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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

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

Commission file number 001-34835

Envestnet, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

60601
(Zip Code)

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

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

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

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

Large accelerated filer

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

As of August 1, 2015, 35,617,271 shares of the common stock with a par value of \$0.005 per share were outstanding.

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Envestnet, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share information)
(unaudited)

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 198,927	\$ 209,754
Fees and other receivable, net	29,232	20,345
Deferred tax assets, net	4,635	4,654
Prepaid expenses and other current assets	20,653	7,242
Total current assets	<u>253,447</u>	<u>241,995</u>
Property and equipment, net	18,283	16,629
Internally developed software, net	7,999	7,023
Intangible assets, net	67,911	58,654
Goodwill	126,367	104,976
Deferred tax assets, net	—	565
Other non-current assets	11,621	9,516
Total assets	<u>\$ 485,628</u>	<u>\$ 439,358</u>
Liabilities and Equity		
Current liabilities:		
Accrued expenses	\$ 48,451	\$ 48,247
Accounts payable	6,402	4,869
Contingent consideration	7,422	6,405
Deferred revenue	7,872	5,159
Total current liabilities	<u>70,147</u>	<u>64,680</u>
Convertible notes	147,627	145,203
Contingent consideration	5,194	7,462
Deferred revenue	11,893	6,954
Deferred rent	4,122	3,588
Lease incentive	5,253	5,550
Deferred tax liabilities, net	224	—
Other non-current liabilities	2,100	2,430
Total liabilities	<u>246,560</u>	<u>235,867</u>
Commitments and contingencies		
Redeemable units in ERS, LLC	1,500	1,500
Equity:		
Stockholders' equity:		
Preferred stock, par value \$0.005, 50,000,000 shares authorized	—	—
Common stock, par value \$0.005, 500,000,000 shares authorized; 47,513,468 and 46,345,376 shares issued as of June 30, 2015 and December 31, 2014, respectively; 35,593,544 and 34,544,653 shares outstanding as of June 30, 2015 and December 31, 2014, respectively	238	232
Additional paid-in capital	270,967	233,888
Accumulated deficit	(14,396)	(19,443)
Treasury stock at cost, 11,919,924 and 11,800,723 shares as of June 30, 2015 and December 31, 2014, respectively	<u>(19,797)</u>	<u>(13,242)</u>

Total stockholders' equity	237,012	201,435
Non-controlling interest	556	556
Total equity	237,568	201,991
Total liabilities and equity	\$ 485,628	\$ 439,358

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Investnet, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share information)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Assets under management or administration	\$ 83,819	\$ 70,727	\$ 164,896	\$ 137,808
Licensing and professional services	18,844	14,102	34,221	25,560
Total revenues	102,663	84,829	199,117	163,368
Operating expenses:				
Cost of revenues	42,486	37,955	81,181	72,392
Compensation and benefits	31,956	25,157	63,491	48,616
General and administration	15,512	12,936	29,721	25,086
Depreciation and amortization	5,725	4,615	11,058	9,037
Restructuring charges	518	—	518	—
Total operating expenses	96,197	80,663	185,969	155,131
Income from operations	6,466	4,166	13,148	8,237
Other income (expense)	(2,251)	1,839	(4,454)	1,920
Income before income tax provision	4,215	6,005	8,694	10,157
Income tax provision	1,679	2,355	3,647	3,639
Net income	2,536	3,650	5,047	6,518
Add: Net loss attributable to non-controlling interest	—	69	—	195
Net income attributable to Investnet, Inc.	\$ 2,536	\$ 3,719	\$ 5,047	\$ 6,713
Net income per share attributable to Investnet, Inc.:				
Basic	\$ 0.07	\$ 0.11	\$ 0.14	\$ 0.20
Diluted	\$ 0.07	\$ 0.10	\$ 0.13	\$ 0.18
Weighted average common shares outstanding:				
Basic	35,776,125	34,547,277	35,463,623	34,332,759
Diluted	37,654,074	36,805,758	37,504,028	36,726,121

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Investnet, Inc.
Condensed Consolidated Statement of Equity
(in thousands, except share information)
(unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Total Equity
	Shares	Amount	Common Shares	Amount				
Balance, December 31, 2014	46,345,376	\$ 232	(11,800,723)	\$ (13,242)	\$ 233,888	\$ (19,443)	\$ 556	\$ 201,991
Exercise of stock options	686,516	3	—	—	5,906	—	—	5,909
Issuance of common stock for:								
vesting of restricted stock	358,166	2	—	—	—	—	—	2
acquisition of business	123,410	1	—	—	8,929	—	—	8,930
Stock-based compensation expense	—	—	—	—	6,749	—	—	6,749
Excess tax benefits from stock-based compensation expense	—	—	—	—	15,495	—	—	15,495
Purchase of treasury stock for stock-based minimum tax withholdings	—	—	(119,201)	(6,555)	—	—	—	(6,555)
Net income	—	—	—	—	—	5,047	—	5,047
Balance, June 30, 2015	47,513,468	\$ 238	(11,919,924)	\$ (19,797)	\$ 270,967	\$ (14,396)	\$ 556	\$ 237,568

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2015	2014
OPERATING ACTIVITIES:		
Net income	\$ 5,047	\$ 6,518
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,058	9,037
Deferred rent and lease incentive	219	1,123
Provision for doubtful accounts	37	—
Deferred income taxes	808	—
Stock-based compensation	6,749	5,767
Excess tax benefits from stock-based compensation	(15,495)	(3,203)
Interest expense	4,697	—
Accretion on contingent consideration	651	824
Fair market value adjustment on contingent consideration	(1,902)	(460)
Changes in operating assets and liabilities, net of acquisitions:		
Fees receivable	(8,825)	(5,009)
Prepaid expenses and other current assets	2,090	2,455
Other non-current assets	(1,244)	(1,136)
Accrued expenses	(6,323)	(1,559)
Accounts payable	1,439	1,200
Deferred revenue	5,978	2,190
Other non-current liabilities	(330)	144
Net cash provided by operating activities	<u>4,654</u>	<u>17,891</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,912)	(4,841)
Capitalization of internally developed software	(2,208)	(1,651)
Investment in private company	(1,500)	—
Acquisition of businesses, net of cash acquired	(21,712)	—
Net cash used in investing activities	<u>(30,332)</u>	<u>(6,492)</u>
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	5,909	1,615
Purchase of treasury stock for stock-based minimum tax withholdings	(6,555)	(1,695)
Excess tax benefits from stock-based compensation expense	15,495	3,203
Issuance of restricted stock	2	—
Net cash provided by financing activities	<u>14,851</u>	<u>3,123</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(10,827)</u>	<u>14,522</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>209,754</u>	<u>49,942</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 198,927</u>	<u>\$ 64,464</u>
Supplemental disclosure of cash flow information - cash paid during the period for income taxes, net of refunds	\$ 791	\$ 18
Supplemental disclosure of cash flow information - cash paid during the period for interest	1,634	—
Supplemental disclosure of non-cash operating, investing and financing activities:		
Leasehold improvements funded by lease incentive	36	—
Settlement of contingent consideration liability upon issuance of ERS, LLC membership interest	—	158
Stock and stock options issued in acquisition of business	8,930	—
Purchase of fixed assets included in accounts payable	126	—
Purchase liabilities included in accrued expenses	3,520	—

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.
Notes to Unaudited Condensed 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”) provide open-architecture wealth management services and technology to independent financial advisors and financial institutions. These services and related technology are provided via Envestnet’s wealth management software, Envestnet | PMC[®], Envestnet | Tamarac[™], Vantage Reporting Solution[™], Envestnet | WMS[™] and Envestnet | Placemark[™].

Investnet's wealth management software 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, Investnet | PMC, provides investment manager due diligence and research, a full spectrum of investment offerings supported by both proprietary and third-party research and manager selection, and overlay portfolio management services.

Investnet | Tamarac provides leading portfolio accounting, rebalancing, trading, performance reporting and client relationship management software, principally to high-end registered investment advisers ("RIAs").

Vantage Reporting Solution software aggregates and manages investment data, provides performance reporting and benchmarking, giving advisors an in-depth view of clients' various investments, empowering advisors to give holistic, personalized advice.

Investnet | WMS offers financial institutions access to an integrated wealth platform, which helps construct and manage sophisticated portfolio solutions across an entire account life cycle, particularly in the area of unified managed account trading. Investnet | WMS's Overlay Portfolio Management console helps wealth managers efficiently build customized client portfolios that consider both proprietary and open-architecture investment solutions.

Investnet | Placemark develops unified managed account ("UMA") programs and other portfolio management outsourcing solutions, including patented portfolio overlay and tax optimization services, for banks, full service broker-dealers and RIA firms.

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 Investnet | PMC and other leading investment providers via multiple custodians, and also account administration and reporting services.

Investnet operates six 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. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company as of June 30, 2015 and for the three and six months ended June 30, 2015 and 2014 have not been audited by an independent registered public accounting firm. These unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2014 and reflect all normal recurring adjustments which are, in the opinion of management, necessary to present fairly the Company's financial position as of June 30, 2015 and the results of operations, equity and cash flows for the periods presented herein. The unaudited condensed consolidated balance sheet as of December 31, 2014 was derived from the Company's audited financial statements for the year ended December 31, 2014 but does not include all disclosures, including notes required by accounting principles generally accepted in the United States of America ("GAAP"). The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the operating results to be expected for other interim periods or for the full fiscal year.

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 2, 2015.

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

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

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers.

The original effective date for ASU 2014-09 would have required the Company to adopt beginning in its first quarter of 2017. In July 2015, the FASB voted to amend ASU 2014-09 by approving a one-year deferral of the effective date as well as providing the option to early adopt the standard on the original effective date. Accordingly, the Company may adopt the standard in either its first quarter of 2017 or 2018. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the timing of its adoption and the impact of adopting the new revenue standard on its condensed consolidated financial statements.

3. Business Acquisitions

Upside Holdings, Inc.

On February 24, 2015, Investnet, Inc. (the "Company") acquired all of the stock of Upside Holdings, Inc. (including its subsidiaries "Upside") for consideration totaling \$3,040, subject to certain post-closing adjustments.

Upside is a technology company that is registered as an Internet Investment Adviser under Rule 203A-2(f) of the Investment Advisers Act of 1940 ("Advisers Act"). Upside helps financial advisors compete against other digital advisors, or "robo advisors," by leveraging technology and algorithms to advise, manage, and serve clients who want personalized investment services.

The Company acquired Upside to integrate its technology within the Company's unified wealth management platform, which will allow advisors to compete more aggressively to engage their clients online and reach a new class of investors. The goodwill arising from the acquisition represents the advantage of this integrated technology, the expected synergistic benefits of the transaction and the knowledge and experience of the workforce in place. The goodwill is not deductible for income tax purposes.

As a result of the acquisition of Upside, the Company provided for the future grant of unvested restricted stock awards to Upside employees at the end of each year in 2015, 2016 and 2017 upon Upside meeting certain performance conditions and then a subsequent two year service condition (Note 13). If 100 percent of the awards are earned for 2015, 2016 and 2017, the maximum number of shares that could be granted for 2015, 2016 and 2017 equals 22,064, 44,128 and 66,192 shares of common stock, respectively. The Company has determined the payments to be categorized as compensation expense. As of June 30, 2015, no amounts have been recognized as it is currently estimated that the performance targets will not be attained in 2015.

The consideration transferred in the acquisition was as follows:

Upfront consideration	\$	2,425
Purchase liabilities		615
Working capital settlement		(385)
Cash acquired		(14)
	<u>\$</u>	<u>2,641</u>

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

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

Total tangible assets acquired	\$	6
Total liabilities assumed		(404)
Identifiable intangible assets		1,450
Goodwill		1,589
Total net assets acquired	<u>\$</u>	<u>2,641</u>

The estimated useful life and amortization method of the intangible asset acquired is as follows:

	Amount	Weighted Average Useful Life in Years	Amortization Method
Proprietary technology	\$ 1,450	4	Straight-line

The results of Upside's operations are included in the condensed consolidated statement of operations beginning February 24, 2015, and are not considered material to the Company's results of operations.

For the three and six months ended June 30, 2015, acquisition related costs for Upside totaled \$15 and \$217 and are included in general and administration expenses.

Oltis Software LLC

On May 6, 2015, the Company acquired all of the issued and outstanding membership interests of Oltis Software LLC (d/b/a Finance Logix[®]), an Arizona limited liability company ("Finance Logix"). Finance Logix provides financial planning and wealth management software solutions to banks, broker-dealers and RIAs.

The Company paid upfront consideration of \$20,595 in cash, purchase liabilities of \$2,905, 123,410 in shares of Investnet common stock with a fair value of \$6,388 and 123,410 stock options to acquire Investnet common stock at \$52.67 per share with an estimated fair value of \$2,542.

The Company acquired Finance Logix to integrate its technology within the Company's unified wealth management platform, which will allow advisors to offer financial planning that flows seamlessly into portfolio construction and ongoing management on a single platform. Finance Logix allows us to deliver that capability and increase the breadth of our platform and the functionality gap between our platform and competing platforms. The goodwill arising from the acquisition represents cross-selling opportunities, the expected synergistic benefits of the transaction and the knowledge and experience of the workforce in place. The goodwill is deductible for income tax purposes.

In connection with the acquisition of Finance Logix, the Company is required to pay the former owner of Finance Logix future payments in a mix of cash, stock and stock options, based on Finance Logix meeting annual net revenue targets of \$5,000, \$10,000 and \$16,000 for calendar years 2015, 2016 and 2017, respectively, with lower payments for performance below the three yearly targets and a higher payment in 2017 for performance above the target. The Company has preliminarily determined the first payment related to the 2015 target to be categorized as compensation expense and the payments, if any, related to 2016 and 2017 targets, to be categorized as contingent consideration. The Company did not record compensation expense as of June 30, 2015 and preliminarily did not record a contingent consideration liability as of the date of acquisition as payment is not expected to occur at this time.

Changes to the estimated fair value of the contingent consideration, if any, will be recognized in earnings of the Company.

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

As of June 30, 2015, the Company has not finalized the opening balance sheet (including taxes), contingent consideration, nor has the Company finalized its valuation of Finance Logix's intangible assets and/or goodwill associated with the transaction as well as the fair value of acquired deferred revenue. The Company expects to finalize the valuation of the intangible assets and deferred revenue, and complete the acquisition accounting as soon as practicable but no later than March 31, 2016.

The preliminary estimated consideration transferred in the acquisition was as follows:

Cash consideration	\$	20,595
Stock and stock option consideration		8,930
Purchase liabilities		2,905

Cash acquired	(909)
	<u>\$ 31,521</u>

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

Total tangible assets acquired	\$ 99
Total liabilities assumed	(2,880)
Identifiable intangible assets	14,500
Goodwill	19,802
Total net assets acquired	<u>\$ 31,521</u>

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

	Amount	Weighted Average Useful Life in Years	Amortization Method
Customer list	\$ 12,500	12	Accelerated
Proprietary technology	2,000	4	Straight-line
Total	<u>\$ 14,500</u>		

The results of Finance Logix's operations are included in the condensed consolidated statement of operations beginning May 6, 2015. Finance Logix's revenues and net loss for the three and six month periods ended June 30, 2015 totaled \$472 and \$328, respectively. The net loss includes estimated acquired intangible asset amortization of \$329.

For the three and six months ended June 30, 2015, acquisition related costs for Finance Logix totaled \$231 and \$375, respectively, and are included in general and administration expenses. The Company may incur additional acquisition related costs during the third quarter of 2015.

Pro forma results for Envestnet, Inc. giving effect to the Placemark and Finance Logix acquisitions

The following pro forma financial information presents the combined results of operations of Envestnet and Finance Logix for the three and six month periods ended June 30, 2015 and Envestnet, Finance Logix, and Placemark for the three and six months ended June 30, 2014. The pro forma financial information presents the results as if the acquisitions had occurred as of the beginning of 2014. The results of Upside are not included in the pro forma financial information presented below as the Upside acquisition was not considered material to the Company's results of operations.

The unaudited pro forma results presented include amortization charges for acquired intangible assets, stock-based compensation expense and the related tax effect on the aforementioned items.

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

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 acquisition had taken place as of the beginning of 2014.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	102,932	90,982	200,137	175,103
Net income	2,300	2,575	4,565	4,350
Net income per share:				
Basic	0.06	0.07	0.13	0.13
Diluted	0.06	0.07	0.12	0.12

4. Property and Equipment

	Estimated Useful Life	June 30, 2015	December 31, 2014
Cost:			
Office furniture and fixtures	5-7 years	\$ 4,869	\$ 4,993
Computer equipment and software	3 years	22,459	18,540
Other office equipment	5 years	124	144
Leasehold improvements	Shorter of the lease term or useful life of the asset	11,378	10,805
		38,830	34,482
Less accumulated depreciation and amortization		(20,547)	(17,853)
Property and equipment, net		<u>\$ 18,283</u>	<u>\$ 16,629</u>

During the three and six months ended June 30, 2015, the Company retired fully depreciated property and equipment that were no longer in service with cost and accumulated depreciation amounts of \$564.

Depreciation and amortization expense was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Depreciation and amortization expense	<u>\$ 1,658</u>	<u>\$ 1,553</u>	<u>\$ 3,133</u>	<u>\$ 3,042</u>

5. Internally Developed Software

Internally developed software consists of the following:

	<u>Estimated Useful Life</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Internally developed software	5 years	\$ 21,785	\$ 19,577
Less accumulated amortization		(13,786)	(12,554)
Internally developed software, net		<u>\$ 7,999</u>	<u>\$ 7,023</u>

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

Amortization expense was as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Amortization expense	<u>\$ 632</u>	<u>\$ 508</u>	<u>\$ 1,232</u>	<u>\$ 997</u>

6. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill were as follows:

Balance at December 31, 2014	\$ 104,976
Upside acquisition	1,589
Finance Logix acquisition	19,802
Balance at June 30, 2015	<u>\$ 126,367</u>

Intangible assets consist of the following:

	<u>Useful Life</u>	<u>June 30, 2015</u>			<u>December 31, 2014</u>		
		<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Customer lists	4 - 12 years	\$ 81,103	\$ (26,606)	\$ 54,497	\$ 68,603	\$ (21,699)	\$ 46,904
Proprietary technologies	1.5 - 8 years	19,128	(7,259)	11,869	15,678	(5,808)	9,870
Trade names	5 years	3,090	(1,545)	1,545	3,090	(1,210)	1,880
Total intangible assets		<u>\$ 103,321</u>	<u>\$ (35,410)</u>	<u>\$ 67,911</u>	<u>\$ 87,371</u>	<u>\$ (28,717)</u>	<u>\$ 58,654</u>

Amortization expense was as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Amortization expense	<u>\$ 3,560</u>	<u>\$ 2,554</u>	<u>\$ 6,693</u>	<u>\$ 4,998</u>

7. Other Non-Current Assets

Other non-current assets consist of the following:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Investment in private companies	\$ 2,750	\$ 1,250
Deposits:		
Lease	2,180	1,811
Other	474	436
Unamortized convertible debt issuance costs	4,184	4,612
Other	2,033	1,407
	<u>\$ 11,621</u>	<u>\$ 9,516</u>

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

On April 1, 2015, the Company purchased 150,000 Class B units representing 10.3% of the outstanding membership interests of AlphaHedge Capital Partners, LLC, ("AlphaHedge") a Delaware limited liability company for cash consideration of \$1,500 which is included in investments in private companies. This amount is included in

other non-current assets on the condensed consolidated balance sheet. AlphaHedge is a liquid alternatives platform providing access to strategies from a select group of long/short equity managers in a custodian agnostic, separately managed account format. The Company will use the equity method of accounting to record its portion of the AlphaHedge net income or loss on a one quarter lag from AlphaHedge's actual results of operations. No results of their operations have been included in the condensed consolidated financial statements as of June 30, 2015.

8. Fair Value Measurements

The Company follows ASC 825-10, *Financial Instruments*, which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value.

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

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

Fair Value on a Recurring Basis:

The Company periodically invests excess cash in money-market funds not insured by the 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 totaled approximately \$41,363 and \$70,760 as of June 30, 2015 and December 31, 2014, respectively, and are included in cash and cash equivalents in the condensed consolidated balance sheets.

The fair value of the contingent consideration liability related to the WMS acquisition on July 1, 2013 was estimated using a discounted cash flow method with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in ASC 820, *Fair Value Measurements and Disclosures*. The significant inputs in the Level 3 measurement not supported by market activity included our assessments of expected future cash flows related to our acquisition of WMS during the subsequent three years from the date of acquisition, appropriately discounted considering the uncertainties associated with the obligation, and calculated in accordance with the terms of the agreement.

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

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

The fair value of the contingent consideration liability related to the Klein acquisition on July 1, 2014 was estimated using a discounted cash flow method with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in ASC 820, *Fair Value Measurements and Disclosures*. The significant inputs in the Level 3 measurement not supported by market activity included our assessments of expected future cash flows related to our acquisition of Klein during the subsequent three years from the date of acquisition, appropriately discounted considering the uncertainties associated with the obligation, and calculated in accordance with the terms of the agreement.

The Company utilized a discounted cash flow method with expected future performance of Klein to arrive at the fair value of the contingent consideration. The Company will continue to reassess the fair value of the contingent consideration at each reporting date until settlement. Changes to the estimated fair value of the contingent consideration will be recognized in earnings of the Company and included in general and administrative expense on the condensed consolidated statement of operations.

The table below sets forth a summary of changes in the fair value of the Company's Level 3 liability for the six months ended June 30, 2015:

	<u>Fair Value of Contingent Consideration Liabilities</u>
Balance at December 31, 2014	\$ 13,867
Fair market value adjustments	(1,902)
Imputed interest	651
Balance at June 30, 2015	<u>\$ 12,616</u>

The Company assesses the categorization of assets and liabilities by level 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 levels of the fair value hierarchy. There were no transfers between Levels 1, 2 and 3 during the quarter.

Following are the carrying and fair value of the Company's debt obligation as of June 30, 2015. The fair value of the Convertible Notes was calculated using observable market data and is considered a Level 1 liability.

	<u>June 30, 2015</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>
2019 Convertible Notes (principal amount outstanding of \$172,500)	\$ 147,627 (1)	\$ 169,913

(1) Represents the aggregate principal amount outstanding of the Convertible Notes less the unaccreted discount.

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

9. Accrued Expenses

Accrued expenses consist of the following:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Accrued investment manager fees	\$ 28,170	\$ 25,195
Accrued compensation and related taxes	12,787	18,344
Accrued professional services	424	536
Estimated accrued software license fees	—	800
Acquisition related purchase liabilities	3,497	—
Accrued restructuring charges	518	—
Other accrued expenses	3,055	3,372
	<u>\$ 48,451</u>	<u>\$ 48,247</u>

Acquisition related purchase liabilities represent future payments to former Upside and Finance Logix owners of \$615 and \$2,905, respectively, related to indemnity holdback amounts as of June 30, 2015.

During the second quarter of 2015, the Company closed its Wellesley office in order to more appropriately align and manage the Company's resources. In the three and six months ended June 30, 2015, the Company recognized pre-tax restructuring charges of \$518, primarily for future lease payments.

10. Income Taxes

The following table includes the Company's income before income tax provision, income tax provision and effective tax rate:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Income before income tax provision	\$ 4,215	\$ 6,005	\$ 8,694	\$ 10,157
Income tax provision	1,679	2,355	3,647	3,639
Effective tax rate	40.0%	39.2%	41.9%	35.8%

The Company's effective tax rate in the three months ended June 30, 2015, was slightly higher than the effective tax rate in the three months ended June 30, 2014, primarily due to an increase in the blended state tax rate and an uncertain tax position current year accrual related to transfer pricing. The Company's effective tax rate in the six months ended June 30, 2015, was higher than the effective tax rate in the six months ended June 30, 2014, primarily due to the increase in tax rate for federal purposes from 34% to 35%, an increase in the blended state tax rate, the true-up on India unremitted earnings that was recorded in the six months ended June 30, 2014 and not in the same period in 2015, the release of certain uncertain tax position reserves in the six months ended June 30, 2014 that were not repeated in the same period in 2015 and non-recognition of a loss from a subsidiary due to a full valuation allowance.

The liability for unrecognized tax benefits reported in other non-current liabilities was \$1,994 and \$2,092 at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, the amount of unrecognized tax benefits that would benefit the Company's effective tax rate, if recognized, was \$1,870. At this time, the Company estimates it is reasonably possible that the liability for unrecognized tax benefits will decrease by as much as \$1,614 in the next twelve months due to the completion of reviews by tax authorities and the expiration of certain statutes of limitations.

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. The Company had accrued interest and penalties of \$423 and \$594 as of June 30, 2015 and December 31, 2014, respectively.

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

The Company files a consolidated federal income tax return and separate tax returns with various states. Additionally, foreign subsidiaries of the Company file tax returns in foreign jurisdictions. The Company's tax returns for the calendar years ended December 31, 2013, 2012, and 2011 remain open to examination by the Internal Revenue Service in their entirety. With respect to state taxing jurisdictions, the Company's tax returns for calendar years ended December 31, 2013, 2012, 2011, 2010 and 2009 remain open to examination by various state revenue services.

The Company's Indian subsidiary is currently under examination by the India Tax Authority for the fiscal year ended March 31, 2011 and 2012. It is possible that one or more of these audits may be finalized within the next twelve months.

Included in prepaid expenses and other current assets on the condensed consolidated balance sheet as of June 30, 2015, is \$16,303 related to tax benefits from stock-based compensation.

11. Debt

The Company's outstanding debt obligations were as follows:

	June 30, 2015	December 31, 2014
Convertible Notes	\$ 172,500	\$ 172,500
Unaccreted discount on Convertible Notes	(24,873)	(27,297)
	<u>\$ 147,627</u>	<u>\$ 145,203</u>

Credit Agreement

In 2014, the Company and certain of its subsidiaries entered into a credit agreement (the "Credit Agreement") with a group of banks (the "Banks"), for which Bank of Montreal is acting as administrative agent, pursuant to which the Banks agreed to provide an unsecured revolving credit facility of \$100,000 with a sublimit for the issuance of letters of credit of \$5,000. Subject to certain conditions, the Company has the right to increase the facility by up to \$25,000. The Credit Agreement is scheduled to mature on December 8, 2017, at which time any aggregate principal amount of borrowings outstanding would become payable in full. Any borrowings made under the Credit Agreement accrued interest at rates between 1.50 percent and 3.25 percent above LIBOR based on the Company's total leverage ratio. There is also a commitment fee equal to 0.25 percent per annum on the daily unused portion of the facility.

