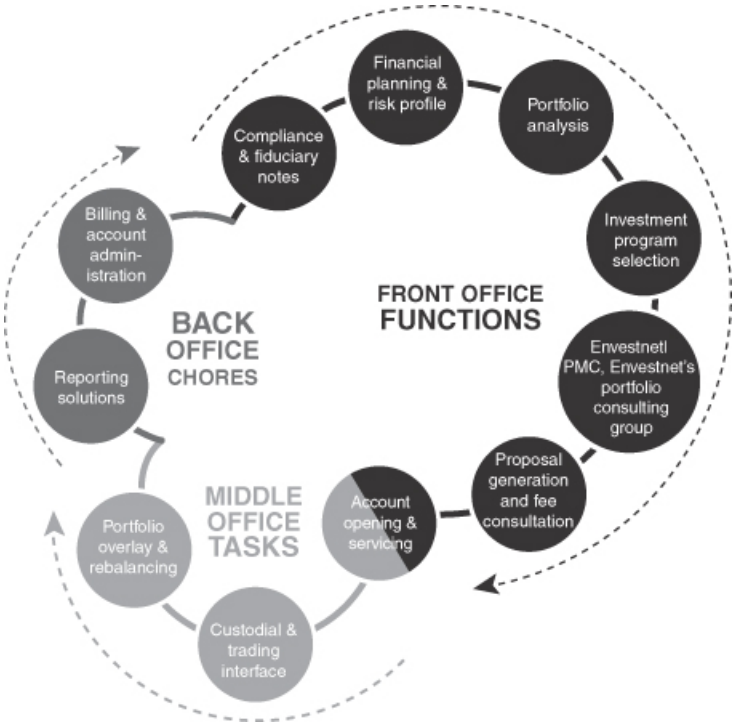
- ***Attractive business model with operating leverage.*** Because we have designed our systems architecture to accommodate growth in the number of advisors and accounts and to provide the flexibility to add new investment solutions and services, our technology platform and infrastructure allow us to grow our business efficiently, without the need for significant additional expenditures as assets grow and with low marginal costs required to add additional accounts and new investment solutions and services. Furthermore, once we have contracted with a financial advisor and transitioned the associated assets to our technology platform, we are able to add additional assets to our technology platform with minimal incremental costs. This enables us to generate substantial operating leverage during the course of our relationship with a financial advisor as the assets of the advisor's clients grow, through the addition of advisors utilizing our technology platform and through the financial advisors' use of additional investment solutions and services.
- ***Recurring and resilient revenue base.*** The substantial majority of our revenues is recurring and is derived either from asset-based fees, which generally are billed at the beginning of each quarter or from fixed fees under multi-year license agreements. For the year ended December 31, 2011, we derived 80% and 16% of our total revenues from asset-based fees and from licensing revenues, respectively.
- ***Strong customer retention.*** We believe that the breadth of access to investment solutions and the multitude of services that we provide allow financial advisors to address a wide range of their clients' needs and, as a result, financial advisors are less likely to move away from our technology platform. Because a technology platform is involved in nearly all of a financial advisor's activities needed to serve their clients, once a financial advisor has moved clients and their assets onto our technology platform, significant time, costs and/or resources would be required for the financial advisor to shift to another technology platform.
- ***Favorable industry trends.*** As an independent provider of technology services to financial advisors, we believe we are well positioned to take advantage of favorable secular trends in the wealth management industry, particularly the increased prevalence and use of independent financial advisors, the movement toward fee-based pricing structures and advisors' increased reliance on technology.

Our Technology Platform

Our proprietary Web-based technology platform provides financial advisors with access to investment solutions and services that address, in one integrated, centrally-hosted platform, based on our knowledge of the industry, the widest range of front-, middle- and back-office needs in our industry. The "open architecture" design of our technology platform provides financial advisors with flexibility in terms of the investment solutions and services they access, and configurability in the manner in which the financial advisors utilize particular investment solutions and services. The multi-tenant architecture of the platform ensures that this level of flexibility and customization is achieved without requiring us to create unique applications for each client, thereby reducing the need for additional technology personnel and associated expenses. In addition, though our technology platform is designed to deliver a breadth of functions, financial advisors are able to select from the various investment solutions and services we offer, without being required to subscribe to or purchase more than what they believe is necessary.

The following provides a description of the investment solutions and services that financial advisors may access through our technology platform:

Broad Technology Service Offering with Multiple Access Points



Financial Planning and Risk Profile. Our technology platform integrates with a number of financial planning tools such as Monte Carlo simulations, portfolio diagnostics and estate and retirement planning that enables financial advisors to create and implement a financial plan that is tailored to each client's investment goals, risk tolerance and assets. For example, financial advisors can create a time-segmented distribution portfolio based on a client's retirement goals. Each segment is constructed as an individual portfolio, with its own criteria for risk tolerance and investment objectives. Once created, the financial advisor can run goals-based reports to track the progress of the retirement investments.

Portfolio Analysis. Our technology platform provides financial advisors with a customizable risk tolerance questionnaire to complete with clients. The questionnaire assists financial advisors in understanding the investment objectives and preferences of their clients. Questionnaire content may be customized to reflect the client's particular circumstances. The questionnaire also helps the financial advisor comply with applicable regulatory requirements regarding the suitability of investments and fiduciary obligations. Based on answers to the questionnaire, the advisor can analyze whether the current portfolio is appropriate to reach the client's goals and suggest an investment policy. Once the investment policy is established and implemented, financial advisors can receive risk and style drift alerts, enabling them to adjust their clients' portfolios to ensure that the portfolios remain in compliance with their clients' stated investment objectives and risk tolerance levels.

Investment Program Selection. Once the investment solutions have been selected, our technology platform, through relationships we have established with a variety of investment managers, allows the financial advisor to access and choose from a wide range of investment programs, including separately managed accounts, unified managed accounts, third-party strategist programs, mutual fund and exchange-traded fund programs, and others, depending on the financial advisor's assessment of the client's needs. Because our technology platform supports nearly every investment program type that is currently available, financial advisors are able to keep more of a client's assets on one technology platform, thereby simplifying the operation of their business, saving time and lowering costs.

Envestnet|PMC, Envestnet's Portfolio Consulting Group. Envestnet|PMC provides consulting services aimed at providing financial advisors with additional support in addressing their clients' needs, including asset allocation modeling, asset manager and mutual fund due diligence, selection and ongoing monitoring, investment portfolio construction and overlay services, principally relating to ongoing portfolio management and asset allocation rebalancing. Envestnet|PMC also creates proprietary investment solutions and products, including separate account strategies, multi-manager portfolios, mutual funds, mutual fund wrap and ETF asset allocation strategies.

Proposal Generation and Fee Calculation. Our technology platform provides financial advisors with a flexible proposal and presentation tool that is capable of creating highly customized documents. Presentations and proposals may be prepared utilizing the financial advisor's personalized branding and content, while also integrating the client's particular investment account information. In addition, extensive fee-related information may be prepared and included in such presentations or proposals.

Account Opening and Servicing. Once the financial advisor has entered the information necessary for generating account documents, the forms needed to open the account can be generated with information pre-populated, such as the client's name and address, making the account-opening process less onerous for the end client. The forms are automatically generated with the investment proposal and are ready for the client's signature. Once the documents are signed, the documents will be processed according to agreed-upon workflow procedures.

Custodial and Trading Interface. Our technology platform provides financial advisors with access to over 30 third-party custodians, real-time data and Web-based service tools. In addition, the open architecture design of our technology platform allows us to respond to financial advisors' needs that may not be currently addressed by our technology platform, including, for example, establishing relationships with additional custodians or third-party asset managers. Our technology platform also supports financial advisors through the management of account paperwork and by facilitating communications with any third-party asset managers that the financial advisor may have engaged.

Portfolio Overlay and Rebalancing. Once a financial advisor has created a client account and selected investment solutions and programs, our technology platform provides access to ongoing account management services. Additionally, Envestnet|PMC portfolio managers review all Envestnet|PMC models and proprietary portfolios to determine when to rebalance across asset classes. Emphasis is placed on strict adherence to the paramaters set for each portfolio. In addition, we offer overlay services that can help enhance an advisor's ability to carry out his or her fiduciary responsibility. These services include ongoing review of investment portfolios for compliance with asset allocation criteria, with rebalancing recommendations made as necessary, assistance with investment portfolio tax management and review of investment accounts to ensure that investment decisions are consistent with the client's investment objectives. We also offer a socially responsible overlay which the financial advisor may use to maintain compliance with clients' investment restrictions. These may include securities issued by specific companies or from issuers in certain industries that clients want to exclude from their investment accounts.

Reporting Solutions. Our technology platform is capable of producing highly configurable aggregated reports showing holdings, investment performance, capital gains and losses and other information for financial advisors to provide to their clients that can be downloaded, viewed on-line or printed. In addition, through our

India operations, our technology platform provides financial advisors with access to client account data reconciled daily with records maintained by multiple custodians. Accordingly, when securities markets open each day, financial advisors have the most up-to-date account data available. We now market our reporting solutions under the brand name Envestnet|Vantage.

Billing and Account Administration. Our technology platform supports a wide range of fee and billing structures. These include breakpoint pricing, where lower fee rates are applied as asset levels meet or exceed pre-established thresholds, fees based on aggregated client funds across several accounts held by family members, fees tailored to different investment programs and investment solution types and other customized fee and billing arrangements. Account administration includes account set-up, asset manager set-up, account funding and back-office administration.

Compliance and Fiduciary Notes. Envestnet has created industry leading technology to help advisors and home offices track and maintain their own proprietary fiduciary process. Our technology platform includes configurable Fiduciary Oversight Notes (FONs) that help advisors understand implications of the decisions they make via educational text boxes, and then memorialize those decisions for client service and reporting. The FONs may be searched and reviewed by home offices or the advisors themselves.

Portfolio Management Consultants

Envestnet|PMC primarily engages in three sets of activities:

- Consulting services aimed at providing financial advisors with additional support in addressing their clients' needs. The consulting services are focused on asset allocation modeling, asset manager and mutual fund due diligence, selection and ongoing monitoring, investment portfolio construction and overlay services, principally relating to ongoing portfolio management and asset allocation rebalancing.
- Creation of proprietary investment solutions and products, including separate account strategies, multi-manager portfolios, mutual funds, mutual fund wrap and ETF portfolios. Envestnet|PMC's investment solutions and products are discussed below.
- Premium research, in-depth analysis of managers and strategies on the Envestnet platform, which is published quarterly and distributed to clients.

Envestnet|PMC's Investment Solutions and Products

Envestnet|PMC provides a wide range of investment solutions and products aimed at addressing different investor objectives and risk profiles. Envestnet|PMC's investment solutions and products include:

- ***Managed Account and Multi-Manager Portfolios***. Envestnet|PMC provides financial advisors with access to SMAs, which allow advisors to offer their investor clients a customized, professionally-managed portfolio of securities with a personalized tax basis, manager blend portfolios, which utilize several asset managers to provide clients with diversification across multiple investment styles and asset classes within a single investment account, and multi-manager accounts, which provide clients, within a single investment account, with access to multiple separate account managers and mutual fund products in order to obtain diversification across asset classes, investment styles and investment products. Envestnet|PMC also conducts research and due diligence on a number of the separate asset managers to which it provides access.
- ***Mutual Fund Portfolios***. Envestnet|PMC offers a range of packaged mutual fund portfolios aimed at helping financial advisors address different client needs. These mutual fund portfolios include a series of products marketed under the "SIGMA Mutual Fund Solutions" brand, which provide for different allocations of a variety of equity- and fixed income-focused mutual funds tailored to address investors' differing investment time horizons, portfolios of mutual funds marketed under the

"PMC Select Portfolios" brand, which are tailored to be more attractive to smaller account sizes because they feature a full range of asset allocation targets built to meet various investment and risk levels in a single investment vehicle, portfolios of mutual funds marketed under the "PMC Enhanced Portfolio Strategies" brand, which offer asset class diversification strategies in a traditional mutual fund structure, and portfolios of mutual funds marketed under the "PMC Ultra Short Term Fixed Income" brand, which offer a fixed income portfolio aimed at providing investors with an attractive alternative to money market fund yields.

- ***ETF Portfolios***. Envestnet|PMC also offers pre-packaged portfolios of ETFs, ranging from products that simply track movements in a specified securities index to tailored products that are designed to outperform broad market indexes by focusing on expected increases in the value of securities issued by certain companies or issuers in specified industries.

Our Customers

Independent financial advisors that are working alone or as part of financial advisory firms Our principal value proposition aimed at independent financial advisors working alone or as part of financial advisory firms is that our technology platform allows them to compete effectively with financial advisors employed by large financial institutions. We provide independent financial advisors with access to as many or more of the investment solutions and services that are typically available to financial advisors working at the largest firms. An example of one of our independent financial advisory firm clients is Commonwealth Financial Network.

Enterprise clients. We provide enterprise clients with a customized, private-labeled technology platform that enables them to support their affiliated financial advisors with a broad range of investment solutions and services. Our contracts with enterprise clients establish the applicable terms and conditions, including pricing terms, service level agreements and basic platform configurations. For the years ended December 31, 2011, 2010 and 2009, revenues associated with our relationship with our single largest enterprise client, FMR LLC, an affiliate of FMR Corp., or Fidelity, accounted for 28%, 31% and 31%, respectively, of our total revenues. No other client accounted for more than 10% of our total revenues. Examples of our other enterprise clients include Northwestern Mutual, National Financial Partners, National Planning Holdings and Russell Investments.

Sales and Marketing

Our sales and marketing staff is divided into three teams. The Enterprise Sales team, made up of 14 employees, focuses on entering into agreements with enterprise clients. The Advisory Sales team has 47 employees and is focused on selling to the individual financial advisors of IBDs and entering into agreements with RIA firms. Our third sales and marketing team has 5 employees from our Envestnet|PMC group. This team is focused on assisting financial advisors with constructing client portfolios and provides information regarding Envestnet|PMC's proprietary investment solutions and products.

The principal aim of our marketing efforts is to create greater visibility of our company and our brands, and to provide thought leadership to the wealth management industry. Our marketing efforts are focused on our core markets: financial advisors and enterprise clients. We use advertising and public relations to communicate our message to these target markets. Examples of these marketing efforts include:

- quotes in wealth management industry publications regarding our views on financial advisor trends and challenges;
- advertising and other marketing materials promoting our investment solutions and services;
- frequent participation in industry conferences and tradeshows, including events sponsored by our custodian partners, by sponsorship, making presentations and speaking on panels;
- hosting conferences on wealth management solutions;
- providing insights on industry trends through internal research and sponsoring and writing industry white papers; and
- creating marketing tools for financial advisors to better communicate with their current and prospective clients.

To implement our marketing efforts, we generally employ paid print and online advertisements in a variety of industry publications, as well as promotions that include e-blast campaigns and sponsored webinars. We also partner with IBDs on direct mail campaigns targeting such firms' financial advisors to describe the investment solutions and services that we offer, produce brochures and presentations for financial advisors to use with their clients and we create Internet pages or sites to promote our investment solutions and services.

Competition

We generally compete on the basis of several factors, including the breadth and quality of investment solutions and services to which we provide access through our technology platform, the number of custodians that are connected through our technology platform, the price of our investment solutions and services, the ease of use of our technology platform and the nature and scope of investment solutions and services that each client believes are necessary to address their needs. Our competitors offer a variety of products and services that compete with one or more of the investment solutions and services provided through our technology platform, although, based on our industry experience, we believe that none offer a more comprehensive set of products and services that we do. Our principal competitors include:

- ***Custodians***. A number of leading asset custodians, such as Pershing (a subsidiary of BNY Mellon Corporation) and The Charles Schwab Corporation, have expanded beyond their custodial businesses to also offer advisor trading tools that compete with our financial advisor-directed solutions.
- ***Turnkey Asset Management Platform Providers***. Providers of turnkey asset management platforms, including SEI Investments Company, Genworth Financial Inc. and Lockwood Advisors (a subsidiary of BNY Mellon Corporation), typically provide financial advisors with one or more types of products and services but generally offer fewer choices in terms of custodians, asset managers, technology features and functionality.
- ***Providers of Specific Service Applications***. A number of our competitors provide financial advisors with a product or service designed to address one specific issue or need, such as financial planning or performance reporting. While our technology platform also provides access to these investment solutions or services, financial advisors may elect to utilize a single application rather than a fully integrated platform.

Technology

Our technology platform features a three-tier architecture integrating a Web-based user interface, an application tier that houses the Java-based business logic for all of the platform's functionality and a SQL Server

database. The application tier resides behind load balancers which distribute the workload demands across our servers. We believe our technology design allows for significant scalability.

We devote significant resources to ensuring sufficient platform capacity and system uptime. In 2011, our actual uptime was 99.8%. We have achieved SSAE16 SOC1 compliance with our platform and we maintain multiple redundancies, back up our databases and safeguard technologies and proprietary information consistent with industry best practices. We also maintain a comprehensive business continuity plan and company-wide risk assessment program that is consistent with industry best practices and that complies with applicable regulatory requirements.

We have historically made significant investments in platform development in order to enhance and expand our technology platform and expect to continue to make significant investments in the future. In the years ended December 31, 2011, 2010 and 2009, we incurred technology development expenditures totaling approximately $6.4 million, $5.6 million and $4.9 million, respectively. Of these expenditures, we capitalized approximately $1.5 million, $1.3 million and $1.3 million, respectively, as internally developed software. We expect to continue focusing our technology development efforts principally on adding features to increase our market competitiveness, enhancements to improve operating efficiency and reduce risk, and client-driven requests for new capabilities.

Intellectual Property and Proprietary Rights

We rely on a combination of trademark, copyright and trade secret protection laws to protect our proprietary technology and our intellectual property. We seek to control access to and distribution of our proprietary information. We enter into confidentiality agreements with our employees, consultants, customers and vendors that generally provide that any confidential or proprietary information developed by us or on our behalf be kept confidential. In the normal course of business, we provide our intellectual property to third parties through licensing or restricted use agreements. We have proprietary know-how in algorithms, implementation and business on-boarding functions, along with a wide variety of applications software. We have registered the mark “ENVESTNET” with the U.S. Patent and Trademark Office in addition to several marks commonly used by Envestnet. We also pursue the registration of certain of our other trademarks and service marks in the United States. In addition, we have registered our domain name, www.envestnet.com and www.fidurciaryopportunity.com with Register.com, Inc. and maintain several additional websites, such as www.envestnetpmc.com, investpmc.com and envestnetadvisor.com (registered with Network Solutions, LLC). We have established a system of security measures to protect our computer systems from security breaches and computer viruses. We have employed various technology and process-based methods, such as clustered and multi-level firewalls, intrusion detection mechanisms, vulnerability assessments, content filtering, antivirus software and access control mechanisms. We also use encryption techniques for data transmissions. We control and limit access to confidential and proprietary information on a “need to know” basis.

Regulation

Overview

The financial services industry is among the most extensively regulated industries in the United States. We operate investment advisory, broker-dealer and mutual fund advisory businesses, each of which is subject to a specific regulatory scheme, including regulation at the Federal and state level, as well as regulation by self-regulatory organizations and non-U.S. regulatory authorities. In addition, we are subject to numerous laws and regulations of general application.

Our wholly-owned subsidiaries, Envestnet Asset Management, Inc., Portfolio Management Consultants, Inc., Envestnet Portfolio Solutions, Inc. (“EPS”) (formerly FundQuest) and Oberon Financial Technology, Inc. operate investment advisory businesses. These subsidiaries are registered with the SEC as “investment advisers” under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and are regulated thereunder. As described further below, many of our investment advisory programs are conducted pursuant to the non-exclusive

safe harbor from the definition of an "investment company" provided for under Rule 3a-4 under the Investment Company Act of 1940, as amended (the "Investment Company Act"). If Rule 3a-4 were to cease to be available, or if the SEC were to modify the rule or its interpretation of how the rule is applied, it could have a substantial effect on our business. Envestnet Asset Management, Inc. serves as the investment adviser to two mutual funds and EPS serves as the investment adviser to seven mutual funds. Mutual funds are registered as "investment companies" under the Investment Company Act. The Advisers Act and the Investment Company Act, together with related regulations and interpretations of the SEC, impose numerous obligations and restrictions on investment advisers and mutual funds, including recordkeeping requirements, limitations on advertising, disclosure and reporting obligations, prohibitions on fraudulent activities, and detailed operating requirements, including restrictions on transactions between an adviser and its clients, and between a mutual fund and its advisers and affiliates. The fiduciary obligations of investment advisers to their clients require advisers to, among other things, consider the suitability of the investment products and advice they provide, seek "best execution" for their clients' securities transactions, conduct due diligence on third-party products offered to clients, consider the appropriateness of the adviser's fees, and provide extensive and ongoing disclosure to clients. The application of these requirements to wrap fee programs is particularly complex and the SEC has in the past scrutinized firms' compliance with these requirements. The SEC is authorized to institute proceedings and impose fines and sanctions for violations of the Advisers Act and the Investment Company Act and has the power to restrict or prohibit an investment adviser from carrying on its business in the event that it fails to comply with applicable laws and regulations. Though we believe we are in compliance in all material respects with the requirements of the Advisers Act and the Investment Company Act and the rules and interpretations promulgated thereunder, our failure to comply with such laws, rules and interpretations could have a material adverse effect on us.

Portfolio Brokerage Services, Inc., or PBS, our broker-dealer subsidiary, is registered as a broker-dealer with the SEC under the Securities Exchange Act of 1934, or the Exchange Act, in all 50 states and the District of Columbia. In addition, PBS is a member of FINRA, the securities industry self-regulatory organization that supervises and regulates the conduct and activities of broker-dealers. Broker-dealers are subject to regulations that cover all aspects of their business, including sales practices, market making and trading among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, record-keeping and the conduct of directors, officers, employees, representatives and associated persons. FINRA and the SEC conduct periodic examinations of the operations of its members, including PBS. Violation of applicable regulations can result in the suspension or revocation of a broker-dealer's registration, the imposition of censures or fines and the suspension or expulsion of the broker-dealer from FINRA. PBS is subject to minimum net capital requirements under the Exchange Act, SEC and FINRA rules and conducts its business pursuant to the exemption from the SEC's customer protection rule provided by Rule 15c3-3(k)(2)(i) under the Exchange Act. As of December 31, 2011, PBS was required to maintain a minimum of $100,000 in net capital and its actual net capital was $881,658.

Our regulated subsidiaries are subject to various federal and state laws and regulations that grant supervisory agencies, including the SEC, broad administrative powers. In the event of a failure to comply with these laws and regulations, the possible sanctions that may be imposed include the suspension of individual employees, limitations on the permissibility of our regulated subsidiaries and our other subsidiaries to engage in business for specified periods of time, censures, fines, and the revocation of registration as a broker-dealer or investment adviser, as applicable. Additionally, the securities laws applicable to us and our subsidiaries provide for certain private rights of action that could give rise to civil litigation. Any litigation could have significant financial and non-financial consequences including monetary judgments and the requirement to take action or limit activities that could ultimately affect our business.

Additional legislation and regulations, including those relating to the activities of investment advisers and broker-dealers, changes in rules imposed by the SEC or other regulatory authorities and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules may adversely affect our business and profitability. Our businesses may be materially affected not only by regulations applicable to it as an investment adviser or broker-dealer, but also by regulations that apply to companies generally.

Investment Advisory Program Conducted Under Rule 3a-4

Under the Investment Company Act, an issuer that is engaged in the business of investing, reinvesting or trading in securities may be deemed an "investment company," in which case the issuer may be subject to registration requirements and regulation as an investment company under the Investment Company Act. In order to provide assurance that certain discretionary investment advisory programs would not be considered investment companies, the SEC adopted Rule 3a-4 under the Investment Company Act, which provides a non-exclusive safe harbor from the definition of an investment company for programs that meet the requirements of the rule. We conduct the following programs pursuant to the Rule 3a-4 safe harbor:

- Separately managed accounts;
- Unified managed account portfolios;
- Mutual fund portfolios and exchange-traded fund portfolios; and
- Advisor as portfolio manager.

We believe that, to the extent we exercise discretion over accounts in any of these programs, these programs qualify for the safe-harbor because all of the programs have the following characteristics, which are generally required in order for a program to be eligible for the Rule 3a-4 safe harbor:

- Each client account is managed on the basis of the client's financial situation, investment objectives and reasonable client-imposed investment restrictions;
- At the opening of the account, the client's financial advisor obtains information from the client and provides us with the client's financial situation, investment objectives and reasonable restrictions;
- On no less than an annual basis, the client's financial advisor periodically contacts the client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. This information is communicated to us and reflected in our management of client accounts;
- On a quarterly basis, we or another designated person (in most cases this will be the client's financial advisor) notify the client to contact us or another designated person if there have been any changes to the client's financial position or investment objectives or if the client wishes to impose any reasonable restrictions on the management of the account;
- We, the client's financial advisor and the manager of the client's account, all of whom are knowledgeable about the account and its management, are reasonably available to the client for consultation;
- All of the programs allow each client to impose reasonable restrictions on the management of his or her account;
- On at least a quarterly basis, the client is provided with a statement containing a description of all activity in the client's account during the preceding period, including all transactions made on behalf of the account, all contributions and withdrawals made by the client, all fees and expenses charged to the account, and the value of the account at the beginning and end of the period; and
- For all of the programs, each client retains, with respect to all securities and funds in the client's account, the right to withdraw securities or cash, vote securities, or delegate the authority to vote securities to another person, receive written confirmation or other notification of each securities transaction by the client's independent custodian, and proceed directly as a security holder against the issuer of any security in the client's account without the obligation to include us or any other client of the program in any such action as a condition precedent to initiating such proceeding.

Employees

As of December 31, 2011, we had 524 employees, including 75 in sales and marketing, 129 in engineering and systems, 262 in operations, 13 in investment management and research, and 45 in executive and corporate functions. Of these 524 employees, 223 were located in India. None of our employees is represented by a labor union. We have never experienced a work stoppage and believe our relationship with our employees is satisfactory.

Executive Officers of the Registrant

The following table summarizes information about each one of our executive officers.

Name	Age	Position(s)
Judson Bergman	55	Chairman, Chief Executive Officer, Director
William Crager	48	President
Peter D'Arrigo	44	Chief Financial Officer
Scott Grinis	50	Chief Technology Officer
Shelly O'Brien	46	Chief Legal Officer, General Counsel and Corporate Secretary
Brandon Thomas	48	Chief Investment Officer

Judson Bergman, Age 55. Mr. Bergman is the founder of our company and has served as our Chairman, Chief Executive Officer and a director since 1999. Prior to founding our company, Mr. Bergman was Managing Director at Nuveen Investments, Inc., or Nuveen, a diversified investment manager. Mr. Bergman serves as a trustee of RS Investment Trust and RS Variable Products Trust, registered investment companies. Mr. Bergman received an MBA in finance and accounting from Columbia University and a BA in English from Wheaton College. Mr. Bergman's qualifications to serve on our Board of Directors are primarily based on his experience as the founder of our company, his familiarity with the financial services industry acquired through his experience at Nuveen and his education in finance and accounting.

William Crager, Age 48. Mr. Crager has served as our President since 2002. Prior to joining us, Mr. Crager served as Managing Director of Marketing and Client Services at Rittenhouse Financial Services, Inc., an investment management firm affiliated with Nuveen. Mr. Crager received an MA from Boston University and a BA from Fairfield University, with a dual major in economics and English.

Peter D'Arrigo, Age 44. Mr. D'Arrigo has served as our Chief Financial Officer since 2008. Prior to joining us, Mr. D'Arrigo worked at Nuveen where he served as Treasurer since 1999, as well as holding a variety of other titles after joining them in 1990. Mr. D'Arrigo received an MBA from the Northwestern University Kellogg Graduate School of Management and an undergraduate degree in applied mathematics from Yale University.

Scott Grinis, Age 50. Mr. Grinis has served as our Chief Technology Officer since 2004. Prior to joining us, Mr. Grinis co-founded Oberon Financial Technology, Inc., our subsidiary, prior to its acquisition by us. Mr. Grinis received a BS and an MS degree in electrical engineering from Stanford University.

Shelly O'Brien, Age 46. Ms. O'Brien has served as our Chief Legal Officer, General Counsel and Corporate Secretary since 2002. Prior to joining us, Ms. O'Brien was General Counsel and Director of Legal and Compliance for ING (U.S.) Securities, Futures & Options Inc., a broker-dealer, and futures commission merchant. Ms. O'Brien received a degree in political science from Northwestern University, a JD from Hamline University School of Law, and an LLM in taxation from John Marshall Law School.

Brandon Thomas, Age 48. Mr. Thomas is a co-founder of our company and has served as Chief Investment Officer and Managing Director of Portfolio Management Consultants, our internal investment management and portfolio consulting group, since 1999. Prior to joining us, Mr. Thomas was Director of Equity Funds for

Nuveen. Mr. Thomas received an MBA from the University of Chicago, a JD from DePaul University and is a graduate of Brown University.

Item 1A. Risk Factors

Investment in our securities involves risk. An investor or potential investor should consider the risks summarized in this section when making investment decisions regarding our securities. These risks and uncertainties include, but are not limited to, the risk factors set forth below. The risks and uncertainties described in this section are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, financial condition and results of operations could be materially adversely affected.

Risks Related to Our Business

We have experienced rapid revenue growth, which may be difficult to sustain and which may place significant demands on our administrative, operational and financial resources and any inability to maintain or manage our growth could have a material adverse effect on our results of operations, financial condition or business.

Our revenues during the three years ended December 31, 2011 have grown at a compound annual growth rate of 26%. We expect our growth to continue, which could place additional demands on our resources and increase our expenses. Our future growth will depend on, among other things, our ability to successfully grow our total assets under management and administration and add additional clients. If we are unable to implement our growth strategy, develop new investment solutions and services and gain new clients, our results of operations, financial condition or business may be materially adversely affected.

Sustaining growth will also require us to commit additional management, operational and financial resources and to maintain appropriate operational and financial systems. In addition, continued growth increases the challenges involved in:

- recruiting, training and retaining sufficiently skilled technical, marketing, sales and management personnel;
- preserving our culture, values and entrepreneurial environment;
- successfully expanding the range of investment solutions and services offered to our clients;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, compliance, record-keeping, communications and other internal systems; and
- maintaining high levels of satisfaction with our investment solutions and services among clients.

There can be no assurance that we will be able to maintain or accelerate our growth, and any failure to do so could adversely affect our results of operations, financial condition or business.

Our revenue can fluctuate from period to period, which could cause our share price to fluctuate.

Our revenue may fluctuate from period-to-period in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations include the following events, as well as other factors described elsewhere in this document:

- a decline or slowdown of the growth in the value of financial market assets, which may reduce the value of assets under management and administration and therefore our revenues and cash flows;

- negative public perception and reputation of the financial services industry, which would reduce demand for our investment solutions and services;
- unanticipated changes to economic terms in contracts with clients, including renegotiations;
- downward pressure on fees we charge our clients, which would therefore reduce our revenue;
- changes in laws or regulations that could impact our ability to offer investment solutions and services;
- failure to obtain new clients;
- cancellation or non-renewal of existing contracts with clients;
- failure to protect our proprietary technology and intellectual property rights;
- unanticipated delays in connection with the conversion of client assets onto our technology platform;
- reduction in the suite of investment solutions and services provided to existing clients; or
- changes in our pricing policies or the pricing policies of our competitors to which we have to adapt.

As a result of these and other factors, the results of operations for any quarterly or annual period may differ materially from the results of operations for any prior or future quarterly or annual period and should not be relied upon as indications of our future performance.

We operate in a highly competitive industry, with many firms competing for business from financial advisors on the basis of a number of factors, including the quality and breadth of investment solutions and services, ability to innovate, reputation and the prices of services and this competition could hurt our financial performance.

We compete with many different types of companies that vary in size and scope, including Pershing LLC (a subsidiary of BNY Mellon Corporation), The Charles Schwab Corporation, SEI Investments Company, Genworth Financial Inc. and Lockwood Advisors (a subsidiary of BNY Mellon Corporation) and which are discussed in greater detail under "Business—Competition" included in this Form 10-K. In addition, some of our clients have developed or may develop the in-house capability to provide the technology and/or investment advisory services they have retained us to perform. These clients may also offer internally developed services to their financial advisors, obviating the need to hire us, and they may offer these services to third-party financial advisors or financial institutions, thereby competing directly with us for that business.

Many of our competitors have significantly greater resources than we do. These resources may allow our competitors to respond more quickly to changes in demand for investment solutions and services, to devote greater resources to developing and promoting their services and to make more attractive offers to potential clients and strategic partners, which could hurt our financial performance.

We may lose clients as a result of the sale or merger of a client, a change in a client's senior management, competition from other financial advisors and financial institutions and for other reasons. We also face increased competition due to the current trend of industry consolidation. If large financial institutions that are not our clients are able to attract assets from our clients, our ability to grow revenues and earnings may be adversely affected.

Our Envestnet|PMC group competes with other providers of investment solutions and products. These competitors may offer broader solutions and/or products and their solutions and/or products may have better investment returns during one or more periods. If the investment returns on our investment products is not perceived to be competitive, we could experience outflows of assets from these products and face difficulty attracting new assets to these products.

Our failure to successfully compete in any of the above-mentioned areas could have a material adverse effect on our results of operations, financial condition or business. Competition could also affect the revenue mix of services we provide, resulting in decreased revenues in lines of business with higher profit margins.

We derive nearly all of our revenues from the delivery of investment solutions and services to clients in the financial advisory industry and our revenue could suffer if that industry experiences a downturn.

We derive nearly all of our revenues from the delivery of investment solutions and services to clients in the financial advisory industry and we are therefore subject to the risks affecting that industry. A decline or lack of growth in demand for financial advisory services would adversely affect our clients and, in turn, our results of operations, financial condition and business. For example, the availability of free or low-cost investment information and resources, including research and information relating to publicly traded companies and mutual funds available on the Internet or on company websites, could lead to lower demand by investors for the services provided by financial advisors. In addition, demand for our investment solutions and services among financial advisors could decline for many reasons. Consolidation or limited growth in the financial advisory industry could reduce the number of our clients and potential clients. Events that adversely affect our clients' businesses, rates of growth or the numbers of customers they serve, including decreased demand for our clients' products and services, adverse conditions in our clients' markets or adverse economic conditions generally, could decrease demand for our investment solutions and services and thereby decrease our revenues. Any of the foregoing could have a material adverse effect on our results of operations, financial condition or business.

A limited number of clients account for a material portion of our revenue. Termination of our contracts with any of these clients could have a material adverse effect on our results of operations, financial condition or business.

For the years ended December 31, 2011, 2010 and 2009, revenues associated with our relationship with our single largest client, FMR LLC, an affiliate of FMR Corp., or Fidelity, accounted for 28%, 31% and 31% respectively, of our total revenues and our ten largest clients accounted for 61%, 62% and 66% respectively, of our total revenues. Our license agreements with large financial institutions are generally multi-year contracts that may be terminated upon the expiration of the contract term or prior to such time for cause, which may include breach of contract, bankruptcy, insolvency and other reasons. The license fee payments pursuant to our license agreement with Fidelity were renegotiated and reduced as of December 31, 2011 and was extended for an additional five years. The agreement, as amended, includes receiving ongoing platform services fees through the Fidelity relationship based upon asset based fees. No assurance can be given as to whether any projected increase in asset based fees will offset the reduction in license fees. A majority of our agreements with financial advisors generally provide for termination at any time. If our contractual relationship with Fidelity were to terminate, or if a significant number of our most important clients were to terminate their contracts with us and we were unable to obtain a significant number of new clients, our results of operations, financial condition or business could be materially adversely affected.

Our clients that pay us an asset-based fee may seek to negotiate a lower fee percentage or may cease using our services, which could limit the growth of, or decrease, our revenues.

A significant portion of our revenues are derived from asset-based fees. Our clients may, for a number of reasons, seek to negotiate a lower asset-based fee percentage. For example, an increase in the use of index-linked investment products by the clients of our financial advisor clients may result in lower fees being paid to our clients, and our clients may in turn seek to negotiate lower asset-based fee percentages for our services. In addition, as competition among our clients increases, they may be required to lower the fees they charge to their clients, which could cause them to seek to decrease our fees accordingly. Any of these factors could result in fluctuation or a decline in our asset-based fees, which would have a material adverse effect on our results of operations, financial condition or business.

Changes in market and economic conditions could lower the value of assets on which we earn revenues and could decrease the demand for our investment solutions and services.

Asset-based fees make up a significant portion of our revenues. Asset-based fees represented 80%, 77% and 73% of our total revenues for the years ended December 31, 2011, 2010 and 2009, respectively. We expect that asset-based fees will continue to represent a significant percentage of our total revenues in the future. Significant fluctuations in securities prices may materially affect the value of the assets managed by our clients and may also influence financial advisor and investor decisions regarding whether to invest in, or maintain an investment in, a mutual fund or other investment solution. If such market fluctuation led to less investment in the securities markets, our revenues and earnings derived from asset-based fees could be materially adversely affected.

We provide our investment solutions and services to the financial services industry. The financial markets, and in turn the financial services industry, are affected by many factors, such as U.S. and foreign economic conditions and general trends in business and finance that are beyond our control. In the event that the U.S. or international financial markets suffer a severe or prolonged downturn, investors may choose to withdraw assets from financial advisors, which we refer to as "redemptions", and transfer them to investments that are perceived to be more secure, such as bank deposits and Treasury securities. For example, in late 2007 and through the first quarter of 2009, the financial markets experienced a broad and prolonged downturn, our redemption rates were higher than our historical average, and our results of operations, financial condition and business were materially adversely affected. Any prolonged downturn in financial markets, or increased levels of asset withdrawals could have a material adverse effect on our results of operations, financial condition or business.

Investors' decisions regarding their investment assets are affected by many factors and investors may redeem or withdraw their investment assets generally at any time. Significant changes in investing patterns or large-scale withdrawal of investment funds could have a material adverse effect on our results of operations, financial condition or business.

The clients of our financial advisors are generally free to change financial advisors, forgo the advice and other services provided by financial advisors or withdraw the funds they have invested with financial advisors. These clients of financial advisors may elect to change their investment strategies, including by moving their assets away from equity securities to fixed income or other investment options, or by withdrawing all or a portion of their assets from their accounts to avoid all securities markets-related risks. These actions by investors are outside of our control and could materially adversely affect the market value of the investment assets that our clients manage, which could materially adversely affect the asset-based fees we receive from our clients.

We are subject to liability for losses that result from a breach of our fiduciary duties.

Our investment advisory services involve fiduciary obligations that require us to act in the best interests of our clients, and we may be sued and face liabilities for actual or claimed breaches of our fiduciary duties. Because we provide investment advisory services, both directly and indirectly, with respect to substantial assets we could face substantial liability to our clients if it is determined that we have breached our fiduciary duties. In certain circumstances, which generally depend on the types of investment solutions and services we are providing, we may enter into client agreements jointly with advisors and retain third-party investment money managers on behalf of clients. As a result, we may be included as a defendant in lawsuits against financial advisors and third-party investment money managers that involve claims of breaches of the duties of such persons, and we may face liabilities for the improper actions and/or omissions of such advisors and third-party investment money managers. In addition, we may face claims based on the results of our investment advisory recommendations, even in the absence of a breach of our fiduciary duty. Such claims and liabilities could therefore have a material adverse effect on our results of operations, financial condition or business.

We are subject to liability for losses that result from potential, perceived or actual conflicts of interest.

Potential, perceived and actual conflicts of interest are inherent in our existing and future business activities and could give rise to client dissatisfaction, litigation or regulatory enforcement actions. In particular,

we pay varying fees to third-party asset managers and custodians and our financial advisor customers, or their clients, could accuse us of directing them toward those asset managers or custodians that charge us the lowest fees. In addition, we offer proprietary mutual funds and portfolios of mutual funds through our internal investment management and portfolio consulting group, and financial advisors or their clients could conclude that we favor our proprietary investment products because of their belief that we earn higher fees when our proprietary investment products are used. Adequately addressing conflicts of interest is complex and difficult and if we fail, or appear to fail, to adequately address potential, perceived or actual conflicts of interest, the resulting negative public perception and reputational harm could materially adversely affect our client relations or ability to enter into contracts with new clients and, consequently, our results of operations, financial condition and business.

If our reputation is harmed, our results of operations, financial condition or business could be materially adversely affected.

Our reputation, which depends on earning and maintaining the trust and confidence of our clients, is critical to our business. Our reputation is vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Regulatory inquiries or investigations, lawsuits initiated by our clients, employee misconduct, perceptions of conflicts of interest and rumors, among other developments, could substantially damage our reputation, even if they are baseless or satisfactorily addressed. In addition, any perception that the quality of our investment solutions and services may not be the same or better than that of other providers, can also damage our reputation. Any damage to our reputation could harm our ability to attract and retain clients, which would materially adversely affect our results of operations, financial condition and business.

If our investment solutions and services fail to perform properly due to undetected errors or similar problems, our results of operations, financial condition and business could be materially adversely affected.

Investment solutions and services we develop or license may contain undetected errors or defects despite testing. Such errors can exist at any point in the life cycle of our investment solutions or services, but are frequently found after introduction of new investment solutions and services or enhancements to existing investment solutions or services. We continually introduce new investment solutions and services and new versions of our investment solutions and services. Despite internal testing and testing by current and potential clients, our current and future investment solutions and services may contain serious defects or malfunctions. If we detect any errors before release, we might be required to delay the release of the investment solution or service for an extended period of time while we address the problem. We might not discover errors that affect our new or current investment solutions, services or enhancements until after they are deployed, and we may need to provide enhancements to correct such errors. Errors may occur that could have a material adverse effect on our results of operations, financial condition or business and could result in harm to our reputation, lost sales, delays in commercial release, third-party claims, contractual disputes, contract terminations or renegotiations, or unexpected expenses and diversion of management and other resources to remedy errors. In addition, negative public perception and reputational damage caused by such claims would adversely affect our client relationships and our ability to enter into new contracts. Any of these problems could have a material adverse effect on our results of operations, financial condition and business.

We could face liability or incur costs to remediate operational errors or to address possible customer dissatisfaction.

Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, business disruptions and inadequacies or breaches in our internal control processes. We operate in diverse markets and are reliant on the ability of our employees and systems to process large volumes of transactions

often within short time frames. In the event of a breakdown or improper operation of systems, human error or improper action by employees, we could suffer financial loss, regulatory sanctions or damage to our reputation.

In addition, there may be circumstances when our customers are dissatisfied with our investment solutions and services, even in the absence of an operational error. In such circumstances, we may elect to make payments or otherwise incur increased costs or lower revenues in order to maintain a strong customer relationship. In any of the forgoing circumstances, our results of operations, financial condition or business could be materially adversely affected.

We may become subject to liability based on the use of our investment solutions and services by our clients.

Our investment solutions and services support the investment processes of our clients, which, in the aggregate, manage billions of dollars of assets. Our client agreements have provisions designed to limit our exposure to potential liability claims brought by our clients or third parties based on the use of our investment solutions and services. However, these provisions have certain exceptions and could be invalidated by unfavorable judicial decisions or by federal, state, foreign or local laws. Use of our products as part of the investment process creates the risk that clients, or the parties whose assets are managed by our clients, may pursue claims against us for very significant dollar amounts. Any such claim, even if the outcome were to be ultimately favorable to us, would involve a significant commitment of our management, personnel, financial and other resources and could have a negative impact on our reputation. Such claims and lawsuits could therefore have a material adverse effect on our results of operations, financial condition or business.

Furthermore, our clients may use our investment solutions and services together with software, data or products from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when our investment solutions and services do not cause these problems, the existence of these errors might cause us to incur significant costs and divert the attention of our management and technical personnel, any of which could materially adversely affect our results of operations, financial condition or business.

Our business relies heavily on computer equipment, electronic delivery systems and the Internet. Any failures or disruptions in such technologies could result in reduced revenues, increased costs and the loss of customers.

Our business relies heavily on our computer equipment (including our servers), electronic delivery systems and the Internet, but these technologies are vulnerable to disruptions, failures or slowdowns caused by fire, earthquake, power loss, telecommunications failure, terrorist attacks, wars, Internet failures, computer viruses and other events beyond our control. Furthermore, we rely on agreements with our suppliers, such as our current data hosting and service provider, to provide us with access to certain computer equipment, electric delivery systems and the Internet. We are unable to predict whether a future contractual dispute may arise with one of our suppliers that could cause a disruption in service, or whether our agreements with our suppliers can be obtained or renewed on acceptable terms, or at all. An unanticipated disruption, failure or slowdown affecting our key technologies or facilities may have significant ramifications, such as data-loss, data corruption, damaged software codes or inaccurate processing of transactions. We maintain off-site back-up facilities for our electronic information and computer equipment, but these facilities could be subject to the same interruptions that may affect our primary facilities. Any significant disruptions, failures, slowdowns, data-loss or data corruption could have a material adverse effect on our results of operations, financial condition or business and result in the loss of customers.

We could face liability related to disclosure or theft of the personal information we store on our technology platform.

Clients may maintain personal investment and financial information on our technology platform and we could be subject to liability if we were to inappropriately disclose any user’s personal information, inadvertently

or otherwise, or if third parties were able to penetrate our network security or otherwise gain access to any user's name, address, portfolio holdings or other financial information. Any such event could subject us to claims for misuses of personal information, such as unauthorized marketing or unauthorized access to personal portfolio information and could therefore have a material adverse effect on our results of operations, financial condition or business.

We could incur significant costs protecting the personal information we store on our technology platform.

Users of our investment solutions and services are located in the United States and around the world. As a result, we collect and store the personal information of individuals who live in many different countries. Privacy regulators in some of those countries have publicly stated that foreign entities (including entities based in the United States) may render themselves subject to those countries' privacy laws and the jurisdiction of such regulators by collecting or storing the personal data of those countries' residents, even if such entities have no physical or legal presence there. Consequently, we may be obligated to comply with the privacy and data security laws of such foreign countries. Our exposure to foreign countries' privacy and data security laws impacts our ability to collect and use personal information, increases our legal compliance costs and may expose us to liability.

We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations. Increased domestic or international regulation of data utilization and distribution practices could require us to modify our operations and incur significant additional expense, which could have a material adverse effect on our results of operations, financial condition or business.

We could face liability for certain information we provide, including information based on data we obtain from other parties.

We may be subject to claims for securities law violations, negligence, breach of fiduciary duties or other claims relating to the information we provide. For example, individuals may take legal action against us if they rely on information we have provided and it contains an error. In addition, we could be subject to claims based upon the content that is accessible from our website through links to other websites. Moreover, we could face liability based on inaccurate information provided to us by others. Defending any such claims could be expensive and time-consuming, and any such claim could materially adversely affect our results of operations, financial condition or business.

We depend on our senior management team and other key personnel and the loss of their services could have a material adverse effect on our results of operations, financial condition or business.

We depend on the efforts, relationships and reputations of our senior management team and other key personnel, including Judson Bergman, our Chief Executive Officer, William Crager, our President, and Scott Grinis, our Chief Technology Officer, in order to successfully manage our business. We believe that success in our business will continue to be based upon the strength of our intellectual capital. The loss of the services of any member of our senior management team or of other key personnel could have a material adverse effect on our results of operations, financial condition or business.

Our operations are subject to extensive government regulation, and compliance failures or regulatory action against us could adversely affect our results of operations, financial condition or business.

The financial services industry is among the most extensively regulated industries in the United States. We operate investment advisory, broker-dealer and mutual fund businesses, each of which is subject to a specific and extensive regulatory scheme. In addition, we are subject to numerous laws and regulations of general application. It is very difficult to predict the future impact of the legislative and regulatory requirements affecting our business and our clients' businesses.

Certain of our subsidiaries are registered as "investment advisers" with the SEC under the Advisers Act and are regulated thereunder. In addition, many of our investment advisory services are conducted pursuant to the non-exclusive safe harbor from the definition of an "investment company" provided under Rule 3a-4 under the Investment Company Act. If Rule 3a-4 were to cease to be available, or if the SEC were to modify the rule or its interpretation of how the rule is applied, our business could be adversely affected. Certain of our registered investment adviser subsidiaries provide advice to mutual fund clients. Mutual funds are registered as "investment companies" under the Investment Company Act. The Advisers Act and the Investment Company Act, together with related regulations and interpretations of the SEC, impose numerous obligations and restrictions on investment advisers and mutual funds, including requirements relating to the safekeeping of client funds and securities, limitations on advertising, disclosure and reporting obligations, prohibitions on fraudulent activities, restrictions on transactions between an adviser and its clients, and between a mutual fund and its advisers and affiliates, and other detailed operating requirements, as well as general fiduciary obligations.

In addition, PBS, our broker-dealer subsidiary, is registered as a broker-dealer with the SEC and with all 50 states and the District of Columbia, and is a member of the Financial Industry Regulatory Authority ("FINRA"), a securities industry self-regulatory organization that supervises and regulates the conduct and activities of its members. Broker-dealers are subject to regulations that cover all aspects of their business, including sales practices, market making and trading among broker-dealers, use and safekeeping of customer funds and securities, capital structure, recordkeeping and the conduct of directors, officers, employees, representatives and associated persons. FINRA conducts periodic examinations of the operations of its members, including PBS. As a broker-dealer, PBS is also subject to certain minimum net capital requirements under SEC and FINRA rules. Compliance with the net capital rules may limit our ability to withdraw capital from PBS.

All of the foregoing laws and regulations are complex and we are required to expend significant resources in order to maintain our compliance with such laws and regulations. Any failure on our part to comply with these and other applicable laws and regulations could result in regulatory fines, suspensions of personnel or other sanctions, including revocation of our registration or that of our subsidiaries as an investment adviser or broker-dealer, as the case may be, which could, among other things, require changes to our business practices and scope of operations or harm our reputation, which, in turn could have a material adverse effect on our results of operations, financial condition or business.

Changes to the laws or regulations applicable to us or to our financial advisor clients could adversely affect our results of operations, financial condition or business.

We may be adversely affected as a result of new or revised legislation or regulations imposed by the Securities and Exchange Commission or other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets around the world. In addition, we may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any current proposals will become law, and it is difficult to predict how any changes or potential changes could affect our business. Changes to laws or regulations could increase our potential liability in connection with the investment solutions and services that we provide. The introduction of any new laws or regulations could make our ability to comply with applicable laws and regulations more difficult and expensive. Any of the foregoing could have a material adverse effect on our results of operations, financial condition or business.

A deemed "change of control" of our company could require us to get the consent of our clients and a failure to do so properly could adversely affect our results of operations, financial condition or business.

Under the Advisers Act, the investment advisory agreements entered into by our investment adviser subsidiaries may not be assigned without the client's consent. Under the Investment Company Act, advisory agreements with registered funds terminate automatically upon assignment and, any assignment of an advisory

agreement must be approved by the board of directors and the shareholders of the registered fund. Under the Advisers Act and the Investment Company Act, such an assignment may be deemed to occur upon a change of control of the Company. A change of control includes both gaining or losing a "controlling person". Whether someone is a controlling person for these purposes depends significantly on the specific facts and circumstances. There can be no assurance that if we undergo a change of control, we would be successful in obtaining all necessary consents or that the method by which we obtain such consents could not be challenged at a later time. If we are unable to obtain all necessary consents or if such a challenge were to be successful it could have a material adverse effect on our results of operations, financial condition or business.

We rely on exemptions from certain laws and if for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business could be materially and adversely affected.

We regularly rely on exemptions from various requirements of the Exchange Act of 1930, the Investment Company Act and the Employee Retirement Income Security Act of 1974 in conducting our activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business could be materially and adversely affected.

If government regulation of the Internet or other areas of our business changes, or if consumer attitudes toward use of the Internet change, we may need to change the manner in which we conduct our business or incur greater operating expenses.

The adoption, modification or interpretation of laws or regulations relating to the Internet or other areas of our business could adversely affect the manner in which we conduct our business. Such laws and regulations may cover sales, practices, taxes, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts, consumer protection, broadband residential Internet access and the characteristics and quality of services. Moreover, it is not clear how existing laws governing these matters apply to the Internet. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, we may be required to incur additional expenses or alter our business model, either of which could have a material adverse effect on our results of operations, financial condition or business.

We are substantially dependent on our intellectual property rights, and a failure to protect these rights could adversely affect our results of operations, financial condition or business.

We have made substantial investments in software and other intellectual property on which our business is highly dependent. We rely on trade secret, trademark and copyright laws, confidentiality and nondisclosure agreements and other contractual and technical security measures to protect our proprietary technology. Any loss of our intellectual property rights, or any significant claim of infringement or indemnity for violation of the intellectual property rights of others, could have a material adverse effect on our results of operations, financial condition or business.

None of our technologies, investment solutions or services is covered by any copyright registration, issued patent or patent application. We are the owner of eight registered trademarks in the United States, including "ENVESTNET", and we claim common law rights in other trademarks that are not registered. We cannot guarantee that:

- our intellectual property rights will provide competitive advantages to us;
- our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties;
- our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak;

- any of the trademarks, copyrights, trade secrets or other intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged or abandoned;
- our trademark applications will lead to registered trademarks; or
- competitors will not design around our intellectual property rights or develop similar technologies, investment solutions or products; or that we will not lose the ability to assert our intellectual property rights against others.

We are also a party to a number of third-party intellectual property license agreements. Some of these license agreements require us to make one-time payments or ongoing subscription payments. We cannot guarantee that the third-party intellectual property we license will not be licensed to our competitors or others in our industry. In the future, we may need to obtain additional licenses or renew existing license agreements. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms, or at all. In addition, we have granted our customers certain rights to use our intellectual property in the ordinary course of our business. Some of our customer agreements restrict our ability to license or develop certain customized technology or services within certain markets or to certain competitors of our customers. For example, our agreement with Fidelity restricts our ability to develop an enterprise-level integration or combination of products and services substantially similar to the technology platform we have developed for Fidelity. Some of our customer agreements grant our customers ownership rights with respect to the portion of the intellectual property we have developed or customized for our customers. In addition, some of our customer agreements require us to deposit the source code to the customized technology and investment solutions with a source code escrow agent, which source code may be released in the event we enter into bankruptcy or are unable to provide support and maintenance of the technology or investment solutions we have licensed to our customers. These provisions in our agreements may limit our ability to grow our business in the future.

Third parties may sue us for intellectual property infringement or misappropriation which, if successful, could require us to pay significant damages or make changes to the investment solutions or services that we offer.

We cannot be certain that our internally developed or acquired technologies, investment solutions or services do not and will not infringe the intellectual property rights of others. In addition, we license content, software and other intellectual property rights from third parties and may be subject to claims of infringement if such parties do not possess the necessary intellectual property rights to the products they license to us. The risk of infringement claims against us will increase if more of our competitors are able to obtain patents for investment solutions or services or business processes. In addition, we face additional risk of infringement or misappropriation claims if we hire an employee who possesses third party proprietary information who decides to use such information in connection with our investment solutions, services or business processes without such third party's authorization. We have in the past been and may in the future be subject to legal proceedings and claims that we have infringed or misappropriated the intellectual property rights of a third party. These claims sometimes involve patent holding companies who have no relevant product revenues and against whom our own proprietary technology may therefore provide little or no deterrence. In addition, third parties may in the future assert intellectual property infringement claims against our customers, which, in certain circumstances, we have agreed to indemnify. Any intellectual property related infringement or misappropriation claims, whether or not meritorious, could result in costly litigation and could divert management resources and attention. Moreover, should we be found liable for infringement or misappropriation, we may be required to enter into licensing agreements, if available on acceptable terms or at all, pay substantial damages or make changes to the investment solutions and services that we offer. Any of the foregoing could prevent us from competing effectively, result in substantial costs to us, divert management's attention and our resources away from our operations and otherwise harm our reputation.

If our intellectual property and proprietary technology are not adequately protected to prevent use or appropriation by our competitors, our business and competitive position would suffer.

Our future success and competitive position depend in part on our ability to protect our intellectual property rights. The steps we have taken to protect our intellectual property rights may be inadequate to prevent the misappropriation of our proprietary technology. There can be no assurance that others will not develop or patent similar or superior technologies, investment solutions or services. Unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our intellectual property rights without paying us for doing so, which could harm our business. Policing unauthorized use of proprietary technology is difficult and expensive and our monitoring and policing activities may not be sufficient to identify any misappropriation and protect our proprietary technology. In addition, third parties may knowingly or unknowingly infringe our trademarks and other intellectual property rights, and litigation may be necessary to protect and enforce our intellectual property rights. If litigation is necessary to protect and enforce our intellectual property rights, any such litigation could be very costly and could divert management attention and resources. If we are unable to protect our intellectual property rights or if third parties independently develop or gain access to our or similar technologies, investment solutions or services, our results of operations, financial condition and business could be materially adversely affected.

The use of "open source code" in investment solutions may expose us to additional risks and harm our intellectual property rights.

To a limited extent, we rely on open source code to develop our investment solutions and support our internal systems and infrastructure. While we monitor our use of open source code to attempt to avoid subjecting our investment solutions to conditions we do not intend, such use could inadvertently occur. Additionally, if a third-party software provider has incorporated certain types of open source code into software we license from such third party for our investment solutions, we could, under certain circumstances, be required to disclose the source code for our investment solutions. This could harm our intellectual property position and have a material adverse effect on our results of operations, financial condition and business.

Confidentiality agreements with employees, consultants and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our proprietary technologies, investment solutions and services. In order to protect our proprietary rights, we enter into confidentiality agreements with our employees, consultants and independent contractors. These agreements may not effectively prevent unauthorized disclosure of confidential information or unauthorized parties from copying aspects of our technologies, investment solutions or products or obtaining and using information that we regard as proprietary. Moreover, these agreements may not provide an adequate remedy in the event of such unauthorized disclosures of confidential information and we cannot assure you that our rights under such agreements will be enforceable. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could reduce any competitive advantage we have developed and cause us to lose customers or otherwise harm our business.

Our failure to successfully integrate acquisitions could strain our resources. In addition, there are significant risks associated with growth through acquisitions, which may materially adversely affect our results of operations, financial condition or business.

