

ENVESTNET, INC.  
Form 10-Q  
November 09, 2016  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended September 30, 2016

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

Commission file number 001-34835

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Envestnet, Inc.

(Exact name of registrant as specified in its charter)

Delaware 20-1409613  
(State or other jurisdiction of (I.R.S Employer  
incorporation or organization) Identification No.)

35 East Wacker Drive, Suite 2400, Chicago, IL 60601  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:

(312) 827-2800

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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

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As of November 1, 2016, 43,053,724 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)

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 50,662	\$ 51,718
Fees and other receivables, net	42,451	46,756
Prepaid expenses and other current assets	19,811	13,239
Total current assets	112,924	111,713
Property and equipment, net	32,566	28,681
Internally developed software, net	13,544	9,897
Intangible assets, net	262,234	292,675
Goodwill	422,565	421,273
Deferred tax assets, net	12,961	2,688
Other non-current assets	13,156	9,322
Total assets	\$ 869,950	\$ 876,249
Liabilities and Equity		
Current liabilities:		
Accrued expenses and other liabilities	\$ 74,650	\$ 83,411
Accounts payable	10,456	10,420
Current portion of debt	33,177	6,064
Contingent consideration	1,929	2,537
Deferred revenue	15,379	15,089
Total current liabilities	135,591	117,521
Convertible notes	151,019	146,418
Term notes	106,674	138,335
Contingent consideration	1,295	1,506
Deferred revenue	16,220	14,378
Deferred rent and lease incentive	12,174	10,976
Other non-current liabilities	10,625	6,288
Total liabilities	433,598	435,422
Commitments and contingencies		
Redeemable units in ERS	900	900

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; 55,279,299 and

53,925,415 shares issued as of September 30, 2016 and December 31, 2015,

respectively; 42,917,855 and 41,979,126 shares outstanding as of September 30, 2016

and December 31, 2015, respectively

Additional paid-in capital

Accumulated deficit

Treasury stock at cost, 12,361,444 and 11,946,289 shares as of September 30, 2016 and

December 31, 2015, respectively

Accumulated other comprehensive income (loss)

Total stockholders' equity

Non-controlling interest

Total equity

Total liabilities and equity

	276	270
	504,529	474,726
	(38,000)	(15,007)
	(31,619)	(20,654)
	(132)	194
	435,054	439,529
	398	398
	435,452	439,927
	\$ 869,950	\$ 876,249

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statements of Operations

(in thousands, except share and per share information)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Assets under management or administration	\$ 90,042	\$ 85,576	\$ 258,969	\$ 250,472
Subscription and licensing	51,959	16,163	142,303	45,257
Professional services and other	7,154	1,628	21,412	6,755
Total revenues	149,155	103,367	422,684	302,484
Operating expenses:				
Cost of revenues	47,259	41,027	132,319	122,208
Compensation and benefits	60,345	32,671	180,625	96,162
General and administration	26,150	15,184	80,097	44,905
Depreciation and amortization	16,692	6,157	49,872	17,215
Restructuring charges	—	—	152	518
Total operating expenses	150,446	95,039	443,065	281,008
Income (loss) from operations	(1,291)	8,328	(20,381)	21,476
Other expense, net	(4,434)	(2,347)	(13,214)	(6,801)
Income (loss) before income tax provision	(5,725)	5,981	(33,595)	14,675
Income tax provision (benefit)	(1,668)	2,679	(10,602)	6,326
Net income (loss)	(4,057)	3,302	(22,993)	8,349
Add: Net income (loss) attributable to non-controlling interest	—	—	—	—
Net income (loss) attributable to Envestnet, Inc.	\$ (4,057)	\$ 3,302	\$ (22,993)	\$ 8,349
Net income (loss) per share attributable to Envestnet, Inc.:				
Basic	\$ (0.09)	\$ 0.09	\$ (0.54)	\$ 0.23
Diluted	\$ (0.09)	\$ 0.09	\$ (0.54)	\$ 0.22
Weighted average common shares outstanding:				
Basic	42,843,103	36,021,784	42,704,383	35,651,508



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Diluted	42,843,103	37,614,701	42,704,383	37,563,815
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See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statements of Comprehensive Income

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to Envestnet, Inc.	\$ (4,057)	\$ 3,302	\$ (22,993)	\$ 8,349
Other comprehensive income (loss), net of taxes				
Foreign currency translation gain (loss)	192	—	(122)	—
Losses on foreign currency contracts designated as cash flow hedges reclassified to earnings	(556)	—	(204)	—
Total other comprehensive loss, net of taxes	(364)	—	(326)	—
Comprehensive income (loss), net of taxes	\$ (4,421)	\$ 3,302	\$ (23,319)	\$ 8,349

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statement of Equity

(in thousands, except share information)

(unaudited)

	Common Stock		Treasury Stock Common		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Non- controlling Interest	Total Stock Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2015	53,925,415	\$ 270	(11,946,289)	\$ (20,654)	\$ 474,726	\$ 194	\$ (15,007)	\$ 398	\$ 4
Exercise of stock options	348,245	1	—	—	3,165	—	—	—	3
Issuance of common stock - vesting of restricted stock units	1,005,639	5	—	—	—	—	—	—	5
Stock-based compensation expense	—	—	—	—	25,168	—	—	—	25
Excess tax benefits from stock-based compensation expense	—	—	—	—	1,470	—	—	—	1
Purchase of treasury stock for stock-based minimum tax withholdings	—	—	(371,545)	(9,517)	—	—	—	—	(9)
Common stock shares repurchased	—	—	(43,610)	(1,448)	—	—	—	—	(1)
Foreign currency translation loss	—	—	—	—	—	(122)	—	—	(1)
Losses on foreign currency contracts	—	—	—	—	—	(204)	—	—	(2)

designated as  
cash flow  
hedges  
reclassified to  
earnings

Net loss	—	—	—	—	—	—	(22,993)	—	(2
Balance, September 30, 2016	55,279,299	\$ 276	(12,361,444)	\$ (31,619)	\$ 504,529	\$ (132)	\$ (38,000)	\$ 398	\$ 4

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2016	2015
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (22,993)	\$ 8,349
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	49,872	17,215
Deferred rent and lease incentive	(324)	628
Provision for doubtful accounts	369	31
Deferred income taxes	(10,273)	(264)
Stock-based compensation expense	25,872	10,157
Excess tax benefits from stock-based compensation expense	(1,470)	(18,010)
Non-cash interest expense	6,955	7,081
Accretion on contingent consideration	143	794
Fair market value adjustment on contingent consideration	838	(3,791)
Loss allocation from equity method investment	1,130	—
Loss on disposal of fixed assets	220	—
Changes in operating assets and liabilities, net of acquisitions:		
Fees and other receivables	4,077	(4,817)
Prepaid expenses and other current assets	(4,960)	4,534
Other non-current assets	(4,271)	(1,024)
Accrued expenses and other liabilities	275	(2,068)
Accounts payable	124	113
Deferred revenue	1,959	7,331
Other non-current liabilities	4,337	(428)
Net cash provided by operating activities	51,880	25,831
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(10,839)	(6,852)
Capitalization of internally developed software	(6,217)	(3,782)
Investment in private company	(738)	(1,500)
Purchase of ERS units	(1,500)	(100)
Acquisition of businesses, net of cash acquired	(18,394)	(27,332)
Net cash used in investing activities	(37,688)	(39,566)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from borrowings on revolving credit facility	25,000	—
Payment on revolving credit facility	(25,000)	—
Payments of contingent consideration	(2,924)	(7,219)
Payment of term notes	(6,000)	—

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Issuance of redeemable units in ERS	—	900
Proceeds from exercise of stock options	3,166	7,448
Excess tax benefits from stock-based compensation expense	1,470	18,010
Purchase of treasury stock for stock-based minimum tax withholdings	(9,517)	(6,812)
Common stock acquired under the share repurchase program	(1,448)	—
Issuance of restricted stock units	5	2
Net cash provided by (used in) financing activities	(15,248)	12,329
DECREASE IN CASH AND CASH EQUIVALENTS	(1,056)	(1,406)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	51,718	209,754
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 50,662	\$ 208,348
Supplemental disclosure of cash flow information - net cash paid (refunded) during the period for income taxes	\$ (175)	\$ 937
Supplemental disclosure of cash flow information - cash paid during the period for interest	5,390	2,454
Supplemental disclosure of non-cash operating, investing and financing activities:		
Contingent consideration issued in a business acquisition	1,929	2,363
Stock and stock options issued in acquisition of business	—	8,930
Purchase liabilities included in accrued expenses	—	3,520
Leasehold improvements funded by lease incentive	1,522	330
Purchase of fixed assets included in accounts payable	—	209

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™, Envestnet | Placemark™, Envestnet | Retirement Solutions, Envestnet | Yodlee™ and Envestnet | Finance Logix™.