Borrowings under the Credit Agreement will be guaranteed by substantially all of the Company's U.S. subsidiaries. Proceeds under the Credit Agreement may be used to finance capital expenditures, to finance working capital, to finance permitted acquisitions and for general corporate purposes.

The Credit Agreement contains customary conditions, representations and warranties, affirmative and negative covenants and events of default. The covenants include certain financial covenants requiring the Company to maintain compliance with a maximum senior leverage ratio, a maximum total leverage ratio, a minimum interest coverage ratio and minimum adjusted EBITDA, and provisions that limit the ability of the Company and its subsidiaries to incur debt, make investments, sell assets, create liens, engage in transactions with affiliates, engage in mergers and acquisitions, pay dividends and other restricted payments, grant negative pledges and change their business activities. As of June 30, 2015, there were no amounts outstanding under the Credit Agreement. The Company was in compliance with all covenants of the Credit Agreement as of June 30, 2015.

Convertible Notes

On December 15, 2014, the Company issued \$172,500 of Convertible Notes. Net proceeds from the offering were \$166,967. The Convertible Notes bear interest at a rate of 1.75 percent per annum payable semiannually in arrears on June 15 and December 15 of each year. The first coupon payment was made on June 15, 2015.

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

The Convertible Notes are general unsecured obligations, subordinated in right of payment to our obligations under our Credit Agreement. The Convertible Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness and will be senior in right of payment to any of the Company's future subordinated indebtedness. The Convertible Notes will be structurally subordinated to the indebtedness and other liabilities of any of our subsidiaries, other than to the extent the Convertible Notes are guaranteed in the future by our subsidiaries as described in the indenture and will be effectively subordinated to and future secured indebtedness to the extent of the value of the assets securing such indebtedness. Certain of our subsidiaries guarantee our obligations under our Credit Agreement.

Upon the occurrence of a "fundamental change", as defined in the indenture, the holders may require the Company to repurchase all or a portion of the Convertible Notes for cash at 100% of the principal amount of the Convertible Notes being purchased, plus any accrued and unpaid interest.

The Convertible Notes are convertible into shares of the Company's common stock under certain circumstances prior to maturity at a conversion rate of 15.9022 shares per \$1 principal amount of the Convertible Notes, which represents a conversion price of \$62.88 per share, subject to adjustment under certain conditions. Holders may convert their Convertible Notes at their option at any time prior to the close of business on the business day immediately preceding July 1, 2019, only under the following circumstances: (a) during any calendar quarter commencing after the calendar quarter ending on March 31, 2015 (and only during such calendar quarter), if the last reported sale price of our common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the Convertible Notes in effect on each applicable trading day; (b) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the Convertible Notes for each such trading day was less than 98% of the last reported sale price of our common stock on such date multiplied by the then-current conversion rate; or (c) upon the occurrence of specified corporate events as defined in the indenture.

Upon conversion, the Company may pay cash, shares of the Company's common stock or a combination of cash and stock, as determined by the Company in its discretion.

The Company has separately accounted for the liability and equity components of the Convertible Notes by allocating the proceeds from issuance of the Convertible Notes between the liability component and the embedded conversion option, or equity component. This allocation was done by first estimating an interest rate at the time of issuance for similar notes that do not include the embedded conversion option. The Company allocated \$26,618 to the equity component, net of offering costs of \$882. The Company recorded a discount on the Convertible Notes of \$27,500 which will be accreted and recorded as additional interest expense over the life of the Convertible Notes. During the three and six-month periods ended June 30, 2015, the Company recognized \$1,214 and \$2,424, respectively, in accretion related to the discount. The effective interest rate of the liability component of the Convertible Notes is equal to the stated interest rate plus the accretion of original issue discount. The effective interest rate on the liability component of the Convertible Notes for the six-month period ended June 30, 2015 was 6.0%.

In connection with the issuance of the Convertible Notes, the Company incurred \$4,651 of issuance costs, which are recorded in other non-current assets (see Note 7). These costs are being amortized and are recorded as additional interest expense over the life of the Convertible Notes.

Interest expense on the Convertible Notes was comprised of the following:

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Coupon interest	\$ 755	\$ 1,510
Amortization of issuance costs	224	465
Accretion of debt discount	1,214	2,424
	<u>\$ 2,193</u>	<u>\$ 4,399</u>

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

12. Stock-Based Compensation

The Company has stock options and restricted stock outstanding under the 2004 Stock Incentive Plan (the “2004 Plan”), the 2010 Long-Term Incentive Plan (the “2010 Plan”) and the Envestnet, Inc. Management Incentive Plan for Envestnet | Tamarac Management Employees (the “2012 Plan”). On May 13, 2015, the shareholders approved the 2010 Long-Term Incentive Plan as Amended. The amendment increased the number of common shares of the Company reserved for delivery under the 2010 Plan by 2,700,000 shares. As of June 30, 2015, the maximum number of stock options and restricted stock available for future issuance under the Company’s plans is 3,022,264.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Employee stock-based compensation expense	\$ 3,330	\$ 3,199	\$ 6,749	\$ 5,767
Tax effect on employee stock-based compensation expense	(1,332)	(1,280)	(2,700)	(2,307)
Net effect on income	<u>\$ 1,998</u>	<u>\$ 1,919</u>	<u>\$ 4,049</u>	<u>\$ 3,460</u>

Stock Options

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Grant date fair value of options	\$ 20.60	\$ —	\$ 20.90	\$ 16.81
Volatility	36.8%	—	37.2%	38.7%
Risk-free interest rate	1.8%	—	1.7%	1.8%
Dividend yield	0.0%	—	0.0%	0.0%
Expected term (in years)	6.0	—	6.0	6.0

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

	Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2014	4,265,337	\$ 10.73		
Granted	148,677	54.02		
Exercised	(415,512)	8.93		
Forfeited	(9,941)	24.94		
Outstanding as of March 31, 2015	3,988,561	12.50	4.8	\$ 173,837
Granted	123,410	52.67		
Exercised	(271,004)	8.12		
Forfeited	(28,403)	46.07		
Outstanding as of June 30, 2015	<u>3,812,564</u>	13.86	4.8	105,196
Options exercisable	<u>3,469,757</u>	11.03	4.4	103,576

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

Exercise prices of stock options outstanding as of June 30, 2015 range from \$0.11 to \$55.29. At June 30, 2015, there was \$4,834 of unrecognized stock-based compensation expense related to unvested stock options, which the Company expects to recognize over a weighted-average period of 2.3 years.

Restricted Stock

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

Number of Shares	Weighted- Average Grant Date Fair Value per Share
---------------------	--

Balance at December 31, 2014	1,098,674	\$	33.72
Granted	207,531		53.89
Vested	(358,166)		20.44
Forfeited	(6,628)		33.53
Balance at March 31, 2015	941,411		38.61
Forfeited	(5,869)		45.98
Balance at June 30, 2015	<u>935,542</u>		<u>43.18</u>

At June 30, 2015, there was \$19,418 of unrecognized stock-based compensation expense related to unvested restricted stock awards, which the Company expects to recognize over a weighted-average period of 2.2 years. At June 30, 2015, there was an additional \$1,580 of potential unrecognized stock-based compensation expense related to unvested restricted stock granted under the 2012 Plan that vests based upon Tamarac meeting certain performance conditions and then a subsequent two-year service condition, which the Company expects to recognize over the remaining estimated vesting period of 1.75 years.

13. Earnings Per Share

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

The Company accounts for the effect of the Convertible Notes on diluted net income per share using the treasury stock method since they may be settled in cash, shares or a combination thereof at the Company's option. As a result, the Convertible Notes have no effect on diluted net income per share until the Company's stock price exceeds the conversion price of \$62.88 per share. In the period of conversion, the Convertible Notes will have no impact on diluted net income if the Convertible Notes are settled in cash and will have an impact on dilutive net income per share if the Convertible Notes are settled in shares upon conversion.

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

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net income per share attributable to Envestnet, Inc.:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income attributable to Envestnet, Inc.	\$ 2,536	\$ 3,719	\$ 5,047	\$ 6,713
Basic number of weighted-average shares outstanding	35,776,125	34,547,277	35,463,623	34,332,759
Effect of dilutive shares:				
Options to purchase common stock	1,776,028	2,166,237	1,887,942	2,198,089
Unvested restricted stock	101,921	92,244	152,463	195,273
Diluted number of weighted-average shares outstanding	<u>37,654,074</u>	<u>36,805,758</u>	<u>37,504,028</u>	<u>36,726,121</u>
Net income per share attributable to Envestnet, Inc.:				
Basic	\$ 0.07	\$ 0.11	\$ 0.14	\$ 0.20
Diluted	\$ 0.07	\$ 0.10	\$ 0.13	\$ 0.18

Common share equivalents for securities that were anti-dilutive or otherwise excluded from the computation of diluted net income per share attributable to Envestnet, Inc. were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Options to purchase common stock	271,181	155,753	271,181	155,753
Unvested restricted stock	205,786	—	137,191	—
Ungranted unvested restricted stock related to Upside	132,384	—	132,384	—
Convertible notes	2,743,321	—	2,743,321	—
Total	<u>3,352,672</u>	<u>155,753</u>	<u>3,284,077</u>	<u>155,753</u>

14. Major Customers

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Fidelity	<u>18%</u>	<u>19%</u>	<u>18%</u>	<u>19%</u>

15. Commitments and Contingencies

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

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

The Company includes various types of indemnification and guarantee clauses in certain arrangements. These indemnifications and guarantees may include, but are not limited to, infringement claims related to intellectual property, direct or consequential damages and guarantees to certain service providers and service level requirements with certain customers. The type and amount of any potential indemnification or guarantee varies substantially based on the nature of each arrangement. The Company has experienced no previous claims and cannot determine the maximum amount of potential future payments, if any, related to such indemnification and guarantee provisions. The Company believes that it is unlikely it will have to make material payments under these arrangements and therefore has not recorded a contingent liability in the condensed consolidated balance sheets.

The Company rents office space under leases that expire at various dates through 2026. Future minimum lease commitments under these operating leases, as of June 30, 2015, were as follows:

Years ending December 31:	
Remainder of 2015	\$ 3,704
2016	8,059
2017	7,143
2018	6,727
2019	6,628
Thereafter	23,238
Total	<u>\$ 55,499</u>

16. Subsequent Events

Yodlee, Inc.

On August 10, 2015, the Company entered into an agreement and plan of merger (the “Merger Agreement”) with Yodlee, Inc., a Delaware corporation (“Yodlee”) and Yale Merger Corp., a Delaware corporation and a wholly owned subsidiary of the Company (“Merger Sub”). Pursuant to the Merger Agreement, Merger Sub will merge with and into Yodlee, with Yodlee continuing as the surviving corporation (the “Merger”) and a wholly owned indirect subsidiary of the Company.

Yodlee is a leading cloud-based platform driving digital financial innovation. Yodlee powers digital financial solutions for over 20 million paid subscribers and over 850 financial institutions and financial technology innovators. Founded in 1999, the company has built a network of over 14,000 data sources and been awarded 72 patents.

The Company will acquire all of the shares of Yodlee in a cash and stock transaction valued at \$18.88 per share, or approximately \$660 million on a fully-diluted equity basis. As Yodlee has approximately \$70 million in cash and cash equivalents, the transaction reflects an enterprise value of approximately \$590 million. The deal price consists of \$10.78 per share in cash and \$8.10 per share in Envestnet stock, and is expected to be funded with available balance sheet cash, Envestnet stock and up to \$200 million in committed debt financing.

The stock portion of the consideration will be determined based upon the volume weighted average price per share of Envestnet common stock for the 10 consecutive trading days ending on (and including) the second trading day immediately prior to completion of the transaction, subject to a collar of \$39.006 to \$47.674 per share. The amount of Envestnet stock to be issued in the transaction is limited to 19.9% of Envestnet’s outstanding common stock as of immediately prior to the closing of the transaction. In order to remain below that threshold, Envestnet will pay up to an additional \$32 million in cash in the aggregate at closing.

The Merger Agreement contains certain termination rights, including, among others, the right of either party to terminate the Merger Agreement if the Merger does not occur by February 15, 2016 and the right of Envestnet to terminate the Merger Agreement due to the withdrawal or adverse change of the recommendation by the Yodlee Board of Directors. If the Merger Agreement is terminated by Envestnet, in certain circumstances described in the Merger Agreement, a termination fee equal to approximately \$18 million will be payable by Yodlee to Envestnet.

In connection with the definitive agreement, funds affiliated with Warburg Pincus, which collectively own approximately 26.9 percent of Yodlee’s common stock, have entered into a voting agreement pursuant to which it has committed to support the transaction.

The transaction is expected to close in the fourth quarter of 2015 or in the first quarter of 2016, subject to receipt of regulatory approvals and other customary closing conditions, as well as approval by Yodlee stockholders. Envestnet and Yodlee will continue to operate separately until the transaction closes.

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

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

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

Forward-Looking Statements

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

· difficulty in sustaining rapid revenue growth, which may place significant demands on the Company’s administrative, operational and financial resources,

- fluctuations in the Company's revenue,
- the concentration of nearly all of the Company's revenues from the delivery of investment solutions and services to clients in the financial advisory industry,
- the impact of market and economic conditions on the Company's revenues,
- the Company's reliance on a limited number of clients for a material portion of its revenue,
- the renegotiation of fee percentages or termination of the Company's services by its clients,
- the Company's ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies, including the acquisition of Yodlee Inc.,
- compliance failures,
- regulatory actions against the Company,
- the failure to protect the Company's intellectual property rights,
- the Company's inability to successfully execute the conversion of its clients' assets from their technology platform to the Company's technology platform in a timely and accurate manner,
- general economic conditions, political and regulatory conditions,
- the impact of fluctuations in interest rates on the Company's business
- market conditions and our ability to issue additional debt and equity, and
- management's response to these factors.

In addition, there may be other factors of which we are presently unaware or that we currently deem immaterial that could cause our actual results to be materially different from the results referenced in the forward-looking statements. All forward-looking statements contained in this annual report and documents incorporated herein by reference are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made, and we do not intend to update or otherwise revise the forward-looking statements to reflect events or circumstances after the date of this quarterly report or to reflect the occurrence of unanticipated events. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

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

These forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in 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 report to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

You should read this quarterly report on Form 10-Q and our annual report on Form 10-K for the year ended December 31, 2014 (the "2014 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 condensed consolidated financial statements and the related notes included elsewhere in this quarterly report and the consolidated financial statements and related notes included in our 2014 Form 10-K. Except for the historical information contained herein, this discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below.

Overview

We are a leading provider of unified wealth management software and services to financial advisors and institutions. By integrating a wide range of investment solutions and services, our technology platforms provide financial advisors with the flexibility to address their clients' needs. As of June 30, 2015, approximately 42,400 advisors used our technology platforms, supporting approximately \$793 billion of assets in approximately 3.1 million investor accounts.

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

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

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

- Envestnet's wealth management software empowers advisors to better manage client outcomes and strengthen their practice. Our software unifies the applications and services advisors use to manage their practice and advise their clients, including financial planning; capital markets assumptions; asset allocation guidance; research and due diligence on investment managers and funds; portfolio management, trading and rebalancing; multi-custodial, aggregated performance reporting; and billing calculation and administration.
- Envestnet | PMC, provides consulting services provide 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 Exchange Traded Fund (“ETF”) portfolios. Envestnet | PMC also offers Prima Premium Research, comprising institutional-quality research and due diligence on investment managers, mutual funds, ETFs and liquid alternatives funds.

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

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- Vantage Reporting Solution software aggregates and manages investment data, provides performance reporting and benchmarking, giving advisors an in-depth view of clients’ various investments, empowering advisors to give holistic, personalized advice and consulting.
- Envestnet | WMS offers financial institutions access to an integrated wealth platform, which helps construct and manage sophisticated portfolio solutions across an entire account life cycle, particularly in the area of unified managed account (“UMA”) trading. Envestnet | WMS’s Overlay Portfolio Management console helps wealth managers efficiently build customized client portfolios that consider both proprietary and open-architecture investment solutions.
- Envestnet | Placemark develops UMA programs and other portfolio management outsourcing solutions, including patented portfolio overlay and tax optimization services, for banks, full service broker-dealers and RIA firms.

Operational Highlights

Revenues from assets under management (“AUM”) or assets under administration (“AUA”) or collectively (“AUM/A”) increased 19% from \$70,727 in the three months ended June, 2014 to \$83,819 in the three months ended June 30, 2015. Total revenues, which include licensing and professional service fees, increased 21% from \$84,829 in the three months ended June 30, 2014 to \$102,663 in the three months ended June 30, 2015.

Revenues from assets under management (“AUM”) or assets under administration (“AUA”) or collectively (“AUM/A”) increased 20% from \$137,808 in the six months ended June, 2014 to \$164,896 in the six months ended June 30, 2015. Total revenues, which include licensing and professional service fees, increased 22% from \$163,368 in the six months ended June 30, 2014 to \$199,117 in the six months ended June 30, 2015.

The increase in total revenues was a result of the positive effects of new account growth and positive net flows of AUM/AUA, as well as an increase in revenues resulting from the October 2014 acquisition of Placemark Holdings, Inc. (“Placemark”). Net income attributable to Envestnet, Inc. for the three months ended June 30, 2015 was \$2,536, or \$0.07 per diluted share, compared to \$3,719, or \$0.10 per diluted share for the three months ended June 30, 2014. Net income attributable to Envestnet, Inc. for the six months ended June 30, 2015 was \$5,047, or \$0.13 per diluted share, compared to \$6,713, or \$0.18 per diluted share for the six months ended June 30, 2014.

Adjusted revenues for the three months ended June 30, 2015 was \$102,663, an increase of 21% from \$84,829 in the prior year period. Adjusted EBITDA for the three months ended June 30, 2015 was \$17,613, an increase of 37% from \$12,828 in the prior year period. Adjusted net income for the three months ended June 30, 2015 was \$8,853, or \$0.24 per diluted share, compared to adjusted net income of \$6,616, or \$0.18 per diluted share in the prior year period.

Adjusted revenues for the six months ended June 30, 2015 was \$199,117, an increase of 22% from \$163,368 in the prior year period. Adjusted EBITDA for the six months ended June 30, 2015 was \$34,427, an increase of 40% from \$24,599 in the prior year period. Adjusted net income for the six months ended June 30, 2015 was \$17,101, or \$0.46 per diluted share, compared to adjusted net income of \$12,917, or \$0.35 per diluted share in the prior year period.

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

Recent Events

Upside Holdings, Inc.

On February 24, 2015, Envestnet acquired all of the stock of Upside Holdings, Inc. (including its subsidiaries “Upside”) for consideration totaling \$3,040, subject to certain post-closing adjustments.

Upside is a technology company that is registered as an Internet Investment Adviser under Rule 203A-2(f) of the Investment Advisers Act of 1940 (“Advisers Act”). Upside helps financial advisors compete against other digital advisors, or “robo advisors,” by leveraging technology and algorithms to advise, manage, and serve clients who want personalized investment services.

Envestnet acquired Upside to integrate its technology within our unified wealth management platform, which will allow advisors to compete more aggressively to engage their clients online and reach a new class of investors.

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As a result of the acquisition of Upside, Envestnet provided for the future grant of unvested restricted stock awards to Upside employees at the end of each year in 2015, 2016 and 2017 upon Upside meeting certain performance conditions and then a subsequent two year service condition (Note 13). If 100 percent of the awards are earned for 2015, 2016 and 2017, the maximum number of shares that could be granted for 2015, 2016 and 2017 equals 22,064, 44,128 and 66,192 shares of common stock, respectively. Envestnet has determined the payments to be categorized as compensation expense. As of June 30, 2015, no amounts have been recognized as it is currently estimated that the performance targets will not be attained in 2015.

AlphaHedge Capital Partners, LLC

On April 1, 2015, Envestnet purchased 150,000 Class B units representing 10.3% of the outstanding membership interests of AlphaHedge Capital Partners, LLC, (“AlphaHedge”) a Delaware limited liability company for cash consideration of \$1,500. AlphaHedge is a liquid alternatives platform providing access to strategies from a select group of long/short equity managers in a custodian agnostic, separately managed account format. Envestnet will use the equity method of accounting to record its portion of the AlphaHedge net income or loss on a one quarter lag from AlphaHedge’s actual results of operations. No results of their operations have been included in condensed financial statements as of June 30, 2015.

Oltis Software LLC

On May 6, 2015, Envestnet acquired all of the issued and outstanding membership interests of Oltis Software LLC (d/b/a Finance Logix®), an Arizona limited liability company (“Finance Logix”). Finance Logix provides financial planning and wealth management software solutions banks, broker-dealers and RIAs.

Under the terms of the Agreement, Envestnet paid upfront consideration of \$20,595 in cash, purchase liabilities of \$2,905, 123,410 in shares of Envestnet common stock with a fair value of \$6,388 and 123,410 stock options to acquire Envestnet common stock at \$52.67 per share, with an estimated fair value of \$2,542. Envestnet has also agreed to pay an earn-out (in a mix of cash, stock and options) over a three year period, subject to Finance Logix meeting certain financial targets and other customary conditions as discussed below. See Note 3 of the notes to the condensed consolidated financial statements.

In connection with the acquisition of Finance Logix, Envestnet is required to pay the former owner of Finance Logix future payments in a mix of cash, stock and stock options, based on Finance Logix meeting annual net revenue targets of \$5,000, \$10,000 and \$16,000 for calendar years 2015, 2016 and 2017, respectively, with lower payments for performance below the three yearly targets and a higher payment in 2017 for performance above the target. Envestnet has preliminarily determined the first payment related to the 2015 target to be categorized as compensation expense and the payments, if any, related to 2016 and 2017 targets, to be categorized as contingent consideration. Envestnet did not record compensation expense as of June 30, 2015 and preliminarily did not record a contingent consideration liability as of the date of acquisition.

As of June 30, 2015, the Envestnet has not finalized the opening balance sheet (including taxes), contingent consideration, nor has Envestnet finalized its valuation of Finance Logix's possible intangible assets and/or goodwill associated with the transaction as well as the fair value of acquired deferred revenue. Envestnet expects to finalize the valuation of the intangible assets and deferred revenue, and complete the acquisition accounting as soon as practicable but no later than March 31, 2016.

Yodlee, Inc.

On August 10, 2015, Envestnet entered into an agreement and plan of merger (the "Merger Agreement") with Yodlee, Inc., a Delaware corporation ("Yodlee") and Yale Merger Corp., a Delaware corporation and a wholly owned subsidiary of the Company ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub will merge with and into Yodlee, with Yodlee continuing as the surviving corporation (the "Merger") and a wholly owned indirect subsidiary of the Company.

Yodlee is a leading cloud-based platform driving digital financial innovation. Yodlee powers digital financial solutions for over 20 million paid subscribers and over 850 financial institutions and financial technology innovators. Founded in 1999, the company has built a network of over 14,000 data sources and been awarded 72 patents.

Envestnet will acquire all of the shares of Yodlee in a cash and stock transaction valued at \$18.88 per share, or approximately \$660 million on a fully-diluted equity basis. As Yodlee has approximately \$70 million in cash and cash equivalents, the transaction reflects an enterprise value of approximately \$590 million. The deal price consists of \$10.78 per share in cash and \$8.10 per share in Envestnet stock, and is expected to be funded with available balance sheet cash, Envestnet stock and up to \$200 million in committed debt financing.

The stock portion of the consideration will be determined based upon the volume weighted average price per share of Envestnet common stock for the 10 consecutive trading days ending on (and including) the second trading day immediately prior to completion of the transaction, subject to a collar of \$39.006 to \$47.674 per share. The amount of Envestnet stock to be issued in the transaction is limited to 19.9% of Envestnet's outstanding common stock as of immediately prior to the closing of the transaction. In order to remain below that threshold, Envestnet will pay up to an additional \$32 million in cash in the aggregate at closing.

The Merger Agreement contains certain termination rights, including, among others, the right of either party to terminate the Merger Agreement if the Merger does not occur by February 15, 2016 and the right of Envestnet to terminate the Merger Agreement due to the withdrawal or adverse change of the recommendation by the Yodlee Board of Directors. If the Merger Agreement is terminated by Envestnet, in certain circumstances described in the Merger Agreement, a termination fee equal to approximately \$18 million will be payable by Yodlee to Envestnet.

In connection with the definitive agreement, funds affiliated with Warburg Pincus, which collectively own approximately 26.9 percent of Yodlee's common stock, have entered into a voting agreement pursuant to which it has committed to support the transaction.

The transaction is expected to close in the fourth quarter of 2015 or in the first quarter of 2016, subject to receipt of regulatory approvals and other customary closing conditions, as well as approval by Yodlee stockholders. Envestnet and Yodlee will continue to operate separately until the transaction closes.

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Key Operating Metrics

The following table provides information regarding the amount of assets utilizing our platforms, financial advisors and investor accounts in the periods indicated. AUM/A metrics in the table below include Placemark, which added approximately \$15.4 billion in assets, 45,000 accounts and 3,400 advisors as of October 1, 2014.