We expect to grow our business by, among other things, making acquisitions. In December 2011, we completed the acquisition of FundQuest and in the first quarter of 2012 we entered into agreements to acquire Prima and Tamarac. Acquisitions involve a number of risks. They can be time-consuming and may divert management's attention from day-to-day operations. Financing an acquisition could result in dilution from

issuing equity securities or a weaker balance sheet from using cash or incurring debt. Acquisitions might also result in losing key employees. In addition, we may fail to successfully complete any acquisitions. We may also fail to generate enough revenues or profits from an acquisition to earn a return on the associated purchase price.

To the extent we grow our business through acquisitions, any such future acquisitions could present a number of other risks, including:

- incorrect assumptions regarding the future results of acquired operations or assets or expected cost reductions or other synergies expected to be realized as a result of acquiring operations or assets;
- failure to integrate the operations or management of any acquired operations or assets successfully and on a timely and cost effective basis;
- insufficient knowledge of the operations and markets of acquired businesses;
- loss of key personnel;
- failure to obtain necessary customer consents or retain key customers;
- diversion of management's attention from existing operations or other priorities;
- increased costs or liabilities as a result of undetected or undisclosed legal, regulatory or financial issues related to acquired operations or assets; and
- inability to secure, on terms we find acceptable, sufficient financing that may be required for any such acquisition or investment.

In addition, if we are unsuccessful in completing acquisitions of other businesses, operations or assets or if such opportunities for expansion do not arise, our results of operations, financial condition or business could be materially adversely affected.

Our failure to successfully execute the conversion of our clients' assets from their technology platform to our platform in a timely and accurate manner could have a material adverse effect on our results of operations, financial condition or business.

When we begin working with a new client, or acquire new client assets through an acquisition or other transaction, we are required to convert the new assets from the clients' technology platform to our technology platform. These conversions present significant technological and operational challenges can be time-consuming and may divert management's attention from other operational challenges. If we fail to successfully complete our conversions in a timely and accurate manner, we may be required to expend more time and resources than anticipated, which could erode the profitability of the client relationship. In addition, any such failure may harm our reputation and may make it less likely that prospective clients will commit to working with us. Any of these risks could materially adversely affect our results of operations, financial condition or business.

Our business will suffer if we do not keep up with rapid technological change, evolving industry standards or changing requirements of clients.

We expect technological developments to continue at a rapid pace in our industry. Our success will depend, in part, on our ability to:

- continue to develop our technology expertise;
- recruit and retain skilled technology professionals;
- enhance our current investment solutions and services;
- develop new investment solutions and services that meet changing client needs;

- advertise and market our investment solutions and services;
- protect our proprietary technology and intellectual property rights; or
- influence and respond to emerging industry standards and other technological changes.

We must accomplish these tasks in a timely and cost-effective manner and our failure to do so could materially adversely affect our results of operations, financial condition or business.

We must continue to introduce new investment solutions and services and investment solution and service enhancements to address our clients' changing needs, market changes and technological developments and failure to do so could have a material adverse effect on our results of operations, financial condition or business.

The market for our investment solutions and services is characterized by shifting client demands, evolving market practices and, for some of our investment solutions and services, rapid technological change. Changing client demands, new market practices or new technologies can render existing investment solutions and services obsolete and unmarketable. As a result, our future success will continue to depend upon our ability to develop new investment solutions and services and investment solution and service enhancements that address the future needs of our target markets and respond to technological and market changes. We incurred technology development expenditures of $6.4 million, $5.6 million and $4.9 million in the years ended December, 31, 2011, 2010 and 2009, respectively. We expect that our technology development expenditures will continue at this level or they may increase in the future. We may not be able to accurately estimate the impact of new investment solutions and services on our business or how their benefits will be perceived by our clients. Further, we may not be successful in developing, introducing, marketing and licensing our new investment solutions or services or investment solution or service enhancements on a timely and cost effective basis, or at all, and our new investment solutions and services and enhancements may not adequately meet the requirements of the marketplace or achieve market acceptance. In addition, clients may delay purchases in anticipation of new investment solutions or services or enhancements. Any of these factors could materially adversely affect our results of operations, financial condition or business.

Risks Related to our Common Stock

Our share price may be volatile, and the value of an investment in our common stock may decline.

An active, liquid and orderly market for our common stock may not be sustained, which could depress the trading price of our common stock. The price of our common stock has been, and is likely to continue to be, volatile, which means that it could decline substantially within a short period of time. The market price of shares of our common stock could be subject to wide fluctuations in response to many risk factors listed in this section, many of which are beyond our control, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- changes in the economic performance or market valuations of other companies engaged in providing wealth management software and services;
- loss of a significant amount of existing business;
- actual or anticipated changes in our growth rate relative to our competitors;
- actual or anticipated fluctuations in our competitors' operating results or changes in their growth rates;
- issuance of new or updated research or reports by securities analysts;
- our announcement of actual results for a fiscal period that are higher or lower than projected results or our announcement of revenue or earnings guidance that is higher or lower than expected;

- regulatory developments in our target markets affecting us, our customers or our competitors;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- sales or expected sales of additional common stock;
- terrorist attacks or natural disasters or other such events impacting countries where we or our customers have operations; and
- general economic and market conditions.

Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may cause the market price of shares of our common stock to decline. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

Our insiders who are significant stockholders may have interests that conflict with those of other stockholders.

Our directors and executive officers, together with members of their immediate families, as a group, beneficially own, in the aggregate, approximately 26% of our outstanding capital stock as of December 31, 2011. As a result, when acting together, this group has the ability to exercise significant influence over most matters requiring our stockholders' approval, including the election and removal of directors and significant corporate transactions. The interests of our insider stockholders may not be aligned with the interests of our other stockholders and conflicts of interest may arise. In addition, the concentration of our shares may have the effect of delaying, deterring or preventing significant corporate transactions which may otherwise adversely affect the market price of our shares.

The future sale of shares of our common stock may negatively impact our stock price.

If our stockholders sell substantial amounts of our common stock, the market price of our common stock could fall. A reduction in ownership by a large stockholder could cause the market price of our common stock to fall. In addition, the average daily trading volume in our stock is relatively low. The lack of trading activity in our stock may lead to greater fluctuations in our stock price. Low trading volume may also make it difficult for stockholders to execute transactions in a timely fashion.

Certain provisions in our charter documents and agreements and Delaware law may inhibit potential acquisition bids for our company and prevent changes in our management.

Our certificate of incorporation and bylaws contains provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in management that our stockholders might deem advantageous. As a result of these provisions in our certificate of incorporation, the price investors may be willing to pay for shares of our common stock may be limited.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which imposes certain restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock.

We do not currently intend to pay dividends on our common stock for the foreseeable future and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not anticipate paying any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our headquarters are located in Chicago, Illinois, and consist of approximately 38,000 square feet of leased space. We also lease office space in Denver, Colorado; New York, New York; Sunnyvale, California; Boston, Massachusetts; Landis, North Carolina and two locations in Trivandrum, India. We believe that our office facilities are adequate for our immediate needs and that additional or substitute space is available if needed to accommodate the foreseeable growth of our operations.

Item 3. 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 these proceedings, 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 4. Mine Safety Disclosures

This section is not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information

Our common stock is listed on the New York Stock Exchange.

The following table sets forth, for the periods indicated, the high and low closing sale prices of our common stock as reported in the consolidated reporting system for the New York Stock Exchange Composite Transactions. The Company was first listed on the New York Stock Exchange beginning July 29, 2010. Therefore, all periods prior to that date are not applicable.

	2010
Quarter ended March 31, 2010	N/A
Quarter ended June 30, 2010	N/A
Quarter ended September 30, 2010	$12.05 to $9.90
Quarter ended December 31, 2010	$17.09 to $11.10

	2011
Quarter ended March 31, 2011	$16.78 to $11.91
Quarter ended June 30, 2011	$15.02 to $12.99
Quarter ended September 30, 2011	$14.94 to $9.67
Quarter ended December 31, 2011	$12.24 to $9.60

(b) Holders

The approximate number of common stockholders was 84 as of March 5, 2012.

(c) Dividends

We have not paid dividends for the most recent two years.

Common Stock

As of December 31, 2011, we had 500,000,000 common shares authorized at a par value of $0.005, of which 31,810,726 shares were outstanding.

Preferred Stock

As of December 31, 2011, we had 50,000 preferred shares authorized at a par value of $0.001, of which no shares were outstanding.

(d) Annual Meeting of Shareholders

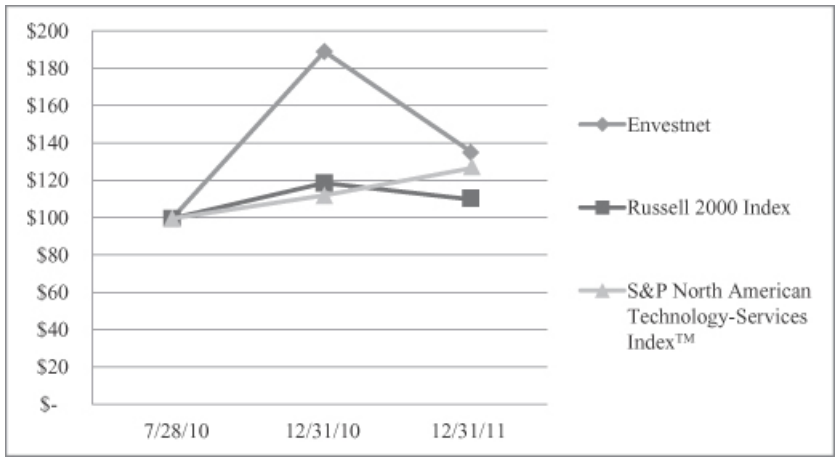
Our annual meeting of shareholders will be held on May 17, 2012, in Chicago, Illinois.

(e) Stock Performance Graph

The following graph compares the cumulative return to stockholders on our common stock relative to the cumulative total returns of the Russell 2000 Index and The S&P North American Technology-Services Index™ from the effective date of our initial public offering on July 28, 2010 through December 31, 2011. In calculating total annual stockholder return, reinvestment of dividends, if any, is assumed. The indices are included for

comparative purposes only. This graph is not "soliciting material," is not deemed filed with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

17 MONTH STOCK PERFORMANCE GRAPH



	7/28/10	12/31/10	12/31/11
Envestnet	$ 100	$ 190	$ 133
Russell 2000 Index	$ 100	$ 119	$ 110
S&P North American Technology-Services Index™	$ 100	$ 112	$ 126

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

(f) Recent Sales of Unregistered Securities

None

(g) Issuer Purchases of Equity Securities

None

(h) Securities Authorized for Issuance Under Equity Compensation Plan

For a description of securities authorized under our equity compensation plans, see note 14 to the notes to the consolidated financial statements in Part II, Item 8.

Item 6. Selected Financial Data

Consolidated Statements of Operations

	Year ended December 31,				
	2011	2010	2009	2008	2007
	(In thousands, except for share and per share information)				
Revenues:					
Assets under management or administration	$ 99,236	$ 75,951	$ 56,857	$ 71,738	$ 71,442
Licensing and professional services	23,942	22,101	21,067	20,104	10,027
Total revenues	123,178	98,052	77,924	91,842	81,469
Operating expenses:					
Cost of revenues	42,831	31,444	24,624	34,604	34,541
Compensation and benefits	40,305	37,027	28,763	28,452	23,250
General and administration	21,856	21,607	15,726	15,500	12,135
Depreciation and amortization	6,376	5,703	4,499	3,538	2,914
Restructuring charges	434	961	-	-	-
Total operating expenses	111,802	96,742	73,612	82,094	72,840
Income from operations	11,376	1,310	4,312	9,748	8,629
Total other income (expense)	(796)	(403)	(3,368)	115	1,159
Income before income tax provision (benefit)	10,580	907	944	9,863	9,788
Income tax provision (benefit)	2,975	1,533	1,816	4,608	(13,156)
Net income (loss)	7,605	(626)	(872)	5,255	22,944
Less preferred stock dividends	-	(422)	(720)	(203)	-
Less net income allocated to participating convertible preferred stock	-	-	-	(2,406)	(10,886)
Income (loss) attributable to common shareholders	$ 7,605	$ (1,048)	$ (1,592)	$ 2,646	$ 12,058
Net income (loss) per share attributable to common stockholders					
Basic	$ 0.24	$ (0.05)	$ (0.12)	$ 0.20	$ 0.91
Diluted	$ 0.23	$ (0.05)	$ (0.12)	$ 0.19	$ 0.91
Weighted average common shares outstanding:					
Basic	31,643,390	20,805,911	12,910,998	13,354,845	13,213,503
Diluted	32,863,834	20,805,911	12,910,998	13,354,845	13,213,503

Consolidated Balance Sheet Data

	December 31,				
	2011	2010	2009	2008	2007
	(In thousands)				
Cash and cash equivalents	$ 64,909	$ 67,668	$ 31,525	$ 28,445	$ 25,255
Working capital	61,642	62,979	27,262	21,405	15,168
Goodwill and intangible assets	34,448	3,361	3,261	4,331	5,402
Total assets	137,702	141,868	74,064	71,257	64,256
Stockholders' equity	115,639	102,319	57,252	57,589	49,158

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Envestnet, Inc. is a leading independent provider of integrated wealth management software and services to financial advisors and institutions. Envestnet AdvisorSuite software empowers advisors to better manage client outcomes and strengthen their practice. Envestnet also offers advanced portfolio solutions through its Envestnet|PMC group. Envestnet|Vantage gives advisors an in-depth view of clients' various investments, empowering them to give holistic, personalized advice. By integrating a wide range of investment solutions and services, our Web-based technology platform provides financial advisors with the flexibility to address their clients' needs. We work with financial advisors who are independent, as well as those who are associated with financial advisory firms and financial institutions, which we refer to as enterprise clients. We focus our technology development efforts and our sales and marketing approach on addressing financial advisors' front-, middle- and back-office needs. We believe our investment solutions and services allow financial advisors to be more efficient and effective in the activities critical to their businesses by facilitating client interactions, supporting and enhancing portfolio management and analysis, and enabling reliable account support and administration. In addition, we are not controlled by a financial institution, broker-dealer or other entity operating in the securities or wealth management industry, which we believe affords us a greater level of independence and impartiality.

Our centrally-hosted technology platform provides financial advisors with the flexibility to choose freely among a wide range of investment solutions, services, investment managers and custodians to identify those that are most appropriate for their clients. Given the flexibility of choice it provides, we refer to our technology platform as having "open architecture". In addition, our technology platform allows us to add new or upgrade existing features and functionality as the industry and financial advisors' needs evolve. Our technology platform provides financial advisors with the following:

- A series of integrated services to help them better serve their clients, including risk assessment and selection of investment strategies, 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;
- Web-based access to a wide range of technology-enabled investment solutions, including:
    - separately managed accounts, or SMAs, which allow advisors to offer their investor clients a customized, professionally managed portfolio of securities with a personalized tax basis;
    - unified managed accounts, or UMAs, which are similar to SMAs but allow the advisor to use different types of investment vehicles in one account;
    - mutual funds and portfolios of exchange-traded funds, or ETFs; and
    - advisor as portfolio manager, or APM, where advisors create, implement and maintain their own investment portfolio models to address specific client needs; and
- Access to a broad range of investment managers and investment strategists, as well as to our internal investment management and portfolio consulting group, Envestnet|PMC.

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.

Revenues

Overview

We earn revenues primarily under two pricing models. First, a majority of our revenues is derived from fees charged as a percentage of the assets that are managed or administered on our technology platform by financial advisors. These revenues are recorded under revenues from assets under management or administration. Our asset-based fees vary based on the types of investment solutions and services that financial advisors utilize. Asset-based fees accounted for approximately 80%, 77% and 73% of our total revenues for the years ended December 31, 2011, 2010 and 2009, respectively. In future periods, the percentage of our total revenues attributable to asset-based fees is expected to vary based on fluctuations in securities markets, whether we enter into significant license agreements, the mix of assets under management, or AUM, and assets under administration, or AUA, and other factors. As of December 31, 2011, approximately $70 billion of investment assets subject to asset-based fees were managed or administered utilizing our technology platform by approximately 13,900 financial advisors through approximately 341,000 investor accounts.

Second, we generate revenues from recurring, contractual licensing fees for providing access to our technology platform, generally from a small number of enterprise clients. These revenues are recorded under revenues from licensing and professional services. Licensing fees are generally fixed in nature for the contract term and are based on the level of investment solutions and services provided, rather than on the amount of client assets on our technology platform. Licensing fees accounted for 16%, 20% and 24% of our total revenues for the years ended December 31, 2011, 2010 and 2009. Fees received in connection with professional services accounted for the remainder of our total revenues. As of December 31, 2011, approximately $70 billion of investment assets for which we receive licensing fees for utilizing our technology platform were serviced by approximately 5,700 financial advisors through approximately 588,000 investor accounts.

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

	As of December 31,		
	2011	**2010**	**2009**
	(in millions except accounts and advisors data)		
Platform Assets			
Assets Under Management (AUM)	$ 22,936	$ 14,486	$ 9,660
Assets Under Administration (AUA)	47,148	49,202	27,931
Subtotal AUM/A	70,084	63,688	37,591
Licensing	69,514	75,668	51,450
Total Platform Assets	**$ 139,598**	**$ 139,356**	**$ 89,041**
Platform Accounts			
AUM	124,636	65,663	48,541
AUA	216,038	241,162	126,634
Subtotal AUM/A	340,674	306,825	175,175
Licensing	588,038	603,950	510,865
Total Platform Accounts	**928,712**	**910,775**	**686,040**
Advisors			
AUM/A	13,887	13,833	8,408
Licensing	5,709	7,746	5,542
Total Advisors	**19,596**	**21,579**	**13,950**

Revenues from assets under management or administration

We generally charge our customers fees based on a higher percentage of the market value of AUM than the fees we charge on the market value of AUA, because we provide fiduciary oversight and/or act as the investment advisor in connection with assets we categorize as AUM. The level of fees varies based on the nature of the investment solutions and services we provide, as well as the specific investment manager, fund and/or custodian chosen by the financial advisor. A portion of our revenues from assets under management or administration include costs paid by us to third parties for sub-advisory, clearing, custody and brokerage services. These expenses are recorded under cost of revenues. We do not have fiduciary responsibility in connection with AUA and, therefore, charge lower fees on these assets. Our fees for AUA vary based on the nature of the investment solutions and services we provide.

For over 85% of our revenues from assets under management or administration, we bill customers at the beginning of each quarter based on the market value of customer assets on our technology platform as of the end of the prior quarter. For example, revenues from assets under management or administration recognized during the fourth quarter of 2011 were primarily based on the market value of assets as of September 30, 2011. Our revenues from assets under management or administration are generally recognized ratably throughout the quarter based on the number of days in the quarter.

Our revenues from assets under management or administration are affected by the amount of new assets that are added to existing and new client accounts, which we refer to as gross sales, and the amount of assets that are withdrawn from client accounts, which we refer to as redemptions. We refer to the difference between asset in-flows and outflows as net flows. Positive net flows indicate that the market value of assets added to client accounts exceeds the market value of assets that have been withdrawn from client accounts.

Our revenues from assets under management or administration are also affected by changes in the market values of securities held in client accounts due to fluctuations in the securities markets. Certain types of securities have historically experienced greater market price fluctuations, such as equity securities, than other securities, such as fixed income securities, though in any given period the nature of securities that experience the greatest fluctuations may vary. For example, from October 2007 to March 2009, the equity markets, as measured by the value of the S&P 500 index, declined in value by approximately 57%, which significantly contributed to the 37% decrease in our revenues from assets under management or administration between the fourth quarter of 2007 and the second quarter of 2009.

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 - 2011					
	As of 12/31/10	Gross Sales	Redemp-tions	Net Flows	Market Impact	FundQuest	As of 12/31/11
	(in millions except account data)						
Assets under Management (AUM)	$ 14,486	$ 7,737	$ (4,795)	$ 2,942	$ (317)	$ 5,825	$ 22,936
Assets under Administration (AUA)	49,202	24,873	(18,537)	6,336	(1,089)	(7,301)	47,148
Subtotal AUM/A	**$ 63,688**	**$ 32,610**	**$(23,332)**	**$ 9,278**	**$(1,406)**	**$ (1,476)**	**$ 70,084**
Fee-Based Accounts	*306,825*	*135,963*	*(92,060)*	*43,903*		*(10,054)*	*340,674*

On December 13, 2011, we closed on our acquisition of FundQuest. At that time, $5.8 billion of FundQuest assets previously reported as AUA were reclassified to AUM. Also during the fourth quarter, one of FundQuest's clients with $1.5 billion in assets transitioned to licensing for a flat fee and is no longer reflected in AUA as of December 31, 2011.

	Asset Rollforward - 2010					
	As of 12/31/09	Gross Sales	Redemp-tions	Net Flows	Market Impact	As of 12/31/10
	(in millions except account data)					
Assets under Management (AUM)	$ 10,269	$ 6,788	$ (3,541)	$ 3,247	$ 970	$ 14,486
Assets under Administration (AUA)	27,322	30,957	(12,165)	18,792	3,088	49,202
Subtotal AUM/A	**$ 37,591**	**$ 37,745**	**$(15,706)**	**$ 22,039**	**$4,058**	**$ 63,688**
Fee-Based Accounts	*175,175*	*185,347*	*(53,697)*	*131,650*		*306,825*

The mix of assets under management and assets under administration was as follows for the periods indicated:

	December 31,		
	2011	2010	2009
Assets under management (AUM)	33%	23%	26%
Assets under administration (AUA)	67%	77%	74%
	100%	100%	100%

We expect the percentage of AUM and AUA will fluctuate in future periods. The nature and type of services requested by our customers are the key drivers in determining whether customer assets are classified as AUM or AUA. Therefore, we do not have direct control over the mix of AUM and AUA.

Revenues from licensing and professional services fees

Our revenues received under license agreements are recognized over the contractual term. To a lesser degree we also receive revenues from professional services fees by providing customers with certain technology platform software development services. In the years ended December 31, 2011, 2010 and 2009, our revenues from professional services fees were $3.8 million, $2.9 million and $2.4 million respectively. These revenues are generally recognized under a proportional performance model utilizing an output based approach. Our contracts have fixed prices, and generally specify or quantify interim deliverables.

We may enter into license agreements in future periods if requested by our customers and commercially attractive to us.

Expenses

The following is a description of our principal expense items.

Cost of revenues

Cost of revenues primarily include expenses related to our receipt of sub-advisory and clearing, custody and brokerage services from third parties. The largest component of cost of revenues, sub-advisory fees paid to third party investment managers, relates only to AUM since a sub-advisor is not utilized in connection with AUA.

Clearing, custody and brokerage services are provided by third-party providers. These expenses are typically calculated based upon a contractual percentage of the market value of assets held in customer accounts measured as of the end of each fiscal quarter and are recognized ratably throughout the quarter based on the number of days in the quarter.

Compensation and benefits

Compensation and benefits expenses primarily relate to employee compensation, including salaries, commissions, non-cash stock-based compensation, incentive compensation, benefits and employer-related taxes.

General and administration

General and administration expenses include occupancy costs and expenses relating to communications services, research and data services, website and system development, marketing, professional and legal services and travel and entertainment.

Depreciation and amortization

Depreciation and amortization expenses include depreciation and amortization related to:

- fixed assets, including computer equipment and software, leasehold improvements, office furniture and fixtures and other office equipment;
- internally developed software; and
- intangible assets, primarily related to customer lists, the value of which was capitalized in connection with our prior acquisitions.

Furniture and equipment is depreciated using the straight-line method based on the estimated useful lives of the depreciable assets. Leasehold improvements are amortized using the straight-line method over their estimated economic useful lives or the remaining lease term, whichever is shorter. Improvements are capitalized, while repairs and maintenance costs are recorded as expenses in the period they are incurred. Assets are tested for recoverability whenever events or circumstances indicate that the carrying value of the assets may not be recoverable.

Internally developed software is amortized on a straight-line basis over its estimated useful life. We evaluate the useful lives of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Intangible assets are depreciated using an accelerated basis over their estimated economic useful lives and are reviewed for possible impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

2011 Developments

FundQuest Agreement

On December 13, 2011 we acquired all of the outstanding shares of FundQuest for total consideration of $28.7 million. FundQuest, operating as Envestnet Portfolio Solutions, Inc., provides managed account programs, overlay portfolio management, mutual funds, institutional asset management and investment consulting to registered investment advisors, independent advisors, broker-dealers, banks and trust organizations. Upon closing of the transaction, the existing platform services agreement between us and FundQuest was terminated (see notes 3 and 4 to the notes to the audited financial statements) and approximately $5.8 billion of the FundQuest's assets were reclassified to assets under management from assets under administration. In addition, one of FundQuest's clients with $1.5 billion in assets transitioned to licensing from assets under administration.

Fidelity Agreement

For the years ended December 31, 2011, 2010 and 2009, revenues associated with our relationship with our single largest client, Fidelity, accounted for 28%, 31% and 31%, respectively, of our total revenues. As of December 31, 2011, we renegotiated a five year license agreement with Fidelity which resulted in a reduction in our current license fee revenue. In addition, as a part of the renegotiated agreement, we will continue to receive ongoing platform services fees through the Fidelity relationship based upon asset based fees. Management anticipates that projected increases in asset based fees will offset the aforementioned reduction in license fees by the end of fiscal 2012. However, no assurance can be given that the projected increases in asset based fees will offset the reduction in license fees.

2012 Developments

Prima Capital Holding, Inc. Agreement

On February 9, 2012 we entered into a stock purchase agreement with the shareholders of Prima to acquire all of the outstanding shares of Prima for cash consideration of approximately $13.75 million, subject to certain post-closing adjustments. Prima provides investment management due diligence, research applications, asset allocation modeling and multi-manager porfolios to the wealth management and retirement industries. Prima's clientele includes seven of the top 20 banks in the U.S. as measured by total assets, independent RIAs, regional broker-dealers, family offices and trust companies. We anticipate closing this transaction in the first half of 2012.

Tamarac, Inc. Agreement

On February 16, 2012 we entered into a merger agreement with Tamarac. A newly formed subsidiary of Envestnet will merge with and into Tamarac, and Tamarac will become a wholly owned subsidiary of Envestnet. Under the terms of the Agreement, total cash consideration will be approximately $54.0 million in cash for all of the outstanding stock of Tamarac, subject to certain post-closing adjustments. We have also agreed to establish a management incentive plan funded by $7.0 million of shares of common stock for the benefit of certain employees of Tamarac. Such shares will be distributed at pre-established intervals, but in no event later than May 15, 2015, based upon Tamarac meeting certain financial targets and will be subject to additional vesting requirements. Tamarac is a provider of sophisticated portfolio management technology that enables RIA's to efficiently deliver customized individual account management to their clients. We anticipate closing this transaction in the first half of 2012.

Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, or U.S. GAAP. The accounting policies described below require management to apply significant judgment in connection with the preparation of our consolidated financial statements. In particular, judgment is applied to determine the appropriate assumptions to be used in calculating estimates that affect certain reported amounts in our consolidated financial statements. These estimates and assumptions are based on historical experience and on various other factors that we believe to be reasonable under the circumstances. If different estimates or assumptions were used, our results of operations, financial condition and cash flows could have been materially different than those reflected in our consolidated financial statements. For additional information regarding our critical accounting policies, see note 2 to the notes to the audited consolidated financial statements.

Revenue recognition

We recognize revenues when all four of the following criteria have been met:

- Persuasive evidence of an arrangement exists;
- The product has been delivered or the service has been performed;
- The fee is fixed or determinable; and
- Collectability is reasonably assured.

Types of revenues

We generate revenues from assets under management or administration and from licensing and professional service fees. Revenues from assets under management or administration are generated from fees based on a contractual percentage of assets under management or administration valued at each quarter-end. These fees are generally collected at the beginning of a quarter in advance based upon the previous quarter-end values. In less than 15% of our contracts, fees are collected at the end of the quarter based upon the average daily balance. The contractual fee percentages vary based upon the level and type of services we provide to our customers. Pursuant to the contracts with our customers, we calculate our fees based on the asset values in the customer's account, without making any judgment or estimates. None of our fees are earned pursuant to performance-based or other incentive-based arrangements.

We generate revenues from licensing fees pursuant to recurring contractual fixed-fee agreements, principally with a portion of our enterprise clients. Our licensing fees vary based on the type of services we provide. We generate revenues from professional service fees by providing customers with customized technology platform software development services. These revenues are received pursuant to contracts that detail the nature of the services to be provided by us, the estimated number of hours such work will require and the total contract fee amount.

Recognition of revenues

Application of the applicable accounting principles of U.S. GAAP requires us to make judgments and estimates in connection with the measurement and recognition of revenues. Revenues are recognized in the period in which the related services are provided. In certain cases, management is required to determine whether revenues should be recognized in an amount equal to the gross fees we receive or as a net amount reflecting the payment of expenses to third-parties, such as sub-advisors and custodians, that provide services to us in connection with certain of our financial advisors' client accounts. When fees are collected for sub-advisory, clearing, custody or brokerage services in circumstances where we do not have a direct contract with the third-party provider, the fees are recorded as revenue on a net basis. Fees we received in advance of the performance of services are recorded as deferred revenues on our consolidated balance sheets and are recognized as revenues when earned, generally over three months.

Revenues from licensing are recognized over the contractual term. Contracts with nonstandard terms and conditions may require contract interpretation to determine the appropriate revenue recognition policy to apply.

Revenues from professional services are recognized under a proportional performance model utilizing an output based approach. Our contracts have fixed prices, and generally specify or quantify interim deliverables.

Our revenue recognition is also affected by our judgment in determining appropriate allowances for uncollectible receivables. We consider customer-specific information related to delinquent accounts and past lost experience, as well as current economic conditions in establishing the amount of the allowance.

Customer inducements

In certain instances, we have entered into agreements which include inducement payments to the customer. In accordance with U.S. GAAP, inducement payments made to customers are capitalized and amortized against revenue on a straight-line basis over the term of the agreement. Customer inducement assets are reviewed for impairment whenever events or circumstances occur that may impact the fair value of these assets.

Internally developed software

Costs relating to internally developed software that are incurred in the preliminary stages of development are expensed as incurred. Management determines when projects have met the criteria of the application development stage. This typically occurs when the conceptual formulation and evaluation of software functionality are finalized.

Once work on a software application has passed the preliminary stages, internal and external costs, if direct and incremental, are capitalized until the software application is substantially complete and ready for its intended use. These costs include expenditures related to software design, technical specifications, coding, installation of hardware and parallel testing. We cease capitalizing these costs upon completion of all substantial testing of the software application.

We also capitalize costs related to specific upgrades and enhancements of our internally developed software when we conclude that it is probable that the expenditures will result in additional functionality. Our maintenance and training costs are expensed as incurred.

As of December 31, 2011 and 2010, we had net capitalized internally developed software of $3.5 million and $3.6 million, respectively. We capitalized $1.5 million, $1.3 million and $1.3 million in internally developed software during the years ended December 31, 2011, 2010 and 2009, respectively.

Internally developed software is amortized on a straight-line basis over its estimated useful life. We evaluate the useful lives of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. There were no impairments to internally developed software during the years ended December 31, 2011, 2010 and 2009.

Non-cash stock-based compensation expense

Since our 2004 Stock Incentive Plan and 2010 Long-Term Incentive Plan were adopted, stock options have been an important component of our compensation structure. We expect that this will continue to be the case in the future. Our Board of Directors is responsible for determining the timing and magnitude of all stock options and restricted stock grants. Prior to our initial public offering on July 28, 2010, our Board of Directors, was responsible for determining the fair value of our common stock on the date of each stock option grant. The Board of Directors had delegated certain of its responsibilities to the Compensation Committee of the Board of Directors and certain members of management. As required under our 2004 Stock Incentive Plan and our 2010 Long-Term Incentive Plan, all of our stock options are granted with exercise prices at or above the fair value of our common stock on the grant date.

The following table provides information regarding stock options and restricted stock granted for January 1, 2009 through December 31, 2011:

Date	Shares	Stock Price	Exercise Price	Intrinsic Value As of December 31, 2011
Options:				
2/16/2009	1,000	$ 7.85	$ 7.85	$ 4.11
4/8/2009	8,230	7.85	7.85	4.11
5/15/2009	232,732	7.15	7.15	4.81
7/6/2009	10,000	7.15	7.15	4.81
11/16/2009	12,000	11.50	11.50	0.46
2/22/2010	71,000	13.45	13.45	-
7/28/2010	1,885,390	9.00	9.00	2.96
9/1/2010	2,000	10.25	10.25	1.71
9/30/2010	33,600	10.46	10.46	1.50
2/14/2011	50,000	12.93	12.93	-
2/28/2011	384,833	12.55	12.55	-
3/1/2011	2,500	12.34	12.34	-
12/14/2011	49,500	10.40	10.40	1.56
Restricted Stock:				
2/28/2011	67,224	12.55	N/A	N/A
12/14/2011	10,000	10.40	N/A	N/A

Prior to our initial public offering in July 2010, there was no market for our common stock and therefore no readily available price to reference when determining the fair value of our common stock in connection with the granting of stock options. The value of our common stock was dependent upon our company valuation and, as described below, we had periodically obtained independent valuations and performed internal valuations of our common stock. In each case, such valuations had been performed contemporaneously and we had determined the fair market value of our company in conformity with commonly accepted corporate valuation techniques and methodologies.

Prior to our initial public offering, we generally had obtained contemporaneous independent valuations at least annually and at the time of broad-based option grants, such as on May 15, 2009. For our internal valuations, we applied the same approach and methodology used by the independent valuation firm. For any option grants made between quarterly valuations of our common stock, our Board of Directors assessed all available information in determining whether the stock price in effect at the time of the grant should otherwise be adjusted. As a private company, we had performed our quarterly valuations such that they were effective approximately 45 days following the end of each calendar quarter to approximate the date upon which, if we were a reporting company, we would be required to disclose to the public through filings with the Commission our financial performance and associated operating metrics, which include assets under management and administration. Until such date, any information about a given quarter's financial performance, ending asset values, and other information that could be deemed material to investors, would not be known to the public even if we were a reporting company and therefore is not included in the valuation of our common stock during interim periods.

In the specific cases of option grants made after the dates of our quarterly valuations during the period under review, our Board of Directors concluded that no adjustment should have been made to the most recent valuation of our common stock based on its assessment that, had we been a reporting company, no new material information would have been available to the public since the date of the prior valuation of our common stock.

Prior to our initial public offering, our company valuation, whether prepared by an independent valuation firm or performed internally, considered an income approach, also known as a discounted cash flow analysis, incorporating our historical and expected financial performance, the relevant market and industry and economic trends. Our valuation also considered a market approach, including recent capital transactions involving either our company or comparable companies, and comparable public-company valuations. The resulting calculation assigned a value for 100% of our company's equity on a marketable equivalent, non-controlling interest basis. We considered, but did not include, an asset approach, as we did not believe the book value of our assets provides meaningful input into our expected revenue and earnings, or the value of our company.

We believe the value of our common stock had the potential to change each fiscal quarter in the normal course of our business, since the majority of our total revenues earned in a given quarter are calculated based on the value of AUM and AUA as of the end of the previous fiscal quarter. These revenues, and our historical resulting projections for earnings and cash flow, were inherently subject to fluctuations from quarter to quarter.

Accordingly, prior to our initial public offering, we calculated the value of our common stock at least once each fiscal quarter. The historical quarterly valuations did at times fluctuate significantly as the market value of our assets under management or administration drives our near term financial results and longer term projections. The value of our common stock could also change if a material financing transaction or other significant event occured within a given fiscal quarter. In such circumstances we performed an additional valuation of our common stock at the time of the transaction or event, using the same valuation methodology that was utilized in connection with our quarterly valuations.

After we determined a value for our company, we allocated the value to each class of our shares, including our common stock. Our value allocation methodology applies the principles set forth in the AICPA Practice Aid—Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the Practice Aid. The Practice Aid defines appropriate methods to allocate enterprise value to common shares when multiple share

classes exist. Based on various factors, including the stage of a company's life and the timing and likelihood of various liquidity events, one method of allocation may be more appropriate than the others. We considered, but did not use, the probability-weighted expected return method due to the number of assumptions for each scenario that are difficult to estimate, and the fact that our most likely liquidation event was an initial public offering. Additionally, we did not apply the liquidation method because, as the Practice Aid indicates, it would be inappropriate for a later-stage company such as ours to use that method to allocate value to the various share classes. Furthermore, the more imminent a liquidity event becomes, the more aligned the liquidation model and option pricing model become in attributing value to each share class. Accordingly, we used the option pricing method, as defined in the Practice Aid, which treats each class of equity as having a "call option" on the enterprise value. The option pricing method considers the economic preferences and other rights attributable to each share class, resulting in a price for each of our share classes, including our common stock. Our valuations of our common stock also reflected a discount for lack of marketability, adjusted over time to reflect the expected likelihood and timing of a liquidity event subsequent to each valuation date. No other discounts were applied in determining the value of our common stock.

During 2009 and through the date our initial public offering on July 28, 2010, we performed the following contemporaneous valuations of our common stock:

Date	Fair Value of Common Stock
2/15/2009	$ 7.85
5/15/2009	7.15
8/15/2009	9.90
11/15/2009	11.50
2/15/2010	13.45

As described above, the assets under management or administration on our technology platform at the end of a given quarter have a significant impact on our short- and long-term financial projections and resulting valuation. For example, the valuation conducted on May 15, 2009 incorporated financial projections based on assets under management or administration as of March 31, 2009. The value of those assets was 6% below the value of the assets as of December 31, 2008. This contributed to the decline in the estimated fair value of our common stock between periods. Conversely, assets under management or administration increased 16% between March 31, 2009 and June 30, 2009, contributing to an increase in the estimated fair value of our common stock between May 15, 2009 and August 15, 2009. In addition, assets under management or administration increased 15% between June 30, 2009 and September 30, 2009, which contributed to the increase in the fair value of our common stock between August 15, 2009 and November 15, 2009. A 4% increase in assets under management or administration between September 30, 2009 and December 31, 2009, as well as the platform services agreement signed with FundQuest in February of 2010, contributed to the increase in the fair value of our common stock between November 15, 2009 and February 15, 2010. The decrease between the fair value of our common stock on November 15, 2009 and February 15, 2010 and the initial public offering price was principally attributable to volatility in the trading prices of the common stock of comparable companies and the difficult conditions in the market for initial public offerings at and immediately prior to our determination of the initial public offering price. Other factors, such as updated financial projections not related to changes in our assets under management or administration, as well as fluctuations in the value of comparable publicly-traded companies, also contributed to the differences in the estimated fair value of our common stock between periods.

Since our initial public offering on July 28, 2010, we have not performed internal valuations or obtained independent valuations in order to determine the Company's stock price to reference when determining the fair value of our common stock in connection with the granting of stock options or restricted stock.

Non-cash stock-based compensation expense for stock option and restricted stock grants is estimated at the grant date based on each grant's fair value, calculated using the Black-Scholes option pricing model. Compensation and benefits expenses are recognized over the vesting period for each grant. The fair value of our

stock options and the resulting expenses are based on various assumptions, including the expected volatility of our stock price, the expected term of the stock options, estimated forfeiture rates and the risk-free interest rate. The use of different assumptions would result in different fair values and compensation and benefits expenses for our option grants.

Business Combinations

We account for business combinations under the purchase accounting method. The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires us to make estimates and use valuation techniques when market value is not readily available. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill. The transaction costs associated with business combinations are expensed as they are incurred.

Income taxes

We are subject to income taxes in the United States and India. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes.

We use the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized under income tax provision in the period that includes the enactment date. We record a valuation allowance to reduce deferred tax assets to an amount that we determine is more-likely-than-not to be realized in the future.

In our ordinary course of business, we may enter into transactions for which the ultimate tax determination is uncertain. In such cases, we establish reserves for tax-related uncertainties based on our estimates of whether, and the extent to which, additional taxes will be due. The reserves are established when we believe that certain positions are likely to be challenged and may not be fully sustained on review by tax authorities. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or refinement of an estimate. Although we believe our reserves are reasonable, no assurance can be given that the final outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will be reflected in our provision for income taxes. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

Our effective tax rates differ from the statutory rates primarily due to adjustments in valuation allowances, state income taxes and changes in rates. Our provision for income taxes varies based on, among other things, changes in the valuation of our deferred tax assets and liabilities, the tax effects of non-cash stock-based compensation or changes in applicable tax laws, regulations and accounting principles or interpretations thereof.

As of December 31, 2011, we had net operating loss carryforwards for federal and state income tax purposes of $22.2 million and $35.4 million, respectively, available to reduce future income subject to income taxes. The federal and state net operating loss carryforwards expire through 2030.

We are subject to examination of our income tax returns by the U.S. Internal Revenue Service and other tax authorities. We assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these examinations will not have a material adverse effect on our results of operations, financial condition and cash flows.

Results of Operations

Year ended December 31, 2011 compared to year ended December 31, 2010

	Year Ended December 31,		Increase (Decrease)	
	2011	2010	Amount	%
	(In thousands)			
Revenues:				
Assets under management or administration	$ 99,236	$ 75,951	$ 23,285	31%
Licensing and professional services	23,942	22,101	1,841	8%
Total revenues	123,178	98,052	25,126	26%
Operating expenses:				
Cost of revenues	42,831	31,444	11,387	36%
Compensation and benefits	40,305	37,027	3,278	9%
General and administration	21,856	21,607	249	1%
Depreciation and amortization	6,376	5,703	673	12%
Restructuring charges	434	961	(527)	-55%
Total operating expenses	111,802	96,742	15,060	16%
Income from operations	11,376	1,310	10,066	*
Other income (expense):				
Interest income	77	149	(72)	-48%
Interest expense	(786)	(564)	(222)	39%
Other income	1,100	-	1,100	*
Other expense	(1,183)	-	(1,183)	*
Unrealized gain (loss) on investments	(4)	12	(16)	-133%
Total other (expense)	(796)	(403)	(393)	98%
Income before income tax provision	10,580	907	9,673	*
Income tax provision	2,975	1,533	1,442	94%
Net income (loss)	$ 7,605	$ (626)	$ 8,231	*

* Not meaningful.

Revenues

Total revenues increased 26% from $98.1 million in 2010 to $123.2 million in 2011. The increase was primarily due to an increase in revenues from assets under management or administration of $23.2 million. Revenues from assets under management or administration comprised 80% and 77% of total revenue in 2011 and 2010, respectively.

Assets under management or administration

Revenues earned from assets under management or administration increased 31% from $76.0 million in 2010 to $99.2 million in 2011. This increase was primarily due to an increase in asset values applicable to our quarterly billing cycles in 2011, relative to those used in 2010. Our 2011 revenues were positively affected by

new account growth and positive net flows of AUM and AUA during the fourth quarter of 2010 through September 30, 2011. This increase was partially offset by a decrease in the market value of AUM and AUA from the fourth quarter of 2010 to September 30, 2011.

New account growth and positive net flows of AUM and AUA resulted from continued efforts to increase the number of financial advisors and accounts on our technology platform and the implementation of the FundQuest assets on our technology platform. The number of financial advisors with AUM or AUA on our technology platform increased from 13,833 as of December 31, 2010 to 13,887 as of December 31, 2011 and the number of AUM or AUA client accounts increased from approximately 307,000 as of December 31, 2010 to approximately 341,000 as of December 31, 2011.

Licensing and professional services

Licensing and professional services revenues increased 8% from $22.1 million in 2010 to $23.9 million in 2011, primarily due to an increase in licensing revenue of $0.9 million and an increase in professional services revenue of $0.9 million.

Cost of revenues

Cost of revenues increased 36% from $31.4 million in 2010 to $42.8 million in 2011, primarily due to an increase in revenues from assets under management or administration. As a percentage of total revenues, cost of revenues increased from 32% in 2010 to 35% in 2011.

Compensation and benefits

Compensation and benefits increased 9% from $37.0 million in 2010 to $40.3 million in 2011, primarily due to an increase in salaries and commissions of $2.0 million related to an increase in headcount, an increase in non-cash stock-based compensation expense of $1.3 million primarily due to the grant of stock options on the date of our initial public offering and an increase in benefits and payroll taxes of $1.0 million, offset by a decrease in incentive compensation expense of $1.0 million. Headcount increased from an average of 437 in 2010 to an average of 486 in 2011 primarily to support the growth of our operations as well as increased headcount from acquisitions. As a percentage of total revenues, compensation and benefits decreased from 38% in 2010 to 33% in 2011.

General and administration

General and administration expenses increased 1% from $21.6 million in 2010 to $21.9 million in 2011. Significant changes from 2010 to 2011 include a decrease of $2.7 million in bad debt expense related to the uncollectible portion of accounts and notes receivable from Fetter Logic (see note 17 to the notes to the audited consolidated financial statements) and a decrease of $1.8 million in legal fees related to the Fetter Logic litigation (see note 17 to the notes to the audited consolidated financial statements), offset by increases in communication research and data services expense of $0.9 million, occupancy costs of $0.6 million, insurance and bank charges of $0.4 million, travel and entertainment costs of $0.4 million and professional and other legal fees of $0.8 million. As a percentage of total revenues, general and administration expenses decreased from 22% in 2010 to 18% in 2011. Excluding bad debt expense of $2.7 million and legal fees of $1.8 million related to the Fetter Logic litigation, general and administration expenses as a percentage of total revenues would have been 17% in 2010.

Depreciation and amortization

Depreciation and amortization expense increased 12% from $5.7 million in 2010 to $6.4 million in 2011, primarily due to an increase in fixed asset depreciation and amortization of $0.8 million. The increase in depreciation and amortization expense was primarily due to increases in capitalized computer equipment and

software to support the growth of our operations. As a percentage of total revenues, depreciation and amortization decreased from 6% in 2010 to 5% in 2011.

Restructuring charges

Effective March 31, 2010, we closed our Los Angeles office in order to more appropriately align and manage our resources and incurred restructuring charges of approximately $1.0 million in 2010 and $0.1 million in 2011. These expenses related to vacating rental office space, relocation expenses and severance charges. We do not expect to incur restructuring charges relating to the closure of our Los Angeles office in 2012. In 2011, we incurred restructuring charges of approximately $0.4 million primarily for severance charges related to the termination of certain FundQuest and Envestnet employees related to the FundQuest acquisition. We do not expect that our restructuring charges related to the FundQuest acquisition will be significant in 2012.

Interest expense

Interest expense increased from $0.6 million in 2010 to $0.8 million in 2011, primarily due to imputed interest on the payments due to FundQuest. Due to the FundQuest acquisition and the related termination of the Platform Services Agreement with FundQuest, we have ceased imputing interest expense as of the date of acquisition.

Other income

Other income increased from zero in 2010 to $1.1 million 2011, due to the proceeds from an insurance recovery (see note 16 to the notes to the audited consolidated financial statements).

Other expense

Other expense increased from zero in 2010 to $1.2 million 2011, due to the contract settlement charges related to the termination of the Platform Services Agreement between Envestnet and FundQuest (see notes 3 and 4 to the notes to the audited consolidated financial statements).

Income tax provision

	Year Ended December 31,	
	2011	2010
	(in thousands)	
Income tax provision	$ 2,975	$ 1,533
Effective tax rate	28.1%	*

* Not meaningful.

Our 2011 effective tax rate differs from the statutory rate primarily as a result of changes in our estimates of our state income tax obligations for prior years, changes in state tax rates and the effect of permanent items. The changes in state tax rates were primarily related to changes in state tax laws regarding the sourcing of state taxable income. Our 2011 effective tax rate also differs from the statutory rate primarily as a result of the reversal of certain deferred income tax liabilities totaling $1.2 million related to the termination of the Platform Services Agreement between Envestnet and FundQuest.

Our 2010 effective tax rate differs from the statutory rate primarily as a result of changes in our estimates of our state income tax obligations for prior years and changes in state tax rates. The changes in state tax rates were primarily related to changes in state tax laws regarding the sourcing of state taxable income. Our 2010 effective tax rate also differs from the statutory rate primarily as a result of an increase in our tax valuation allowance we recorded in 2010. In 2010, our management determined that newly generated deferred tax assets

related to capital losses from investments and bad debts were not expected to be utilized and correspondingly, we increased our tax valuation allowance.

Year ended December 31, 2010 compared to year ended December 31, 2009

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	Amount	%
		(In thousands)		
Revenues:				
Assets under management or administration	$ 75,951	$ 56,857	$ 19,094	34%
Licensing and professional services	22,101	21,067	1,034	5%
Total revenues	98,052	77,924	20,128	26%
Operating expenses:				
Cost of revenues	31,444	24,624	6,820	28%
Compensation and benefits	37,027	28,763	8,264	29%
General and administration	21,607	15,726	5,881	37%
Depreciation and amortization	5,703	4,499	1,204	27%
Restructuring charges	961	-	961	*
Total operating expenses	96,742	73,612	23,130	31%
Income from operations	1,310	4,312	(3,002)	-70%
Other income (expense):				
Interest income	149	221	(72)	-33%
Interest expense	(564)	-	(564)	*
Unrealized gain (loss) on investments	12	19	(7)	-37%
Impairment of investments	-	(3,608)	3,608	*
Total other income (expense)	(403)	(3,368)	2,965	*
Income before income tax provision	907	944	(37)	-4%
Income tax provision	1,533	1,816	(283)	-16%
Net loss	$ (626)	$ (872)	246	-28%

* Not meaningful.

Revenues

Total revenues increased 26% from $77.9 million in 2009 to $98.1 million in 2010. The increase was primarily due to an increase in revenues from assets under management or administration of $19.1 million. Revenues from assets under management or administration comprised 73% and 77% of total revenue in 2009 and 2010, respectively.

Assets under management or administration

Revenues earned from assets under management or administration increased 34% from $56.9 million in 2009 to $76.0 million in 2010. This increase was primarily due to an increase in asset values applicable to our quarterly billing cycles in 2010, relative to those used in 2009. Our 2010 revenues were positively affected by new account growth and positive net flows of AUM and AUA during the fourth quarter of 2009 through September 30, 2010, as well as an increase in market value of AUM and AUA from the fourth quarter of 2009 to September 30, 2010.

New account growth and positive net flows of AUM and AUA resulted from continued efforts to increase the number of financial advisors and accounts on our technology platform and the implementation of the

FundQuest assets on our technology platform. The number of financial advisors with AUM or AUA on our technology platform increased from 8,408 as of December 31, 2009 to 13,833 as of December 31, 2010 and the number of AUM or AUA client accounts increased from approximately 175,000 as of December 31, 2009 to approximately 307,000 as of December 31, 2010.

Licensing and professional services

Licensing and professional services revenues increased 5% from $21.1 million in 2009 to $22.1 million in 2010, primarily due to an increase in licensing revenue of $0.6 million and an increase in professional services revenue of $0.5 million.

Cost of revenues

Cost of revenues increased 28% from $24.6 million in 2009 to $31.4 million in 2010, primarily due to an increase in revenues from assets under management or administration. As a percentage of total revenues, cost of revenues remained flat at 32% in both periods.

Compensation and benefits

Compensation and benefits increased 29% from $28.8 million in 2009 to $37.0 million in 2010, primarily due to an increase in salaries and commissions of $5.3 million related to an increase in headcount, an increase in non-cash stock-based compensation expense of $1.0 million primarily due to the grant of stock options on the date of our initial public offering, an increase in benefits and payroll taxes of $0.7 million, an increase in incentive compensation expense of $0.8 million and an increase in severance of $0.6 million. Headcount increased from an average of 408 in 2009 to an average of 437 in 2010 primarily due to the hiring of former FundQuest and B-Ready Outsourcing Solutions, Inc. employees (see note 3 to the notes to the audited financial statements) in the second quarter of 2010. As a percentage of total revenues, compensation and benefits increased from 37% in 2009 to 38% in 2010.

General and administration

General and administration expenses increased 37% from $15.7 million in 2009 to $21.6 million in 2010, primarily due to an increase in bad debt expense of $2.7 million in 2010 related to the uncollectible portion of accounts and notes receivable from Fetter Logic (see note 17 to the notes to the audited consolidated financial statements) and increased legal fees related to the Fetter Logic litigation of $1.9 million (see note 17 to the notes to the audited consolidated financial statements). As a percentage of total revenues, general and administration expenses increased from 20% in 2009 to 22% in 2010. Excluding bad debt expense of $2.7 million and legal fees of $1.9 million related to the Fetter Logic litigation, general and administration expenses as a percentage of total revenues would have been 17% in 2010.

Depreciation and amortization

Depreciation and amortization expense increased 27% from $4.5 million in 2009 to $5.7 million in 2010, primarily due to an increase in fixed asset depreciation and amortization of $1.1 million. The increase in depreciation and amortization expense was primarily due to increases in capitalized computer equipment and software to support the growth of our operations. As a percentage of total revenues, depreciation and amortization remained flat at 6% in both periods.

Restructuring charges

Effective March 31, 2010, we closed our Los Angeles office in order to more appropriately align and manage our resources and incurred restructuring charges of approximately $1.0 million in 2010. These expenses related to vacating rental office space, relocation expenses and severance charges.

Interest expense

Interest expense increased from zero in 2009 to $0.6 million in 2010, primarily due to imputed interest on the payments due to FundQuest. See note 4 to the notes to the audited consolidated financial statements.

Impairment of investments

Impairment of investments decreased from $3.6 million in 2009 to zero in 2010. In the fourth quarter of 2009, we evaluated the fair value of an investment in Fetter Logic and we recognized a $3.3 million impairment charge. See note 17 to the notes to the audited consolidated financial statements.

Income tax provision

	Year Ended December 31,	
	2010	2009
	(in thousands)	
Income tax provision	$ 1,533	$ 1,816
Effective tax rate	*	*

* Not meaningful.

Our 2010 and 2009 effective tax rates differ from the statutory rate primarily as a result of changes in our estimates of our state income tax obligations for prior years and changes in state tax rates. The changes in state tax rates were primarily related to changes in state tax laws regarding the sourcing of state taxable income.

Our 2010 and 2009 effective tax rates also differ from the statutory rate primarily as a result of an increase in our tax valuation allowance we recorded in 2010 and 2009. In 2010 and 2009, our management determined that newly generated deferred tax assets related to capital losses from investments and bad debts were not expected to be utilized and correspondingly, we increased our tax valuation allowance.

Non-U.S. GAAP Financial Measures

	Year Ended December 31,		
	2011	2010	2009
	(in thousands, unaudited)		
Adjusted EBITDA	$ 27,436	$ 18,115	$ 10,595
Adjusted operating income	21,995	12,412	6,096
Adjusted net income	13,754	7,629	2,449
Adjusted net income per share	0.42	0.24	0.06

“Adjusted EBITDA” represents net income (loss) before interest income, interest expense, income tax provision (benefit), depreciation and amortization, non-cash stock-based compensation expense, unrealized gain (loss) on investments, other income, impairment of investments, restructuring charges and transaction costs, severance, bad debt expense, customer inducement costs and impairment, contract settlement charges and litigation related expense.

“Adjusted operating income” represents income (loss) from operations before non-cash stock-based compensation expense, restructuring charges and transaction costs, severance, amortization of acquired intangibles, customer inducement costs and impairment, bad debt expense, and litigation related expense.

“Adjusted net income” represents net income (loss) before non-cash stock-based compensation expense, impairment of investments, restructuring charges and transaction costs, severance, amortization of acquired intangibles, bad debt expense, customer inducement costs and impairment, contract settlement charges, contract

settlement – reversal of deferred taxes, other income, imputed interest expense 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 attributable to common stockholders divided by the diluted number of weighted-average shares outstanding.

The Compensation Committee of our Board of Directors and our management use adjusted EBITDA, adjusted operating income, 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
- In communications with our Board of Directors concerning our financial performance.

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

We also present adjusted EBITDA, adjusted operating income, 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.

We believe adjusted EBITDA, adjusted operating income, adjusted net income and adjusted net income per share are useful to investors in evaluating our operating performance because securities analysts use adjusted EBITDA, adjusted operating income, 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 EBITDA, adjusted operating income, adjusted net income and adjusted net income per share.

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

We understand that, although adjusted EBITDA, adjusted operating income, 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 an analytical tool, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under U.S. GAAP. In particular you should consider:

- Adjusted EBITDA, adjusted operating income, 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 EBITDA, adjusted operating income, adjusted net income and adjusted net income per share do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA, adjusted operating income, 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;
- Due to either net losses before income tax expenses or the use of federal and state net operating loss carryforwards in 2011 and 2010 we had cash income tax payments of $0.8 million and $0.2 million

in the year ended December 31, 2011 and 2010, respectively. Income tax payments will be higher if we continue to generate taxable income and our existing net operating loss carryforwards for federal and state income taxes have been fully utilized or have expired; and

- Other companies in our industry may calculate adjusted EBITDA, adjusted operating income, 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 EBITDA, adjusted operating income, adjusted net income and adjusted net income per share through disclosure of such limitations, presentation of our financial statements in accordance with U.S. GAAP and reconciliation of adjusted EBITDA, adjusted net income and adjusted net income per share to net income and net income per share, the most directly comparable U.S. GAAP measure, and adjusted operating income to income from operations, the most directly comparable U.S. GAAP measure. Further, our management also reviews U.S. GAAP measures and evaluates individual measures that are not included in some or all of our non-U.S. GAAP financial measures, such as our level of capital expenditures and interest income, among other measures.