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

- Envestnet | Advisor Suite™ 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 data aggregation; 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®, our Portfolio Management Consultants group, primarily engages in consulting services aimed at providing financial advisors with additional support in addressing their clients’ needs, as well as the creation of investment solutions and products. Envestnet | PMC’s investment solutions and products include managed account and multi manager portfolios, mutual fund portfolios and Exchange Traded Funds (“ETF”) portfolios. Envestnet | PMC offers Prima Premium Research, comprising institutional quality research and due diligence on investment managers, mutual funds, ETFs and liquid alternatives funds. Envestnet | PMC also offers Placemark Overlay Services which includes patented portfolio overlay and tax optimization services.
- Envestnet | Vantage™ 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 | Advisor Now™ offers a private-labeled investor engagement technology enabling advisors to deliver a compelling digital wealth management experience to their clients.

- Investnet | Finance Logix™ provides financial planning and wealth management software solutions to banks, broker-dealers and RIAs.
- Investnet | Tamarac™ provides leading portfolio accounting, rebalancing, trading, performance reporting and client relationship management (“CRM”) software, principally to high end RIAs.
- Investnet | Retirement Solutions (“ERS”) offers a comprehensive suite of services designed specifically for retirement plan professionals. With our integrated technology, ERS addresses the regulatory, data, and investment needs of retirement plans and delivers the information holistically.
- Investnet | Yodlee™ is a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services.

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

Investnet operates five 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”).



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2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company as of September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015 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, 2015 and reflect all normal recurring adjustments which are, in the opinion of management, necessary to present fairly the Company's financial position as of September 30, 2016 and the results of operations, equity and cash flows for the periods presented herein. The unaudited condensed consolidated balance sheet as of September 30, 2016 was derived from the Company's audited financial statements for the year ended December 31, 2015 but does not include all disclosures, including notes required by accounting principles generally accepted in the United States of America ("GAAP"). The condensed consolidated financial statements include the accounts of Envestnet and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Accounts denominated in a non-U.S. currency have been re-measured using the U.S. dollar as the functional currency. The results of operations for the three and nine months ended September 30, 2016 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, 2015, filed with the SEC on February 29, 2016.

The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and assumptions related to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with GAAP. Areas requiring the use of management estimates relate to revenue recognition, valuations and assumptions used for impairment testing of goodwill, intangible and other long-lived assets, fair value of restricted stock and stock options issued, fair value of contingent consideration, realization of deferred tax assets, uncertain tax positions, fair value of the liability portion of the convertible debt and assumptions used to allocate purchase prices in business combinations. Actual results could differ materially from these estimates under different assumptions or conditions.

Share repurchase program – On February 25, 2016, the Company announced that its Board of Directors had authorized a share repurchase program under which the Company may repurchase up to 2,000,000 shares of its common stock. The timing and volume of share repurchases will be determined by the Company's management based on its ongoing assessments of the capital needs of the business, the market price of its common stock and general market conditions. No time limit has been set for the completion of the repurchase program, and the program may be suspended or discontinued at any time. The repurchase program authorizes the Company to purchase its common stock from time to time in the open market (including pursuant to a "Rule 10b5-1 plan"), in block transactions, in privately negotiated transactions, through accelerated stock repurchase programs, through option or other transactions or otherwise, all in

compliance with applicable laws and other restrictions. As of September 30, 2016, 1,956,390 shares could still be purchased under this program.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, “Revenue from Contracts with Customers,” 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 will adopt the standard in its first quarter of 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 impact of the adoption of the new revenue standard on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, “Amendments to the Consolidation Analysis,” which amends the consolidation requirements in ASC 810. These changes became effective for the Company’s fiscal year beginning January 1, 2016. The adoption of this standard did not have a material impact on its condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which requires debt issuance costs related to a recognized debt liability be presented as a reduction to the carrying amount of that debt liability, not as an

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asset. The Company adopted the guidance for the Company's fiscal year beginning January 1, 2016 and resulted in a decrease in current assets and current liabilities of \$1,936 and decreases in non-current assets and non-current liabilities of \$7,380 in the prior year.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as non-current. The updated guidance became effective under early adoption for the Company's fiscal year beginning January 1, 2015 and resulted in a reclassification of \$4,654 from current deferred tax assets to non-current deferred tax assets in the prior year.

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments". This standard requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Entities were required to retrospectively apply adjustments made to provisional amounts recognized in a business combination. This standard is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. These changes became effective for the Company's fiscal year beginning January 1, 2016 and have been reflected in these financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases". This update amends the requirements for assets and liabilities recognized for all leases longer than twelve months. Lessees will be required to recognize a lease liability measured on a discounted basis, which is the lessee's obligation to make lease payments arising from the lease, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. This standard will be effective for financial statements issued by public companies for the annual and interim periods beginning after December 15, 2018. Early adoption of the standard is permitted. The Company is currently evaluating the potential impact of this guidance on our consolidated financial statements.

In March 2016, The FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting". This update is intended to reduce the cost and complexity of accounting for share-based payments; however, some changes may also increase volatility in reported earnings. Under the new guidance, all excess tax benefits and deficiencies will be recorded as an income tax benefit or expense in the income statement and excess tax benefits will be recorded as an operating activity in the statement of cash flows. The new guidance also allows withholding up to the maximum individual statutory tax rate without classifying the awards as a liability. The cash paid to satisfy the statutory income tax withholding obligation will be classified as a financing activity in the statement of cash flows. Lastly, the update allows forfeitures to be estimated or recognized when they occur. The requirements for the excess tax effects related to share-based payments at settlement must be applied on a prospective basis, and the other requirements under this standard are to be applied on a retrospective basis. This standard will be effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2016. The Company is currently evaluating the potential impact of this guidance on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments," which clarifies eight specific cash flow issues in an effort to reduce diversity in practice in how certain transactions are classified within the statement of cash flows. This ASU is effective for the Company January 1, 2018 with early adoption permitted. Upon adoption, the ASU requires a retrospective application unless it is determined that it is impractical to do so for which it must be retrospectively applied at the earliest date practical. Upon adoption, the Company does not anticipate significant changes to the Company's existing accounting policies or presentation of the consolidated statements of cash flows.

### 3. Business Acquisitions

#### FinaConnect, Inc.

On February 1, 2016 Envestnet acquired all of the outstanding shares of capital stock of FinaConnect, Inc. ("FinaConnect"). FinaConnect is a software as a services (SaaS) platform that provides reporting and practice management capabilities to financial professionals servicing the retirement plan market and is the technology platform supporting the ERS service offering. FinaConnect is included in the Envestnet segment.

The Company acquired FinaConnect with plans to combine the FinaConnect assets with ERS. In addition to adding the client list serviced directly by FinaConnect, the goodwill arising from the acquisition represents the advantage of ownership of the technology powering the ERS solution, removal of ongoing licensing payments made to FinaConnect and the full integration of the knowledge and experience of the FinaConnect workforce. The goodwill is deductible for income tax purposes.

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In connection with the acquisition of FinaConnect, the Company paid upfront cash consideration of \$6,425 and Company is required to pay contingent consideration of four times the incremental revenue on a certain book of business for the next two years, not to exceed a total amount of \$3,500.

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

Cash consideration	\$ 6,425
Contingent consideration liability	1,929
Working capital adjustment	269
Cash acquired	(1)
Total	\$ 8,622

The estimated fair values of certain working capital balances, contingent consideration, deferred revenue, identifiable intangible assets and goodwill are provisional and are based on the information that was available as of the acquisition date. The estimated fair values of these provisional items are based on certain internal valuations and are not yet at the point where there is sufficient information for a definitive measurement. The Company believes the preliminary information provides a reasonable basis for estimating the fair values of these amounts, but is waiting for additional information necessary to finalize those fair values. Therefore, provisional measurements of fair values reflected are subject to change and such changes could be significant. The Company expects to finalize the valuation of contingent consideration, deferred revenue, deferred income taxes and intangible assets, and complete the acquisition accounting as soon as practicable but no later than January 31, 2017.

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

	Preliminary	Measurement	Estimate
	Estimate	Period	as of
		Adjustments	September
			30, 2016
Total tangible assets acquired	\$ 136	\$ 147	\$ 283
Total liabilities assumed	(556)	83	(473)
Identifiable intangible assets	5,425	—	5,425
Goodwill	3,617	(230)	3,387
Total net assets acquired	\$ 8,622	\$ —	\$ 8,622

A summary of preliminary intangible assets acquired, estimated useful lives and amortization methods are as follows:

	Amount	Useful Life in Years	Amortization Method
Customer list	\$ 4,300	12	Accelerated
Proprietary technology	800	5	Straight-line
Trade names and domains	325	2	Straight-line
Total	\$ 5,425		

The results of FinaConnect’s operations are included in the condensed consolidated statement of operations beginning February 1, 2016, and are not considered material to the Company’s results of operations.

Castle Rock Innovations, Inc.

On August 31, 2015, the Company acquired all of the outstanding shares of capital stock of Castle Rock Innovations, Inc., a Delaware corporation (“Castle Rock”). Castle Rock provides data aggregation and plan benchmark solutions to retirement plan record-keepers, broker-dealers, and advisors.