	As of				
	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
	(in millions, except accounts and advisor data)				
Platform Assets					
Assets Under Management (AUM)	\$ 53,063	\$ 54,935	\$ 72,120	\$ 74,643	\$ 75,922
Assets Under Administration (AUA)	156,723	164,639	174,249	181,239	181,922
Subtotal AUM/A	209,786	219,574	246,369	255,882	257,844
Licensing	412,141	448,169	466,982	493,284	534,674
Total Platform Assets	\$ 621,927	\$ 667,743	\$ 713,351	\$ 749,166	\$ 792,518
Platform Accounts					
AUM	239,367	255,359	310,351	319,896	332,738
AUA	596,886	642,192	667,274	679,753	695,463
Subtotal AUM/A	836,253	897,551	977,625	999,649	1,028,201
Licensing	1,659,313	1,830,678	1,881,352	1,982,773	2,044,355
Total Platform Accounts	2,495,566	2,728,229	2,858,977	2,982,422	3,072,556
Advisors					
AUM/A	24,945	24,887	28,605	29,023	29,541
Licensing	8,583	11,266	11,632	12,306	12,870
Total Advisors	33,528	36,153	40,237	41,329	42,411

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

Asset Rollforward - Three Months Ended June 30, 2015						
As of 3/31/15	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Licensing	As of 6/30/15
(in millions except accounts)						

Assets under Management (AUM)	\$ 74,643	\$ 6,665	\$ (4,629)	\$ 2,036	\$ (757)	\$ —	\$ 75,922
Assets under Administration (AUA)	181,239	15,330	(10,352)	4,978	(1,157)	(3,138)	181,922
Total AUM/A	\$ 255,882	\$ 21,995	\$ (14,981)	\$ 7,014	\$ (1,914)	\$ (3,138)	\$ 257,844
<i>Fee-Based Accounts</i>	<i>999,649</i>	<i>86,218</i>	<i>(47,859)</i>	<i>38,359</i>		<i>(9,807)</i>	<i>1,028,201</i>

The above AUM/A gross sales figures include \$1.3 billion in new client conversions. The Company onboarded an additional \$44.4 billion in licensing conversions during the three months ended June 30, 2015. Also during the second quarter, approximately \$3.1 billion in assets were reclassified from AUA to Licensing in connection with client conversion activity.

Asset Rollforward - Six Months Ended June 30, 2015							
	As of 12/31/14	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Licensing	As of 6/30/15
(in millions except accounts)							
Assets under Management (AUM)	\$ 72,120	\$ 12,847	\$ (8,916)	\$ 3,931	\$ (129)	\$ —	\$ 75,922
Assets under Administration (AUA)	174,249	31,146	(21,281)	9,865	946	(3,138)	181,922
Total AUM/A	\$ 246,369	\$ 43,993	\$ (30,197)	\$ 13,796	\$ 817	\$ (3,138)	\$ 257,844
<i>Fee-Based Accounts</i>	<i>977,625</i>	<i>163,988</i>	<i>(103,605)</i>	<i>60,383</i>		<i>(9,807)</i>	<i>1,028,201</i>

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The above AUM/A gross sales figures include \$3.1 billion in new client conversions. The Company onboarded an additional \$59.8 billion in licensing conversions during the six months ended June 30, 2015. Also during the second quarter, approximately \$3.1 billion in assets were reclassified from AUA to Licensing in connection with client conversion activity.

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

	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Assets under management (AUM)	25%	25%	29%	29%	29%
Assets under administration (AUA)	75%	75%	71%	71%	71%
	100%	100%	100%	100%	100%

Results of Operations

Three months ended June 30, 2014 compared to three months ended June 30, 2015

	Three Months Ended June 30,		Increase (Decrease)	
	2015	2014	Amount	%
(in thousands)				
Revenues:				
Assets under management or administration	\$ 83,819	\$ 70,727	\$ 13,092	19%
Licensing and professional services	18,844	14,102	4,742	34%
Total revenues	102,663	84,829	17,834	21%
Operating expenses:				
Cost of revenues	42,486	37,955	4,531	12%
Compensation and benefits	31,956	25,157	6,799	27%
General and administration	15,512	12,936	2,576	20%
Depreciation and amortization	5,725	4,615	1,110	24%
Restructuring charges	518	—	518	100%
Total operating expenses	96,197	80,663	15,534	19%
Income from operations	6,466	4,166	2,300	55%
Other income (expense)	(2,251)	1,839	(4,090)	*
Income before income tax provision	4,215	6,005	(1,790)	-30%
Income tax provision	1,679	2,355	(676)	-29%
Net income	2,536	3,650	(1,114)	-31%
Add: Net loss attributable to non-controlling interest	—	69	(69)	-100%
Net income attributable to Envestnet, Inc.	\$ 2,536	\$ 3,719	\$ (1,183)	-32%

*Not meaningful.

Revenues

Total revenues increased 21% from \$84,829 in the three months ended June 30, 2014 to \$102,663 in the three months ended June 30, 2015. The increase was primarily due to an increase in revenues from AUM or AUA of \$13,092. Revenues from AUM/A were 82% and 83% of total revenues in the three months ended June 30, 2015 and 2014, respectively.

Assets under management or administration

Revenues earned from AUM/AUA increased 19% from \$70,727 in the three months ended June 30, 2014 to \$83,819 in the three months ended June 30, 2015. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle in 2015, relative to the corresponding period in 2014. In the second quarter of 2015, revenues were positively affected by new account growth and positive net flows of AUM or AUA during 2014, as well as an increase in revenues resulting from the Placemark acquisition.

The number of financial advisors with AUM or AUA on our technology platforms increased from 24,945 as of June 30, 2014 to 29,541 as of June 30, 2015 and the number of AUM or AUA client accounts increased from approximately 836,000 as of June 30, 2014 to approximately 1,028,000 as of June 30, 2015.

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[Table of Contents](#)**Licensing and professional services**

Licensing and professional services revenues increased 34% from \$14,102 in the three months ended June 30, 2014 to \$18,844 in the three months ended June 30, 2015, primarily due to increases in licensing revenue of \$3,434, an increase in professional services revenue of \$880 and an increase in other revenue of \$428, primarily related to our annual Advisor Summit.

Cost of revenues

Cost of revenues increased 12% from \$37,955 in the three months ended June 30, 2014 to \$42,486 in the three months ended June 30, 2015, primarily due to a corresponding increase in revenues from AUM or AUA partially offset by Placemark revenue which is recognized net of manager fees. In addition, cost of revenues related to the Advisor Summit increased by \$493 period over period. As a percentage of total revenues, cost of revenues decreased from 45% in the three months ended June 30, 2014 to 41% in the three months ended June 30, 2015.

Compensation and benefits

Compensation and benefits increased 27% from \$25,157 in the three months ended June 30, 2014 to \$31,956 in the three months ended June 30, 2015, primarily due to an increase in salaries, benefits and related payroll taxes of \$6,508, primarily a result of an increase in headcount, including headcount related to the Placemark acquisition. As a percentage of total revenues, compensation and benefits increased from 30% in the three months ended June 30, 2014 to 31% in the three months ended June 30, 2015.

General and administration

General and administration expenses increased 20% from \$12,936 in the three months ended June 30, 2014 to \$15,512 in the three months ended June 30, 2015, primarily due to increases in professional and legal fees of \$437, travel and entertainment costs of \$474, communication, research and data services costs of \$447, marketing related costs of \$370 and website and systems development costs of \$306, accretion on contingent consideration of \$357, offset by downward adjustments to the estimated fair market values of contingent consideration amounts totaling \$456. As a percentage of total revenues, general and administration expenses was 15% in the three months ended June 30, 2014 and 2015.

Depreciation and amortization

Depreciation and amortization expense increased 24% from \$4,615 in the three months ended June 30, 2014 to \$5,725 in the three months ended June 30, 2015, primarily due to increases in intangible asset amortization of \$1,008 as a result of the Placemark and Finance Logix acquisitions. As a percentage of total revenues, depreciation and amortization expense increased from 5% in the three months ended June 30, 2014 to 6% in the three months ended June 30, 2015.

Restructuring charges

In the three months ended June 30, 2015, the Company incurred restructuring charges of \$518, primarily lease abandonment charges related to the former Placemark office located in Wellesley, Massachusetts.

Other income (expense), net

Other income (expense), net includes an increase in interest expense of \$2,341 as a result of the issuance of Convertible Notes in the fourth quarter of 2014 (see Note 11 of notes to the condensed consolidated financial statements), and a decrease in other income of \$1,824, primarily as a result of an agreement reached in 2014, with a vendor regarding the recovery of certain expenses which occurred in 2013.

Income tax provision

	Three Months Ended June 30,	
	2015	2014
	(in thousands)	
Income tax provision	\$ 1,679	\$ 2,355
Effective tax rate	40.0 %	39.1 %

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For the three months ended June 30, 2015, our effective tax rate differs from the statutory rate primarily due to the effect of an increase in the blended state tax rate, permanent differences, an uncertain tax position current year accrual related to transfer pricing and non-recognition of a loss from a subsidiary due to a full valuation allowance. For the three months June 30, 2014, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes, permanent differences and foreign tax expense.

Six months ended June 30, 2014 compared to six months ended June 30, 2015

	Six Months Ended June 30,		Increase (Decrease)	
	2015	2014	Amount	%
	(in thousands)			
Revenues:				
Assets under management or administration	\$ 164,896	\$ 137,808	\$ 27,088	20 %
Licensing and professional services	34,221	25,560	8,661	34 %
Total revenues	199,117	163,368	35,749	22 %
Operating expenses:				
Cost of revenues	81,181	72,392	8,789	12 %
Compensation and benefits	63,491	48,616	14,875	31 %
General and administration	29,721	25,086	4,635	18 %
Depreciation and amortization	11,058	9,037	2,021	22 %
Restructuring charges	518	—	518	100 %
Total operating expenses	185,969	155,131	30,838	20 %

Income from operations	13,148	8,237	4,911	60%
Other income (expense)	(4,454)	1,920	(6,374)	*
Income before income tax provision	8,694	10,157	(1,463)	-14%
Income tax provision	3,647	3,639	8	0%
Net income	5,047	6,518	(1,471)	-23%
Add: Net loss attributable to non-controlling interest	—	195	(195)	-100%
Net income attributable to Envestnet, Inc.	\$ 5,047	\$ 6,713	\$ (1,666)	-25%

*Not meaningful.

Revenues

Total revenues increased 22% from \$163,368 in the six months ended June 30, 2014 to \$199,117 in the six months ended June 30, 2015. The increase was primarily due to an increase in revenues from AUM or AUA of \$27,088. Revenues from AUM/A were 83% and 84% of total revenues in the six months ended June 30, 2015 and 2014, respectively.

Assets under management or administration

Revenues earned from AUM/AUA increased 20% from \$137,808 in the six months ended June 30, 2014 to \$164,896 in the six months ended June 30, 2015. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle in 2015, relative to the corresponding period in 2014. In the second quarter of 2015, revenues were positively affected by new account growth and positive net flows of AUM or AUA during 2014, as well as an increase in revenues resulting from the Placemark acquisition.

The number of financial advisors with AUM or AUA on our technology platforms increased from 24,945 as of June 30, 2014 to 29,541 as of June 30, 2015 and the number of AUM or AUA client accounts increased from approximately 836,000 as of June 30, 2014 to approximately 1,028,000 as of June 30, 2015.

Licensing and professional services

Licensing and professional services revenues increased 34% from \$25,560 in the six months ended June 30, 2014 to \$34,221 in the six months ended June 30, 2015, primarily due to increases in licensing revenue of \$6,905, an increase in professional services revenue of \$1,258 and an increase in other revenue of \$498, primarily related to our annual Advisor Summit.

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Cost of revenues

Cost of revenues increased 12% from \$72,392 in the six months ended June 30, 2014 to \$81,181 in the six months ended June 30, 2015, primarily due to a corresponding increase in revenues from AUM or AUA partially offset by Placemark revenue which is recognized net of manager fees. In addition cost of revenues related to the Advisor Summit increased by \$493 period over period. As a percentage of total revenues, cost of revenues decreased from 44% in the six months ended June 30, 2014 to 41% in the six months ended June 30, 2015.

Compensation and benefits

Compensation and benefits increased 31% from \$48,616 in the six months ended June 30, 2014 to \$63,491 in the six months ended June 30, 2015, primarily due to increases in salaries, benefits and related payroll taxes of \$12,673, primarily a result of an increase in headcount, including headcount related to the Placemark acquisition, non-cash stock-based compensation expense of \$982 and severance expense of \$851. As a percentage of total revenues, compensation and benefits increased from 30% in the six months ended June 30, 2014 to 32% in the six months ended June 30, 2015.

General and administration

General and administration expenses increased 18% from \$25,086 in the six months ended June 30, 2014 to \$29,721 in the six months ended June 30, 2015, primarily due to increases in communication, research and data services costs of \$1,040, travel and entertainment costs of \$932, website and systems development costs of \$697, and professional and legal fees of \$672, accretion on contingent consideration of \$287, offset by downward adjustments to the estimated fair market values of contingent consideration amounts totaling \$1,902. As a percentage of total revenues, general and administration expenses was 15% in the six months ended June 30, 2014 and 2015.

Depreciation and amortization

Depreciation and amortization expense increased 22% from \$9,037 in the six months ended June 30, 2014 to \$11,058 in the six months ended June 30, 2015, primarily due to increases in intangible asset amortization of \$1,702 as a result of the Placemark and Finance Logix acquisitions. As a percentage of total revenues, depreciation and amortization expense was 6% in the six months ended June 30, 2014 and 2015.

Restructuring charges

In the six months ended June 30, 2015, the Company incurred restructuring charges of \$518, primarily lease abandonment charges related to the former Placemark office located in Wellesley, Massachusetts.

Other income (expense), net

Other income (expense), net includes an increase in interest expense of \$4,697 as a result of the issuance of Convertible Notes in the fourth quarter of 2014 (see Note 11 of notes to the condensed consolidated financial statements), and a decrease in other income of \$1,793, primarily as a result of an agreement reached in 2014, with a vendor regarding the recovery of certain expenses which occurred in 2013.

Income tax provision

	Six Months Ended June 30,	
	2015	2014
	(in thousands)	
Income tax provision	\$ 3,647	\$ 3,639
Effective tax rate	41.9%	35.8%

For the six months ended June 30, 2015, our effective tax rate differs from the statutory rate primarily due to the effect of an increase in the blended state tax rate, permanent differences, an uncertain tax position current year accrual related to transfer pricing and non-recognition of a loss from a subsidiary due to a full valuation allowance. For the six months June 30, 2014, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes, permanent differences, the recognition of previously unrecognized tax benefits, and a change in the tax rate expected to apply to taxable income when deferred income taxes are realized.

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Non-GAAP Financial Measures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)		(in thousands)	
Adjusted revenues	\$ 102,663	\$ 84,829	\$ 199,117	\$ 163,368
Adjusted EBITDA	17,613	12,828	34,427	24,599
Adjusted net income	8,853	6,616	17,101	12,917
Adjusted net income per share	0.24	0.18	0.46	0.35

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

“Adjusted EBITDA” represents net income before interest income, interest expense, accretion on contingent consideration, income tax provision, depreciation and amortization, non-cash compensation expense, restructuring charges and transaction costs, fair market value adjustment on contingent consideration, severance, litigation related expense, other income and pre-tax loss attributable to non-controlling interest.

“Adjusted net income” represents net income before non-cash interest expense, accretion on contingent consideration, amortization of acquired intangibles, non-cash compensation expense, restructuring charges and transaction costs, fair-market value adjustment on contingent consideration, severance, litigation related expense, other income, and net loss attributable to non-controlling interest. Reconciling items, excluding non-deductible transaction costs, are tax effected using the income tax rates in effect on the applicable date.

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

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

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

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

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

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

Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are not measurements of our financial performance under U.S. GAAP and should not be considered as an alternative to revenues, 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 revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are frequently used by securities analysts and others in their evaluation of companies, these measures have limitations as 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 revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;

- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect non-cash components of employee compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements;
- Due to either net losses before income tax expenses or the use of federal and state net operating loss carryforwards in 2015 and 2014, we had cash income tax payments, net of refunds, of \$791 and \$18 for the six months ended June 30, 2015 and 2014, 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 revenues, adjusted EBITDA, adjusted net income and adjusted net income per share differently than we do, limiting their usefulness as a comparative measure.

Management compensates for the inherent limitations associated with using adjusted revenues, adjusted EBITDA, adjusted 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 revenues to revenues, the most directly comparable U.S. GAAP measure and 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. 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 total revenues to adjusted revenues based on our historical results:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Total revenues	\$ 102,663	\$ 84,829	\$ 199,117	\$ 163,368
Deferred revenue fair value adjustment	—	—	—	—
Adjusted revenues	\$ 102,663	\$ 84,829	\$ 199,117	\$ 163,368

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Net income	\$ 2,536	\$ 3,650	\$ 5,047	\$ 6,518
Add (deduct):				
Interest income	(89)	(14)	(211)	(95)
Interest expense	2,341	—	4,697	—
Accretion on contingent consideration	309	412	651	824
Income tax provision	1,679	2,355	3,647	3,639
Depreciation and amortization	5,725	4,615	11,058	9,037
Non-cash compensation expense	3,330	3,199	6,749	5,767
Restructuring charges and transaction costs	1,539	583	2,969	687
Fair market value adjustment on contingent consideration	(456)	(460)	(1,902)	(460)
Severance	262	—	855	4
Litigation related expense	—	17	—	17
Other income	—	(1,825)	—	(1,825)
Pre-tax loss attributable to non-controlling interest	437	296	867	486
Adjusted EBITDA	\$ 17,613	\$ 12,828	\$ 34,427	\$ 24,599

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015*	2014*	2015*	2014*
	(in thousands)			
Net income	\$ 2,536	\$ 3,650	\$ 5,047	\$ 6,518
Add (deduct):				
Non-cash interest expense	914	—	1,838	—
Accretion on contingent consideration	185	247	390	494
Amortization of acquired intangibles	2,137	1,532	4,020	2,998
Non-cash compensation expense	1,997	1,920	4,049	3,461
Restructuring charges and transaction costs	937	451	1,865	513
Fair market value adjustment on contingent consideration	(273)	(276)	(1,141)	(276)
Severance	158	—	513	2
Litigation related expense	—	10	—	10
Other income	—	(1,095)	—	(1,095)
Net loss attributable to non-controlling interest	262	177	520	292
Adjusted net income	\$ 8,853	\$ 6,616	\$ 17,101	\$ 12,917
Diluted number of weighted-average shares outstanding	37,654,074	36,805,758	37,504,028	36,726,121
Adjusted net income per share	\$ 0.24	\$ 0.18	\$ 0.46	\$ 0.35

*Adjustments, excluding non-deductible transaction costs, are tax effected using an income tax rate of 40% for 2015 and 2014.

Liquidity and Capital Resources

As of June 30, 2015, we had total cash and cash equivalents of \$198,927 compared to \$209,754 as of December 31, 2014. We plan to use existing cash as of June 30, 2015 and cash generated in the ongoing operations of our business to fund our current operations, capital expenditures and future acquisitions, investments and other strategic activity.

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Cash Flows

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

	Six Months Ended	
	June 30,	
	2015	2014
	(in thousands)	
Net cash provided by operating activities	\$ 4,654	\$ 17,891
Net cash used in investing activities	(30,332)	(6,492)
Net cash provided by financing activities	14,851	3,123
Net (decrease) increase in cash and cash equivalents	(10,827)	14,522
Cash and cash equivalents, end of period	198,927	64,464

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2015 decreased by \$13,237 compared to the same period in 2014, primarily due to a decrease in net income of \$1,471, a decrease in non-cash adjustments totaling \$6,266, and a decrease in the change in operating assets and liabilities totaling \$5,500.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2015 increased by \$23,840 compared to the same period in 2014. The increase is primarily a result of an increase in cash disbursements for acquisitions of \$21,712 and an investment in a private company for \$1,500.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2015 increased by \$11,728 compared to the same period in 2014, primarily a result of an increase in proceeds from the exercise of stock options of \$4,294 and an increase in the excess tax benefits from stock-based compensation of \$12,292, offset by an increase in treasury stock purchases for stock-based minimum tax withholdings of \$4,860.

Critical Accounting Estimates

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

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Commitments and Off-Balance Sheet Arrangements

Leases

The Company rents office space under leases that expire at various dates through 2026. Future minimum lease commitments under these operating leases, as of June 30, 2015, were as follows:

Years ending December 31:		
Remainder of 2015	\$	3,704
2016		8,059
2017		7,143
2018		6,727
2019		6,628
Thereafter		23,238
Total	\$	55,499

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk

Our exposure to market risk is directly related to revenues from asset management or administration services earned based upon a contractual percentage of AUM or AUA. In the three and six months ended June 30, 2015, 82% and 83%, respectively of our revenues were derived from revenues based on the market value of AUM or AUA. We expect this percentage to vary over time. A decrease in the aggregate value of AUM or AUA may cause our revenue and income to decline.

Foreign currency risk

The expenses of our India subsidiary, which primarily consist of expenditures related to compensation and benefits, are paid using the Indian Rupee. We are directly exposed to changes in foreign currency exchange rates through the translation of these monthly expenditures into U.S. dollars. For the three and six months ended June 30, 2015, we estimate that a hypothetical 10% increase in the value of the Indian Rupee to the U.S. dollar would result in a decrease of approximately \$293 and \$620 to pre-tax earnings, respectively, and a hypothetical 10% decrease in the value of the Indian Rupee to the U.S. dollar would result in an increase of approximately \$240 and \$507 to pre-tax earnings, respectively.

Interest rate risk

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

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2015. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2015, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are not effective at the reasonable assurance level, because of an as yet unremediated material weakness in internal control over financial reporting related to controls over the portion of revenues and cost of revenues of a business that was acquired in 2013, Wealth Management Solutions, that was not migrated to the Envestnet core technology platform in 2014. We have also not yet remediated a lack of adequately designed or documented controls related to the financial statement review process, including the review of manual journal entries. The material weakness is further described below in Item 9A-Controls and Procedures in the 2014 Form 10-K.

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Changes in Internal Control Over Financial Reporting

During the six months ended June 30, 2015, although the Company is executing on its material weakness remediation plan, there were no changes to our internal control over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Remediation Plan

Management is committed to remediating the material weakness discussed above in a timely fashion.

The Audit Committee has directed management to develop a detailed plan and timetable for the implementation of remedial measures and will monitor their implementation. In addition, under the direction of the Audit Committee, management will continue to review and make necessary changes to the overall design of the Company’s internal control environment as well as policies and procedures to improve the overall effectiveness of internal control over financial reporting.

Management believes the measures described in its Form 10-Q for the quarterly period ended March 31, 2015 and others that will be implemented will remediate the control deficiencies identified and will strengthen our internal control over financial reporting. Management is committed to continuous improvement of the Company’s internal control processes and will continue to diligently review our financial reporting controls and procedures. As management continues to evaluate and work to improve internal control over financial reporting, we may take additional measures to address control deficiencies or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above. We expect these remedial actions and or other actions related to this material weakness to be effectively implemented in 2015.

The Company has been executing on our remediation plan that will address the material weakness in internal control over financial reporting as discussed above. During the six months ended June 30, 2015, the Company has performed the following procedures:

- The Company migrated one former WMS client from the legacy WMS platform to the Envestnet core technology platform. For these migrated clients, management validated all revenues related to such migrated clients that were computed using the legacy WMS platform against all revenues computed by the Envestnet core technology platform for the same migrated clients, and noted no variances. During the second half of 2015, one former WMS client is scheduled to be migrated to the Envestnet core technology platform. Management anticipates that as of December 31, 2015, only one WMS client will remain on the WMS legacy platform, with final conversion expected in the first half of 2016. Upon completion of the conversion, the legacy WMS platform will no longer be utilized;
- The Company is in the process of documenting and testing all relevant internal controls related to the legacy WMS platform;
- The Company is designing controls related to the review of manual journal entries. Management continues to review its internal controls related to the financial statement review process for enhancement;
- The Company has identified certain technology enhancements specifically identified to increase the use and effectiveness of preventive controls in the financial statement review process, including those related to revenue and related accounts receivable process, and the account reconciliation process. These technology enhancements will begin to be implemented in the second half of 2015 and are anticipated to be completed in 2016;
- The Company has hired additional accounting/finance personnel, including the hiring of an experienced accounting manager, designed to strengthen managements review and documentation over internal control over financial reporting. In addition, the Company is evaluating its staffing to determine if additional resources are necessary in the second half of 2016;

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

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

The following supplements the risk factors that could have a material impact on our results of operations or financial condition as described under “Risk Factors” in Item 1A of Part I of our Form 10-K for the year ended December 31, 2014. The Risk Factors listed in our Form 10-K for the year ended December 31, 2014 under the subheading, “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” is amended and restated to read in its entirety as set forth below.

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. Over the past four years we have completed five significant acquisitions. We recently announced the acquisition of Yodlee, Inc. (the “Yodlee Acquisition”). 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 integrate 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.

Even if we complete the Yodlee Acquisition, we may fail to realize all of the anticipated benefits of the proposed Yodlee Acquisition

The success of the proposed Yodlee Acquisition will depend, in part, on our ability to realize the anticipated benefits of the acquisition. The anticipated benefits the proposed Yodlee Acquisition may not be realized fully or at all, or may take longer to realize than expected or could have other adverse effects that we do not currently foresee. Some of the assumptions that we have made may not be realized. The integration process may result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies. There could be potential unknown liabilities and unforeseen expenses associated with the Yodlee Acquisition that were not discovered in the course of performing due diligence.

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The Company’s level of indebtedness will increase upon completion of the Yodlee Acquisition and will increase the related risks the Company now faces.

In connection with the Yodlee Acquisition, the Company will incur significant additional indebtedness. As a result, the Company will be subject to increased risks associated with debt financing, including an increased risk that the Company’s cash flow could be insufficient to meet required payments on its debt. As of June 30, 2015, the Company had indebtedness of approximately \$172.5 million. Taking into account the incurrence of additional indebtedness in connection with the Yodlee Acquisition, the Company’s pro forma consolidated indebtedness as of June 30, 2015, after giving effect to the Yodlee Acquisition, would be up to approximately \$300 million. The Company’s increased indebtedness could have important consequences to holders of the Company’s common stock, including:

- increasing the Company’s vulnerability to general adverse economic and industry conditions;
- limiting the Company’s ability to obtain additional financing to fund future acquisitions, working capital, capital expenditures and other general corporate requirements;
- requiring the use of a substantial portion of the Company’s cash flow from operations for the payment of principal and interest on the Company’s indebtedness, thereby reducing the Company’s ability to use the Company’s cash flow to fund working capital, acquisitions, capital expenditures and general corporate operating requirements; and
- limiting the Company’s flexibility in planning for, or reacting to, changes in the Company’s business and industry.