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

	Year Ended December 31,		
	2011	2010	2009
	(in thousands, unaudited)		
Net income (loss)	$ 7,605	$ (626)	$ (872)
Add (deduct):			
Interest income	(77)	(149)	(221)
Interest expense	786	564	-
Income tax provision	2,975	1,533	1,816
Depreciation and amortization	6,376	5,703	4,499
Stock-based compensation expense	3,062	1,731	780
(Gain) loss on investments	4	(12)	(19)
Impairment of investments	-	-	3,608
Other income	(1,100)	-	-
Restructuring charges and transaction costs	1,054	961	-
Severance	698	570	-
Impairment of customer inducement asset	174	-	-
Contract settlement charges	1,183	-	-
Bad debt expense	-	2,668	385
Customer inducement costs	4,568	3,239	18
Litigation related expense	128	1,933	601
Adjusted EBITDA	$ 27,436	$ 18,115	$ 10,595

The following table sets forth the reconciliation of income from operations to adjusted operating income based on our historical results:

	Year Ended December 31,		
	2011	2010	2009
	(in thousands, unaudited)		
Income from operations	$ 11,376	$ 1,310	$ 4,312
Add:			
Stock-based compensation expense	3,062	1,731	780
Restructuring charges and transaction costs	1,054	961	-
Severance	698	570	-
Impairment of customer inducement asset	174	-	-
Amortization of acquired intangibles	935	1,116	1,070
Bad debt expense	-	2,668	385
Customer inducement costs	4,568	3,239	18
Litigation related expense	128	1,933	601
Adjusted operating income	$ 21,995	$ 13,528	$ 7,166

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

	Year Ended December 31,		
	2011 *	2010 *	2009 *
	(in thousands, unaudited)		
Net income (loss)	$ 7,605	$ (626)	$ (872)
Add:			
Stock-based compensation expense	1,831	1,077	480
Restructuring charges and transaction costs	630	598	-
Severance	417	355	-
Amortization of acquired intangible assets	559	694	659
Impairment of investments	-	-	2,223
Impairment of customer inducement asset	104	-	-
Bad debt expense	-	2,668	237
Customer inducement costs	2,732	2,015	11
Contract settlement charges	1,183	-	-
Contract settlement - reversal of deferred taxes	(1,187)	-	-
Other income	(658)	-	-
Imputed interest expense	461	340	-
Litigation related expense	77	1,202	370
Adjusted net income	13,754	8,323	3,108
Less: Preferred stock dividends	-	(422)	(720)
Less: Net income allocated to participating preferred stock	-	(2,069)	(1,184)
Adjusted net income attributable to common stockholders	$ 13,754	$ 5,832	$ 1,204
Basic number of weighted-average shares outstanding	31,643,390	20,805,911	12,910,998
Effect of dilutive shares:			
Options to purchase common stock	974,192	992,753	416,291
Restricted stock	34,757	-	-
Common warrants	211,495	154,364	284,562
Diluted number of weighted-average shares outstanding	32,863,834	21,953,028	13,611,851
Adjusted net income per share	$ 0.42	$ 0.27	$ 0.09

* Adjustments, excluding bad debt expense, contract settlement charges and contract settlement – reversal of deferred taxes, are tax effected using income tax rates as follows: for 2011—40.2%; for 2010—37.8%; for 2009—38.4%.

Liquidity and Capital Resources

As of December 31, 2011, we had total cash and cash equivalents of $64.9 million, compared to $67.7 million as of December 31, 2010. In February 2012, we announced two acquisitions that are expected to close in the first half of 2012 with a combined purchase price of $67.8 million. We plan to use existing cash and cash generated in the ongoing operations of our business to fund these acquisitions, our current operations and capital expenditures in 2012.

Cash Flows

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

	Year Ended December 31,		
	2011	2010	2009
	(In thousands)		
Net cash provided by operating activities	$ 24,721	$ 1,467	$ 8,365
Net cash used in investing activities	(30,133)	(5,501)	(5,040)
Net cash provided by (used in) financing activities	2,653	40,177	(245)
Net increase (decrease) in cash and cash equivalents	(2,759)	36,143	3,080
Cash and cash equivalents, end of period	64,909	67,668	31,525

Operating Activities

Net cash provided by operating activities in 2011 increased by $23.2 million compared to 2010, primarily due to an increase in net earnings of $8.2 million from the year ended December 31, 2011 compared to the prior year period and a decrease in customer inducement liability payments of $10.3 million, primarily a result of a $1.0 million payment to FundQuest in 2011 compared to a payment of $11.3 million payment to FundQuest in 2010.

Net cash provided by operating activities in 2010 decreased by $6.9 million compared to 2009, primarily due to a payment of $10.3 million to FundQuest in 2010 (see note 4 to the notes to the consolidated financial statements), primarily offset by an increase in non-cash bad debt expense of $2.7 million in 2010 related to the uncollectible portion of accounts and notes receivable from Fetter Logic (see note 17 to the notes to the consolidated financial statements).

Investing Activities

Net cash used in investing activities in 2011 increased by $24.6 million compared to 2010. Cash disbursements in 2011 and 2010 totaled $6.3 million and $5.5 million, respectively, for purchases of property and equipment and capitalization of internally developed software. Additionally, the Company acquired FundQuest (see note 3 to the notes to the consolidated financial statements) with net cash totaling $23.7 million.

Net cash used in investing activities in 2010 increased by $0.5 million compared to 2009. Cash disbursements in 2010 and 2009 totaled $5.5 million and $4.4 million, respectively, for purchases of property and equipment and capitalization of internally developed software. Additionally, the Company acquired the assets of B-Ready Outsourcing Solutions, Inc. and Metamorphosis Money Management, LLC (see note 3 to the notes to the consolidated financial statements) for cash totaling $0.9 million offset by proceeds from the repayment of notes receivable of $1.0 million.

Financing Activities

Net cash provided by (used in) financing activities in 2011 decreased by $37.5 million compared 2010, primarily due to the receipt of net proceeds of $42.1 from our initial public offering after deducting underwriting

discounts and offering costs in 2010, net proceeds of $1.5 million for the exercise of warrants in 2010 and net proceeds of $1.9 million from the exercise of stock options in 2010, partially offset by $4.0 million used in purchases of our common stock in 2010 and payments of preferred stock dividends of $1.3 million in 2010. In 2011, we received net proceeds of $2.7 million from the exercise of stock options.

Net cash provided by (used in) financing activities in 2010 increased by $40.4 million compared to the same period in 2009, primarily due to the receipt of net proceeds of $42.1 from our initial public offering after deducting underwriting discounts and offering costs, net proceeds of $1.5 million for the exercise of warrants in 2010 and net proceeds of $1.9 million from the exercise of stock options in 2010, partially offset by $4.0 million used in purchases of our common stock in 2010 and payments of preferred stock dividends of $1.3 million in 2010. In 2009, we purchased $0.2 million of our common stock.

Commitments

The following table sets forth information regarding our contractual obligations as of December 31, 2011:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(In thousands)				
Operating leases (1)	$ 41,997	$ 3,398	$ 8,115	$ 9,216	$ 21,268
Note payable	150	150	-	-	-
Total	$ 42,147	$ 3,548	$ 8,115	$ 9,216	$ 21,268

(1) We lease facilities under non-cancelable operating leases expiring at various dates through 2023.

The table above does not reflect the following:

- Amounts estimated for uncertain tax positions since the timing and likelihood of such payments cannot be reasonably estimated.
- Voluntary employer matching contributions to our defined contribution benefit plans since the amount cannot be reasonably estimated. For the years ended December 31, 2011, 2010 and 2009, we made voluntary employer matching contributions of $0.5 million, $0.4 million and $0.4 million, respectively.

Off-Balance Sheet Arrangements

Other than operating leases as indicated above, we do not have any other off-balance sheet arrangements.

Recent Accounting Pronouncements

In October 2009, the FASB issued authoritative guidance that enables vendors to account for products or services sold to customers (deliverables) separately rather than as a combined unit, as was generally required by past guidance. The revised guidance provides for two significant changes to the existing multiple element revenue arrangement guidance. The first change relates to the determination of when individual deliverables included in a multiple element arrangement may be treated as separate units of accounting. The second change modifies the manner in which the transaction consideration is allocated across the separately identified deliverables. This guidance also significantly expands the disclosures required for multiple-element revenue arrangements. The guidance is required to be adopted in fiscal years beginning on or after June 15, 2010, but early adoption is permitted. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In October 2009, the FASB issued authoritative guidance that changes the accounting model for revenue arrangements that include both tangible products and software elements so that tangible products containing

software components and nonsoftware components that function together to deliver the tangible product's essential functionality are no longer within the scope of the software revenue guidance in Accounting Standards Codification ("ASC") Subtopic 985-605. In addition, this guidance requires hardware components of a tangible product containing software components always be excluded from the software revenue guidance. The guidance is required to be adopted in fiscal years beginning on or after June 15, 2010, but early adoption is permitted. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued authoritative guidance that amends ASC Topic 220, Comprehensive Income, to require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, and it eliminates the option to present components of other comprehensive income as a part of the statement of changes in stockholders' equity. In addition, this guidance requires an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. These amendments are to be applied retrospectively and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011; however, early adoption is permitted. We do not anticipate the adoption of this guidance will have a material impact on our consolidated financial statements.

In September 2011, the FASB issued authoritative guidance regarding the testing of goodwill for impairment. This guidance allows companies to perform a "qualitative" assessment to determine whether or not the current two-step quantitative testing method, in which a company compares the fair value of reporting units to its carrying amount including goodwill, must be followed. If a qualitative assessment indicates that it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, then the quantitative impairment test is not required. A company may choose to use the qualitative assessment on none, some, or all of its reporting units or to bypass the qualitative assessment and proceed directly to the two-step quantitative testing method. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011; however, early adoption is permitted. We do not anticipate that the adoption of this guidance will have a material impact on our consolidated financial statements.

Item 7A. 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 years ended December 31, 2011, 2010 and 2009, 80%, 77% and 73% of our revenues, respectively, 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. As of December 31, 2011, 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 $0.4 million to pre-tax earnings and a hypothetical 10% decrease in the value of the Indian Rupee to the U.S. dollar would result in a $0.4 million increase to pre-tax earnings.

Interest rate risk

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

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Envestnet, Inc.

We have audited the accompanying consolidated balance sheets of Envestnet, Inc. (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ McGladrey & Pullen, LLP

Chicago, Illinois
March 9, 2012

Envestnet, Inc.

Consolidated Balance Sheets

(In thousands, except share information)

	December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 64,909	$ 67,668
Fees receivable	9,644	9,135
Deferred tax assets, net	192	107
Prepaid expenses and other current assets	4,040	2,026
Total current assets	78,785	78,936
Property and equipment, net	11,091	9,713
Internally developed software, net	3,524	3,621
Intangible assets, net	12,225	1,330
Goodwill	22,223	2,031
Deferred tax assets, net	6,692	13,649
Customer inducements	-	30,400
Other non-current assets	3,162	2,188
Total assets	$137,702	$141,868
Liabilities and Stockholders' Equity		
Current liabilities:		
Accrued expenses	$ 14,919	$ 12,859
Accounts payable	1,974	1,707
Customer inducements payable	-	1,000
Note payable	171	159
Deferred revenue	79	232
Total current liabilities	17,143	15,957
Deferred rent liability	1,414	1,244
Lease incentive liability	2,933	2,771
Customer inducements payable	-	18,806
Note payable	-	159
Other non-current liabilities	573	612
Total liabilities	22,063	39,549
Commitments and contingencies		
Stockholders' equity		
Preferred stock	-	-
Common stock, par value $0.005, 500,000,000 shares authorized as of December 31, 2011 and 2010; 43,515,899 and 43,068,371 shares issued as of December 31, 2011 and 2010, respectively; 31,810,726 and 31,368,822 shares outstanding as of December 31, 2011 and 2010, respectively	218	215
Additional paid-in capital	163,584	157,778
Accumulated deficit	(37,742)	(45,347)
Treasury stock at cost, 11,705,173 and 11,699,549 shares as of December 31, 2011 and 2010, respectively	(10,421)	(10,327)
Total stockholders' equity	115,639	102,319
Total liabilities and stockholders' equity	$137,702	$141,868

See accompanying notes to Consolidated Financial Statements.

Envestnet, Inc.

Consolidated Statements of Operations

(In thousands, except share and per share information)

	Year ended December 31,		
	2011	**2010**	**2009**
Revenues:			
Assets under management or administration	$ 99,236	$ 75,951	$ 56,857
Licensing and professional services	23,942	22,101	21,067
Total revenues	123,178	98,052	77,924
Operating expenses:			
Cost of revenues	42,831	31,444	24,624
Compensation and benefits	40,305	37,027	28,763
General and administration	21,856	21,607	15,726
Depreciation and amortization	6,376	5,703	4,499
Restructuring charges	434	961	-
Total operating expenses	111,802	96,742	73,612
Income from operations	11,376	1,310	4,312
Other income (expense):			
Interest income	77	149	221
Interest expense	(786)	(564)	-
Other income	1,100	-	-
Other expense	(1,183)	-	-
Gain (loss) on investments	(4)	12	19
Impairment of investments	-	-	(3,608)
Total other income (expense)	(796)	(403)	(3,368)
Income before income tax provision	10,580	907	944
Income tax provision	2,975	1,533	1,816
Net income (loss)	7,605	(626)	(872)
Less preferred stock dividends	-	(422)	(720)
Less net income allocated to participating preferred stock	-	-	-
Net income (loss) attributable to common stockholders	$ 7,605	$ (1,048)	$ (1,592)
Net income (loss) per share attributable to common stockholders:			
Basic	$ 0.24	$ (0.05)	$ (0.12)
Diluted	$ 0.23	$ (0.05)	$ (0.12)
Weighted average common shares outstanding:			
Basic	31,643,390	20,805,911	12,910,998
Diluted	32,863,834	20,805,911	12,910,998

See accompanying notes to Consolidated Financial Statements.

Envestnet, Inc.

Consolidated Statements of Stockholders' Equity

(In thousands, except share information)

	Preferred Stock		Common Stock		Treasury Stock			Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Common Shares	Preferred Shares	Amount			
Balance, December 31, 2008	76,643	-	13,521,276	$ 68	(588,000)	-	$ (6,086)	$ 106,110	$ (42,503)	$ 57,589
Exercise of stock options	-	-	3,000	-	-	-	-	3	-	3
Stock-based compensation	-	-	-	-	-	-	-	780	-	780
Purchase of treasury stock (at cost)	-	-	-		(25,600)	-	(248)	-	-	(248)
Net loss	-	-	-	-	-	-	-	-	(872)	(872)
Balance, December 31, 2009	76,643	$ -	13,524,276	$ 68	(613,600)	-	$ (6,334)	$ 106,893	$ (43,375)	$ 57,252
Exercise of Series B warrants	1,497	-	-	-	-	-	-	1,497	-	1,497
Conversion of preferred stock to common stock effective upon initial public offering	(45,890)	-	7,842,034	39	-	-	-	(39)	-	-
Merger transactions between EnvestNet Group, Inc. and Envestnet, Inc.:										
Issuance of Envestnet, Inc. common stock to EnvestNet Group, Inc. shareholders	-	-	10,680,000	54	-	-	-	(54)	-	-
Conversion of Envestnet, Inc. preferred and common stock held by EnvestNet Group, Inc., into treasury stock (common equivalents)	(32,250)	-	5,160,000	26	(10,680,000)	-	-	(26)	-	-
Net operating loss tax benefit recognized from EnvestNet Group, Inc. merger	-	-	-	-	-	-	-	839	-	839
Initial public offering of common stock, net of offering costs			5,411,325	27	-	-	-	42,039	-	42,066
Issuance of warrant to FundQuest, Inc.	-	-	-	-	-	-	-	2,946	-	2,946
Exercise of common warrants	-	-	154,548	-	-	-	-	28	-	28
Exercise of stock options	-	-	296,188	1	-	-	-	1,924	-	1,925
Stock-based compensation	-	-	-	-	-	-	-	1,731	-	1,731
Purchase of treasury stock (at cost)	-	-	-	-	(381,480)	(122)	(3,993)	-	-	(3,993)
Conversion of preferred stock in treasury to common stock	-	-	-	-	(24,469)	122	-	-	-	-
Preferred stock dividends	-	-	-	-	-	-	-	-	(1,346)	(1,346)
Net loss	-	-	-	-	-	-	-	-	(626)	(626)
Balance, December 31, 2010	-	$ -	43,068,371	$ 215	(11,699,549)	-	$ (10,327)	$ 157,778	$ (45,347)	$ 102,319
Exercise of stock options	-	-	447,528	3	-	-	-	2,744	-	2,747
Stock-based compensation	-	-	-	-	-	-	-	3,062	-	3,062
Purchase of treasury stock (at cost)	-	-	-	-	(5,624)	-	(94)	-	-	(94)
Net income	-	-	-	-	-	-	-	-	7,605	7,605
Balance, December 31, 2011	-	$ -	43,515,899	$ 218	(11,705,173)	-	$ (10,421)	$ 163,584	$ (37,742)	$ 115,639

See accompanying notes to Consolidated Financial Statements.

Envestnet, Inc.

Consolidated Statements of Cash Flows

(In thousands)

	Year ended December 31,		
	2011	**2010**	**2009**
OPERATING ACTIVITIES:			
Net income (loss)	$ 7,605	$ (626)	$ (872)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	6,376	5,703	4,499
Amortization of customer inducements	4,568	3,238	18
Amortization of deferred rent and lease incentive	332	58	544
Provision for doubtful accounts	-	2,668	385
Loss (gain) on investments	4	(12)	(19)
Impairment of investments	-	-	3,608
Write-off of customer inducement asset	174	-	-
Contract settlement charges	1,183	-	-
Deferred income taxes	2,162	1,215	1,572
Stock-based compensation	3,062	1,731	780
Imputed interest expense	786	564	-
Changes in operating assets and liabilities, net of effect of acquisitions:			
Fees receivable	1,940	(3,718)	(1,338)
Prepaid expenses and other current assets	(1,988)	(599)	(148)
Other non-current assets	(1,006)	(52)	42
Customer inducements, net	(1,000)	(11,300)	(150)
Accrued expenses	802	2,437	38
Accounts payable	267	(185)	(475)
Deferred revenue	(507)	208	(187)
Other non-current liabilities	(39)	137	68
Net cash provided by operating activities	24,721	1,467	8,365
INVESTING ACTIVITIES:			
Purchase of property and equipment	(4,798)	(4,169)	(3,078)
Capitalization of internally developed software	(1,482)	(1,340)	(1,306)
Repayment of notes payable	(162)	-	-
Proceeds from repayment of notes receivable	-	985	-
Increase in notes receivable	-	(90)	(54)
Investments in non-marketable securities	-	-	(812)
Proceeds from investments	28	30	210
Acquisition of businesses, net	(23,719)	(917)	-
Net cash used in investing activities	(30,133)	(5,501)	(5,040)
FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	2,747	1,925	3
Proceeds from exercise of warrants	-	1,525	-
Net proceeds from issuance of common stock	-	42,066	-
Purchase of treasury stock	(94)	(3,993)	(248)
Preferred stock dividends	-	(1,346)	-
Net cash provided by (used in) financing activities	2,653	40,177	(245)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,759)	36,143	3,080
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	67,668	31,525	28,445
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 64,909	$ 67,668	$31,525
Supplemental disclosure of cash flow information – cash paid during the period for:			
Income taxes	$ 813	$ 171	$ 240
Supplemental disclosure of non-cash investing and financing activities:			
Leasehold improvements funded by lease incentive	491	119	3,156
Non-cash consideration issued in a business acquisition	4,966	-	-
Purchase of non-marketable securities	-	-	275
Exercise of redemption rights into note receivable	-	-	2,450
Issuance of warrant for customer inducement	-	2,946	-
Customer inducement payable	-	19,261	150
Note payable assumed in a business acquisition	-	300	-
Contingent consideration issued in a business acquisition	-	150	-

See accompanying notes to Consolidated Financial Statements.

Envestnet, Inc.

Notes to Audited Consolidated Financial Statements
(In thousands, except share and per share amounts)

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 AdvisorSuite® and Envestnet|PMC® , the Company's investment consulting group. The Company's headquarters are in Chicago, Illinois. Principal offices are located in: New York, New York; Denver, Colorado; Sunnyvale, California; Boston, Massachusetts; Landis, North Carolina and two locations in Trivandrum, India.

The Company's AdvisorSuite 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.

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 registered investment advisor firms ("RIAs") and a registered broker-dealer. The RIAs are registered with the Securities and Exchange Commission ("SEC"). The broker-dealer is registered with the SEC, all 50 states and the District of Columbia and is a member of the Financial Industry Regulatory Authority ("FINRA").

2. Summary of Significant Accounting Policies

The Company follows accounting standards established by the Financial Accounting Standards Board ("FASB") to ensure consistent reporting of financial condition, results of operations and cash flows. References to Generally Accepted Accounting Principles ("GAAP") in these footnotes are to the FASB *Accounting Standards Codification™*, sometimes referred to as the codification or ASC.

Principles of Consolidation—The consolidated financial statements include the accounts of Envestnet and its wholly-owned subsidiaries: Oberon Financial Technology, Inc. ("Oberon"); NetAssetManagement, Inc. ("NAM"); Envestnet Asset Management, Inc.; Envestnet Portfolio Solutions, Inc. ("EPS") (formerly "FundQuest Incorporated"); Sigma Asset Management, LLC; PMC International, Inc. and its wholly-owned subsidiaries Portfolio Management Consultants, Inc. and Portfolio Brokerage Services, Inc. ("PBS"). All significant intercompany transactions and balances have been eliminated in consolidation. Accounts denominated in a non-U.S. currency have been re-measured using the U.S. dollar as the functional currency.

Management Estimates—Management of the Company has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these audited consolidated financial statements in conformity with GAAP. Significant areas requiring the use of management estimates relate to estimating uncollectible receivables, costs capitalized for internally developed software, valuations and assumptions used for impairment testing of goodwill, intangible

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and other long-lived assets, fair value of stock and stock options issued, fair value of customer inducement assets and liabilities, realization of deferred tax assets and valuation and other assumptions used to allocate purchase prices in business combinations. Actual results could differ materially from these estimates under different assumptions or conditions.

Revenue Recognition—The Company recognizes revenue from services related to asset management and administration, licensing and professional services fees.

- *Asset management and administration fees*—The Company derives revenues from fees charged as a percentage of the assets that are managed or administered on its technology platform by financial advisors, financial institutions, and their clients (collectively "customers") and for services the Company provides to its customers. Such services include investment manager due diligence and research, 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. Investment decisions for assets under management or administration are made by our customers. The asset management and administration fees the Company earns are generally based upon a contractual percentage of assets managed or administered on our platform based on preceding quarter-end values. The contractual fee percentages vary based on the level and type of services the Company provides to its customers. Fees related to assets under management or administration increase or decrease based on values of existing customer accounts. The values are affected by inflows or outflows of customer funds and market fluctuations.
- *Licensing and professional services fees*—The Company derives licensing fees from recurring contractual fixed fee contracts with larger financial institutions or enterprise clients. Licensing contracts allow the customer to provide a unique configuration of platform features and investment solutions for their advisers. The licensing fees vary based on the type of services provided and our revenues received under license agreements are recognized over the contractual term.

  The Company's license agreements do not generally provide its customers the ability to take possession of its software or host the software on its own systems or through a hosting arrangement with an unrelated party. However, in a certain instance, a customer has the ability to take possession of the software, and accordingly, the Company considers this circumstance as a multiple-element arrangement. As a multiple element arrangement, the Company is required to determine whether there is vendor specific objective evidence ("VSOE") of the various elements, including the software license and service components. The Company has not established VSOE of fair value for the separate components, and accordingly, recognizes revenue from these arrangements at such time as all elements of the arrangement have been delivered.

  Additionally, the Company derives professional service fees from providing contractual customized service platform software development, which are recognized under a proportional performance model utilizing an output based approach. The Company's contracts have fixed prices, and generally specify or quantify interim deliverables.

Substantially all of the Company's revenues are based on contractual arrangements. Revenues are recognized in the periods in which the related services are performed provided that persuasive evidence of an agreement exists, the fee is fixed or determinable, and collectability is reasonably assured. Cash received by the Company in advance of the performance of services is deferred and recognized as revenue when earned. Certain portions of the Company's revenues require management's consideration of the nature of the client relationship in determining whether to recognize as revenue the gross amount billed or net amount retained after payments are made to providers for certain services related to the product or service offering.

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The two main factors the Company uses to determine whether to record revenue on a gross or net basis is based on whether:

- the Company has a direct contract with the third party provider; and
- the Company has discretion in establishing fees paid by the customer and fees due to the third party service provider.

When customer fees include charges for third party service providers where the Company has a direct contract with such third party service providers, gross revenue recognized by the Company equals the fee paid by customer. The cost of revenues recognized by the Company is the amount due to the third party provider.

In instances where the Company does not have a direct contract with the third party service provider, the Company does not recognize any revenue or expense. The fees that are collected from the customer by the Company and are remitted to the third party service provider are considered pass through amounts and accordingly are not a component of revenue or cost of revenues.

Cost of Revenues—Cost of revenues primarily include expenses related to sub-advisory and clearing, custody and brokerage services. Generally, these expenses are calculated based upon a contractual percentage of the market value of assets held in customer accounts measured as of the end of each quarter and are recognized ratably throughout the quarter based on the number of days in the quarter.

Allowance for Doubtful Accounts—The Company evaluates the need for an allowance for doubtful accounts for potentially uncollectible fee receivables. In establishing the amount of the allowance, if any, customer-specific information is considered related to delinquent accounts, including past lost experience and current economic conditions.

Segments— The Company's chief operating decision maker is its chief executive officer, who reviews financial information presented on a consolidated basis. Accordingly, the Company has determined that it has a single reporting segment and operating unit structure.

Fair Value of Financial Instruments—The carrying amounts of financial instruments, net of any allowances, including cash equivalents, fees receivable, notes receivable, accounts payable and accrued expenses are considered to be reasonable estimates of their fair values due to their short-term nature.

Cash and Cash Equivalents—The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash accounts at financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Company monitors such credit risk and has not experienced any losses related to such risk.

Investments—Investments are recorded at cost and reviewed for impairment. Investments are included in "Other non-current assets" on the consolidated balance sheets and consist of non-marketable investments in privately held companies as well as other alternative investments. The Company reviews these investments on a regular basis to evaluate the carrying amount and economic viability of these investments. This policy includes, but is not limited to, reviewing each of the investee's cash position, financing needs, earnings/revenue outlook, operational performance, management/ownership changes and competition. The evaluation process is based on information that the Company requests from these investees. This information is not subject to the same

disclosure regulations as U.S. publicly traded companies, and as such, the basis for these evaluations is subject to the timing and accuracy of the data received from these investees.

The Company's investments are assessed for impairment when a review of the investees operations indicates that there is a decline in value of the investment and the decline is other than temporary. Such indicators include, but are not limited to, limited capital resources, limited prospects of receiving additional financing, and prospects for liquidity of the related securities. Impaired investments are written down to estimated fair value. The Company estimates fair value using a variety of valuation methodologies, including comparing the investee with publicly traded companies in similar lines of business, applying valuation multiples to estimated future operating results and estimated discounted future cash flows.

Property and Equipment—Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of furniture and equipment is computed using the straight-line method based on estimated useful lives of the depreciable assets. Leasehold improvements are amortized on the straight-line basis over their estimated economic useful lives or the remaining lease term, whichever is shorter. Improvements are capitalized, while repairs and maintenance costs are charged to operations as incurred. Assets are tested for recoverability whenever events or circumstances indicate the carrying value may not be recoverable.

Customer Inducements—Payments made to customers as an inducement are capitalized and amortized against revenue on a straight-line basis over the term of the agreement.

Internally Developed Software—Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Maintenance and training costs are expensed as incurred. Internally developed software is amortized on a straight-line basis over its estimated useful life. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. There were no impairments of internally developed software during the years ended December 31, 2011, 2010 and 2009.

Goodwill and Intangible Assets—Goodwill consists of the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Goodwill is evaluated for impairment each year using a two-step process that is performed at least annually or whenever events or circumstances indicate that impairment may have occurred. The Company has concluded that it has a single reporting unit. The first step is a comparison of the fair value of an internal reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered impaired and the second step is unnecessary. If the carrying value of the reporting unit exceeds its fair value, a second test is performed to measure the amount of impairment by comparing the carrying amount of the goodwill to a determination of the implied fair value of the goodwill. If the carrying amount of the goodwill is greater than the implied value, an impairment loss is recognized for the difference. The implied value of the goodwill is determined as of the test date by performing a purchase price allocation, as if the reporting unit had just been acquired, using currently estimated fair values of the individual assets and liabilities of the reporting unit, together with an estimate of the fair value of the reporting unit taken as a whole. The estimate of the fair value of the reporting unit is based upon information available regarding prices of similar groups of assets, or other valuation techniques including present value techniques based upon estimates of future cash flow. No impairment charges have been recorded for the years ended December 31, 2011, 2010 and 2009.

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Intangible assets are recorded at cost less accumulated amortization. Intangible assets are reviewed for impairment whenever events or changed circumstances may affect the underlying basis of the net assets. Such reviews include an analysis of current results and take into consideration the undiscounted value of projected operating cash flows.

Long-Lived Assets—Long-lived assets, such as property, equipment, capitalized internal use software and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charged is recognized by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact recoverability of these assets. There were no impairments to long-lived assets during the years ended December 31, 2011, 2010 and 2009.

Leases—In certain circumstances, the Company enters into leases with free rent periods, rent escalations or lease incentives over the term of the lease. In such cases, the Company calculates the total payments over the term of the lease and records them ratably as rent expense over that term.

Income Taxes—The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce deferred tax assets to an amount whose realization is more likely than not.

The Company follows authoritative guidance related to how uncertain tax positions should be recognized, measured, disclosed and presented in the audited consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. The tax benefits recognized in the audited consolidated financial statements from tax positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Advertising Costs—The Company expenses all advertising costs as incurred and they are classified within general and administration expenses. Advertising costs totaled approximately $1,388, $1,160 and $1,021 for the years ended December 31, 2011, 2010 and 2009, respectively.

Business Combinations—The Company accounts for business combinations under the purchase accounting method. The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires management to make estimates and use valuation techniques when market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible

assets acquired is allocated to goodwill. The transaction costs associated with business combinations are expensed as they are incurred.

Stock-Based Compensation—Compensation cost relating to stock-based awards made to employees and directors is recognized in the audited consolidated financial statements using the Black-Scholes option pricing model. Non-qualified awards are issued under the Company's stock-based compensation plan. The Company measures for the cost of such awards based on the estimated fair value of the award measured at the grant date and recognizes the expense on a straight-line basis over the requisite service period, which is the vesting period.

Determining the fair value of stock options requires the Company to make several estimates, including the volatility of its stock price, the expected life of the option, dividend yield and interest rates. Prior to July 28, 2010 the Company was not a publicly traded company. Accordingly, the Company had limited historical information on the price of its stock as well as employees' stock option exercise behavior. Because of this limitation, the Company cannot rely on its historical experience alone to develop assumptions for stock price volatility and the expected life of its options. The Company estimates the expected life of its options using the "Simplified Method". The Company estimates stock-price volatility with reference to a peer group of publicly traded companies. Determining the companies to include in this peer group involves judgment. The Company utilizes a risk-free interest rate, which is based on the yield of U.S. zero coupon securities with a maturity equal to the expected life of the options. The Company has not and does not expect to pay dividends on its common shares.

The Company is required to estimate expected forfeitures of stock-based awards at the grant date and recognize compensation cost only for those awards expected to vest. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Therefore, changes in the forfeiture assumptions may impact the total amount of expense ultimately recognized over the vesting period. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances.

Reclassifications—Certain reclassifications were made to the December 31, 2010 consolidated balance sheet to conform to the 2011 presentation.

Recent Accounting Pronouncements

In October 2009, the FASB issued authoritative guidance that enables vendors to account for products or services sold to customers (deliverables) separately rather than as a combined unit, as was generally required by past guidance. The revised guidance provides for two significant changes to the existing multiple element revenue arrangement guidance. The first change relates to the determination of when individual deliverables included in a multiple element arrangement may be treated as separate units of accounting. The second change modifies the manner in which the transaction consideration is allocated across the separately identified deliverables. This guidance also significantly expands the disclosures required for multiple-element revenue arrangements. The guidance is required to be adopted in fiscal years beginning on or after June 15, 2010, but early adoption is permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In October 2009, the FASB issued authoritative guidance that changes the accounting model for revenue arrangements that include both tangible products and software elements so that tangible products containing software components and nonsoftware components that function together to deliver the tangible product's essential functionality are no longer within the scope of the software revenue guidance in ASC Subtopic 985-605. In addition, this guidance requires hardware components of a tangible product containing software components always be excluded from the software revenue guidance. The guidance is required to be adopted in fiscal years beginning on or after June 15, 2010, but early adoption is permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

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In June 2011, the FASB issued authoritative guidance that amends ASC Topic 220, Comprehensive Income, to require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, and it eliminates the option to present components of other comprehensive income as a part of the statement of changes in stockholders' equity. In addition, this guidance requires an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. These amendments are to be applied retrospectively and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011; however , early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In September 2011, the FASB issued authoritative guidance regarding the testing of goodwill for impairment. This guidance allows companies to perform a "qualitative" assessment to determine whether or not the current two-step quantitative testing method, in which a company compares the fair value of reporting units to its carrying amount including goodwill, must be followed. If a qualitative assessment indicates that it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, then the quantitative impairment test is not required. A company may choose to use the qualitative assessment on none, some, or all of its reporting units or to bypass the qualitative assessment and proceed directly to the two-step quantitative testing method. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011; however, early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

3. Business Acquisitions

FundQuest Incorporated

On December 13, 2011, the Company acquired all of the outstanding shares of FundQuest Incorporated ("FundQuest"), a subsidiary of BNP Paribas Investment Partners USA Holdings, Inc. for total estimated consideration of approximately $28,685. FundQuest was renamed Envestnet Portfolio Solutions, Inc. ("EPS") subsequent to the acquisition. EPS provides managed account programs, overlay portfolio management, mutual funds, institutional asset management and investment consulting to registered investment advisors, independent advisors, broker-dealers, banks and trust organizations. 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 expected to be non-deductible for income tax purposes.

Prior to the FundQuest acquisition, in February 2010, the Company signed a seven-year platform services agreement (the "Agreement") with FundQuest. Upon the acquisition, the existing Agreement between the Company and FundQuest was effectively settled (Note 4). The Company analyzed the Agreement to determine the amount by which the contract was favorable or unfavorable when compared to current market pricing. The Company, using the discounted cash flow method, determined the Agreement resulted in a favorable amount of $4,897. The favorable amount of the Agreement was compared to the net book value of the customer inducement asset and liability at the date of the business combination resulting in a charge of approximately $1,183, which is included in other expense in the consolidated statements of operations. The net cash portion of the total consideration paid is included in "Cash flows from investing activities" in the consolidated statements of cash flows.

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The consideration transferred in the acquisition was as follows:

Cash paid to owners	$ 24,390
Non-cash consideration:	
Favorable contract	4,897
Other	1,241
Cash assumed	(671)
Preliminary working capital adjustment	(1,172)
	$ 28,685

Acquisition related costs of $405 are included in general and administration expenses in the consolidated statements of operations for the year ended December 31, 2011.

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

Accounts receivable	$ 2,603
Prepaid expenses and other current assets	46
Property and equipment	442
Intangible assets	11,830
Goodwill	20,192
Accounts payable and accrued liabilities	(1,364)
Deferred income taxes	(4,710)
Deferred revenue	(354)
Total assets acquired	$ 28,685

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

	Amount	Weighted Average Useful Life	Amortization Method
Customer list	$ 11,830	7	Accelerated

The estimated fair values of accrued liabilities and the working capital adjustment are provisional and are based on 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 working capital adjustment, valuation and complete the acquisition accounting as soon as practicable but no later than the contractual period.

The results of EPS's operations are included in the consolidated statement of operations beginning December 13, 2011 and were not material to the 2011 results of operations.

B-Ready Outsourcing Solutions, Inc.

On April 1, 2010, the Company acquired the assets of B-Ready Outsourcing Solutions, Inc. ("B-Ready") for approximately $750. B-Ready is a private company that provides back-office data management and reporting services for users of Schwab Portfolio Center and enhances the Company's product offerings. The purchase price

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is included in "Cash flows from investing activities" in the consolidated statements of cash flows. The Company paid cash of $300 at closing and assumed a note payable in the amount of $300. The remaining amount of the total purchase price is a deferred purchase price payable, contingent upon B-Ready meeting certain revenue targets in the 12 months after the date of acquisition. The Company determined that it is likely B-Ready will meet the revenue targets, and accordingly recorded the contingent consideration at fair value.

The total consideration transferred in the acquisition was as follows:

Cash paid to owners	$ 300
Note payable assumed	300
Contingent consideration	150
	$ 750

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

Accounts receivable	$ 114
Property and equipment	3
Intangible assets	209
Goodwill	424
Total assets acquired	$ 750

The goodwill associated with the B-Ready acquisition is expected to be deductible for income tax purposes.

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

	Amount	Weighted Average Useful Life	Amortization Method
Customer list	$ 209	4	Accelerated

The results of B-Ready's operations are included in the consolidated statement of operations beginning April 1, 2010 and were not material to the 2010 results of operations.

Metamorphosis Money Management, LLC.

On September 1, 2010, the Company acquired the assets of Metamorphosis Money Management, LLC ("M3") for approximately $617. M3 is a private company that provides back-office outsourcing and overlay management to registered investment advisors and enhances the Company's product offerings. The consideration paid is included in "Cash flows from investing activities" in the consolidated statements of cash flows.

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

Accounts receivable	$ 30
Property and equipment	3
Goodwill	584
Total assets acquired	$ 617

The goodwill associated with the M3 acquisition is expected to be deductible for income tax purposes. The results of M3's operations are included in the consolidated statement of operations beginning September 1, 2010 and were not material to the 2010 results of operations.

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Pro forma results for Envestnet, Inc. giving effect to the B-Ready, M3 and FundQuest acquisitions

The following unaudited pro forma financial information presents the combined results of operations of Envestnet, B-Ready, M3 and FundQuest. For year ended December 31, 2010, the unaudited pro forma financial information presents the results of FundQuest, B-Ready and M3 acquisitions as if the acquisitions had occurred as of the beginning of 2010. For the year ended December 31, 2011, the unaudited pro forma financial information presents the results of the FundQuest acquisition as if the acquisition had occurred as of the beginning of 2010.

The December 2010 unaudited pro forma results presented include amortization charges for acquired intangible assets; the elimination of intercompany transactions, restructuring charges, unrealized gain on warrant and imputed interest expense; and the related tax effect of the aforementioned items. The December 2011 unaudited pro forma results presented include amortization charges for acquired intangible assets; the elimination of intercompany transactions, contract settlement charges, loss on sale of warrant and imputed interest expense; and the related tax effect of 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 at the beginning of each period presented.

	At December 31,	
	2011	2010
Revenue	$ 133,702	$ 113,547
Net income (loss)	7,363	(2,507)
Net income (loss) attributable to common stockholders	7,363	(2,929)
Net income (loss) per share attributable to common stockholders:		
Basic	0.23	(0.14)
Diluted	0.22	(0.14)

4. Customer Inducements

Customer inducements assets and customer inducements payable consist of the following:

	At December 31,	
	2011	2010
Customer inducements assets	$ -	$ 30,400
Customer inducements payable:		
Current	$ -	$ 1,000
Non-current	-	18,806
	$ -	$ 19,806

Pursuant to the Agreement with FundQuest, the Company provided FundQuest and its clients with the Company's platform technology and support services, replacing FundQuest's technology platform. The Company earned fees based upon a contractual percentage of assets under administration. As a result of the acquisition of FundQuest on December 13, 2011 (Note 3), the Agreement was terminated, and all of the assets and liabilities associated with this Agreement were eliminated. The Company determined the fair value of the

Envestnet, Inc.

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Agreement to be approximately $4,897 using a discounted cash flow analysis and as a result, the Company incurred contract settlement charges of approximately $1,183 which is included in other expense in the consolidated statements of operations for the year ended December 31, 2011.

In connection with the Agreement, the Company was required to make various payments to FundQuest during the contract term as defined in the Agreement. These payments included an up-front payment upon completion of the conversion of FundQuest's clients' assets to the Company's technology platform, five annual payments and a payment after the fifth year of the Agreement calculated based on the average annual revenues the Company was to receive from FundQuest during the first five years of the contract term. As of December 31, 2010, the estimate of the present value of these payments was approximately $30,400. The Company also issued to FundQuest a warrant to purchase 1,388,888 shares of its common stock, with an exercise price of $10.80 for an estimated fair value of $2,946 as of December 31, 2010 (see Notes 9 and 13). The present value of all payments and the fair value of the warrant was accounted for as customer inducement costs and were amortized as a reduction to the Company's revenues from assets under management or administration on a straight-line basis over the contract term of seven years.

Amortization and imputed interest expense was as follows:

	Year ended December 31,		
	2011	2010	2009
Amortization expense	$ 4,568	$ 3,239	$ 18
Imputed interest expense	771	546	-

5. Property and Equipment

Property and equipment consists of the following:

	Estimated Useful Life	At December 31, 2011	At December 31, 2010
Cost:			
Office furniture and fixtures	5-7 years	$ 2,713	$ 1,996
Computer equipment and software	3 years	18,942	14,600
Other office equipment	5 years	598	598
Leasehold improvements	Shorter of the term of the lease or useful life of the asset	5,833	5,247
		28,086	22,441
Less accumulated depreciation and amortization		(16,995)	(12,728)
Property and equipment, net		$ 11,091	$ 9,713

Depreciation and amortization expense was as follows:

	Year ended December 31,		
	2011	2010	2009
Depreciation and amortization expense	$ 3,862	$ 2,980	$ 1,985

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6. Internally Developed Software

Internally developed software consists of the following:

	Estimated Useful Life	At December 31, 2011	At December 31, 2010
Internally developed software	5 years	$ 10,882	$ 9,401
Less accumulated depreciation		(7,358)	(5,780)
Internally developed software, net		$ 3,524	$ 3,621

Depreciation expense was as follows:

	Year ended December 31, 2011	2010	2009
Depreciation expense	$ 1,579	$ 1,606	$ 1,444

7. Goodwill and Intangible Assets

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

Balance at December 31, 2009	$ 1,023
B-Ready acquisition (Note 3)	424
M3 acquisition (Note 3)	584
Balance at December 31, 2010	2,031
FundQuest acquisition (Note 3)	20,192
Balance at December 31, 2011	$ 22,223

Intangible assets consist of the following:

		December 31, 2011			December 31, 2010		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
FundQuest customer list	7 years	$ 11,830	$ (167)	$ 11,663	$ -	$ -	$ -
Oberon customer list	8 years	3,644	(3,189)	455	3,644	(2,733)	911
B-Ready customer list	4 years	209	(102)	107	209	(46)	163
NAM customer list	7 years	4,305	(4,305)	-	4,305	(4,049)	256
Total intangible assets		$ 19,988	$ (7,763)	$ 12,225	$ 8,158	$ (6,828)	$ 1,330

Amortization expense was as follows:

	Year ended December 31, 2011	2010	2009
Amortization expense	$ 935	$ 1,117	$ 1,070

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Future amortization expense of the identifiable intangible assets as of December 31, 2011, is expected to be as follows:

Years ending December 31:	
2012	$ 3,859
2013	2,589
2014	1,928
2015	1,437
2016	1,075
Thereafter	1,337
	$ 12,225

8. Other Non-Current Assets

Other non-current assets consist of the following:

	At December 31,	
	2011	2010
Investment in private company	$ 1,250	$ 1,250
Deposits:		
Lease	1,313	307
Other	259	181
Other	340	450
	$ 3,162	$ 2,188

In April 2008, the Company entered into an agreement to purchase 1,250,000 Preferred A Units of a private company for a total purchase price of $1,250 subject to the private company meeting certain milestone-based events. The Preferred A Units are entitled to a preferred distribution at a cumulative rate of 8% per annum of unreturned capital contributions, as defined in the agreement.

9. Fair Value Measurements

Financial assets and liabilities recorded at fair value in the consolidated balance sheet are categorized based upon a fair value hierarchy established by U.S. 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.

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Fair Value on a Recurring Basis:

The Company periodically invests excess cash in money-market funds not insured by the FDIC. 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 for the net asset value of the various money market funds. These money-market funds are considered Level 1 assets and totaled approximately $52,383 and $55,173 as of December 31, 2011 and 2010, respectively and are included in cash and cash equivalents in the consolidated balance sheets.

Investments in mutual funds are quoted based on the daily market prices, are considered Level 1 assets and totaled approximately zero and $84 as of December 31, 2011 and 2010, respectively and are included in other non-current assets in the consolidated balance sheets.

On February 8, 2010, the Company issued a warrant to FundQuest to acquire a certain amount of the Company's common stock (Note 4) and was initially recorded as a current liability. The fair value of the warrant was determined using a Black-Scholes valuation model and was considered a Level 3 liability. As a result of the Company's initial public offering effective July 28, 2010, certain terms of the warrant were determined in accordance with the warrant agreement and the Company reclassified the estimated fair value of the warrant to additional paid-in capital in the three months ended September 30, 2010.

The table below presents a reconciliation of all assets and liabilities of the Company measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from December 31, 2009 to December 31, 2010:

	Warrant
Balance at December 31, 2009	$ -
Issuance	2,360
Change in fair value	586
Transfer to additional paid in capital	(2,946)
Balance at December 31, 2010	$ -

The Company assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Company's accounting policy regarding the recognition of transfers between the levels of the fair value hierarchy. There were no transfers between Levels 1, 2 and 3 during the year.

10. Accrued Expenses

Accrued expenses consist of the following:

	At December 31,	
	2011	2010
Accrued investment manager fees	$ 8,451	$ 6,892
Accrued compensation and related taxes	4,230	4,309
Accrued professional services	481	280
Accrued restructuring charges	290	228
Other accrued expenses	1,467	1,150
	$ 14,919	$ 12,859

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Effective March 31, 2010, the Company closed its Los Angeles office in order to more appropriately align and manage the Company's resources. In the year ended December 31, 2010, the Company recognized pretax restructuring charges of $961 consisting primarily of $451 for accrued lease payments, $414 for relocation and other expenses and $96 for severance charges. In the year ended December 31, 2011, the Company recognized pretax restructuring charges of $53 consisting primarily of relocation and other expenses.

As a result of the EPS acquisition, the Company incurred restructuring charges of $381, primarily severance charges related to the termination of certain EPS and Envestnet employees.

The summary of activity in accrued restructuring charges was as follows:

	Los Angeles Office	EPS Acquisition	Total
Balance at December 31, 2009	$ -	$ -	$ -
Restructuring provision incurred	1,144	-	1,144
Payments	(733)	-	(733)
Adjustments	(183)	-	(183)
Balance at December 31, 2010	228	-	228
Restructuring provision incurred	53	381	434
Payments	(228)	(144)	(372)
Balance at December 31, 2011	$ 53	$ 237	$ 290

11. Note Payable

In connection with the acquisition of B-Ready (Note 3), the Company assumed a note payable in the amount of $300 that bears simple interest of 8% per annum. A principal payment of $150 plus interest was paid on April 30, 2011, and an additional principal payment of $150 plus interest is due on April 30, 2012. The principal and interest payments may be reduced by a formula as defined in the purchase agreement if the revenue attributable to the B-Ready assets does not meet certain revenue targets as defined in the purchase agreement.

12. Income Taxes

The components of the income tax provision (benefit) charged to operations are summarized as follows:

	Year ended December 31,		
	2011	2010	2009
Current:			
Federal	$ 261	$ -	$ -
State	459	(16)	176
Foreign	94	76	42
	814	60	218
Deferred:			
Federal	2,243	1,207	1,500
State	(60)	266	98
Foreign	(22)	-	-
	2,161	1,473	1,598
Total	$ 2,975	$ 1,533	$ 1,816

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Net deferred tax assets (liabilities) consist of the following:

	At December 31,	
	2011	2010
Current:		
Deferred revenue	$ 30	$ 88
Prepaid expenses and accruals	162	19
Net current deferred tax assets	192	107
Non-Current:		
Deferred rent	$ 535	$ 471
Net operating loss and tax credit carry-forwards	9,910	14,836
Loss on investments	2,157	2,145
Amortization and depreciation	(4,516)	(1,813)
Other	2,050	1,454
Net long-term deferred tax assets	10,136	17,093
Net deferred tax assets	10,328	17,200
Less valuation allowance	(3,444)	(3,444)
	$ 6,884	$ 13,756

During 2010, the write-off of notes receivable from Fetter Logic (Note 17) was considered a capital loss for tax purposes. In assessing the realizability of this deferred tax asset, management determined that it was more-likely-than-not that all of this asset would not be realized and accordingly recorded an increase to our valuation allowance in the amount of $926. The valuation allowance for net deferred tax assets as of December 31, 2011 and 2010 was $3,444 and $3,444, respectively. The valuation allowance as of December 31, 2011 and 2010 was related to capital losses of $2,157 and Federal and state net operating losses of $1,287 primarily due to Section 382 limitations. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some or all of the deferred tax assets will be realized.

The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which net operating losses and temporary differences are deductible. Management considers the scheduled reversal of deferred tax assets and liabilities (including the impact of available carry-back and carry-forward periods), projected taxable income, and tax-planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income before the expiration of the deferred tax assets governed by the tax code. Based on the level of taxable income and projections for future taxable income over the periods for which the net operating losses are available and deferred tax assets are deductible, management believes that it is more-likely-than-not that it will realize the benefits of the net operating losses and any other deferred tax assets. The amount of the deferred tax asset considered realizable however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

On July 28, 2010, in connection with the closing of the Company's initial public offering, the Company entered into a merger transaction with the Envestnet Shareholder (Note 13). As a result of the merger, the Company recorded post tax net operating losses of $839 for federal and state income tax purposes.

Upon exercise of stock options, the Company recognizes any difference between GAAP compensation expense and income tax compensation expense as a tax windfall or shortfall. The difference is charged to equity

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in the case of a windfall. When the exercise results in a windfall and the windfall results in net operating loss ("NOL"), or the windfall increases an NOL carryforward, no windfall is recognized until the deduction reduces the income tax payable. For GAAP purposes, the Company has deferred the recognition of approximately $1,365 in windfall tax benefits associated with its stock-based compensation until a tax cash savings is realized. The benefit will be recorded in stockholder's equity when utilized on an income tax return to reduce taxes payable, and as such, it will not impact the Company's effective tax rate.

The expected tax provision calculated at the statutory federal rate differs from the actual provision as follows:

	Year ended December 31,		
	2011	2010	2009
Tax provision, at U.S. Federal statutory tax rate	$ 3,597	$ 308	$ 321
State income tax, net of Federal tax benefit	449	42	42
Effect of permanent items	487	66	51
Effect of accounting method change	(234)	-	-
Effect of return to provision adjustment	(113)		
Change in valuation allowance	-	927	1,396
Effect of contract settlement	(1,186)	-	-
Effect of change in rate	-	-	(78)
Uncertain tax positions	(25)	106	42
Foreign income taxes	-	76	42
Other	-	8	-
Income tax provision	$ 2,975	$ 1,533	$ 1,816

At December 31, 2011, the Company had NOL carryforwards for federal income tax purposes of $22,192, which are available to offset future federal taxable income, if any, and expire as follows:

Years ending December 31:	
2019	$ 2,613
2020	-
2021	-
2022	2,121
2023	5,025
2024	7,787
2025	4,188
2026	247
2027	-
2028	-
2029	135
2030	76
	$ 22,192

Of the $22,192 in NOLs listed above, due to Section 382 limitations, approximately $2,131 in NOLs will not be utilized.

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In addition, the Company has alternative minimum tax credit carry-forwards of approximately $985 which are available to reduce future federal regular income taxes, if any, over an indefinite period.

A reconciliation of the beginning and ending amount of unrecognized tax benefit was as follows:

	Year ended December 31,		
	2011	2010	2009
Unrecognized tax benefits balance at beginning of year	$ 612	$ 475	$ 407
Additions based on tax positions related to the current year	119	136	103
Additions (deletions) based on tax positions related to the prior periods	(158)	9	15
Reductions for lapses of statute of limitations	-	(8)	(50)
Unrecognized tax benefits balance at end of year	$ 573	$ 612	$ 475

At December 31, 2011, the amount of unrecognized tax benefits that would benefit the Company's effective tax rate, if recognized, was $445.

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. For the years ended December 31, 2011 and 2010, income tax expense includes $14 and $53, respectively of potential interest and penalties related to unrecognized tax benefits. The Company had accrued interest and penalties of $209 and $195 as of December 31, 2011 and 2010, 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 fiscal years ended March 31, 2009 and 2008 and calendar years ended December 31, 2011, 2010 and 2009 remain open to examination by the Internal Revenue Service in their entirety. They also remain open with respect to state taxing jurisdictions.

13. Stockholders' Equity

Preferred Stock

Prior to the closing of the Company's initial public offering in July of 2010 the Company had the following $0.001 par value convertible preferred stock authorized, issued and outstanding:

	Shares Authorized	Shares Issued and Outstanding	Amount
Series A Convertible Preferred Stock	66,000	65,649	$ 31,475
Series B Convertible Preferred Stock	10,000	7,130	5,330
Series C Convertible Preferred Stock	5,000	3,864	8,787
Undesignated	119,000	-	-
	200,000	76,643	$ 45,592

Each share of preferred stock was convertible at any time after the date of issuance and were convertible at various prices and into various amounts of common stock. The preferred stock had liquidation and voting rights as defined in each preferred stock agreement. The holders of Series C Convertible Preferred Stock ("Series C")

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were entitled to receive preferred dividends annually at a rate of 8% of the Series C original issue price, accruing and cumulative from the date of issue, whether or not earned or declared.

As noted below, upon closing of the Company's initial public offering, all of the Company's outstanding Series A, Series B and Series C Convertible Preferred Stock converted into an aggregate 13,002,034 shares of common stock. In addition, the holders of Series C were paid cumulative preferred dividends totaling approximately $1,346.

On August 3, 2010 the Company amended its certificate of incorporation which increased the amount of authorized preferred stock to 50,000,000 shares and increased the par value to $0.005 per share. There were no shares of preferred stock issued or outstanding as of December 31, 2011 and 2010.

Warrants

On March 24, 2005, in connection with the sale of Series B Convertible Preferred Stock ("Series B"), the Company issued detachable warrants to holders of Series B to purchase 1,497 shares of Series B at a price of $1,000 per share. In 2010, all of the warrants were exercised and the Company issued 1,497 shares of Series B. In addition, during 2010, the Company acquired 122 shares of Series B for approximately $378.

On September 18, 2008, in connection with the sale of Series C Convertible Preferred Stock ("Series C"), the Company issued detachable warrants to holders of Series C to purchase 154,548 shares of common stock at a price of $0.05 per share. During 2010, all of the warrants were exercised and the Company issued 154,548 shares of common stock.

In February 2010, in connection with the Agreement, the Company issued to FundQuest a warrant to purchase shares of the Company's common stock, with an exercise price to be calculated as 120% of the Company's initial public offering price per share of the Company's common stock. As a result of the closing of the Company's initial public offering, the number of shares of common stock issuable to FundQuest under the warrant was determined to be 1,388,888 shares at an exercise price of $10.80 per share and the estimated fair value of the warrant of $2,946 is classified in equity as additional paid-in capital. During 2011, the warrant was sold by FundQuest to a third party. As of December 31, 2011, the warrant with shares totaling 1,388,888 was outstanding.

Common Stock

On June 29, 2010, in connection with the cashless exercise of 179,624 expiring stock options, the Company repurchased 135,827 shares of its common stock from certain of its former employees for an aggregate purchase price of $1,616 to fund the purchase price and tax obligations of such exercises, resulting in a net issuance of 43,797 shares. Included in the above amounts, were 90,000 expiring stock options from a former officer and director of the Company in which the Company repurchased 63,279 shares for an aggregate purchase price of $753, resulting in a net issuance of 26,721 shares to this former officer and director.

On July 28, 2010, the Company completed its initial public offering whereby the Company sold 4,705,500 shares of common stock for a price of $9.00 per share, which resulted in proceeds, before deducting underwriting discounts and commissions and other offering expenses, of approximately $42,350.

Upon closing of the Company's initial public offering:

- as approved by the Board of Directors on June 22, 2010, one newly issued share of the Company's stock was exchanged for every five outstanding shares of stock, effective immediately prior to the effectiveness of the Company's registration statement on July 28, 2010. All share amounts and per

share information referenced throughout the consolidated financial statements have been retroactively adjusted to reflect this reverse stock split;

- all of the Company's outstanding Series A, Series B and Series C convertible preferred stock converted into an aggregate 13,002,034 shares of common stock. In addition, the holders of Series C were paid cumulative preferred dividends totaling approximately $1,346;
- the Envestnet Shareholder merged with and into the Company, with the Company being the surviving entity. Pursuant to the merger, all of the shareholders of the Envestnet Shareholder exchanged their Envestnet Shareholder common shares and preferred shares for 5,160,000 shares of the Company's common stock; and
- each share of the Company's common and Series A convertible preferred stock held by the Envestnet Shareholder was automatically converted into treasury stock of the Company.

On August 3, 2010, the Company amended its certificate of incorporation which increased the amount of authorized common stock to 500,000,000 shares and increased the par value to $0.005 per share.

On August 31, 2010, the underwriters exercised their overallotment option to purchase an additional 705,825 shares of common stock for a price of $9.00 per share, which resulted in proceeds, before deducting underwriting discounts and commissions, of approximately $6,352.

14. Stock-Based Compensation

Stock Options

On December 31, 2004, the Company adopted a stock incentive plan (the "2004 Plan"). The 2004 Plan provided for the grant of options to employees, consultants, and non-employee directors to purchase common stock, which vest over time and have a ten-year contractual term. To satisfy options granted under the 2004 Plan, the Company made common stock available from authorized but unissued shares or shares held in treasury, if any, by the Company. Stock options granted under the 2004 Plan were either incentive stock options or non-qualified stock options, as defined in the 2004 Plan agreement. Stock options were granted with an exercise price no less than the fair-market-value price of the common stock at the date of the grant.

The 2004 Plan has a change in control provision whereby if a change in control occurs and the participant's awards are not equitably adjusted, such awards shall become fully vested and exercisable and all forfeiture restrictions on such awards shall lapse. Based on the terms of the 2004 Plan, the Company's initial public offering did not trigger the change in control provision and did not result in any modifications to the outstanding equity awards under the 2004 Plan.

On February 3, 2010, the Board of Directors approved an increase to the number of shares of the Company's common stock available for issuance under the 2004 Plan by 1,875,230 shares.