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The Company acquired Castle Rock with plans to combine the Castle Rock offering into ERS. Castle Rock's AXIS Retirement Plan Analytics Platform enables retirement plan fiduciaries to comply with 408(b)(2) and 404a-5 regulatory fee disclosure reporting requirements. The AXIS platform offers a single web-based interface and data repository to service the reporting needs of all types of retirement plans, and can be integrated with all record-keeping systems. AXIS also includes features for editing and generating reports for filings, reporting plan expenses, and comparing retirement plans and participants to those of their peers by industry, company size, and other characteristics. The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction and the knowledge and experience of the workforce in place. The goodwill is not deductible for income tax purposes.

The estimated consideration transferred in the acquisition was as follows:

Cash consideration	\$ 6,190
Contingent consideration liability	1,500
Cash acquired	(320)
Total	\$ 7,370

In connection with the acquisition of Castle Rock, the Company is required to pay contingent consideration of 40% of the first annual post-closing period revenues minus \$100, 35% of the second annual post-closing period revenue minus \$100 and 30% of the third annual post-closing period revenue minus \$100. The Company recorded a preliminary estimated liability as of the date of acquisition of \$1,500, which represented the estimated fair value of contingent consideration on the date of acquisition and is considered a Level III fair value measurement as described in Note 9.

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

	Preliminary Estimate	Measurement Period Adjustments	As of September 30, 2016
Total tangible assets acquired	\$ 255	\$ (112)	\$ 143
Total liabilities assumed	(1,305)	—	(1,305)
Identifiable intangible assets	3,400	500	3,900
Goodwill	5,020	(388)	4,632
Total net assets acquired	\$ 7,370	\$ —	\$ 7,370

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

## Amortization

	Amount	Useful Life in Years	Method
Customer list	\$ 3,000	12	Accelerated
Proprietary technology	800	5	Straight-line
Trade names and domains	100	4	Straight-line
Total	\$ 3,900		

For the three and nine months ended September 30, 2016, acquisition related costs for Castle Rock totaled \$25 and \$110 respectively, and are included in general and administration expenses. The Company may incur additional acquisition related costs during 2016.

On September 1, 2015, ERS accepted the subscription of certain former owners of Castle Rock (the “Castle Rock Parties”) to purchase a 6.5% ownership interest of ERS for \$900. The Castle Rock Parties have the right to require ERS to repurchase units issued pursuant to the subscription in approximately 36 months after September 1, 2015 for the amount of \$900. This purchase obligation is guaranteed by the Company and is reflected outside of permanent equity in the condensed consolidated balance sheet.



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Yodlee, Inc.

On November 19, 2015, pursuant to the Agreement and Plan of Merger (the “Merger Agreement”), dated August 10, 2015, among Yodlee, the Company and Yale Merger Corp. (“Merger Sub”), a wholly owned subsidiary of Envestnet, Merger Sub was merged (the “Merger”) with and into Yodlee with Yodlee continuing as a wholly owned subsidiary of Envestnet.

Yodlee, operating as Envestnet | Yodlee, is a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services. Yodlee powers digital financial solutions for over 22 million paid subscribers and over 1,000 financial institutions, financial technology innovators and financial advisory firms. Founded in 1999, the company has built a network of over 15,500 data sources and been awarded 78 patents.

Under the terms of the Merger Agreement, Yodlee stockholders received \$11.51 in cash and 0.1889 of a share of Envestnet common stock per Yodlee share. Based upon the volume weighted average price per share of Envestnet common stock for the ten consecutive trading days ending on (and including) November 17, 2015, the second trading day immediately prior to completion of the Merger, Yodlee stockholders received total consideration with a value of \$17.49 per share.

Net cash consideration totaled approximately \$375,658 and the Company issued approximately 5,974,000 shares of Envestnet common stock to Yodlee stockholders in the Merger. Holders of 577,829 shares of Yodlee common stock exercised their statutory appraisal rights under Delaware law. As of December 31, 2015 the Company recognized a liability in the amount of \$10,061, which represented \$17.49 in cash for each share of Yodlee common stock held by them. Although the Company believed the fair value of these shares did not exceed the consideration paid in the Acquisition, nevertheless, during the first quarter of 2016, the Company settled the appraisal claim in order to avoid the costs, uncertainties, disruptions and distraction of potential litigation. The difference between the liability as of December 31, 2015 and the settlement amount resulted in an increase to goodwill and total consideration paid.

The Company acquired Yodlee to enhance the Company’s wealth management solutions with a deeply integrated data aggregation capability, expand the Company’s addressable market by delivering the Company’s wealth management solutions to Yodlee’s clients and partners, and benefit from the revenue potential resulting from Yodlee’s fast growing data analytics solutions.

The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction, primarily related to an increase in future revenues as a result of potential cross selling opportunities and new lines of business, as well as lower future operating expenses. The goodwill is also related to the knowledge and experience of the workforce in place. The goodwill is not deductible for income tax purposes.

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

Cash consideration	\$ 375,658
Stock consideration	186,522
Attribution of the fair market value of replacement awards	4,318
Cash acquired	(63,234)
Total	\$ 503,264

In connection with the Yodlee merger, the Company issued 1,052,000 shares of Envestnet restricted stock awards (“replacement awards”) in connection with unvested Yodlee employee equity awards. The Yodlee unvested stock options and unvested restricted stock units were canceled and exchanged for the replacement awards. In accordance with ASC 805, these awards are considered to be replacement awards. Exchanges of share options or other share-based payment awards in conjunction with a business combination are modifications of share-based payment awards in accordance with ASC Topic 718. As a result, a portion of the fair-value-based measure of Envestnet’s replacement awards are included in measuring the consideration transferred in the business combination. To determine the portion of the replacement award that is part of consideration transferred to acquire Yodlee, we have measured both the replacement awards granted by Envestnet and the historical Yodlee awards as of November 19, 2015 in accordance with ASC 718. The portion of the fair-value-based measure of the replacement award that is part of the consideration transferred in exchange for the acquisition of Yodlee, equals the portion of the Yodlee award that is attributable to pre-combination service. Envestnet is attributing a portion of the replacement awards to post-combination service as these awards require post-combination service. The fair value of the replacement awards was estimated to be \$32,836 of which \$4,318 was attributable to pre-acquisition services. The remaining fair value of \$28,518 will be amortized over a period of 43 months subsequent to the acquisition date.

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The estimated fair values of certain working capital balances, property and equipment, deferred revenue, deferred income taxes, unrecognized tax benefits, attribution of the fair market value of replacement awards, identifiable intangible assets and goodwill are provisional and are based on the information that was available as of the acquisition date. The estimated fair values of these provisional items are based on certain valuation and other studies and are in progress and not yet at the point where there is sufficient information for a definitive measurement. The Company believes the preliminary information provides a reasonable basis for estimating the fair values of these amounts, but is waiting for additional information necessary to finalize those fair values. Therefore, provisional measurements of fair values reflected are subject to change and such changes could be significant. The Company expects to finalize the valuation of tangible assets and liabilities, identifiable intangible assets and goodwill and complete the acquisition accounting as soon as practicable but no later than November 18, 2016.

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

	Preliminary Estimate	Measurement Period Adjustments	As of September 30, 2016
Total tangible assets acquired	\$ 33,815	\$ 2,799	\$ 36,614
Total liabilities assumed	(55,240)	—	(55,240)
Identifiable intangible assets	237,000	—	237,000
Goodwill	286,049	(1,159)	284,890
Total net assets acquired	\$ 501,624	\$ 1,640	\$ 503,264

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

	Amount	Useful Life in Years	Amortization Method
Customer list	\$ 178,000	12	Accelerated
Backlog	11,000	4	Accelerated
Proprietary technology	35,000	5	Straight-line
Trade names	13,000	6	Straight-line
Total	\$ 237,000		

The results of Envestnet | Yodlee's operations are included in the condensed consolidated statement of operations beginning November 20, 2015. Envestnet | Yodlee's revenues for the three and nine month periods ended September 30, 2016 totaled \$34,644 and \$94,267, respectively. Envestnet | Yodlee's pre-tax loss for the three and nine month periods ended September 30, 2016 totaled \$8,416 and \$33,728, respectively. The pre-tax losses include estimated acquired intangible asset amortization of \$8,571 and \$25,712 for the three and nine month periods ended September 30, 2016, respectively.

For the three and nine month periods ended September 30, 2016, acquisition related costs for Yodlee totaled \$214 and \$1,788, respectively, and are included in general and administration expenses. The Company will incur additional acquisition related costs during 2016.

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

The acquisition accounting for Finance Logix was completed in 2015 and therefore the business acquisition disclosure does not appear in Note 3. The following pro forma financial information presents the combined results of operations of Envestnet, Finance Logix, Castle Rock and Yodlee for the three and nine month periods ended September 30, 2015. The pro forma financial information presents the results as if the acquisitions had occurred as of the beginning of 2015. The results of FinaConnect are not included in the pro forma financial information presented below as the FinaConnect 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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Pro forma financial information is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place as of the beginning of 2015.