The Company’s variable rate indebtedness subjects the Company to interest rate risk. When interest rates increase, so will the Company’s interest costs, which could adversely affect the Company’s cash flow, the Company’s ability to pay principal and interest on its debt and the Company’s cost of refinancing its debt when it becomes due. Additionally, if the Company chooses to hedge its interest rate risk, the Company cannot guarantee that the hedge will be effective or that the hedging counterparty will meet its obligations to the Company.

Item 2. Unregistered Sales of Equity Securities

contained in such filing, except to the extent that the registrant specifically incorporates it by reference.

- * Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014; (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2015 and 2014; (iii) the Condensed Consolidated Statement of Equity for the six months ended June 30, 2015; (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014; (v) Notes to Condensed Consolidated Financial Statements tagged as blocks of text.

MEMBERSHIP INTEREST PURCHASE AGREEMENT

by and among

OLEG TISHKEVICH,

ENVESTNET, INC.

and,

solely for purposes of Article 9,

OLTIS SOFTWARE LLC (d/b/a FINANCE LOGIX)

Dated as of May 6, 2015

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Schedule 7.2.1(c)	Indemnification Contracts

MEMBERSHIP INTEREST PURCHASE AGREEMENT

This MEMBERSHIP INTEREST PURCHASE AGREEMENT is entered into on May 6, 2015 (the "Agreement Date"), by and between Oleg Tishkevich, an individual ("Seller"), and Envestnet, Inc., a Delaware corporation ("Buyer"). Seller and Buyer are referred to collectively herein as the "Parties."

WHEREAS, Seller is the owner of all of the issued and outstanding membership interests ("Membership Interests") of Oltis Software LLC (d/b/a Finance Logix), an Arizona limited liability company (the "Company");

WHEREAS, Buyer wishes to purchase from Seller, and Seller wishes to sell to Buyer, the Membership Interests in accordance with the provisions set forth herein, and

WHEREAS, in connection with the transactions contemplated by this Agreement, Seller and an Affiliate of Buyer have executed an employment agreement governing Seller's employment with such Affiliate following the Agreement Date ("Employment Agreement").

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

1. DEFINITIONS. As used in this Agreement, the following terms shall have the following meanings:

"Adverse Consequences" means all Proceedings, liabilities, injunctions, judgments, orders, decrees, rulings, awards, damages, natural resource damages, dues, penalties, fines, costs, remedial or response action costs, Taxes, Liens, losses, expenses and fees, including court costs, reasonable out-of-pocket attorneys' and consultants' fees and expenses of investigation and litigation related thereto that, in each case, are actually imposed on or otherwise actually suffered by the specified Person.

"Affiliate" means any Person that, directly or indirectly, through one or more Persons, controls, is controlled by or is under common control with the Person specified, where "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise.

"Agreement" means this Membership Interest Purchase Agreement, including all Annexes, Exhibits and the Disclosure Schedule hereto.

"Agreement Date" has the meaning set forth in the preamble.

"Allocation" has the meaning set forth in Section 2.5.1.

"Ancillary Agreement" means any contract or other agreement that is entered into among the Parties (or any of their respective Affiliates), pursuant to or in connection with this Agreement on the Closing Date.

"Applicable Additional Purchase Consideration Payment" has the meaning set forth in Annex A.

"AssetMark Agreement" means the agreement between the ROFR Client and the Company dated December 29, 2013.

"Basket Amount" has the meaning set forth in Section 7.2.3.

"Business Day" means any day other than (a) any Saturday or Sunday or (b) any other day on which banks located in Chicago, Illinois generally are closed or authorized by Law to be closed for business.

"Business IP Agreement" means any Contract concerning Intellectual Property Rights to which the Company is a party, including any (a) license of Intellectual Property Rights by the Company to any Person, (b) Contract between the Company and any Person relating to Licensed Intellectual Property, and (c) Contract between the Company and any Person relating to the transfer, development, maintenance or use of Intellectual Property Rights, or the development or transmission of any data related thereto.

"Buyer" has the meaning set forth in the preamble.

"Buyer Indemnified Parties" has the meaning set forth in Section 7.2.1.

"Buyer Common Stock" means the common stock of Buyer, par value of \$0.005 per share.

"Buyer Stock Options" means options in respect of Buyer Common Stock to be delivered to Seller in the form of Exhibit A.

"Cash Bonus Amount" means a total aggregate amount of \$405,000.

“Cash Consideration” has the meaning set forth in Section 2.2.1.

“Chosen Courts” has the meaning set forth in Section 9.9.

“Closing” has the meaning set forth in Section 2.4.1.

“Closing Date” has the meaning set forth in Section 2.4.1.

“Closing Payoff Amount” means one million eight hundred twelve thousand four hundred dollars (\$1,812,400).

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” has the meaning set forth in the recitals.

“Company Plan” has the meaning set forth in Section 3.10.1.

“Confidential Information” has the meaning set forth in Section 6.2.1.

“Continuing Employee” has the meaning set forth in Section 6.3.

“Contract” means any legally binding written or oral contract, agreement, license, lease, sales order, purchase order, indenture, mortgage, note, bond, warrant, instrument, undertaking, arrangement or commitment (including all amendments, supplements and modifications thereto).

“Delayed Consideration” has the meaning set forth in Section 7.2.6.

“Disclosure Schedule” has the meaning set forth in Article 3.

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“Employee Benefit Plan” means any “employee benefit plan” (as such term is defined in §3(3) of ERISA), any employment agreement or consulting agreement, retirement or deferred compensation plan, incentive compensation plan, stock plan, stock purchase plan, retention plan or agreement, unemployment compensation plan, vacation pay, change in control, severance pay, bonus or benefit arrangement, insurance or hospitalization program or other welfare benefit plan (including any self-insured arrangements), disability benefits, supplemental unemployment benefits, or any fringe benefit arrangement for any current or former employee, director, consultant or agent, whether pursuant to contract or arrangement, whether or not terminated, whether or not in writing and whether or not subject to ERISA.

“Employment Agreement” has the meaning set forth in the recitals

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means, 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 §414 of the Code.

“Fenwick” has the meaning set forth in Section 9.19.

“Financial Statements” has the meaning set forth in Section 3.4.1.

“Fundamental Warranties” means the representations and warranties set forth in Sections 3.1, 3.2, 3.7, 3.15, 3.17, 4.1, 4.2.2(b), 4.3 and 4.5, the first sentence of Section 3.3.1, and the first two sentences of Section 3.8.1.

“GAAP” means United States generally accepted accounting principles in effect from time to time consistently applied using the same accounting methods, practices, principles, policies and procedures, with consistent classifications, judgments and valuation and estimation methodologies that were used in the preparation of the Financial Statements for the most recent fiscal year end as if such accounts were being prepared and audited as of a fiscal year end.

“Governmental Authority” means any federal, state, provincial, local or foreign government, or subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any federal, state, provincial, local or foreign government, including any quasi-governmental entity established to perform such functions, in each case having jurisdiction over the Person, property or matter in question.

“Holdback Amount” means three million dollars (\$3,000,000).

“Holdback Release Date” has the meaning given that term in Section 7.8.1.

“Indebtedness” means, with respect to any Person, (a) all indebtedness of such Person for borrowed money, whether or not contingent, including accrued but unpaid interest thereon, (b) all obligations of such Person for the deferred purchase price of property or services (excluding accounts payable arising in the Ordinary Course of Business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, including, in each case, accrued but unpaid interest thereon, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (e) all obligations, contingent or otherwise, with respect to letters of credit or similar instruments, (f) unfunded Liabilities under defined benefit Plans and (g) all Indebtedness of others (as described in clauses (a) through (f)) guaranteed by such Person.

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“Indemnified Party” has the meaning set forth in Section 7.4.1.

“Indemnified Taxes” means (i) all Taxes of Seller, (ii) all Taxes of the Company for all Tax periods ending on or prior to Closing Date, (iii) all Straddle Period Taxes allocable pursuant to Section 8.2 to the portion of any Straddle Period ending on the Closing Date, (iv) all Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company (or any predecessor) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulations section 1.1502-6 or any analogous or similar state, local, or foreign Tax Laws, (v) any and all Taxes of any Person (other than the Company) imposed on the Company (or any predecessor) as a transferee or successor, by contract or pursuant to any Law, rule, or regulation, which Taxes relate to an event or transaction occurring before the Closing (excluding Taxes arising from transactions for which the associated income is not received by the Company until after Closing), and (vi) any Transfer Taxes for which Seller is liable pursuant to Section 9.14.

“Indemnifying Party” has the meaning set forth in Section 7.4.1.

“Insurance Policies” has the meaning set forth in Section 3.18.

“Intellectual Property Rights” means, whether arising under the Laws of the United States, any state or other political subdivision thereof, any other country or political subdivision thereof or any international treaty regimes or conventions, whether or not filed, perfected, registered or recorded: (a) patents and patent applications, including continuations, divisionals, continuations-in-part, provisionals or reissues of patent applications and patents issuing thereon; (b) trademarks, service marks, trade names, service names, brand names, trade dress rights, slogans, logos, Internet domain names or corporate names or other identifiers of source or goodwill, together with the goodwill associated with any of the foregoing, and all applications, registrations and renewals thereof; (c) works of authorship and databases, including all copyrights and all registrations and applications therefor; and (d) confidential and proprietary information, trade secrets, know-how, formulae, data, programs, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice) and software.

“IRS” means the Internal Revenue Service.

“Knowledge of Seller” means the actual knowledge of Seller after reasonable inquiry of his direct reports with operational responsibility for the matter in question.

“Law” means any law, statute, regulation, ordinance, rule, order, decree, judgment, injunction, consent decree, settlement agreement or governmental requirement enacted, promulgated, entered into, agreed or imposed by any Governmental Authority.

“Liability” or “Liabilities” means any liability, duty or obligation of any nature, whether pecuniary or not, asserted or unasserted, accrued or unaccrued, absolute or contingent, matured or unmatured, liquidated or unliquidated, determined or determinable, known or unknown and whether due or to become due.

“Licensed Intellectual Property” means all Intellectual Property Rights in which the Company has an interest under license from any Person.

“Lien” means any mortgage, pledge, lien, encumbrance, collateral assignment, security interest, easement, encroachment, restriction (including restriction on use), option, deed of trust, title retention, conditional sale or other security arrangement, or any license, order or charge, or any adverse claim of title, ownership or use, or agreement of any kind restricting transfer, or any other right of any third party

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or encumbrance whatsoever. For clarity, a non-exclusive license of intellectual property shall in no event be considered a Lien.

“Material Adverse Effect” means any effect or change that, individually or when taken together with all such other effects or changes (a) is materially adverse to the business, assets, condition (financial or otherwise), operating results, liabilities or results of operations of the Company, or (b) prevents any Party from timely consummating the transactions contemplated hereby or performing its obligations hereunder; *provided, however*, that the following shall not be deemed to constitute a Material Adverse Effect: (i) changes in conditions affecting the industry in which the Company operates; (ii) political conditions and acts of war or terrorism; (iii) general economic conditions within the United States or any other country; (iv) conditions in the securities markets, credit markets, currency markets or other financial markets in the United States or any other country; (v) natural disasters or other force majeure events; (vi) the announcement of the transactions contemplated by this Agreement; (vii) changes in law or GAAP or the interpretation or enforcement thereof; or (viii) any failure to meet financial projections, estimates or forecasts for any period (*provided* that the underlying cause of such failure may, to the extent applicable, be considered in determining whether there is a Material Adverse Effect), except in the case of each of clauses (i), (iii) and (iv), unless and to the extent that they have a disproportionate effect on the Company as compared to the other companies in the industry in which the Company operates (in which case for clarity, only the extent of such disproportionate impact (if any) shall be taken into account when determining where there is a Material Adverse Effect).

“Material Contract” means any Contract to which the Company is a party which:

- (i) represents revenue of the Company which exceeds \$25,000;
- (ii) represents an expenditure of the Company which exceeds \$5,000;
- (iii) for the calendar years ended December 31, 2013 and December 31, 2014, and for the three (3) months ended March 31, 2015, is a Contract between the Company and (A) a customer which represents any part of the top seventy percent (70%) of the Company’s revenue for such periods; and (B) any material supplier of the Company for such periods;
- (iv) expressly limits or excludes the Company’s right to do business (including Contracts containing exclusivity obligations) and/or compete in any area or field (whether limited by reference to a geographical area or type of business);
- (v) involves committed capital expenditure by the Company in excess of \$5,000;
- (vi) creates any Lien over the Company’s business, undertaking or any of its assets;
- (vii) relates to any incurrence, assumption or guarantee of Indebtedness;
- (viii) relates to any joint venture agreement, partnership agreement or similar agreement or any agreement relating to the acquisition or disposition of any business, capital stock or assets of the Company or any other Person (whether by merger, sale of stock, sale of assets or otherwise);
- (ix) relates to real property owned, leased, occupied or used by the Company;

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- (x) includes any “most favored nation” provision, right of first offer or refusal, minimum revenue or other such commitments, or other similar terms favoring any other person that would be binding on the Company following the Closing;
 - (xi) includes the Seller or any Affiliate of the Seller (other than the Company) as a party;
 - (xii) is a power of attorney or other similar Contract or grant of agency related to the business of the Company;
 - (xiii) if a default or termination would occur, could reasonably be expected to have a Material Adverse Effect;
 - (xiv) is a customer Contract that (A) does not expressly cap the liability thereunder of the Company to an amount less than or equal to the aggregate fees paid to the Company under such Contract or (B) expressly permits special, consequential or punitive damages to be recovered against the Company; or

(xv) is otherwise a Contract that is material to the Company.

“Membership Interest Assignment Agreement” means the membership interest assignment agreement substantially in the form of Exhibit B hereto.

“Membership Interests” has the meaning set forth in the recitals.

“Multiemployer Plan” has the meaning set forth in ERISA §3(37).

“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

“Other Payoff Amount” means one million dollars (\$1,000,000).

“Owned Intellectual Property” means all Intellectual Property Rights owned or purported to be owned by the Company.

“Party” has the meaning set forth in the preamble.

“Payoff Amount” means the Closing Payoff Amount plus the Other Payoff Amount.

“Payoff Letter” means the letter agreement identified on Schedule 1.1.

“Permitted Lien” means (i) statutory liens for Taxes that are not yet due and payable, (ii) statutory liens to secure obligations to landlords, lessors or renters under leases or rental agreements, (iii) deposits or pledges made in connection with, or to secure payment of, workers’ compensation, unemployment insurance or similar programs mandated by applicable law, (iv) statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies and other like liens, and (v) with respect to Company securities, any restrictions on transfer imposed by applicable federal and state securities laws.

“Person” means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or other business entity or Governmental Authority.

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“Post-Closing Tax Period” means any Tax period beginning after the Closing Date and the portion of any Straddle Period beginning after the Closing Date.

“Pre-Closing Tax Period” means any Tax period ending on or prior to the Closing Date and the portion of any Straddle Period ending on the Closing Date.

“Proceedings” means any judicial or administrative action, investigation, audit, claim, suit, arbitration, proceeding or other litigation before a Governmental Authority or arbitrator.

“Restricted Business” means (a) any business or venture that competes, directly or indirectly, with the business of Buyer or its Affiliates under its control anywhere in the world or (b) any business that offers services substantially similar to those that the Company offered as of the Agreement Date, including any business whose primary source of revenue generation is through providing financial planning software solutions to financial services firms.

“Restricted Period” means three (3) years from and after the Closing Date.

“ROFR Client” means AssetMark, Inc.

“ROFR Notice” has the meaning set forth in Section 3.2.3.

“Seller” has the meaning set forth in the preamble.

“Seller Indemnified Parties” has the meaning set forth in Section 7.3.

“Stock Consideration” has the meaning set forth in Section 2.2.2.

“Stock Option Consideration” has the meaning set forth in Section 2.2.3.

“Straddle Period” has the meaning set forth in Section 8.1.2.

“Tax Gross Up Payment” means Five Hundred Thousand Dollars (\$500,000) in cash.

“Tax Return” means any return, report or other information or filing required by Law to be filed with a Governmental Authority or supplied to any Person in connection with any Taxes, including any schedule or attachment thereto or amendment thereof.

“Taxes” means all taxes, charges, fees, 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, user, transfer, fuel, excess profits, occupational, interest equalization, escheat, unclaimed property, windfall profits, payroll, unemployment and social security taxes) that are imposed by any Governmental Authority, and such term includes any interest, penalties or additions to tax attributable thereto or attributable to any nonpayment thereof.

“Third-Party Claim” has the meaning set forth in Section 7.4.1.

“Total Consideration” means an amount equal to (a) the Cash Consideration, plus (b) the Stock Consideration, plus (c) the Stock Option Consideration, plus (d) the Tax Gross Up Payment, plus (e) the Applicable Additional Purchase Consideration Payments (to the extent payable).

“Transfer Taxes” has the meaning set forth in Section 9.14.

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“Unresolved Portion” has the meaning given that term in Section 7.8.1.

“WARN Act” means the Worker Adjustment and Retraining Notification Act, as amended, and any similar foreign, state or local Law.

2. BASIC TRANSACTION.

2.1 Purchase and Sale of Membership Interests. Subject to the terms and conditions of this Agreement, at the Closing, Seller shall sell, assign, transfer, convey and deliver to Buyer all of the Membership Interests, and Buyer shall purchase from Seller all of the Membership Interests, free and clear of all Liens.

2.2 Initial Purchase Consideration. The initial purchase price for the Membership Interests shall be the following, delivered by Buyer as provided in Section 2.4.2:

2.2.1 Twenty-Three Million Five Hundred Thousand Dollars in cash (\$23,500,000) (the "Cash Consideration");

2.2.2 123,410 shares of Buyer Common Stock (the "Stock Consideration");

2.2.3 123,410 options issued in the form set forth in Exhibit A (the "Stock Option Consideration"); and

2.2.4 the Tax Gross Up Payment.

2.3 Additional Consideration. Subject to the terms and conditions set forth on Annex A, Buyer shall pay the Applicable Additional Purchase Consideration Payments to Seller. The Parties agree to treat all Applicable Additional Purchase Consideration Payments as adjustments to the Total Consideration.

2.4 Closing.

2.4.1 Subject to the terms and conditions of this Agreement, the closing of the sale of the Membership Interests to Buyer (the "Closing") shall take place on the date hereof at the offices of Mayer Brown LLP, 71 South Wacker Drive, Chicago, Illinois 60606. The date on which the Closing actually occurs is referred to herein as the "Closing Date."

2.4.2 At the Closing:

- (a) Buyer shall deliver an amount equal to the Cash Consideration minus (i) the Cash Bonus Amount minus (ii) the Holdback Amount minus (iii) the Payoff Amount, plus (iv) the Tax Gross Up Payment, by wire transfer in immediately available funds to the bank account previously designated by Seller in writing;
- (b) Buyer shall issue the Stock Consideration to Seller;
- (c) Buyer shall deliver the Stock Option Consideration to Seller;
- (d) Seller shall deliver to Buyer the Membership Interest Assignment Agreement, duly executed by Seller;

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- (e) Buyer shall deliver to Buyer the Membership Interest Assignment Agreement, duly executed by Buyer;
 - (f) Seller shall deliver to Buyer a certificate of non-foreign status as contemplated under Section 1.1445-2(b) of the Treasury Regulations promulgated under the Code, certifying that Seller is not a foreign person as defined in Section 1445 of the Code and the Treasury Regulations promulgated thereunder in a form satisfactory to Buyer;
 - (g) Seller shall deliver to Buyer a recent good standing certificate regarding the Company from the office of the Secretary of State of Arizona;
 - (h) Seller shall deliver to Buyer a certificate enclosing a true, correct and complete copy of the articles of organization of the Company;
 - (i) Seller shall deliver to Buyer a list of all Liabilities of the Company (determined in accordance with GAAP), as of the Closing Date; and
 - (j) Buyer shall deliver on behalf of Seller the Closing Payoff Amount as contemplated by the Payoff Letter.

2.5 Purchase Price Allocation; Tax Withholdings.

2.5.1 Within one hundred twenty (120) days after the Closing Date, Buyer shall deliver to Seller a schedule allocating the purchase price for the Membership Interests pursuant to this Agreement (and the amount of any assumed Liabilities and any other capitalizable costs to the extent properly taken into account under the Code) among the assets of the Company and the covenants set forth in Section 6.1 (the "Allocation") in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder. If within thirty (30) days after receipt of such Allocation, Seller notifies Purchaser in writing that Seller objects to one or more items reflected on the Allocation, Buyer and Seller agree to negotiate in good faith to resolve such dispute. If Buyer and Seller fail to resolve any such dispute within thirty (30) days of Buyer's receipt of Seller's notice, the determination of the disputed item or items shall be made by an independent accounting firm, whose decision shall be final and binding on both Parties and whose fees shall be shared equally by Buyer, on the one hand, and Seller on the other hand. Seller and Buyer will cooperate in filing with the IRS their respective IRS Form 8594 on a basis consistent with the Allocation, as finally agreed. The Parties shall use the Allocation to report the transactions contemplated by this Agreement to the applicable Tax authorities, and shall not take any action inconsistent therewith in any Tax Return, upon examination of any Tax Return, in any refund claim, in any Proceeding or otherwise with respect to such Tax Returns, unless required by applicable law.

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2.5.2 For U.S. federal, state and local income Tax purposes, Buyer and Seller intend that the Total Consideration (including, for the avoidance of doubt, the Cash Consideration, Stock Consideration, Buyer Options, Tax Gross Up Payments, and Applicable Additional Purchase Consideration Payments, in each case) will be treated as paid and received solely in exchange for Seller's Membership Interests, and Buyer and Seller shall report such payments as paid and received solely in exchange for such Membership Interests, except as otherwise required by applicable Law (such as amounts treated as imputed interest and the First Earn-Out Payment Amount portion of the Applicable Additional Purchase Consideration Payment) or as required by a Tax Authority.

2.5.3 Notwithstanding anything in this Agreement to the contrary, Buyer or the Company shall be entitled to withhold and deduct from the consideration otherwise payable pursuant to this Agreement such amounts as Buyer or the Company are required to deduct and withhold with respect to the making of such payment under the Code or any tax Law. To the extent that amounts are so withheld and paid over to the appropriate Tax authority, such amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding were made.

3. REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY. Except as set forth in the disclosure schedule delivered by Seller to Buyer concurrently with the execution of this Agreement (the "Disclosure Schedule"), Seller hereby represents and warrants to Buyer as of the date of this Agreement:

3.1 Due Formation. The Company is a limited liability company duly organized, validly existing and in good standing under the Laws of Arizona, with all requisite power and authority to own, lease and operate its properties as presently owned, leased and operated and to carry on its business as presently conducted. The Company is duly licensed or qualified to do business and is in good standing in each jurisdiction where the nature of the properties owned, leased or operated by it and the business transacted by it require such licensing or qualification, except where the failure to be so licensed or qualified would not be material to the Company. Schedule 3.1 sets forth a list of each jurisdiction in which the Company is currently licensed or qualified to do business. All limited liability company actions taken by the Company in connection with this Agreement and Ancillary Agreement will be duly authorized on or prior to the Closing.

3.2 Capitalization.

3.2.1 The Company's issued and outstanding equity interests consist of the Membership Interests. All of the Membership Interests have been duly authorized and validly issued to Seller and were not issued in violation of, preemptive rights or applicable Laws. Seller owns, and at the Closing will own, all of the Membership Interests free and clear of all Liens. The Membership Interests held by Seller represent all of the issued and outstanding membership interests or other equity securities of the Company, and, other than Seller, no Person has any record, legal or beneficial ownership of any membership interests or other equity

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securities or rights to acquire any membership interests or other equity securities, of the Company. Schedule 3.2.1 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 membership interests or other equity securities of the Company, or otherwise obligating the Company to issue, transfer, sell, purchase, redeem or otherwise acquire any such securities. Except as set forth on Schedule 3.2.1, there are no (a) voting trusts, stockholder agreements, proxies or other understandings in effect with respect to the voting or transfer of the Membership Interests or (b) issued or outstanding equity appreciation, phantom equity, profit participation or similar rights or similar interests having equity features with respect to the Company.

3.2.2 The Company does not have any subsidiaries and does not own any interest (equity or debt) in any Person.

3.2.3 The Company has provided the ROFR Client with the applicable notice required pursuant to the AssetMark Agreement with respect to the transactions contemplated by this Agreement, a true, correct and complete copy of which is set forth on Schedule 3.2.3 and the Company has received valid and subsisting notice from the ROFR Client that it irrevocably waives all and any rights that the ROFR Client has (under the AssetMark Agreement or otherwise) to buy the Membership Interests or any other equity securities of the Company as a result of the transactions contemplated by this Agreement and/or the Ancillary Agreements (the "ROFR Notice"), and no other Person has any pre-emption right, right of first refusal or similar rights or options that may delay, restrict, prevent or in any way affect the transfer of the Membership Interests to Buyer as contemplated by this Agreement.

3.3 Condition of, Title to and Sufficiency of Assets.

3.3.1 Schedule 3.3.1 sets forth a true, correct and complete list as of the date hereof of all of the fixed assets and tangible personal property owned by the Company. All of the tangible assets of the Company, whether owned or leased, have been well maintained with standards generally followed in the industry and are in good operating condition and repair (with the exception of normal wear and tear), are adequate and suitable for their present and intended uses and, to the Knowledge of Seller, are free from defects other than such minor defects as do not interfere with the intended use thereof in the Ordinary Course of Business or adversely affect the resale value thereof.

3.3.2 The Company has good, valid, marketable and indefeasible title to, is the lawful owner of or has a valid leasehold interest in, and in each case has custody and control of, all of its assets free and clear of all Liens (other than Permitted Liens and licenses of products and services to clients of the Company entered into in the Ordinary Course of Business). The assets, properties and rights of the Company (together with any Licensed Intellectual Property) comprise all of the material

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assets, properties and rights of every type and description, whether real or personal, tangible or intangible reasonably necessary for the continued operation of the Company's business as currently conducted and currently planned to be conducted. For clarity, nothing in this Section 3.3.2 shall be deemed to address infringement of third-party Intellectual Property Rights by the Company or the validity of the Company's Intellectual Property Rights, which matters are addressed by Section 3.8.