On June 22, 2010, the Board of Directors approved the 2010 Long-Term Incentive Plan ("2010 Plan"), effective upon the closing of the Company's initial public offering. The 2010 Plan provides for the grant of options, stock appreciation rights, Full Value Awards (as defined in the 2010 Plan) and cash incentive awards to employees, consultants, and non-employee directors to purchase common stock, which vest over time and have a ten-year contractual term. The maximum number of shares of common stock that may be delivered under the 2010 Plan is equal to the sum of 2,700,000 plus the number of shares of common stock that are subject to outstanding awards under the 2004 Plan which are forfeited, expire or are cancelled after the effective date of the Company's initial public offering. Stock options and stock appreciation rights are granted with an exercise price

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no less than the fair-market-value price of the common stock at the date of the grant. As of December 31, 2011, the maximum number of options available for future issuance under the 2010 Plan is 2,363,908.

Employee stock-based compensation expense was as follows:

	Year ended December 31,		
	2011	2010	2009
Employee stock-based compensation expense	$ 3,062	$ 1,731	$ 780
Tax effect on employee stock-based compensation expense	(1,159)	(655)	(295)
Net effect on income	$ 1,903	$ 1,076	$ 485

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

	Year ended December 31,		
	2011	2010	2009
Grant date fair value of options	$ 5.14	$ 3.71	$ 3.03
Volatility	39.4%	37.5%	39.0%
Risk-free interest rate	1.1% - 2.5%	2.2% - 2.8%	2.0% - 2.8%
Dividend yield	0.0%	0.0%	0.0%
Expected term (in years)	6.0	6.2	6.0

The following table summarizes option activity under the 2004 Plan and 2010 Plan:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2008	3,037,950	$ 6.65		
Granted	263,962	7.35		
Exercised	(3,000)	1.10		
Forfeited	(13,333)	6.05		
Outstanding as of December 31, 2009	3,285,579	6.70	7.0	$ 15,752
Granted	2,049,461	9.18		
Exercised	(296,188)	6.50		
Forfeited	(40,515)	7.81		
Outstanding as of December 31, 2010	4,998,337	7.64	7.5	47,083
Granted	486,833	12.37		
Exercised	(447,528)	6.14		
Forfeited	(173,924)	9.36		
Outstanding as of December 31, 2011	4,863,718	8.19	6.8	18,704
Options exercisable	2,988,271	7.14	5.7	14,452

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The aggregate intrinsic values in the table above represent the total pre-tax intrinsic value (the aggregate difference between the fair value of the Company's common stock on December 31, 2011, 2010 and 2009 of $11.96, $17.06 and $11.50 respectively, and the exercise price of in-the-money options) that would have been received by the option holders had all option holders exercised their options as of that date.

Exercise prices of stock options outstanding as of December 31, 2011 range from $1.10 to $13.45.

Other information was as follows:

	Year ended December 31,		
	2011	2010	2009
Total intrinsic value of options exercised	3,082	1,511	26
Cash received from exercises of stock options	2,747	1,925	3

The following table summarizes the prices whereby the Company granted employee stock options from the period January 1, 2009 through July 27, 2010 (the date prior to the Company's initial public offering):

Grant Date	Options Granted	Exercise Price and Fair Market Value of Common Stock (per share)
February 16, 2009 - April 8, 2009	9,230	$ 7.85
May 15, 2009 - July 6, 2009	242,732	7.15
November 16, 2009	12,000	11.50
February 22, 2010	71,000	13.45

Prior to our initial public offering on July 28, 2010, the Board of Directors determined the exercise price was the fair market value on the respective grant dates. Historically, determining the fair value of our common stock required making subjective judgments. The valuation of the Company's common stock considered a market approach and an income approach, incorporating the Company's historical and expected financial performance, relevant market, industry and economic trends, recent capital transactions, involving either the Company or comparable companies, and comparable public company valuations. The resulting calculation assigns a value for 100% of our Company's equity on a marketable equivalent, non-controlling interest basis.

After the value of the Company had been determined, the Company allocated the value to each class of its shares, including common stock. The value allocation methodology applies the principles set forth in the AICPA Practice Aid—Valuation of Privately-Held-Company Equity Securities Issued as Compensation ("Practice Aid"). The Practice Aid defines appropriate methods to allocate enterprise value to common shares when multiple share classes exist. Based on various factors, including the stage of a company's life and the timing and likelihood of various liquidity events, one method of allocation may be more appropriate than the others. The Company used the option pricing method, as defined in the Practice Aid, which treats each class of equity as having a "call option" on the enterprise value. The option pricing method considers the economic preferences and other rights attributable to each share class, resulting in a price for each of the share classes, including common stock. The valuations of common stock also reflected a discount for lack of marketability, adjusted over time to reflect the expected likelihood and timing of a liquidity event subsequent to each valuation date. No other discounts were applied in determining the value of the Company's common stock. There was inherent uncertainty in the estimates used in the valuations. If different discount rates, assumptions or weightings had been used, the valuations would have been different. From January 1, 2009 through July 27, 2010, the Company

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performed contemporaneous valuations to determine the fair value of the Company's common stock at the following dates:

Grant Date	Fair Market Value
February 16, 2009 - April 8, 2009	$ 7.85
May 15, 2009 - July 6, 2009	7.15
November 16, 2009	11.50
February 22, 2010	13.45

Since our initial public offering on July 28, 2010, the Company has not performed internal valuations or obtained independent valuations in order to determine the Company's stock price to reference when determining the fair value of our common stock in connection with the granting of stock options.

Restricted Stock Awards

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 during the year ended December 31, 2011:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Balance at December 31, 2010	-	$ -
Granted	77,224	12.23
Vested	-	-
Forfeited	(3,404)	12.55
Balance at December 31, 2011	73,820	$ 12.21

At December 31, 2011, there was $6.4 million of unrecognized compensation cost related to unvested stock options and restricted stock awards which the Company expects to recognize over a weighted-average period of 2.4 years.

15. Earnings per Share

Net income per common share reflects the application of the two class method for the years ended December 31, 2010 and 2009. Under the two class method, net income is allocated between common stock and other participating securities based on their respective participating rights. All classes of convertible preferred stock would participate pro rata in dividends and therefore are considered participating securities. Therefore, the two class method of calculating net income per common share has been applied. Basic net income per common share excludes dilution for potential common stock issuances and is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, unless they are anti-dilutive. For the years ended December 31, 2010 and 2009, convertible preferred securities are excluded from the computation of diluted net income per share as their inclusion on an as if converted basis would have been anti-dilutive. For the year ended December 31, 2010 and 2009, the convertible preferred securities are considered anti-dilutive as a result of such securities not having the contractual obligation to participate in losses of the

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Company. For the calculation of diluted net income per common share, the basic weighted average number of shares is increased by the dilutive effective of stock options and warrants using the treasury stock method.

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

	Year ended December 31,		
	2011	2010	2009
Basic income per share calculation:			
Net income (loss)	$ 7,605	$ (626)	$ (872)
Less: Preferred stock dividends	-	(422)	(720)
Less: Net income allocated to participating preferred stock	-	-	-
Net income (loss) attributable to common stockholders	$ 7,605	$ (1,048)	$ (1,592)
Basic number of weighted-average shares outstanding	31,643,390	20,805,911	12,910,998
Basic net income (loss) per share attributable to common stockholders	$ 0.24	$ (0.05)	$ (0.12)
Diluted income (loss) per share calculation:			
Net income (loss) attributable to common stockholders	$ 7,605	$ (1,048)	$ (1,592)
Plus: Preferred stock dividends	-	-	-
Plus: Net income allocated to participating preferred stock	-	-	-
Net income (loss) attributable to common stockholders	$ 7,605	$ (1,048)	$ (1,592)
Basic number of weighted-average shares outstanding	31,643,390	20,805,911	12,910,998
Effect of dilutive shares:			
Options to purchase common stock	974,192	-	-
Restricted stock	34,757	-	-
Common warrants	211,495	-	-
Diluted number of weighted-average shares outstanding	32,863,834	20,805,911	12,910,998
Diluted net income (loss) per share attributable to common stockholders	$ 0.23	$ (0.05)	$ (0.12)

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

	Year ended December 31,		
	2011	2010	2009
Options to purchase common stock	121,000	4,998,337	3,285,579
Common warrants	-	1,388,888	453,948
Convertible preferred securities	-	-	12,702,634
Total	121,000	6,387,225	16,442,161

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16. Insurance Recovery

On April 26, 2011, the Company and its directors' and officers' liability insurance carrier entered into an agreement under which the insurance carrier agreed to pay the Company $1,100 to reimburse the Company for defense fees and expenses incurred by the Company in 2010 related to certain litigation (Note 17). This amount was received in 2011 and is included in other income in the consolidated statements of operations.

17. Commitments and Contingencies

Leases

The Company rents office space under leases that expire at various dates through 2023. Future annual minimum lease commitments under these operating leases were as follows:

Years ending December 31:	
2012	$ 3,398
2013	3,701
2014	4,414
2015	4,510
2016	4,706
Thereafter	21,268
	$ 41,997

Rent expense for all operating leases for the years ended December 31, totaled:

	Year ended December 31,		
	2011	2010	2009
Rent expense	$ 2,930	$ 2,469	$ 2,465

Litigation

On November 23, 2009, the Company sued Fetter Logic, Inc. ("Fetter Logic"), a private company, and its chief executive officer seeking, among other things, unspecified damages for breaches of the investment agreement and operating agreement that the Company had entered into with Fetter Logic in December 2008 and a declaratory judgment that the Company owns certain rights in certain intellectual property. Fetter Logic asserted claims against the Company in a separate suit and in a counterclaim filed on November 30, 2009, for breaches of the investment agreement and operating agreement, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, copyright infringement, misappropriation of trade secrets, an accounting, unjust enrichment and a declaratory judgment that Fetter Logic owns all rights in the contested intellectual property. Fetter Logic sought declaratory and injunctive relief, as well as unspecified compensatory and punitive damages. Both cases arose out of (1) an investment agreement, pursuant to which the Company purchased shares in Fetter Logic for approximately $5,700, and (2) an operating agreement, under which the parties agreed to integrate their respective software applications and develop and sell joint product offerings. Fetter Logic alleged that the Company did not comply with the terms of the operating agreement to develop joint product offerings, but instead misappropriated Fetter Logic's intellectual property to develop products for its own benefit.

In 2009, the Company reviewed its original investment in Fetter Logic to determine impairment and in conjunction with this review the Company estimated the fair value to be zero and accordingly recognized an

Envestnet, Inc.

Notes to Audited Consolidated Financial Statements (Continued)
(In thousands, except share and per share amounts)

impairment loss of $3,250 for the year ended December 31, 2009. This amount is included in impairment of investments in the consolidated statements of operations.

On July 8, 2010, the Company and Fetter Logic agreed to dismiss their respective lawsuits. As a result, the Company wrote off fees receivable, notes receivable and allowance for doubtful accounts totaling $2,283 in the year ended December 31, 2010. This amount is included in general and administration expenses in the consolidated statements of operations.

In connection with this settlement, none of the parties was required to make any payments to any other party, the Company relinquished its ownership interest in Fetter Logic, as well as operating receivables for services the Company provided during the term of the operating agreement and its rights under a promissory note issued to the Company in December 2009 in connection with its redemption of a portion of its ownership interest in Fetter Logic. In addition, the Company has the right to use any intellectual property developed or obtained by the Company in connection with the operating agreement. For the years ended December 31, 2010 and 2009, the Company incurred legal fees of $1,933 and $601, respectively related to this matter.

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

18. Major Customers

Two customers accounted for the following percentage of the Company's fees receivable:

	December 31,	
	2011	2010
Fidelity	34%	34%
FundQuest	-	26%

One customer accounted for the following percentage of the Company's revenues:

	December 31,		
	2011	2010	2009
Fidelity	28%	31%	31%

19. Benefit Plan

The Company sponsors a profit sharing and savings plan under Section 401(k) or the Internal Revenue Code, covering substantially all domestic employees. The Company made voluntary employer matching contributions as follows:

	Year ended December 31,		
	2011	2010	2009
Voluntary employer matching contributions	$ 474	$ 427	$ 345

Envestnet, Inc.

Notes to Audited Consolidated Financial Statements (Continued)
(In thousands, except share and per share amounts)

20. Net Capital Requirements

PBS is a broker-dealer subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital ("net capital ratio"), both as defined, shall not exceed 15 to 1. SEC Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2011, the Company had net capital of $882, which was $782 in excess of its required net capital of $100. At December 31, 2011, the Company's net capital ratio was .07 to 1.

Additionally, PBS is subject to net capital requirements of certain self-regulatory organizations and at December 31, 2011, PBS was in compliance with such requirements.

21. Subsequent Events

Prima Capital Holding, Inc. Agreement

On February 9, 2012, the Company entered into a stock purchase agreement with the shareholders of Prima Capital Holding, Inc. ("Prima") to acquire all of the outstanding shares of Prima for cash consideration of approximately $13,750, subject to certain post-closing adjustments. Prima provides investment management due diligence, research applications, asset allocation modeling and multi-manager portfolios to the wealth management and retirement industries. Prima's clientele includes seven of the top 20 banks in the U.S. as measured by total assets, independent RIAs, regional broker-dealers, family offices and trust companies. The Company anticipates closing this transaction in the first half of 2012.

Tamarac, Inc. Agreement

On February 16, 2012, the Company entered into a merger agreement with Tamarac, Inc. ("Tamarac"). A newly formed subsidiary of Envestnet will merge with and into Tamarac, and Tamarac will become a wholly owned subsidiary of Envestnet. Under the terms of the Agreement, total cash consideration will be approximately $54,000 for all of the outstanding stock of Tamarac, subject to certain post-closing adjustments. The Company has also agreed to establish a management incentive plan funded by $7,000 of shares of common stock for the benefit of certain employees of Tamarac. Such shares will be distributed at pre-established intervals, but in no event later than May 15, 2015, based upon Tamarac meeting certain financial targets and will be subject to additional vesting requirements. Tamarac is a provider of sophisticated portfolio management technology that enables RIA's to efficiently deliver customized individual account management to their clients. The Company anticipates closing this transaction in the first half of 2012.

Envestnet, Inc.

Notes to Audited Consolidated Financial Statements (Continued)
(In thousands, except share and per share amounts)

22. Quarterly Financial Data (Unaudited)

Quarterly results for the years ended December 31, 2011 and 2010 were as follows:

	2011			
	First	Second	Third	Fourth
Total revenues	$ 29,262	$ 31,334	$ 32,040	$ 30,542
Income from operations	2,554	3,151	3,226	2,445
Net income	1,404	2,447	1,925	1,829
Net income attributable to common stockholders	1,404	2,447	1,925	1,829
Net income per share attributable to common stockholders				
Basic	0.04	0.08	0.06	0.06
Diluted	0.04	0.07	0.06	0.06

	2010			
	First	Second	Third	Fourth
Total revenues	$ 21,632	$ 24,247	$ 24,570	$ 27,603
Income (loss) from operations (1) (2)	(2,670)	789	1,247	1,944
Net income (loss)	(2,511)	393	625	867
Net income (loss) attributable to common stockholders	(2,689)	107	485	867
Net income (loss) per share attributable to common stockholders				
Basic	(0.21)	0.01	0.02	0.03
Diluted	(0.21)	0.01	0.02	0.03

Notes:

(1) Included in income (loss) from operations for the first quarter, second quarter and third quarter of 2010 is $724, $1,124 and $85, respectively, of legal expenses related to the Fetter Logic litigation. See Note 17.

(2) Included in income (loss) from operations for the first quarter of 2010 is $2,668, respectively, of bad debt expense related to the write-off of receivables from Fetter Logic.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures", as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, or the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and that such information is communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet the reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation, our principal executive officer and our principal financial officer concluded that as of December 31, 2011, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has evaluated the effectiveness of internal control over financial reporting using the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and, based on that evaluation, have concluded that the Company's internal control over financial reporting was effective as of December 31, 2011, the end of the Company's most recent fiscal year. Management has excluded Envestnet Portfolio Solutions, Inc., formerly known as FundQuest Incorporated, from its assessment of internal control over financial reporting as of December 31, 2011, because it was acquired by the Company in a purchase business combination in the fourth quarter of 2011. Envestnet Portfolio Solutions, Inc. is a wholly owned subsidiary whose total assets and net income represent approximately 26% and 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

McGladrey & Pullen LLP, an independent registered public accounting firm, conducted an audit of Envestnet's internal control over financial reporting as of December 31, 2011, as stated in their report included below.

Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and affected by our Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with

generally accepted accounting principles. Internal control over financial reporting 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 only in accordance with authorization of management and directors of the company; and
- 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Envestnet, Inc.

We have audited Envestnet, Inc.'s (the Company) internal control over financial reporting as of December 31, 2011, based on criteria established in*Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As described in Management's Annual Report on Internal Control Over Financial Reporting, management has excluded Envestnet Portfolio Solutions, Inc., formerly known as FundQuest Incorporated, from its assessment of internal control over financial reporting as of December 31, 2011, because it was acquired by the Company in a purchase business combination in the fourth quarter of 2011. We have also excluded Envestnet Portfolio Solutions, Inc. from our audit of internal control over financial reporting. Envestnet Portfolio Solutions, Inc. is a wholly owned subsidiary whose total assets and net income represent approximately 26% and 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that *(a)* pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; *(b)* 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 only in accordance with authorizations of management and directors of the company; and *(c)* 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. Also, 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company and our report dated March 9, 2012 expressed an unqualified opinion.

Chicago, Illinois
March 9, 2012

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item relating to our directors and nominees, regarding compliance with Section 16(a) of the Securities Act of 1934, and regarding our Audit Committee is included under the captions "Board of Directors"," "Board Meetings and Committees — Audit Committee" (including information with respect to audit committee financial experts), "Stock Ownership of Management," and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement related to the Annual Meeting of Stockholders to be held May 17, 2012, and is incorporated herein by reference.

The information required by this item relating to our executive officers and other corporate officers is included under the caption "Executive Officers of the Registrant" in Item 1 of this report.

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer and our principal financial officer and our principal accounting officer. This code of ethics is posted on our Website. The Internet address for our Website is www.envestnet.com, and the code of ethics may be found from our main Web page by clicking first on "Investor Information" and then "Corporate Governance," and then on "Code of Business Conduct and Ethics."

We intend to disclose any amendment to, or waiver from, a provision of this code of ethics by posting such information to our Website, at the address and location specified above.

Item 11. Executive Compensation

Information regarding executive compensation is under the captions "Board Meetings and Committees — Director Compensation," "Board Meetings and Committees — Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report on Compensation Discussion and Analysis," and "Executive Compensation" in our Proxy Statement for the Annual Meeting of Stockholders to be held May 17, 2012, and is incorporated herein by reference, except the section captioned "Compensation Committee Report on Compensation Discussion and Analysis" is hereby "furnished" and not "filed" with this annual report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management and related stockholder matters is under the tables captioned "Stock Ownership of Management," "Persons Owning More Than Five Percent of Envestnet, Inc. Stock," and in our Proxy Statement for the Annual Meeting of Stockholders to be held May 17, 2012, and is incorporated herein by reference. For a description of securities authorized under our equity compensation plans, see note 14 to the notes to the consolidated financial statements in Part II, Item 8.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information set forth under "Board Meetings and Committees — Related Person Transaction Policies and Procedures," "Board of Directors" and "Audit Committee Report to Stockholders" in our Proxy Statement for the Annual Meeting of the Stockholders to be held May 17, 2012, is incorporated herein by reference except the section captioned "Audit Committee Report" is hereby "furnished" and not "filed" with this annual report on Form 10-K.

Item 14. Principal Accountant Fees and Services

Information regarding principal accountant fees and services is under the captions "Audit Committee Report to Stockholders — Audit Committee's Policy on Pre-Approval of Services Provided by Independent Registered Public Accounting Firm" and "Audit Committee Report to Stockholders — Fees Paid to Independent Registered Public Accounting Firm" in our Proxy Statement for the Annual Meeting of Stockholders to be held May 17, 2012, and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)(2) Evaluation and Qualifying Accounts

Financial statements and schedules are omitted for the reason that they are not applicable, are not required, or the information is included in the financial statements or the footnotes.

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Envestnet, Inc. (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on July 1, 2010 and incorporated by reference herein).
3.2	Amended and Restated Bylaws of Envestnet, Inc. (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on July 1, 2010 and incorporated by reference herein).
4.1	Registration Rights Agreement dated as of March 22, 2004 (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on March 26, 2010 and incorporated by reference herein).
4.2	First Amendment to Registration Rights Agreement dated as of August 30, 2004 (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on March 26, 2010 and incorporated by reference herein).
4.3	Second Amendment to Registration Rights Agreement effective as of March 24, 2005 (filed as Exhibit 4.4 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on March 26, 2010 and incorporated by reference herein).
4.4	Joinder Agreements to Registration Rights Agreement (filed as Exhibit 4.5 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on March 26, 2010 and incorporated by reference herein).
10.1	Technology and Services Agreement dated as of March 31, 2008, between Registrant and FMR LLC (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).
10.2	First Amendment to Technology and Services Agreement dated June 26, 2008 (filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).
10.3	Second Amendment to Technology and Services Agreement dated May 5, 2009 (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).
10.4	Third Amendment to Technology and Services Agreement dated November 16, 2009 (filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).
10.5	Services Agreement dated December 28, 2005 between Registrant and Fidelity Brokerage Services LLC (filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).
10.6	Services Agreement effective March 24, 2005 between Registrant and National Financial Services LLC (filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).
10.7	Services Agreement Amendment dated effective March 2008 (filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).
10.8	Platform Services Agreement dated February 8, 2010 between Registrant and FundQuest Incorporated (filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on July 1, 2010 and incorporated by reference herein).
10.9	Addendum to the Platform Services Agreement effective April 30, 2010 (filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).
10.10	2010 Long-Term Incentive Plan (filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on July 1, 2010 and incorporated by reference herein).*
10.11	2004 Stock Incentive Plan (filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on July 1, 2010 and incorporated by reference herein).*
10.12	Form of Equity Award, filed as Exhibit 10.12 to the Company's 2010 Form 10-K, (filed with the SEC on March 18, 2011 and incorporated by reference herein).
10.13	Fourth Amendment to Technology Services Agreement, dated as of December 31, 2011, between Envestnet, Inc. and FMR LLC (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein.).
10.14	Amendment to Services Agreement effective December 31, 2011, between Envestnet Asset Management, Inc. and Fidelity (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein.).
10.15	Third Amendment to Services Agreement effective December 31, 2011, between Envestnet Asset Management, Inc. and National Financial Services LLC. (filed as Exhibit 10.3 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein.).
10.16	Stock Purchase Agreement by and among The Sellers of Prima Capital Holding, Inc. Named Herein and Envestnet, Inc. dated as of February 9, 2012, filed herewith.
10.17	Merger Agreement by and among Tamarac Inc., Envestnet, Inc. and Titan Merger Corp and KLJ Consulting, LLC (as the Shareholder's Representative) dated as of February 16, 2012 (filed herewith).**
21.1	Subsidiaries of the Company, filed herewith.

Exhibit No.	Description
23.1	Consent of current Independent Registered Public Accounting Firm, filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(1)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2(1)	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document ***
101.SCH	XBRL Taxonomy Extension Schema Document ***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document ***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document ***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document ***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document ***

(1) The material contained in Exhibit 32.1 and 32.2 is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the registrant specifically incorporates it by reference.

* Management contract or compensation plan.

** Application has been made with the Securities and Exchange Commission to seek confidential treatment of certain provisions. Omitted material for which confidential treatment has been requested has been filed separately with the Securities and Exchange Commission.

*** Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets as of December 31, 2011 and 2010; (ii) the Consolidated Statements of Operations for the year ended December 31, 2011, 2010 and 2009; (iii) the Consolidated Statements of Stockholders' Equity for the years ended December 31, 2011, 2010 and 2009; (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; (v) Notes to the Consolidated Financial Statements tagged as blocks of text.

The XBRL information in this Annual Report on Form 10-K, Exhibit 101, is not deemed "filed" for purposed of Section 11 or 12 of the Securities Act of 1933, as amended (the Securities Act), or Section 18 of the Securities Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities of those sections, and is not part of any registration statement to which it may relate, and is not incorporated by reference into any registration statement or other document filed under the Securities Act of the Exchange Act, except as is expressly set forth by specific reference in such filing or document.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENVESTNET, INC.

Date: March 9, 2012

/s/ JUDSON BERGMAN
Judson Bergman
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: March 9, 2012

/s/ PETER D'ARRIGO
Peter D'Arrigo
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on March 9, 2012.

Name	Position
/S/ JUDSON BERGMAN **Judson Bergman**	Chairman and Chief Executive Officer; Director (Principal Executive Officer)
/S/ PETER D'ARRIGO **Peter D'Arrigo**	Chief Financial Officer (Principal Financial Officer)
/S/ DALE SEIER **Dale Seier**	Senior Vice President, Finance (Principal Accounting Officer)
/S/ ROSS CHAPIN **Ross Chapin**	Director
/S/ GATES HAWN **Gates Hawn**	Director
/S/ JAMES JOHNSON **James Johnson**	Director
/S/ PAUL KOONTZ **Paul Koontz**	Director
/S/ CHARLES ROAME **Charles Roame**	Director
/S/ YVES SISTERON **Yves Sisteron**	Director

Exhibit 10.16

STOCK PURCHASE AGREEMENT

By and Among

THE SELLERS NAMED HEREIN

and

ENVESTNET, INC.

Dated as of February 9, 2012

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STOCK PURCHASE AGREEMENT

Stock Purchase Agreement ("**Agreement**"), dated as of February 9, 2012 by and among the parties set forth on Schedule A annexed hereto ("**Sellers**") and Envestnet, Inc., a Delaware corporation ("**Purchaser**"). Certain capitalized terms have the meanings given to such terms in Article I.

RECITALS

A. WHEREAS, Sellers are the owners of all of the outstanding shares of capital stock of Prima Capital Holding, Inc., a Colorado corporation ("**Company**"), representing all of the outstanding shares of capital stock of Company;

B. WHEREAS, Purchaser wishes to purchase from Sellers, and Sellers wish to sell to Purchaser, the Company Common Stock in accordance with the provisions set forth herein; and

C. WHEREAS, concurrently with the execution hereof, Purchaser has entered into an employment letter agreement with J. Gibson Watson (the "**Watson Employment Letter**").

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Defined Terms. Unless the context otherwise requires, the following terms, when used in this Agreement, shall have the respective meanings specified below (such meanings to be equally applicable to the singular and plural forms of the terms defined):

"**1934 Act**" shall mean the Securities Exchange Act of 1934, as amended.

"**Advisers Act**" shall mean the Investment Advisers Act of 1940, as amended.

"**Affiliate**" of a Person shall mean any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. Notwithstanding the foregoing, with respect to Purchaser, the term "Affiliate" shall only include Purchaser and its direct and indirect controlled subsidiaries and shall not include any shareholder of Purchaser or any Affiliate of such shareholder other than an Affiliate that is Purchaser or its direct or indirect controlled subsidiaries.

"**Agreed Claims**" shall have the meaning stated in Section 9.4(c).

"**Agreement**" shall have the meaning stated in the preamble to this document.

"**Articles of Incorporation**" shall mean the Articles of Incorporation of Company filed with the Colorado Secretary of State on November 6, 1998, as amended from time to time thereafter, and currently in effect.

"**Balance Sheet**" shall have the meaning stated in Section 3.6(a).

"**Balance Sheet Date**" shall have the meaning stated in Section 3.6(a).

"**Broadridge**" shall mean Broadridge Financial Solutions, Inc., a Delaware corporation.

"**Business Day**" shall mean any day other than a Saturday, Sunday or day on which banking institutions in Chicago, Illinois or New York, New York are authorized or obligated pursuant to legal requirements or executive order to be closed.

"**CERCLA**" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

"**Claim Certificate**" shall have the meaning stated in Section 9.4(a).

"**Client**" means any Person to which Company or Company Subsidiary provides investment management, investment advisory services, including any sub-advisory services, pursuant to an Investment Advisory Agreement, software, or technology services agreement.

"**Closing**" shall have the meaning stated in Section 2.5(a).

"**Closing Balance Sheet**" shall have the meaning stated in Section 2.4(c).

"**Closing Date**" shall mean the date on which the Closing actually occurs.

"**Closing Working Capital**" shall have the meaning stated Section 2.4(c).

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Company**" shall have the meaning stated in the first Recital.

"**Company Benefit Plans**" shall have the meaning stated in Section 3.12(a).

"**Company Common Stock**" shall mean the common stock, no par value per share, of the Company.

"**Company Financial Statements**" shall have the meaning stated in Section 3.6(a).

"**Company Intellectual Property**" shall have the meaning stated in Section 3.19(a).

"**Company Subsidiary**" shall mean Prima Portfolio Services, Inc., a Colorado corporation.

"**Competing Business**" shall have the meaning stated in Section 6.7(c).

"**Confidentiality Agreement**" shall mean the Confidentiality Agreement dated as of August 8, 2011 by and between Prima Capital Holding, Inc. and Purchaser (as it may be amended from time to time).

"**control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities or other equity interests, by contract or otherwise. The terms "controlled by" and "under common control with" shall have correlative meanings.

"**Corporate Entity**" shall mean a bank, trust, corporation, partnership, limited liability company, limited liability partnership or other organization, whether an incorporated or unincorporated organization.

"**Covered Employees**" shall have the meaning stated in Section 6.4(a).

"**Damages**" shall mean all costs, damages, liabilities, awards, judgments, losses or costs and expenses, interest, awards, judgments and penalties (including reasonable attorneys' fees and consultants' fees and expenses) actually suffered or incurred. Damages shall not include lost profits or opportunity costs or consequential, incidental, special, indirect, exemplary or punitive damages, except to the extent the Damages being measured relate to a contract or agreement, Lost Profits specifically attributable to such contract or agreement, for the remaining life of such contract or agreement, prior to any extension, renewal or replacement thereof, may be included in the determination of Damages relating thereto.

"**Designated Purchaser Representations**" shall have the meaning stated in Section 9.1.

"**Designated Sellers Representations**" shall have the meaning stated in Section 9.1.

"**Disclosure Schedule**" shall mean the document dated the date of the Agreement delivered by Sellers to Purchaser prior to the execution and delivery of the Agreement and referring to the representations and warranties of Sellers in the Agreement.

"**Dispute**" shall mean any dispute regarding one or more claims for money damages based upon, arising out of or in any way connected with this Agreement or the transactions contemplated in this Agreement.

"**ERISA**" shall have the meaning stated in Section 3.12(a).

"**ERISA Affiliate**" shall mean any person, any corporation, trade or business which together with the Company, is a member of a controlled group of corporations or a group of trades or businesses under common control within the meaning of section 414 of the Code.

"Escrow Agent" shall mean Broadridge Corporate Issuer Solutions, Inc.

"**Escrow Agreement**" shall mean the Escrow Agreement in the form annexed hereto as Exhibit B.

"Escrow Amount" shall mean $1,457,500.

"**Estimated Working Capital**" shall have the meaning stated in Section 2.4(a).

"**Final Working Capital**" shall have the meaning stated in Section 2.4(g).

"**GAAP**" means United States generally accepted accounting principles.

"**Governmental Entity**" shall mean any court, administrative agency, arbitrator or commission or other governmental, prosecutorial or regulatory authority or instrumentality, or any domestic or foreign securities, broker-dealer, investment adviser and insurance industry self-regulatory organization.

"**HSR Act**" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"**Indemnified Party**" shall have the meaning stated in Section 9.4(a).

"**Indemnifying Party**" shall have the meaning stated in Section 9.4(a).

"**Intellectual Property**" shall mean all rights in, arising out of or associated with all domestic and foreign, registered or unregistered (i) trademarks, service marks, trade names, trade dress, commercial symbols, logos, and slogans, internet domains and URLs, any trademark and service mark applications and all goodwill associated with any of the foregoing, (ii) patents, including all divisionals, continuations, continuations-in-part, extensions, substitutions, renewals, reexaminations, and reissues, and any applications for patents, (iii) works of authorship, database rights, copyrights and any registrations or applications for registration of any copyrights, (iv) all computer software programs and applications (in both source code and object code form) and all supporting documentation, algorithms and databases, (v) trade secrets and know-how and (vi) any other intellectual property right recognized under applicable Laws.

"**Investment Advisory Agreement**" means an agreement under which Company or a Company Subsidiary acts as an investment adviser or sub-adviser to, or manages any investment or trading account of, any Client.

"**IRS**" shall mean the Internal Revenue Service.

"**Knowledge**" means, with respect to Sellers, the actual knowledge following reasonable inquiry and investigation of J. Gibson Watson, III, David F. Eral, Geoffrey D. Selzer, Walter Gengarelly and Clifford W. Stanton.

"**Laws**" shall have the meaning stated in Section 3.14.

"**Lien**" shall mean any lien, claim, charge, option, encumbrance, mortgage, pledge or security interest or other restriction of any kind.

"**Lost Profits**" means revenues less direct costs specifically attributable to such revenues. To the extent direct costs associated with such revenues cannot be identified after reasonable inquiry, Lost Profits will mean lost revenues.

"**Material Adverse Effect**" shall mean, with respect to Sellers, any effect that (i) is, or would be reasonably likely to be, individually or in the aggregate with all other effects, material and adverse to the business, operations, financial condition or results of operations of Company and Company Subsidiary taken as a whole or (ii) prevents, or would be reasonably likely to prevent, Sellers from consummating the transactions contemplated hereby, ***other than*** (in the case of clause (i) above) (A) any effect resulting from changes after the date hereof relating to the economy in general, including market fluctuations and changes in interest rates, or to Company's industry in general which does not disproportionately affect the Company and Company Subsidiary relative to Company's industry, (B) any effect resulting from changes after the date hereof in laws, rules or regulations, or interpretations thereof by Governmental Entities or from changes in GAAP or regulatory accounting principles that affect in general the businesses in which Company and Company Subsidiary are engaged which does not disproportionately affect the Company and Company Subsidiary relative to Company's industry, (C) any effect resulting from the occurrence of a natural disaster or from changes after the date hereof in global or national political conditions, including the outbreak of war or acts of terrorism or (D) any effect resulting from the death or disability of any one of David F. Eral, Geoffrey D. Selzer, or Walter Gengarelly.

"**Material Clients**" shall have the meaning stated in Section 3.15(a)(vii).

"**Material Contracts**" shall have the meaning stated in Section 3.15(a).

"**Matrix**" shall mean Matrix Financial Solutions, Inc., a Delaware corporation.

"**Matrix Competing Business**" shall have the meaning stated in Section 6.7(c).

"**MG Trust**" shall mean MG Trust Company, LLC, a Colorado limited liability company.

"**Notes**" shall have the meaning stated in Section 2.2.

"**Option Exercise Letters**" shall have the meaning stated in Section 2.2.

"**Optionholders**" shall have the meaning stated in Section 2.2.

"**Paying Agent**" shall mean the Escrow Agent, acting as agent for Sellers in the receipt and disbursement of the Purchase Price.

"**Person**" shall mean any individual, Corporate Entity or Governmental Entity.

"**Pre-Closing Period**" shall mean any taxable period, or portion thereof, ending on or before the Closing Date.

"Pro Rata Share" shall have the meaning stated in Section 2.3.

"**Purchase Price**" shall have the meaning stated in Section 2.3.

"**Purchaser**" shall mean Envestnet, Inc., a Delaware corporation.

"**Purchaser Benefit Plans**" shall have the meaning stated in Section 6.4(b).

"**Purchaser Indemnitees**" shall have the meaning stated in Section 9.2.

"**Purchaser Non Solicitation Period**" shall have the meaning stated in Section 6.7(a).

"**Purchaser Representatives**" shall have the meaning stated in Section 6.2(a).

"**Regulatory Agencies**" shall have the meaning stated in Section 3.5.

"**Requisite Regulatory Approvals**" shall have the meaning stated in Section 3.4.

"Reserve Fund" means an amount equal to $100,000, to be held by the Escrow Agent for the payment of any and all out-of-pocket costs, fees and expenses payable by the Seller's Representative in connection with the performance of its obligations under this Agreement, the Escrow Agreement and the Paying Agent Agreement.

"**Restricted Entities**" shall have the meaning stated in Section 6.7(a).

"**Run-Rate Revenue**" shall mean the revenue generated from the Company's advisory client contracts calculated by excluding management fees on the Company's funds business; excluding one-time and non-recurring revenues unrelated to existing clients; and adjusted for revenue associated with notified contract additions or terminations as of the date of this Agreement and adjusted for the period between the date of this Agreement and the Closing Date. A calculation of Run-Rate Revenue as of the date hereof is set forth on Exhibit C annexed hereto.

"**Sellers**" shall mean the parties identified on Exhibit A annexed hereto, including the Optionholders.

"**Sellers Non Solicitation Period**" shall have the meaning stated in Section 6.7(d).

"**Sellers' Representative**" shall have the meaning stated in Section 2.6.

"**Seller Indemnitees**" shall have the meaning stated in Section 9.3.

"**Straddle Period**" shall mean any taxable period that begins before, and ends after, the Closing Date.

"**Subsidiary**" shall mean, when used with respect to any party, any Corporate Entity which is consolidated with such party for financial reporting purposes.

"**Target Working Capital**" shall have the meaning stated in Section 2.4(b).

"**Tax**" or "**Taxes**" shall mean all federal, state, local, and foreign income, excise, gross receipts, gross income, ad valorem, profits, gains, property, capital, sales, transfer, use, value-added, stamp, documentation, payroll, employment, severance, withholding, duties, license, intangibles, franchise, backup withholding, environmental, occupation, alternative or add-on minimum taxes, imposed by any Governmental Entity, and other taxes, charges, levies or like assessments, and including all penalties and additions to tax and interest thereon.

"**Tax Proceeding**" shall have the meaning stated in Section 6.7(b).

"**Tax Return**" shall mean any return, declaration, report, statement, information statement and other document filed or required to be filed with respect to Taxes, including any schedule or attachment thereto, and including any amendment thereof, supplied to a Person or a Governmental Entity.

"**Watson Employment Letter**" shall have the meaning stated in the third Recital.

ARTICLE II

SALE AND PURCHASE OF THE COMPANY COMMON STOCK

2.1 Sale and Purchase of the Company Common Stock. Subject to the terms and conditions of this Agreement, at the Closing, each Seller, severally and not jointly, agrees to sell, assign and transfer to Purchaser, and Purchaser agrees to purchase from each Seller, the number of shares of Company Common Stock set forth opposite the name of each Seller on Exhibit A annexed hereto under the heading "Share Ownership," free and clear of any Liens or rights or claims of others. No later than three Business Days prior to Closing, Sellers' Representative shall deliver to Purchaser an updated Schedule A that reflects any changes to Schedule A occurring between the date of this Agreement and the Closing Date.

2.2 Optionholders. Immediately prior to the Closing, each holder of options (the "**Optionholders**") to acquire shares of the Company Common Stock shall exercise such options by executing option exercise letters in the form attached hereto as Exhibit D-1 (with appropriate blanks filled in) (collectively, the "**Option Exercise Letters**") and become a stockholder of the Company. In order to fund the exercise price of the options, the Optionholder shall receive loans from the Company, which such loans shall be evidenced by promissory notes in the form attached hereto as Exhibit D-2 (with appropriate blanks filled in) (collectively, the "**Notes**") in favor of the Company. For the avoidance of doubt, "Sellers" shall include the Optionholders. The Company shall deliver copies of all of the Option Exercises and Notes promptly after execution thereof.

2.3 Purchase Price. The purchase price payable by Purchaser for the Company Common Stock shall be $13,750,000, subject to adjustment as set forth in Section 2.4 and Section 7.2(e) (the "**Purchase Price**"), which Purchase Price shall be allocated among the Sellers in accordance with each Seller's pro rata share of the total number of shares of Company Common Stock sold to Purchaser (the "**Pro Rata Share**"). A portion of the Pro Rata Share of the Purchase Price payable to each Optionholder will be remitted to the Company at Closing in full payment of the outstanding amount of his or her Note.

2.4 Adjustment to the Purchase Price.

(a) No later than three Business Days prior to the date on which the Closing is scheduled to occur, Sellers' Representative shall deliver to Purchaser a good faith estimate of the

Closing Balance Sheet and, based on such estimated Closing Balance Sheet, a good faith estimate of Closing Working Capital (the "**Estimated Working Capital**"). The Estimated Working Capital will be accompanied by a certificate of Sellers' Representative specifying that it was prepared in accordance with GAAP and the policies, practices and methodologies used in connection with the preparation of the Balance Sheet and the provisions of this Section. Sellers' Representative shall also deliver to Purchaser copies of all work papers and other documents used in the calculation of Estimated Working Capital as necessary to allow Purchaser and Sellers' Representative to determine the adjustments to the Purchase Price hereunder.

(b) If Target Working Capital exceeds Estimated Working Capital, the Purchase Price shall be decreased by the amount of such excess. If Estimated Working Capital exceeds Target Working Capital, the Purchase Price shall be increased by the amount of such excess. "**Target Working Capital**" means Six Hundred Thousand Dollars ($600,000).

(c) As promptly as practicable, but no later than 45 days after the Closing Date, Purchaser will cause to be prepared and delivered to Sellers' Representative a consolidated balance sheet of the Company as of the close of business on the Closing Date (and shall reflect fully the effectuation of the transactions contemplated by this Agreement) prepared in accordance with GAAP and the policies, practices and methodologies used in connection with the preparation of the Balance Sheet (the "**Closing Balance Sheet**"). The Closing Balance Sheet will be accompanied by a certificate of Purchaser specifying that it was prepared in accordance with the provisions of this Section and setting forth Purchaser's calculation of Closing Working Capital. "**Closing Working Capital**" means the consolidated current assets of the Company *minus* the consolidated liabilities of the Company (excluding deferred revenues), each as shown on the Closing Balance Sheet, determined as set forth in this Section 2.4.

(d) If Sellers' Representative disagrees with Purchaser's calculation of Closing Working Capital, Sellers' Representative may, within 45 days after Purchaser's delivery of the Closing Balance Sheet, deliver a notice to Purchaser disagreeing with such calculation and which specifies Sellers' Representative's calculation of such amount and, in reasonable detail, Sellers' Representative's grounds for such disagreement. Any such notice of disagreement shall specify those items or amounts as to which Sellers' Representative disagrees.

(e) If a notice of disagreement shall be duly delivered pursuant to the preceding subsection, Purchaser and Sellers' Representative shall, during the 15 days following such delivery, use their reasonable best efforts to reach agreement on the disputed items or amounts in order to determine, as may be required, the amount of Closing Working Capital, which amount shall not be less than the amount thereof shown in Purchaser's calculations delivered pursuant to Section 2.4(c) nor more than the amount thereof shown in Sellers' calculation delivered pursuant to Section 2.4(d). If Purchaser and Sellers' Representative are unable to reach such agreement during such period, they shall promptly thereafter cause BDO Seidman (or if such firm is unable or unwilling to act, independent accountants of nationally recognized standing reasonably satisfactory to Purchaser and Sellers' Representative (who shall not have any material relationship with Purchaser or Sellers)), promptly to review this Agreement and the disputed items or amounts for the purpose of calculating Closing Working Capital. In making such calculation, such independent accountants shall consider only those items or amounts in the Closing Balance Sheet or Purchaser's calculation of Closing Working

Capital as to which Sellers have disagreed. Such independent accountants shall deliver to Purchaser and Sellers' Representative, as promptly as practicable, a report setting forth such calculation. Such report shall be final and binding upon Purchaser and Sellers. The cost of such review and report shall be borne (i) by Purchaser if the difference between Final Working Capital and Purchaser's calculation of Closing Working Capital delivered pursuant to Section 2.4(c) is greater than the difference between Final Working Capital and Sellers' Representative's calculation of Closing Working Capital delivered pursuant to Section 2.4(d), (ii) by Sellers if the first such difference is less than the second such difference, or (iii) otherwise equally by Purchaser, on the one hand, and Sellers, on the other hand.

(f) Purchaser and Sellers' Representative agree that they will, and agree to cause their respective independent accountants and each of Company and Company Subsidiary to, cooperate and assist in the preparation of the Closing Balance Sheet and the calculation of Closing Working Capital and in the conduct of the audits and reviews referred to in this Section 2.4.

(g) If Estimated Working Capital exceeds Final Working Capital, Purchaser shall be entitled to receive a payment from each Seller equal to its Pro Rata Share of the amount of such excess. Notwithstanding the foregoing, Purchaser shall receive from the Escrow Agent up to $75,000 of such payment, and Purchaser shall be entitled to receive, at its option, any and all additional amounts owed by the Sellers pursuant to the immediately preceding sentence from the Escrow Amount. If Final Working Capital exceeds Estimated Working Capital, each Seller shall be entitled to receive a payment from Purchaser equal to its Pro Rata Share of the amount of such excess. "**Final Working Capital**" means the Closing Working Capital (i) as shown in Purchaser's calculation delivered pursuant to Section 2.4(c), if no notice of disagreement with respect thereto is duly and timely delivered pursuant to Section 2.4(d); or (ii) if such a notice of disagreement is delivered, (A) as agreed by Purchaser and Sellers' Representative or (B) in the absence of such agreement, as shown in the independent accountant's calculation delivered pursuant to Section 2.4(e); provided that in no event shall Final Working Capital be more than Sellers' calculation of Closing Working Capital delivered pursuant to Section 2.4(d) or less than Purchaser's calculation of Closing Working Capital delivered pursuant to Section 2.4(c).

(h) Any payment required under Section 2.4(g) shall be made at a mutually convenient time and place within 10 days after the Final Working Capital has been determined by wire transfer of immediately available funds. Any payment shall be made by wire transfer of same day funds to the account designated by the party entitled to such payment.

2.5 The Closing.

(a) Subject to the terms and conditions of this Agreement, the closing of the sale of the Company Common Stock to the Purchaser (the "**Closing**") shall take place as soon as practicable, and in any event no later than three Business Days after the satisfaction or waiver (subject to applicable law) of the latest to occur of the conditions set forth in Article VII hereof, unless extended by mutual agreement of the parties. The Closing shall take place at the offices of Squire Sanders (US) LLP, 4900 Key Tower, 127 Public Square, Cleveland, Ohio 44114, or at such other location as the parties hereto may agree.

(b) At the Closing:

(i) Purchaser shall deliver (A) an amount equal to the Purchase Price minus the sum of the Escrow Amount and the Reserve Fund to Paying Agent and (B) the Escrow Amount and the Reserve Fund to the Escrow Agent to be held in accordance with the Escrow Agreement, in each case by wire transfer of immediately available funds;

(ii) Sellers shall deliver to Purchaser the stock certificates (or documentation reasonably acceptable to Purchaser in respect of any lost stock certificates) representing the Company Common Stock, duly endorsed (or accompanied by duly executed stock powers);

(iii) Those individuals listed on Section 2.5(b)(iii) of the Disclosure Schedule shall submit their resignations as directors and officers of Company and its Subsidiaries, effective as of immediately prior to the Closing;

(iv) Sellers' Representative shall deliver to Purchaser a recent good standing certificate regarding Company from the office of the Secretary of State of Colorado;

(v) Sellers' Representative shall deliver to Purchaser a recent good standing certificate regarding Company Subsidiary from the office of the Secretary of State of Colorado;

(vi) Sellers' Representative shall deliver a certificate enclosing a copy of the charter and by-laws of each of Company and Company Subsidiary, requisite resolutions or authority of Sellers' board of directors, board of managers, shareholder or members, as applicable, approving the transactions contemplated by this Agreement, and a certification as to incumbency of the signatories of Sellers executing and delivering this Agreement and the documents contemplated hereby and of Sellers' Representative;

(vii) Purchaser shall deliver a certificate enclosing a copy of the charter and by-laws of Purchaser, copies of requisite resolutions or authority of Purchaser's board of directors, board of managers, shareholders or members, as applicable, approving the transactions contemplated by this Agreement, and a certification as to incumbency of the signatories of Purchaser executing and delivering this Agreement and the documents contemplated hereby;

(viii) Sellers shall deliver the certificates required by Sections 7.2(a) and (b); and

(ix) Purchaser shall deliver the certificates required by Sections 7.3(a) and (b).

(x) Purchaser shall deliver to employees of the Company selected by Purchaser (in its discretion, but after consultation with J. Gibson Watson) stock option agreements in the form set forth on Exhibit F annexed hereto evidencing options aggregating to a grant of 300,000 shares of Purchaser common stock.

2.6 Sellers' Representative.

(a) Each Seller hereby authorizes and directs Matrix as its agent, proxy and attorney-in-fact and representative under this Agreement (the "**Sellers' Representative**") to take such action on behalf of such Seller, and to exercise such rights, power and authority, as are authorized, delegated and granted to the Sellers' Representative on behalf of Sellers pursuant to this Agreement (including the right to receive notices and other documentation pursuant to the terms of this Agreement on behalf of Sellers). By its execution hereof, each Seller hereby authorizes, delegates and grants to the Sellers' Representative authority to take all actions that are to be taken by such Seller in connection with this Agreement and the transactions contemplated hereby, including pursuant to the Escrow Agreement.

(b) Purchaser shall be entitled to deal with and rely conclusively on the action of Sellers' Representative under this Agreement as provided herein without any duty of further investigation or inquiry.

(c) To the extent Sellers' Representative exercises good faith in fulfilling its obligations hereunder, Purchaser agrees that the Sellers' Representative is serving *in such capacity* solely for purposes of administrative convenience, and shall not be liable *in such capacity* for any of the obligations of Sellers hereunder, and Purchaser shall not look to the assets of the Sellers' Representative in its capacity as such for the satisfaction of any obligations to be performed by Sellers hereunder.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLERS

Except as disclosed in the Disclosure Schedule, each Seller, severally and not jointly, represents and warrants to Purchaser that the following is true and correct. The Disclosure Schedule shall be organized to correspond to the Sections in this Article III. Each exception set forth in the Disclosure Schedule shall qualify (i) the corresponding representation and warranty set forth in this Agreement that is specifically identified (by cross-reference or otherwise) in the Disclosure Schedule and (ii) any other representation and warranty to the extent the relevance of such exception to such other representation and warranty is reasonably clear.

3.1 Corporate Organization.

(a) Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Colorado. Company has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect. True and complete copies of the Articles of Incorporation and bylaws of Company, as in effect as of the date of this Agreement, have previously been furnished or made available to Purchaser.

(b) Prima Portfolio Services, Inc., a Colorado corporation, is the sole Subsidiary of Company ("**Company Subsidiary**"). All of the outstanding shares of capital stock

or other securities evidencing ownership of Company Subsidiary are validly issued, fully paid and non-assessable and except as set forth in Section 3.1(b) of the Disclosure Schedule such shares or other securities are owned by Company free and clear of any Lien with respect thereto. There are no outstanding subscriptions, options, warrants, puts, calls, rights, exchangeable or convertible securities or other commitments or agreements of any character relating to the issued or unissued capital stock or other securities of Company Subsidiary, or otherwise obligating Company or Company Subsidiary to issue, transfer, sell, purchase, redeem or otherwise acquire any such securities of Company Subsidiary. Company Subsidiary (i) is a corporation validly existing and in good standing under the laws of the State of Colorado, (ii) is duly qualified to do business and is in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified (except for jurisdictions in which the failure to be so qualified would not have a Material Adverse Effect) and (iii) has all requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted.

3.2 Capitalization The Company's authorized capital stock consists of (i) Fifteen Million (15,000,000) shares of common stock, no par value, Two Million Four Hundred Twenty-Three Thousand Two Hundred and Thirty-Two (2,423,232) shares of which are issued and outstanding as of the date hereof and Eight Hundred and Sixty Thousand (860,000) of which are subject to options held by the Optionholders, and (ii) Four Million (4,000,000) authorized shares of preferred stock, no par value, all of which are issued and outstanding and held by Matrix as of the date hereof and there are no accrued or unpaid dividends owing from Company to any Person other than Matrix with respect to any such shares. Prior to the Closing, Matrix shall convert all of such preferred stock into Company Common Stock in accordance with the terms of the Articles of Incorporation and, by its execution hereof, agrees, in connection with the transaction contemplated hereby, to waive any accrued and unpaid dividends that may otherwise be payable in respect of such preferred stock upon such conversion, and each Optionholder shall have exercised his or her options. All of the outstanding shares of the Company's capital stock have been (or upon issuance will be) duly authorized and validly issued, are (or upon issuance will be) fully paid, non-assessable and free of, and were not (or upon issuance will not be) issued in violation of, preemptive rights or applicable Laws. Such Seller owns the number of shares of Company Common Stock set forth opposite such Seller's name on Exhibit A, free and clear of any Liens, and, at the Closing, each Optionholder will own the number of shares of Company Common Stock set forth opposite such Optionholder's name on Exhibit A, free and clear of any Liens. Section 3.2 of the Disclosure Schedule sets forth all outstanding subscriptions, options, warrants, puts, calls, rights, exchangeable or convertible securities or other commitments or agreements of any character relating to the issued or unissued capital stock or other securities of Company, or otherwise obligating Company to issue, transfer, sell, purchase, redeem or otherwise acquire any such securities. Except as set forth on Section 3.2 of the Disclosure Schedules, there are no voting trusts, stockholder agreements, proxies or other understanding in effect with respect to the voting or transfer of the Company Common Stock. Other than Company Subsidiary, Company does not own any interest (equity or debt) in any Person.

3.3 Authority; No Violation.

(a) Such Seller has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery of this

Agreement and the performance of such Seller's obligations hereunder have been duly and validly authorized and approved by the Board of Directors of the Company and such Seller and no other proceedings on the part of such Seller are necessary to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly executed and delivered by such Seller and constitutes, assuming due authorization, execution and delivery of this Agreement by each of the other parties hereto, a valid and binding obligation of such Seller, enforceable against such Seller in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

(b) Neither the execution and delivery of this Agreement by such Seller nor the consummation by such Seller of the transactions contemplated hereby, nor compliance by such Seller with any of the terms or provisions hereof, will, assuming that the consents and approvals referred to in Section 3.4 are duly obtained, (i) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to such Seller, Company or Company Subsidiary or any of their respective properties or assets or (ii) violate, conflict with, result in a material breach of any provision of or the loss of any material benefit under, constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, result in the termination of or a right of termination or cancellation under or in any material payment conditioned, in whole or in part, on a change of control of Company or approval or consummation of transactions of the type contemplated hereby, accelerate the performance required by or rights or obligations under, or result in the creation of any Lien upon any of the Company Common Stock or of the respective material properties or assets of such Seller, Company or Company Subsidiary under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement, contract, or other instrument or obligation to which such Seller, Company or Company Subsidiary is a party, or by which they or any of their respective material properties, assets or business activities may be bound or affected.

3.4 Consents and Approvals. Except for (i) the requisite filings with, notices to and approval of the Colorado Department of Regulatory Agencies, Division of Securities, (ii) the filing of any required applications or notices with any other applicable federal, state or foreign governmental agencies or authorities as set forth in Section 3.4 of the Disclosure Schedule and approval, if necessary, of such applications and notices, and (iii) the advisory client contracts which are the subject of Section 7.2(e) (such consents or approvals, the "**Requisite Regulatory Approvals**"), no consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with (A) the execution and delivery by such Seller of this Agreement and (B) the consummation of the transactions contemplated hereby. The only third party consents necessary in connection with (A) the execution and delivery by such Seller of this Agreement and (B) the consummation of the transactions contemplated hereby are set forth in Section 3.4 of the Disclosure Schedule.

3.5 Reports. Company and Company Subsidiary have filed all material reports, registrations and statements, together with any material amendments required to be made with respect thereto, that they were required to file since January 1, 2009 with any federal, state or foreign governmental or regulatory agency or authority (the "**Regulatory Agencies**"), and have

paid all fees and assessments due and payable in connection therewith. All such reports, registrations and statements complied in all material respects with applicable regulatory requirements, and none of such reports, registrations or statements, as of their respective dates, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not materially misleading.

3.6 Financial Statements.

(a) There has previously been made available to Purchaser copies of the following financial statements (the "**Company Financial Statements**"): (a) the audited consolidated balance sheets of Company as of December 31, 2009 and 2010, (b) the related consolidated statements of operation, changes in stockholders' equity, and cash flows for the years ended December 31, 2009 and 2010, and (b) the unaudited consolidated balance sheet of Company (the "**Balance Sheet**") as of December 31, 2011 (the "**Balance Sheet Date**"), and the related consolidated statement of income for the twelve months then ended. The Company Financial Statements fairly present in all material respects the consolidated financial position and results of operations of Company as of the respective dates or for the respective periods therein set forth and have been prepared in accordance with GAAP consistently applied during the periods involved, except in the case of the Balance Sheet Date statements for the absence of footnotes and subject to recurring year-end adjustments normal in nature and amount. The Company Financial Statements have been prepared from, and are in accordance with, the books and records of Company and Company Subsidiary.

(b) The books and records kept by Company and Company Subsidiary are in all material respects complete and accurate and have been maintained in the ordinary course of business and in accordance in all material respects with applicable laws.

3.7 Undisclosed Liabilities. Except for those liabilities that are fully and adequately reflected and reserved against on the Balance Sheet or as operating lease liabilities of the nature described in the notes relating to the Company's Financial Statements, and except for liabilities incurred since the Balance Sheet Date in the ordinary course of business consistent with past practice which are not individually or in the aggregate, material, neither Company nor Company Subsidiary have any liability of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether due or to become due).

3.8 Absence of Certain Changes or Events. Except as set forth in Section 3.8 of the Disclosure Schedule, since the Balance Sheet Date: (i) Company and Company Subsidiary have, in all material respects, carried on their respective businesses in the ordinary course consistent with their past practices, (ii) neither Company nor Company Subsidiary has effected any action described in Section 5.2 (Forbearances of Sellers) and (iii) there have been no events, circumstances, facts or occurrences which, individually or in the aggregate with all other events, circumstances, facts or occurrences, have had or could reasonably be expected to have a Material Adverse Effect.