	Three Months Ended September 30,	Nine Months Ended September 30,
Revenues	\$ 132,389	\$ 384,154
Net loss	(6,505)	(21,587)
Net loss per share:		
Basic	(0.15)	(0.51)
Diluted	(0.15)	(0.51)

## 4. Property and Equipment

Property and equipment consists of the following:

	Estimated Useful Life	September 30, 2016	December 31, 2015
Cost:			
Computer equipment and software	3 years	\$ 52,518	\$ 44,470
Office furniture and fixtures	7 years	7,024	5,785
	Shorter of the lease term or useful life of the		
Leasehold improvements	asset	17,924	15,123
Other office equipment	5 years	1,207	683
		78,673	66,061
Less accumulated depreciation and amortization		(46,107)	(37,380)
Property and equipment, net		\$ 32,566	\$ 28,681

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During the nine months ended September 30, 2016, the Company retired property and equipment that were no longer in service in the amount of \$2,396 and recognized a loss of \$220.

Depreciation and amortization expense was as follows:

	Three Months		Nine Months Ended	
	Ended September 30, 2016	2015	September 30, 2016	2015
Depreciation and amortization expense	\$ 3,740	\$ 1,967	\$ 11,147	\$ 5,100

5. Internally Developed Software

Internally developed software consists of the following:

	Estimated Useful Life	September	December
		30, 2016	31, 2015
Internally developed software	5 years	\$ 31,325	\$ 25,109
Less accumulated amortization		(17,781)	(15,212)
Internally developed software, net		\$ 13,544	\$ 9,897

Amortization expense was as follows:

	Three Months		Nine Months	
	Ended September 30, 2016	2015	Ended September 30, 2016	2015

Amortization expense	\$ 917	\$ 682	\$ 2,569	\$ 1,914
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## 6. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill by segment were as follows:

	Envestnet	Envestnet   Yodlee	Total
Balance at December 31, 2015	\$ 135,224	\$ 286,049	\$ 421,273
FinaConnect acquisition	3,617	—	3,617
Purchase accounting adjustments - FinaConnect	(230)	—	(230)
Purchase accounting adjustments - Yodlee	—	(1,159)	(1,159)
Purchase accounting adjustments - Castle Rock	(388)	—	(388)
Other	(490)	(58)	(548)
Balance at September 30, 2016	\$ 137,733	\$ 284,832	\$ 422,565

Intangible assets consist of the following:

	Useful Life	September 30, 2016		Net Carrying Amount	December 31, 2015		Net Carrying Amount
		Gross Carrying Amount	Accumulated Amortization		Gross Carrying Amount	Accumulated Amortization	
Customer lists	4 - 12 years	\$ 262,000	\$ (55,451)	\$ 206,549	\$ 257,410	\$ (33,668)	\$ 223,742
Backlog	4 years	11,000	(5,017)	5,983	11,000	(703)	10,297
Proprietary technologies	2.5- 8 years	54,728	(17,536)	37,192	53,928	(9,833)	44,095
Trade names	2 - 6 years	17,015	(4,505)	12,510	16,690	(2,149)	14,541
Total intangible assets		\$ 344,743	\$ (82,509)	\$ 262,234	\$ 339,028	\$ (46,353)	\$ 292,675

Amortization expense was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Amortization expense	\$ 12,035	\$ 3,508	\$ 36,156	\$ 10,201



Future amortization expense of the intangible assets as of September 30, 2016, is expected to be as follows:

Years ending December 31:	
Remainder of 2016	\$ 11,829
2017	43,059
2018	36,936
2019	33,201
2020	29,239
Thereafter	107,970
	\$ 262,234

#### 7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	September 30, 2016	December 31, 2015
Income tax receivable	\$ 8,692	\$ 5,118
Prepaid insurance	1,000	171
Prepaid rent	691	—
FinaConnect escrow - current portion	429	—
Other	8,999	7,950
	\$ 19,811	\$ 13,239

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## 8. Other Non-Current Assets

Other non-current assets consist of the following:

	September 30, 2016	December 31, 2015
Investment in private companies	\$ 2,274	\$ 2,666
Deposits:		
Lease	3,722	3,198
Other	2,083	515
Other	5,077	2,943
	\$ 13,156	\$ 9,322

## 9. 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 at fair value 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 I: Inputs based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level II:

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 III: 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.

The following tables set forth the fair value of the Company's financial assets and liabilities measured at fair value in the condensed consolidated balance sheets as of September 30, 2016 and December 31, 2015, based on the three-tier fair value hierarchy.

	As of September 30, 2016			
	Fair Value	Level I	Level II	Level III
Assets				
Money market funds	\$ 22,935	\$ 22,935	\$ —	\$ —
Liabilities				
Contingent consideration	\$ 3,224	\$ —	\$ —	\$ 3,224
	As of December 31, 2015			
	Fair Value	Level I	Level II	Level III
Assets				
Money market funds	\$ 24,422	\$ 24,422	\$ —	\$ —
Liabilities				
Contingent consideration	\$ 4,043	\$ —	\$ —	\$ 4,043
Foreign currency forward contracts(1)	140	—	140	—
Total liabilities	\$ 4,183	\$ —	\$ 140	\$ 4,043

(1) Included in prepaid and other current assets in the condensed consolidated balance sheet.

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Level I assets and liabilities included in the table above include government money-market funds not insured by the FDIC. The fair values of the Company's investments in government money-market funds are based on the daily quoted market prices for the net asset value of the various money market funds. 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. These money-market funds are considered Level I and are included in cash and cash equivalents in the condensed consolidated balance sheets.

Level II assets and liabilities included in the table above include unrealized gain or loss on forward currency contracts. The forward currency contracts are measured using the difference between the market quotes of trading currencies adjusted for forward points and the executed contract rate.

Level III assets and liabilities included in the table above consist of the estimated fair value of contingent consideration. A sensitivity analysis performed on our contingent consideration indicated that a hypothetical 10% increase in applicable revenue for Castle Rock and FinaConnect from their value at September 30, 2016 would result in a fair value increase of \$327 in the Company's contingent consideration balance. A hypothetical 10% decrease in applicable revenue for Castle Rock and FinaConnect from their value at September 30, 2016 would result in a fair value decrease of \$345 in the Company's contingent consideration balance.

The fair value of the contingent consideration liabilities related to the Castle Rock and FinaConnect acquisitions were estimated using a discounted cash flow method with significant inputs that are not observable in the market and thus represents a Level III fair value measurement as defined in ASC 820, Fair Value Measurements and Disclosures. The significant inputs in the Level III measurement not supported by market activity included our assessments of expected future cash flows related to our acquisitions of Castle Rock and FinaConnect 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 Castle Rock and FinaConnect and their ability to meet the target performance objectives as the main driver of the valuation, to arrive at the fair values of their respective contingent consideration. The Company will continue to reassess the fair value of the contingent consideration for each acquisition at each reporting date until settlement. Changes to the estimated fair values 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 presents a reconciliation of all assets and liabilities of the Company measured at fair value on a recurring basis using significant unobservable inputs (Level III) for the period from December 31, 2015 to September 30, 2016:

	Fair Value of Contingent Consideration Liabilities
Balance at December 31, 2015	\$ 4,043
Settlement of contingent consideration liabilities	(2,924)
FinaConnect acquisition	1,929
Reclassification to definite consideration	(805)
Fair market value adjustments, net	838
Accretion on contingent consideration	143
Balance at September 30, 2016	\$ 3,224

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 I, II and III during the nine months ended September 30, 2016.

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On December 15, 2014, the Company issued \$172,500 of Convertible Notes. As of September 30, 2016 and December 31, 2015, the carrying value of the 2019 Convertible Notes equaled \$151,019 and \$146,418, respectively, and represents the aggregate principal amount outstanding less the unamortized discount and debt issuance costs. As of September 30, 2016 and December 31, 2015, the fair value of the Convertible Notes was \$167,109 and \$152,878, respectively. The Company considers the Convertible Notes to be a Level II liability and uses a market approach to calculate the fair value of the Convertible Notes. The estimated fair value was determined based on the estimated or actual bids and offers of the Notes in an over-the-counter market on September 30, 2016.

As of September 30, 2016 and December 31, 2015, there was \$144,000 and \$150,000, respectively, of Term Notes and no revolving credit amounts outstanding under the Amended and Restated Credit Agreement. The outstanding value of our Term Notes and revolving credit facility approximated fair value as they bear interest at variable rates and we believe our credit risk quality is consistent with when the debt originated. As of September 30, 2016 and December 31, 2015, the carrying value of the Term Notes equaled \$139,851 and \$144,399, respectively, and represents the aggregate principal amount outstanding less the unamortized debt issuance costs. The Company considers the Term Notes and revolving credit facility to be a Level II liability as of September 30, 2016. As of December 31, 2015 the Company considered the Term Notes to be a Level I liability, due to the proximity to the date of origination.

We consider the recorded value of our other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at September 30, 2016 based upon the short-term nature of the assets and liabilities.