3.4 Financial Statements; No Undisclosed Liabilities.

3.4.1 Seller has previously made available to Buyer (a) an unaudited balance sheet of the Company as of December 31, 2013 and the related statements of income and (b) an unaudited balance sheet of the Company as of December 31, 2014 and the related statements of income (collectively, the "Financial Statements"). The Financial Statements (including the notes thereto, if any) were prepared from, are in accordance with the cash basis method of accounting, applied on a consistent basis throughout the period involved, and accurately reflect the books and records of the Company. The Financial Statements present fairly in all material respects the financial condition of the business of the Company as of such dates and the results of operations of the business of the Company for such periods. The Financial Statements (including the notes thereto, if any) make full and adequate disclosure of, and provision for, all material Liabilities of the Company (determined in accordance with GAAP) as of such dates. The Company maintains a standard system of accounting established and administered in accordance with the cash basis method of accounting, applied on a consistent basis throughout the period involved.

3.4.2 Schedule 3.4.2 sets forth a list of all Liabilities of the Company (determined in accordance with GAAP), as of December 31, 2014. Except as set forth on Schedule 3.4.2, and except for Liabilities that are (a) set forth in the Financial Statements or (b) incurred since December 31, 2014 in the Ordinary Course of Business that are not material in the aggregate, the Company does not have any Liability (determined in

accordance with GAAP).

3.5 No Adverse Effects or Changes. Except as set forth on Schedule 3.5, since December 31, 2014, the Company has conducted and operated its businesses only in the Ordinary Course of Business. Without limiting the generality of the foregoing, since December 31, 2014 to the Agreement Date, the Company has not:

- 3.5.1 experienced or been affected by any event, occurrence, development or state of circumstances or facts that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect;
- 3.5.2 amended its articles of organization;

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- 3.5.3 split, combined or reclassified any of its membership interests or other equity securities;
- 3.5.4 issued, sold or otherwise disposed of any of its membership interests or other equity securities, or granted any options, warrants or other rights to purchase or obtain (including upon conversion, exchange or exercise) any of its membership interests or other equity securities;
- 3.5.5 merged, consolidated or made any capital investment into or with any other Person or acquired or combined with (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 or adopted any plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;
- 3.5.6 incurred, assumed or guaranteed any indebtedness for borrowed money except unsecured current obligations and Liabilities incurred in the Ordinary Course Of Business consistent with past practice;
- 3.5.7 experienced any material damage, destruction or loss (whether or not covered by insurance) of any asset or property;
- 3.5.8 sold, leased, licensed, transferred, assigned or otherwise disposed of any of its material assets, tangible or intangible (other than sales and licenses of products and services to clients of the Company for revenue in the Ordinary Course of Business on the Company's standard terms and conditions, a complete and accurate description of which are set forth on Schedule 3.5.8);
- 3.5.9 (a) granted to any employee any increase in compensation or benefits (other than in the Ordinary Course of Business consistent with past practices), (b) granted to any employee any increase in severance or termination pay, (c) entered into or amended any employment, consulting, indemnification, severance or termination agreement with any employee (other than at will employment agreements or consulting agreements, in either case, which may be terminated by the Company without notice or Liability), (d) established, adopted, entered into, become liable under or with respect to any Employee Benefit Plan or amended or terminated any Company Plan (other than amendments and renewals in the Ordinary Course of Business and consistent with past practices) or (e) taken any action to accelerate any payments, rights or benefits, or made any material determinations not in the Ordinary Course of Business, under any Company Plan;
- 3.5.10 entered into any Contract relating to any Owned Intellectual Property Rights or any Licensed Intellectual Property, including for the mortgage, pledge, sale, transfer or purchase of any such Intellectual Property Rights, other than in connection with the sale and license of products and services to clients of the Company for revenue in the Ordinary Course of Business on the Company's standard terms and

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conditions, a complete and accurate description of which are set forth on Schedule 3.5.10:

- 3.5.11 made a material change in any financial method of accounting or accounting practice of the Company, except as required by GAAP or as disclosed in the notes to the Financial Statements; or
- 3.5.12 changed in any material respect any methods of operation, including practices and policies relating to producing, purchasing, inventories, marketing, licensing, selling and pricing.

3.6 Legal Compliance. The Company has complied in all material respects with all applicable Laws related to the ownership and operation of its businesses, including Laws related to properties, sales practices, employment practices, terms and conditions of employment, labor relations and collective bargaining, leave laws, workers' compensation, unemployment compensation, immigration, income tax, notice for mass layoffs, wages and hours, safety, occupational health and safety and civil rights. Neither the Company nor any Company Plan has received any notice, which has not been dismissed or otherwise disposed of, that the Company has not so complied with all applicable Laws. The Company has not been charged or threatened with, and, to the Knowledge of Seller, the Company is not under investigation with respect to, any violation of any Law related to the ownership or operation of its business.

3.7 Tax Matters.

- 3.7.1 (a) All federal, state, foreign and local Tax Returns required to be filed by the Company on or prior to the Closing Date have duly and timely (including all applicable extensions) been filed, (b) the information provided on such Tax Returns is complete and accurate in all material respects, (c) all Taxes shown to be due on such Tax Returns have been paid in full and (d) the Company is not currently the beneficiary of an extension of time to file any Tax Return.
- 3.7.2 The Company does not have and has not had a permanent establishment or other taxable presence in any jurisdiction outside the United States.
- 3.7.3 No Proceeding is currently threatened or pending against or with respect to the Company regarding Taxes. No notice of any audit or other administrative or court Proceeding and no notice of deficiency or proposed Tax adjustment has been received in writing by the Company with respect to the income, assets, operations or business of the Company.
- 3.7.4 The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. No claim has ever been made by an authority in a jurisdiction where the Company does not file Tax Returns that the Company must file Tax Returns or that the Company is or may be subject to Tax in that jurisdiction. There are no Liens on any of the Membership Interests (or other equity interests) or assets of the Company with respect to Taxes (other than Permitted Liens).

- 3.7.5 The Company is not a party to any Tax sharing, indemnification, allocation or similar agreement or arrangement pursuant to which the Company will have any obligation to make any payments after Closing, nor does the Company owe any amount under any such agreement.
- 3.7.6 No written ruling has been received or requested from any taxing authority by the Company or with respect to the assets of the Company and no power of attorney executed by or on behalf of the Company is currently in force with respect to any Tax matter that would, in any manner, bind, obligate or restrict Buyer.
- 3.7.7 The Company has complied with all applicable Laws relating to the payment and withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 1445 and 1446 of the Code or similar provisions under any foreign law), and has withheld or collected and, to the extent required, has paid over to the proper Governmental Authority all amounts required to be paid and withheld under all applicable Laws.
- 3.7.8 The Company has not been a member of an affiliated, combined, consolidated or unitary Tax group for Tax purposes. The Company has no Liability for Taxes of any Person (other than itself) under Section 1.1502-6 of the Treasury Regulations (or any corresponding provision of state, local or foreign Law), as transferee or successor, by contract or otherwise.
- 3.7.9 The Company will not be required to include any item of income in, or exclude any deduction in calculating, 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 Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign Tax law) executed on or prior to the Closing Date; (iii) installment sale or open transaction disposition made or prepaid amount received on or prior to the Closing Date; or (iv) election pursuant to Section 108(i) of the Code made effective on or prior to the Closing Date.
- 3.7.10 The Company is not and has not been a party to any "reportable transaction" as defined in Section 1.6011-4(b) of the Treasury Regulations.
- 3.7.11 The Company is in compliance with all terms and conditions of any Tax exemption, Tax holiday or other Tax reduction agreement or order entered into between the Company and any Governmental Authority which is currently in force or in effect.
- 3.7.12 The Company has been, since its formation, a partnership or disregarded as an entity separate from its owner for U.S. federal income tax purposes.

3.8 Intellectual Property.

- 3.8.1 Schedule 3.8.1 sets forth a true, correct and complete list of all (i) Owned Intellectual Property that is subject to an issued or pending registration and (ii) copyrights (registered and unregistered) that are owned or purported to be owned by the Company in computer software that is material to the operation of the Company's business. The Company is the exclusive owner of all right, title and interest in and to all Owned Intellectual Property, free and clear of all Liens, except for any non-exclusive, non-transferable licenses that the Company has granted in the Ordinary Course of Business to clients pursuant to client agreements and Permitted Liens. Except for any non-exclusive, nontransferable licenses that the Company has granted in the Ordinary Course of Business to clients pursuant to client agreements, (a) the Company has not licensed any Owned Intellectual Property to any Person, and (b) the Company does not have any obligation to grant any license of any Owned Intellectual Property to any Person. The Company has sufficient rights to use and license the Owned Intellectual Property for the operation of the business of the Company as currently conducted and as currently planned to be conducted, all of which rights shall survive unchanged as to Buyer after the consummation of the transactions contemplated by this Agreement, and there are no royalties, honoraria, fees or other payments payable by the Company to any Person for the purchase, license, sublicense or use of any Owned Intellectual Property.
- 3.8.2 The Company has valid licenses to use the Licensed Intellectual Property, subject only to the terms of the applicable Business IP Agreements. Schedule 3.8.2 sets forth a true, correct and complete list of all Business IP Agreements (except for nondisclosure agreements entered into with clients in connection with the sale and license of products and services for revenue in the Ordinary Course of Business on the Company's standard terms and conditions, a complete and accurate description of which are set forth on Schedule 3.9.2), identifying therein all Licensed Intellectual Property. Prior to the date hereof, Seller has furnished to Buyer true, correct and complete copies of all Business IP Agreements required to be listed, or that are otherwise identified, in Schedule 3.8.2. The Company is in compliance in all material respects with all obligations under each Business IP Agreement, there has been no breach of any Business IP Agreement by the Company that is continuing and unremediated and the Company has not received any written notice of any default or any event that, with the giving of notice or lapse of time or both, would constitute a default under (or other breach of) any Business IP Agreement. The Company has paid all royalties that may have been due prior to the Closing Date to any Person with respect to the Licensed Intellectual Property.
- 3.8.3 To the Knowledge of Seller, no Person is engaging in, or has engaged in at any time, any activity that infringes, misappropriates or otherwise violates or conflicts with any Owned Intellectual Property. No

Intellectual Property Rights of any other Person were misappropriated in the development of the Owned Intellectual Property and the use of the Owned Intellectual Property and the operation of the business of the Company as currently conducted and as currently planned to be conducted does not infringe, or otherwise violate or conflict with, the Intellectual Property Rights of any other Person. There is no Proceeding pending or, to the Knowledge of Seller, threatened against the Company concerning any of the foregoing, nor has the Company received any written notification that a license under any other Person's Intellectual Property Right is or may be required. The Company has not entered into any Contract or is otherwise obligated to indemnify any other Person against any claim of infringement, misappropriation or other violation of or conflict with the Intellectual Property Rights of any other Person, except for Contracts entered into with clients in connection with the sale and license of products and services for revenue in the Ordinary Course of Business on the Company's standard terms and conditions, a complete and accurate description of which are set forth on Schedule 3.8.3.

- 3.8.4 Except for disclosure to Buyer (or its authorized representatives) in connection with this Agreement, the Company has taken reasonable measures to maintain the confidentiality and value of all confidential information used or held for use by the Company.
- 3.8.5 No employee, independent contractor or agent of the Company is, to the Knowledge of Seller, in default or breach of any term of any employment agreement, non-disclosure agreement, assignment of invention agreement or similar agreement relating to the protection, ownership, development, use or transfer of Owned Intellectual Property or Licensed Intellectual Property. To the extent that any Intellectual Property Right has been conceived, developed or created for the Company by any other Person, the Company has executed valid and enforceable written agreements with such Person with respect thereto transferring to the Company, to the extent permitted by Law, the entire and unencumbered right, title and interest therein and thereto by operation of Law or by valid written assignment.
- 3.8.6 Schedule 3.8.6 sets forth a true, correct and complete list of: (i) each item of open source software that is contained or embedded in, or distributed or made available with, any of the Company's products, or from which any part of any of the Company's products is derived; (ii) the applicable license terms for each such item of open source software; and (iii) the Company product to which each such item of open source software relates. The Company has at all times complied with the licenses applicable to each item such open source software identified. None of the Company's products contains, is derived from, is distributed with or is being or was developed using open source software in a manner that imposes a requirement or condition that any of the Company's products or part thereof: (A) be disclosed or distributed in source code form; (B) be licensed for the purpose of

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making modifications or derivative works; or (C) be redistributable at no charge.

3.9 Material Contracts and Contract defaults. Schedule 3.9.1 lists all Material Contracts (except for nondisclosure agreements entered into with clients in connection with the sale and license of products and services for revenue in the Ordinary Course of Business on the Company's standard terms and conditions, a complete and accurate description of which are set forth on Schedule 3.9.2) to which the Company is a party or to which the Company is otherwise bound as of the Agreement Date. Seller has delivered to Buyer a true, correct and complete copy of each Material Contract set forth on Schedule 3.9.1, including any and all amendments or other modifications thereto. Neither the Company, nor, to the Knowledge of Seller, any other party is in breach of or in violation or default under any Material Contract set forth on Schedule 3.9.1, or any NDA and no event has occurred which, with or without notice or lapse of time or both, would result in a breach, violation or default of any such Material Contract on the part of the Company. The Company has not received any written notice from, or given any written notice to, any other party indicating that the Company, or such other applicable party, is in breach, violation or default under any Material Contract, or any NDA, and all such Material Contracts are valid and binding and in full force and effect and are enforceable by the Company in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.

3.10 Employee Benefits.

- 3.10.1 Schedule 3.10.1 lists each Employee Benefit Plan which the Company maintains, sponsors, is a party to, participates in, has a commitment to create, to which the Company contributes or has an obligation to contribute, or with respect to which the Company otherwise has or may have any Liability (each, a "Company Plan" and, collectively, the "Company Plans").
- 3.10.2 Except as set forth in Schedule 3.10.2, the Company does not have, nor has had at any time, any ERISA Affiliates, and no other entities or trade or businesses would be treated as a member of a controlled group of corporations or trades or business with the Company within the meaning of §414 of the Code.
- 3.10.3 None of the assets of any Company Plan are invested in employer securities or employer real property.
- 3.10.4 A true, correct and complete copy of each Company Plan set forth or required to be set forth on Schedule 3.10.1, and all contracts relating thereto, or to the funding thereof, including, without limitation, all trust agreements, insurance contracts, administration contracts, investment management agreements, subscription and participation agreements and recordkeeping agreements, each as in effect on the date hereof, has been supplied to Buyer. In the case of any Company Plan which is not in written form but is otherwise material to the Company or the Company's employees, Buyer has been supplied with an accurate description of such Company Plan as in effect on the date hereof. A true, correct and complete copy of the most recent annual report,

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actuarial report, accountant's opinion of the plan's financial statements, summary plan description and IRS determination letter with respect to each Company Plan, to the extent applicable, has been supplied to Buyer, and there have been no material changes in the financial condition in the respective plans from that stated in the annual reports and actuarial reports supplied.

- 3.10.5 Each Company Plan (and each related trust, insurance Contract or fund) has been maintained, funded and administered in accordance with the terms of such Company Plan and complies in form and in operation in all material respects with the applicable requirements of ERISA, the Code, and other applicable Law, and to the Knowledge of Seller, no event has occurred which will or could reasonably cause any such Company Plan to fail to comply with such requirements and no notice has been issued by any governmental authority questioning or challenging such compliance.
- 3.10.6 Each Company Plan that is intended to meet the requirements of a "qualified plan" under §401(a) of the Code, and any trust which forms a part of such plan that is intended to qualify as tax-exempt under §501(a) of the Code, is the subject of a current favorable determination, opinion or advisory letter from the IRS, and to the Knowledge of Seller, nothing has occurred since the date of such letter or otherwise in the operation of any plan that cannot be cured within the remedial amendment period (within the meaning of §401(b) of the Code and applicable regulations) or that otherwise would need to be corrected through the employee plan compliance resolution system, which would reasonably be expected to prevent any such Company Plan from remaining so qualified. No event has occurred which will or could give rise to disqualification of any such plan under such sections or to a tax under §511 of the Code.
- 3.10.7 None of the Company Plans obligates the Company to pay any bonus, separation, severance, termination or similar benefit, accelerate any vesting or payment schedule, increase any employee account balance, forgive any indebtedness, or alter or increase any benefits to any current or former employee, director, or officer of the Company solely as a result of this Agreement or the consummation of any transaction contemplated by this Agreement or solely as a result of a change in control or ownership within the meaning of §280G of the Code and neither the execution of this Agreement nor the consummation of the transactions contemplated hereby shall cause any payments or benefits from the Company to any employee, officer or director of the Company to be either subject to an excise Tax or non-deductible Tax under Sections 4999 and 280G of the Code, respectively, whether or not some other subsequent action or event would be required to

cause such payment or benefit to be triggered.

- 3.10.8 With respect to the Company Plans, (a) no assets of the Company are subject to any Lien under §412(n) or §430(k) of the Code or §303(k) or §4068 of ERISA (or under any predecessor sections of the Code or

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ERISA with respect to Liens related to pension plan funding), (b) no transaction described in §4069 of ERISA has occurred and (c) there are no pending or, to the Knowledge of Seller, threatened Proceedings with respect to any Company Plan (other than routine claims for benefits in the Ordinary Course of Business) which could reasonably be expected to result in any Liability to Buyer (whether direct or indirect) and, to the Knowledge of Seller, there are no facts or circumstances which would reasonably be expected to give rise to any such Proceedings, audits or claims.

- 3.10.9 None of the Company or any of its ERISA Affiliates maintains, contributes to, has any obligation to contribute to or has any other Liability, including current or potential withdrawal Liability, with respect to any Multiemployer Plan.
- 3.10.10 No Company Plan is an, and none of the Company or any of its ERISA Affiliates maintains, contributes to, has any obligation to contribute to or otherwise has or may have any other Liability with respect to any, (a) "employee pension benefit plan" (as defined in §3(2) of ERISA) that is subject to Title IV of ERISA or §412 of the Code or §302 of ERISA, whether or not terminated, (b) multiple-employer plan (within the meaning of §413(c) of the Code), (c) plan that provides post-retirement or post-employment medical, life insurance or other welfare-type benefits, other than statutory Liability for providing group health plan continuation coverage under Part 6 of Title I of ERISA and §4980B of the Code or applicable state Law, or (d) a multiple employer welfare arrangement (within the meaning of §3(40) of ERISA).
- 3.10.11 There have been no fiduciary failures, prohibited transactions (as described in §406 of ERISA or §4975 of the Code) or other acts or omissions by the Company, or to the Knowledge of Seller, any other Person charged with the administration or operation of Company Plans that have given rise to or may give rise to interest, fines, penalties, Taxes or related charges under ERISA, the Code or other applicable Law for which Buyer may be liable. All Company Plans which are subject to §409A of the Code comply with §409A in form and operation. None of the Company or any of its ERISA Affiliates is a nonqualified entity within the meaning of §457A of the Code.
- 3.10.12 There have been no acts or omissions by the Company or any of its ERISA Affiliates which have given rise to or may give rise to interest, fines, penalties, taxes or related charges under §502 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.
- 3.10.13 Each Company Plan which constitutes a "group health plan" (as defined in §607(i) of ERISA or §4980B(g)(2) of the Code), including any plans of current and former affiliates which must be taken into account under §4980B and §414(t) of the Code or §601-608 of ERISA, have been operated in material compliance with applicable law, including the continuation coverage requirements of §4980B of the

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Code and §601 of ERISA and the portability and nondiscrimination requirements of §9801 and 9802 of the Code and §701-707 of ERISA, to the extent such requirements are applicable.

- 3.10.14 All contributions and payments with respect to each Company Plan have been timely made when due, and all contributions for the period prior to the Closing Date, which are not yet due, have been made or accrued in accordance with the Company's past custom and practice.

3.11 Employment and Labor Matters.

- 3.11.1 The Company has separately provided to Buyer on the date hereof Schedule 3.11.1 which is a true, correct and complete list of each employee of the Company and each independent contractor providing services to the Company and in the case of each such employee and contractor, the following information, if applicable: (a) name and title or position; (b) date of hire or commencement of service; (c) work location; (d) whether full-time or part-time, whether hourly or salaried and whether exempt or non-exempt; (e) whether covered by the terms of a collective bargaining agreement, an employment agreement or a consulting agreement; (f) annual salary or basic terms of consulting fees, as the case may be, and, if applicable, target bonus and other incentive compensation; and (g) accrued unused vacation, sick and other paid time off eligibility as of a recent practicable date.
- 3.11.2 A true, correct and complete copy of each employee handbook or manual and each personnel policy applicable to the Company's employees has been supplied to Buyer.
- 3.11.3 (a) The Company is not currently (and has not been during the past five (5) years) party to, in the process of negotiating or bound by any collective bargaining agreement or relationship with any labor organization; (b) to the Knowledge of Seller, no executive or management-level employee (i) has expressed in writing any present intention to terminate his or her employment or (ii) has indicated that he or she is a party to any confidentiality, non-competition, proprietary rights or other such agreement between such employee and any other Person (other than the Company) that would be a material conflict to the performance of such employee's employment duties or the ability of the Company to conduct its business; (c) no labor organization or group of employees has, at any time, filed any representation petition or made any written or oral demand for recognition; (d) no union organizing or decertification efforts are (or have been at any time in the past five (5) years) underway or, to the Knowledge of Seller, threatened and no other question concerning representation exists; (e) no strike, lockout, work stoppage, slowdown, walkout, hand-billing, picketing or other concerted action or labor dispute has occurred at any time in the past five (5) years, and none is underway or, to the Knowledge of Seller, threatened; and (f) except as set forth on Schedule 3.11.3 there is no employment-related Proceeding, complaint, grievance, inquiry or obligation of any kind, pending or, to the Knowledge of Seller,

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threatened in any forum, related to an alleged violation or breach by the Company or its officers, managers, employees or authorized agents, in each case, to the extent giving rise to a Liability to the Company, of any Law or Contract.

- 3.11.4 Except as set forth on Schedule 3.11.4, there are no employment contracts with severance provisions or severance agreements between any employees of the Company and the Company. The Company has made timely and proper payment of all amounts payable with respect to

employees and consultants, including all wages, commissions, bonuses, severance payments, consulting payments, reimbursements, other amounts due pursuant to any employment or consulting agreement, and withholding for income and employment Taxes, or otherwise have made appropriate accruals on its books. No later than the Closing Date, the Company shall have paid in full all then-due wages and other amounts then due and payable with respect to employees and consultants. The Company has complied with all applicable Laws relating to the payment and withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 1445 and 1446 of the Code or similar provisions under any foreign law), and have withheld or collected and, to the extent required, have paid over to the proper Governmental Authority all amounts required to be paid and withheld under all applicable Laws.

3.11.5 To the Knowledge of Seller, none of the Company's current employees has been convicted of any felonies or any drug-related criminal offenses.

3.11.6 With respect to the transactions contemplated by this Agreement, any notice required under any Law or collective bargaining agreement has been given by the Company and all bargaining obligations with any employee representative have been, or prior to the Closing Date will be, satisfied. The Company has not implemented any plant closings or employee layoffs that could implicate the WARN Act.

3.12 Litigation. Schedule 3.12 sets forth each instance in which the Company, (a) is subject to any outstanding injunction, judgment, order, decree, ruling or charge or (b) is a party to any Proceeding of, in, or before any Governmental Authority. There are no Proceedings pending or, to the Knowledge of Seller, threatened by or against or affecting the Company or any of its assets or properties, with respect to this Agreement or the Ancillary Agreements, or in connection with the transactions contemplated hereby or thereby.

3.13 Real Property. The Company does not currently own, nor at any time in the past owned, any interest in any real property. Schedule 3.13 sets forth, as of the Agreement Date, a true, correct and complete list and description of all real property leased by or on behalf of the Company including the rental amount currently being paid, the term of such lease and the current use of such property. Except as set forth on Schedule 3.13, as of the Agreement Date, the Company is not party to any lease, sublease or other occupancy agreement pursuant to which the Company holds any leasehold or sub-leasehold estate or other right to use or occupy any land, buildings, structures, improvements, fixtures or other interest in real property. Seller has delivered or made available to Buyer true, complete and correct copies of any leases affecting real property

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set forth in Schedule 3.13 and Seller holds good and valid leasehold interest in respect of such real property free and clear of Liens (other than Permitted Liens). The use and operation of the real property in the conduct of the Company's business does not violate in any material respect any Law, covenant, condition, restriction, easement, license, permit or agreement. As of the Agreement Date, there are no Proceedings pending nor, to the Knowledge of Seller, threatened against or affecting the real property or any portion thereof or interest therein in the nature or in lieu of condemnation or eminent domain proceedings.

3.14 Customers and Suppliers. Schedule 3.14 sets forth for the calendar years ended December 31, 2013 and December 31, 2014, and for the three (3) months ended March 31, 2015, the name of each customer of the Company that represents the top seventy percent (70%) of the Company's revenue for such periods and all material suppliers for such periods. Seller has provided to Buyer a full copy of each Contract with each such customer and supplier. Except as set forth on Schedule 3.14, none of such customers or suppliers has given the Company written notice terminating or canceling, or threatening to terminate or cancel (or substantially reduce business under), any Contract, nor, to the Knowledge of Seller, is there any reason to believe any such customer or supplier has any such intention. Except as set forth on Schedule 3.14, as of the Agreement Date, there is no dispute between the Company, on the one hand, and any such customer or supplier, on the other hand.

3.15 No Business Activity Restrictions. There is no non-competition requirement, exclusive purchase, exclusive supply, exclusive distribution or representative or other similar Contract to which the Company is a party or is otherwise bound that by its terms has or would reasonably be expected to have the effect, following the Closing, of prohibiting or impairing the conduct of the business of Buyer or any of its Affiliates under Buyer's control.