3.9 Legal Proceedings. Except as set forth in Section 3.9 of the Disclosure Schedule, neither Company nor Company Subsidiary is a party to any, and there are no pending or, to the

Knowledge of such Seller, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any material nature against Company or Company Subsidiary. There is no material injunction, order, judgment or decree imposed upon Company, Company Subsidiary or the assets of Company or Company Subsidiary.

3.10 Taxes and Tax Returns.

(a) Except as disclosed in Section 3.10 of the Disclosure Schedule, Company and Company Subsidiary have duly and timely filed or caused to be filed (including all applicable extensions) all federal, state, foreign and local Tax Returns required to be filed by it or with respect to it on or prior to the date of this Agreement (all such Tax Returns being accurate and complete in all material respects) and has duly and timely paid or caused to be paid on their behalf all Taxes that are due and payable other than Taxes that are being contested in good faith, which have not been finally determined, and are adequately reserved against or provided for (in accordance with GAAP) on the most recent consolidated financial statements of the Company. Through the date hereof, Company and Company Subsidiary do not have any liability for Taxes in excess of the amount reserved or provided for on their financial statements (but excluding, for this purpose only, any liability reflected thereon for deferred Taxes to reflect timing differences between Tax and financial accounting methods).

(b) There are no audits, examinations, disputes or proceedings pending or threatened in writing with respect to, or claims or assessments asserted or threatened in writing for, any material amount of Taxes upon Company or Company Subsidiary.

(c) There is no waiver or extension of the application of any statute of limitations of any jurisdiction regarding the assessment or collection of any Tax with respect to the Company and Company Subsidiary, which waiver or extension is in effect.

(d) Neither the Company nor Company Subsidiary is a party to, is bound by, or has any obligation under, any Tax sharing, allocation, indemnity or similar agreements or arrangement that obligates it to make any payment computed by reference to the Taxes, taxable income or taxable losses of any other Person.

(e) The Company and the Company Subsidiary have complied in all respects with all applicable laws relating to the payment and withholding of Taxes and have duly and timely withheld and paid over to the appropriate taxing authority all amounts required to be so withheld and paid under all applicable laws, including any Taxes in connection with any amounts paid or owing to any present or former employee, officer, director, independent contractor, creditor, stockholder or any other third party.

(f) No Seller is a foreign person within the meaning of Treasury Regulation section 1.1445-2(b)(2) and section 1445(f)(3) of the Code.

(g) Neither the Company or the Company Subsidiary has engaged in any “reportable transaction” within the meaning of Treasury Regulation Section 1.6011-4(b).

(h) The Company and the Company Subsidiary have disclosed on their federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Section 6662 of the Code.

(i) Neither Company nor the Company Subsidiary (i) has been a member of an "affiliated group" (within the meaning of Code Section 1504(a)) filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) or (ii) has any liability or obligation for the Taxes of any Person (other than the Company or any of its Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local, or non-U.S. law), as a transferee or successor, by contract, or otherwise.

(j) Neither Company nor the Company Subsidiary will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (i) change in method of accounting for a taxable period ending on or prior to the Closing Date; (ii) "closing agreement" as described in Code Section 7121 (or any corresponding or similar provision of state, local, or foreign income Tax law) executed on or prior to the Closing Date; (iii) intercompany transaction or excess loss account described in Treasury Regulations under Code Section 1502 (or any corresponding or similar provision of state, local, or foreign income Tax law); (iv) installment sale or open transaction disposition made on or prior to the Closing Date; or (v) prepaid amount received on or prior to the Closing Date.

(k) No written claim has been made within the past five (5) years by an authority in a jurisdiction where Company or the Company Subsidiary does not file Tax Returns that Company or the Company Subsidiary is or may be subject to taxation by that jurisdiction.

(l) Neither Company nor the Company Subsidiary has constituted either a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock intended to qualify for tax-free treatment under Section 355 or Section 361 of the Code.

(m) Company and the Company Subsidiary have accurately prepared and timely filed any and all Tax Returns in connection with the determination, reporting, assessment or collection of any Tax payable or reportable by any (i) medical and health savings accounts, (ii) accounts relating to a retirement and welfare benefit plan or arrangement and (iii) accounts relating to other qualified or non-qualified employee benefit plan or arrangement, for which Company or the Company Subsidiary provides trustee or custodial type services thereto, and caused all Taxes to be paid thereon from the assets of the applicable account, and Company and the Company Subsidiary have complied with all tax withholding obligations and responsibilities applicable to it in such capacities, all as required by the Code, and all applicable foreign, state and local tax laws and regulations

3.11 Net Operating Losses.

(a) As of December 31, 2010, the Company has net operating losses equal to at least $3,400,891. The Sellers have provided to Purchaser a schedule which accurately sets forth the amount of all of the net operating losses of Company and the Company Subsidiary for federal income tax purposes, including dates of expiration of such net operating losses and any limitations on such net operating losses.

(b) Other than as set forth in Section 3.11(b) of the Disclosure Schedule, the Company and the Company Subsidiary have no net operating losses or other tax attributes that are presently subject to any limitation, including limitations under Sections 279, 382, 383, or 384 of the Code, the federal consolidated return regulations or comparable foreign law.

3.12 Employee Benefit Plans.

(a) Section 3.12(a) of the Disclosure Schedule lists (i) all "employee benefit plans," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and all other material employee benefit or executive compensation arrangements, perquisite programs or payroll practices, whether written or unwritten, maintained by or contributed to, or required to be contributed to, by Company or Company Subsidiary (the "**Company Benefit Plans**") and (ii) designates which such Company Benefit Plan are solely maintained by Company and Company Subsidiary.

(b) Neither the Company nor any ERISA Affiliate sponsors, maintains, contributes to or has any liability, contingent or otherwise, with respect to an "employee pension benefit plan," as defined in Section 3(2) of ERISA that is subject to Title IV of ERISA.

(c) Each Company Benefit Plan and its administration is in material compliance with its terms and all applicable laws, including ERISA and the Code. Each Company Benefit Plan that is intended to be "qualified" under Section 401 of the Code either has received a favorable determination letter from the IRS to such effect or the Company is entitled to rely upon an opinion letter issued to the prototype plan sponsor. All contributions (including all employer contributions and employee salary reduction contributions), premiums and other payments required to have been made under any of the Company Benefit Plans to any funds or trusts established thereunder or in connection therewith have been made by the due date thereof, other than a failure to make contributions that is not material, and with respect to any such contributions, premiums or other payments required that are not yet due, to the extent required by GAAP, adequate reserves are reflected on the Balance Sheet or liability therefor was incurred in the ordinary course of business consistent with past practice since the end of such fiscal quarter.

(d) None of Company, Company Subsidiary, the officers of Company or the Company Benefit Plans which are subject to ERISA, any trusts created thereunder or any trustee or administrator thereof, has engaged in a "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) or any other breach of fiduciary responsibility that is not otherwise exempt or that could subject Company, Company Subsidiary or any officer of Company to any material Tax or penalty on prohibited transactions imposed by such Section 4975 or to any material liability under Section 502(i) or (1) of ERISA.

(e) There are no pending actions, claims or lawsuits which have been asserted, instituted or, to Knowledge of such Seller, threatened, against the Company Benefit Plans, the assets of any of the trusts under such plans or the plan sponsor or the plan

administrator, or against any fiduciary of the Company Benefit Plans with respect to the operation of such plans (other than routine benefit claims) which could result in any material liability to Company and Company Subsidiary.

(f) Neither the Company nor the Company Subsidiary has any liability, contingent or otherwise, for providing, under any Company Benefit Plan or otherwise, any post-retirement medical or life insurance benefits, other than statutory liability for providing group health plan continuation coverage under Part 6 of Title I of ERISA and Section 4980B of the Code or applicable state law.

(g) Except as set forth in Section 3.12(g) of the Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not (i) entitle any current or former employee, officer, director or consultant of the Company to severance pay, change in control payments or any other payment, (ii) accelerate the time of payment, or increase the amount of compensation or benefit due, any such employee, officer, director or consultant, (iii) cause any amounts payable with respect to any Plan to fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code or (iv) result in any prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available. No current or former employee, officer, director or consultant of the Company or any of its Affiliates is entitled to receive any additional payment from the Company or any of its Affiliates by reason of the excise Tax required by Section 4999(a), Section 409A or Section 457A of the Code being imposed on such Person by reason of the transactions contemplated by this Agreement or otherwise.

3.13 Labor Union. Neither Company nor Company Subsidiary is, or has over the past five years been, a party to any collective bargaining agreement or other labor union contract.

3.14 Compliance with Applicable Law. The Company and Company Subsidiary hold all material licenses, registrations, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses and are not in violation of any applicable law, statute, order, rule, or regulation (collectively, "**Laws**") of any Governmental Entity relating to Company or Company Subsidiary, and neither Company nor Company Subsidiary knows of, or has received notice of, any violations of any of the above.

3.15 Material Contracts.

(a) Except for the contracts set forth in Section 3.15(a) of the Disclosure Schedule (collectively, the "**Material Contracts**"), neither Company nor Company Subsidiary is a party to or bound by any of the following:

(i) any contract or agreement for the acquisition of the securities of or any material portion of the assets of any other Person or entity;

(ii) any trust indenture, mortgage, promissory note, loan agreement or other contract, agreement or instrument for the borrowing of money, any currency exchange, commodities or other hedging arrangement or any leasing transaction of the type required to be capitalized in accordance with GAAP (except to the extent any such lease has been capitalized and included in the Balance Sheet), in each case, where Company or Company Subsidiary is a lender, borrower or guarantor and such contract or instrument involves or could involve aggregate payments by the Company or Company Subsidiary of $25,000 or more;

(iii) any contract or agreement limiting the freedom of Company or Company Subsidiary to engage in any line of business to compete with any other Person or prohibiting Company or Company Subsidiary from soliciting customers, clients or employees, in each case whether in any specified geographic region or business or generally;

(iv) any contract or agreement with any Affiliate of any Seller, Company or Company Subsidiary;

(v) any joint venture, stockholders', partnership or similar agreement;

(vi) any employment agreement with any employee or officer of Company or Company Subsidiary;

(vii) any contract or agreement with customers of the Company or Company Subsidiary; provided that only contracts and agreements with the twenty (20) largest customers of the Company or Company Subsidiary, measured by fees collected during the twelve month period ending December 31, 2011 (collectively, the "**Material Clients**"), are required to be set forth in Section 3.15(a) of the Disclosure Schedule;

(viii) any contract or agreement for the use or purchase of materials, supplies, goods, services, equipment or other assets providing for aggregate payments by the Company or Company Subsidiary of $25,000 or more;

(ix) contracts and agreements for the rental or lease of real property; and

(x) any other contract which is material to Company or Company Subsidiary.

(b) Company and Company Subsidiary have performed in all material respects all of the obligations required to be performed by them under each Material Contract to which Company or Company Subsidiary are a party or by which Company or Company Subsidiary are bound. Each of the Material Contracts is in full force and effect, without amendment (other than as disclosed in Section 3.15(b) of the Disclosure Schedule), and there exists no material default or event of material default or event, occurrence, condition or act, with respect to Company or Company Subsidiary which, with the giving of notice, the lapse of the time or the happening of any other event or condition, would become a material default or material event of default under any Material Contract. True, correct and complete copies of all Material Contracts have been furnished or made available to Purchaser.

3.16 Environmental Liability. There are no legal, administrative, arbitral or other proceedings, claims or actions or any private environmental investigations or remediation activities or governmental investigations of any nature that would be reasonably likely to result in the imposition, on Company or Company Subsidiary, of any liability or obligation arising under any local, state or federal environmental statute, regulation or ordinance, including

CERCLA, pending or, to the Knowledge of such Seller, threatened against Company or Company Subsidiary, which liability or obligation would result in a Material Adverse Effect. Neither Company nor Company Subsidiary is subject to any agreement, order, judgment or decree by or with any court, governmental authority, regulatory agency or third party imposing any liability or obligation with respect to the foregoing. There has been no written third party environmental site assessment conducted since January 1, 2003 assessing the presence of hazardous materials located on any property owned or leased by Company or Company Subsidiary that is within the possession or control of such Seller as of the date of this Agreement that has not been delivered to Purchaser prior to the date of this Agreement.

3.17 Insurance. Section 3.17 of the Disclosure Schedules sets forth a list of all material insurance policies held and maintained by Broadridge Financial Solutions, Inc. covering the Company in effect on the date hereof, including the types and amounts of coverage and the expiration dates thereof.

3.18 Title to Properties.

(a) Each of Company and Company Subsidiary has good and marketable title to, or valid leasehold interests in, all its properties and assets reflected on the Balance Sheet except for such as have been disposed of in the ordinary course of business since the Balance Sheet Date and except for defects in title, easements, restrictive covenants and similar encumbrances that individually or in the aggregate would not be material. All such assets and properties, other than assets and properties in which Company or Company Subsidiary has a leasehold interest, are free and clear of all Liens (other than Liens for current Taxes not yet due and payable), except for Liens that individually or in the aggregate would not be material. Company and Company Subsidiary own or have the right to use all of the tangible personal properties and assets necessary for the conduct of their business in all material respects as conducted as of the date hereof.

(b) Each of Company and Company Subsidiary has complied in all material respects with the terms of all leases to which it is a party, and all such leases are in full force and effect. True and complete copies of all material leases have been made available to Purchaser.

3.19 Intellectual Property.

(a) Section 3.19(a) of the Disclosure Schedule lists registered and applied for Intellectual Property and all other material Intellectual Property used or held for use by Company and Company Subsidiary as of the date hereof (collectively, the "**Company Intellectual Property**"). Company and Company Subsidiary own, or are licensed or otherwise possess sufficient rights to use, all Company Intellectual Property in the manner that it is currently used by Company and Company Subsidiary.

(b) Neither Company nor Company Subsidiary has received written notice or other communication (including offers to take a license) from any third party alleging any interference, infringement, misappropriation or violation of any Intellectual Property rights of any third party. To the Knowledge of Sellers, (i) no claims are pending or threatened against Company or Company Subsidiary with respect to the ownership, validity or enforceability of the

Company Intellectual Property, (ii) none of the owned Company Intellectual Property or products or methods of doing business of Company or Company Subsidiary, as currently conducted, infringes, misappropriates, or otherwise violates any Intellectual Property rights of any third party, and (iii) no third party is materially infringing or misappropriating the owned Company Intellectual Property.

(c) Neither Company nor Company Subsidiary licenses to, or has entered into any exclusive agreements relating to any Company Intellectual Property with, third parties, or permits third parties to use any Company Intellectual Property rights. Neither Company nor Company Subsidiary owes any material royalties or payments to any third party for using or licensing to others any Company Intellectual Property.

(d) Company and its Company Subsidiary have taken reasonable measures to protect the confidentiality of all confidential information of Company and Company Subsidiary, and no confidential information has been disclosed or authorized to be disclosed to any third party other than pursuant to a written non-disclosure agreement. To the Knowledge of Sellers, no third party subject to any non-disclosure agreement with Company or Company Subsidiary is in breach of default thereof.

(e) Company and Company Subsidiary have taken commercially reasonable measures required to establish and preserve its ownership of all Company Intellectual Property developed by, or on behalf of, Company or Company Subsidiary. Company and Company Subsidiary have required all current and former employees and all consultants and independent contractors having access to, or who were involved in the development of, any of the Company Intellectual Property owned or developed by Company or Company Subsidiary, to execute enforceable agreements that provide valid written assignment of all inventions and developments conceived or created by them in the course of their employment or services, and to the Knowledge of Sellers, all such Persons are in compliance with such agreements.

3.20 Broker's Fees. Except for Sterne, Agee & Leach, Inc., all the fees and expenses of which shall be borne entirely by Sellers, neither Sellers, Company nor Company Subsidiary has employed any broker or finder or incurred any liability for any broker's fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement.

3.21 Eligibility.

(a) Colorado Registration. Company is an investment advisor duly registered with the State of Colorado and is in good standing under the rules and regulations thereof.

(b) Registrations, Licenses and Qualifications. Company has at all times held all such registrations, licenses and qualifications as an investment adviser that the conduct of its business has required under applicable Law.

(c) No Ineligibility. Company is not (taking into account any applicable exemption) ineligible pursuant to applicable Laws to act as an investment adviser, and no employee of Company or other person associated with Company who has performed any functions of an investment adviser representative or a person associated with an investment adviser is (taking into account any applicable exemption) ineligible under applicable Laws to serve as an investment adviser representative or a person associated with an investment adviser.

(d) No Proceedings. There is no proceeding or investigation pending and served on Company or, to the Knowledge of Sellers, pending and not so served or threatened by any Government Body, which would result in (i) the ineligibility under such Laws of Company to act as an investment adviser or (ii) the ineligibility under such applicable Laws of such investment adviser representative or a person associated with Company to serve as an investment adviser representative or a person associated with an investment adviser.

3.22 Books and Records. The minute books and stock record books of each of Company and Company Subsidiary, all of which have been made available to Purchaser, are complete and correct in all material respects and have been maintained in accordance with sound business practices. The minute books of each of Company and Company Subsidiary contain accurate and complete records in all material respects of all meetings, and actions taken by written consent of, the stockholders, the board of directors and any committees of the board of directors of the Company, and no material meeting, or material action taken by written consent, of any such stockholders, board of directors or committee has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of those books and records will be in the possession of Company.

3.23 Material Clients. Since January 1, 2011 other than as disclosed in Section 3.23 of the Disclosure Schedule, no client that paid the Company at least $25,000 in fees in 2010 has canceled any contract or agreement, or materially reduced its business with Company, or, to the Knowledge of Sellers, indicated to the Company in writing that it intended to cease business with Company or to materially reduce such business. There are no (and since January 1, 2011 there have not been any) (a) material disputes between the Company or Company Subsidiary, on the one hand, and any Material Client, on the other hand, or (b) disputes with any other client of Company or Company Subsidiary that, individually or in the aggregate with all other client disputes, would reasonably be expected to have a Material Adverse Effect.

3.24 Services. To the Knowledge of such Seller, all services delivered or performed by Company and Company Subsidiary have been in conformity in all material respects (within standard industry tolerances) with (a) all applicable Laws, (b) all commitments under applicable contracts and agreements and (c) all express warranties.

3.25 Collective Investment Funds. Company is entitled to reference and use the historic performance track record of each of the collective investment funds for which Company serves as Portfolio Strategist, notwithstanding any confidentiality or non-disclosure restrictions contained in ay agreement entered into between Company and MG Trust, any Seller or any Affiliate or any Seller.

3.26 No Additional Representations. Purchaser acknowledges that, except for the representations and warranties contained in this Article III, none of such Seller, Company, or Company Subsidiary has made nor is making any other express or implied representation or warranty as to the accuracy or completeness of any information regarding Company or Company Subsidiary furnished or made available to Purchaser and its representatives (including the information set forth in the Confidential Information Memorandum prepared by Sterne, Agee &

Leach, Inc., dated August 2011 and any information, documents or material made available to Purchaser during due diligence, management presentations or in any form in expectation of the transactions contemplated hereby) or as to the future revenue, profitability or success of Company or Company Subsidiary or any representation or warranty arising from statute or otherwise in law.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Sellers as follows:

4.1 Corporate Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization.

4.2 Authority; No Violation.

(a) Purchaser has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly approved by the Board of Directors of Purchaser. No other corporate proceedings (including any approvals of Purchaser's stockholders) on the part of Purchaser are necessary to approve this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Purchaser. Assuming due authorization, execution and delivery by Sellers, this Agreement constitutes a valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as such enforcement may be limited by (i) the effect of bankruptcy, insolvency, reorganization, receivership, conservatorship, arrangement, moratorium or other laws affecting or relating to the rights of creditors generally, or (ii) the rules governing the availability of specific performance, injunctive relief or other equitable remedies and general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) Neither the execution and delivery of this Agreement by Purchaser, nor the consummation by Purchaser of the transactions contemplated hereby, nor compliance by Purchaser with any of the terms or provisions hereof, will (i) violate any provision of the certificate of incorporation or bylaws of Purchaser or (ii) assuming that the consents and approvals referred to in Section 4.3 are duly obtained, (x) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to Purchaser or any of its Subsidiaries or any of their respective properties or assets or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by or rights or obligations under, or result in the creation of any Lien upon any of the respective properties or assets of Purchaser or any of its Subsidiaries under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement, contract, or other instrument or obligation to which Purchaser or any of its Subsidiaries is a party, or by which they or any of their respective properties, assets or business

activities may be bound or affected, except (in the case of clause (ii) above) for such violations, conflicts, breaches, defaults or the loss of benefits which, either individually or in the aggregate, would not prevent Purchaser from consummating the transactions contemplated hereby.

4.3 Consents and Approvals. Except for (i) the Requisite Regulatory Approvals and (ii) such additional consents and approvals, the failure of which to make or obtain would not be material, no consents or approvals of or filings or registrations with any Governmental Entity or, of or with any third party, are necessary in connection with (A) the execution and delivery by Purchaser of this Agreement and (B) the consummation by Purchaser of the transactions contemplated hereby. Purchaser has no reason to believe that any Requisite Regulatory Approvals will not be obtained.

4.4 Financial Wherewithal. Purchaser has sufficient cash or cash equivalents available, directly or through one or more affiliates, to pay the Purchase Price to Sellers on the terms and conditions contained herein, and there is no restriction on the use of such cash or cash equivalents for such purpose.

4.5 Legal Proceedings. There is no legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations pending or, to the knowledge of Purchaser, threatened, against or affecting Purchaser or any of its properties or rights that (i) alleges a violation by Purchaser of any law or court order that would be reasonably likely to impair or delay the ability of Purchaser to perform its obligations hereunder or (ii) questions the legality of the transactions contemplated by this Agreement.

4.6 Compliance with Applicable Law. Purchaser and each of its Subsidiaries is in compliance in all material respects with all applicable laws, statutes, orders, rules, regulations, policies and/or guidelines of any Governmental Entity relating to Purchaser or any of its Subsidiaries, except where the failure to be in such compliance would not reasonably be expected to materially delay or prevent the consummation of the transactions contemplated by this Agreement.

4.7 Agreements with Regulatory Agencies. Neither Purchaser nor any of its Subsidiaries is subject to any cease-and-desist or other order or enforcement action issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive that would, individually or in the aggregate, prevent Purchaser from consummating the transactions contemplated hereby

4.8 Broker's Fees. Neither Purchaser nor any of its Subsidiaries has employed any broker or finder or incurred any liability for any broker's fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement.

4.9 No Additional Representations. Sellers acknowledge that, except for representations and warranties contained in this Article IV, Purchaser has not made nor is making any other express or implied representation or warranty.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

5.1 Conduct of Business of Company Prior to the Closing Date. During the period from the date of this Agreement to the Closing Date, except as expressly contemplated or permitted by this Agreement, Sellers shall cause Company and Company Subsidiary to (a) conduct its business in the usual, regular and ordinary course consistent with past practice and (b) use commercially reasonable efforts to maintain and preserve intact its business organization and its current relationships with its customers, regulators, employees and other persons with which it has significant business or other relationships.

5.2 Forbearances of Sellers. During the period from the date of this Agreement to the Closing Date, except as set forth in Section 5.2 of the Disclosure Schedule or as expressly contemplated or permitted by this Agreement, Sellers shall not with respect to Company and Company Subsidiary, and Sellers shall not permit Company nor Company Subsidiary to do any of the following, without the prior written consent of Purchaser;

(a) other than the loans made to the Optionholders as set forth on Section 5.2 of the Disclosure Schedule, each of which will be repaid in full at the Closing pursuant to Section 2.3 hereof, incur any indebtedness for borrowed money, assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other individual, corporation or other entity, or make any loan or advance, in each case other than (i) accounts payable or advances to employees for travel and expense reimbursements, in each case incurred in the ordinary course of business consistent with past practice (ii) in an aggregate amount less than $25,000; provided that all such transactions must be reflected in the Estimated Working Capital (including any accounts payable incurred in the ordinary course and any amounts individually or in the aggregate less than $25,000);

(b) incur any capital expenditures (other than capital expenditures incurred pursuant to contracts or commitments in force on the date of this Agreement) in an aggregate amount in excess of $25,000; provided that all such transactions must be reflected in the Estimated Working Capital (including any capital expenditures individually or in the aggregate equal to or less than $25,000);

(c) (i) adjust, split, combine or reclassify any capital stock, (ii) declare or pay any dividend or distribution (except for dividends paid by Company Subsidiary to Company) or make any other distribution on any shares of its capital stock or redeem, purchase or otherwise acquire any securities or obligations convertible into or exchangeable for any shares of its capital stock, (iii) grant any stock option, stock appreciation rights or grant to any individual, corporation or other entity any right to acquire any shares of its capital stock, (iv) issue any additional shares of capital stock (except upon proper exercise of outstanding stock options) or (v) enter into any agreement, understanding or arrangement with respect to the sale or voting of its capital stock;

(d) sell, transfer, mortgage, encumber or otherwise dispose of any of its properties or assets, including capital stock in Company Subsidiary, to any individual,

corporation or other entity, or cancel, release or assign any indebtedness to any such person or any claims held by any such person, except (i) in the ordinary course of business consistent with past practice to third parties who are not Affiliates of any Seller, (ii) pursuant to contracts or agreements in force at the date of this Agreement; provided that all such transactions must be reflected in the Estimated Working Capital (including any asset sales made in the ordinary course of business) or (iii) sales, transfers or other dispositions of properties or assets of Company or Company Subsidiary with a book value in the aggregate less than $10,000;

(e) (i) acquire any business entity, whether by stock purchase, merger, consolidation or otherwise, or (ii) make any other investment either by purchase of stock or securities, contributions to capital, property transfers, or purchase of any property or assets of any other individual, corporation, limited partnership or other entity other than Company Subsidiary;

(f) change its methods of accounting (or the manner in which it accrues for liabilities) in effect at the Balance Sheet Date, except as required by changes in GAAP;

(g) make, change or revoke any material Tax election, change an annual Tax accounting period, adopt or change any Tax accounting method, file any material amended Tax Return, enter into any closing agreement with respect to a material amount of Taxes, settle any material Tax claim or assessment or surrender any right to claim a refund of a material amount of Taxes;

(h) adopt or implement any amendment to its Articles of Incorporation or any changes to its bylaws or comparable organizational documents;

(i) amend in any respect or terminate any Material Contract or enter into a contract or agreement which, had it been entered into prior to the date hereof, would have been a Material Contract, in each case, other than in the ordinary course of business;

(j) waive any rights of substantial value or cancel or forgive any material amount of indebtedness owed to Company or Company Subsidiary;

(k) enter into any contract or agreement outside of the ordinary course of business or take any other action outside of the ordinary course of business; or

(l) grant or agree to grant to any employee of the Company or Company Subsidiary any increase in wages or bonus, severance, profit sharing, retirement, insurance or other compensation or benefits, or establish any new or amend any existing compensation or benefit plans or arrangements, except (1) as may be required under applicable law or (2) pursuant to the employee benefit plans in effect on the date hereof applicable to any such employee

(m) agree to, or make any commitment to, take any of the actions prohibited by this Section 5.2.

5.3 No Solicitation. Prior to the Closing Date, or until this Agreement is terminated in accordance with its terms, Sellers shall not, and Sellers shall cause Company and Company Subsidiary not to, directly or indirectly, solicit or initiate discussions or engage in negotiations

with, or provide information (other than publicly available information) to, or authorize any financial advisor or other Person to solicit or initiate discussions or engage in negotiations with, or provide information to, any Person (other than Purchaser or a Purchaser Representative) concerning any potential sale of capital stock of, or merger, consolidation, combination, sale of assets, reorganization or other similar transaction involving, Company.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 Regulatory Matters.

(a) Purchaser and each Seller shall (i) take, or cause to be taken, all actions necessary or proper to comply with all legal requirements which may be imposed on such party with respect to the transactions contemplated hereby, including, without limitation, obtaining any third party consent which may be required to be obtained in connection with the transactions contemplated hereby and (ii) obtain (and cooperate with the other party to obtain) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity which is required or advisable to be obtained by Sellers or Purchaser, respectively, in connection with the transactions contemplated by this Agreement. The parties hereto shall cooperate with each other and promptly prepare and file all necessary documentation, and to effect all applications, notices, petitions and filings (including, if required, notification under the HSR Act), to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and Governmental Entities which are necessary or advisable to consummate the transactions contemplated by this Agreement. Purchaser and Sellers shall have the right to review in advance and, to the extent practicable, each will consult the other on, in each case subject to applicable laws relating to the exchange of information, all the information relating to Sellers, Company or Purchaser, as the case may be, and any of their respective Subsidiaries, which appear in any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with the transactions contemplated by this Agreement. For purposes of this Section 6.1(a), in taking each of the foregoing actions each party shall be required only to use commercially reasonable efforts (it being understood that Section 6.5 shall (i) supersede this Section 6.1 and (ii) apply with respect to all consents necessary under management, advisory, sub-advisory and similar contracts of Company and Company Subsidiary).

(b) Purchaser and Sellers shall, upon request, furnish each other with all information concerning Purchaser, Sellers, Company and their respective Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary in connection with any statement, filing, notice or application made by or on behalf of Purchaser, Sellers, Company or any of their respective Subsidiaries to any Governmental Entity in connection with the transactions contemplated by this Agreement.

6.2 Access to Information.

(a) Subject to the Confidentiality Agreement, which shall remain in full force and effect, Sellers agree to provide Purchaser and Purchaser's officers, directors, employees, accountants, counsel, financial advisors, agents and other representatives (collectively, the

"**Purchaser Representatives**"), from time to time prior to the Closing Date or the termination of this Agreement, such information as Purchaser shall reasonably request with respect to Company and Company Subsidiary and their respective businesses, financial conditions and operations and such access to the properties and personnel of Company and Company Subsidiary as Purchaser shall reasonably request, which access shall occur during normal business hours and shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of Company or Company Subsidiary. Except as required by law, Purchaser will hold, and will cause Purchaser Representatives and Affiliates to hold, any nonpublic information received from Sellers or Company or Company Subsidiary, directly or indirectly, in accordance with the Confidentiality Agreement.

(b) Sellers and Company shall not be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of customers, jeopardize the attorney-client or other legal privilege of the institution in possession or control of such information or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties hereto will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

6.3 Public Disclosure. Promptly, but in any event no later than one (1) Business Day after Closing, Sellers and Purchaser shall issue a joint press release with respect to the transactions contemplated by this Agreement. Except as set forth in the immediately preceding sentence, Sellers and Purchaser shall consult with each other before issuing any press release or otherwise making any public statement or making any other public (or non-confidential) disclosure (whether or not in response to an inquiry) regarding the terms of this Agreement or any of the transactions contemplated hereby, and neither shall issue any such press release or make any such statement or disclosure without the prior approval of the other (which approval shall not be unreasonably withheld or delayed), except, in each case, as and to the extent that such party shall be so obligated by applicable law, in which case such party shall advise the other party of such obligation and the parties shall attempt to cause a mutually agreeable release or announcement to be issued.

6.4 Employees; Employee Benefit Matters.

(a) Upon the Closing, Company and Company Subsidiary shall automatically cease to be participating employers in any Company Benefits Plans not solely maintained by Company and Company Subsidiary. Sellers shall take (or cause the Company or Company Subsidiary, as applicable, to take) all actions necessary to terminate, effective as of the day immediately prior to, and conditioned upon, the Closing Date, all employee benefit plans (including any tax-qualified retirement plan) sponsored or maintained by the Company or Company Subsidiary. Following the Closing Date, Purchaser shall maintain or cause to be maintained compensation opportunities, tax-qualified retirement plans, and welfare plans for the benefit of employees who are actively employed by Company and Company Subsidiary as of the Closing Date ("**Covered Employees**") which, in the aggregate, are generally substantially comparable to those compensation opportunities and other employee tax-qualified retirement and welfare benefits that are made available to similarly situated employees of Purchaser or its Subsidiaries as applicable.

(b) For purposes of their participation in the employee benefit plans, arrangements and agreements of Purchaser (the '**Purchaser Benefit Plans**"), Purchaser shall credit each Covered Employee of Company and Company Subsidiary with full credit for all service credited under the Company Benefit Plans (including service with Company prior to the Closing Date and, where applicable, service with prior or predecessor employers to the extent credit is given for such service under the Company Benefit Plans) for purposes of eligibility to participate and receive benefits, for purposes of vesting and, except under defined benefit pension plans or other benefit plans under which the crediting of such service would result in duplication of benefits, for purposes of benefit accruals. With respect to Purchaser Benefit Plans that are welfare benefit plans, Purchaser shall use commercially reasonable efforts (i) to cause any such plan to waive any pre-existing condition exclusions and actively-at-work requirements thereunder with respect to the Covered Employees and their eligible dependents (to the extent waived under the applicable Company welfare benefit plan) and (ii) to permit Covered Employees to participate in any such plan, as of the Closing Date, subject to and contingent on the approval of Purchaser's insurers. Purchaser will take commercially reasonable efforts to permit Covered Employees to make eligible rollover contributions in cash and with respect to loans, if any, in loan notes evidencing loans to such Covered Employee as of the date of distribution, to a Purchaser Benefit Plan that is a tax-qualified defined contribution plan.

(c) Purchaser shall cause Company to honor all written contractual obligations of Company and Company Subsidiary to their respective current and former employees, directors and independent contractors, including, but not limited to, all obligations under employment, severance and consulting plans and arrangements; provided that nothing herein shall limit the right of Purchaser or any of its Subsidiaries to terminate any particular plan or agreement in accordance with its terms. Without limiting the generality of the foregoing: in the event Purchaser terminates the employment of any employee of Company or Company Subsidiary prior to February 29, 2012, Purchaser will provide such employee with severance and other post-termination benefits with an aggregate value at least equal to those for which such employee would have been eligible to such employee from Company or Company Subsidiary (as the case may be) if such termination had occurred immediately prior to the Closing Date, and in no event with severance less than three months of any such employee's base pay.

(d) No provision of this Agreement shall create any third party beneficiary or other right in any Person (including any Covered Employee or any beneficiary or dependent thereof) in respect of continued employment (or resumed employment) with either Purchaser or any of its Affiliates, and no provision of this Agreement shall create any such rights in any such Persons in respect of any benefits that may be provided, directly or indirectly, under any Purchaser Benefit Plan.

6.5 Certain Client Matters. Sellers shall use reasonable best efforts, or shall cause the Company to use its reasonable best efforts, to obtain, in accordance with applicable law and the applicable Investment Advisory Agreement, and as promptly as practical following the date of this Agreement, such approvals, consents or other actions, if any, by Clients so that after the Closing Company or Company Subsidiary may continue its applicable management, advisory or sub-advisory relationship on terms that, taken as a whole, are no less favorable to such entity than the terms of the existing Investment Advisory Agreement between such Client and the applicable Company entity. Any such approvals or consents obtained shall be in a form reasonably satisfactory to Purchaser.

6.6 Cooperation. Following the Closing, each party agrees to cooperate in good faith to provide information to the other party that is reasonably necessary in connection with regulatory, legal, accounting and similar matters of Sellers and their Affiliates on the one hand and Purchaser and its Affiliates on the other (and not relating to any dispute, litigation or arbitration between the parties hereto or their Affiliates). The parties agree that any information provided pursuant to this provision shall be kept confidential and shall not be used for any purpose except for the reason given in the request.

6.7 Non-Solicitation.

(a) Purchaser hereby covenants and agrees, during the period beginning on the date hereof and ending on the second (2nd) anniversary of the Closing Date (the "**Purchaser Non Solicitation Period**"), not directly or indirectly to (A) induce or attempt to induce any officer, employee, representative or agent of Matrix or any Subsidiary of Matrix (collectively, the "**Restricted Entities**") to leave the employ of such Restricted Entity, or (B) hire, within twelve months following the date of termination of such person's employment with such Restricted Entity, any person who was an employee of any Restricted Entity (x) at any time during the year prior to the date hereof or (y) during the Purchaser Non Solicitation Period, or (C) in any other way interfere with the relationship between any Restricted Entity and any employee thereof. Notwithstanding the foregoing, nothing in this Agreement will prevent Purchaser from (x) hiring any Person who was employed at any time by any Restricted Entity and whose employment was terminated by such Restricted Entity following the Closing or (y) hiring any employee of a Restricted Entity who makes an unsolicited approach to Purchaser seeking employment in response to the general advertisement or other public announcement of a job opening.

(b) Sellers and Purchaser agree, for a period of five (5) years from the Closing Date, not to, directly or indirectly, make any statement or other communication (whether written or oral) that impugns or attacks the reputation or character of Purchaser, any Seller or Restricted Entity, or damages the goodwill of Purchaser, any Seller or any Restricted Entity.

(c) Each Seller other than Matrix hereby covenants and agrees, for the respective period of time from and after the Closing Date set forth opposite such Seller's name on Exhibit 6.7(c) hereto, not to, and to cause its Subsidiaries not to, establish a business or employ Persons with the intent of competing with the provision of: (i) managed account platform technology, including back office systems to support the administration of an investment advisor's managed account business or (ii) advisory and administrative services to investment advisors and their clients as part of a managed account platform technology, in the case of either of the preceding clauses (i) or (ii), anywhere within the United States (a "**Competing Business**"). Subject to any exceptions set forth by the separate written agreement of Matrix and Purchaser, Matrix hereby covenants and agrees, for a period of three (3) years from the Closing Date, not to, and to cause its Subsidiaries not to, establish a business or employ Persons with the intent of competing with the development, marketing, selling or provision of one or more products or services (individually or as a bundle) consisting of (i) investment products research

and/or due diligence, (ii) desktop asset management application, (iii) performance reporting, and (iv) any investment advisory services to the wealth management industry, other than in each of the preceding clauses (i)-(iv) as relates to the corporate, not-for-profit, employee force-out, or governmental retirement plan markets (a "**Matrix Competing Business**"); provided, however, that this provision shall not prohibit Matrix from: (i) acquiring a company or business that is an Affiliate of a Matrix Competing Business, if such Matrix Competing Business comprises one-quarter or less of the total revenues of such company or business; or (ii) continuing to conduct the businesses in which Matrix and its subsidiaries (other than Prima) are engaged in as of the date of this Agreement, including without limitation the continued development, marketing and provision of the RetireTool(k)it suite of products. For these purposes, ownership of securities of five percent (5%) or less of any class of securities of a company engaged in a Competing Business or Matrix Competing Business, as applicable, shall not be considered to be a Competing Business or Matrix Competing Business, for purposes of this Section 6.7(c). Furthermore, Matrix and Broadridge (pursuant to its separate joinder to this Agreement) each hereby covenants and agrees, for a period of three (3) years from the Closing Date, not to, and to cause each of its respective Subsidiaries not to, induce or attempt to induce any client of Company or Company Subsidiary set forth on Exhibit 6.7(c)-2 to cease doing business with Company or Company Subsidiary as set forth opposite such client's name on such Exhibit, or in any way divert or attempt to divert the provision of such services to any such client away from Company or Company Subsidiary.

(d) Each Seller hereby covenants and agrees, for a period of two (2) years from the Closing Date (**Sellers Non Solicitation Period**"), not to, and to cause its Subsidiaries not to, directly or indirectly (A) induce or attempt to induce any individual employed by Company or Company Subsidiary as of the Closing Date or (B) hire, within twelve months following the date of termination of such person's employment with Company, Company Subsidiary, Purchaser or any of Purchaser's Affiliates, any person who was an employee of Company, Company Subsidiary, Purchaser or any of Purchaser's Affiliates (x) at any time during the year prior to the date hereof or (y) during the Sellers Non Solicitation Period. Notwithstanding the foregoing, nothing in this Agreement will prevent any Seller from (x) hiring any Person who was employed at any time by Company, Company Subsidiary, Purchaser or any of Purchaser's Affiliates and whose employment was terminated by such employing Person following the Closing or (y) hiring any employee of any such employing Person who makes an unsolicited approach to such Seller seeking employment in response to the general advertisement or other public announcement of a job opening.

(e) Purchaser agrees that (i) the covenants set forth in Sections 6.7(a) and 6.7(b) are reasonable in temporal and geographical scope and in all other respects, and (ii) the covenants contained therein have been made in order to induce the Sellers and Purchaser to enter into this Agreement. Sellers and Purchaser intend that the covenants of Sections 6.7(a) and 6.7(b) shall be deemed to be a series of separate covenants, one for each month of the relevant period of restriction.

(f) Each Seller agrees that (i) the covenants set forth in Sections 6.7(c) and 6.7(d) are reasonable in temporal and geographical scope and in all other respects, and (ii) the covenants contained therein have been made in order to induce the Sellers and Purchaser to enter into this Agreement.

(g) If, at the time of enforcement of Section 6.7(a), 6.7(b), 6.7(c) or 6.7(d) a court shall hold that the duration or scope stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration or scope under such circumstances shall be substituted for the stated duration or scope and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period and scope permitted by law.

(h) Purchaser recognizes and affirms that in the event of its breach of any provision of Section 6.7(a) or 6.7(b), money damages would be inadequate and Matrix would not have adequate remedy at law. Accordingly, Purchaser agrees that in the event of a breach or a threatened breach of any of the provisions of Section 6.7(a) or 6.7(b), Matrix, in addition and supplementary to other rights and remedies existing in its favor, may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions thereof (without posting a bond or other security). In addition, in the event of a breach or violation of Section 6.7(a) or 6.7(b), the relevant period of restriction shall be tolled until such breach or violation has been duly cured.

(i) Each Seller recognizes and affirms that in the event of its breach of any provision of Section 6.7(c) or 6.7(d), money damages would be inadequate and Purchaser would have not adequate remedy at law. Accordingly, each Seller agrees that in the event of a breach or a threatened breach of any of the provisions of Section 6.7(c) or 6.7(d), Purchaser, in addition and supplementary to other rights and remedies existing in its favor, may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions thereof (without posting a bond or other security). In addition, in the event of a breach or violation of Section 6.7(c) or 6.7(d), the relevant period of restriction shall be tolled until such breach or violation has been duly cured.

(j) Purchaser acknowledges that its covenants in this Section 6.7 are a material inducement to Matrix to enter into this Agreement and consummate the transactions contemplated hereby, and each Seller acknowledges and agrees that its covenants in this Section 6.7 are a material inducement to Purchaser to enter into this Agreement and consummate the transactions contemplated hereby.

6.8 Tax Matters.

(a) The Company, the Sellers and Purchaser shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the preparation and filing of any Tax Return, statement, report or form (including any report required pursuant to Section 6043A of the Code and all Treasury Regulations promulgated thereunder), any audit, litigation or other proceeding with respect to Taxes. The Company, the Sellers and Purchaser agree (i) to retain all books and records with respect to Tax matters pertinent to the Company relating to any Pre-Closing Period until the expiration of the applicable statute of limitations (and, to the extent notified by Purchaser or the Representative, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority and (ii) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, the Company, the Sellers or Purchaser, as the case may be, shall allow the other party to take possession of such books and records.

(b) (1) Purchaser, Sellers, and the Sellers' Representative will promptly notify the other in writing upon the receipt of notice from any taxing authority of any pending or threatened audit or administrative or judicial proceeding related to Taxes of the Company or any of its Subsidiaries for which such other party may be liable. Except as provided in Section 6.7(b)(2), Purchaser shall have the sole right to control any audit or administrative or judicial proceeding with respect to Taxes (a "**Tax Proceeding**"). (2) In the event a Tax Proceeding could give rise to an indemnity obligation of the Sellers under Article IX, Sellers' Representative shall have the right (but not the obligation) to control the defense of any such Tax Proceeding provided, however, that if Sellers' Representative elects to control the defense of any such Tax Proceeding (i) Purchaser may participate in, but not control, such Tax Proceeding at Purchaser's expense and (ii) Sellers' Representative may not settle or otherwise compromise any such Tax Proceeding without Purchaser's prior written consent (which consent shall not be unreasonably delayed or withheld).

(c) On the Closing Date, all Tax sharing agreements and arrangements between (a) the Company on the one hand, and (b) the Sellers or any of its Affiliates (other than the Company), on the other hand, shall be terminated effective as of the Closing Date and have no further effect for any taxable year or period (whether a past, present, or future year or period), and no additional payments shall be made thereunder with respect to any period after the Closing Date in respect of the redetermination of Tax liabilities or otherwise.

(d) All transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with consummation of the transactions contemplated by this Agreement shall be paid one-half by Purchaser, on the one hand, and one-half by Sellers, on the other hand.

(e) Except (i) with respect to (A) any Tax refunds (or any credits against Taxes in lieu of such refunds) arising from the carryback of any post-Closing Tax loss, deduction or credit and (B) any Tax refund (or any credits against Taxes in lieu of such refunds) included in the calculation of Final Working Capital (which refunds and credits against Tax shall be for the account of Purchaser) and (ii) to the extent such Tax refunds (or any credits against Taxes in lieu of such refunds) directly result in a Tax liability for which Purchaser is not indemnified under Section 9.2, Sellers' Representative shall be entitled to receive on behalf of the Sellers prompt payment from Purchaser of an amount equal to (as applicable), (i) any Tax refunds of Company or any Subsidiary for Pre-Closing Periods (including refunds arising by reason of amended returns filed after the Closing Date) that are received by Purchaser or its Affiliates or (ii) any credits against Taxes in lieu of refunds described in clause (i) of this sentence (plus any interest thereon received with respect thereto from the applicable taxing authority).

(f) Purchaser covenants that, without obtaining the prior written consent of Sellers' Representative, it will not, and will not cause or permit any Affiliate of Purchaser, to (i) take any action on the Closing Date other than in the ordinary course of business or as specifically contemplated by this Agreement that could reasonably be expected to give rise to any Tax liability of the Company or any Subsidiary, or any indemnification obligation of Sellers, (ii) amend any Tax Return for any taxable period ending on or before the Closing Date, or Straddle Period Tax Return, of Company or any Subsidiary without the prior written consent of Sellers' Representative, or (iii) carry back any loss, deduction, or credit from a tax period ending after the Closing Date to a tax period beginning before the Closing Date without the prior written consent of Sellers' Representative.

(g) Sellers' Representative shall prepare or cause to be prepared, and Purchaser shall cooperate in the filing of, all Tax Returns for the Company or Company Subsidiary for all Taxable Periods ending on or prior to the Closing Date that are filed after the Closing Date. Sellers' Representative shall permit Purchaser to review and comment on each such Tax Return described in the preceding sentence prior to filing, and Sellers' Representative shall consider all such comments in good faith. Purchaser shall prepare or cause to be prepared, and file or cause to be filed, any Tax Returns of Company or Company Subsidiary for Straddle Periods. Purchaser shall permit Sellers' Representative to review and comment on each such Tax Return described in the preceding sentence prior to filing, and Purchaser shall consider all such comments in good faith. All Tax Returns referred to in this Section 6.7(g) shall be filed in a manner consistent with prior practice, to the extent consistent with applicable Laws. In the event of a dispute between Sellers' Representative and Purchaser regarding the proper reporting of any item on any Tax Return referred to in this paragraph, such dispute shall be referred to the independent accounting firm set forth in Section 2.4(e) and the costs of such firm shall be split between Sellers' Representative and Purchaser.

6.9 Financial Statements.

(a) As promptly as practicable following the end of each quarter during the period from the date hereof through the Closing Date, but in no event later than forty-five (45) days after the end of a fiscal quarter, the Company shall deliver to Purchaser a balance sheet and statements of income and of comprehensive income and shareholders' equity and of cash flows for the fiscal period then ended complying with GAAP.

(b) As promptly as practicable following the date hereof, the Company shall deliver to Purchaser a balance sheet and statements of income and of comprehensive income and shareholders' equity and of cash flows including accompanying footnotes for the fiscal year ended December 31, 2011 complying with GAAP and an unqualified opinion of independent accountants, the cost of preparation of which shall be borne by Purchaser.

(c) As promptly as practicable following the date hereof, the Company shall deliver to Purchaser a SAS100 review of financial statements for the first, second and third fiscal quarters of calendar year 2011, the cost of preparation of which shall be borne by Purchaser.

(d) As promptly as practicable following the end of the first fiscal quarter of calendar year 2012, the Company shall deliver to Purchaser a SAS100 review of financial statements for such period, the cost of preparation of which shall be borne by Purchaser.

(e) The Company will cause the appropriate officers of the Company or Matrix to execute and deliver to Purchaser's independent auditors such representation letters in customary form in respect of each audited period and each SAS100 review period commencing with the fiscal year ended December 31, 2011 and continuing through the Closing Date as Purchaser shall require. Should the Company's audit in respect of its fiscal year ended December 31, 2011 not be completed by the Closing Date, such representation letters will be provided by Matrix.

6.10 Surrender and Cancellation of Stock Options. On or prior to the Closing, Sellers' Representative shall deliver to Purchaser option surrender or exercise agreements (each in a form reasonably acceptable to Purchaser, which will include representations and warranties with respect to authorization, consents and approvals and, as of the Closing, title to, and absence of Liens on, shares of Common Stock) executed by each Optionholder. Any options to purchase shares of Company Common Stock that are not vested at the time of the Closing shall be deemed vested in full as of the Closing Date.

6.11 Collective Investment Funds. Sellers shall, and shall cause Company to, cause MG Trust to provide Company with (i) copies of the account statements for each of the collective investment funds as necessary to demonstrate the historic performance track record of each of the collective investment funds (e.g., fund custodial statements detailing credits, debits and other transactions for the applicable periods) and (ii) worksheets demonstrating how composite performance for each of the collective investment funds has been calculated. In addition, and without limiting the foregoing, Sellers shall, and shall cause Company to, use commercially reasonable efforts to cause MG Trust to perform all necessary steps leading up to and at Closing to enable the transfer of MG Trust's trustee responsibilities for the collective investment funds to the new trustee designated by Purchaser as promptly following closing as possible. Notwithstanding the preceding sentence, in the event such transfer cannot be effected for any reason beyond Sellers' reasonable control, such failure to effect the transfer shall not be deemed a breach of any kind under this Agreement.

6.12 Transition Services. Sellers shall, and shall cause Company to, use commercially reasonable efforts to provide any transition services reasonably requested by Purchaser between the date hereof and the Closing in furtherance of the consummation of the transactions contemplated hereby. For the avoidance of doubt, Sellers shall have no obligation to continue to perform such transition services after the Closing, except to the extent agreed to in writing between or among any applicable parties.

ARTICLE VII

CONDITIONS PRECEDENT

7.1 Conditions to Each Party's Obligation to Effect the Closing. The respective obligation of each party to effect the Closing shall be subject to the satisfaction at or prior to the Closing Date of the following conditions:

(a) Regulatory Approvals. All Requisite Regulatory Approvals shall have been obtained and shall remain in full force and effect or, in the case of waiting periods, shall have expired or been terminated.

(b) No Injunctions or Restraints; Illegality. No order, injunction, decree or judgment issued by any court or governmental body or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by

this Agreement shall be in effect. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any Governmental Entity which prohibits or makes illegal consummation of the Closing.

7.2 Conditions to Obligations of Purchaser. The obligation of Purchaser to effect the Closing is also subject to the satisfaction or waiver by Purchaser at or prior to the Closing Date of the following conditions:

(a) Representations and Warranties.

(b) Other than the Designated Seller Representations (as defined in Section 9.1), the representations and warranties of Sellers set forth in Article III of this Agreement shall be true and correct in all material respects, in each case as of the date of this Agreement and as of the Closing Date as though made on such Closing Date, except to the extent such representations and warranties are expressly made only as of an earlier date, in which case as of such earlier date. The Designated Seller Representations, shall be true and correct in all respects, in each case as of the date of this Agreement and as of the Closing Date as though made on such Closing Date, except to the extent such representations and warranties are expressly made only as of an earlier date, in which case as of such earlier date. Purchaser shall have received a certificate of Company, signed by its President or Chief Financial Officer, to the foregoing effect.

(c) Performance of Obligations of Sellers. Sellers shall have performed in all material respects all obligations required to be performed under this Agreement at or prior to the Closing Date. Purchaser shall have received a certificate signed on behalf of Sellers by the Sellers' Representative to the foregoing effect.

(d) FIRPTAs. Each Seller shall have delivered to Purchaser a certificate pursuant to Treasury Regulations Section 1.1445-2(b) that such Seller is not a foreign person within the meaning of Section 1445 of the Code.

(e) Required Consents. All Consents set forth on Exhibit E shall have been received, and evidence thereof shall have been delivered to Purchaser prior to the Closing.

(f) Advisory Contract Consents. Consents from clients of Company representing at least eighty percent (80%) of Company's aggregate Run-Rate Revenues shall have been obtained, and evidence or a certification thereof shall have been delivered to Purchaser prior to the Closing; provided, that to the extent consents are received from clients representing less than ninety percent (90%) of the run rate revenues, the Purchase Price shall be reduced by one percent (1%) for each percentage point by which the aggregate Run-Rate Revenues of clients of Company that have so consented is less than ninety percent (90%) of Company's aggregate Run-Rate Revenues.

(g) No Material Adverse Effect. From the date of this Agreement, there shall not have occurred any Material Adverse Effect.

(h) Watson Employment. J. Gibson Watson shall not have terminated employment with the Company for any reason or indicated in writing any intention to terminate employment with the Company for any reason after the Closing.

7.3 Conditions to Obligations of Sellers. The obligation of Sellers to effect the Closing is also subject to the satisfaction or waiver by Sellers' Representative at or prior to the Closing Date of the following conditions; provided, that Sellers' Representative shall have no right, and only J. Gibson Watson shall have the right, to waive the condition set forth in Section 7.3(c) below:

(a) Representations and Warranties. The representations and warranties of Purchaser set forth in Article IV of this Agreement shall be true and correct in all material respects, in each case as of the date of this Agreement and as of the Closing Date as though made on such Closing Date, except to the extent such representations and warranties are expressly made only as of an earlier date, in which case as of such earlier date. Sellers' Representative shall have received a certificate signed on behalf of Purchaser by its Chief Executive Officer or Chief Financial Officer to the foregoing effect.

(b) Performance of Obligations of Purchaser. Purchaser shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date. Sellers' Representative shall have received a certificate signed on behalf of Purchaser by its Chief Executive Officer or Chief Financial Officer to the foregoing effect.

(c) Watson Employment. The Watson Employment Letter shall be in full force and effect.

ARTICLE VIII

TERMINATION AND AMENDMENT

8.1 Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by mutual written consent of Sellers' Representative and Purchaser;

(b) by either Sellers' Representative or Purchaser, if the Closing shall not have occurred on or before April 15, 2012 (provided that the right to terminate this Agreement under this Section 8.1(b) shall not be available to any party whose action or failure to act has been the cause of or resulted in the failure of a condition precedent set forth in Article VII hereof which has caused the Closing not to have occurred on or before such date and such action or failure to act constitutes a breach of this Agreement);

(c) by either Sellers' Representative or Purchaser, if any Requisite Regulatory Approval required to be obtained pursuant to Section 7.1(a) has been denied by the relevant Governmental Entity and such denial has become final and non-appealable or any Governmental Entity of competent jurisdiction shall have issued a final, non-appealable injunction permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement;

(d) by Sellers' Representative, if Purchaser has breached any representation, warranty, covenant or agreement on the part of Purchaser contained in this Agreement in any

material respect, which breach would, individually or together with all such other then uncured breaches by Purchaser, constitute grounds for the conditions set forth in Section 7.2(a) or 7.2(b) not to be satisfied at the Closing Date and such breach is not cured within 15 Business Days after written notice thereof to Purchaser; or

(e) by Purchaser, if Sellers have breached any representation, warranty, covenant or agreement on the part of Sellers contained in this Agreement in any material respect, which breach would, individually or together with all such other then uncured breaches by Sellers, constitute grounds for the conditions set forth in Section 7.3(a) or 7.3(b) not to be satisfied at the Closing Date and such breach is not cured within 15 Business Days after written notice thereof to Sellers' Representative.

8.2 Effect of Termination. In the event of termination of this Agreement pursuant to this Article VIII, no party to this Agreement shall have any liability or further obligation hereunder to the other party hereto, except that (i) the last sentence of Section 6.2(a) (Access to Information), and Section 6.3 (Public Disclosure), Section 8.2 (Effect of Termination), Section 10.1 (Expenses), Section 10.2 (Notices) and Section 10.6 (Governing Law) shall survive any termination of this Agreement and (ii) notwithstanding anything to the contrary in this Agreement, termination will not relieve a breaching party from liability for any willful and material breach of any provision of this Agreement prior to such termination.

8.3 Amendment. Subject to compliance with applicable law, this Agreement may be amended by the parties hereto. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

8.4 Extension; Waiver. At any time prior to the Closing Date, the parties hereto may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

ARTICLE IX

INDEMNIFICATION

9.1 Survival of Representations and Warranties and Agreements. The respective representations and warranties of Sellers and Purchaser contained in this Agreement shall survive the Closing but shall expire on May 15, 2013 at 5:00 p.m., Denver, Colorado time, except with respect to, and to the extent of, any claim of which written notice specifying, in reasonable detail, the nature and, to the extent known, amount of the claim has been given by one party to the other prior to such expiration; provided, however, that, notwithstanding the foregoing, the representations and warranties set forth in (i) Section 3.1 (Corporate Organization), Section 3.2 (Capitalization), Section 3.3(a) (Authority; No Violation) and Section 3.19 (Broker's Fees) (the

"**Designated Sellers Representations**") and Section 4.1 (Corporate Organization), Section 4.2(a) (Authority; No Violation) and Section 4.8 (Broker's Fees) (the "**Designated Purchaser Representations**") shall survive the Closing and continue in full force and effect indefinitely and (ii) Section 3.10 (Taxes and Tax Returns) shall survive the Closing and continue in full force and effect to the full extent of any applicable statute of limitations. The respective covenants and agreements of Sellers and Purchaser contained in this Agreement (including, without limitation, the indemnification obligations set forth in this Article IX) shall survive the Closing, provided that any such covenants and agreements that by their terms are to be performed prior to the Closing Date shall survive the Closing only until the 12 month anniversary of the Closing.