## 10. Accrued Expenses

Accrued expenses and other liabilities consist of the following:

	September 30, 2016	December 31, 2015
Accrued investment manager fees	\$ 29,909	\$ 28,179
Accrued compensation and related taxes	29,773	29,493
Accrued professional services	4,472	1,201
Purchase consideration liabilities	3,343	13,676
Accrued restructuring charges	292	513
Other accrued expenses	6,861	10,349
	\$ 74,650	\$ 83,411

## 11. Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income (loss) before income tax provision (benefit)	\$ (5,725)	\$ 5,981	\$ (33,595)	\$ 14,675
Income tax provision (benefit)	(1,668)	2,679	(10,602)	6,326
Effective tax rate	29.1 %	44.8 %	31.6 %	43.1 %

The Company's effective tax rate in the three months ended September 30, 2016, was lower than the effective tax rate in the three months ended September 30, 2015, primarily due to various permanent items and accrual for reserves for uncertain tax positions. The Company's effective tax rate in the nine months ended September 30, 2016, was lower than the effective tax rate in the nine months ended September 30, 2015, primarily due to a decrease in the tax rate for federal purposes from 35% to 34%, various permanent items and accrual for reserves for uncertain tax positions.

The liability for unrecognized tax benefits was \$15,060 and \$14,129 at September 30, 2016 and December 31, 2015, respectively. At September 30, 2016, the amount of unrecognized tax benefits that would benefit the Company's effective tax rate, if recognized, was \$15,060. At this time, the Company does not believe the liability will materially decrease in the next twelve months.

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The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. The Company recognized interest and penalties of \$723 and \$(158) during the nine and twelve months ended September 30, 2016 and December 31, 2015, respectively.

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, 2015, 2014, and 2013 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, 2015, 2014, and 2013 remain open to examination by various state revenue services.

Our Indian subsidiaries are currently under examination by the India tax authorities for the fiscal years ending March 31, 2005 and forward. Based on the outcome of the examinations of our subsidiaries or the result of the expiration of statutes of limitations it is reasonably possible that the unrecognized tax benefits could change from those recorded in the consolidated balance sheet. It is possible that one or more of these audits may be finalized within the next twelve months.

## 12. Debt

The Company's outstanding debt obligations as of September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015
Convertible Notes	\$ 172,500	\$ 172,500
Unaccreted discount on Convertible Notes	(18,470)	(22,367)
Unamortized issuance costs on Convertible Notes	(3,011)	(3,715)
	\$ 151,019	\$ 146,418
Term Notes	\$ 144,000	\$ 150,000
Unamortized issuance costs on Term Notes	(4,149)	(5,601)
	\$ 139,851	\$ 144,399

Interest expense was comprised of the following and is included in other expense, net in the condensed consolidated statement of operations:



	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Coupon interest	\$ 754	\$ 755	\$ 2,264	\$ 2,265
Amortization of issuance costs	737	308	2,169	939
Accretion of debt discount	1,323	1,258	3,901	3,682
Interest on credit agreement	1,255	—	3,792	—
Undrawn and other fees	53	63	219	195
	\$ 4,122	\$ 2,384	\$ 12,345	\$ 7,081

### Credit Agreement

On November 19, 2015, the Company and certain of its subsidiaries entered into an Amended and Restated Credit Agreement (the “Amended and Restated Credit Agreement”) with a group of banks (the “Banks”), for which Bank of Montreal is acting as administrative agent (the “Administrative Agent”). The Amended and Restated Credit Agreement amended and restated the Credit Agreement, dated as of June 19, 2014, as amended, among the Company, the guarantors party thereto, the lenders party thereto and Bank of Montreal, as administrative agent. Pursuant to the Amended and Restated Credit Agreement, the Banks agreed to provide (i) term loans (“Term Notes”) in the aggregate principal amount of \$160,000, which were used to fund a portion of the cash consideration paid by the Company in connection with the acquisition of Yodlee, and (ii) revolving credit commitments in the aggregate amount of up to \$100,000, which includes a \$5,000 subfacility for the issuance of letters of credit.

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Obligations under the Amended and Restated Credit Agreement are guaranteed by substantially all of the Company's U.S. subsidiaries. In accordance with the terms of the Security Agreement, dated November 19, 2015 (the "Security Agreement"), among the Company, the Debtors party thereto, the Banks and the Administrative Agent, obligations under the Amended and Restated Credit Agreement are secured by substantially all of the Company's domestic assets and the Company's pledge of 66% of the voting equity and 100% of the non-voting equity of certain of its first-tier foreign subsidiaries. Future borrowings under the Amended and Restated Credit Agreement may be used to finance capital expenditures, working capital, permitted acquisitions and for general corporate purposes.

Investnet will pay interest on borrowings made under the Amended and Restated Credit Agreement at rates between 1.50 percent and 3.25 percent above LIBOR based on the Company's total leverage ratio. Borrowings under the Amended and Restated Credit Agreement are scheduled to mature on November 19, 2018. The Term Notes are payable in quarterly installments of \$2,000 per installment and commenced in March 2016, with the final payment of all remaining term loan principal due and payable on the scheduled maturity date. Within 90 days of each year-end, beginning December 31, 2016, an excess cash flow prepayment, as defined in the Amended and Restated Credit Agreement, may also be required if the Company's total leverage ratio is greater than 2.0 to 1.0 as of the end of the mostly recently completed two consecutive fiscal quarters of the Company. As of September 30, 2016, the Company has estimated the 2017 prepayment to be approximately \$27,113.

The Amended and Restated Credit Agreement contains customary conditions, representations and warranties, affirmative and negative covenants and events of default. The covenants include certain financial covenants requiring Investnet 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 Investnet 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.

As of September 30, 2016, there was \$144,000 of Term Notes and no revolving credit amounts outstanding under the Amended and Restated Credit Agreement. The Company was in compliance with all covenants under the Amended and Restated Credit Agreement as of September 30, 2016.

## 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 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

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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's stated policy is to settle the debt component of the Convertible Notes at least partially or wholly in cash. This policy is based both on the Company's intent and the Company's ability to settle these instruments in cash.

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 nine month periods ended September 30, 2016, the Company recognized \$1,323 and \$3,901, 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 three and nine month periods ended September 30, 2016 was 6.0%.

See Note 14 for further discussion of the effect of conversion on net income per common share.

### 13. Stock-Based Compensation

The Company has stock options and restricted stock units 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.

In connection with the Yodlee merger (see Note 3), the Company adopted the 2015 Acquisition Equity Award Plan (the "2015 Plan"). The 2015 Plan provides for the grant of restricted common stock units for certain Envestnet | Yodlee employees. The maximum number of shares of stock which may be issued with respect to awards under the 2015 Plan is 1,052,000. These awards vest over a period of 43 months subsequent to the acquisition date of November 19, 2015.

As of September 30, 2016, the maximum number of common shares of the Company available for future issuance under the Company's plans is 1,311,693.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Stock-based compensation expense	\$ 7,554	\$ 3,408	\$ 25,872	\$ 10,157
Tax effect on stock-based compensation expense	(3,022)	(1,363)	(10,349)	(4,063)
Net effect on income	\$ 4,532	\$ 2,045	\$ 15,523	\$ 6,094

### Stock Options

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

Three Months Ended September 30,	Nine Months Ended September 30,
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	2016	2015	2016	2015
Grant date fair value of options	\$ 14.46	\$ —	\$ 9.56	\$ 20.90
Volatility	42.2 %	—%	42.2 %	37.2 %
Risk-free interest rate	1.1 %	—%	1.4 %	1.7 %
Dividend yield	— %	—%	— %	— %
Expected term (in years)	5.0	—	6.3	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, 2015	3,533,791	\$ 15.03	4.7	\$ 61,199
Granted	105,645	20.51		
Exercised	(152,220)	7.93		
Forfeited	(38,777)	35.93		
Outstanding as of March 31, 2016	3,448,439	15.27	4.7	50,987
Granted	55,719	31.03		
Exercised	(96,068)	11.17		
Forfeited	(24,191)	33.35		
Outstanding as of June 30, 2016	3,383,899	15.43	4.5	67,219
Granted	2,500	38.05		
Exercised	(99,957)	8.88		
Forfeited	(3,111)	45.51		
Outstanding as of September 30, 2016	3,283,331	15.62	4.3	73,756
Options exercisable	2,922,108	13.22	3.8	71,331

Exercise prices of stock options outstanding as of September 30, 2016 range from \$0.11 to \$55.29. At September 30, 2016, there was \$3,665 of unrecognized stock-based compensation expense related to unvested stock options, which the Company expects to recognize over a weighted-average period of 1.9 years.

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## Restricted Stock Units

Periodically, the Company grants restricted stock unit awards to employees that vest one-third on each of the first three anniversaries of the grant date. Beginning with grants issued in February 2016, restricted stock units awards vest one-third on the first anniversary of the grant date and quarterly thereafter. The Company entered into employment agreements with certain executive officers, three of whom received performance-based restricted stock unit awards in May 2016 which vest upon the achievement of certain “Target Performance Measures” as defined in the employment agreements, for the periods ending December 31, 2016, December 31, 2017 and December 31, 2018 and four of whom received restricted stock units awards in August 2016 which vest quarterly thereafter. The following is a summary of the activity for unvested restricted stock unit awards granted under the Company’s plans:

	Number of Shares	Weighted- Average Grant Date Fair Value per Share
Outstanding as of December 31, 2015	2,153,211	35.63
Granted	424,844	20.57
Vested	(782,598)	35.09
Forfeited	(87,513)	32.94
Outstanding as of March 31, 2016	1,707,944	33.40
Granted	237,605	30.97
Vested	(110,999)	31.40
Forfeited	(42,781)	27.33
Outstanding as of June 30, 2016	1,791,769	31.57
Granted	290,000	38.05
Vested	(75,642)	31.20
Forfeited	(24,352)	30.60
Outstanding as of September 30, 2016	1,981,775	31.76

At September 30, 2016, there was \$51,824 of unrecognized stock-based compensation expense related to unvested restricted stock unit awards, which the Company expects to recognize over a weighted-average period of 2.2 years.