3.16 Certain Business Practices. None of the Company, Seller nor, to the Knowledge of Seller, any director, officer, executive, member, manager, agent, representative or employee of the Company (in its capacity as director, officer, executive, member, manager, agent, representative or employee) has: (a) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity in respect of the business of the Company; (b) directly or indirectly, paid or delivered any fee, commission or other sum of money or item of property in respect of the business of the Company, however characterized, to any finder, agent, or other party acting on behalf of or under the auspices of a governmental official or Governmental Authority, in the United States or any other country, which is in any manner illegal under any Law of the United States or any other country having jurisdiction; (c) made any unlawful payment to any customer or supplier of the business of the Company or any director, officer, executive, member, manager, partner, employee or agent of any such customer or supplier; or (d) will have done, as of the Closing Date, any of the foregoing on behalf of or otherwise for the benefit of the business of the Company.

3.17 Indebtedness. As of the date hereof, the Company has no Indebtedness (other than that which will be satisfied in full pursuant to the Payoff Letter).

3.18 Insurance. Schedule 3.18 sets forth, as of the Agreement Date, a true and complete list of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers' compensation, vehicular, directors' and officers' liability, fiduciary liability and other casualty and property insurance maintained by Seller or the Company) and relating to the assets, business, operations, employees, officers and managers of the Company (collectively, the "Insurance Policies") and true and complete copies of such Insurance Policies have been made available to Buyer. The Insurance Policies are in full force

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and effect and shall remain in full force and effect following the Closing for their respective scheduled terms. As of the Agreement Date, Seller nor the Company has received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Insurance Policies. All premiums due on such Insurance Policies have been paid in accordance with the payment terms of each Insurance Policy. The Insurance Policies do not provide for any retrospective premium adjustment or other experience-based liability on the part of the Company. All such Insurance Policies (a) are valid and binding in accordance with their terms; (b) are provided by carriers who, to the Knowledge of Seller, are financially solvent; and (c) have not been subject to any lapse in coverage. Except as set forth in Schedule 3.18, as of the Agreement Date, there are no claims related to the business of the Company pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights. Seller nor the Company is in default under, or has otherwise failed to comply with, in any material respect, any provision contained in any such Insurance Policy.

3.19 Books and Records. The minute books and equity record books of the Company, all of which have been made available to Buyer, are complete and correct and have been maintained in accordance with sound business practices. The minute books of the Company contain accurate and complete records of all meetings, and actions taken by written consent of, the members, the board of managers and any committees of the board of managers of the Company, and no meeting, or action taken by written consent, of any such members, board of managers 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 the Company.

3.20 Brokers' Fees. Neither the Company nor Seller has any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect

to the transactions contemplated by this Agreement or any Ancillary Agreement.

3.21 Full Disclosure. To the Knowledge of Seller, neither this Agreement nor the Disclosure Schedule hereto contains any untrue statement of a material fact nor omits to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which such statements were made, not misleading.

4. REPRESENTATIONS AND WARRANTIES OF SELLER. Seller hereby represents and warrants to Buyer as of the date of this Agreement:

4.1 Due Authorization; Enforceability. Seller has full power and authority (including legal capacity) to execute and deliver this Agreement and the Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby, and no other action on the part of Seller is necessary to authorize the execution and delivery of this Agreement or the Ancillary Agreements by Seller, the performance by Seller of its obligations or the consummation by Seller of such transactions. This Agreement has been duly and validly executed and delivered by Seller and the Ancillary Agreements shall have been duly and validly executed and delivered by Seller on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Seller, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Seller, in each case enforceable against Seller in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.

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4.2 Consents and Approvals; No Conflicts.

4.2.1 No consent, authorization or approval of, filing or registration with any Governmental Authority or any other Person not a party to this Agreement is necessary in connection with the execution, delivery and performance by Seller of this Agreement and its Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby.

4.2.2 The execution and delivery by Seller of this Agreement and its Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby do not and shall not: (a) violate any Law or other restriction of any Governmental Authority applicable to Seller, the Membership Interests or the Company; (b) violate any provision of the certificate of formation, operating agreement or similar organizational documents of Seller or the Company; (c) violate or conflict with, result in a breach or termination of, constitute a default or give any Person any additional right (including a termination right) under, permit cancellation of, result in the creation of any Lien upon any of the assets or properties of Seller or 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 (i) any material Contract to which Seller is a party or by which Seller or any of Seller's assets or properties are bound, or (ii) any Material Contract to which the Company is a party or by which the Company or any of the Company's assets or properties are bound; (d) permit the acceleration or maturity of any Indebtedness of the Company or Indebtedness secured by any of the Company's assets or properties; or (e) result in the creation of any Lien on any of the assets of the Company or on the Membership Interests.

4.3 Title to Membership Interests. Seller is the record owner of, and has good, valid, marketable and indefeasible title to, the Membership Interests. Seller owns the Membership Interests free and clear of all Liens. Seller has the full power, authority and capacity to transfer and deliver the Membership Interests to Buyer, free and clear of all Liens, and the Membership Interests will be, when delivered by Seller to Buyer pursuant to the transactions contemplated by this Agreement, free and clear of any and all Liens. Seller is not a party to any option, warrant, purchase right or other Contract that could require Seller to sell, transfer or otherwise dispose of any of the Membership Interests (other than this Agreement). Seller is not a party to any voting trust, proxy or other Contract with respect to the voting of any equity interests of the Company.

4.4 Litigation. As of the Agreement Date, Seller is not a party to any pending or, to the Knowledge of Seller, threatened, Proceedings, at law or in equity, by or before any Governmental Authority or arbitration panel, which, if determined adversely to Seller, would have a material adverse effect on the ability of Seller to perform its obligations under this Agreement.

4.5 Tax Status. For U.S. federal income Tax purposes, Seller (i) is a "United States person" within the meaning of Section 7701(a)(30) of the Code, (ii) is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code and/or Section 1.1445-2(b) of the Treasury Regulations and (iii) is not classified as disregarded as an entity separate from its owner.

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4.6 No Other Representations and Warranties. Except for the representations and warranties contained in Article 3 and this Article 4, Seller has not made, and Seller hereby specifically disclaims any other, express or implied representation or warranty, either written or oral, made by or on behalf of Seller, including any representation or warranty arising from statute or otherwise in Law.

5. REPRESENTATIONS AND WARRANTIES OF BUYER. Buyer hereby represents and warrants to Seller as of the date of this Agreement:

5.1 Due Organization. Buyer is a Delaware corporation duly organized, validly existing and in good standing under the Laws of Delaware.

5.2 Due Authorization; Enforceability. Buyer has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and its Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby, and no other action or proceeding on the part of Buyer is necessary to authorize the execution and delivery of this Agreement or its Ancillary Agreements by Buyer, the performance by Buyer of such obligations or the consummation by Buyer of such transactions. This Agreement has been duly and validly executed and delivered by Buyer and its Ancillary Agreements shall have been duly and validly executed and delivered by Buyer on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Buyer, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Buyer, in each case enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies. The shares of Buyer Common Stock issued, or subject to Buyer Stock Options issued, pursuant to Section 2.3 will, when issued or granted to Seller, be duly authorized, validly issued, fully paid and non-assessable.

5.3 Consents and Approvals; No Conflicts.

5.3.1 No consent, authorization or approval of, filing or registration with any Governmental Authority or any other Person not a party to this Agreement is necessary in connection with the execution, delivery and performance by Buyer of this Agreement and its Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby.

5.3.2 The execution and delivery by Buyer of this Agreement and its Ancillary Agreements and the consummation of the transactions

contemplated hereby and thereby do not and shall not: (a) violate any Law or other restriction of any Governmental Authority applicable to Buyer; (b) violate any provision of the organizational documents of Buyer; (c) violate or conflict with, result in a breach or termination of, constitute a default or give any Person any additional right (including a termination right) under, permit cancellation of, result in the creation of any Lien upon any of the assets or properties of Buyer 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 to which Buyer is a party or by which Buyer or any of its assets or

properties are bound; or (d) permit the acceleration or maturity of any indebtedness of Buyer or indebtedness secured by any of its assets or properties.

5.4 Investment Purpose. Buyer is acquiring the Membership Interests solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. Buyer acknowledges that the Membership Interests are not registered under the Securities Act of 1933, as amended, or any state securities laws, and that the Membership Interests may not be transferred or sold except pursuant to the registration provisions of the Securities Act of 1933, as amended or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable.

5.5 Litigation. As of the Agreement Date, Buyer is not a party to any pending or, to the actual knowledge of the directors of Buyer, Viggie Mokkarala, Shelly O'Brien, Patrick Marr, Matthew Majoros or Pete Darrigo, threatened, Proceedings, at law or in equity, by or before any Governmental Authority or arbitration panel, which, if determined adversely to Buyer, would have a material adverse effect on the ability of Buyer to perform its obligations under this Agreement.

5.6 Financing. At and following the Closing, Buyer will have sufficient funds available to permit Buyer to satisfy its obligations to Seller under Sections 2.2 and 2.3.

5.7 No Other Representations and Warranties. Except for the representations and warranties contained in this Article 5, neither Buyer nor any of its Affiliates has made, and Buyer (on behalf of itself and its Affiliates) hereby specifically disclaims any other, express or implied representation or warranty, either written or oral, made by or on behalf of Buyer or its Affiliates, including any representation or warranty arising from statute or otherwise in Law (including any relating to the future financial condition, results of operations, assets or liabilities of the Company or achievability of the Applicable Additional Purchase Consideration Payments).

6. POST-CLOSING COVENANTS.

6.1 Non-Competition; Non-Solicitation.

6.1.1 Seller agrees that, during the Restricted Period, it shall not and shall cause each of its Affiliates not to, directly or indirectly, engage in any Restricted Business in any capacity, including rendering services to or having a financial interest in any Restricted Business. For the avoidance of doubt, the Parties agree that it would be a violation of this Section 6.1.1 for Seller or any of its Affiliates to act as consultant, advisor, independent contractor, officer, manager, employee, principal, agent, lender or trustee of any Person that is engaged in any Restricted Business during the Restricted Period, *provided* that nothing in this Section 6.1.1 shall prohibit Seller or any of its Affiliates from (i) owning, directly or indirectly, solely as an investment, up to one percent (1%) of any class of "publicly traded securities" of any Restricted Business, meaning securities that are traded on a national or foreign securities exchange or (ii) performing speaking engagements and receiving honoraria in connection with such engagements (provided Seller is not doing so on behalf of a Restricted Business).

6.1.2 Seller agrees that during the Restricted Period it shall not and shall cause each of its Affiliates not to, directly or indirectly, solicit for employment or encourage to leave employment any employee of Buyer or the Company. Nothing in this Section 6.1.2 shall prohibit Seller from placing general advertisements that may be targeted to a particular geographic or technical area but that are not specifically targeted toward employees of the Company or the Buyer or any of their Affiliates, successors or assigns.

6.1.3 Seller acknowledges that (a) any violation of the provisions of this Section 6.1 would cause irreparable harm to Buyer and that money damages would not be an adequate remedy for any such violation and (b) accordingly, Buyer and its Affiliates shall be entitled to obtain injunctive or other equitable relief to prevent any actual or threatened breach of any of such provisions and to enforce such provisions specifically, without the necessity of posting a bond or other security or of proving actual damages, by an appropriate court in the appropriate jurisdiction. The remedies provided in this Section 6.1 are cumulative and shall not exclude any other remedies to which Buyer may be entitled under this Agreement or Law, and the exercise of a remedy under this Section 6.1 shall not be deemed an election excluding any other remedy or any waiver thereof, except as provided in Annex A.

6.1.4 If any Governmental Authority determines that the foregoing restrictions are too broad or otherwise unreasonable under Law, including with respect to time or geographical scope, such Governmental Authority is hereby requested and authorized by the Parties to revise the foregoing restriction to include the maximum restrictions allowable under Law. Seller acknowledges, however, that this Section 6.1 has been negotiated by each such Person and that the geographical scope and time limitations, as well as the limitation on activities, are reasonable in light of the circumstances pertaining to the transactions contemplated by this Agreement.

6.2 Confidentiality.

6.2.1 After the Closing, Seller shall (and shall cause each of its Affiliates to) hold, and shall use commercially reasonable efforts to cause its representatives to hold, in strict confidence from any Person (other than any such representative) all non-public documents and information concerning the business of the Company and Buyer or any of its Affiliates, either furnished to it by Buyer or Buyer's Affiliates or representatives, or to which Seller otherwise had access to at any time (including prior to the Closing Date) in connection with this Agreement or the transactions contemplated hereby or the conduct of the business of the Company prior to the Closing, including all non-public information associated with the business of the Company ("Confidential Information"), except (I) to the extent that such documents or information can be shown by Seller to have been: (a) previously known by the Party receiving such documents or information; (b) in the public domain (either prior to or after the

furnishing of such documents or information hereunder) through no fault of the receiving Person; or (c) later lawfully acquired by the receiving Person from another source that is not under an obligation to Buyer or another Person to keep such documents and information confidential or (II) in dispute resolution proceedings involving Buyer and concerning the transactions contemplated by this Agreement, for disclosures to the courts or arbitrators involved in such proceedings and to other Persons involved in such proceedings (e.g., attorneys and expert witnesses) that are bound by confidentiality restrictions. In the event that Seller (or any of its Affiliates) is requested or required by oral question, interrogatory, request for information or documents, subpoena, civil investigative demand or similar process to disclose any Confidential Information, such Person shall (i) provide Buyer with prompt notice so that Buyer may seek a protective order or other appropriate remedy or, in Buyer's sole discretion, waive compliance with the provisions of this [Section 6.2](#) and (ii) cooperate with Buyer, at Buyer's expense, in any effort Buyer undertakes to obtain a protective order or other remedy. In the event that such protective order or other remedy is not obtained or Buyer waives compliance with the provisions of this [Section 6.2](#), the disclosing Person shall disclose to the Person compelling disclosure only that portion of the Confidential Information that the disclosing Person is advised, by its counsel, is legally required and shall use commercially reasonable efforts to obtain reliable assurance that confidential treatment is accorded the Confidential Information so disclosed (to the extent available).

6.2.2 Seller acknowledges that (a) any violation of the provisions of this [Section 6.2](#) would cause irreparable harm to Buyer and that money damages would not be an adequate remedy for any such violation and (b) accordingly, Buyer and its Affiliates shall be entitled to obtain injunctive or other equitable relief to prevent any actual or threatened breach of any of such provisions and to enforce such provisions specifically, without the necessity of posting a bond or other security or of proving actual damages, by an appropriate court in the appropriate jurisdiction. The remedies provided in this [Section 6.2](#) are cumulative and shall not exclude any other remedies to which Buyer may be entitled under this Agreement or Law, and the exercise of a remedy under this [Section 6.2](#) shall not be deemed an election excluding any other remedy or any waiver thereof.

6.3 **Employment and Benefit Arrangements.** Buyer shall, or shall cause its Affiliates to, credit the Continuing Employees for service earned on and prior to the Closing, (a) to the extent that service is relevant for purposes of eligibility, vesting or the calculation of vacation, sick days, severance, layoff and similar benefits under any retirement or other employee benefit plan, program or arrangement of Buyer or its Affiliates under which Continuing Employees are eligible to participate on or after the Closing save with respect to The Envestnet Scholarship Plan maintained by Buyer and (b) for such additional purposes as may be required by applicable Law. To the extent that Continuing Employees participate in any welfare benefit coverage or plan maintained by Buyer or its Affiliates save with respect to The Envestnet Scholarship Plan maintained by Buyer, Buyer shall use commercially reasonable efforts take actions in order to (x) waive any applicable waiting periods, pre-existing conditions or actively at work requirements

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and (y) give such employees credit under the new coverages or benefit plans for deductibles, co insurance and out of pocket payments that have been paid during the year in which such participation begins. Notwithstanding any of the foregoing, service or vesting credit will not be given for purposes of benefit accruals or benefit amounts under any defined benefit pension plan, post-retirement welfare benefits, or to the extent that such recognition would result in duplication of benefits and in no event will any service prior to the Closing with the Company or any predecessor count as service with Buyer for purposes of The Envestnet Scholarship Plan. Nothing in this [Section 6.3](#) shall give any third party, including any employees of the Company, any right to enforce the provisions of this [Section 6.3](#) as a third-party beneficiary, except that Seller shall be an express beneficiary of this provision. For purposes of this [Section 6.3](#), a "Continuing Employee" means the employees of the Company who remain employees of the Company's successor immediately following the Closing.

6.4 **Brokers.** Regardless of whether the Closing shall occur, (a) Seller shall indemnify Buyer and its Affiliates (including, after the Closing, the Company) against, and hold Buyer and its Affiliates harmless from, any Liability for any brokers' or finders' fees or other commissions arising with respect to brokers, finders, financial advisors or other Persons retained or engaged by Seller, the Company or its Affiliates in respect of the transactions contemplated by this Agreement and (b) Buyer shall indemnify Seller and its Affiliates against, and hold Seller and its Affiliates harmless from, any Liability for any brokers' or finders' fees or other commissions arising with respect to brokers, finders, financial advisors or other Persons retained or engaged by Buyer or its Affiliates (excluding the Company) in respect of the transactions contemplated by this Agreement.

6.5 **Cash Bonus Amount.** Following the Closing, Seller and Buyer agree to negotiate in good faith to determine the identity of the Company employees that should be entitled to receive, and their respective proportions of, the Cash Bonus Amount (which Seller and Buyer intend to pay to the applicable employees over a three (3) year period and which will require continued employment). Following such determination, Buyer shall deliver an amount equal to the agreed proportion of the Cash Bonus Amount at such times and in such amounts as agreed. For clarity, any portion of the Cash Bonus Amount that is not actually paid by Buyer to such Company employees will be returned by Buyer to Seller instead.

6.6 **Non-disparagement.** Seller shall not, directly or indirectly, talk about, discuss, issue, cause or authorize to be issued, or participate in, any communication, publication, book, article, correspondence, memorandum, leaflet, handbill, press release, website, lecture, public statement, or speech of any kind, whether oral, written or effected by electronic means, that mentions or refers directly to Buyer or any of its Affiliates, including the business and operations of Buyer or any of its Affiliates under its control, in each case, that is specifically intended to cause material financial harm or material loss of opportunity to the Buyer or any of its Affiliates under its control or that is undertaken on the following basis: (1) knowingly and with intent to disparage, criticize or otherwise reflect adversely on Buyer or any of its Affiliates under its control or (2) intentionally designed to induce any individual, group, organization, or entity to take any material action against or adverse to Buyer or any of its Affiliates under its control, or (3) knowingly and in bad faith designed to cause any individual, group, organization or entity not to invest in or contract with, directly or indirectly, Buyer or any of its Affiliates under its control. For clarity, the penalties for an uncured breach of this [Section 6.6](#) will be addressed solely in [Annex A](#).

6.7 **Other Payoff Amount.** Buyer shall deposit into the escrow contemplated by the Payoff Letter the Other Payoff Amount.

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7. INDEMNIFICATION.

7.1 **Survival of Representations and Warranties.** All of the representations and warranties of the Parties contained in this Agreement shall survive the Closing and continue in full force and effect until the date that is eighteen (18) months after the Closing Date; *provided* that the Fundamental Warranties shall survive the Closing and continue in full force and effect until expiration of the applicable statute of limitation for the subject matter of the Fundamental Warranty in question (which for clarity is not the statute of limitations for breach of contract under Delaware law). No claim may be made (i) with respect to any alleged breach of a representation or warranty contained in this Agreement, unless notice of such claim is given to Seller or Buyer, as applicable, within the period specified in the immediately preceding sentence, in which case the survival period with respect to the applicable representation and warranty, as it relates to such claim, shall be extended until such claim is resolved, and (ii) (a) with respect to any alleged breach of any covenant or agreement in this Agreement to be performed prior to the Closing Date, unless notice of such claim is given to Seller or Buyer, as applicable, prior to or on the date that is eighteen (18) months after the Closing Date (and liability hereunder with respect to such covenants shall survive the Closing until such date) in which case such claim shall survive until such claim is resolved, and (b) with respect to any alleged breach of any covenant or agreement in this Agreement to be performed following the Closing Date, unless notice of such claim is given

to Seller or Buyer, as applicable, prior to the expiration of the applicable statute of limitation for the subject matter of the covenant or agreement in question, in which case such claim shall survive until such claim is resolved. The covenants and agreements of the Parties contained in this Agreement and the Ancillary Agreements to be performed following the Closing Date shall survive the Closing Date in accordance with their terms or, if no term is stated, until they are fully performed.

7.2 Indemnification by Seller.

- 7.2.1 Seller agrees, subject to the other terms, conditions and limitations of this Article 7, to indemnify Buyer and its Affiliates and each of its respective directors, officers, employees and representatives (collectively, the “Buyer Indemnified Parties”) against, and to hold the Buyer Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Buyer Indemnified Party arising out of or related to: (a) any breach of any representation or warranty set forth in Article 3; (b) Indemnified Taxes; or (c) any of the Contracts described on Schedule 7.2.1(c).
- 7.2.2 Seller agrees, subject to the other terms, conditions and limitations of this Article 7, to indemnify the Buyer Indemnified Parties against, and to hold the Buyer Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Buyer Indemnified Party arising out of or related to: (a) any breach of any representation or warranty of Seller set forth in Article 4, or (b) any failure by Seller to perform or comply with any covenant or agreement in this Agreement.
- 7.2.3 Seller shall not have any obligation to indemnify any Buyer Indemnified Party pursuant to Section 7.2.1(a) or Section 7.2.2(a); (i) unless and until the aggregate amount of Adverse Consequences suffered by Buyer Indemnified Parties for which the Buyer Indemnified Parties would otherwise be entitled to indemnification pursuant to

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Section 7.2.1(a) exceeds Three Hundred Thousand Dollars (\$300,000) (the “Basket Amount”), but in the event such Adverse Consequences exceed the Basket Amount, Seller shall be liable and responsible to the Buyer Indemnified Parties for the full amount of such Adverse Consequences (subject to clause ii of this Section 7.2.3), without reduction for the Basket Amount; or (ii) to the extent the aggregate amount of Adverse Consequences suffered by Buyer Indemnified Parties exceeds twelve and a one-half percent (12.5%) of the value of the Total Consideration actually received by Seller, after which point Seller shall not have any obligation to indemnify any Buyer Indemnified Party from and against further such Adverse Consequences; *provided* that the limitations contained in this Section 7.2.3 shall not apply with respect to (x) any breaches of, or inaccuracy in, any Fundamental Warranties made by Seller in this Agreement or (y) any claims of, or causes of action arising from, the intentional fraud (including the element of scienter) of Seller with respect to any representation or warranty contained in this Agreement.

- 7.2.4 The total amount of indemnification payments that Seller can be required to make to the Buyer Indemnified Parties with respect to any breaches of, or inaccuracy in, any Fundamental Warranties made by Seller in this Agreement under Section 7.2.1(a) or under Section 7.2.2(a) shall be limited to the value of the Total Consideration actually received by Seller (inclusive of any amounts paid up to the limit described in Section 7.2.3(ii)).
- 7.2.5 Any claim for indemnification shall be calculated (i) net of all insurance proceeds or other indemnification or contribution payments from any third party, if any, actually received by a Buyer Indemnified Party in respect of the same matter as the claim for indemnification against Seller, less any increase in premiums or other recovery costs or expenses as a result of such claim for insurance proceeds, indemnification or contribution payments; (ii) as to actual losses and out-of-pocket costs and expenses incurred by a Buyer Indemnified Party, without regard to speculative damages; and (iii) without regard to any punitive, special or consequential damages, unless (x) any such punitive, special or consequential damages are awarded by a Governmental Authority or arbitrator and payable to a third party or (y) any such consequential damages are reasonably foreseeable. If any Buyer Indemnified Party is first indemnified by Seller for a particular amount of Adverse Consequences pursuant to this Article 7 and thereafter such Buyer Indemnified Party (or an Affiliate thereof) actually receives an insurance payment or third-party indemnification or contribution payment that is attributable to the same subject matter underlying the indemnification claim against Seller, then such Buyer Indemnified Party shall promptly reimburse Seller for the lesser of (I) the insurance or third-party payment (net of any increase in premiums or other recovery costs or expenses) and (II) such amount paid by Seller to Buyer.

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- 7.2.6 All claims for indemnification made by a Buyer Indemnified Party pursuant to this Article 7 shall be brought first against the Holdback Amount until the Holdback Amount is exhausted before any claim for indemnification may be brought against Seller. For purposes of satisfying any particular claim for indemnification made by a Buyer Indemnified Party pursuant to this Article 7, (i) each share of Buyer Common Stock forfeited by Seller will be deemed to have a value equal to the closing price of Buyer Common Stock on the date of issuance, (ii) each share of Buyer Common Stock subject to a Buyer Stock Option forfeited by Seller will be deemed to have a value equal to 40% of the closing price of Buyer Common Stock on the date of issuance of the Buyer Stock Option, and (iii) Seller may in his sole discretion satisfy any claim for indemnification brought against Seller (A) entirely in cash; or (B) in a mix of cash, shares of Buyer Common Stock and/or Buyer Stock Options (including, in the case of any such consideration that has been earned but is subject to payment in installments or holding periods, by selecting the consideration which will be paid or released from a holding period the latest in time (“Delayed Consideration”) *provided* that in no event shall the relative proportion of shares of Buyer Common Stock and Buyer Stock Options (including any Delayed Consideration) used to satisfy any such claim be of a greater proportion than that which has been received (in the aggregate) by Seller at the time that any such claim is made.
- 7.2.7 Buyer hereby acknowledges that, other than the representations and warranties made in Section 3 (as qualified by the Disclosure Schedule) and Section 4, Seller does not make and has not made, and Buyer is not relying and has not relied on, any representation or warranty, express or implied, at law or in equity, with respect to the Company or Seller, as applicable, or the subject matter of this Agreement. Seller hereby acknowledges that, other than the representations and warranties made in Section 5, neither Buyer nor any of its Affiliates makes or has made, and Seller is not relying and has not relied on, any representation or warranty, express or implied, at law or in equity, with respect to the Company or Buyer or any of its Affiliates, as applicable, or the subject matter of this Agreement.
- 7.2.8 Except with respect to intentional fraud, the indemnification rights of the Buyer Indemnified Parties and the Seller Indemnified Parties contained in this Article 7 shall constitute the sole and exclusive remedy of the Buyer Indemnified Parties and Seller Indemnified Parties for any and all Adverse Consequences arising out of or related to this Agreement and any certificate required to be executed and delivered in connection herewith or otherwise executed and delivered at the Closing (but specifically excluding the Employment Agreement), meaning that the survival periods and liability limits set forth in this Article 7 shall control notwithstanding any statutory or common law provisions or principles to the contrary. For clarity, nothing in this Section 7.2.8 shall limit the ability of Buyer or Seller to seek the equitable remedy of injunction or specific performance.