9.2 Indemnification by Sellers. Subject to the remaining provisions of this Article IX:

(a) Several and Not Joint Indemnification. Each Seller shall, severally and not jointly, indemnify, defend and hold Purchaser and its officers, directors, employees, agents, advisers, representatives and Affiliates (collectively, the "**Purchaser Indemnitees**") harmless from and after the Closing Date for the period set forth in Section 9.1 (including any extension thereof as expressly provided for in such Section) from and against any Damages incurred or suffered by the Purchaser Indemnitees to the extent resulting or arising from: (i) any inaccuracy in any of the representations and warranties made in Sections 3.3 (Authority; No Violation) and 3.4 (Consents and Approvals) by such Seller or (ii) any breach of any covenant or agreement of such Seller made in Sections 6.7 (Non-Solicitation);

(b) Joint and Several Indemnification. Each Seller shall, jointly and severally, indemnify, defend and hold the Purchaser Indemnitees harmless from and after the Closing Date for the period set forth in Section 9.1 (including any extension thereof as expressly provided for in such Section) from and against any Damages incurred or suffered by the Purchaser Indemnitees to the extent resulting or arising from:

(i) any inaccuracy in any of the representations and warranties made herein (other than any made in Sections 3.3, 3.4, 3.14 related to the Investment Advisors Act and 3.21);

(ii) any inaccuracy in any of the representations and warranties made in Section 3.14 related to the Investment Advisors Act or in Section 3.21);

(iii) any breach of any covenant or agreement made herein (other than any made in Section 6.7); and

(iv) all Taxes (or the non-payment thereof) of (1) Company and the Company Subsidiary for any Pre-Closing Period except to the extent that any such Taxes reduced the Purchase Price on account of being taken into account as a liability in the calculation of Final Working Capital, (2) any member of an affiliated, consolidated, combined or unitary group of which Company or the Company Subsidiary (or any predecessor of any of the foregoing) is or was a member on or prior to the Closing Date, including pursuant to Section 1.1502-6 of the Treasury Regulations or any analogous or similar state, local, or foreign law or regulation and (3) any Person (other than the Company and the Company Subsidiary) imposed

on the Company or the Company Subsidiary as a transferee or successor, by contract or pursuant to any law, rule, or regulation, which Taxes relate to an event or transaction occurring in a Pre-Closing Period.

For the avoidance of doubt, the indemnification obligation set forth in clause (i) of this Section 9.2(b) shall not apply to any Damages arising from any inaccuracy of the representations set forth in Sections 3.3 (Authority; No Violation) and 3.4 (Consents and Approvals), which are solely the subject of Section 9.2(a), above.

(c) Deductible. Notwithstanding the foregoing, (A) no Seller shall be liable to indemnify any Purchaser Indemnitees against Damages pursuant to Section 9.2(a)(i) or 9.2(b)(i) unless and until the aggregate amount of such Damages exceeds one and one-quarter percent (1.25%) of the Purchase Price, and then only to the extent applicable Damages exceed one and one-quarter percent (1.25%) of the Purchase Price; provided, that the foregoing limitations shall not apply to any breach of the Designated Seller Representations.

(d) Limitation on Liability. The maximum liability of all Sellers to the Purchaser Indemnitees pursuant to Section 9.2(a)(i) and Section 9.2(b)(i) shall not exceed 10.6% of the Purchase Price; provided, that the foregoing limitations shall not apply to any breach of the Designated Seller Representations, which shall be limited to the Purchase Price.

(e) Limitation on Liability with respect to Section 3.21(b) (Registrations, Licenses and Qualifications) The maximum liability of all Sellers to the Purchaser Indemnitees pursuant to Section 9.2(b)(ii) shall not exceed Five Hundred Thousand Dollars ($500,000). For the avoidance of doubt, the limitations set forth in Sections 9.2(c) and 9.2(d) shall not apply to Damages arising under Section 9.2(b)(ii).

9.3 Indemnification by Purchaser. Subject to the remaining provisions of this Article IX, Purchaser shall indemnify, defend and hold Sellers and their respective officers, directors, managers, partners, employees, agents, advisers, trustees, representatives and Affiliates (collectively, the "**Sellers Indemnitees**") harmless from and after the Closing Date for the period set forth in Section 9.1 (including any extension thereof as expressly provided for in such Section) from and against any Damages incurred or suffered by the Sellers Indemnitees to the extent resulting or arising from (a) any inaccuracy in any of the representations and warranties made herein by Purchaser, and (b) any breach of any covenant or agreement of Purchaser made herein. Notwithstanding the foregoing with respect to Damages arising under this Section 9.3 (and except for Damages resulting from breaches of the Designated Purchaser Representations), (i) Purchaser shall not be liable to indemnify Sellers Indemnitees against Damages pursuant to Section 9.3(a) unless and until the aggregate amount of such Damages exceeds one and one-half percent (1.5%) of the Purchase Price, and then only to the extent applicable Damages exceed one percent (1.0%) of the Purchase Price, and (ii) Purchaser's maximum liability to the Sellers Indemnitees for Damages pursuant to Section 9.3(a) shall not exceed forty percent (40%) of the Purchase Price.

9.4 Indemnification Procedure.

(a) Promptly after the incurrence of any Damages by the party seeking indemnification hereunder (the "**Indemnified Party**"), including, without limitation, any claim by a third party described in Section 9.4(d) hereof, which might give rise to indemnification hereunder or the discovery of any facts or circumstances that the Indemnified Party believes may result in an indemnification claim hereunder, the Indemnified Party shall deliver to the party from which indemnification is sought (the "**Indemnifying Party**") and all Sellers a certificate (the "**Claim Certificate**"), which Claim Certificate shall:

(i) state that the Indemnified Party has paid or properly accrued Damages, or anticipates that it shall incur liability for Damages for which such Indemnified Party is entitled to indemnification pursuant to this Agreement; and

(ii) specify in reasonable detail each individual item of Damages included in the amount so stated to the extent known, the date such item was paid or properly accrued (if applicable), the basis for any anticipated liability and the nature of the misrepresentation, breach of warranty or breach of covenant or claim to which each such item is related and the computation of the amount, if reasonably capable of computation to which such Indemnified Party claims to be entitled hereunder; provided, however, that the failure to deliver such Claim Certificate shall not relieve the Indemnifying Party of its obligations hereunder except to the extent such failure shall have prejudiced the Indemnifying Party.

(b) In case the Indemnifying Party shall object to the indemnification of an Indemnified Party in respect of any claim or claims specified in any Claim Certificate, the Indemnifying Party shall, within 10 Business Days after receipt by the Indemnifying Party of such Claim Certificate, deliver to the Indemnified Party a written notice to such effect and the Indemnifying Party and the Indemnified Party shall, within the 10 Business Day period beginning on the date of receipt by the Indemnified Party of such written objection, attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims to which the Indemnifying Party shall have so objected. If the Indemnified Party and the Indemnifying Party shall succeed in reaching agreement on their respective rights with respect to any of such claims, the Indemnified Party and the Indemnifying Party shall promptly prepare and sign a memorandum setting forth such agreement. Should the Indemnified Party and the Indemnifying Party be unable to agree as to any particular item or items or amount or amounts, then the Indemnified Party and the Indemnifying Party shall submit such dispute to arbitration pursuant to Section 10.7.

(c) Claims for Damages specified in any Claim Certificate to which an Indemnifying Party shall not object in writing within 10 Business Days of receipt of such Claim Certificate, claims for Damages covered by a memorandum of agreement of the nature described in Section 9.4(b) and claims for Damages the validity and amount of which have been the subject of a Final Determination under Section 10.7, are hereinafter referred to, collectively, as "**Agreed Claims**." Within 10 Business Days of the determination of the amount of any Agreed Claims, subject to the limitations of this Article IX, the Indemnifying Party shall pay to the Indemnified Party an amount equal to the Agreed Claim by cashier's check or wire transfer to the bank account or accounts designated in writing by the Indemnified Party not less than one Business Day prior to such payment. Any such amount required to be paid by Sellers shall be paid from the Escrow Amount, to the extent available.

(d) Promptly after the assertion by any third party of any claim against any Indemnified Party that in the reasonable judgment of such Indemnified Party may result in the incurrence by such Indemnified Party of Damages for which such Indemnified Party would be entitled to indemnification pursuant to this Agreement, such Indemnified Party shall deliver to the Indemnifying Party a written notice describing in reasonable detail such claim and such Indemnifying Party may, at its option, assume the defense of the Indemnified Party against such claim (including the employment of counsel, who shall be reasonably satisfactory to such Indemnified Party) at such Indemnifying Party's expense. Any failure on the part of the Indemnified Party to provide prompt notice shall not limit any of the obligations of the Indemnifying Party (except to the extent such failure prejudices the defense of such claim). Any Indemnified Party shall have the right to employ separate counsel in any such action or claim and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume such control, and shall be responsible for the fees and expenses of the Indemnified Party's counsel, if (i) the Indemnifying Party shall have failed, within 15 Business Days after having been notified by the Indemnified Party of the existence of such claim as provided in the preceding sentence, to assume the defense of such claim or to notify the Indemnified Party in writing that it shall assume the defense of such claim, (ii) the employment of such counsel has been specifically authorized in writing by the Indemnifying Party, (iii) the named parties to any such action (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party and such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to the Indemnified Party which are not available to, or the assertion of which would be adverse to the interests of, the Indemnified Party, or (iv) the Indemnified Party shall have been advised in writing by counsel that the assumption of such defense by the Indemnifying Party would be inappropriate due to an actual or potential conflict of interest (provided that the Indemnifying Party shall not be liable for the fees and expenses of more than one firm of counsel for all Indemnified Parties, other than local counsel). No Indemnifying Party shall be liable to indemnify any Indemnified Party for any settlement of any such action or claim effected without the consent of the Indemnifying Party, but if settled with the written consent of the Indemnifying Party, or if there be a final judgment for the plaintiff in any such action, the Indemnifying Party shall indemnify and hold harmless each Indemnified Party from and against any loss or liability by reason of such settlement or judgment, subject to the limitations set forth in this Article IX. If the Indemnifying Party shall assume the defense of any claim in accordance with the provisions of this Section 9.4(d), the Indemnifying Party shall obtain the prior written consent of the Indemnified Party (which shall not be unreasonably withheld) before entering into any settlement of such claim if the settlement does not release the Indemnified Party from all liabilities and obligations with respect to such claim, the settlement is in excess of the maximum liability set forth in Section 9.2 or 9.3, as applicable, or the settlement imposes injunctive or other equitable relief against the Indemnified Party. The Indemnified Party and the Indemnifying Party each agrees to fully cooperate in all matters covered by this Section 9.4(d), including, as required, the furnishing of books and records, personnel and witnesses and the execution of documents, in each case as necessary for any defense of such third party claim and at no cost to the other party (provided that any reasonable out-of-pockets expenses of the Indemnified Party incurred in connection with the foregoing shall be considered part of Damages hereunder).

9.5 Certain Offsets; Tax Treatment of Payments. For purposes of this Article IX, "Damages" shall be net of any insurance or other recoveries payable to the Indemnified Party or its Affiliates in connection with the facts giving rise to the right of indemnification. In addition, any indemnification payment made pursuant to this Article IX shall be reduced by the amount of any net Tax benefit actually realized by the Indemnified Party through a reduction in Taxes otherwise due as a result of the Damages incurred or suffered by the Indemnified Party. The parties agree to treat any payment pursuant to this Article IX (other than the portion treated as interest) as an adjustment to the Purchase Price.

9.6 Pre-Closing Taxes. For purposes of this Agreement:

(a) All Taxes of Company and the Company Subsidiaries for a Tax period that ends on or before the Closing Date shall be treated as relating to a Pre-Closing period.

(b) In the case of any payroll or similar Taxes, or any Taxes based upon or related to income or gross receipts or similar Taxes, that are payable with respect to a Tax period beginning before and ending after the Closing Date, the portion of such Taxes relating to a Pre-Closing period shall be determined on the basis of a deemed closing of the books and records of Company at the end of the Closing Date; provided that annual exemptions, allowances or deductions that are calculated on a periodic basis, such as the deduction for depreciation shall be prorated on a daily basis.

(c) In the case of any Taxes other than those described in Section 9.6(b) that are payable with respect to a Tax period beginning before and ending after the Closing Date, the portion of such Taxes relating to a Pre-Closing period shall be equal to the product of all such Taxes multiplied by a fraction the numerator of which is the number of days in the Tax period from the commencement of such period through and including the Closing Date and the denominator of which is the number of days in the entire period; provided, that appropriate adjustments shall be made to reflect specific events that can be identified and specifically allocated as occurring on or prior to the Closing Date or occurring after the Closing Date (in which case, Purchaser shall be responsible for any Taxes related thereto).

9.7 Interpretation of Representations and Warranties. For purposes of determining the amount of an indemnification payment under this Article IX, each representation and warranty in this Agreement will be interpreted without reference or giving effect to any materiality qualification or limitation set forth in such representation or warranty, including the terms "material", "materially", "in all material respects" and "Material Adverse Effect" (which instead shall be read as any adverse effect).

9.8 Exclusive Remedy. After the Closing Date, this Article IX shall provide the exclusive remedy for any of the matters addressed herein or other claims arising out of this Agreement, except in the case of common law fraud or with respect to matters for which the remedy of specific performance, injunctive relief or other non-monetary equitable remedies are available.

ARTICLE X

GENERAL PROVISIONS

10.1 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense.

10.2 Notices. All notices and other communications required or permitted to be given hereunder shall be sent to the party to whom it is to be given with copies to all other parties as follow (as elected by the party giving such notice) and be either personally delivered against receipt, by facsimile (with confirmation) or other wire transmission, by registered or certified mail (postage prepaid, return receipt requested) or deposited with an express courier (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to any Seller, to:

Matrix Financial Solutions, Inc.
700 17th Street
Suite 300
Denver, CO 80202
Attn: President
Facsimile No.: (720) 932-2798

and to:

Prima Capital Holding, Inc.
600 17th Street, Suite 2300 South
Denver, CO 80202
Attn: President
Facsimile No.: (303) 573-7362

with copies to:

Squire Sanders (US) LLP
4900 Key Tower
127 Public Square
Cleveland, OH 44114-1304
Attn: Daniel G. Berick, Esq. and Cipriano S. Beredo, Esq.
Facsimile No.: (216) 479-8780

and to:

Fairfield and Woods, P.C.
Wells Fargo Center, Suite 2400
1700 Lincoln Street
Denver, CO 80203
Attn: John A. Eckstein, Esq.
Facsimile No.:

(b) if to Purchaser, to:

Envestnet, Inc.
35 East Wacker Drive, Suite 2400
Chicago, IL 60601
Attn: Shelly O'Brien, General Counsel and Corporate Secretary
Facsimile No.: (312) 827-2801

with a copy to:

Mayer Brown LLP
71 S. Wacker Drive
Chicago, IL 60606
Attn: Edward S. Best, Esq.
Facsimile No.: (312) 706-8106

All notices and other communications shall be deemed to have been given (i) when received if given in person, (ii) on the date of electronic confirmation of receipt if sent by facsimile or other wire transmission, (iii) three Business Days after being deposited in the U.S. mail, certified or registered mail, postage prepaid, or (iv) one Business Day after being deposited with a reputable overnight courier.

10.3 Interpretation. When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

10.4 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

10.5 Entire Agreement. This Agreement (including the Disclosure Schedules and other documents and the instruments referred to herein) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof other than the Confidentiality Agreement.

10.6 Governing Law; Jurisdiction; Waiver of Jury Trial. THIS AGREEMENT AND THE LEGAL RELATIONS BETWEEN THE PARTIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS RULES THEREOF. THE STATE OR FEDERAL COURTS LOCATED WITHIN NEW YORK COUNTY IN THE STATE OF NEW

YORK SHALL HAVE EXCLUSIVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN THE PARTIES, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY AND THE PARTIES CONSENT TO AND AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS. EACH PARTY HEREBY WAIVES AND AGREES NOT TO ASSERT IN ANY SUCH DISPUTE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT (I) SUCH PARTY IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, (II) SUCH PARTY AND SUCH PARTY'S PROPERTY IS IMMUNE FROM ANY LEGAL PROCESS ISSUED BY SUCH COURTS OR (III) ANY LITIGATION OR OTHER PROCEEDING COMMENCED IN SUCH COURTS IS BROUGHT IN AN INCONVENIENT FORUM. THE PARTIES HEREBY AGREE THAT MAILING OF PROCESS OR OTHER PAPERS IN CONNECTION WITH ANY SUCH ACTION OR PROCEEDING IN THE MANNER PROVIDED IN SECTION 10.2, OR IN SUCH OTHER MANNER AS MAY BE PERMITTED BY LAW, SHALL BE VALID AND SUFFICIENT SERVICE THEREOF AND HEREBY WAIVE ANY OBJECTIONS TO SERVICE ACCOMPLISHED IN THE MANNER HEREIN PROVIDED. EACH OF THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, AND AGREES TO CAUSE ITS SUBSIDIARIES TO WAIVE, ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY PURCHASER ANCILLARY AGREEMENT, ANY SELLER ANCILLARY AGREEMENT OR ANY OTHER INSTRUMENT OR DOCUMENT EXECUTED AND DELIVERED IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY.

10.7 Attorneys' Fees. In the event any party initiates any legal action to enforce the provisions of this Agreement, the prevailing party shall be entitled to the recovery of reasonable attorneys' fees and costs in such action.

10.8 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

10.9 Assignment; Third Party Beneficiaries. Neither this Agreement nor any of the rights, interests or obligations shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. This Agreement (including the documents and instruments referred to herein) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

10.10 Legal Representation. Sellers acknowledge that Squire, Sanders & Dempsey (US) LLP has been retained by Matrix to provide legal services to Matrix and no other Seller in connection with this Agreement and the transactions contemplated hereby. Sellers further

acknowledge that Fairfield and Woods, P.C. has been retained by Messrs. Watson, Selzer, Behan and Eral to provide legal services to them as Sellers and no other Seller in connection with this Agreement and the transactions contemplated hereby.

10.11 Post-Closing Releases.

(a) Effective as of the Closing Date, each Seller hereby releases and discharges each of Company and Company Subsidiary from any and all claims, demands and causes of action, whether known or unknown, liquidated or contingent, relating to, arising out of or in any way connected with the dealings of Company and such Seller or Company Subsidiary and such Seller from the beginning of time through the Closing, it being understood, however, that such release will not operate to release Purchaser from any indemnity obligations, if any, under Article IX. Each Seller acknowledges that the Laws of many states provide substantially the following: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR." Each Seller acknowledges that such provisions are designed to protect a party from waiving claims which it does not know exist or may exist. Nonetheless, each Seller agrees that, effective as of the Closing, such Seller will be deemed to have waived any such provision. Each Seller further agrees that such Seller shall not (a) institute any action or proceeding based upon, arising out of, or relating to any of the released claims, (b) participate, assist, or cooperate in any such action or proceeding or (c) encourage, assist or solicit any third party to institute any such action or proceeding. The foregoing provision shall not effect the waiver, release or impairment of any right of a Seller pursuant to any continuing contractual arrangement existing as of the Closing Date between such Seller and Company and/or Company Subsidiary.

(b) Effective as of the Closing Date, Purchaser shall cause Company and Company Subsidiary to release and discharge each Seller from any and all claims, demands and causes of action, whether known or unknown, liquidated or contingent, relating to, arising out of or in any way connected with the dealings of Company and such Seller or Company Subsidiary and such Seller from the beginning of time through the Closing, it being understood, however, that such release will not operate to release such Seller from any indemnity obligations, if any, under Article IX. Purchaser acknowledges that the Laws of many states provide substantially the following: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR." Purchaser acknowledges that such provisions are designed to protect a party from waiving claims which it does not know exist or may exist. Nonetheless, Purchaser agrees that, effective as of the Closing, Company and Company Subsidiary will be deemed to have waived any such provision. Purchaser further agrees that it will cause Company and Company Subsidiary not to (a) institute any action or proceeding based upon, arising out of, or relating to any of the released claims, (b) participate, assist, or cooperate in any such action or proceeding or (c) encourage, assist or solicit any third party to institute any such action or proceeding. The foregoing provision shall not effect the waiver, release or impairment of any right of Company or Company Subsidiary pursuant to any continuing contractual arrangement existing as of the Closing Date between Company or Company Subsidiary and such Seller.

[Signature page follows]

IN WITNESS WHEREOF, Sellers and Purchaser have caused this Agreement to be executed, in counterparts, as of the date first above written.

Purchaser:

ENVESTNET, INC.

By: _____
Name:
Title:

Sellers:

MATRIX FINANCIAL SOLUTIONS, INC.

By: _____
Name:
Title:

_____
J. Gibson Watson

_____
Geoffrey Selzer

_____
David Eral

_____
Michael Jacobs

_____
Nathan Behan

_____
David Bullwinkle

[Signature page to Stock Purchase Agreement]

Exhibit 10.17

Confidential Treatment Requested

MERGER AGREEMENT

by and among

TAMARAC INC.,

ENVESTNET INC.

AND

TITAN MERGER CORP.

AND

KLJ CONSULTING, LLC

(as the Shareholders' Representative)

Dated as of February 16, 2012

Confidential Treatment Requested

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EXHIBITS

SCHEDULES

Confidential Treatment Requested

MERGER AGREEMENT

THIS MERGER AGREEMENT is made as of the 16th day of February, 2012, by and among Envestnet, Inc., a Delaware corporation ("Parent"), Titan Merger Corp., a Washington corporation ("MergerCo"), Tamarac Inc., a Washington corporation (the "Company"), and KLJ Consulting, LLC, a Delaware limited liability company, as the Shareholders' Representative (the "Shareholders' Representative") solely for the purposes of the rights and obligations of the Shareholders' Representative set forth herein. Certain capitalized terms used in this Agreement are defined in Article I.

W I T N E S S E T H:

WHEREAS, the parties desire that MergerCo, upon the terms and subject to the conditions of this Agreement and in accordance with the Act, merge with and into the Company (the "Merger");

WHEREAS, the Board of Directors of the Company has unanimously (i) determined that the Merger is fair to and in the best interests of the Company and its shareholders, (ii) adopted this Agreement and approved the execution and delivery of this Agreement by the Company and the consummation of the Merger and the other transactions contemplated hereby and (iii) resolved to recommend that this Agreement be approved by the shareholders of the Company;

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to Parent's entering into this Agreement, Parent has entered into an employment letter agreement with Stuart DePina (the "DePina Employment Letter"), which includes certain non-competition and non-solicitation covenants; and

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to Parent's entering into this Agreement, certain shareholders of the Company, whose names are set forth on Exhibit B, are entering into a shareholder support agreement dated as of the date hereof in the form set forth on Exhibit C (the "Shareholder Support Agreement"), pursuant to which, subject to the terms and conditions thereof, such shareholders have agreed, among other things, to vote their Shares (as defined below) to approve this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements herein contained, the parties agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. The following terms shall have the following meanings for the purposes of this Agreement:

"Accounting Firm" shall have the meaning set forth in Section 3.1(d).

"Accounts Receivable" shall mean all accounts receivable, trade receivables, notes receivable and other receivables resulting from goods sold or services provided by the Company and shall include, as of the date hereof, all receivables listed on Schedule 4.19 and, as of the Closing Date, all receivables recorded on the Closing Date Balance Sheet.

"Act" means the Washington Business Corporation Act, RCW Title 23B.

"Adjustment Escrow Amount" shall mean $300,000.

"Advances" shall have the meaning set forth in Section 4.19.

"Affiliate" shall mean, with respect to any specified Person, (i) any other Person that, directly or indirectly, owns or controls, is under common ownership or control with, or is owned or controlled by, such specified Person, (ii) any other Person which is a director, officer or partner, or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities, of the specified Person or a Person described in clause (i) of this paragraph, (iii) another Person of which the specified Person is a director, officer or partner or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities, (iv) another Person in which the specified Person has a substantial beneficial interest or as to which the specified Person serves as trustee or in a similar capacity or (v) any relative or spouse of the specified Person or any of the foregoing Persons, any relative of such spouse or any spouse of any such relative; provided, that at any time after the Closing Date, the Company, on the one hand, and the Shareholders and their respective Affiliates (other than the Company), on the other hand, shall not be deemed to be Affiliates of each other.

"Agreement" shall mean this Stock Purchase Agreement, including all exhibits and schedules hereto, as it may be amended from time to time in accordance with its terms.

"Annual Revenues" shall have the meaning set forth in Section 6.13(c).

"Annual Revenues Target" shall have the meaning set forth in Section 6.13(c).

"Arrangements" shall have the meaning set forth in Section 4.13(a)(ii).

"Articles of Incorporation" shall have the meaning set forth in Section 2.4.

"Articles of Merger" shall have the meaning set forth in Section 2.2.

"Base Purchase Price" shall mean $54 million.

"Basket Amount" shall have the meaning set forth in Section 10.4(a).

"Benefit Plans" shall have the meaning set forth in Section 4.13(b).

"Business Day" shall mean any day of the year other than (i) any Saturday or Sunday or (ii) any other day on which banks located in Seattle, Washington or Chicago, Illinois generally are closed for business.

"Business Plan and Budget" shall mean the operating plan and budget for the Surviving Corporation, as set forth on Exhibit K attached hereto, and as the same may be amended, supplemented or modified from time to time as determined by Parent (in its sole discretion, but after consultation with Stuart DePina).

"Cause" shall, with respect to the applicable employee, have the meaning ascribed to such term in his or her offer letter, employment agreement, or other writing signed by Parent and such employee. If no such offer letter, employment agreement or other writing exists, then "Cause" shall mean, with respect to such employee, his or her (i) willful misconduct or gross negligence in the performance of his or her duties, including any refusal to comply in any material respect with the reasonable business directives of Parent or the Surviving Corporation, (ii) dishonest or fraudulent conduct, a deliberate attempt to injure the Surviving Corporation or conduct that materially discredits Parent or the Surviving Corporation or is materially detrimental to the reputation of Parent or the Surviving Corporation, (iii) violation of any applicable Law or conviction of, or entering of a plea of nolo contendere to, any felony, (iv) material breach of its employment arrangement or any other agreement between Parent or any of its affiliates (including the Surviving Corporation), or (v) theft or other misappropriation of any proprietary information of Parent or any of its affiliates (including the Surviving Corporation).

"Certificate" shall have the meaning set forth in Section 2.5.

"Change of Control Payee" shall mean any Person to whom the Company owes any portion of the Change of Control Payment Amount.

"Change of Control Payment Amount" shall mean the aggregate amount of all liabilities of the Company, whether or not contingent, for severance, change of control payments, stay bonuses, retention bonuses, success bonuses and other bonuses, employee benefits (such as contributions to 401(k) plans and similar liabilities to any of the foregoing), in each case arising as a result of the transactions contemplated hereby and to the extent unpaid as of immediately prior to the Closing, including the payments listed on Schedule 1.1B.

"Closing" shall mean the consummation of the transactions contemplated herein in accordance with Article VIII.

"Closing Date" shall have the meaning set forth in Section 2.2.

"Closing Date Balance Sheet" shall mean the Initial Closing Date Balance Sheet, as subsequently agreed (or deemed agreed) or adjusted by the Final Statement of Adjustments pursuant to Section 3.1.

"Closing Payment Calculation Statement" shall have the meaning set forth in Section 6.12.

"Closing Working Capital" shall mean the value of the difference between (i) the aggregate amount of the current assets of the Company, less (ii) the aggregate amount of the current liabilities of the Company, all determined on a consolidated basis as of the Closing in accordance with GAAP as applied in the Latest Balance Sheet. Notwithstanding anything in the foregoing definition or anything in Section 3.1, it is understood and agreed that the employer portion of any employment Taxes attributable to any payments made pursuant to Article II shall be treated as a current liability for purposes of Closing Working Capital.

"Closing Working Capital Statement" shall mean the Initial Closing Working Capital Statement, as subsequently agreed (or deemed agreed) or adjusted by the Final Statement of Adjustments pursuant to Section 3.1.

"Code" shall mean the United States Internal Revenue Code of 1986, as amended.

"Common Stock" shall mean the Common Stock, $0.001 par value per share, of the Company.

"Common Stock Equivalent" shall mean any outstanding option or warrant to purchase Common Stock to the extent that such option or warrant is vested and may be exercised in connection with the Merger on or before the Effective Time.

"Company" shall have the meaning set forth in the Preamble.

"Company Creditor" shall mean any Person to whom the Company has any liability or obligation for Company Debt, including any liability or obligation under any guarantee by the Company of any indebtedness of any third party of the type referenced in clauses (i) through (v) of the definition of "Indebtedness."

"Company Debt" shall mean the aggregate amount of all liabilities (including principal, accrued interest, pre-payment penalties, if any, and lender fees and expenses) of the Company for Indebtedness, including all Indebtedness identified on Schedule 4.5.

"Company Debt Amount" shall mean the aggregate amount of all outstanding Company Debt as of immediately prior to the Closing.

"Company Intellectual Property" shall mean all Intellectual Property owned by, licensed to or otherwise used or held for use by the Company, including the Owned Intellectual Property and the Licensed Intellectual Property.

"Computer System" shall have the meaning set forth in Section 4.10.

"Contract" shall mean any contract, lease, license, sales order, purchase order, agreement, warranty, indenture, mortgage, note, bond, right, warrant or instrument, whether written or verbal (and any and all amendments thereto).

"DePina Employment Letter" shall have the meaning set forth in the Recitals.

"Effective Time" shall have the meaning set forth in Section 2.2.

"Employment Agreements" shall have the meaning set forth in Section 4.13(a)(iii).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean, with respect to any Person, any corporation, trade or business which, together with such Person, is a member of a controlled group of corporations or a group of trades or businesses under common control within the meaning of sections 414(b) or (c) of the Code.

"Escrow Account" shall mean the escrow account established pursuant to the Escrow Agreement.

"Escrow Agent" shall mean a national banking association mutually agreed upon by Company and Parent.

"Escrow Agreement" shall mean the Escrow Agreement, substantially in the form of Exhibit A attached hereto, to be entered into by Parent, Shareholders' Representative and the Escrow Agent.

"Escrow Amount" shall mean the sum of the Adjustment Escrow Amount, the Indemnification Escrow Amount and the Expense Reserve Fund.

"Expense Reserve Fund" shall mean $300,000.

"Final Statement of Adjustments" shall have the meaning set forth in Section 3.1(d).

"Financial Statements" shall mean all of the following:

(a) the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2008, December 31, 2009 and December 31, 2010 (including all notes thereto), which are included in Schedule 1.1A, consisting of the balance sheet at such dates and the related statements of earnings and retained earnings and cash flows for the fiscal years then ended;

(b) the unaudited consolidated financial statements of the Company as of and for the twelve (12) month period ended December 31, 2011 (including all notes thereto), which are included in Schedule 1.1A, consisting of the balance sheet at such date and the related statements of earnings and retained earnings for the twelve (12) month period then ended; and

(c) the unaudited consolidated financial statements of the Company as of and for the one (1) month period ended January 31, 2012 (including all notes thereto), which are included in Schedule 1.1A, consisting of the balance sheet at such date and the related statements of earnings and retained earnings for the one (1) month period then ended.

In addition, the term "Financial Statements" shall include any and all Interim Financial Statements then in existence and the Year End Financial Statements if then in existence.

"Fully Diluted Common Stock" shall mean all Shares of Common Stock outstanding, all Shares of Common Stock that would be issued upon the conversion of all Shares of Preferred Stock outstanding, all Shares of Common Stock that would be issued upon the exercise of any applicable Common Stock Equivalent outstanding and all Shares of Common Stock that would be issued upon the conversion of all Shares of Preferred Stock that would be issued upon the exercise of any applicable Preferred Stock Equivalent outstanding.

"GAAP" shall mean United States generally accepted accounting principles at the time in effect.

"Good Reason" shall, with respect to the applicable employee, have the meaning ascribed to such term in his or her offer letter, employment agreement, or other writing signed by Parent and such employee. If no such offer letter, employment agreement or other writing exists, then "Good Reason" shall mean, with respect to such employee, (i) any material change in such employee's job position or responsibilities which such employee has not agreed to and which is not remedied by the Surviving Corporation within ten (10) Business Days after written notice from such employee, or (ii) the Surviving Corporation requiring such employee to relocate outside of, or to change such employee's primary business location outside of, the geographic area encompassed within a fifty (50) mile radius of such employee's primary office with the Company immediately prior to the Closing.

"Governmental Authority" shall mean the government of the United States, or any foreign country or any provincial, state, local or other political subdivision thereof and any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any quasi-governmental entity established to perform such functions.

"Hazardous Substance" shall mean any material, substance, constituent, waste, compound or other matter that (i) constitutes a hazardous substance, toxic substance or pollutant (as such terms are defined by, or pursuant to, or result in liability under, any Environmental Law) or (ii) is regulated or controlled as a hazardous substance, toxic substance, pollutant or other regulated or controlled material, substance, constituent, waste, compound or other matter pursuant to any Environmental Law; *provided*, *however*, that Hazardous Substance shall not mean or include any material, substance, constituent, waste, compound or other matter that is contained or used in commercially available enterprise hardware and office equipment, including without limitation computers, monitors, peripherals, servers, routers, network equipment, cables, copy machines, telephones and smart phones.

"Incapacitated" shall mean, with respect to the applicable employee, such employee has been unable to perform his or her duties under such employee's employment arrangement with the Surviving Corporation as a result of his or her incapacity due to physical or mental illness, and such inability, which continues for at least one hundred twenty (120) consecutive calendar days or for one hundred fifty (150) days during any twelve (12) month period, is reasonably determined to be total and permanent by a physician selected by the Surviving Corporation and its insurers.

"Indebtedness" shall mean, with respect to any Person, all (i) indebtedness (including indebtedness relating to deferred purchase price for assets or services and conditional sales or title retention agreements) or other obligations of such Person for borrowed money or evidenced by a note, debenture or similar instrument, (ii) letters of credit issued for the account of such Person, (iii) capitalized lease obligations of such Person, (iv) bankers' acceptances and

overdrafts of such Person, (v) liabilities and obligations under any interest rate swap, hedging or similar arrangement (valued at the termination value thereof if such arrangement were terminated as of the Closing Date) and (vi) guarantees by such Person of indebtedness of any third parties of the type referenced in foregoing clauses (i) through (v).

"Indemnification Escrow Amount" shall mean an amount equal to fifteen percent (15%) of the Base Purchase Price.

"Indemnified Person" shall mean the Person or Persons entitled to, or claiming a right to, indemnification under Article X.

"Indemnifying Person" shall mean the Person or Persons claimed by the Indemnified Person to be obligated to provide indemnification under Article X.

"Initial Closing Date Balance Sheet" shall have the meaning set forth in Section 3.1(a).

"Initial Closing Working Capital Statement" shall have the meaning set forth in Section 3.1(a).

"Intellectual Property" shall mean all intangible legal rights, title or interest in or arising under the laws of the United States, any provincial, state, local or other political subdivision thereof, any other country or political subdivision thereof or any international treaty regime, whether or not filed, perfected, registered or recorded, in any or all of the following: (i) patents, patent applications and patent rights, including any and all continuations, continuations-in-part, provisionals, divisions, reissues, reexaminations or extensions thereof, and any and all related inventions, invention disclosures and technological developments; (ii) rights associated with works of authorship and literary property rights, including copyrights, mask works, copyright and mask work applications and registrations, including moral rights; (iii) rights relating to know-how or trade secrets, including ideas, concepts, methods, techniques, inventions (whether patentable or unpatentable), and other works, whether or not developed or reduced to practice, rights in industrial property, customer, vendor, and prospect lists, and all associated information or databases, and other confidential or proprietary information; (iv) trademarks, service marks, logos, images, trade dress, domain names, trade names, and service names, whether or not registered, and the goodwill associated therewith; (v) any rights analogous to those set forth in the preceding clauses and any other proprietary rights relating to intangible property anywhere in the world, including all intellectual property rights in and to customer lists, databases, data collections, engineering data, manufacturing and production processes and procedures, design documents and analyses, diagrams, documentation, drawings, formulae, marketing plans, methodologies, processes, program listings, protocols, sales data, schematics, specifications, computer data, computer programs and software (in any form, including source code and executable or object code), websites, rights to Uniform Resource Locators, website addresses and domain names, and other forms of technology (whether or not embodied in any tangible form and including all tangible embodiments of the foregoing, such as blueprints, compilations of information, instruction manuals, notebooks, prototypes, reports, samples, studies, and summaries); and (vi) all rights to sue or make any claims for any past, present or future infringement, misappropriation or unauthorized use of any of the foregoing rights and the right to all income, royalties, damages and other payments that are now or may hereafter become due or payable with respect to any of the foregoing rights, including damages for past, present or future infringement, misappropriation or unauthorized use thereof.

"Interim Financial Statements" shall have the meaning set forth in Section 6.10(a).

"Inventory" shall mean all raw materials inventories, work-in-process inventories and finished goods inventories of the Company, wherever located.

"IRS" shall mean the United States Internal Revenue Service.

"Knowledge" of the Company, or words of comparable import, shall mean facts or circumstances that are known, or that should have been known after having made due inquiry with respect to the subject matter at issue, to Stuart DePina, Chris Tarrach, Clive Matthew Springer, Brandon Rembe, Andina Anderson, Jim Peterson and Mathieu Stroh.

"Latest Balance Sheet" shall mean the unaudited balance sheet of the Company included in the financial statements described in clause (b) of the definition of "Financial Statements."

"Law" shall mean any law, statute, regulation, ordinance, rule, order, decree, judgment, injunction, common law, consent decree, settlement agreement or governmental requirement enacted, promulgated, entered into, agreed to or imposed by any Governmental Authority.

"Leased Real Property" shall have the meaning set forth in Section 4.9(b)(i).

"Licensed Intellectual Property" shall have the meaning set forth in Section 4.11(a).

"Lien" shall mean any lien (except for any lien for Taxes not yet due and payable as to which adequate reserves have been reflected in the Latest Balance Sheet and the Closing Date Balance Sheet), mortgage, charge, adverse claim of title, restriction (including any shareholders' agreement, buy-sell agreement, right of first refusal, right of first offer or right of redemption), pledge, security interest, option, lease, sublease, proxy, voting agreement, voting trust or right of any third party.

"Loss" or "Losses" shall mean any and all losses, liabilities, costs, claims, damages, penalties and expenses (including attorneys' fees and expenses and costs of investigation and litigation). In the event any of the foregoing are indemnifiable hereunder, the terms "Loss" and "Losses" shall include any and all attorneys' fees and expenses and costs of investigation and litigation incurred by the Indemnified Person in enforcing such indemnity.

"Major Customer" shall have the meaning set forth in Section 4.25(a)(i).

"Market Price" shall have the meaning set forth in Section 6.13(a).

"Material Adverse Change" shall mean a change (or circumstance involving a prospective change) in the business, operations, assets, liabilities, results of operations, cash flows, condition (financial or otherwise) or prospects of the Company that is, or could reasonably be expected to be, materially adverse or any other change (or circumstance involving a prospective change) that materially impairs, or could reasonably be expected to impair, the ability of the Company to consummate the transactions contemplated hereby or by its Related Agreements in a timely manner.

"Material Adverse Effect" shall mean an effect (or circumstance involving a prospective effect) on the business, operations, assets, liabilities, results of operations, cash flows, condition (financial or otherwise) or prospects of the Company that is, or could reasonably be expected to be, materially adverse or any other effect (or circumstance involving a prospective effect) that materially impairs, or could reasonably be expected to impair, the ability of the Company to consummate the transactions contemplated hereby or by its Related Agreements in a timely manner.

"Merger" shall have the meaning set forth in the Recitals.

"MergerCo" shall have the meaning set forth in the Preamble.

"Minimum Closing Working Capital" shall mean $2 million.

"Notice of Disagreement" shall have the meaning set forth in Section 3.1(b).

"Owned Intellectual Property" shall have the meaning set forth in Section 4.11(a).

"Owned Real Property" shall have the meaning specified in Section 4.9(a)(i).

"Outside Date" means May 31, 2012.

"Parent" shall have the meaning set forth in the Preamble.

"Parent Common Stock" shall mean common stock of Parent with a par value of $0.005.

"Parent Indemnified Person" shall mean Parent and each of its Affiliates (including, after the Closing, the Company), and their respective officers, directors, employees, agents and representatives; provided, that in no event shall any Shareholder be deemed a Parent Indemnified Person.

"Per Share Adjustment Escrow Consideration" shall mean an amount equal to (a) any release to the Shareholders of the Adjustment Escrow Amount from the Escrow Account, divided by (b) the aggregate number of Shares of Fully Diluted Common Stock outstanding (and not held of record by the Company) immediately prior to the Effective Time.

"Per Share Closing Payment Consideration" shall mean an amount equal to (a) the Base Purchase Price, minus the Escrow Amount, minus the Company Debt Amount, minus the Change of Control Payment Amount, minus the Preferred Stock Preference Amount divided by (b) the aggregate number of Shares of Fully Diluted Common Stock outstanding (and not held of record by the Company) immediately prior to the Effective Time.

"Per Share Indemnification Escrow Consideration" shall mean an amount equal to (a) any release to the Shareholders of the Indemnification Escrow Amount from the Escrow Account, divided by (b) the aggregate number of Shares of Fully Diluted Common Stock outstanding (and not held of record by the Company) immediately prior to the Effective Time.

"Per Share Merger Consideration" shall mean the Per Share Closing Payment Consideration, the Per Share Adjustment Escrow Consideration and the Per Share Indemnification Escrow Consideration.

"Permit" shall mean any permit, license, approval, consent or other authorization required or granted by any Governmental Authority.

"Permitted Liens" shall mean those Liens set forth in Schedule 4.7 and designated as "Permitted Liens."

"Person" shall mean any individual, corporation, proprietorship, firm, partnership, limited partnership, limited liability company, trust, association or other entity.

"Plans" shall have the meaning set forth in Section 4.13(a)(i).

"Pre-Closing Tax Period" shall mean (i) any Tax period ending on or before the Closing Date and (ii) in the case of any Tax period that includes, but does not end on, the Closing Date, the portion of such period up to and including the Closing Date.

"Preferred Stock" shall mean the preferred stock, $0.001 par value per share, of the Company, including the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock and the Series C-1 Preferred Stock.

"Preferred Stock Equivalent" shall mean any outstanding warrant to purchase Preferred Stock to the extent that such warrant is vested and may be exercised in connection with the Merger on or before the Effective Time.

"Preferred Stock Preference Amount" shall mean the aggregate payment of the Series A Preference Amount, the Series B Preference Amount, the Series C Preference Amount and the Series C-1 Preference Amount to be made by Parent pursuant to Section 2.5(b).

"Proceeding" shall mean any action, claim, suit, arbitration, proceeding, governmental investigation, regulatory audit or other litigation.

"Property Taxes" shall have the meaning set forth in Section 6.7(b).

"Proposed Adjustments" shall have the meaning set forth in Section 3.1(b).

"Proxy Statement" shall have the meaning set forth in Section 6.5.

"Purchase Amount" shall have the meaning set forth in Section 6.14(a).

"Real Property Leases" shall have the meaning set forth in Section 4.9(b)(i).

"Related Agreements" shall mean the Escrow Agreement and any other Contract or certificate that is or is to be entered into at the Closing or otherwise pursuant to this Agreement.

The Related Agreements executed or to be executed by a specified Person shall be referred to as "such Person's Related Agreements," "its Related Agreements" or another similar expression.

"Series A Preference Amount" shall mean $0.95.

"Series A Preferred Stock" shall mean the Series A Preferred Stock of the Company.

"Series B Preference Amount" shall mean $1.01.

"Series B Preferred Stock" shall mean the Series B Preferred Stock of the Company.

"Series C Preference Amount" shall mean $1.01.

"Series C Preferred Stock" shall mean the Series C Preferred Stock of the Company.

"Series C-1 Preference Amount" shall mean $1.79.

"Series C-1 Preferred Stock" shall mean the Series C-1 Preferred Stock of the Company.

"Shareholder" shall mean a holder of Shares of Common Stock or Preferred Stock immediately prior to the Effective Time.

"Shareholder Approval" shall have the meaning set forth in Section 4.2(b).

"Shareholder Indemnified Person" shall mean the Shareholders and each of their respective Affiliates, and their respective officers, directors, employees, agents and representatives; provided, that in no event shall Parent or MergerCo be deemed a Shareholder Indemnified Person.

"Shareholders' Meeting" shall have the meaning set forth in Section 6.5.

"Shareholders' Representative" shall have the meaning set forth in the Recitals.

"Shareholders' Representative Authorization Letter" shall mean a letter from the applicable Shareholder substantially in the form attached hereto as Exhibit D, with such amendments as mutually agreed by the Company, the Shareholders' Representative and Parent.

"Shareholder Support Agreement" shall have the meaning set forth in the Recitals.

"Shares" shall mean all of the issued and outstanding shares of capital stock of the Company.

"Specified Liabilities" shall mean (i) any liability or obligation of the Company relating to or arising out of any of the matters set forth on, or required to be set forth on, Schedule 4.18, (ii) any Company Debt outstanding as of immediately prior to the Closing to the extent not discharged at the Closing pursuant hereto, (iii) any fees or expenses of the Company relating to or incurred in connection with the transactions contemplated hereby (except to the extent included in the Working Capital Deficiency or Working Capital Excess) and (iv) any liabilities or obligations of the Company, whether or not contingent, for severance, change of control

payments, stay bonuses, retention bonuses, success bonuses and other bonuses, employee benefits (such as contributions to 401(k) plans and similar liabilities to any of the foregoing, in each case arising as a result of the transactions contemplated hereby and to the extent not discharged at the Closing pursuant hereto.

"Straddle Period" shall have the meaning set forth in Section 6.7(b).

"Surviving Corporation" shall have the meaning set forth in Section 2.1.

"Tax Claim" shall have the meaning set forth in Section 6.7(f)(i).

"Tax Return" shall mean any report, return or other information required to be supplied to a Governmental Authority or Person in connection with any Taxes.

"Tax Statute of Limitations Date" shall mean the close of business on the 60th day after the expiration of the applicable statute of limitations with respect to Taxes, including any extensions thereof (or if such date is not a Business Day, the next Business Day).

"Tax Warranties" shall mean the representations and warranties in Section 4.13 or 4.15.

"Taxes" shall mean all taxes, charges, fees, duties (including customs duties), levies or other assessments, including income, gross receipts, net proceeds, ad valorem, turnover, real and personal property (tangible and intangible), sales, use, franchise, excise, goods and services, value added, stamp, leasing, lease, user, transfer, fuel, excess profits, escheat, unclaimed property, occupational, interest equalization, windfall profits, severance, license, payroll, environmental, capital stock, disability, employee's income withholding, other withholding, unemployment and Social Security taxes, which are imposed by any Governmental Authority, and such term shall include any interest, penalties or additions to tax attributable thereto.

"Terminating Event" shall have the meaning set forth in Section 11.20.

"Termination Fee" shall mean $2.5 million.

"Title and Authorization Warranties" shall mean a representation or warranty in Section 4.1, 4.2, 4.3, 4.4, 4.7, 4.8(b), 4.26, 5.1, 5.2 or 5.4.

"Total Parent Shares" shall have the meaning set forth in Section 6.13(a).

"Transfer Taxes" shall have the meaning set forth in Section 6.7(c).

"Unresolved Adjustments" shall have the meaning set forth in Section 3.1(d).

"Working Capital Deficiency" shall have the meaning set forth in Section 3.1(f).

"Working Capital Excess" shall have the meaning set forth in Section 3.1(f).

"Year End Financial Statements" shall have the meaning set forth in Section 6.10(b).

1.2 Interpretation. The headings preceding the text of Articles and Sections included in this Agreement and the headings to Schedules attached to this Agreement are for convenience only and shall not be deemed part of this Agreement or be given any effect in interpreting this Agreement. The use of the masculine, feminine or neuter gender or the singular or plural form of words herein shall not limit any provision of this Agreement. The use of the terms "including" or "include" shall in all cases herein mean "including, without limitation" or "include, without limitation," respectively. The word "or" is not exclusive unless expressly indicated otherwise. All references to "$" and dollars shall be deemed to refer to United States currency unless expressly indicated otherwise. Reference to any Person includes such Person's successors and assigns to the extent such successors and assigns are permitted by the terms of any applicable agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually. Reference to any agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof. Reference to any Law means such Law as amended, modified, codified, replaced or re-enacted, in whole or in part, including rules, regulations, enforcement procedures and any interpretations promulgated thereunder. Underscored references to Articles, Sections, Subsections or Schedules shall refer to those portions of this Agreement. The use of the terms "hereunder," "hereof," "hereto" and words of similar import shall refer to this Agreement as a whole and not to any particular Article, Section or clause of or Exhibit or Schedule to this Agreement. No specific representation, warranty or covenant contained herein shall limit the generality or applicability of a more general representation, warranty or covenant contained herein. A breach of or inaccuracy in any representation, warranty or covenant shall not be affected by the fact that any more general or less general representation, warranty or covenant was not also breached or inaccurate.

ARTICLE II

THE MERGER

2.1 The Merger. Upon the terms and subject to the conditions of this Agreement and the applicable provisions of the Act, at the Effective Time, MergerCo shall be merged with and into the Company, the separate corporate existence of MergerCo shall cease, and the Company shall continue as the surviving corporation of the Merger (the "Surviving Corporation").

2.2 Closing; Effective Time. Unless otherwise mutually agreed in writing between Parent and the Company, the Closing will be held (i) at the offices of Mayer Brown LLP, 71 S. Wacker Drive, Chicago, Illinois 60606, at 9:00 a.m., local time, on the third (3rd) Business Day after the satisfaction or waiver of the conditions set forth in Article VII or (ii) at such other place or at such other time or on such other date as Parent and the Company may agree upon in writing. The date on which the Closing is held is referred to herein as the "Closing Date". As soon as practicable on or after the Closing Date, Parent, MergerCo and the Company shall cause the Merger to be consummated by filing articles of merger (the "Articles of Merger"), attaching thereto the plan of merger in the form attached hereto asExhibit E, with the Secretary of State of the State of Washington. The term "Effective Time" means the date and time of the filing of the Articles of Merger with the Secretary of State of the State of Washington (or such later time as may be agreed in writing by Parent and the Company and specified in the Articles of Merger).

2.3 Effect of Merger. At the Effective Time, the effect of the Merger shall be as provided in this Agreement and the applicable provisions of the Act. Without limiting the generality of the foregoing, at the Effective Time, all of the property, rights, privileges, powers and franchises of the Company and MergerCo shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and MergerCo shall become debts, liabilities and duties of the Surviving Corporation.

2.4 Articles of Incorporation; Bylaws; Directors and Officers.

(a) At the Effective Time, the Articles of Incorporation of the Company shall be amended and restated in their entirety as set forth in Exhibit F and, as so amended and restated, shall be the Articles of Incorporation of the Surviving Corporation (the "Articles of Incorporation") until thereafter amended in accordance with the Act and such Articles of Incorporation.

(b) At the Effective Time, the bylaws of the Company shall be amended and restated in their entirety to be identical to the bylaws of MergerCo, as in effect immediately prior to the Effective Time, until thereafter amended in accordance with the Act and such bylaws.

(c) The initial directors of the Surviving Corporation shall be the directors of MergerCo immediately prior to the Effective Time, until their respective successors are duly elected or appointed and qualified. Parent and the Company shall use their respective reasonable best efforts to come to a good faith agreement on the initial officers of the Surviving Corporation, who shall be chosen from among the persons listed on Exhibit G, until their successors are duly appointed.

2.5 Effect on Capital Stock.

(a) Conversion of Common Stock. Subject to the terms and conditions of this Agreement, including Section 6.14, at the Effective Time, each Share of Common Stock and each Share of Preferred Stock that is issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without the need for any further action on the part of the holder thereof (except as expressly provided herein), be converted into and represent the right to receive in cash, without interest, the Per Share Closing Payment Consideration and, when and if payable, the Per Share Adjustment Escrow Consideration and the Per Share Indemnification Escrow Consideration. Subject to Section 6.14, at the Effective Time, all of the Shares of Common Stock and all Shares of Preferred Stock shall cease to exist, and each certificate or contractual right (a "Certificate") formerly representing any of the Shares shall thereafter represent only the right to receive the Per Share Merger Consideration and, with respect to the Shares of Preferred Stock, the right to receive an applicable portion of the Preferred Stock Preference Amount, without interest.

(b) Conversion of Preferred Stock. Subject to the terms and conditions of this Agreement, including Section 6.14, at the Effective Time, each Share of Preferred Stock that is issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without the need for any further action on the part of the holder thereof (except as expressly

provided herein), shall, in addition to the Per Share Merger Consideration, be converted into and represent the right to receive in cash, without interest, the following amounts:

(i) with respect to each Share of Series A Preferred Stock, the Series A Preference Amount;

(ii) with respect to each Share of Series B Preferred Stock, the Series B Preference Amount;

(iii) with respect to each Share of Series C Preferred Stock, the Series C Preference Amount; and

(iv) with respect to each Share of Series C-1 Preferred Stock, the Series C-1 Preference Amount.

(c) Cancellation of Company-Owned Stock. Notwithstanding Sections 2.5(a) and (b), each share of Common Stock and Preferred Stock held of record by the Company immediately prior to the Effective Time shall be cancelled and extinguished without any conversion thereof.

(d) Other Shares. The Company shall take all requisite action so that, prior to the Effective Time, all Shares other than Shares of Common Stock and Preferred Stock that are outstanding immediately prior to the Effective Time shall be, by virtue of the Merger and without any action on the part of Parent, MergerCo, the Company , the holder of any such Share or any other Person, converted into Shares of Common Stock, all Shares other than Common Stock shall cease to exist and each certificate formerly representing any Shares other than Shares of Common Stock shall be cancelled without any further action required by Parent, MergerCo or the Surviving Corporation.

(e) MergerCo. At the Effective Time, each share of common stock, par value $10.00 per share, of MergerCo issued and outstanding immediately prior to the Effective Time shall be converted into one duly authorized, validly issued, fully paid and nonassessable share of common stock, par value $10.00 per share, of the Surviving Corporation.

(f) FIRPTA Certificate. On the Closing Date, the Company shall deliver to Parent a statement, in a form satisfactory to Parent, pursuant to Treasury regulation Section 1.1445-2(c)(3) certifying that none of the outstanding Shares are U.S. real property interests as defined by the Code.

(g) Shareholders' Representative Authorization Letter. Parent shall not pay, or cause to be paid, the Per Share Closing Payment Consideration to any Person who has not delivered an executed Shareholders' Representative Authorization Letter to each of the Shareholders' Representative and Parent; provided, however, that it is expressly understood and agreed that nothing in the foregoing, nor anything in Section 2.6, shall prohibit or impede Parent from prompt compliance with any lawful order or decree of any court of competent jurisdiction, with respect to payment of Per Share Closing Payment Consideration to any Person.

(h) Escrow. Prior to the Effective Time, the Shareholders' Representative and Parent shall enter into the Escrow Agreement with the Escrow Agent. At the Closing, Parent shall deliver to the Escrow Agent the Escrow Amount by wire transfer in immediately available funds to be held and disbursed by the Escrow Agent in accordance with the Escrow Agreement.

(i) Other Payments. At the Closing, Parent shall (i) pay to each Company Creditor, on behalf of the Company, that portion of the Company Debt Amount owed to such Company Creditor according to the Closing Payment Calculation Statement and (ii) to each Change of Control Payee, on behalf of the Company, that portion of the Change of Control Payment Amount owed to such Change of Control Payee according to the Closing Payment Calculation Statement and pursuant to and in accordance with wire instructions delivered by the Shareholders' Representative to Parent at least three (3) Business Days in advance of the Closing.

2.6 Exchange.

(a) Surrender of Certificates. At the Effective Time, any Shareholder who (i) surrenders or has previously surrendered Certificates (or affidavits of loss in lieu thereof as provided in Section 2.6(d)) representing Shares to the Surviving Corporation for cancellation together with any related documentation reasonably requested by the Surviving Corporation to be provided in connection therewith (including a letter of transmittal duly completed and validly executed in accordance with the instructions thereto) and (ii) delivers an executed Shareholders' Representative Authorization Letter to the Shareholders' Representative (with a copy delivered to Parent), shall have the right to payment in respect of such Certificates in accordance with Section 2.6(b).

(b) Exchange Procedures. At the Effective Time, upon surrender (or surrender prior to the Effective Time) to the Surviving Corporation of a Certificate (or affidavits of loss in lieu thereof as provided in Section 2.6(d)) together with any related documentation reasonably requested by the Surviving Corporation as provided in Section 2.6(a) and delivery of an executed Shareholders' Representative Authorization Letter to the Shareholders' Representative (with a copy delivered to Parent), by a Shareholder, subject to Section 6.14, Parent shall promptly pay or cause to be paid to each such Shareholder a cash amount in immediately available funds (after giving effect to any required Tax withholdings) to an account designated by such Shareholder in writing equal to the following:

(i) with respect to each Share of Common Stock represented by such Certificate (or affidavit of loss in lieu of the Certificate as provided in Section 2.6(d)), the Per Share Closing Payment Consideration;

(ii) with respect to each Share of Series A Preferred Stock represented by such Certificate (or affidavit of loss in lieu of the Certificate as provided in Section 2.6(d)), the Series A Preference Amount plus the Per Share Closing Payment Consideration;

(iii) with respect to each Share of Series B Preferred Stock represented by such Certificate (or affidavit of loss in lieu of the Certificate as provided in Section 2.6(d)), the Series B Preference Amount plus the Per Share Closing Payment Consideration;

(iv) with respect to each Share of Series C Preferred Stock represented by such Certificate (or affidavit of loss in lieu of the Certificate as provided in Section 2.6(d)), the Series C Preference Amount plus the Per Share Closing Payment Consideration; and

(v) with respect to each Share of Series C-1 Preferred Stock represented by such Certificate (or affidavit of loss in lieu of the Certificate as provided in Section 2.6(d)), the Series C-1 Preference Amount plus the Per Share Closing Payment Consideration.