## 14.Earnings Per Share

Basic earnings per common share is computed by dividing net income (loss) 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 units and Convertible Notes using the treasury stock method, if dilutive.

The Company accounts for the effect of the Convertible Notes on diluted earnings 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 earnings per share until the Company's stock price exceeds the conversion price of \$62.88 per share, or if the trading price of the Convertible Notes meets certain criteria as described in Note 12 at which point, the effect of the conversion feature would be included in the Company's calculation of diluted earnings per share. In the period of conversion, the Convertible Notes will have no impact on diluted earnings if the Convertible Notes are settled in cash and will have an impact on dilutive earnings per share if the Convertible Notes are settled in shares upon conversion.



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to Envestnet, Inc.	\$ (4,057)	\$ 3,302	\$ (22,993)	\$ 8,349
Basic number of weighted-average shares outstanding	42,843,103	36,021,784	42,704,383	35,651,508
Effect of dilutive shares:				
Options to purchase common stock	—	1,554,564	—	1,784,442
Unvested restricted stock units	—	38,353	—	127,865
Diluted number of weighted-average shares outstanding	42,843,103	37,614,701	42,704,383	37,563,815
Net income (loss) per share attributable to Envestnet, Inc.				
Basic	\$ (0.09)	\$ 0.09	\$ (0.54)	\$ 0.23
Diluted	\$ (0.09)	\$ 0.09	\$ (0.54)	\$ 0.22

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Options to purchase common stock	3,283,331	447,354	3,283,331	270,728
Unvested restricted stock units	1,981,775	475,462	1,981,775	208,679
Ungranted unvested restricted stock units related to Upside	—	132,284	—	132,284
Convertible Notes	2,743,321	2,743,321	2,743,321	2,743,321
Total	8,008,427	3,798,421	8,008,427	3,355,012

15. Major Customers

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	2015	2016	2015	2016	2015	2016	2015
Fidelity	15 %	18 %	15 %	18 %	15 %	18 %	15 %	18 %

16. Commitments and Contingencies

Purchase Obligations and Indemnifications

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 enters into unconditional purchase obligations arrangements for certain of its services that it receives in the normal course of business.



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## Litigation

The Company is involved in litigation arising in the ordinary course of its business. Legal fees and other costs associated with such actions are expensed as incurred. The Company will record a provision for these claims when it is both probable that a liability has been incurred and the amount of the loss, or a range of the potential loss, can be reasonably estimated. These provisions are reviewed regularly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information or events pertaining to a particular case. Litigation accruals are recorded when and if it is determined that a loss is both probable and reasonably estimable. For litigation matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimable, no accrual is established, but if the matter is material, it is subject to disclosures. The Company believes that liabilities associated with any claims, while possible, are not probable, and therefore has not recorded any accrual for any claims as of September 30, 2016. Further, while any possible range of loss cannot be reasonably estimated at this time, the Company does not believe that the outcome of any of these proceedings, individually or in the aggregate, would, if determined adversely to it, have a material adverse effect on its financial condition or business, although an adverse resolution of litigation could have a material adverse effect on Envestnet's results of operations or cash flow in a particular quarter or year.

## Leases

The Company rents office space under leases that expire at various dates through 2030. Future minimum lease commitments under these operating leases, as of September 30, 2016, were as follows:

Years ending December 31:	
Remainder of 2016	\$ 2,954
2017	10,873
2018	10,768
2019	11,263
2020	11,562
Thereafter	56,116
Total	\$ 103,536



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## 17. Segment Information

Business segments are generally organized around our business services. Our business segments are:

Investnet is a leading provider of unified wealth management software and services empowering financial advisors and institutions.

Investnet | Yodlee is a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services.

The information in the following tables is derived from the Company's internal financial reporting used for corporate management purposes. Nonsegment expenses include salary and benefits for certain corporate officers, certain types of professional service expenses, insurance, acquisition related transaction costs, restructuring charges, and other non-recurring and/or non-operationally related expenses.

The following table presents revenue by segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue:				
Investnet	\$ 114,511	\$ 103,367	\$ 328,417	\$ 302,484
Investnet   Yodlee	34,644	—	94,267	—
Consolidated revenue	\$ 149,155	\$ 103,367	\$ 422,684	\$ 302,484
Fidelity revenue as a percentage of Investnet segment revenue:	19%	18%	19%	18%

No single customer amounts for Investnet | Yodlee exceeded 10% of the segment total.

The following table presents a reconciliation from income (loss) from operations by segment to consolidated net income (loss) attributable to Investnet, Inc.:

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Envestnet	\$ 12,361	\$ 11,897	\$ 32,425	\$ 31,945
Envestnet   Yodlee	(8,416)	—	(33,728)	—
Total segment income (loss) from operations	3,945	11,897	(1,303)	31,945
Nonsegment operating expenses	(5,236)	(3,569)	(19,078)	(10,469)
Other expense, net	(4,434)	(2,347)	(13,214)	(6,801)
Consolidated income (loss) before income taxes (benefit)	(5,725)	5,981	(33,595)	14,675
Income tax provision (benefit)	(1,668)	2,679	(10,602)	6,326
Consolidated net income (loss)	(4,057)	3,302	(22,993)	8,349
Add: Net loss attributable to non-controlling interest	—	—	—	—
Consolidated net income (loss) attributable to Envestnet, Inc.	\$ (4,057)	\$ 3,302	\$ (22,993)	\$ 8,349

Segment assets consist of cash, accounts receivable, prepaid expenses and other current assets, property, plant and equipment goodwill, and other intangibles, net, deferred tax assets and other non-current assets.

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A summary of consolidated total assets, consolidated depreciation and amortization and consolidated capital expenditures follows:

	September 30, 2016	December 31, 2015
Segment assets:		
Envestnet	\$ 330,535	\$ 323,292
Envestnet   Yodlee	539,415	552,957
Consolidated total assets	\$ 869,950	\$ 876,249

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Segment depreciation and amortization:				
Envestnet	\$ 6,362	\$ 6,157	\$ 18,786	\$ 17,215
Envestnet   Yodlee	10,330	—	31,086	—
Consolidated depreciation and amortization	\$ 16,692	\$ 6,157	\$ 49,872	\$ 17,215

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Segment capital expenditures:				
Envestnet	\$ 4,355	\$ 1,940	\$ 6,913	\$ 6,852
Envestnet   Yodlee	1,212	—	3,926	—
Consolidated capital expenditures	\$ 5,567	\$ 1,940	\$ 10,839	\$ 6,852

## 18. Geographical Information

Revenue by geography is based on the billing address of the customer. The following table sets forth revenue by geographic area:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
United States	\$ 135,160	\$ 94,133	\$ 381,628	\$ 274,487
International (1)	13,995	9,234	41,056	27,997
Total	\$ 149,155	\$ 103,367	\$ 422,684	\$ 302,484

(1) No foreign country accounted for more than 10% of total revenues.



The following table sets forth property, plant, and equipment, net by geographic area:

	September 30, 2016	December 31, 2015
United States	\$ 28,535	\$ 24,423
India	3,302	3,687
Other	729	571
Total	\$ 32,566	\$ 28,681

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19. Subsequent Event

On October 3, 2016, the Company acquired Wheelhouse Analytics, LLC (“Wheelhouse”) for approximately \$14,400 in upfront cash consideration and additional contingent consideration to be earned upon completion of certain milestones. Wheelhouse is a technology company that provides data analytics, mobile sales solutions, and online education tools to financial advisors, asset managers and enterprises, which the Company plans to integrate into our various customer solutions.

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 our administrative, operational and financial resources,
- fluctuations in our revenue,

- the concentration of nearly all of our revenues from the delivery of our solutions and services to clients in the financial services industry,
- the impact of market and economic conditions on revenues,
- our reliance on a limited number of clients for a material portion of our revenue,
- the renegotiation of fee percentages or termination of our services by our clients,
- our ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies,
- the impact of market conditions on our ability to issue additional debt and equity to fund acquisitions,
- compliance failures,
- regulatory or third-party actions against us,
- the failure to protect our intellectual property rights,
- our inability to successfully execute the conversion of clients' assets from their technology platform to our technology platforms in a timely and accurate manner,
- general economic conditions, political and regulatory conditions,

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- the impact of fluctuations in interest rates on our business,
- ability to expand our relationships with existing customers, grow the number of customers and derive revenue from new offerings such as our data analytic solutions and market research services and premium FinApps,
- the results of our investments in research and development, our data center and other infrastructure,
- our ability to realize operating efficiencies,
- the advantages of our solutions as compared to those of others,
- our ability to establish and maintain intellectual property rights,
- our ability to retain and hire necessary employees and appropriately staff our operations, in particular our India operations, 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 quarterly 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, except as required by applicable law. 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.