7.3 Indemnification by Buyer. Buyer agrees, subject to the other terms, conditions and limitations of this Article 7, to indemnify Seller and its Affiliates and each of their respective directors, officers, employees and representatives (collectively, the “Seller Indemnified Parties”), against, and hold the Seller Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Seller Indemnified Party arising out of or related to: (a) any breach of any representation or warranty made by Buyer in this Agreement or any Ancillary Agreement; or (b) any failure by Buyer to perform or comply with any covenant or agreement contained in this Agreement or any Ancillary Agreement.

7.4 Matters Involving Third Parties.

- 7.4.1 If any third party notifies any Party (the “Indemnified Party”) of any matter (including any Proceeding by or in respect of such third party) (a “Third-Party Claim”) that may give rise to a claim for indemnification against any other Party (the “Indemnifying Party”) under this Article 7, then the Indemnified Party shall promptly notify each Indemnifying Party thereof; *provided* that the failure of the Indemnified Party to give such prompt notice shall not relieve the Indemnifying Party of its obligations under this Article 7 except to the extent (if any) that the Indemnifying Party shall have been actually materially prejudiced thereby.
- 7.4.2 Any Indemnifying Party shall have the right to assume and thereafter conduct the defense of the Third-Party Claim at its own expense and with counsel reasonably satisfactory to the Indemnified Party; *provided* that the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to any Third-Party Claim without the prior consent of the Indemnified Party unless the judgment or proposed settlement: (a) involves only the payment of money damages (all of which will be paid by the Indemnifying Party); (b) does not impose an injunction or other equitable relief upon the Indemnified Party; (c) does not include the admittance of any fault; (d) involves a dismissal of the underlying claim without prejudice (if applicable); (e) includes a full release by the plaintiff or claimant of all Buyer Indemnified Parties or Seller Indemnified Parties, as applicable, from any Liability; and (f) includes a provision whereby the plaintiff or claimant in the matter is prohibited from disclosing publicly any information regarding the Third-Party Claim or such relief without the Indemnified Party’s prior consent. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of, defend, compromise or settle any such Third-Party Claim in the name of the Indemnified Party if: (i) the Indemnifying Party fails to defend or fails to prosecute the defense within a reasonable time period (not to exceed thirty (30) days from the date the Indemnified Party provides notice of such Third-Party Claim) or withdraws from such defense; (ii) the Indemnified Party shall have determined in good faith that an actual or potential conflict of interest makes representation of the Indemnifying Party and Indemnified Party by the same counsel or the counsel selected by the Indemnifying Party inappropriate; (iii) the Third-Party Claim is a criminal Proceeding; (iv) in the case of a Buyer Indemnified Party, the Third-Party Claim is by a customer or supplier

of Buyer or the Indemnified Party reasonably believes an adverse determination (or adverse actions to be taken by or on behalf of the Indemnified Party) with respect to the Third-Party Claim would be detrimental to or injure the reputation of Buyer, Buyer’s Affiliates or any of their respective businesses; or (v) the Third-Party Claim involves a claim of infringement, misuse or misappropriation of any Intellectual Property Rights. If the Indemnified Party has assumed the defense of the Third-Party Claim, the Indemnified Party shall not consent to the entry of any judgment or enter into any settlement with respect to such Third-Party Claim without first seeking the prior consent of the Indemnifying Party (such consent not to be unreasonably withheld); *provided* that the granting of consent by the Indemnifying Party shall not be deemed to constitute an admission by the Indemnifying Party or evidence that any indemnification claim against the Indemnifying Party by the Indemnified Party regarding such Third-Party Claim is valid, and the Indemnifying Party may in its sole discretion reserve and retain all applicable defenses with respect thereto (including the defense that there is no underlying grounds for indemnification with respect to such Third-Party Claim).

- 7.4.3 The Indemnified Party and its counsel may participate in the defense of a Third-Party Claim even if the Indemnifying Party chooses to assume and conduct the defense of such Third-Party Claim, but in such case the expenses of the Indemnified Party’s additional counsel shall be paid by the Indemnified Party.
- 7.4.4 The Party conducting the defense of the Third-Party Claim shall keep the Party not conducting such defense reasonably apprised of material developments with respect to such Third-Party Claim and shall, upon the reasonable request of the other Party, provide the other Party with all material pleadings, notices and communications with respect to such Third-Party Claim to the extent that receipt of such documents does not waive any privilege.

7.5 Interpretation of Representations and Warranties. For the purposes of this Article 7, each representation or warranty in this Agreement or any Ancillary Agreement or certificate delivered pursuant hereto or thereto shall be interpreted without reference or giving effect to any materiality qualification or limitation set forth in such representation and warranty, including the terms “material,” “materiality,” “in all material respects,” “Material Adverse Effect” (which instead shall be read as any adverse effect), “material adverse change,” “immaterial” or “materially” solely for the purpose of determining the amount of Adverse Consequences resulting from a breach of such representation or warranty and not for purposes of determining whether such breach has occurred to begin with.

7.6 Characterization of Indemnification Payments. All indemnification payments under this Article 7 shall be deemed adjustments to the purchase price for the Membership Interests. If, contrary to the intent of the Parties as expressed in the preceding sentence, any payment made pursuant to this Article 7 is not treated as purchase price for the Membership Interests and is treated as Taxable income of an Indemnified Party, then, subject to the other terms, conditions and limitations of this Agreement, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from any Liability for additional net Taxes attributable to the

receipt of such payment (subject to the tax benefit doctrine and the Indemnified Party reporting the initial loss that was so indemnified as a taxable loss).

7.7 Offset Rights. Buyer shall have the right to withhold or offset any amount that any Buyer Indemnified Party in good faith claims is owed to such Buyer Indemnified Party under this Article 7 and is the subject of a pending indemnification claim notice delivered by Buyer to Seller against any payment owed by Buyer or any of its Affiliates to Seller or any of its Affiliates under this Agreement (subject to the obligation in Section 7.2.6 to proceed first against the Holdback Amount); for clarity, (i) the fact that any such amounts were withheld or offset by Buyer or any of its Affiliates shall not be deemed to constitute evidence of the validity of such indemnification claim, (ii) Buyer shall continue to carry the burden of proof that it is rightfully entitled to indemnification under this Article 7 with respect to such indemnification claim, and (iii) to the extent that it is determined pursuant to the terms of this Article 7 that Buyer is not so entitled to indemnification with respect to any of such withheld or offset amounts, then such amounts shall promptly be paid over by Buyer to Seller. The withholding and offset rights set forth in

this Section 7.7 shall in no way be deemed to limit or override such Buyer Indemnified Party's other remedies and rights under this Agreement, and Buyer's exercise of its rights under this Section 7.7 shall in no way be deemed a waiver of any other remedies or rights of the Buyer Indemnified Parties.

7.8 Release of Holdback Amount.

- 7.8.1 Subject to Section 7.8.2, on the date that is eighteen (18) months after the Closing Date (the "Holdback Release Date"), Buyer shall pay to Seller from the Holdback Amount an amount equivalent to (A) the remaining amount of the Holdback Amount (after all set offs, offsets and retentions by Buyer pursuant to this Agreement), minus (B) any amounts necessary to satisfy any unresolved claims for Adverse Consequences theretofore asserted by the Buyer Indemnified Parties pursuant to Section 7.2 (such amounts relating to such unresolved claims are collectively referred to as the "Unresolved Portion"), by wire transfer of immediately available funds to an account specified by Seller. At all times prior to the release of any remaining Holdback Amount, Buyer shall be entitled to commingle the funds constituting the Holdback Amount with the general funds of Buyer or its Affiliates. For avoidance of doubt, the Parties agree that nothing in this Section 7.8.1 or any other provision of this Agreement shall be interpreted as an agreement by Seller that it is not entitled to dispute Buyer's right to retain the Unresolved Portion or dispute any setoff, offset or retention of or against the Holdback Amount, and in the event Seller disputes any such setoff, offset or retention that has been made by Buyer, and the Parties are unable to resolve such dispute consensually, a Party may submit such dispute to the Chosen Courts.
- 7.8.2 If there is an Unresolved Portion of the Holdback Amount as of the Holdback Release Date, Buyer shall continue to retain the Unresolved Portion from and after the Holdback Release Date until the final resolution of the claims giving rise to the Unresolved Portion, and following the final resolution in accordance with the terms of this Agreement of all such claims and the retention by Buyer of all amounts from the Unresolved Portion payable to the Buyer Indemnified Parties

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with respect to such claims, Buyer shall pay to Seller the remaining balance, if any, of the Unresolved Portion, by wire transfer of immediately available funds to an account specified by Seller.

8. TAX MATTERS.

8.1 Preparation and Filing of Tax Returns.

- 8.1.1 Subject to Section 8.1.2 and Section 9.14 below relating to Transfer Taxes, Seller shall prepare, or cause to be prepared, and file or cause to be prepared and filed all Tax Returns that are required to be filed by the Company for any Pre-Closing Tax Period that are due after the Closing Date. Seller shall deliver to Buyer copies of any such Tax Return at least thirty (30) days prior to the due date for filing such Tax Return and Seller shall incorporate in good faith any reasonable comments from Buyer.
- 8.1.2 Buyer shall prepare, or cause to be prepared, and file, or cause to be filed, all Tax Returns required to be filed by the Company for Tax periods which begin before the Closing Date and end after the Closing Date (each "Straddle Period"). Seller shall pay to Buyer, within five (5) days following any demand by Buyer, with respect to such Tax Returns, an amount equal to the portion of such Taxes which relates to the portion of such taxable period ending on the Closing Date (as determined pursuant to Section 8.2 below). Buyer shall permit Seller to review and comment upon such Tax Returns, and Buyer shall incorporate in good faith any reasonable comments from Seller.
- 8.1.3 To the extent permitted by applicable Law, Buyer and Seller shall treat the Closing Date as the last day of the taxable period in which the Closing occurs.

8.2 Proration. In the case of any real property Taxes, personal property Taxes and similar ad valorem obligations levied with respect to the business of the Company for any Straddle Period, the amount of such Taxes allocable to the Pre-Closing Tax Period shall be equal to the amount of such 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 portion of such period ending on the Closing Date and the denominator of which is the number of days in the Straddle Period. The amount of all other Taxes levied on the business of the Company for any Straddle Period 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 with an interim closing of the books at such time; *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. Seller shall be liable for the amount of such Straddle Period Taxes that are attributable to the Pre-Closing Tax Period. Buyer shall be liable for the amount of such Straddle Period Taxes that are attributable to the Post-Closing Tax Period.

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8.3 Cooperation on Tax Matters.

- 8.3.1 Buyer and Seller agree to furnish, or cause to be furnished to the other, upon request and as promptly as practicable, such information (including access to books and records of the Company) and assistance related to the Company as is reasonably necessary for the filing of any Tax Return, the preparation for any Tax audit or the prosecution or defense of any Proceeding related to any proposed Tax adjustment of the Company. Buyer and Seller shall keep all such information and documents received by them confidential unless otherwise required by Law.
- 8.3.2 Buyer and Seller agree to retain, or cause to be retained, all books and records of the Company until the applicable period for assessment of Taxes under applicable Law (giving effect to any and all extensions or waivers) has expired and such additional period as necessary for any administrative or judicial Proceedings related to any proposed assessment, and to abide with all record retention agreements entered into with any Taxing authority. Buyer and Seller agree to give the other reasonable notice prior to transferring, discarding or destroying any such books and records related to Tax matters and, if so requested, Buyer and Seller shall allow the requesting Party to take possession of such books and records. Notwithstanding anything to the contrary in this Agreement, Buyer shall not be required to disclose to Seller any consolidated, combined, affiliated or unitary Tax Return which includes Buyer or any of its Affiliates or any Tax related work papers.
- 8.3.3 Buyer and Seller shall cooperate with each other in the conduct of any Proceedings for any Tax purposes related to the Company and shall each execute and deliver such powers of attorney and other documents as are reasonably necessary to carry out the intent of this Agreement.
- 8.3.4 Any and all Tax allocation or sharing agreements or other agreements or arrangements binding the Company shall be terminated with respect to the Company as of the day before the Closing Date and, from and after the Closing Date, the Company shall not be obligated to

make any payment to Seller or its Affiliates, Governmental Authority or other Person pursuant to any such agreement or arrangement for any past or future period.

9. MISCELLANEOUS.

9.1 Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement related to the subject matter of this Agreement prior to the Closing without the prior consent of the other Party; *provided* that nothing in this Section 9.1 shall prevent any Party from: (a) making any disclosure it believes in good faith it is required to make by applicable Law or any listing or trading agreement concerning its publicly traded securities (in which case the disclosing Party shall use its best efforts to advise the other Party prior to making the disclosure); (b) discussing this Agreement or the Ancillary Agreements or their contents or the transactions contemplated hereby or thereby with those Persons whose approval, agreement or opinion, as the case may be, is required for consummation of such

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particular transaction or transactions; or (c) enforcing its rights hereunder.

9.2 No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns; *provided* that the Buyer Indemnified Parties and the Seller Indemnified Parties are intended third-party beneficiaries of Article 7.

9.3 Entire Agreement. This Agreement, together with any Annexes, Exhibits, the Disclosure Schedule and the Ancillary Agreements, constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof, including that certain letter of intent, dated February 6, 2015, by and between Buyer and the Company, as amended and the Parties agree that, effective as of the date hereof, such letter of intent shall be of no further force and effect.

9.4 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective personal representatives, heirs, successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior consent of the other Party; *provided* that Buyer may assign any or all of its rights, interests or obligations hereunder to one or more of its Affiliates without such prior consent, so long as Buyer still remains responsible for such obligations thereafter.

9.5 Counterparts. This Agreement may be executed in one or more counterparts (including by means of facsimile or electronic means including .pdf form), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.6 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

9.7 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, or if by facsimile, upon written confirmation of receipt by facsimile, or otherwise, (b) on the first (1st) Business Day following the date of dispatch if delivered utilizing a next-day service by a recognized next-day courier, (c) on the earlier of confirmed receipt or the fifth (5th) Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid or (d) when sent, if sent by electronic mail before 5:00 p.m. on a Business Day at the location of receipt and otherwise the next following Business Day. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

If to Seller:

Oleg Tishkevich
16494 SE 57th Place
Bellevue, WA 98006

Copy to (which shall not constitute notice):

Fenwick & West LLP
Silicon Valley Center
801 California Street
Mountain View, CA 94041
Attn: Andrew Luh
Facsimile: (650) 938-5200
Email: aluh@fenwick.com

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If to Buyer:

Envestnet, Inc.
35 East Wacker Drive, Suite 2400
Chicago, IL 60601
Attn: Shelly O'Brien, Patrick Marr and
Viggy Mokkarala
Facsimile: (312) 827-2801
Email: shelly.obrien@envestnet.com
patrick.marr@envestnet.com
viggy.mokkarala@envestnet.com

Copy to (which shall not constitute notice):

Mayer Brown LLP
71 South Wacker Drive
Chicago, IL 60606
Attn: Edward S. Best and Nina L. Flax
Facsimile: (312) 706-8528
Email: ebest@mayerbrown.com
nflax@mayerbrown.com

9.8 Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

9.9 VENUE. EACH PARTY HERETO AGREES THAT IT WILL BRING ANY ACTION OR PROCEEDING IN RESPECT OF ANY CLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY EXCLUSIVELY IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE OR FEDERAL COURTS SITTING IN WILMINGTON, DELAWARE (THE "CHOSEN COURTS") AND SOLELY IN CONNECTION WITH CLAIMS ARISING UNDER THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT (A) IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE CHOSEN COURTS (AND APPROPRIATE APPELLATE COURTS THEREFROM), (B) WAIVES ANY OBJECTION TO LAYING VENUE IN ANY SUCH ACTION OR PROCEEDING IN THE CHOSEN COURTS, (C) TO THE FULLEST EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT THE CHOSEN COURTS ARE AN INCONVENIENT FORUM OR DO NOT HAVE JURISDICTION OVER ANY PARTY HERETO AND (D) AGREES THAT SERVICE OF PROCESS UPON SUCH PARTY IN ANY SUCH ACTION OR PROCEEDING WILL BE EFFECTIVE IF NOTICE IS GIVEN IN ACCORDANCE WITH SECTION 9.7.

9.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT IT: (A) UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (B) MAKES THIS WAIVER VOLUNTARILY; AND (C) HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER IN THIS SECTION 9.10.

9.11 Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties hereto. No waiver by any Party of any condition or provision of this Agreement or any default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such a waiver, nor shall such waiver be deemed to extend to any prior or

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subsequent default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

9.12 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

9.13 Payments. Except as otherwise provided in this Agreement or in an Ancillary Agreement, all payments pursuant to this Agreement shall be made by wire transfer in cash in same day or immediately available funds.

9.14 Expenses. Except as otherwise provided in this Agreement, Seller and Buyer shall bear their own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby; *provided* that 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 the consummation of the transactions contemplated by this Agreement ("Transfer Taxes") shall be borne by Seller, and Buyer and Seller agree to file all necessary documentation (including all Tax Returns) with respect to such Transfer Taxes in a timely manner, and, if required by applicable Law, Buyer and Seller will, and shall cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.

9.15 Further Assurances. After the Closing Date, Seller shall, from time to time, at Buyer's request, execute and deliver, or cause to be executed and delivered, such further instruments of conveyance, assignment and transfer or other documents, and perform such further acts and obtain such further consents, as Buyer may reasonably require in order to fully effectuate the transactions contemplated by this Agreement and the Ancillary Agreements.

9.16 Construction.

9.16.1 The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

9.16.2 Unless the context otherwise requires, as used in this Agreement, (a) "including" and its variants mean "including, without limitation" and its variants, and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it; (b) words defined in the singular have the parallel meaning in the plural and vice versa; (c) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words refer to this entire Agreement, the Disclosure Schedule and any Annexes and Exhibits hereto; (d) all Sections, Articles, Annexes and Exhibits referred to herein are, respectively, Sections and Articles of, and Annexes and Exhibits to, this Agreement; (e) words importing any gender shall include other genders; (f) a dollar figure (\$) used in this Agreement

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shall mean United States dollars; (g) any reference to "days" means calendar days, unless Business Days are expressly specified; and (h) the use of "or" is not intended to be exclusive unless expressly indicated otherwise.

9.16.3 A reference to: (a) a notice, consent or approval to be delivered under or pursuant to this Agreement means a written notice, consent or approval; (b) any Person includes such Person's successors and assigns to the extent such successors or assigns are permitted by the terms of the applicable agreement; and (c) any federal, state, local or foreign Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

9.16.4 All payments under or pursuant to this Agreement shall be made by wire transfer in United States dollars in immediately available funds.

9.17 Disclosure Schedule. Nothing in the Disclosure Schedule or any other schedule attached hereto shall be adequate to disclose an exception to a representation or warranty made in this Agreement unless such schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be adequate to disclose an exception to a representation or warranty made in this Agreement, unless the representation or warranty has to do with the existence of the document or other item itself. No exceptions to any representation or warranty disclosed on one schedule shall constitute an exception to any other representation or warranty made in this Agreement unless such exception is disclosed as provided herein on each such other applicable schedule, a cross reference is provided, or the reference to such other representation or warrant is reasonably apparent from the face of the disclosed exception.

9.18 Incorporation of Annexes, Exhibits and Disclosure Schedule. The Annexes, Exhibits and Disclosure Schedule identified in this Agreement are incorporated herein by reference and made a part hereof.

9.19 Consent to Representation; Conflict of Interest. If Seller so desires, without the need for any consent or waiver by the Company or Buyer, Fenwick & West LLP ("Fenwick") shall be permitted to represent Seller after the Closing in connection with any matter, including anything related to the transactions contemplated by this Agreement, any other agreements referenced herein or any disagreement or dispute relating thereto. Without limiting the generality of the foregoing, after the Closing, Fenwick shall be permitted to represent Seller, any of its agents and Affiliates, or any one or more of them, in connection with any negotiation, transaction or dispute (including any litigation, arbitration or other adversary proceeding) with Buyer, the Company or any of their agents or Affiliates under or relating to this Agreement, any transaction contemplated by this Agreement, and any related matter, such as claims or disputes arising under other agreements entered into in connection with this Agreement, including with respect to any indemnification claims. Buyer and the Company further agree that, as to all communications among Fenwick and Seller with respect to (and to the extent related to) the subject matter of this Agreement and the transactions contemplated hereby,

the Company and their respective Affiliates that relate in any way to the transactions contemplated by this Agreement, the attorney-client privilege and the exception of client confidence belongs solely to the Seller and may be controlled only by the Seller and shall not pass to or be claimed by Buyer and the Company, because the interests of Buyer and its Affiliates were directly adverse to the Company and Seller

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at the time such communications were made. This right to the attorney-client privilege shall exist even if such communications may exist on the Company's computer system or in documents in the Company's possession. Notwithstanding the foregoing, in the event that a dispute arises between Buyer and the Company, and a Person other than a party to this Agreement after the Closing, the Company may assert the attorney-client privilege to prevent disclosure to such third party of confidential communications by Fenwick to the Company; *provided*, that the Company may not waive such privilege without the prior written consent of Seller.

[Signature pages follow]

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IN WITNESS WHEREOF, the Parties hereto have executed this Membership Interest Purchase Agreement on the date first above written.

BUYER:

ENVESTNET, INC.

By: /s/ Judson Bergman

Name: Judson Bergman

Title: CEO

SELLER:

/s/ Oleg Tishkevich

Oleg Tishkevich

Final Version

Annex A

Earn-Out Agreement

This Annex A sets forth the terms of the calculation and payment of the Applicable Additional Purchase Consideration (defined below) as contemplated by that certain Membership Interest Purchase Agreement, dated as of May 6, 2015 (the "Agreement"), of which this Annex forms a part. Capitalized terms used but not otherwise defined in this Annex A have the respective meanings ascribed to them in the Agreement. For the purposes of this Annex A, the following terms have the respective meanings set forth below:

1. Definitions:

- a. "Accounting Arbitrator" has the meaning set forth in Section 3.c.
- b. "Actual Revenue" means, for each applicable Post-Closing Period, (i) Sales Revenue, plus (ii) RoboAdvisor Revenue, plus (iii) Digital Advisor Revenue, plus (iv) Enabled Revenue, plus (v) New Revenue, minus (vi) the Lost Revenue Amount. For purposes hereof:
 - i. "Sales Revenue" means the net revenue from the sale of financial planning software to Company or Buyer customers, as reasonably determined by Buyer applying GAAP;
 - ii. "RoboAdvisor Revenue" means the net revenue generated by the Company's customers AAA and Motley Fool, as reasonably determined by Buyer applying GAAP;
 - iii. "Digital Advisor Revenue" means twenty-five percent (25%) of the net revenue generated by the sale of all Buyer sales of Digital Advisor Solution, as reasonably determined by Buyer applying GAAP;
 - iv. "Enabled Revenue" means twenty-five percent (25%) of the net revenue that is incremental and enabled by the presence of the Company in Buyer's UMP and AdvisorX platforms generated by (i) sales of AUM/AUA/Reporting on the UMP or AdvisorX platform to customers of the Company that are not, at the time of such sale, a customer of Buyer or any of its Affiliates and (ii) sales to existing customers of Buyer and its Affiliates to support new productive advisors that adopt the Company's integrated products after the Company's platform has been integrated with the UMP and AdvisorX platforms, in each case as reasonably determined by Buyer applying GAAP; and
 - v. "New Revenue" means the net revenue generated by the sale of products and services to new customers of Buyer's UMP or AdvisorX platform

where the customer would not have entered into an agreement with Buyer without the financial planning product of the Company, as reasonably determined by Buyer applying GAAP.

- c. "Additional Third Year Value" means twenty-five percent (25%) of the amount by which the Actual Revenue for the Third Post-Closing Period exceeds the

Revenue Target for the Third Post-Closing Period.

- d. “Adjusted Revenue” means (i) in the event that Seller is not entitled to receive or does not elect to receive the Catch-Up Payment, the Actual Revenue and (ii) in the event that Seller is entitled to receive and elects to receive the Catch-Up Payment, an amount equal to (A) the Actual Revenue minus (B) eighty-five percent (85%) of the Excess Amount.
- e. “Applicable Additional Purchase Consideration” means, (i) for the First Post-Closing Period, the First Earn-Out Payment Amount, (ii) for the Second Post-Closing Period, the Second Earn-Out Payment Amount, and (iii) for the Third Post-Closing Period, the Third Earn-Out Payment Amount.
- f. “Catch-Up Payment” means:
 - i. the Catch-Up Cash Value in cash;
 - ii. that number of shares of Buyer Common Stock having an aggregate value equal to the Catch-Up Stock Value, issued in accordance with Section 3.b.ii; and
 - iii. that number of Buyer Stock Options that is equal to the number of shares of Buyer Common Stock delivered pursuant to clause ii of this definition, delivered to Seller in accordance with Section 3.b.iii.
- g. “Employment Condition” means Seller continuing to be employed by, or providing services to, and in Good Standing with Buyer, or a subsidiary or affiliate of Buyer, on the terms of the Employment Agreement, *provided that*, a leave of absence for medical leave, sick leave, military leave, disability leave, or any other leave of absence approved by Buyer or mandated by applicable law shall constitute continued employment and/or service for purposes of this definition.
- h. “Escrow Agent” means Fortis Advisors.
- i. “Escrow Agreement” means the agreement to be entered into between the Escrow Agent, Seller and Buyer.