Any Certificate so surrendered shall forthwith be cancelled. The aggregate amount payable upon surrender of the Certificates (together with any related documentation reasonably requested by the Surviving Corporation as provided in Section 2.6(a)) and delivery of an executed Shareholders' Representative Authorization Letter, as applicable, which is not paid to Shareholders at the Effective Time on account of such Shareholders' failure to make such deliveries, shall be paid by Parent to the Escrow Agent and designated as "Shareholder Payment Pending Deliveries," and the applicable amount of such payment shall be paid by the Escrow Agent to each applicable Shareholder that satisfies the surrender and delivery requirements of Section 2.6(a) after the Effective Time. No interest will be paid or accrued on any amount payable upon surrender of the Certificates (together with any related documentation reasonably requested by the Surviving Corporation as provided in Section 2.6(a)) and the delivery of an executed Shareholders' Representative Authorization Letter, as applicable. Any Per Share Adjustment Escrow Consideration, Shareholder Payment Pending Deliveries or Per Share Indemnification Escrow Consideration shall be payable as specified in writing by the Shareholders' Representative to the Escrow Agent. The Shareholders' Representative shall not be required to direct any payment to any holder of a Certificate who has not surrendered its Certificate (together with any related documentation reasonably requested by the Surviving Corporation as provided in Section 2.6(a)) and delivered an executed Shareholders' Representative Authorization Letter in accordance with this Section 2.6(b). Parent shall advise the Shareholders' Representative in writing of the surrender of any Certificate promptly following such surrender.

(c) Transfers. From and after the Effective Time, there shall be no transfers on the stock transfer books of the Company of the Shares that were outstanding immediately prior to the Effective Time. If, after the Effective Time, any Certificate is presented to the Surviving Corporation or Parent for transfer, it shall be cancelled and, upon the delivery of a Shareholders' Representative Authorization Letter to the Shareholders' Representative (with a copy delivered to Parent) by the holder of such Certificate (together with any related documentation reasonably requested by the Surviving Corporation as provided in Section 2.6(a)), exchanged for the cash amount in escrow to which the holder of the Certificate is entitled pursuant to this Article II, and the Shareholders' Representative agrees to instruct the Escrow Agent accordingly. In the event of a transfer of ownership of Shares that is not registered in the transfer records of the Company, a check for any cash to be exchanged upon due surrender of the Certificate may be issued to such transferee if (i) the Certificate formerly representing such Shares is presented to the Surviving

Corporation or Parent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid or are not applicable (together with any related documentation reasonably requested by the Surviving Corporation as provided in Section 2.6(a)) and (ii) such transferee delivers an executed Shareholders' Representative Authorization Letter to the Shareholders' Representative (with a copy delivered to Parent).

(d) Lost, Stolen or Destroyed Certificates. In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond in customary amount and upon such terms as may be required by Parent as indemnity against any claim that may be made against it or the Surviving Corporation with respect to such Certificate, Parent will pay or cause the payment of an amount (after giving effect to any required tax withholdings) then required to be paid in respect of such Certificate following the delivery of an executed Shareholders' Representative Authorization Letter by such Person to the Shareholders' Representative (with a copy to Parent) (together with any related documentation reasonably requested by the Surviving Corporation as provided in Section 2.6(a)).

2.7 Dissenting Shares.

(a) Dissenters' Rights. Notwithstanding anything to the contrary contained in this Agreement, Shares of Common Stock or Preferred Stock that are held by a Shareholder (or held by a beneficial owner or by a nominee who complies with Section 23B.13.030 of the Act) who, (i) if this Agreement has been approved at the Company Shareholder Meeting, did not vote such shares in favor of the approval of this Agreement and has properly notified the Company of such Shareholder's intent to demand payment for such Shareholder's Shares of Common Stock and/or Preferred Stock in accordance with Chapter 23B.13 of the Act (and who has neither effectively withdrawn such demand nor lost his, her or its right of dissent) and (ii) following receipt of a dissenters' notice from the Company, has demanded payment and taken such other actions required by Chapter 23B.13 of the Act (the "Dissenting Shares") shall not be converted into or represent the right to receive any Per Share Merger Consideration or, if applicable, any portion of the Preferred Stock Preference Amount pursuant to this Article II or any other provision of this Agreement, and such Shareholder shall be entitled only to such rights as may be granted to such Shareholder by the Act. If after the Effective Time such Shareholder fails to perfect or withdraws or otherwise loses such Shareholder's right of dissent, such Dissenting Shares shall be treated as if they had been converted as of the Effective Time into the right to receive the Per Share Merger Consideration as provided in this Article II.

(b) Notice of Exercise. The Company shall give Parent (i) prompt notice of any notices of intent to demand payment with respect to any Shares of Common Stock, attempted withdrawals of such notices and any other instruments served pursuant to the Act and received by the Company relating to dissenters' rights and (ii) the opportunity to participate in the conduct of all negotiations and proceedings with respect to the exercise of dissenters' rights under the Act. Except with the prior written consent of Parent, the Company shall not voluntarily make any payment with respect to the exercise of dissenters' rights or settle or offer to settle any such demands for payment with respect to Dissenting Shares.

(c) Withholding. Parent shall be entitled to deduct and withhold from the consideration otherwise payable under this Agreement to any Shareholder or other holder of Shares such amounts as are required to be withheld or deducted under the Code, or any provision of U.S. state or local or foreign Tax Law with respect to the making of such payment. To the extent that amounts are so withheld or deducted and paid over to the applicable Governmental Authority, such withheld or deducted amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares, in respect of which such deduction and withholding were made.

ARTICLE III

WORKING CAPITAL

3.1 Closing Date Balance Sheet.

(a) Within ninety (90) days after the Closing Date, Parent shall prepare and deliver to the Shareholders' Representative an unaudited consolidated balance sheet for the Company as of the Closing Date (the "Initial Closing Date Balance Sheet"), which shall be prepared by Parent in accordance with GAAP as applied in the Latest Balance Sheet, and a statement setting forth an initial calculation of the Closing Working Capital (the "Initial Closing Working Capital Statement"). Promptly upon the Shareholders' Representative request, Parent shall make available to the Shareholders' Representative copies of the work papers and back-up materials used by Parent in preparing the Initial Closing Date Balance Sheet, the Initial Closing Working Capital Statement and such other documents as the Shareholders' Representative may reasonably request in connection with its review of the Initial Closing Date Balance Sheet and the Initial Closing Working Capital Statement. Any information supplied to the Shareholders' Representative by Parent to enable the Shareholders' Representative to review the Initial Closing Date Balance Sheet and the Initial Closing Working Capital Statement shall be maintained by the Shareholders' Representative in strict confidence and shall not be disclosed to any Person (other than the Shareholders and its and their respective accountants and other representatives who need to know such information) or used by the Shareholders' Representative or any Shareholder for any purpose, except in each case in connection with the matters specifically covered by this Section 3.1.

(b) The Shareholders' Representative shall review the Initial Closing Date Balance Sheet and Initial Closing Working Capital Statement during the thirty (30) day period commencing on the date that the Shareholders' Representative receives the Initial Closing Date Balance Sheet and Initial Closing Working Capital Statement. If the Shareholders' Representative disagrees with the calculation of Closing Working Capital set forth therein, the Shareholders' Representative shall, prior to the end of such period, deliver a written notice to Parent (a "Notice of Disagreement") setting forth its objections in reasonable detail and specifying the adjustments that, in its opinion, should be made to the Initial Closing Date Balance Sheet and the Initial Closing Working Capital Statement in order to accurately calculate Closing Working Capital in accordance with this Agreement (collectively, the "Proposed Adjustments"). To the extent that there are any Proposed Adjustments, Parent shall, no later than fifteen (15) days after receipt of the Proposed Adjustments, notify the Shareholders' Representative which, if any, of the Proposed Adjustments it accepts and which, if any, of the

Proposed Adjustments it rejects, and the Shareholders' Representative and Parent shall seek in good faith to resolve any remaining differences in relation to the Proposed Adjustments and to reach agreement in writing on all such Proposed Adjustments.

(c) If the Shareholders' Representative is satisfied with the Initial Closing Date Balance Sheet and Initial Closing Working Capital Statement (either as originally submitted or after adjustments are agreed upon by Parent and the Shareholders' Representative in accordance with Section 3.1(b)), or the Shareholders' Representative fails to deliver a Notice of Disagreement with respect to the Initial Closing Date Balance Sheet and Initial Closing Working Capital Statement within the period specified in the first sentence of Section 3.1(b), then the Initial Closing Date Balance Sheet and the Initial Closing Working Capital Statement (incorporating, if applicable, any agreed adjustments) shall be deemed to constitute the Closing Date Balance Sheet and Closing Working Capital Statement for purposes of this Agreement.

(d) If any of the Proposed Adjustments are not resolved in accordance withSection 3.1(b) (the "Unresolved Adjustments") within thirty (30) days after Parent's receipt of the Notice of Disagreement, then the Unresolved Adjustments may be submitted at the request of either the Shareholders' Representative or Parent to BDO Seidman or another nationally recognized independent accounting firm mutually agreed upon by the Shareholders' Representative and Parent (the "Accounting Firm") for arbitration. The scope of the review by the Accounting Firm shall be limited to (i) a determination of whether the portions of the Initial Closing Date Balance Sheet and Initial Closing Working Capital Statement relating to the Unresolved Adjustments were prepared in accordance with GAAP as applied in the Latest Balance Sheet and (ii) based on its determinations of the matters described in clause (i), a final statement of the adjustments (if any) to the Initial Closing Date Balance Sheet and the Initial Closing Working Capital Statement that are necessary with respect to the Unresolved Adjustments in order to comply with the requirements of this Agreement (such statement of adjustments, the "Final Statement of Adjustments"). The Accounting Firm is not to make, or be asked to make, any determination other than as set forth in the preceding sentence. The Shareholders' Representative and Parent shall use reasonable best efforts to cause the Accounting Firm to render its written decision resolving the matters submitted to it as promptly as practicable after such submission of the Unresolved Adjustments. The fees and expenses of the Accounting Firm incurred pursuant to this Section 3.1(d) shall be borne equally by the Shareholders, on the one hand, and Parent, on the other hand. To the extent available (after any payments to Parent hereunder), the fees and expenses of the Accounting Firm borne by the Shareholders shall be distributed from the Adjustment Escrow Amount. All other fees, expenses and costs incurred by the Shareholders or Parent in implementing the provisions of this Section 3.1 shall be borne by the Shareholders or Parent, respectively.

(e) When (i) the Initial Closing Date Balance Sheet and Initial Closing Working Capital Statement are deemed to constitute the Closing Date Balance Sheet and Closing Working Capital Statement pursuant to Section 3.1(c), (ii) the Shareholders' Representative and Parent reach agreement in writing with respect to the Initial Closing Date Balance Sheet and Initial Closing Working Capital Statement or (iii) the Final Statement of Adjustments is issued by the Accounting Firm in accordance with the procedures set forth in Section 3.1(d), the Initial Closing Date Balance Sheet and Initial Closing Working Capital Statement as so agreed (or deemed agreed) or adjusted by the Final Statement of Adjustments shall constitute the Closing Date

Balance Sheet and Closing Working Capital Statement for purposes of this Agreement, shall be final and binding on all parties, shall have the effect of an arbitral award and shall be used for the adjustment, if any, pursuant to Section 3.1(f).

(f) The Base Purchase Price shall be decreased by the amount (if any) by which (i) the sum of (A) Closing Working Capital as set forth in the Closing Working Capital Statement plus (B) the lesser of (x) $3 million and (y) the product obtained by multiplying the Purchase Amount by 0.85, is less than (ii) the Minimum Closing Working Capital (such amount, the "Working Capital Deficiency"). The Shareholders' Representative shall cause the amount of the Working Capital Deficiency to be released by the Escrow Agent to Parent by wire transfer of immediately available funds to an account designated by Parent not more than five (5) Business Days after the date on which the Closing Working Capital Statement becomes final and binding on all parties pursuant to Section 3.1(e).

(g) The Base Purchase Price shall be increased by the amount (if any) by which the Closing Working Capital as set forth in the Closing Working Capital Statement is greater than the Minimum Closing Working Capital (such amount, the "Working Capital Excess"). Not more than five (5) Business Days after the date on which the Closing Working Capital Statement becomes final and binding pursuant to Section 3.1(e), Parent shall pay the Shareholders' Representative the amount of the Working Capital Excess, by wire transfer of immediately available funds to an account designated by the Shareholders' Representative.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and MergerCo, as of the date of this Agreement and as of the Closing Date (as if such representations and warranties were remade on the Closing Date), as follows:

4.1 Organization. The Company is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, with all requisite power and authority to own, lease and operate its properties and to carry on its business as they are now being owned, leased, operated and conducted. The Company is licensed or qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the nature of the properties owned, leased or operated by it or the business transacted by it require such licensing or qualification. The jurisdictions in which the Company is incorporated and licensed or qualified to do business as a foreign corporation are set forth on Schedule 4.1. Except as set forth on Schedule 4.1, the Company has no direct or indirect subsidiaries, either wholly or partially owned, and the Company does not hold, and has never held, any direct or indirect economic, voting or management interest in any Person or directly or indirectly own, or has never owned, any security issued by any Person. Correct and complete copies of the Articles of Incorporation and By-laws (or similar organizational instruments), and all minutes of all meetings (or written consents in lieu of meetings) of the Board of Directors (and all committees thereof) and shareholders, of the Company have been delivered to Parent. Except as set forth in Schedule 4.1, all action taken by the Boards of Directors (and all committees thereof) and shareholders of the Company is reflected in such minutes and written consents.

4.2 Authorization. (a) The Company has full power and authority to enter into this Agreement and its Related Agreements and to consummate the transactions contemplated hereby and thereby, subject only to obtaining the Shareholder Approval and the filing of the Articles of Merger. The Company has duly and validly executed and delivered this Agreement and has duly and validly executed and delivered (or prior to or at the Closing will duly and validly execute and deliver) its Related Agreements. This Agreement constitutes legal, valid and binding obligations of the Company and each of the Company's Related Agreements constitute (or upon execution and delivery by the Company will constitute) legal, valid and binding obligations of the Company, in each case, enforceable in accordance with their respective terms.

(b) The Board of Directors of the Company has unanimously (i) determined that the Merger is fair to and in the best interests of the Company and its shareholders, (ii) adopted this Agreement and approved the execution and delivery of this Agreement by the Company and the consummation of the Merger and the other transactions contemplated hereby as a "significant business transaction" as provided in Section 23B.19.040 of the Act and (iii) resolved to recommend that this Agreement be approved by the shareholders of the Company. The Board of Directors of the Company has directed that this Agreement be submitted to the holders of Shares for their approval. The only votes of the holders of Shares required to approve this Agreement and approve the transactions contemplated hereby are: (i) the affirmative vote of the holders of a majority of the Shares at a meeting at which a quorum consisting of at least a majority of the votes entitled to be cast on this Agreement, either in person or by proxy, exists and (ii) the affirmative vote of the holders of a majority of the Preferred Stock, voting together as a single class on an as-converted basis, at a meeting at which a quorum of at least a majority of such Preferred Stock votes entitled to be cast on this Agreement, either in person or by proxy, exists (such approvals together, the "Shareholder Approval").

(c) No "fair price", "merger moratorium", "control share acquisition" or similar anti-takeover statute or regulation, including Section 23B.19 of the Act, is applicable to the Merger or any other transaction contemplated hereby, except for such statutes or regulations as to which all necessary action has been taken by the Company and the Board of Directors of the Company to permit the consummation of the Merger and the other transactions contemplated hereby.

4.3 Consents and Approvals; No Conflicts.

(a) Except as set forth on Schedule 4.3 and other than the Shareholder Approval, no consent, authorization or approval of, filing or registration with, waiver of any right of first refusal or first offer from, or cooperation from, any Governmental Authority or any other Person is necessary in connection with the execution, delivery and performance by the Company of this Agreement and the execution, delivery and performance by the Company of its Related Agreements or the consummation by the Company of the transactions contemplated hereby or thereby.

(b) Except as set forth on Schedule 4.3 and other than the Shareholder Approval, the execution, delivery and performance by the Company of this Agreement and the execution, delivery and performance by the Company of its Related Agreements, and the consummation by the Company of the transactions contemplated hereby and thereby, do not and will not (i) violate any Law applicable to or binding on the Company or any of its assets or properties; (ii) violate or

conflict with, result in a breach or termination of, constitute a default or give any third party any additional right (including a termination or acceleration right) under, permit cancellation of, result in the creation of any Lien upon any of the assets or properties of the Company under, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing under, any Contract or Permit to which the Company is a party or by which the Company or any of its assets or properties are bound; (iii) permit the acceleration of the maturity of any Indebtedness of the Company or Indebtedness secured by any of its assets or properties; or (iv) violate or conflict with any provision of any of the Articles of Incorporation, By-laws (or similar organizational instruments) of the Company.

4.4 Capitalization.

(a) As of the date hereof, there are 18,825,503 Shares issued and outstanding, consisting of 2,131,547 shares of Common Stock, 9,711,175 shares of Series A Preferred Stock, 3,465,344 shares of Series B Preferred Stock, 1,625,111 shares of Series C Preferred Stock and 1,892,326 shares of Series C-1 Preferred Stock. At the Effective Time, the Shares issued and outstanding will consist of: (i) (A) 2,131,547 shares of Common Stock, plus (B) that number of shares of Common Stock that will be issued by the Company in connection with the exercise of Common Stock Equivalents for 1,720,493 shares of Common Stock; (ii) 9,711,175 shares of Series A Preferred Stock; (iii) (A) 3,465,344 shares of Series B Preferred Stock, plus (B) that number of shares of Series B Preferred Stock that will be issued by the Company in connection with the exercise of Preferred Stock Equivalents for 374,999 shares of Series B Preferred Stock; (iv) (A) 1,625,111 shares of Series C Preferred Stock, plus (B) that number of shares of Series C Preferred Stock that will be issued by the Company in connection with the exercise of Preferred Stock Equivalents for 99,008 shares of Series C Preferred Stock; and (v) 1,892,326 shares of Series C-1 Preferred Stock. All of the Shares (x) are validly issued, fully paid and nonassessable, (y) except as set forth on Schedule 4.4(a), are, and when issued were, free of preemptive rights (whether statutory, contractual or otherwise) and (z) were offered and sold in compliance with all applicable federal and state securities Laws. There are no equity securities of the Company held in the treasury of the Company. Except as set forth on Schedule 4.4(a), no equity securities of the Company are currently reserved for issuance for any purpose or upon the occurrence of any event or condition.

(b) The Company does not hold or otherwise have any rights with respect to any equity or debt securities of any Person.

(c) Except as set forth onSchedule 4.4(c), there is no capital stock or any other debt or equity securities or profits interest or similar interests (whether or not such securities or interests have voting rights) of the Company issued or outstanding or any subscriptions, options, warrants, calls, puts, rights, convertible securities, exchangeable securities or other agreements or commitments of any character obligating the Company to issue, transfer or sell, or cause the issuance, transfer or sale of, any capital stock or any other debt or equity securities or profits interest or similar interests (whether or not such securities or interests have voting rights) of the Company. Except as set forth on Schedule 4.4(c), there are no outstanding contractual obligations of the Company that relate to the purchase, sale, issuance, repurchase, redemption, acquisition, transfer, disposition, holding or voting of any capital stock or any other debt or equity securities or profits interest or similar interests of the Company or the management or

operation of the Company. Except for the Shareholders' rights as holders of Shares, and except for employee benefit plans or bonus arrangements disclosed pursuant to Section 4.13, no Person has any right to participate in, or receive any payment based on any amount relating to, the revenue, income, value or net worth of the Company or any component or portion thereof, or any increase or decrease in any of the foregoing.

(d) The stock register of the Company accurately records: (i) the name and address of each Person owning Shares, (ii) the certificate number of each certificate evidencing Shares issued by the Company, (iii) the number of Shares evidenced by each such certificate, (iv) the date of issuance thereof and (v) in the case of cancellation, the date of cancellation.

4.5 Financial Statements; Undisclosed Liabilities; Company Debt; Financial Controls.

(a) The Financial Statements have been prepared in accordance with GAAP consistently applied and present fairly and accurately the consolidated financial position, assets and liabilities of the Company as of the dates thereof and the consolidated results of operations, revenues, expenses and cash flows of the Company for the periods covered thereby. The Financial Statements are in accordance with the books and records of the Company, do not reflect any transactions that are not *bona fide* transactions and do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

(b) Except as set forth on Schedule 4.5 or in the Latest Balance Sheet, the Company has no liabilities, debts, claims or obligations, whether accrued, absolute, contingent or otherwise, whether due or to become due, other than trade payables and accrued expenses incurred in the ordinary course of business and consistent with past practice since the date of the Latest Balance Sheet (none of which is Indebtedness and none of which results from, arises out of, relates to, is in the nature of or was caused by any breach of contract, breach of warranty, tort, infringement or violation of Law).

(c) Schedule 4.5 sets forth a correct and complete list of all Company Debt outstanding as of the date hereof and specifies, with respect to each item of Company Debt.

(d) Except as set forth on Schedule 4.5, the Company maintains a system of accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of the consolidated financial statements of the Company in conformity with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the reporting of assets is compared with existing assets at regular intervals and appropriate action is taken with respect to any differences; and (v) any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to materially and adversely affect the ability to record, process, summarize and report financial information, and any fraud, whether or not material, which involves management or other employees who have a significant role in respect of internal control over financial reporting, are adequately and promptly disclosed to the independent auditors and directors of the Company. The Company has disclosed to Parent any deficiency or weakness described in clause (v) of this Section 4.5(c) that has been reported to the independent auditors or directors of the Company during the past five (5) years.

4.6 No Adverse Effects or Changes.

(a) Except as set forth on Schedule 4.6, since June 30, 2011 the Company has not:

(i) suffered any Material Adverse Effect;

(ii) amended or modified its Certificate of Incorporation or By-laws (or equivalent governing documents);

(iii) taken any action or entered into or authorized any Contract or transaction other than in the ordinary course of business and consistent with past practice;

(iv) suffered any damage, destruction or Loss to any of its assets or properties (whether or not covered by insurance);

(v) sold, transferred, conveyed, assigned or otherwise disposed of any of its assets or properties or sold, assigned, transferred or licensed any Intellectual Property or adopted any plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of the Company;

(vi) acquired, leased or encumbered any assets outside the ordinary course of business or any assets which are material to the Company or merged or consolidated with any other Person or otherwise acquired (by merger, consolidation, acquisition of securities or assets or otherwise) any corporation, partnership or other business organization or division or any material assets of any other Person;

(vii) made any loans, advances or capital contributions to, or investments in, any other Person;

(viii) made any capital improvements or purchases or other capital expenditures, or series of related capital improvements or purchases or other capital expenditures, or entered into any commitment for capital improvements or purchases or other capital expenditures or series of related capital improvements or purchases or other capital expenditures, involving more than $10,000 individually, or more than $50,000 in the aggregate;

(ix) authorized for issuance, issued, sold, delivered or agreed or committed to issue, sell or deliver (whether through the issuance or granting of options, warrants, convertible or exchangeable securities, commitments, subscriptions, rights to purchase or otherwise) any capital stock or any other debt or equity securities or profits interest or similar interests, or amended any of the terms thereof;

(x) split, combined or reclassified any capital stock, declared, set aside or paid any dividend or other distribution (whether in cash, shares or property or any combination thereof) in respect of its capital stock, or redeemed or otherwise acquired any securities of the Company;

(xi) made any borrowings, incurred any Indebtedness, or assumed, guaranteed, endorsed (except for the negotiation or collection of negotiable instruments in transactions in the ordinary course of business and consistent with past practice) or otherwise become liable (whether directly, contingently or otherwise) for the obligations of any other Person, or made any payment or repayment in respect of any Indebtedness or mortgaged, pledged or otherwise caused any of its assets or properties to become subject to a Lien;

(xii) waived, released or canceled any claims against third parties or debts owing to it, or any rights which have any value;

(xiii) paid any amount, performed any obligation or agreed to pay any amount or perform any obligation, in settlement or compromise of any Proceedings or claims of liability against the Company or any of its directors, officers, employees or agents;

(xiv) accelerated, terminated, modified, amended, waived or otherwise altered or changed any of the terms or provisions of any Contract, or paid any amount not required by Law or by any Contract;

(xv) made any change in its accounting systems, policies, principles, practices or methods;

(xvi) entered into, authorized or permitted any Contract or transaction with any Shareholder or any Affiliate of any Shareholder;

(xvii) entered into, adopted, amended or terminated any bonus, profit sharing, compensation, termination, share option, share appreciation right, restricted share, performance unit, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee, or increased in any manner the compensation or fringe benefits of any director, officer or employee or paid any benefit not required by any existing plan and arrangement or entered into any Contract, commitment or arrangement to do any of the foregoing;

(xviii) made any Tax election or settled or compromised any federal, provincial state, local or foreign Tax liability, surrendered any right to claim a Tax refund, offset or other reduction in Tax liability, prepared any Tax Return in a manner that is not consistent with past practices, or filed any amended material Tax Return or waived or extended the statute of limitations in respect of any such Taxes; or

(xix) authorized or agreed to do any of the things described in the preceding clauses (i) through (xviii).

4.7 Title to Assets. Except as set forth on Schedule 4.7, the Company (i) has good and marketable title to, and is the lawful owner of, all of the tangible and intangible assets, properties and rights used, or held for use, in connection with its business and all of the tangible and intangible assets, properties and rights reflected in the Financial Statements (other than assets disposed of in the ordinary course of business since the date of such Financial Statements) and (ii) on the Closing Date will have good and marketable title to, and will be the lawful owner of, all of the tangible and intangible assets, properties and rights to be reflected in the Closing Date Balance Sheet, in any case free and clear of any and all Liens other than Permitted Liens.

4.8 Condition and Sufficiency of Assets.

(a) Except as set forth on Schedule 4.8, all of the tangible assets and properties of the Company, whether real or personal, owned or leased, have been well maintained and are in good operating condition and repair (with the exception of normal wear and tear), and are free from defects other than such minor defects as do not interfere with the intended use thereof in the conduct of normal operations.

(b) Immediately after the Closing Date, the Company shall own or have the right to use all the assets, properties and rights (including all Company Intellectual Property) that are currently used in connection with its business. Except as set forth on Schedule 4.8(b), no key personnel that are required for the operation of the Company's business have informed that Company that they intend to leave the Company's employment. Such assets, properties and rights (including Company Intellectual Property) and key personnel were sufficient to produce the income for the period ended on December 31, 2011 and the period ended on January 31, 2011, in each case as shown on the income statement for that period set forth in Schedule 1.1A.

4.9 Real Property.

(a) Owned Real Property. The Company owns no real property and has no obligation to purchase any real property.

(b) Leased Real Property.

(i) Schedule 4.9(b) includes a correct and complete list of all real estate held by the Company under real property leases (the "Leased Real Property") and all leases covering the Leased Real Property (the "Real Property Leases"). The Leased Real Property constitutes all of the real property interests held by the Company and required for or currently used in connection with the operation of its business as it is presently conducted. All covenants or other restrictions (if any) to which any of the Leased Real Property is subject are being in all respects properly performed and observed, and the Company has received no notice of violation (or

claimed violation) thereof. The Company has delivered to Parent correct and complete copies of all Real Property Leases, together with copies of all reports (if any) of any engineers, environmental consultants or other consultants in its possession or control relating to any of the Leased Real Property.

(ii) Each separate parcel included in the Leased Real Property has adequate water supply, storm and sanitary sewer facilities, access to telephone, gas and electrical connections, fire protection, drainage and other public utilities, and has adequate parking facilities that meet all requirements imposed by Laws applicable to or binding on the Company or any of its assets or properties. None of the Leased Real Property is subject to any Lien, easement, right-of-way, building or use restriction, exception, variance, reservation or limitation that might interfere with or impair the present and continued use thereof in the usual and normal conduct of the business and operations of the Company.

(iii) To the Knowledge of the Company, there is no pending, threatened or proposed Proceeding or governmental action to modify the zoning classification of, or to condemn or take by the power of eminent domain (or to purchase in lieu thereof), or to classify as a landmark, or to impose special assessments on, or otherwise to take or restrict in any way the right to use, develop or alter, all or any part of the Leased Real Property.

(iv) All of the Real Property Leases are in full force and effect, valid and enforceable in accordance with their respective terms. The Company has received no notice of any dispute, claim, event of default or event that constitutes or would constitute (with notice or lapse of time or both) a default under any Real Property Lease. All rent and other amounts due and payable with respect to the Real Property Leases have been paid through the date of this Agreement and all rent and other amounts due and payable with respect to the Real Property Leases on or prior to the Closing Date shall have been paid prior to the Closing Date. Except as set forth in Schedule 4.9(b), none of the Real Property Leases are expected to expire or terminate during the year following the Closing Date. Except as set forth in Schedule 4.9(b), there are no indications that the landlord with respect to any Real Property Lease would refuse to renew such lease upon expiration of the period thereof.

4.10 Computer System. Except as set forth onSchedule 4.10, all computer hardware and information technology software and related equipment and materials used by the Company in its businesses (collectively, the "Computer System") are in good working order and condition; the Company has not experienced any significant defect in design, workmanship or material of the Computer System, and the Computer System has the performance capabilities, characteristics and functions necessary to the conduct of the business and operations of the Company. To the Knowledge of the Company, the use of the Computer System by the Company (including any software modifications) (i) has not violated or infringed upon and will not violate or infringe

upon the rights of any third parties and (ii) has not resulted in and will not result in the termination of any maintenance, service or support agreement relating to any part of the Computer System or any reduction in the services provided to the Company, warranties available to the Company or rights of the Company thereunder. To the Knowledge of the Company, the Company has full and adequate user and service documentation for the Computer System.

4.11 Intellectual Property.

(a) Schedule 4.11 is a correct and complete list of all Intellectual Property owned by the Company (the "Owned Intellectual Property"), all Intellectual Property licensed to the Company (the "Licensed Intellectual Property") and all Contracts providing for the license of the Company Intellectual Property or otherwise relating to the Company Intellectual Property.

(b) Except as set forth on Schedule 4.11, all of the Owned Intellectual Property is owned only by the Company, and where registered, the Company is the only owner of record in all patent, trademark and copyright offices, free and clear of any and all Liens, and none of the Owned Intellectual Property is subject to any license, royalty or other agreement. Except as set forth on Schedule 4.11, the Company has not granted any license or agreed to pay or receive any royalty in respect of any of the Company Intellectual Property. Subject to obtaining the consents set forth on Schedule 4.3, the Company Intellectual Property will be available for use by the Company on substantially identical terms immediately after the Closing as were applicable to the Company immediately prior to the consummation of the Closing. All necessary registration, maintenance and renewal fees have been paid in full, and all necessary documents have been filed, for the purposes of maintaining the registered Owned Intellectual Property.

(c) Except as set forth on Schedule 4.11:

(i) the Company has not received any notice of any claim that challenges the validity or enforceability of the Company Intellectual Property or any of the rights of the Company therein;

(ii) none of the Company Intellectual Property has been or is the subject of any pending or threatened Proceeding claim of infringement and, to the Knowledge of the Company, there is no basis for making any such claim;

(iii) there is no pending or threatened Proceeding, and there has never been any such Proceeding, involving the Company, and the Company has not received any notice that the Company Intellectual Property infringes, dilutes, misappropriates or otherwise violates any rights of any third party, and to the Knowledge of the Company there is no basis for making any such claim;

(iv) the Company has the right and authority to use all items of the Company Intellectual Property in connection with the operation and conduct of its business in the manner presently operated and conducted without the payment of any license fee, royalty or similar charge;

(v) to the Knowledge of the Company, there is no infringement, dilution, misappropriation or otherwise improper use of the Company Intellectual Property by any Person; and

(vi) to the Knowledge of the Company, the Company owns or possesses adequate rights in perpetuity in and to all Intellectual Property necessary to conduct its business as presently conducted.

(d) The Company has been diligent in its efforts to keep the confidentiality of the trade secrets and confidential information included in the Company Intellectual Property.

(e) All personnel, including employees, agents, consultants, and contractors, who have contributed to or participated in the conception or development of the Company Intellectual Property on behalf of Company either (i) have been party to a "work-for-hire" arrangement or agreement with the Company, in accordance with applicable Laws, that has transferred the creator's right to the Company as "author" under applicable copyright law or (ii) have executed appropriate instruments of assignment in favor of the Company as assignee that have conveyed to the Company full, effective, and exclusive ownership of all tangible and intangible property and all Intellectual Property rights thereby arising.

4.12 Contracts.

(a) Schedule 4.12 is a true, correct and complete list of all the Contracts of the following types to which the Company is a party or by which it is bound, or to which any of its assets or properties is subject:

(i) any Contract which either (i) requires a payment by any party in excess of, or a series of payments which in the aggregate exceed, $25,000 or provides for the delivery of goods or performance of services, or any combination thereof, having a value in excess of $25,000, or (ii) has a term of, or requires the performance of any obligations by any party over a period in excess of, 12 months;

(ii) any Contract pursuant to which any third party agrees to perform any services for the Company that are required to be performed by the Company under any other Contract;

(iii) any collective bargaining agreement;

(iv) any Contract of any kind with any employee, officer or director of the Company, any of the respective Affiliates of such individuals or any other Affiliate of the Company, or any Contract or other arrangement of any kind with any Shareholder or any Affiliates of any Shareholder;

(v) any Contract with a sales representative, distributor, dealer, broker, sales agency, advertising agency or other Person engaged in sales, distributing or promotional activities, or any Contract to act as one of the foregoing on behalf of any Person;

(vi) any Contract pursuant to which the Company has made or will make loans or advances, or has or will have incurred debts or become a guarantor or surety or pledged its credit on or otherwise become responsible with respect to any undertaking of another (except for the negotiation or collection of negotiable instruments in transactions in the ordinary course of business);

(vii) any indenture, credit agreement, loan agreement, note, mortgage, security agreement, loan commitment or other Contract relating to Indebtedness, an extension of credit or financing;

(viii) any Contract involving a partnership, joint venture or other cooperative undertaking;

(ix) any Contract involving any restrictions with respect to the geographical area of operations or scope or type of business of the Company;

(x) any power of attorney or agency agreement or arrangement with any Person pursuant to which such Person is granted the authority to act for or on behalf of the Company or the Company is granted the authority to act for or on behalf of any Person;

(xi) any Contract, whether or not fully performed, relating to any acquisition or disposition of any capital stock or other debt or equity securities or profits interests or similar interests of the Company or any predecessor in interest of the Company, or any acquisition or disposition of any Person, division, line of business, material assets or real property;

(xii) any Contract not made in the ordinary course of business which is to be performed in whole or in part at or after the date of this Agreement;

(xiii) any Contract pursuant to which the Company is obligated to provide any customer with equal or preferred pricing terms as compared to the pricing terms offered by the Company to any or all of the other customers of the Company;

(xiv) any Contract that requires the payment of royalties, commissions, finders' fees or similar payments;

(xv) any assignment, license, indemnification agreement or other Contract with respect to any Company Intellectual Property;

(xvi) any Contract with any Governmental Authority; and

(xvii) any Contract not specified above that is material to the Company.

(b) The Company has delivered to Parent true, correct and complete copies of each document listed on Schedules 4.11 and 4.12 and a written description of each oral arrangement so listed. The Company has delivered or made available to Parent true, correct and complete copies of each form used by the Company in the conduct of its business.

(c) Except as set forth on Schedule 4.12: the Company has not breached any provision of, or is in default under the terms of, any Contract to which it is a party or under which it has any rights or by which it is bound; no condition exists or event has occurred which, with or without notice or the passage of time or both, would constitute a breach of, or a default under, any such Contract by the Company; and, to the Knowledge of the Company, no other party to any such Contract has breached any provision of, or is in default under the terms of, any such Contract. Each of the Contracts listed or required to be listed on Schedules 4.11 and 4.12 are in full force and effect and constitute the valid and binding obligation of the Company and, to the Knowledge of the Company, the other party(ies) thereto in accordance with its terms. The Company has not repudiated any such Contract or given any notice that it intends to terminate any such Contract.

4.13 Employee Benefit Plans.

(a) Except as listed on Schedule 4.13, neither the Company nor any of its ERISA Affiliates is a party to, participates in or has any liability or contingent liability with respect to:

(i) any "employee welfare benefit plan" or "employee pension benefit plan" as those terms are respectively defined in sections 3(1) and 3(2) of ERISA, other than a "multiemployer plan" (as defined in section 3(37) of ERISA) (referred to collectively hereinafter as "Plans");

(ii) any retirement or deferred compensation plan, incentive compensation plan, stock plan, unemployment compensation plan, vacation pay, severance pay, bonus or benefit arrangement, insurance or hospitalization program or any other fringe benefit arrangements for any current or former employee, director, consultant or agent, whether pursuant to contract, arrangement, custom or informal understanding, which does not constitute an "employee benefit plan" (as defined in section 3(3) of ERISA) (referred to collectively hereinafter as "Arrangements"); or

(iii) any employment agreement (referred to collectively hereinafter as "Employment Agreements").

(b) Except as provided on Schedule 4.13, a true, correct and complete copy of each of the Plans, Arrangements and Employment Agreements listed on Schedule 4.13 (collectively, the "Benefit Plans"), including all trust agreements, insurance contracts, administration contracts, investment management agreements and record-keeping agreements, each as in effect on the date hereof, has been furnished or made available to Parent. In the case of any Benefit Plan that is not in written form, Parent has been supplied with an accurate description of such Benefit Plan as in effect on the date hereof. True and complete copies of the (i) most recently filed Form 5500 series and all schedules thereto, (ii) most recent summary plan description and (iii) most recently issued IRS determination letter with respect to each Plan, to the extent applicable, have been furnished or made available to Parent, and there have been no material changes in the financial condition in the respective Benefit Plans from that stated in the most recently filed Form 5500 and the schedules thereto.

(c) As to all Benefit Plans:

(i) all Benefit Plans have been administered in form and in operation in all material respects with all requirements of Law applicable thereto, and there has been no notice issued by any Governmental Authority questioning or challenging such compliance;

(ii) all Benefit Plans that are employee pension benefit plans (as defined in section 3(2) of ERISA) comply in form and in operation with all applicable requirements of sections 401(a) and 501(a) of the Code; there have been no amendments to such plans which are not the subject of a determination letter issued with respect thereto by the IRS; and no event has occurred which will or could give rise to disqualification of any such plan under such sections or to a Tax under section 511 of the Code;

(iii) none of the assets of any Benefit Plan is invested in "employer securities" or "employer real property" within the meaning of Section 407 of ERISA;

(iv) there have been no "prohibited transactions" (as described in section 406 of ERISA or section 4975 of the Code) with respect to any Benefit Plan and the Company has not otherwise engaged in any prohibited transaction;

(v) there has been no act or omission which has given rise to or may give rise to fines, penalties, taxes or related charges under sections 502(c), 502(i), 502(l) or 4071 of ERISA or Chapters 43, 47, 68 or 100 of the Code for which the Company or any of its ERISA Affiliates may be liable;

(vi) except as set forth on Schedule 4.13, none of the payments contemplated by the Benefit Plans would, in the aggregate, constitute excess parachute payments as defined in section 280G of the Code (without regard to subsection (b)(4) thereof);

(vii) except as set forth on Schedule 4.13, the Company's execution of, and performance of the transactions contemplated by, this Agreement will not constitute an event under any Benefit Plan that will result in any material payment (whether as severance pay or otherwise), acceleration, vesting or increase in benefits;

(viii) there are no actions, suits or claims (other than routine claims for benefits) pending or threatened involving the Benefit Plans or the assets thereof and, to the Knowledge of the Company, no facts exist which could give rise to any such actions, suits or claims (other than routine claims for benefits);

(ix) no Benefit Plan is subject to Title IV of ERISA; and

(x) neither the Company nor any of its ERISA Affiliates has any liability or contingent liability under any Benefit Plan for providing post-retirement medical or life insurance benefits, other than statutory liability for providing group health plan continuation coverage under Part 6 of Title I of ERISA and section 4980B (or any predecessor section thereto) of the Code.

(d) Neither the Company nor any of its ERISA Affiliates is a party to, participates in, contributes to, has contributed to or has any liability or contingent liability with respect to any multiemployer plan (as defined in section 3(37) of ERISA).

4.14 Employment and Labor Matters. Schedule 4.14 contains a correct and complete list of the names, titles or job descriptions, full-time or part time status, annual compensation or hourly rate schedule and all bonuses and similar payments made with respect to each such individual for the preceding fiscal year for all directors, officers and employees of the Company. The Company has and currently is conducting its business in compliance with all Laws relating to employment and employment practices, terms and conditions of employment, wages and hours and nondiscrimination in employment. Except as set forth on Schedule 4.14, the relationships of the Company with its employees are good and there is, and since January 1, 2009 there has been, no labor strike, dispute, slow-down, work stoppage or other labor difficulty pending or threatened against or involving the Company. Except as set forth on Schedule 4.14, none of the employees of the Company is covered by any collective bargaining agreement, no collective bargaining agreement is currently being negotiated and no attempt is currently being made or since January 1, 2009 has been made to organize any employees of the Company to form or enter a labor union or similar organization.

4.15 Taxes.

(a) All Tax Returns have been filed for the Company, and all other filings in respect of Taxes have been made for the Company, for all periods through and including the Closing Date as required by applicable Law. Each such Tax Return and filing is accurate and complete and the Company has not or will not have any additional liability for Taxes with respect to any Tax Return or other filing heretofore filed or which was required by Law to be filed. All Taxes and estimated Taxes owed by the Company have been paid for all periods through and including the Closing Date as required by applicable Law. The amounts provided as a current liability on the Financial Statements for all Taxes are, and on the Closing Date Balance Sheet for all Taxes will be, adequate to cover all unpaid liabilities for all Taxes, whether or not disputed, that have accrued with respect to or are applicable to the period ended on and including the date thereof or to any periods prior thereto and for which the Company may be directly or contingently liable in its own right or as a transferee of the assets of, or a successor to, any Person. Except as set forth in Schedule 4.15, none of the Tax Returns or other filings that include the operations of the Company has ever been audited or investigated by any Governmental Authority, and no facts exist which would constitute grounds for the assessment of any additional Taxes by any Governmental Authority with respect to the taxable years covered in such Tax Returns and filings. Except as set forth in Schedule 4.15, no material issues have been raised in any examination by any Governmental Authority with respect to the business and operations of the Company which, by application of similar principles, reasonably could be expected to result in a

proposed adjustment to the liability for Taxes for any other period not so examined, and no position has been taken on any Tax Return with respect to the business or operations of the Company for a taxable year for which the statute of limitations for the assessment of any Tax with respect thereto has not expired that is contrary to any publicly announced position of a Governmental Authority or that is substantially similar to any position which a Governmental Authority has successfully challenged in the course of an examination of a Tax Return of the Company or any other taxpayer.

(b) All Taxes which the Company is required by Law to withhold or collect, including sales and use Taxes, and amounts required to be withheld for Taxes of employees and other withholding Taxes, have been duly withheld or collected and, to the extent required, have been paid over to the proper Governmental Authorities or are held in separate bank accounts for such purpose. All information returns required to be filed by the Company prior to the Closing Date have been filed, and all statements required to be furnished to payees by the Company prior to the Closing Date have been furnished to such payees, and the information set forth on such information returns and statements is accurate and complete.

(c) The Company has not incurred any Tax liabilities other than in the ordinary course of business for any taxable year for which the applicable statute of limitations has not expired; there are no Tax Liens (other than Liens for current Taxes not yet due and payable) upon the properties or assets of the Company. The Company has not granted or been requested to grant any waiver of any statutes of limitations applicable to any claim for Taxes.

(d) No Shareholder is a "foreign person" as defined in section 1445(f)(3) of the Code.

(e) Except as set forth in Schedule 4.15, the Company is not a party to or otherwise subject to any arrangement having the effect of or giving rise to the recognition of a deduction or loss in a taxable period ending on or before the Closing Date, and a corresponding recognition of taxable income or gain in a taxable period ending after the Closing Date, or any other arrangement that would have the effect of or give rise to the recognition of taxable income or gain in a taxable period ending after the Closing Date without the receipt of or entitlement to a corresponding amount of cash.

(f) Except as set forth in Schedule 4.15, the Company is not subject to any joint venture, partnership or other arrangement or contract which is treated as a partnership for Federal income tax purposes. The Company is not a party to any tax sharing agreement.

(g) None of the assets of the Company constitute tax-exempt bond financed property or tax-exempt use property within the meaning of section 168 of the Code, and none of the assets reflected on the Financial Statements is subject to a lease, safe harbor lease or other arrangement as a result of which the Company is not treated as the owner for Federal income tax purposes.

(h) Except as set forth in Schedule 4.13 or Schedule 4.15, the Company has not made or become obligated to make, and the Company will not as a result of any event connected with any transaction contemplated herein become obligated to make, any payments that could be nondeductible by reason of section 280G or 162(m) of the Code.

(i) The basis of all depreciable or amortizable assets of the Company, and the methods used in determining allowable depreciation or amortization (including cost recovery) deductions of the Company, are correct and in compliance with the Code and the regulations thereunder.

(j) The Company is not required to include in income any adjustment pursuant to section 481(a) of the Code, for any period after the Closing Date, by reason of any voluntary or involuntary change in accounting method (nor has any taxing authority proposed in writing any such adjustment or change of accounting method).

(k) The Company does not have or could not have any liability for Taxes of any Person other than itself under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by Contract or otherwise.

(l) The Company has not filed a consent pursuant to section 341(f) of the Code (or any predecessor provision) or agreed to have section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as such term is defined in section 341(f)(4) of the Code) owned by the Company.

(m) The Company has not requested or received a ruling from any taxing authority or signed a closing or other agreement with any taxing authority which would affect any taxable period after the Closing Date.

(n) In the past five (5) years, the Company has not been a party to a transaction that has been reported as a reorganization within the meaning of section 368 of the Code, or distributed as a corporation (or been distributed) in a transaction that is reported to qualify under section 355 of the Code.

(o) The Company has not engaged in a transaction that would be reportable by or with respect to the Company pursuant to sections 6011, 6111, or 6112 of the Code.

(p) No claim has been made in writing to the Company or with respect to the Company's business by a Governmental Authority in a jurisdiction where the Company does not file Tax Returns that the Company may be subject to Tax by such jurisdiction.

4.16 Compliance with Laws; No Improper Payments; Internal Compliance.

(a) The Company is in compliance in all material respects with all Laws applicable to or binding on the Company or any of its assets or properties, and no condition exists or event has occurred which, with or without notice or the passage of time or both, would constitute a material violation under any such Law. No notice from any Governmental Authority has been received by the Company claiming any material violation of any Law or requiring any work, construction or expenditure, or asserting any Tax, assessment or penalty.

(b) Without limiting the generality of the foregoing, (i) neither the Company, any director, officer, employee, agent or representative of the Company nor any Person acting on behalf of any of them, has made, paid or received any bribes, kickbacks or other similar payments to or from any Person, whether lawful or unlawful, (ii) no contributions have been

made by or on behalf of the Company, directly or indirectly, to a domestic or foreign political party or candidate, (iii) no improper foreign payment (as defined in the Foreign Corrupt Practices Act of 1977, as amended) has been made and (iv) the internal accounting controls of the Company are adequate to detect any of the foregoing.

(c) There has been no violation of or non-compliance with any of the code of business conduct, ethics or other similar internal policies of the Company.

4.17 Environmental Matters. Except as set forth in Schedule 4.17:

(a) the Company is in compliance in all material respects with all Environmental Laws, and no condition exists or event has occurred which, with or without notice or the passage of time or both, would constitute a material violation of or give rise to any material liability, obligation or Lien under any Environmental Law;

(b) the Company is in possession of all Environmental Permits, if any, required for the conduct or operation of their respective businesses (or any part thereof), and are in compliance in all material respects with all of the requirements and limitations included in such Environmental Permits;

(c) there are no, and the Company has not used or stored any, Hazardous Substances in, on, or at any of the Leased Real Property, and no Hazardous Substances have been used in the construction or repair of, or any alterations or additions to, any of the Leased Real Property;

(d) no notice from any Governmental Authority or any other Person has been received by the Company claiming that any aspect of the business, operations or facilities of the Company is in violation of any Environmental Law or Environmental Permit, or that the Company is responsible (or potentially responsible) for the cleanup or remediation of any substances at any location;

(e) the Company has not deposited or incorporated any Hazardous Substances into, on, beneath or adjacent to any property; and

(f) the Company is not the subject of any pending or, to the Knowledge of the Company, threatened Proceedings in any forum, judicial or administrative, involving a demand for damages, injunctive relief, penalties or other potential liability under, or with respect to violations of, any Environmental Law.

4.18 Litigation.

(a) Except as set forth in Schedule 4.18, there are no Proceedings pending or, to the Knowledge of the Company, threatened against or affecting the Company or any of its officers, directors, employees, agents or shareholders in their capacity as such, or any of its properties or its business, and, to the Knowledge of the Company, there are no facts or circumstances which may give rise to any of the foregoing. Except as set forth on Schedule 4.18, all of the Proceedings, pending or threatened, against the Company are fully covered by insurance policies (or other indemnification agreements with third parties) and are being defended by the insurers (or such third parties), subject to such deductibles as are set forth in Schedule 4.18. Except as set

forth in Schedule 4.18, the Company is not subject to any order, judgment, decree, injunction, stipulation or consent order of or with any court or other Governmental Authority. The Company has not entered into any agreement to settle or compromise any Proceeding pending or threatened against it which has involved any obligation other than the payment of money or for which the Company has any continuing obligation.

(b) There are no Proceedings pending, or to the Knowledge of the Company, threatened by or against the Company with respect to this Agreement or the Related Agreements, or in connection with the transactions contemplated hereby or thereby, and to the Knowledge of the Company, there is no reason to believe that there is a valid basis for any such Proceeding.

4.19 Accounts Receivable; Advances and Warranties. Schedule 4.19 contains a correct and complete aging schedule of all Accounts Receivable as of January 31, 2012 and all loans and advances by the Company to third parties ("Advances") as of January 31, 2012. Except as set forth onSchedule 4.19, (i) each Account Receivable represents a sale made in the ordinary course of business and arose pursuant to an enforceable Contract for a *bona fide* sale of goods or for services performed, and the Company has performed all of its obligations to deliver the goods or perform the services to which such Account Receivable relates and (ii) to the Knowledge of the Company, no Account Receivable or Advance is subject to any claim for reduction, counterclaim, set-off, recoupment or other claim for credit, allowances or adjustments by the obligor thereof. Except as reserved against in the Closing Date Balance Sheet, to the Knowledge of the Company, all Accounts Receivable and Advances recorded on the Closing Date Balance Sheet will be collectible in full within ninety (90) days of their origination. Claims made under warranties covering goods sold or services provided by the Company prior to the Closing will not, to the Knowledge of the Company, exceed the warranty reserve recorded on the Closing Date Balance Sheet.

4.20 Permits. Schedule 4.20 sets forth a true, correct and complete list of all Permits held by the Company. The Company has not received any notice that any such Permit may be revoked or canceled, and, to the Knowledge of the Company, all the Permits so listed are in full force and effect. To the Knowledge of the Company, except for the Permits listed on Schedule 4.20, there are no Permits, whether federal, provincial, state, local or foreign, which are necessary for the lawful operation of the business of the Company.

4.21 Insurance.

(a) Schedule 4.21 contains a true, correct and complete list of all material policies of insurance owned held by the Company, and the Company has heretofore delivered or made available to Parent correct and complete copies of all such policies. All such policies are valid, in full force and effect and enforceable, all premiums with respect thereto covering all periods up to and including the Closing Date have been paid, and no notice of cancellation or termination has been received by the Company with respect to any such policy. Except as set forth in Schedule 4.21, the Company has not been refused any insurance with respect to its assets or operations, and its coverage has not been limited by any insurance carrier to which it has applied for any such insurance or with which it has carried insurance.

(b) The Company has furnished or made available to Parent a correct and complete list of all claims which have been made by the Company since January 1, 2011, under any workers' compensation, general liability, property or other insurance policy applicable to the Company or any of its assets or its business. Except as set forth on such list, there are no pending or threatened claims under any insurance policy.

4.22 Capital Improvements. Schedule 4.22 describes all the capital improvements or purchases or other capital expenditures which the Company has committed to or contracted for and which have not been completed prior to the date hereof and the cost and expense reasonably estimated to complete such work and purchases.

4.23 No Conflict of Interest. Except as set forth on Schedule 4.23, neither any Shareholder nor any Affiliate of the Shareholder has any direct or indirect interest in any tangible or intangible property used or held for use in the business of the Company, except for the Shareholders as holders of the Shares. Except as set forth on Schedule 4.23, neither any Shareholder nor any Affiliate of any Shareholder, to the Knowledge of the Company, has any direct or indirect interest in any Person which conducts a business similar to, has any Contract or arrangement with, or does business or is involved in any way with, the Company, except for the ownership of less than one percent (1%) of the outstanding stock of any publicly held corporation.

4.24 Bank Accounts. Schedule 4.24 sets forth a correct and complete list of the names and locations of each bank or other financial institution at which the Company has an account (giving the account numbers) or safe deposit box and the names of all Persons authorized to draw thereon or have access thereto, and the names of all Persons, if any, now holding powers of attorney or comparable delegation of authority from the Company and a summary statement thereof.

4.25 Customers.

(a) Schedule 4.25 sets forth:

(i) a correct and complete list of the one hundred (100) largest customers of the Company, taken as a whole, in terms of revenue received by the Company during each of the 2009, 2010, and 2011 fiscal years (collectively, the "Major Customers"), showing the total revenue received in each such period from each such customer; and

(ii) a correct and complete report of customer churn during each of the 2009, 2010, and 2011 fiscal years and the portion of fiscal year 2012 prior to the date of this Agreement.

(b) Except as set forth in Schedule 4.25, since January 1, 2011, there has been no adverse change in the business relationship, and there has been no material dispute, between the Company, on the one hand, and any Major Customer, on the other hand, and, to the Knowledge of the Company, there are no indications that there will be any such adverse change or dispute or that any Major Customer intends to reduce its purchases from, or sales to, the Company.

4.26 Brokers. The Company has not used any broker or finder in connection with the transactions contemplated by this Agreement or the Related Agreements, and neither Parent nor any Affiliate of Parent (including the Company after the Closing) has or shall have any liability or otherwise suffer or incur any Loss as a result of or in connection with any brokerage or finder's fee or other commission of any Person retained by the Company in connection with any of the transactions contemplated by this Agreement or the Related Agreements.

4.27 Services. To the Knowledge of the Company, all services delivered or performed by the Company have been in conformity in all material respects (within standard industry tolerances) with (a) all applicable Laws, (b) all commitments under applicable Contracts and (c) all express warranties.

4.28 [Intentionally Omitted.]

4.29 Reports. The Company has filed all material reports, registrations and statements, together with any material amendments required to be made with respect thereto, that each was required to file since January 1, 2009 with any Governmental Authority, and has paid all fees and assessments due and payable in connection therewith. All such reports, registrations and statements complied in all material respects with applicable regulatory requirements, and none of such reports, registrations or statements, as of their respective dates, contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

4.30 Accuracy of Statements. Neither this Agreement nor any schedule or certificate or any other document or information furnished or to be furnished by or on behalf of the Company to Parent or any representative or Affiliate of Parent in connection with this Agreement, any Related Agreement or any of the transactions contemplated hereby or thereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading. The disclosure schedule numbers referenced in this Article IV correspond to the numbered and lettered sections contained in this Article IV, and the information disclosed in any schedule shall qualify other sections or subsections of this Article IV to the extent it is apparent from a reading of the applicable schedule that such disclosure is applicable to such other sections or subsections.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT

Parent represents and warrants to the Company, as of the date of this Agreement and as of the Closing Date (as if such representations and warranties were remade on the Closing Date), as follows:

5.1 Organization. Parent is a corporation duly organized, validly existing and in good standing under the laws of Delaware, with all requisite power and authority to own, lease and operate its properties and to carry on its business as they are now being owned, leased, operated and conducted. MergerCo is a corporation duly organized, validly existing and in good standing

under the laws of Washington, with all requisite power and authority to own, lease and operate its properties and to carry on its business as they are now being owned, leased, operated and conducted.

5.2 Authorization. Each of Parent and MergerCo has full power and authority to enter into this Agreement and its Related Agreements and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by each of Parent and MergerCo of this Agreement and its Related Agreements, and the consummation by each of Parent and MergerCo of the transactions contemplated hereby and thereby, have been duly and validly approved by the board of directors, and no other proceedings on the part of Parent or MergerCo are necessary to authorize this Agreement, their Related Agreements and the transactions contemplated hereby and thereby. Each of Parent and MergerCo has duly and validly executed and delivered this Agreement and has duly and validly executed and delivered (or prior to or at the Closing will duly and validly execute and deliver) its Related Agreements. This Agreement constitutes legal, valid and binding obligations of each of Parent and MergerCo and their respective Related Agreements upon execution and delivery by Parent or MergerCo (as applicable) will constitute legal, valid and binding obligations of them, in each case, enforceable in accordance with their respective terms.

5.3 Consents and Approvals; No Conflicts.

(a) No consent, authorization or approval of, filing or registration with, or cooperation from, any Governmental Authority or any other Person not a party to this Agreement is necessary in connection with the execution, delivery and performance by Parent and MergerCo of this Agreement and their Related Agreements and the consummation by Parent of the transactions contemplated hereby and thereby, except where the failure to obtain any consent, authorization, approval or cooperation or make any filing or registration could not reasonably be expected to have a material adverse effect on the financial condition of Parent or Parent' and MergerCo's ability to consummate the transactions contemplated hereby or thereby.

(b) The execution, delivery and performance by each of Parent and MergerCo of this Agreement and its Related Agreements, and the consummation by each of Parent and MergerCo of the transactions contemplated hereby and thereby, do not and will not (i) violate any Law applicable to or binding on it or any of its assets or properties; (ii) violate or conflict with, result in a breach or termination of, constitute a default or give any third party any additional right (including a termination or acceleration right) under, permit cancellation of, result in the creation of any Lien upon any of its assets or properties of it under, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing under, any Contract or Permit to which it is a party or by which it or any of its assets or properties are bound; (iii) permit the acceleration of the maturity of any of its Indebtedness or Indebtedness secured by its assets or properties; or (iv) violate or conflict with any provision of its Certificate of Incorporation or By-laws (or similar organizational instruments), except for violations, conflicts, breaches, terminations, defaults, additional rights, cancellations or Liens that could not reasonably be expected to have a material adverse effect on the financial condition of Parent or Parent's or MergerCo's ability to consummate the transactions contemplated hereby or thereby.