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, 2015 (the “2015 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 2015 Form 10-K. Except for the historical information contained herein, this discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below.

## Overview

We are a leading provider of unified wealth management software and services to financial advisors and institutions. By integrating a wide range of investment solutions and services, our Web based platforms provide financial advisors with the flexibility to address their clients’ needs.

With our acquisition of Yodlee, Inc., now operating as Envestnet | Yodlee, we now offer a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services. Our customers for this service include financial institutions, Internet services companies providing innovative financial solutions and third-party developers of financial applications.

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

Our financial institution customers subscribe to the Investnet | Yodlee platform to power offerings that improve consumer satisfaction and enhance engagement, while capturing cross-sell and up-sell opportunities. We estimate that our current network of financial institution customers alone reaches more than 100 million end users as of September 30, 2016, representing a significant opportunity to grow our paid user base within existing customers. Our customers that are Internet service companies have an increasingly large and diverse base of users that also provides additional growth opportunities.

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.

Our Investnet | Yodlee technology platform infrastructure is designed to provide a highly available and secure multi-tenant cloud-based platform across hundreds of customers and millions of end users. Our solutions use a single code base for all customers and are globally accessible across multiple digital channels. Our multi-tenancy model uses a common data model for all customers but isolates data with logical controls and separate encryption keys for each customer. Our architecture utilizes state-of-the-art technologies to achieve enhanced availability, scalability and security.

The services delivered through our software are enabled and supported by our employees. In addition to the U.S. based employees that provide operations, investment management and research, and other support services to our advisor clients, we maintain a presence in India where our employees provide back office support, including overnight data reconciliation services, as well as quality control, technology operations support and software development.

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

- Investnet | Advisor Suite™ empowers advisors to provide better client outcomes and strengthen their practice. Our cloud based platform unifies the applications and services advisors use to manage their practice and advise their clients, including data aggregation; 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.
- Investnet | PMC®, our Portfolio Management Consultants (“PMC”) group primarily engages in research and consulting services aimed at providing financial advisors with additional support in addressing their clients’ needs, as well as the creation of investment solutions and products. Investnet | PMC’s investment solutions and products include managed account and multi manager portfolios, mutual fund portfolios and Exchange Traded Funds (“ETF”) portfolios. Investnet | PMC offers Prima Premium Research, comprising institutional quality research and due diligence on investment managers, mutual funds, ETFs and liquid alternatives funds. Investnet | PMC also offers Overlay Services which includes patented portfolio overlay and tax optimization services.
- Investnet | Tamarac™ provides leading portfolio accounting, rebalancing, trading, performance reporting and client relationship management (“CRM”) software, principally to high-end RIAs.
- Investnet | Retirement Solutions (“ERS”) offers a comprehensive suite of services designed specifically for retirement plan professionals. With our integrated technology, ERS addresses the regulatory, data, and investment needs of retirement plans and delivers the information holistically.

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- Investnet | Vantage™ provides enterprise data solutions for financial institutions, aggregates and manages investment data, and provides multi-custodial consolidated performance reporting and benchmarking, giving clients an in depth view of all holdings, and empowering advisors and institutions to better manage their business.
- Investnet | Finance Logix™ provides financial planning and wealth management software solutions to banks, broker-dealers and RIAs.
- Investnet | Advisor Now™ offers private-labeled investor-facing technology that enables advisors and institutions to deliver a complete digital wealth management experience to their clients.
- Investnet | Yodlee™ is a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services.

We believe that our business model results in a high degree of recurring and predictable financial results.

## Operational Highlights

The results of Investnet | Yodlee's operations are included in the condensed consolidated statement of operations beginning November 20, 2015, the date of its acquisition by Investnet. As a result, Investnet's results for the three and nine month periods ended September 30, 2016 may not be comparable with Investnet's results for the same periods in 2015.

Revenues from assets under management ("AUM") or assets under administration ("AUA") or collectively ("AUM/A") increased 5% from \$85,576 in the three months ended September 30, 2015 to \$90,042 in the three months ended September 30, 2016. Subscription and licensing revenues increased 221% from \$16,163 in the three months ended September 30, 2015 to \$51,959 in the three months ended September 30, 2016. Total revenues, which include professional service and other fees, increased 44% from \$103,367 in the three months ended September 30, 2015 to \$149,155 in the three months ended September 30, 2016. 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 related to Investnet | Yodlee totaling \$34,644.

Revenues from assets under management ("AUM") or assets under administration ("AUA") or collectively ("AUM/A") increased 3% from \$250,472 in the nine months ended September 30, 2015 to \$258,969 in the nine months ended September 30, 2016. Subscription and licensing revenues increased 214% from \$45,257 in the nine months ended September 30, 2015 to \$142,303 in the nine months ended September 30, 2016. Total revenues, which include professional service and other fees, increased 40% from \$302,484 in the nine months ended September 30, 2015 to \$422,684 in the nine months ended September 30, 2016. 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 related to Envestnet | Yodlee totaling \$94,267.

The net loss attributable to Envestnet, Inc. for the three months ended September 30, 2016 was \$4,057, or \$0.09 per diluted share, compared to net income attributable to Envestnet, Inc. of \$3,302 or \$0.09 per diluted share for the three months ended September 30, 2015. The net loss attributable to Envestnet, Inc. for the nine months ended September 30, 2016 was \$22,993 or \$0.54 per diluted share, compared to net income attributable to Envestnet, Inc. of \$8,349 or \$0.22 per diluted share for the nine months ended September 30, 2015.

Adjusted revenues for the three months ended September 30, 2016 was \$149,486, an increase of 44% from \$103,501 in the prior year period. Adjusted EBITDA for the three months ended September 30, 2016 was \$27,505, an increase of 43% from \$19,215 in the prior year period. Adjusted net income for the three months ended September 30, 2016 was \$12,463, or \$0.28 per diluted share, compared to adjusted net income of \$9,271, or \$0.25 per diluted share in the prior year period.

Adjusted revenues for the nine months ended September 30, 2016 was \$423,465, an increase of 40% from \$302,618 in the prior year period. Adjusted EBITDA for the nine months ended September 30, 2016 was \$69,126, an increase of 29% from \$53,640 in the prior year period. Adjusted net income for the nine months ended September 30, 2016 was \$29,498, or \$0.67 per diluted share, compared to adjusted net income of \$26,372, or \$0.70 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.

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## Key Metrics

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

	As of September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016
	(in millions except accounts and advisors data)				
Platform Assets					
Assets Under Management (AUM)	\$ 73,164	\$ 92,559	\$ 95,489	\$ 96,700	\$ 101,924
Assets Under Administration (AUA)	177,121	197,177	207,537	220,690	231,831
Subtotal AUM/A	250,285	289,736	303,026	317,390	333,755
Licensing	538,271	561,699	576,988	685,952	721,690
Total Platform Assets	\$ 788,556	\$ 851,435	\$ 880,014	\$ 1,003,342	\$ 1,055,445
Platform Accounts					
AUM	344,321	490,471	498,449	503,147	519,717
AUA	718,637	807,708	904,373	935,870	961,590
Subtotal AUM/A	1,062,958	1,298,179	1,402,822	1,439,017	1,481,307
Licensing	2,140,672	2,176,068	2,237,427	4,304,645	4,394,670
Total Platform Accounts	3,203,630	3,474,247	3,640,249	5,743,662	5,875,977
Advisors					
AUM/A	30,177	33,775	35,718	35,067	35,861
Licensing	13,409	13,553	13,675	16,081	16,191
Total Advisors	43,586	47,328	49,393	51,148	52,052

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

	Asset Rollforward - Three Months Ended September 30, 2016					
	As of 6/30/2016	Gross Sales	Redemptions	Net Flows	Market Impact	As of 9/30/2016
	(in millions except account data)					
Assets under Management (AUM)	\$ 96,700	\$ 9,310	\$ (6,302)	\$ 3,008	\$ 2,216	\$ 101,924
Assets under Administration (AUA)	220,690	19,701	(14,697)	5,004	6,137	231,831
Total AUM/A	\$ 317,390	\$ 29,011	\$ (20,999)	\$ 8,012	\$ 8,353	\$ 333,755
Fee-Based Accounts	1,439,017			42,290		1,481,307

The above AUM/A gross sales figures include \$3.4 billion in new client conversions. The Company onboarded an additional \$9.1 billion in licensing conversions during the three months ended September 30, 2016, bringing total conversions for the quarter to \$12.5 billion.