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- j. “Excess Amount” has the meaning set forth in Section 2.d.
- k. “First Earn-Out Payment Amount” means:
 - i. the First Earn-Out Cash Value in cash;
 - ii. that number of shares of Buyer Common Stock having an aggregate value equal to the First Earn-Out Stock Value, issued in accordance with Section 3.b.ii; and
 - iii. that number of Buyer Stock Options that is equal to the number of shares of Buyer Common Stock delivered pursuant to clause ii of this definition, delivered to Seller in accordance with Section 3.b.iii.
- l. “First Earn-Out Cash Value” means One Million Two Hundred Fifty-Seven Thousand Three Hundred Forty-Five Dollars (\$1,257,345), subject to adjustment as contemplated by Section 2.b.
- m. “First Earn-Out Stock Value” means One Million Eight Hundred Eighty-Six Thousand Eighteen Dollars (\$1,886,018), subject to adjustment as contemplated by Section 2.b.
- n. “First Post-Closing Period” means the period beginning on January 1, 2015 and ending on December 31, 2015.
- o. “Good Standing” means continued employment or service by Seller, as long as (i) Seller has not willfully refused to perform the material duties and responsibilities of Seller’s position in a manner causing injury to the business of the Buyer, (ii) Seller has not materially breached any of the provisions of Seller’s Employment Agreement, or (iii) Buyer has not commenced formal disciplinary proceedings against Seller; *provided that*, in each case, Good Standing shall continue to exist unless and until (a) Buyer has delivered to Seller a written demand for performance which describes in particularity the basis for its belief that Seller has not substantially performed Seller’s duties and provides Seller with thirty (30) days to take corrective action and (b) Seller has failed to remedy or propose action to remedy such deficiency or deficiencies to the reasonable satisfaction of Buyer within such thirty (30) day period.
- p. “Holding Period” means two (2) years from the date of issuance of the applicable Buyer Common Stock or Buyer Stock Option.
- q. “Lost Revenue Amount” means, for each Post-Closing Period, either (i) zero, if revenues of the Company attributable to the ROFR Client are greater than

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\$230,000 or (ii) \$2,300,000, if the Company has no revenue attributable to the ROFR Client during such Post-Closing Period. For purposes of this definition only, the “First Post-Closing period” shall begin May 1, 2015 and end December 31, 2015.

- r. “Post-Closing Period” means each of the First Post-Closing Period, the Second Post-Closing Period and the Third Post-Closing Period.
- s. “Revenue Statement” has the meaning set forth in Section 3.b.i.
- t. “Revenue Target” means:
 - i. in respect of the First Post-Closing Period, Five Million Dollars (\$5,000,000);
 - ii. in respect of the Second Post-Closing Period, Ten Million Dollars (\$10,000,000); and
 - iii. in respect of Third Post-Closing Period, Sixteen Million Dollars (\$16,000,000);

provided, that if in the event that, due solely to delays caused by Buyer, (1) the integration of the Company platform technology with the platform technology of Buyer and its Affiliates is not completed by December 31, 2015, and (2) the sales material relating to the business of the Company, as operated by Buyer or any of its Affiliates after the Closing, is not completed by December 31, 2015, then the Revenue Target for the Second Post-Closing Period shall be decreased

by One Hundred Thirteen Thousand Six Hundred Dollars (\$113,600) for each month of delay (for any calendar month where the delay is less than a full calendar month, such decrease shall be pro-rated for such calendar month); and provided further, that in the event that, due solely to delays caused by Buyer, (1) the integration of the Company platform technology with the platform technology of Buyer and its Affiliates is not completed by December 31, 2016, and (2) the sales material relating to the business of the Company, as operated by Buyer or any of its Affiliates after the Closing, is not completed by December 31, 2016, then the Revenue Target for the Second Post-Closing Period shall be decreased by Two Hundred Seventy-Two Thousand Dollars (\$272,000) for each month of delay (for any calendar month where the delay is less than a full calendar month, such decrease shall be pro-rated for such calendar month).

- u. "Revised Revenue" means an amount equal to (i) eighty-five percent (85%) of the Excess Amount plus (ii) the Actual Revenue for the First Post-Closing Period.

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- v. "Second Post-Closing Period" means the period beginning on January 1, 2016 and ending on December 31, 2016.

- w. "Second Earn-Out Payment Amount" means:

- i. the Second Earn-Out Cash Value in cash;
- ii. that number of shares of Buyer Common Stock having an aggregate value equal to the Second Earn-Out Stock Value, issued in accordance with Section 3.b.ii; and
- iii. that number of Buyer Stock Options that is equal to the number of shares of Buyer Common Stock delivered pursuant to clause ii of this definition, delivered to Seller in accordance with Section 3.b.iii.

- x. "Second Earn-Out Cash Value" means an amount equal to Two Million Five Hundred Seventy-Nine Thousand Eight Hundred Twenty-Three Dollars (\$2,579,823), subject to adjustment as contemplated by Section 2.c.

- y. "Second Earn-Out Stock Value" means an amount equal to Three Million Eight Hundred Sixty-Nine Thousand Seven Hundred Thirty-Five Dollars (\$3,869,735), subject to adjustment as contemplated by Section 2.c.

- z. "Third Post-Closing Period" means the period beginning on January 1, 2017 and ending on December 31, 2017.

- aa. "Third Earn-Out Payment Amount" means:

- i. the Third Earn-Out Cash Value in cash;
- ii. that number of shares of Buyer Common Stock having an aggregate value equal to the Third Earn-Out Stock Value, issued in accordance with Section 3.b.ii;
- iii. that number of Buyer Stock Options that is equal to the number of shares of Buyer Common Stock delivered pursuant to clause ii of this definition, delivered to Seller in accordance with Section 3.b.iii; and
- iv. if applicable, that number of shares of Buyer Common Stock having an aggregate value equal to the Additional Third Year Value, issued in accordance with Section 3.b.ii.

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- bb. "Third Earn-Out Cash Value" means an amount equal to Four Million One Hundred Sixty-Two Thousand Eight Hundred Thirty-Two Dollars (\$4,162,832), subject to adjustment as contemplated by Section 2.e.

- cc. "Third Earn-Out Stock Value" means an amount equal to Six Million Two Hundred Forty-Four Thousand Two Hundred Forty-Eight Dollars (\$6,244,248), subject to adjustment as contemplated by Section 2.e.

2. Earn-Out Payments:

- a. Additional Purchase Consideration Payments. As additional consideration for the sale and transfer of the Membership Interests and subject to the conditions set forth below, following the Closing and for each Post-Closing Period, Buyer shall deliver to Seller the Applicable Additional Purchase Consideration, if any, in respect of such Post-Closing Period. Such Applicable Additional Purchase Consideration shall be determined pursuant to Sections 2.b through 2.f and shall be delivered in accordance with and subject to the procedures set forth in Section 3. Notwithstanding anything herein to the contrary, in no event shall the sum of the dollar values included in the First Earn-Out Payment Amount, the Catch-Up Payment, the Second Earn-Out Payment Amount and the Third Earn-Out Payment Amount (for clarity, such dollar values refer only to the values for cash and shares of Buyer Common Stock and not values for Buyer Stock Options) exceed Twenty Million Dollars (\$20,000,000), and Buyer shall have no obligation to pay cash or issue shares of Buyer Common Stock to Seller under this Annex A in excess of such amount, other than in respect of the Additional Third Year Value in excess of such amount.

- b. Determination of First Earn-Out Payment Amount. If (A) the Employment Condition continues to be satisfied throughout the period from Closing through March 31, 2016 and (B) the quotient of (1) the Actual Revenue for the First Post-Closing Period divided by (2) the Revenue Target for the First Post-Closing Period is:

- i. less than 0.75, then both the First Earn-Out Cash Value and the First Earn-Out Stock Value shall be decreased to equal Zero Dollars (\$0), and Buyer shall not be obligated to make any payment to Seller (in cash, Buyer Common Stock or Buyer Stock Options) in respect of the First Post-Closing Period;
- ii. equal to or greater than 0.75 but not greater than 1.00, then (A) the First Earn-Out Cash Value shall be decreased to equal an amount equal to X multiplied by One Million Two Hundred Fifty-Seven Thousand Three Hundred Forty-Five Dollars (\$1,257,345) and (B) the First Earn-Out Stock Value shall be decreased to equal an amount equal to X multiplied by One

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Million Eight Hundred Eighty-Six Thousand Eighteen Dollars (\$1,886,018), in each case where "X" is calculated as follows:

[minus 0.75] multiplied by 4

- iii. greater than 1.00, (A) the First Earn-Out Cash Value shall be increased by an amount equal to Xmultiplied by One Million Two Hundred Fifty-Seven Thousand Three Hundred Forty-Five Dollars (\$1,257,345) and (B) the First Earn-Out Stock Value shall be increased by an amount equal to Xmultiplied by One Million Eight Hundred Eighty-Six Thousand Eighteen Dollars (\$1,886,018), in each case where "X" is calculated as follows:

[less 1.00] multiplied by 2

For the avoidance of doubt, in the event that the Employment Condition has not been satisfied at any time from Closing through March 31, 2016, then Seller shall not be entitled to, and Buyer shall not be required to pay or deliver, all or any portion of the First Earn-Out Payment Amount. Notwithstanding the foregoing, if Seller is terminated by Buyer without Cause (as defined in the Employment Agreement) on or prior to March 31, 2016, the Employment Condition shall be deemed satisfied for purposes of this Section 2.b.

- c. Determination of Second Earn-Out Payment Amount. If the quotient of (A) the Adjusted Revenue for the Second Post-Closing Period divided by (B) the Revenue Target for the Second Post-Closing Period is:
- less than 0.75, then both the Second Earn-Out Cash Value and the Second Earn-Out Stock Value shall be decreased to equal Zero Dollars (\$0), and Buyer shall not be obligated to make any payment (in cash, Buyer Common Stock or Buyer Stock Options) to Seller in respect of the Second Post-Closing Period;
 - equal to or greater than 0.75 but not greater than 1.00, then (A) the Second Earn-Out Cash Value shall be decreased to equal an amount equal to (1) X multiplied by (2) the amount equal to Two Million Five Hundred Seventy-Nine Thousand Eight Hundred Twenty-Three Dollars (\$2,579,823) minus the amount of the increase in the First Earn-Out Cash Value paid under Section 2.b.iii, and (B) the Second Earn-Out Stock Value shall be decreased to equal an amount equal to (1) X multiplied by (2) Three Million Eight Hundred Sixty-Nine Thousand Seven Hundred Thirty-Five Dollars (\$3,869,735) minus the amount of the increase in the First Earn-

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Out Stock Value paid under Section 2.b.iii, in each case where "X" is calculated as follows:

[minus 0.75] multiplied by 4

- iii. greater than 1.00, then (A) the Second Earn-Out Cash Value shall be increased by an amount equal to (1) Xmultiplied by (2) the amount equal to Two Million Five Hundred Seventy-Nine Thousand Eight Hundred Twenty-Three Dollars (\$2,579,823) minus the amount of the increase in the First Earn-Out Cash Value paid under Section 2.b.iii and (B) the Second Earn-Out Stock Value shall be increased by an amount equal to (1) Xmultiplied by (2) Three Million Eight Hundred Sixty-Nine Thousand Seven Hundred Thirty-Five Dollars (\$3,869,735) minus the amount of the increase in the First Earn-Out Stock Value paid under Section 2.b.iii, in each case where "X" is calculated as follows:

[less 1.00] multiplied by 2

For the avoidance of doubt, (A) in no event shall (x) the sum of the First Earn-Out Cash Value and the Second Earn-Out Cash Value exceed Three Million Eight Hundred Thirty-Seven Thousand One Hundred Sixty-Eight Dollars (\$3,837,168) or (y) the sum of the First Earn-Out Stock Value and the Second Earn-Out Stock Value exceed Five Million Seven Hundred Fifty-Five Thousand Seven Hundred Fifty-Three Dollars (\$5,755,753), and (B) the Second Earn-Out Payment Amount shall be determined without regard to the Employment Condition.

- d. Adjustment to First Earn-Out Payment Amount After the Second Post-Closing Period. In the event that (i) pursuant to Section 2.b, the First Earn-Out Cash Value was determined to be less than One Million Two Hundred Fifty-Seven Thousand Three Hundred Forty-Five Dollars (\$1,257,345), and (ii) the Actual Revenue for the Second Post-Closing Period was determined to exceed the Revenue Target for the Second Post-Closing Period (such excess, the "Excess Amount"), then, at Seller's option, in addition to the Second Earn-Out Payment Amount, Buyer shall pay to Seller the Catch-Up Payment, which shall be calculated in accordance with this Section 2.d. If the quotient of (A) the Revised Revenue, divided by (B) the Revenue Target for the First Post-Closing Period is:
- less than 0.75, then the Catch-Up Payment is Zero Dollars (\$0), and no additional payment shall be paid or Buyer Common Stock or Buyer Stock Options issued by Buyer to Seller under this Section 2.d;

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- equal to or greater than 0.75 but less than 1.00, then (A) the "Catch-Up Cash Value" shall be an amount equal to (1) Xmultiplied by (2) One Million Two Hundred Fifty-Seven Thousand Three Hundred Forty-Five Dollars (\$1,257,345) minus the First Earn-Out Cash Value, and (B) the "Catch-Up Stock Value" shall be an amount equal to (1) Xmultiplied by (2) One Million Eight Hundred Eighty-Six Thousand Eighteen Dollars (\$1,886,018) minus the First Earn-Out Stock Value, in each case where "X" is calculated as follows:

[(Revised Revenue Revenue Target) minus 0.75] multiplied by 4

- equal to or greater than 1.00, then (A) the "Catch-Up Cash Value" shall be an amount equal to One Million Two Hundred Fifty-Seven Thousand Three Hundred Forty-Five Dollars minus the First Earn-Out Cash Value, and (B) the "Catch-Up Stock Value" shall be an amount equal to One Million Eight Hundred Eighty-Six Thousand Eighteen Dollars (\$1,886,018) minus the First Earn-Out Stock Value;

provided, that (A) in no event shall the sum of the dollar values included in the Catch-Up Payment exceed an amount equal to (x) Three Million One Hundred Forty-Three Thousand Three Hundred Sixty-Three Dollars (\$3,143,363) minus (y) the sum of the dollar values included in the First Earn-out Payment (for clarity, such dollar values referenced in this proviso refer only to the values for cash and shares of Buyer Common Stock and not values for Buyer Stock Options), and (B) the Catch-Up Payment shall be determined without regard to the Employment Condition. The Parties agree to treat any Catch-Up Payment Amount paid to Seller as an adjustment to the First Earn-Out Payment Amount and, consequently, as an adjustment to the Total Consideration.

- e. Determination of Third Earn-Out Payment Amount. If the quotient of (i) the Actual Revenue for the Third Post-Closing Period divided by (ii) the Revenue

Target for the Third Post-Closing Period is:

- i. less than 0.75, then both the Third Earn-Out Cash Value and the Third Earn-Out Stock Value shall be decreased to equal Zero Dollars (\$0), and Buyer shall not be obligated to make any payment to Seller (in cash, Buyer Common Stock or Buyer Stock Options) in respect of the Third Post-Closing Period;
- ii. equal to or greater than 0.75 but not greater than 1.00, then (A) the Third Earn-Out Cash Value shall be decreased to equal an amount equal to (1) X multiplied by (2) the amount equal to Four Million One Hundred Sixty-Two Thousand Eight Hundred Thirty-Two Dollars (\$4,162,832 minus the

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amount of the increase in the Second Earn-Out Cash Value paid under Section 2.c.iii. and (B) the Third Earn-Out Stock Value shall be decreased to equal an amount equal to (1) X multiplied by (2) Six Million Two Hundred Forty-Four Thousand Two Hundred Forty-Eight Dollars (\$6,244,248) minus the amount of the increase in the Second Earn-Out Stock Value paid under Section 2.b.iii. in each case where “X” is calculated as follows:

$$[(\text{Actual Revenue Revenue Target}) \text{ minus } 0.75] \text{ multiplied by } 4 \text{ iii. greater than } 1.00, \text{ then, in addition to the Third Earn-Out Payment, Buyer}$$

shall provide to Seller the Additional Third Year Value. The Additional Third Year Value shall be payable to Seller by the issue of Buyer Common Stock, in an amount reasonably determined by the compensation committee of the board of directors of Buyer after the expiration of the Third Post-Closing Period and prior to the date that such Buyer Common Stock is issued to Seller.

For the avoidance of doubt, the Third Earn-Out Payment Amount shall be determined without regard to the Employment Condition.

- f. Pricing of Buyer Common Stock. The number of shares of Buyer Common Stock issuable pursuant to Sections 2.b, 2.c, 2.d and 2.e.ii shall be based on the average closing price of Buyer Common Stock over the 20 trading days ending the trading day prior to the date of issuance. The number of shares of Buyer Common issuable pursuant to Section 2.e.iii shall be based on the closing price of Buyer Common Stock on the date of approval by the compensation committee of the board of directors of Buyer.
- g. Forfeiture and Cancellation of Applicable Additional Purchase Consideration. Notwithstanding anything to the contrary contained in this Annex A or the Agreement, if Seller breaches any of his covenants contained in Section 6.1 or Section 6.6 of the Agreement (each, an “Applicable Section”) and fails to cure such breach within ten business days following receipt of written notice of such breach from Buyer, Buyer shall have the right to elect, in its sole discretion, the following remedy (the “Forfeiture”): (i) Buyer shall have no obligation to thereafter pay, issue or deliver any cash, Buyer Common Stock or Buyer Stock Options in respect of any Post-Closing Period that remains unearned at that time, regardless of whether such consideration is subsequently earned hereunder, and (ii) Buyer shall have no obligation to thereafter issue or deliver, and the Seller shall forfeit, an amount equal to fifty percent (50%) of such Buyer Common Stock and Buyer Stock Options in respect of any Post-Closing Period that has been earned and is subject to the Holding Period at such time (and Buyer and Seller shall instruct the Escrow Agent accordingly). For the avoidance of doubt,

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in connection with the Forfeiture, Buyer shall not have the right to cancel or reclaim (x) any cash that has been earned, or Buyer Common Stock and Buyer Stock Options that have already been issued or delivered to Seller prior to such time (and are not, at such time, subject to the Holding Period) or (y) the remaining fifty percent (50%) of such Buyer Common Stock and Buyer Stock Options in respect of any Post-Closing Period that has been earned and is subject to the Holding Period at such time that is not part of the Forfeiture (and Buyer and Seller shall instruct the Escrow Agent accordingly). If Buyer elects the Forfeiture in respect of any breach of an Applicable Section, the Forfeiture shall constitute liquidated damages for any and all past or future breaches by Seller of only such Applicable Section and Seller shall not be liable for any additional amounts for any such breaches of such Applicable Section (provided that for clarity, a Forfeiture for any breach of one Applicable Section shall not constitute liquidated damages for a post-Forfeiture breach of the other Applicable Section). Further, the Forfeiture shall not prevent, impair or otherwise prohibit in any manner Buyer’s remedy set forth in the first sentence of Section 6.1.3 of the Agreement (it being understood that Buyer may elect both the Forfeiture and seek such equitable remedies).

3. Payment and Procedures:

- a. Not later than sixty (60) days after the end of each Post-Closing Period, Buyer shall prepare and deliver to Seller a statement setting forth Buyer’s calculation of the Applicable Additional Purchase Consideration, in each case, as of the end of the applicable Post-Closing Period (each such statement, a “Revenue Statement”). The Revenue Statement for the Second Post-Closing Period shall include Buyer’s calculation of the Catch-Up Payment, if Seller is entitled to elect to receive the Catch-Up Payment. The Revenue Statement shall be accompanied by such documentation and materials supporting the calculations set forth therein as Seller may reasonably request.
- b. As soon as practicable following the date on which the Revenue Statement for the most recently ended Post-Closing Period is either agreed upon between Seller and Buyer, or deemed binding in accordance with Section 3.c or, if an Accounting Arbitrator has been appointed pursuant to Section 3.c, following any determination by such Accounting Arbitrator (but no later than ten (10) Business Days after such applicable date), Buyer shall, subject to Buyer’s setoff rights under Section 10.7 of the Agreement, deliver to Seller the Applicable Additional Purchase Consideration for such Post-Closing Period (and, if applicable, the Catch-Up Payment) as follows:
 - i. any cash payments to be made by Buyer in respect of the Applicable Additional Purchase Consideration or Catch-Up Payment shall be made by Buyer by wire transfer in immediately available funds to Seller’s Bank Account or to such other account directed by Seller to Buyer in advance;

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- ii. any Buyer Common Stock to be issued in respect of the Applicable Additional Purchase Consideration or Catch-Up Payment shall be issued by Buyer to Seller but delivered to the Escrow Agent to be held in accordance with the Escrow Agreement until the expiration of the Holding Period, with such amount of Buyer Common Stock to be determined in good faith by Buyer (or its compensation committee or other relevant committee) after the expiration of the applicable Post-Closing Period and prior to the date that such Buyer Common Stock is issued to Seller in accordance with the principles in Section 2.f. and
 - iii. any Buyer Stock Options to be delivered in respect of the Applicable Additional Purchase Consideration or Catch-Up Payment shall be delivered by Buyer to Seller in the form of Exhibit A attached hereto.

For clarity, the Holding Period contemplated by subsections (ii) and (iii) immediately above means (x) in the case of the Buyer Common Stock described in subsection (ii), that the Escrow Agent shall hold and Seller may not sell such Buyer Common Stock until at least two (2) years have passed since the issuance of such Buyer Common Stock to Seller and such Buyer Common Stock shall be released from Escrow after such two (2) year period has expired and otherwise in accordance with Section 2.g and (y) in the case of the Buyer Stock Options described in subsection (iii), that each such Buyer Stock Option will be exercisable at the time of grant to Seller, but that the Escrow Agent shall hold and Seller may not sell any shares of Buyer Common Stock issued on exercise of such Buyer Stock Option until at least two (2) years have passed since the grant of the Buyer Stock Option in question.

- c. Upon the written request of Seller, provided such request is received by Buyer within sixty (60) days after the date that the applicable Revenue Statement has been delivered pursuant to Section 3.a, Buyer shall permit a mutually acceptable independent accounting firm (the "Accounting Arbitrator"), whose expense shall be paid one-half by Seller and one-half by Buyer, to have access to the work papers and back-up materials used in preparing such Revenue Statement, as well as the personnel of Buyer and the Company with knowledge regarding the matters underlying such Revenue Statement and the calculations set forth therein, at reasonable times and upon reasonable notice, for the purpose of determining the accuracy of the Revenue Statement and such calculations. Each of Buyer and Seller shall, and shall use commercially reasonable efforts to cause the Accounting Arbitrator to, work in good faith to complete any such inspection and audit within sixty (60) days of the date Seller made its request under the first sentence of this Section 3.c. The Accounting Arbitrator shall be directed to render a written report on the calculations set forth in the relevant Revenue Statement within such sixty (60) day period, which written report (and the findings and calculations therein) shall be conclusive and binding on the parties. If Seller does not deliver the written request required under this Section 3.c within thirty (30) days after the date a Revenue Statement has been delivered to Seller pursuant to Section 3.a, such Revenue Statement shall be conclusive and binding

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on Seller and Buyer, and Seller shall have no right to access or dispute, or have an accounting firm access any books or records of Buyer or the Company to confirm, such Revenue Statement or any calculations set forth therein.

4. **Disputes:** Seller and Buyer acknowledge that the transactions related to and involving the Applicable Additional Purchase Consideration are complex and will require administration, calculations, negotiations and other efforts during the Post-Closing Periods. Seller and Buyer agree and acknowledge that with respect to any disputes that arise in connection with the calculation of the First Earn-Out Payment Amount, the Catch-Up Payment, the Second Earn-Out Payment Amount or the Third Earn-Out Payment Amount under this Annex A, they will act in good faith and in a commercially reasonable manner.
5. **Support:** Following the Closing and during the Post-Closing Period, Buyer (a) shall cause the Company to operate its business in a commercially reasonable manner and (b) shall not take any action or inaction in bad faith or with the intention of, or which would result in, circumventing or reducing the payment of any Applicable Additional Purchase Consideration Payment. Notwithstanding the foregoing clause (a) (but without derogating the foregoing clause (b)), the parties acknowledge and agree that (i) the provisions of this Annex A shall not (x) require Buyer or the Company to continue any line of business conducted by Buyer or the Company as of any date if Buyer, in the exercise of its reasonable business judgment, believes that it is not reasonable for Buyer or the Company, as applicable, to continue such line of business or (y) limit Buyer from improving or modifying any aspect of the business of Buyer or the Company in the exercise of Buyer's reasonable business judgment and (ii) Seller's right to the Applicable Additional Purchase Consideration Payments under this Annex A is a contract right and shall not give rise to any other rights or any duties (including fiduciary duties), express or implied (other than the implied duty of good faith and fair dealing, which is applicable to both Seller and Buyer).
6. **Change in Control of Buyer:** If, prior to the expiration of the Post-Closing Period, Buyer (i) shall consolidate with or merge into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or the stockholders of Buyer shall not continue to own a majority of the voting power of such continuing or surviving corporation or its parent entity, (ii) shall transfer all or substantially all of its properties and assets to any Person, or (iii) shall transfer all or substantially all of the equity interests or properties and assets of the Company to any Person (each a "Company Business Sale"), then, and in each such case, Buyer shall: ensure that (A) the successor assumes all of the obligations of Buyer under this Annex A and (B) such successor is publicly-traded (provided that such requirement to be publicly-traded shall not apply in the case of a Company Business Sale of the type described in clause (i) of the definition thereof) and creditworthy and that its financial condition does not materially disadvantage the Seller or materially impair its ability to make any cash, stock or stock option payments (or in the case of a Company Business Sale of the type described in clause (i) of the definition thereof, payments of equivalent value) required under this Annex A when due.

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CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Judson Bergman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2015, 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: August 10, 2015

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

CHIEF FINANCIAL OFFICER CERTIFICATION

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

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2015, 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: August 10, 2015

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

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

In connection with the Quarterly Report of Envestnet, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2015 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: August 10, 2015

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

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

In connection with the Quarterly Report of Envestnet, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter D'Arrigo, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

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

/s/ Peter H. D'Arrigo

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

Dated: August 10, 2015

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.