5.4 Sufficiency of Funds. Parent has funds sufficient to pay, or to cause MergerCo to pay, the Base Purchase Price in cash.

5.5 Brokers. Neither Parent, MergerCo nor any of their respective Affiliates has used any broker or finder in connection with the transactions contemplated by this Agreement or the Related Agreements, and no Shareholder nor any Affiliate of any Shareholder has or shall have any liability or otherwise suffer or incur any Loss as a result of or in connection with any brokerage or finder's fee or other commission of any Person retained by Parent, MergerCo or any of their respective Affiliates in connection with any of the transactions contemplated by this Agreement or the Related Agreements.

5.6 Investment Intent. Parent is consummating the Merger and acquiring the Company for its own account, for investment purposes only and not with a view toward, or for resale in connection with, any distribution thereof, nor with any present intention of distributing or selling any shares in the Surviving Corporation in violation of the federal securities Laws or any applicable foreign or state securities Law; provided, that the disposition of the shares in the Surviving Corporation shall at all times remain within the sole discretion and control of Parent. Parent understands that the acquisition of the Company pursuant to the terms of this Agreement involves substantial risk. Parent can bear the economic risk of its investment (which may be for an indefinite period) and has such knowledge and experience in financial or business matters that Parent is capable of evaluating the merits and risks of its investment in the Company to be acquired by it pursuant to the transactions contemplated hereby.

5.7 No Other Representations. Notwithstanding anything in this Agreement to the contrary, Parent and MergerCo understand and agree that neither the Company nor any other Person has made, and none of them are making, any representation or warranty whatsoever, express or implied, with respect to the Company, its business, the transactions contemplated by this Agreement or any other matter, other than those representations and warranties of the Company expressly set forth in Article IV.

ARTICLE VI

COVENANTS

6.1 Access to Information and Facilities. From and after the date of this Agreement until the Closing Date, the Company shall (i) upon reasonable notice to the Company, give Parent and Parent's representatives reasonable access to all of the facilities, properties, books, records and Contracts of the Company, (ii) upon reasonable notice to the Company, make the officers and employees of the Company available to Parent and its representatives as Parent and its representatives shall from time to time reasonably request and (iii) furnish Parent and its representatives with any and all information concerning the Company which Parent or its representatives reasonably request.

6.2 Conduct of Business. From the date of this Agreement until the Closing Date, the Company shall (i) operate only in the ordinary course of business consistent with past practice, (ii) preserve intact the present business organization and personnel of the Company, (iii) preserve the good will and advantageous relationships of the Company with customers, suppliers,

employees, independent contractors and other Persons material to the operation of their respective businesses and (iv) not permit any action or omission which would cause any of the representations or warranties in Article IV to become inaccurate or any of the covenants of the Company to be breached. Without limiting the generality of the foregoing, except as set forth in Schedule 6.2, prior to the Closing the Company shall not without the prior written consent of Parent:

(i) incur any obligation or enter into any Contract that would be required to be disclosed on Schedule 4.11 or 4.12;

(ii) amend or modify the Certificate of Incorporation or By-laws of the Company;

(iii) sell, transfer, convey, assign or otherwise dispose of any of its assets or properties or sell, assign, transfer or license any Intellectual Property or adopt any plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of the Company;

(iv) acquire, lease or encumber any assets outside the ordinary course of business or any assets which are material to the Company or merge or consolidate with any other Person or otherwise acquire (by merger, consolidation, acquisition of securities or assets or otherwise) any corporation, partnership or other business organization or division or any material assets of any other Person;

(v) make any loans, advances or capital contributions to, or investments in, any other Person;

(vi) make any material capital improvements or purchases or other material capital expenditures, or material series of related capital improvements or purchases or other capital expenditures, or enter into any new commitment for material capital improvements or purchases or other capital expenditures or material series of related capital improvements or purchases or other capital expenditures;

(vii) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, convertible or exchangeable securities, commitments, subscriptions, rights to purchase or otherwise) any capital stock or any other debt or equity securities or profits interest or similar interests, or amend any of the terms thereof;

(viii) split, combine or reclassify any capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, shares or property or any combination thereof) in respect of its capital stock, or redeem or otherwise acquire any securities of the Company;

(ix) make any borrowings, incur any new Indebtedness, or assume, guarantee, endorse (except for the negotiation or collection of negotiable instruments in transactions in the ordinary course of business and consistent with past practice) or otherwise become liable (whether directly, contingently or otherwise) for the obligations of any other Person, or otherwise cause any of its assets or properties to become subject to a material Lien;

(x) waive, release or cancel any material claims against third parties or debts owing to it, or any rights which have any material value;

(xi) pay any material amount or agree to pay any material amount or perform any obligation in settlement or compromise of any Proceedings or claims of liability against the Company or any of its directors, officers, employees or agents;

(xii) accelerate, terminate, modify, amend, waive or otherwise alter or change any of the terms or provisions of any material Contract, or pay any material amount not required by Law or by any Contract;

(xiii) make any change in its accounting systems, policies, principles, practices or methods;

(xiv) enter into, authorize or permit any Contract or transaction with any Shareholder or any Affiliate of any Shareholder;

(xv) enter into, adopt, amend or terminate any bonus, profit sharing, compensation, termination, share option, share appreciation right, restricted share, performance unit, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee, or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any existing plan and arrangement or entered into any Contract, commitment or arrangement to do any of the foregoing;

(xvi) make any Tax election or settle or compromise any federal, provincial state, local or foreign Tax liability, surrender any right to claim a Tax refund, offset or other reduction in Tax liability, prepare any Tax Return in a manner that is not consistent with past practices, or file any amended material Tax Return or waive or extend the statute of limitations in respect of any such Taxes; or

(xvii) authorize or agree to do any of the things described in the precedingclauses (i) through (xvi).

6.3 Consents and Approvals.

(a) On the terms and subject to the conditions hereof, each party shall take all action required of it to fulfill its obligations under the terms of this Agreement and shall otherwise use all commercially reasonable efforts to facilitate the consummation of the transactions contemplated by this Agreement and the Related Agreements. Each party agrees that unless this Agreement is terminated in accordance with the provisions of Section 9.1, it will not take any action that would have the effect of preventing or impairing the performance by it of its obligations under this Agreement.

(b) From the date of this Agreement until the Closing Date, each party shall use all commercially reasonable efforts to obtain all consents, approvals, certificates and other documents required in connection with the performance of this Agreement and the Related Agreements and the consummation of the transactions contemplated hereby and thereby, including, with respect to the Company, all consents and approvals by each party to any of the Contracts referred to in Schedule 4.3. The Company shall promptly make all filings, applications, statements and reports to all Governmental Authorities and other Persons that are required to be made prior to the Closing Date by or on behalf of the Company to any applicable Law or Contract in connection with this Agreement, the Related Agreements and the transactions contemplated hereby and thereby.

6.4 Resignations. Prior to the Closing Date, the Company shall cause each officer and member of the Board of Directors (or equivalent governing body), and each non-corporate trustee or fiduciary of any plan or arrangement involving employee benefits of, the Company to tender his or her resignation from such position effective as of the Closing by delivering a resignation and release substantially in the form attached hereto as Schedule 6.4.

6.5 Shareholder Approval. The Company shall duly call, give notice of, convene and hold a meeting of the holders of Shares for the purpose of voting upon the approval of this Agreement (the "Shareholders' Meeting") and shall use its reasonable best efforts to hold the Shareholders' Meeting as promptly as practicable after the date hereof (and in no event later than thirty (30) days after the mailing of the Proxy Statement). Promptly following the execution of this Agreement, the Company shall prepare, and Parent shall, if requested by the Company, cooperate with the Company in preparing, a proxy statement relating to the Shareholders' Meeting (together with any amendments thereof and supplements thereto, the "Proxy Statement"). As promptly as practicable after the execution of this Agreement, the Company shall mail the Proxy Statement to the holders of Shares, and the Proxy Statement shall contain the recommendation of the Board of Directors of the Company that the holders of Shares vote to approve this Agreement (and in no event later than twenty (20) days after the date hereof). The Company shall provide Parent and its counsel a reasonable opportunity to review the Proxy Statement and shall reasonably consider Parent's reasonable comments to the Proxy Statement prior to mailing the Proxy Statement to the holders of Shares. The Company shall ensure that the notice for the Shareholders' Meeting complies with the Act, including a statement of a holder of Shares' right to assert dissenters' rights under the Act and shall be accompanied by a copy of RCW Chapter 23B.13 of the Act. The Company shall promptly correct any information in the Proxy Statement that becomes false or misleading in any material respect and shall take all reasonable steps to cause the Proxy Statement, as so corrected, to be disseminated to holders of Shares. The Company shall use its reasonable best efforts to solicit from holders of Shares proxies in favor of approval of this Agreement and shall take all other actions necessary or advisable to secure the vote or proxy of holders of Shares required to approve this Agreement.

6.6 Insurance. From the date of this Agreement until the Closing Date, the Company shall continue to carry its existing insurance through the Closing Date, and shall not allow any breach, default termination or cancellation of such insurance policies or agreements to occur or exist.

6.7 Tax Matters.

(a) Parent shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company for all (i) taxable years ending on or prior to the Closing Date that are filed after the Closing Date, (ii) taxable years beginning prior to the Closing Date and ending after the Closing Date, and (iii) taxable years beginning after the Closing Date. Parent shall provide to Shareholders' Representative for review and comment each Tax Return described in clauses (i) and (ii) above (it being understood that Parent may redact any delivered Tax Return relating to clause (ii) to the extent information relates to periods after the Closing Date) at least fifteen (15) days prior to the due date for filing such return (or, if required to be filed within fifteen (15) days of the Closing Date, as soon as reasonably practicable following the Closing). The Shareholders shall reimburse Parent for Taxes paid in clauses (i) and (ii) above within fifteen (15) days after payment by Parent or an Affiliate of Parent to the extent such Taxes are subject to their obligation to indemnify Parent pursuant to Section 6.7(d).

(b) For purposes of allocating liability for Taxes under Section 6.7(d), in the case of any taxable period that includes (but does not end on) the Closing Date (a "Straddle Period"): (i) real, personal and intangible property Taxes ("Property Taxes") of the Company allocable to the Pre-Closing Tax Period shall be equal to the amount of such Property Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days during the Straddle Period that are in the Pre-Closing Tax Period and the denominator of which is the number of days in the Straddle Period; and (ii) Taxes (other than Property Taxes) of the Company allocable to the Pre-Closing Tax Period shall be computed as if such taxable period ended as of the close of business on the Closing Date; provided, that exemptions, allowances or deductions that are calculated on an annual basis (including depreciation and amortization deductions) shall be allocated between the period ending on the Closing Date and the period after the Closing Date in proportion to the number of days in each period.

(c) The Shareholders shall be responsible for all sales, use and transfer Taxes, including any value added, stock transfer, gross receipts, stamp duty and real, personal, or intangible property transfer Taxes ("Transfer Taxes"), arising from the transactions contemplated hereby or by the Related Agreements, including any interest or penalties in respect thereof.

(d) From and after the Closing Date, the Shareholders shall severally and proportionately indemnify Parent and the Company against, and hold them harmless from: (i) any and all Taxes of the Company attributable to any Pre-Closing Tax Period; (ii) all Taxes of any Person for which the Company may be liable under Treasury Regulation §1.1502-6 (or any similar provision of provincial, state, local or foreign law), as a transferee or successor, by contract, or otherwise; and (iii) all Transfer Taxes allocated to the Shareholders under Section 6.7(c).

(e) After the Closing, upon reasonable written notice, Parent and Shareholders' Representative shall furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance (to the extent within the control of such party) relating to the Company (including access to books and records) as is reasonably requested for the filing of all Tax Returns, and making of an election related to Taxes, the preparation for any audit by any Governmental Authority and the prosecution or defense of any claim, suit or proceeding related to any Tax Return.

(f) Procedures Relating to Tax Claims.

(i) After the Closing, Parent, on the one hand, and the Shareholders' Representative, on the other hand (the "Recipient"), shall promptly notify the other party in writing upon receipt by the Recipient or any of its Affiliates or, in the case of the Shareholders' Representative, any Shareholder or any Affiliate of any Shareholder of any written notice of any pending or threatened audit or assessment, suit, proposed adjustment, deficiency, dispute, administrative judicial proceeding or other similar claim from any Governmental Authority or any other Person and which relates to Taxes or a Tax Return and involves Losses for which any of Shareholders or Parent may be liable under this Agreement ("Tax Claim"); provided, however, that a failure by Parent or the Shareholders' Representative to give such notice shall not affect the applicable rights to indemnification under Article X or this Section 6.7 unless the other party is actually and materially prejudiced as a consequence of such failure.

(ii) Parent shall control the conduct of any Tax Claim (including selection of counsel and accountants) and, without limiting the foregoing, may in its sole discretion pursue or forego any and all administrative appeals, Proceedings, hearings, audits and conferences with any Governmental Authority with respect thereto and may, in its sole discretion, either pay the Tax claimed and sue for a refund where Law permits such refund suits or contest the Tax Claim in any permissible manner; provided, however, that Parent shall afford the Shareholders' Representative the opportunity to participate, as may reasonably be requested by the Shareholders' Representative, with Parent in contesting any Tax Claim solely to the extent such Tax Claim would give rise to an indemnity obligation under Section 6.7(d); and provided further that Parent shall not settle or otherwise compromise any Tax Claim that would give rise to an indemnity obligation under Section 6.7(d) without the Shareholders' Representative's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed).

(g) Notwithstanding any provision to the contrary herein, (i) any Tax deductions arising from transactions contemplated pursuant to this Agreement, including Change of Control

Payment Amounts and expenses which become currently deductible by the Company for Tax purposes as a result of the satisfaction of any portion of indebtedness on the Closing Date shall be treated as arising in, and shall be allocated to, a tax period that begins after the Closing Date and (ii) any Taxes attributable to any transaction occurring on the Closing Date after the Closing that is not in the ordinary course of business of the Company as carried on prior to the Closing Date shall be treated as arising in, and shall be allocated to, a tax period that begins after the Closing Date. The parties shall report consistently with the preceding sentence for all Tax purposes, and shall not take any inconsistent position in any Tax proceeding.

(h) The Company shall not seek approval from the Shareholders with respect to any payments or benefits to be paid or provided to the Change in Control Payees that may constitute "excess parachute payments" as defined in section 280G of the Code and applicable rulings and final regulations thereunder.

6.8 Supplemental Information. From time to time prior to the Closing Date, the Company shall disclose in writing to Parent any matter hereafter arising which becomes Known to the Company and which, if existing, occurring or known at the date of this Agreement would have been required to be disclosed to Parent in connection with any of the representations or warranties set forth in Article IV. No information provided to Parent pursuant to thisSection 6.8 shall be deemed to cure any breach of any representation or warranty contained in this Agreement, including for purposes of Section 7.2(a) or Article X.

6.9 Exclusivity. Prior to the Outside Date, none of the Company or any of its directors, officers, employees, representatives, agents or Affiliates shall, directly or indirectly, solicit, initiate, encourage, respond favorably to, condone inquiries or proposals from, or provide any non-public confidential information to, or participate in any discussions or negotiations with, any Person (other than Parent and its directors, officers, employees, representatives and agents) concerning (i) any merger, amalgamation, sale of assets not in the ordinary course of business, acquisition, business combination, change of control or other similar transaction involving the Company or (ii) any sale or issuance by the Company of any shares of its capital. The Company shall promptly (but in any event within one (1) Business Day) advise Parent of, and communicate to Parent the terms and conditions of (and the identity of the Person making), any such inquiry or proposal received.

6.10 Interim Financial Statements.

(a) Prior to the Closing Date, the Company shall provide to Parent, as soon as practicable after the end of each calendar month, unaudited consolidated financial statements of the Company, consisting of a balance sheet as of the end of such month and an income statement for that month and for the portion of the year then ended (such financial statements, "Interim Financial Statements").

(b) The Company shall provide to Parent, by March 31, 2012, the audited consolidated financial statements of the Company, consisting of the audited consolidated balance sheet at December 31, 2011 and the related statements of earnings and retained earnings and cash flows for the fiscal year then ended (the "Year End Financial Statements").

(c) As promptly as practicable following the date hereof, the Company shall deliver to Parent an SAS100 review of financial statements for the first, second and third fiscal quarters of calendar year 2011.

(d) As promptly as practicable following the end of each fiscal quarter, the Company shall deliver to Parent an SAS100 review of financial statements for such fiscal quarter of calendar year 2012.

(e) The Company will cause the appropriate officers of the Company to, or any Shareholder will, execute and deliver to Parent's independent auditors such representation letters in customary form in respect of each audited period and each SAS100 review period commencing with the fiscal year ended December 31, 2011 and continuing through the Closing Date as Parent shall require. Should the Company's audit in respect of its fiscal year ended December 31, 2011 not be completed by the Closing Date, such representation letters will be provided by one or more Shareholders, as determined by Parent.

6.11 Takeover Statutes. No party hereto shall take any action that would cause the Merger or the other transactions contemplated hereby to be subject to any "fair price", "merger moratorium", "control share acquisition" or similar anti-takeover statute or regulation, including Section 23B.19 of the Act. If any such statute or regulation is or may become applicable to the Merger or the other transactions contemplated hereby, each of Parent and the Company and their respective Board of Directors shall grant such approvals and take such lawful actions as are necessary to ensure that the Merger and the other transactions contemplated hereby may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise act to eliminate or minimize the effects of such statute or regulation on the Merger and the other transactions contemplated hereby.

6.12 Closing Payment Calculation Statement. Not earlier than ten (10) Business Days and not later than three (3) Business Days prior to the Closing Date, the Company shall prepare and deliver to Parent a certificate (the "Closing Payment Calculation Statement"), duly executed by an officer of the Company, setting forth (a) a good faith estimate of the Closing Working Capital, (b) a good faith estimate of the aggregate Company Debt Amount, together with a schedule listing the amount payable to each Company Creditor in connection therewith which shall in each case correspond to the payoff letters delivered pursuant to Section 8.2, (c) the Change of Control Payment Amount, together with a schedule listing the amount payable to each Change of Control Payee in connection therewith and (d) the wire instructions for each Person to whom payments will be made in accordance with the terms herewith at the Closing. Parent shall have the right to review the Closing Payment Calculation Statement and object thereto, and the Company, on the one hand, and Parent, on the other hand, shall cooperate in good faith to resolve any such objections prior to the Closing and update the Closing Payment Calculation Statement accordingly.

6.13 Management Incentive Plan.

(a) At the Effective Time, Parent shall set aside an aggregate number of shares, which shall be registered prior to issuance to a Company employee pursuant to this Section 6.13 (the "Total Parent Shares") of Parent Common Stock equal to (i) $7 million, divided by (ii) the

price per share of Parent Common Stock as listed on the New York Stock Exchange as of the close of business on the Business Day immediately preceding the Effective Time (the "Market Price").

(b) Parent shall issue to each Company employee identified in Exhibit H who is employed on the applicable date such person's allocation (determined as set forth in Section 6.13(d) below) of registered shares of Parent Common Stock set aside pursuant to Section 6.13(a) as follows: prior to May 15 of each of years 2013, 2014 and 2015, if the Annual Revenues for the applicable twelve (12) month period ending March 31 equal or exceed [***] of the Target Annual Revenues for such period, a number of registered shares equal to:

(i) (x) Annual Revenues, divided by Target Annual Revenues, minus (y) [***]; *multiplied by*

(ii) [***]; *multiplied by*

(iii) [***] of the Total Parent Shares;

provided, that Parent shall have no obligation to issue any registered shares in excess of the Total Parent Shares. By way of example, if, prior to May 15, 2015, Parent has issued pursuant to this Section 6.13(b) all of the Total Parent Shares, regardless of whether Annual Revenues for the twelve (12) months ending March 31, 2015 equal or exceed [***] of the Target Annual Revenues for such twelve (12) month period, Parent shall have no obligation to issue any registered shares with respect to the twelve (12) months ending March 31, 2015. All registered shares of Parent Common Stock issued pursuant to this Section 6.13(b) shall be (x) subject to all applicable Tax withholdings, (y) subject to a two (2) year vesting period (from the applicable March 31 date) and (z) allocated among the identified employees as determined in accordance with Section 6.13(d). For the avoidance of doubt, (a) if the Annual Revenues during any applicable measurement period is less than [***] of the Annual Revenues Target, then no issuance of registered shares of Parent Common Stock shall be made under this Section 6.13(b) to any of the identified employees with respect to such applicable measurement period; and (b) with respect to any identified employee who has been terminated for Cause, or who voluntarily terminates his or her employment (other than for Good Reason), in either event prior to an applicable issuance or vesting date, no further issuance of registered shares of Parent Common Stock shall be made to such individual under this Section 6.13(b) following such event. If Parent terminates an identified employee without Cause, if an identified employee leaves or resigns for Good Reason, or if an employee dies or becomes Incapacitated, in any such event prior to any applicable issuance date (pertaining to a fiscal year during which such employee would have otherwise worked for the Company or Parent for such entire fiscal year and all subsequent fiscal years) or prior to any applicable vesting date (with respect to restricted registered shares of Parent Common Stock previously issued under this Section 6.13(b) and to be issued pursuant to this sentence), then Parent's issuance obligations under this Section 6.13(b) with respect to such employee shall survive such termination, and all registered shares of Parent Common Stock allocated to such employee shall be deemed fully vested on the earlier to occur of such termination or issuance.

[***] Certain information has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) For purposes of this Section 6.13: "Annual Revenues" shall mean, with respect to each applicable twelve (12) month period ended March 31, an amount equal to (without duplication): (i) the sum of (A) all gross revenues in such period from sales of products of the Company in existence as of the Closing plus (B) all gross revenues in such period from sales of new products developed by or for the Surviving Corporation plus (C) twenty-five percent (25%) of gross revenues in such period from sales by Surviving Company of investment products of Parent, its Affiliates (other than Surviving Corporation) or their respective subsidiaries (other than Surviving Corporation's) minus (ii) the Base Revenue Amount. "Base Revenue Amount" and "Target Annual Revenue" shall have the meanings set forth on Schedule 6.13(c). The term "products" as used herein is understood to refer to both products and services.

(d) All shares of Parent Common Stock issued pursuant to this Section 6.13 shall be allocated among the identified employees as determined by Parent (in its sole discretion, but after consultation with Stuart DePina). If and to the extent that an identified employee is terminated for Cause, or voluntarily terminates his or her employment (other than for Good Reason), in either event prior to an applicable issuance or vesting date, then Parent (in its sole discretion, but after consultation with Stuart DePina) shall reallocate such un-issued and/or unvested shares among one or more of the identified employees who remain employed, such that, at any given time, all Total Parent Shares are fully allocated.

(e) Nothing in this Section 6.13 is intended to or shall (i) limit Parent's right to operate the business of the Surviving Corporation in a commercially reasonable manner at any time following the Closing, or (ii) limit Parent from improving or modifying any aspect of the business of the Surviving Corporation in the exercise of its reasonable business judgment; provided, that Parent shall use commercially reasonable efforts to ensure that the business of the Surviving Corporation can support the operating expenses reflected in the Business Plan and Budget agreed to by the Company and Parent on the date hereof. For the avoidance of doubt, the right to payment under this Section 6.13 is a contract right and shall not give rise to any rights or duties (including fiduciary duties), express or implied, other than those expressly set forth herein. No employee identified in Exhibit H shall be entitled to receive any of the Total Parent Shares until such employee has executed an acknowledgment for the benefit of Parent containing the disclaimers contained in this Section 6.13(e).

6.14 Parent Stock Investment at Effective Time.

(a) Each Company employee identified in Exhibit I shall have the obligation to apply fifty percent (50%) of the aggregate net proceeds of the Change of Control Payment Amount received by each such individual at the Effective Time as a Change of Control Payee (assuming a tax rate of 40%) to purchase registered shares of Parent Common Stock, and shall have the right to apply up to one hundred percent (100%) of such aggregate net proceeds to purchase registered shares of Parent Common Stock. Each individual so electing to purchase additional registered shares of Parent Common Stock must deliver written notice to Parent at least ten (10) Business Days prior to the Effective Time, which notice must identify the additional amount of such individual's net proceeds that will be used for such purchase (with respect to each electing individual, the required amount plus any timely elected additional amount, the "Purchase Amount").

(b) At the Effective Time, the payment made by Parent to each Company employee identified in Exhibit I shall be offset by the Purchase Amount, and Parent shall (in lieu of payment of the Purchase Amount) issue to such individual registered shares of Parent Common Stock in an amount equal to (i) the Purchase Amount, divided by (ii) (x) 0.95, multiplied by (y) the Market Price. All such registered shares issued shall be subject to the following restrictions: (A) such registered shares cannot be sold or otherwise transferred by such individual to any Person for a period of two (2) years (and shall be subject to any rules and regulations generally applicable to Parent employees with respect to sales or transfers thereof); and (B) if, prior to the date that is two (2) years after the Effective Time, such individual's employment with the Company or Parent is terminated for Cause, or if such individual terminates his or her employment with the Company or Parent, such individual shall be required to pay Parent an amount equal to (x) 0.05, multiplied by (y) the Market Price.

(c) In addition, Parent shall issue to each such individual option agreements substantially in the form attached hereto as Exhibit J. Any such individual who is terminated by Parent without Cause, or who leaves or resigns for Good Reason, or who dies or becomes Incapacitated, in any such event prior to such individual's exercise of such option, shall have six (6) months from the date of such event to exercise the vested portion of his or her option (including, without limitation, that portion of his or her option with respect to which vesting may accelerate upon any such event).

(d) Parent and the Company acknowledge that each individual identified in Exhibit I will be bound by the provisions of this Section 6.14 either as a Shareholder or, if such individual is not a Shareholder, by the terms of their employment arrangement with the Surviving Corporation.

6.15 Termination of Benefit Plans. The Company shall take all actions necessary to terminate, effective as of the day immediately prior to, and conditioned upon, the Closing, all employee benefit plans, including any tax-qualified retirement plan, sponsored or maintained by the Company.

ARTICLE VII

CONDITIONS TO CLOSING

7.1 Conditions to Obligations of Parent and MergerCo. The obligations of Parent to consummate the transactions contemplated by this Agreement are subject to the satisfaction or written waiver by Parent of the following conditions on or before the Closing Date:

(a) The representations and warranties contained in Article IV and in each of the Company's Related Agreements shall have been accurate, true and correct in all material respects on and as of the date hereof and of the Related Agreements, respectively, and shall also be accurate, true and correct in all material respects on and as of the Closing Date with the same force and effect as though made by the Company on and as of the Closing Date.

(b) The Company shall have performed and complied in all material respects with all of its covenants and obligations contained in this Agreement and in their Related Agreements to be performed and complied with by it or prior to the Closing Date.

(c) No Material Adverse Change shall have occurred and no event shall have occurred which, in the reasonable judgment of Parent, may have a Material Adverse Effect.

(d) No Proceeding by any Governmental Authority or other Person shall have been instituted or threatened which (i) causes or might cause a Material Adverse Effect or (ii) enjoins, restrains, prohibits or results in substantial damages in respect of, or could enjoin, restrain, prohibit or result in substantial damages in respect of, any provision of this Agreement or any Related Agreement or the consummation of the transactions contemplated hereby or thereby.

(e) The Company shall have delivered a schedule evidencing that clients representing at least ninety percent (90%) of run-rate revenue of the Company either (i) are not required to consent to or not object to the assignment of such client's Contracts under applicable Law (including the Advisers Act) or (ii) have either consented to or not objected to the assignment of such client's Contracts under the Advisers Act, such percentage to be calculated as set forth in Schedule 7.1(e).

(f) Parent shall have received all of the agreements, documents and items set forth inSection 8.2.

(g) The Shareholder Approval shall have been obtained.

(h) Holders of Shares that represent no greater than one percent (1%) of the Shares of Common Stock as of the Effective Time shall have demanded appraisal for such Shares in accordance with the Act prior to the Closing.

(i) The DePina Employment Letter shall be in full force and effect, and Stuart DePina shall not have terminated employment with the Company for any reason and shall not have committed an act or omitted to take an action that would permit termination for "cause" thereunder.

(j) The Closing Payment Calculation Statement shall reflect an estimated Closing Working Capital equal to or greater than the Minimum Closing Working Capital.

7.2 Conditions to Obligations of the Company. The obligations of the Company to consummate the transactions contemplated by this Agreement are subject to the satisfaction or written waiver by the Company of the following conditions on or before the Closing Date:

(a) The representations and warranties of Parent contained herein and in its Related Agreements shall have been accurate, true and correct in all material respects on and as of the date hereof and of the Related Agreements, respectively, and shall also be accurate, true and correct in all material respects on and as of the Closing Date with the same force and effect as though made by Parent on and as of the Closing Date.

(b) Each of Parent and MergerCo shall have performed and complied in all material respects with all of its covenants and obligations contained in this Agreement and in its Related Agreements to be performed and complied with by it on or prior to the Closing Date.

(c) No action or proceeding by any Governmental Authority or other Person shall have been instituted or threatened which enjoins, restrains, prohibits or results in substantial damages in respect of, or could enjoin, restrain, prohibit or result in substantial damages in respect of, any provision of this Agreement or any Related Agreement or the consummation of the transactions contemplated hereby or thereby.

(d) The Shareholders' Representative shall have received all of the agreements, documents and items set forth in Section 8.3.

ARTICLE VIII

CLOSING

8.1 Closing. The Closing may be conducted by overnight mail, e-mail and wire transfer. All transactions and deliveries required to be made or completed at the Closing pursuant to the terms of this Agreement shall be deemed to occur concurrently and none shall be deemed completed unless all are completed (or, to the extent permitted, are waived in a writing signed by the parties entitled to the benefit thereof).

8.2 Deliveries by the Company. At the Closing, in addition to any other documents or agreements required under this Agreement, the Company shall deliver to Parent the following:

(a) the resignations of all officers and directors of, and each non-corporate trustee or fiduciary of any plan or arrangement involving employee benefits of, the Company duly executed by such Persons;

(b) evidence, in form satisfactory to Parent, that all consents and approvals set forth on Schedule 4.3 have been obtained;

(c) estoppel certificates of all landlords under the Real Property Leases in form and substance satisfactory to Parent duly executed by all such landlords;

(d) a certificate of the Secretary of the Company certifying resolutions of the Board of Directors of the Company approving and authorizing the execution, delivery and performance of this Agreement and its Related Agreements and the consummation of the transactions contemplated hereby and thereby (together with an incumbency and signature certificate regarding the officer(s) signing on behalf of the Company);

(e) the Certificate of Incorporation (or similar instrument) of the Company, certified by the Secretary of State or equivalent Person of its jurisdiction of formation, and the By-laws or similar instrument of the Company, certified by its Secretary;

(f) certificates of Good Standing for the Company from the State of Washington.

(g) a certificate dated as of the Closing Date, signed by an officer of the Company certifying as to compliance with Sections 7.1(a) and 7.1(b);

(h) payoff letters with respect to each item of Company Debt, duly executed by the applicable Company Creditor, pursuant to which such Company Creditor shall have agreed to unconditionally release all Liens in favor of such Company Creditor relating to the Shares or the assets or properties of the Company upon receipt of the amounts indicated in such payoff letters and which shall otherwise be in a form satisfactory to Parent;

(i) the Escrow Agreement, duly executed by the Shareholders' Representative and the Escrow Agent;

(j) evidence that each of the Contracts and transactions listed (or required to be listed) on Schedule 4.23 has been terminated at or prior to the Closing, in form satisfactory to Parent;

(k) documentation satisfactory to Parent that any and all Liens (other than Permitted Liens or Liens which a Company Creditor has agreed to unconditionally release in accordance with a payoff letter delivered pursuant to Section 8.2(h) upon receipt by such Company Creditor of the applicable payoff amount) on the assets and properties of the Company shall have been terminated and released; and

(l) such other documents and instruments as may be required by any other provision of this Agreement or any Related Agreement or as may reasonably be required to consummate the transactions contemplated by this Agreement and the Related Agreements.

8.3 Deliveries by Parent. At the Closing, Parent shall deliver to the Shareholders' Representative the following:

(a) a certificate of Parent dated as of the Closing Date, signed by an officer of Parent, certifying as to compliance with Sections 7.2(a) and 7.2(b);

(b) the Escrow Agreement, duly executed by Parent; and

(c) a certificate of Parent's secretary certifying resolutions of the Board of Directors of Parent and MergerCo approving this Agreement and its Related Agreements and the transactions contemplated hereby and thereby (together with an incumbency and signature certificate regarding the officer(s) signing on behalf of Parent and MergerCo).

ARTICLE IX

TERMINATION

9.1 Termination. This Agreement may be terminated at any time on or prior to the Closing Date:

(a) by the mutual written consent of the Company and Parent;

(b) by either the Company or Parent, if the Closing shall not have taken place on or before the Outside Date; provided, that the right to terminate this Agreement under this Section 9.1(b) shall not be available to (i) the Company if the failure of the Company to fulfill any obligation under this Agreement has been the cause of or resulted in the failure of the Closing to occur on or before such date or (ii) Parent if the failure of Parent to fulfill any obligation under this Agreement has been the cause of or resulted in the failure of the Closing to occur on or before such date;

(c) by Parent, if there shall have been a material breach of any covenant, obligation, representation or warranty of the Company hereunder, and in the case of a breach of covenant or obligation only such breach shall not have been remedied within ten (10) Business Days after receipt by the Company of a notice in writing from Parent specifying the breach and requesting such breach be remedied; or

(d) by the Company, if there shall have been a material breach of any covenant, obligation, representation or warranty of Parent or MergerCo hereunder, and in the case of a breach of covenant or obligation only such breach shall not have been remedied within ten (10) Business Days after receipt by Parent of notice in writing from the Company specifying the breach and requesting such breach be remedied.

9.2 Effect of Termination. If this Agreement is terminated pursuant to Section 9.1, all obligations of the parties hereunder shall terminate, except for Article XI and this Section 9.2 (including the second sentence hereof), which shall survive the termination of this Agreement, and except that no such termination shall relieve any party from liability for any prior breach of this Agreement. If this Agreement is terminated (i) by Parent due to a breach of Section 6.9 which results in the Company's failure to close, then the Company shall, within five (5) Business Days of such termination, pay to Parent an amount equal to the Termination Fee plus all actual fees, costs and expenses reasonably incurred by Parent in connection with the preparation, execution and performance of this Agreement; or (ii) by the Company pursuant to Section 9.1(d), then Parent shall, within five (5) Business Days of such termination, pay to the Company an amount equal to the Termination Fee plus all actual fees, costs and expenses reasonably incurred by the Company in connection with the preparation, execution and performance of this Agreement.

ARTICLE X

INDEMNIFICATION

10.1 Survival. The representations and warranties of the parties contained herein shall survive the Closing for a period of eighteen (18) months, except that Tax Warranties shall survive until the Tax Statute of Limitations Date and Title and Authorization Warranties shall survive forever. The covenants and agreements of the parties contained herein shall survive the Closing forever unless a shorter period of time is specified therein.

10.2 Indemnification by Shareholders. The Shareholders shall severally and proportionately indemnify each Parent Indemnified Person against, and each Shareholder agrees

to hold each of them harmless from, any and all Losses incurred or suffered by them relating to or arising out of or in connection with any of the following:

(a) any breach of or any inaccuracy in any representation or warranty made in Article IV or any document delivered by the Company at the Closing; provided, that (i) in the case of all representations and warranties, except for Title and Authorization Warranties and Tax Warranties, a notice of the Parent Indemnified Person's claim shall have been given to the Shareholders' Representative not later than the close of business eighteen (18) months after the Closing Date and (ii) in the case of Tax Warranties, a notice of the Parent Indemnified Person's claim shall have been given to the Shareholders' Representative not later than the close of business on the Tax Statute of Limitations Date;

(b) any breach or failure of the Company to perform any covenant or obligation of the Company set forth or contemplated in this Agreement or any Related Agreement or any document delivered by the Company at the Closing; and

(c) any Specified Liability.

10.3 Indemnification by Parent. Parent agrees to indemnify each Shareholder Indemnified Person against, and agrees to hold each of them harmless from, any and all Losses incurred or suffered by them relating to or arising out of or in connection with any of the following:

(a) any breach of or any inaccuracy in any representation or warranty made by Parent in this Agreement or any Related Agreement or any document delivered by Parent at the Closing; provided, that in the case of all representations and warranties, except for Title and Authorization Warranties, a notice of the Shareholder Indemnified Person's claim shall have been given to Parent not later than the close of business on the second (2nd) anniversary of the Closing Date; or

(b) any breach of or failure by Parent or MergerCo to perform any covenant or obligation of them set out or contemplated in this Agreement or any Related Agreement or any document delivered by them at the Closing.

10.4 Limitations on Liability.

(a) No Shareholder shall have any liability pursuant to Section 10.2(a) (other than with respect to any breach of or inaccuracy in any of the Title and Authorization Warranties or the Tax Warranties) unless and until the aggregate amount of all Losses incurred or suffered by the Parent Indemnified Persons pursuant to any matter described in Section 10.2(a) exceeds one half percent (0.5%) of the Base Purchase Price (the "Basket Amount"), but in the event such Losses exceed the Basket Amount, Shareholder shall be liable and responsible to the Parent Indemnified Persons for the full amount of such Losses (subject to Section 10.4(b) and the other terms and conditions of this Agreement), without reduction for the Basket Amount.

(b) In no event shall Shareholders' aggregate liability pursuant to Section 10.2 for Losses incurred or suffered by the Parent Indemnified Persons (other than with respect to any breach of or inaccuracy in any of the Title and Authorization Warranties or the Tax Warranties) exceed the Indemnification Escrow Amount.

(c) Notwithstanding anything contained herein or otherwise to the contrary, including Sections 10.4(a) and 10.4(b), nothing herein shall be deemed to limit any party's rights to recover any and all Losses incurred or suffered by it relating to or arising out of or in connection with fraud or intentional misrepresentation, it being understood and agreed that the right to recover such Losses shall survive forever.

10.5 Materiality. For purposes of Sections 10.2, 10.3 and 10.4, the representations and warranties herein shall be deemed to have been made without any qualifications as to materiality and, accordingly, for such purposes, all references therein to "material", "in all material respects" and similar qualifications as to materiality shall be deemed to be deleted therefrom (except where any such provision requires disclosure of lists of items of a material nature or above a specified threshold).

10.6 Claims. As soon as is reasonably practicable after becoming aware of a claim for indemnification under this Agreement not involving a claim (or the commencement of any suit, action or proceeding) of the type described in Section 10.7 or 6.7(f), the Indemnified Person shall give notice to the Indemnifying Person of such claim; provided, that the failure of the Indemnified Person to give notice shall not relieve the Indemnifying Person of its obligations under this Article X except to the extent (if any) that the Indemnifying Person shall have been actually and materially prejudiced thereby. If the Indemnifying Person does not object in writing to such indemnification claim within thirty (30) calendar days after receiving notice thereof, the Indemnified Person shall be entitled to recover promptly from the Indemnifying Person and the Indemnifying Person shall promptly pay to the Indemnified Person the amount of such claim (but such recovery shall not limit the amount of any additional indemnification to which the Indemnified Person may be entitled pursuant to Section 10.2 or 10.3), and no later objection by the Indemnifying Person shall be permitted. If within such thirty (30) day period the Indemnifying Person agrees that it has an indemnification obligation but objects that it is obligated to pay only a lesser amount, the Indemnified Person shall nevertheless be entitled to recover from the Indemnifying Person and the Indemnifying Person shall promptly pay to the Indemnified Person the lesser amount, without prejudice to the Indemnified Person's claim for the difference.

10.7 Notice of Third Party Claims; Assumption of Defense. The Indemnified Person shall give notice as promptly as is reasonably practicable to the Indemnifying Person of the assertion of any claim (or the commencement of any suit, action or proceeding) by any Person not a party hereto (other than by a Governmental Authority with respect to Taxes, which shall be governed by Section 6.7(f)) in respect of which indemnity may be sought under this Agreement; provided, that the failure of the Indemnified Person to give notice shall not relieve the Indemnifying Person of its obligations under this Article X except to the extent (if any) that the Indemnifying Person shall have been actually prejudiced thereby. The Indemnifying Person may, at its own expense, (i) participate in the defense of any such claim, suit, action or proceeding and (ii) upon notice to the Indemnified Person and the Indemnifying Person's delivering to the Indemnified Person a written agreement that the Indemnified Person is entitled to indemnification pursuant to Section 10.2 or 10.3 for all Losses arising out of such claim, suit,

action or proceeding and that the Indemnifying Person shall be liable for the entire amount of any Loss resulting therefrom, at any time during the course of any such claim, suit, action or proceeding, assume the defense thereof; provided, that (a) the Indemnifying Person's counsel is reasonably satisfactory to the Indemnified Person and (b) the Indemnifying Person shall thereafter consult with the Indemnified Person upon the Indemnified Person's reasonable request for such consultation from time to time with respect to such claim, suit, action or proceeding. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to defend any such claim, suit, action or proceeding if: (I) such claim, suit action or proceeding relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation; (II) such claim, suit action or proceeding relates to or arises in connection with any non-criminal Proceeding by a Governmental Authority that would reasonably be expected to materially and adversely affect the operations or conduct of Parent and its Affiliates (including the Company); (III) such claim, suit action or proceeding could result in an injunction or equitable relief against the Indemnified Person; (IV) upon petition by the Indemnified Party, the appropriate court rules that the Indemnifying Party failed or is failing to vigorously prosecute or defend such claim, suit action or proceeding; (V) the Indemnified Party reasonably believes that the Losses relating to such claim, suit action or proceeding could exceed the maximum amount that such Indemnified Person could then be entitled to recover under the applicable provisions of this Article X; or (VI) the Indemnifying Party does not provide the Indemnified Party with reasonable evidence that the Indemnifying Party has the financial resources to defend such Third-Party Claim and to fulfill its indemnification obligations under this Article X. If the Indemnifying Person assumes such defense, the Indemnified Person shall have the right (but not the duty) to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Person. If, however, the Indemnified Person reasonably determines in its judgment that representation by the Indemnifying Person's counsel of both the Indemnifying Person and the Indemnified Person would present such counsel with a conflict of interest, then such Indemnified Person may employ separate counsel to represent or defend it in any such claim, action, suit or proceeding and the Indemnifying Person shall pay the fees and disbursements of such separate counsel. Whether or not the Indemnifying Person chooses to defend or prosecute any such claim, suit, action or proceeding, all of the parties hereto shall cooperate in the defense or prosecution thereof.

10.8 Settlement or Compromise. Any settlement or compromise made or caused to be made by the Indemnified Person or the Indemnifying Person, as the case may be, of any such claim, suit, action or proceeding of the kind referred to in Section 10.7 shall also be binding upon the Indemnifying Person or the Indemnified Person, as the case may be, in the same manner as if a final judgment or decree had been entered by a court of competent jurisdiction in the amount of such settlement or compromise; provided, that (i) no obligation, restriction or Loss shall be imposed on the Indemnified Person as a result of such settlement without its prior written consent, and (ii) the Indemnified Person shall not compromise or settle any claim, suit, action or proceeding without the prior written consent of the Indemnifying Person, which consent shall not be unreasonably withheld.

10.9 Failure of Indemnifying Person to Act. In the event that the Indemnifying Person does not elect to assume the defense of any claim, suit, action or proceeding, then any failure of the Indemnified Person to defend or to participate in the defense of any such claim, suit, action or proceeding or to cause the same to be done, shall not relieve the Indemnifying Person of its obligations hereunder.

10.10 Indemnification Escrow Amount. In the event any Parent Indemnified Person is entitled to receive any amount from Shareholders under this Agreement, including any indemnification payment under this Agreement, the such Parent Indemnified Person's sole and exclusive remedy shall be to seek recovery from the Indemnification Escrow Amount for such amounts.

10.11 No Contribution/Subrogation. Notwithstanding anything to the contrary contained in this Agreement, no Shareholder shall have any right of contribution, indemnification or similar right (whether at common law, by statute or otherwise) from or against the Company with respect to any claim by any Parent Indemnified Person pursuant to this Article X, provided that this section shall not limit any right of contribution, indemnification or similar right (whether at common law, by statute or otherwise) a Shareholder may have from or against any other Shareholder.

10.12 Purchase Price Adjustments. Any amounts payable under Section 6.7(d) or 10.2 or Section 10.3 shall be treated by Parent and Shareholders as an adjustment to the Per Share Merger Consideration.

ARTICLE XI

MISCELLANEOUS

11.1 Expenses. Except as expressly set forth in this Agreement, each party shall bear its own fees and expenses with respect to the transactions contemplated hereby, it being understood and agreed that the Company shall ensure that any and all such fees and expenses of the Company shall be paid prior to the Closing.

11.2 Amendment. This Agreement may be amended, modified or supplemented but only in writing signed by Parent and the Company.

11.3 Notices. Any notice, request, instruction or other document to be given hereunder by a party shall be in writing and shall be deemed to have been given, (i) when received if given in person or by courier or a courier service or (ii) on the date of transmission if sent by facsimile or other wire transmission (receipt confirmed):

(i) If to the Shareholders' Representative, addressed as follows:

KLJ Consulting, LLC
1215 4th Ave, Suite 900
Seattle, WA 98161
Attention: Kent L. Johnson
Managing Member
Facsimile No.: (206) 341-9810

(ii) If to the Company (prior to the Closing), addressed as follows:

Tamarac Inc.
811 First Avenue, Suite 340
Seattle, Washington 98104
Attention: Stuart DePina,
Chairman and CEO
Facsimile No.: (206) 529-0238

with a copy (which shall not constitute notice) to:

McNaul Ebel Nawrot & Helgren PLLC
600 University Street, Suite 2700
Seattle, Washington 98101
Attention: William A. Carleton
Facsimile No.: (206) 624-5128

(iii) If to Parent or MergerCo, addressed as follows:

Envestnet, Inc.
35 East Wacker Drive, Suite 2400
Chicago, Illinois 60601
Attention: Shelly O'Brien,
General Counsel and Corporate Secretary
Facsimile No.: (312) 827-2801

with a copy (which shall not constitute notice) to:

Mayer Brown LLP
71 South Wacker Drive
Chicago, Illinois 60606
Attention: Edward S. Best
Facsimile No.: (312) 706-8106

or to such other individual or address as a party may designate for itself by notice given as herein provided.

11.4 Payments. Except as otherwise provided in this Agreement or in a Related Agreement, all payments pursuant to this Agreement shall be made by wire transfer in Dollars in same day or immediately available funds.

11.5 Waivers. The failure of a party at any time or times to require performance of any provision hereof shall in no manner affect its right at a later time to enforce the same. No waiver by a party of any condition or of any breach of any term, covenant, representation or warranty contained in this Agreement shall be effective unless in writing, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach in other instances or a waiver of any other condition or breach of any other term, covenant, representation or warranty.

11.6 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns, heirs and legal representatives; provided, that no assignment of any rights or obligations hereunder shall be made by the Company or the Shareholders' Representative without the written consent of Parent and no assignment of any rights or obligations hereunder shall be made by Parent or MergerCo to any Person without the written consent of the Shareholders' Representative. Notwithstanding the foregoing, Parent may assign this Agreement to any lender to Parent or any Affiliate thereof as security for obligations to such lender in respect of any financing arrangements entered into in connection with the transactions contemplated hereby and any refinancings, extensions, refundings or renewals thereof; provided, that no assignment to any lender shall in any way affect Parent's obligations or liabilities under this Agreement.

11.7 No Third Party Beneficiaries. This Agreement is solely for the benefit of the parties and, to the extent provided herein, their respective Affiliates, directors, officers, employees, agents and representatives, and no provision of this Agreement shall be deemed to confer upon other third parties any remedy, claim, liability, reimbursement, cause of action or other right.

11.8 Publicity. Prior to the Closing Date, no public announcement or other publicity regarding the existence of this Agreement or its contents or the transactions contemplated hereby shall be made by Parent, MergerCo, the Company or any of their respective Affiliates, officers, directors, employees, representatives or agents, without the prior written agreement of Parent and the Company, in any case, as to form, content, timing and manner of distribution or publication; provided, that nothing in this Section 11.8 shall (i) prevent Parent from filing a Form 8-K with the United States Securities and Exchange Commission or publicly issuing a press release, in each case, with respect to this Agreement or its contents or the transactions contemplated hereby (the contents of which Form 8-K and press release shall be determined by Parent and its Affiliates in their sole discretion) or making any public announcement required by Law or the rules of any stock exchange so long as Parent consults with the Company as to the form, content, timing and manner of distribution of publication, or (ii) any party from discussing this Agreement or its contents or the transactions contemplated hereby with those Persons whose approval, agreement or opinion, as the case may be, is required for consummation of such particular transaction or transactions or enforcing its rights hereunder.

11.9 Further Assurances. By accepting any payment pursuant to Article II, a Shareholder shall be deemed to have agreed to, upon the reasonable request of Parent on and after the Closing Date, execute and deliver to Parent such other documents, releases, assignments and other instruments as may be required to effectuate completely the Merger and to otherwise carry out the purposes of this Agreement.

11.10 Severability. If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions hereof shall not be affected thereby, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.

11.11 Entire Understanding. This Agreement and the Related Agreements set forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersede any and all prior agreements, arrangements and understandings among the parties relating to the subject matter hereof.

11.12 Language. The Company, the Shareholders' Representative, Parent and MergerCo agree that the language used in this Agreement is the language chosen by the parties hereto to express their mutual intent, and that no rule of strict construction is to be applied against any party.

11.13 Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Washington without giving effect to the principles of conflicts of law thereof.

11.14 Exclusive Jurisdiction of Disputes; Waiver of Jury Trial In the event any party to this Agreement commences any litigation, proceeding or other legal action in connection with or relating to this Agreement, any Related Agreement or any matters described or contemplated herein or therein, the parties to this Agreement hereby: (i) agree that any such litigation, proceeding or other legal action shall be brought exclusively in a court of competent jurisdiction located within the State of Washington, whether a state or federal court; (ii) agree that in connection with any such litigation, proceeding or action, such parties will consent and submit to personal jurisdiction in any such court described in clause (i) above and to service of process upon them in accordance with the rules and statutes governing service of process; (iii) agree to waive to the full extent permitted by law any objection that they may now or hereafter have to the venue of any such litigation, proceeding or action in any such court or that any such litigation, proceeding or action was brought in an inconvenient forum; and (iv) agree that nothing herein shall affect the rights of any party to effect service of process in any other manner permitted by Law. EACH PARTY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY DISPUTE IN CONNECTION WITH OR RELATING TO THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY MATTERS DESCRIBED OR CONTEMPLATED HEREIN OR THEREIN, AND AGREES TO TAKE ANY AND ALL ACTION NECESSARY OR APPROPRIATE TO EFFECT SUCH WAIVER.

11.15 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.16 Facsimile and Electronic Signatures. Any signature page delivered via a facsimile machine or electronic transmission (*e.g.*, PDF file) shall be binding to the same extent as an original signature page. Any party who delivers such a signature page agrees to later deliver an original counterpart to any party that requests it.

11.17 Effect of Investigation. Any due diligence review, audit or other investigation or inquiry undertaken or performed by or on behalf of Parent or MergerCo shall not limit, qualify, modify or amend the representations, warranties, covenants or obligations of (including indemnities by) any Shareholder or the Company made in or undertaken pursuant to this Agreement or any of their Related Agreements, irrespective of the knowledge and information received (or which should have been received) therefrom by Parent or MergerCo.

11.18 Specific Performance. The Company recognizes and affirms that in the event of breach by it of any of the provisions of this Agreement money damages would be inadequate and Parent and MergerCo would have no adequate remedy at law. Accordingly, the Company agrees that Parent and MergerCo shall have the right, in addition to any other rights and remedies existing in its favor, to enforce its rights and the Company's obligations under this Agreement not only by an action or actions for damages, but also by an action or actions for specific performance, injunction and/or other equitable relief in order to enforce or prevent any violations (including anticipatory, continuing or future) of the provisions of this Agreement, without the necessity of posting any bond.

11.19 Remedies Cumulative. The remedies provided in this Agreement shall be cumulative and shall not preclude the assertion or exercise of any other rights or remedies available by Law, in equity or otherwise.

11.20 Shareholders' Representative.

(a) The Company hereby appoints the Shareholders' Representative as the representative of the Shareholders for the purposes set forth herein and for purposes of enforcing all obligations of Parent that are for the benefit of the Shareholders after the Effective Time. If the Shareholders' Representative should dissolve, disappear, liquidate, merge out of existence, enter into bankruptcy proceedings, or otherwise experience a similar event (or, in the case Shareholders' Representative is an individual, die or become incapacitated) (each such event, a "Terminating Event"), its successor shall be appointed within fifteen (15) calendar days of such event by Persons holding a majority of the Shares of Common Stock as of immediately prior to the Effective Time, and any such successor shall be a Shareholder, an officer of a Shareholder or an Affiliate of a Shareholder and shall agree in writing to accept such appointment. The choice of a successor Shareholders' Representative appointed in any manner permitted above shall be final and binding upon all of the Shareholders. The decisions and actions of any successor Shareholders' Representative shall be, for all purposes, those of the Shareholders' Representative as if originally named herein.

(b) A Terminating Event of any Shareholder shall not terminate the authority and agency of the Shareholders' Representative.

(c) The Shareholders' Representative shall have no liability (i) to any Shareholder in connection with performing its obligations hereunder, except to the extent the Shareholders' Representative shall have acted maliciously in connection with the performance of its duties hereunder, and (ii) under this Agreement prior to the Effective Time.

(d) By their acceptance of any payments pursuant to Article II of this Agreement, the Shareholders shall be deemed to have authorized the Shareholders' Representative, on their behalf and in their name, to:

(i) receive all notices or documents given or to be given to the Shareholders pursuant hereto or in connection herewith and to receive and accept service of legal process in connection with any suit or proceeding arising under this Agreement;

(ii) engage counsel and such accountants and other advisors for the Shareholders and incur such other expenses on behalf of the Shareholders in connection with this Agreement and the transactions contemplated hereby as the Shareholders' Representative may deem appropriate;

(iii) take such action on behalf of the Shareholders as the Shareholders' Representative may deem appropriate in respect of: (A) any claims (including settlement thereof) made by any Parent Indemnified Person for indemnification pursuant to Article X; and (B) any calculations or distributions with respect to the Per Share Adjustment Escrow Consideration and the Per Share Indemnification Escrow Consideration;

(iv) take such other action (A) as the Shareholders' Representative is authorized to take under this Agreement or (B) on written instructions executed by holders of a majority of the outstanding Shares of Common Stock immediately prior to the Effective Time;

(v) receive all documents or certificates or notices and make all determinations on behalf of the Shareholders required under this Agreement;

(vi) represent each individual Shareholder or all or certain Shareholders as a group in all litigation and negotiate or enter into settlements and compromises relating to any disputes arising in connection with this Agreement and the transactions contemplated hereby; and

(vii) take all relevant action in all such other matters as the Shareholders' Representative may deem necessary or appropriate to consummate this Agreement and the transactions contemplated hereby.

(e) The appointment of the Shareholders' Representative hereunder is coupled with an interest shall survive the bankruptcy, liquidation or dissolution of each Shareholder and irrevocable, and any action taken by the Shareholders' Representative pursuant to the authority granted in this Section 11.20 shall be effective and binding on behalf of each Seller by a facsimile signature or by referencing the Seller executing any instrument with a single signature as attorney-in-fact for all of them notwithstanding any contrary action of, or direction from, any Shareholder.

* * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

PARENT:

Envestnet, Inc.

By: _____
Name: _____
Title: _____

MERGERCO:

Titan Merger Corp.

By: _____
Name: _____
Title: _____

COMPANY:

Tamarac Inc.

By: _____
Stuart DePina
Chairman and Chief Executive Officer

SHAREHOLDERS' REPRESENTATIVE:

KLJ Consulting, LLC

By: _____
Kent L. Johnson
Managing Member

Exhibit 21.1

Envestnet, Inc.
Subsidiaries of the Registrant

Name	Jurisdiction of Incorporation
SIGMA Asset Management, LLC	Delaware
Oberon Financial Technology, Inc.	Delaware
NetAssetManagement, Inc.	Delaware
Envestnet Asset Management, Inc.	Delaware
Envestnet Portfolio Solutions, Inc.	Delaware
Envestnet Securities, Inc.	Delaware
PMC International, Inc.	Colorado
Premier Advisors Fund Offshore, Ltd.	Cayman Islands
Premier Advisors Fund, L.L.C.	Delaware
NetAssetManagement (India) Pvt. Ltd., Inc.	India
Portfolio Management Consultants, Inc.	Colorado
Portfolio Brokerage Services, Inc.	Colorado

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement (No. 333-169050) on Form S-8 of Envestnet, Inc. of our reports dated March 9, 2012 relating to our audits of the consolidated financial statements and internal control over financial reporting, which appear in this Annual Report on Form 10-K of Envestnet, Inc. for the year ended December 31, 2011.

/s/ McGladrey & Pullen, LLP

Chicago, Illinois
March 9, 2012

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Judson Bergman, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2011, 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: March 9, 2012

/s/ JUDSON BERGMAN
Judson Bergman
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Peter D'Arrigo, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2011, 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: March 9, 2012

/s/ PETER D'ARRIGO
Peter D'Arrigo
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 Annual Report of Envestnet, Inc. (the "Company") on Form 10-K for the period ending December 31, 2011 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: March 9, 2012

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.

Exhibit 32.2

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 Annual Report of Envestnet, Inc. (the "Company") on Form 10-K for the period ending December 31, 2011 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 D'Arrigo

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

Dated: March 9, 2012

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.