Asset Rollforward - Nine Months Ended September 30, 2016						
	As of 12/31/2015	Gross Sales	Redemptions	Net Flows	Market Impact	As of 9/30/2016
(in millions except account data)						
Assets under Management (AUM)	\$ 92,559	\$ 24,588	\$ (20,063)	\$ 4,525	\$ 4,840	\$ 101,924
Assets under Administration (AUA)	197,177	60,853	(39,052)	21,801	12,853	231,831
Total AUM/A	\$ 289,736	\$ 85,441	\$ (59,115)	\$ 26,326	\$ 17,693	\$ 333,755
Fee-Based Accounts	1,298,179			183,128		1,481,307

The above AUM/A gross sales figures include \$11.7 billion in new client conversions. The Company onboarded an additional \$118.4 billion in licensing conversions during the nine months ended September 30, 2016, bringing total conversions for the three quarter period to \$130.1 billion.

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

	September 30, 2015		September 30, 2015		December 31, 2015		March 31, 2015		September 30, 2016	
Assets under management (AUM)	29	%	32	%	32	%	32	%	31	%
Assets under administration (AUA)	71	%	68	%	68	%	68	%	69	%
	100	%	100	%	100	%	100	%	100	%

## Results of Operations

Three months ended September 30, 2016 compared to three months September 30, 2015

	Three Months Ended September 30,		Percent Change	
	2016 (in thousands)	2015		
Revenues:				
Assets under management or administration	\$ 90,042	\$ 85,576	5	%
Subscription and licensing	51,959	16,163	221	%
Professional services and other	7,154	1,628	339	%
Total revenues	149,155	103,367	44	%
Operating expenses:				
Cost of revenues	47,259	41,027	15	%
Compensation and benefits	60,345	32,671	85	%
General and administration	26,150	15,184	72	%
Depreciation and amortization	16,692	6,157	171	%
Total operating expenses	150,446	95,039	58	%
Income (loss) from operations	(1,291)	8,328	*	%
Other expense, net	(4,434)	(2,347)	89	%
Income (loss) before income tax provision (benefit)	(5,725)	5,981	*	%
Income tax provision (benefit)	(1,668)	2,679	*	%
Net income (loss)	(4,057)	3,302	*	%
Add: Net loss attributable to non-controlling interest	—	—	—	%
Net income (loss) attributable to Envestnet, Inc.	\$ (4,057)	\$ 3,302	*	%

\*Not meaningful.

## Revenues

Total revenues increased 44% from \$103,367 in the three months ended September 30, 2015 to \$149,155 in the three months ended September 30, 2016. The increase was primarily due to an increase in revenues from subscription and licensing of \$35,554. Revenues from AUM/A decreased as a percentage of total revenues to 60% from 83% the three months ended September 30, 2016 and 2015, respectively, primarily as the increase in AUM/A was lower than the increase in revenues from subscription and licensing.

## Assets under management or administration

Revenues earned from AUM/AUA increased 5% from \$85,576 in the three months ended September 30, 2015 to \$90,042 in the three months ended September 30, 2016. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle in 2016, relative to the corresponding period in 2015. In the third quarter of 2016, revenues were also positively affected by new account growth and positive net flows of AUM or AUA during the first six months of 2016 as well as during 2015, partially offset by a lower overall effective fee rate on AUM/AUA primarily related to the transition of a WMS client to a lower priced solution.

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The number of financial advisors with AUM or AUA on our technology platforms increased from 30,177 as of September 30, 2015 to 35,861 as of September 30, 2016 and the number of AUM or AUA client accounts increased from approximately 1,063,000 as of September 30, 2015 to approximately 1,481,000 as of September 30, 2016.

### Subscription and licensing

Subscription and licensing revenues increased 221% from \$16,163 in the three months ended September 30, 2015 to \$51,959 in the three months ended September 30, 2016. This increase was primarily due to an increase in Envestnet | Tamarac related revenue of \$3,347 and Envestnet | Yodlee contributing an additional \$29,761. The increase in Envestnet | Tamarac revenue is a result of Envestnet | Tamarac continuing to add clients and selling additional services to existing clients. Envestnet | Yodlee was acquired in November 2015 and its revenues were not included in the 2015 period.

### Professional services and other

Professional services and other revenues increased 339% from \$1,628 in the three months ended September 30, 2015 to \$7,154 in the three months ended September 30, 2016. This increase was primarily due to an increase in Envestnet | Tamarac related revenue of \$378 and Envestnet | Yodlee contributing an additional \$4,883. The increase in Envestnet and Envestnet | Tamarac professional service revenue was a result of an increase in implementation revenue from onboarding new clients. Envestnet | Yodlee was acquired in November 2015 and its revenues were not included in the 2015 period.

### Cost of revenues

Cost of revenues increased 15% from \$41,027 in the three months ended September 30, 2015 to \$47,259 in the three months ended September 30, 2016, primarily due to a corresponding increase in revenues from AUM or AUA. As a percentage of total revenues, cost of revenues decreased from 40% in the three months ended September 30, 2015 to 32% in the three months ended September 30, 2016 primarily as a result of the inclusion of Envestnet | Yodlee segment revenues which have a lower cost of revenue profile.

### Compensation and benefits

Compensation and benefits increased 85% from \$32,671 in the three months ended September 30, 2015 to \$60,345 in the three months ended September 30, 2016, primarily due to an increase in salaries, benefits and related payroll taxes of \$18,324, primarily a result of an increase in headcount, including headcount related to the Yodlee acquisition and an increase in headcount to support organic growth. An increase in non-cash stock compensation expense of \$4,146 and an increase in incentive compensation of \$2,465 also contributed to the increase in compensation and benefits. As a percentage of total revenues, compensation and benefits increased from 32% in the three months ended September 30, 2015 to 40% in the three months ended September 30, 2016. The increase in the compensation and benefits as a percentage of total revenues is primarily due to the inclusion of the Envestnet | Yodlee segment which has a higher compensation and benefits profile.

#### General and administration

General and administration expenses increased 72% from \$15,184 in the three months ended September 30, 2015 to \$26,150 in the three months ended September 30, 2016, primarily due to general and administration expense increases related to the Envestnet | Yodlee segment of \$8,341. As a percentage of total revenues, general and administration expenses increased from 15% in the three months ended September 30, 2015 to 18% in the three months ended September 30, 2016. The increase in general and administration expense as a percentage of total revenues is primarily due to the inclusion of the Envestnet | Yodlee segment which has a higher general and administrative expense profile.

#### Depreciation and amortization

Depreciation and amortization expense increased 171% from \$6,157 in the three months ended September 30, 2015 to \$16,692 in the three months ended September 30, 2016, primarily due to an increase in intangible asset amortization of \$8,534, primarily a result of the Yodlee acquisition. As a percentage of total revenues, depreciation and amortization expense increased from 6% in the three months ended September 30, 2015 to 11% in the three months ended September 30, 2016, primarily a result of Envestnet | Yodlee intangible asset amortization.

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Other expense, net

Other expense, net includes an increase in interest expense of \$1,738 as a result of additional borrowings under the November 19, 2015 Amended and Restated Credit Agreement (see Note 12 to the notes to the condensed consolidated financial statements).

Income tax provision (benefit)

	Three Months Ended September 30,	
	2016	2015
Income (loss) before income tax provision (benefit)	\$ (5,725)	\$ 5,981
Income tax provision (benefit)	(1,668)	2,679
Effective tax rate	29.1 %	44.8 %

For the three months ended September 30, 2016, our effective tax rate differs from the statutory rate primarily due to various permanent items, accrual for reserves for uncertain tax positions and estimated research and development tax credit generation.

For the three months ended September 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.

Nine months ended September 30, 2016 compared to nine months September 30, 2015

	Nine Months Ended September 30,		Percent Change	
	2016	2015		
	(in thousands)			
Revenues:				
Assets under management or administration	\$ 258,969	\$ 250,472	3	%
Subscription and licensing	142,303	45,257	214	%
Professional services and other	21,412	6,755	217	%



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Total revenues	422,684	302,484	40	%
Operating expenses:				
Cost of revenues	132,319	122,208	8	%
Compensation and benefits	180,625	96,162	88	%
General and administration	80,097	44,905	78	%
Depreciation and amortization	49,872	17,215	190	%
Restructuring charges	152	518	(71)	%
Total operating expenses	443,065	281,008	58	%
Income (loss) from operations	(20,381)	21,476	*	%
Other expense, net	(13,214)	(6,801)	94	%
Income (loss) before income tax provision (benefit)	(33,595)	14,675	*	%
Income tax provision (benefit)	(10,602)	6,326	*	%
Net income (loss)	(22,993)	8,349	*	%
Add: Net loss attributable to non-controlling interest	—	—	—	%
Net income (loss) attributable to Envestnet, Inc.	\$ (22,993)	\$ 8,349	*	%

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\*Not meaningful.

#### Revenues

Total revenues increased 40% from \$302,484 in the nine months ended September 30, 2015 to \$422,684 in the nine months ended September 30, 2016. The increase was primarily due to an increase in revenues from subscription and licensing of \$97,117. Revenues from AUM/A were 61% and 83% of total revenues in the nine months ended September 30, 2016 and 2015, respectively.

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Assets under management or administration

Revenues earned from AUM/AUA increased 3% from \$250,472 in the nine months ended September 30, 2015 to \$258,969 in the nine months ended September 30, 2016. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycles in 2016, relative to the corresponding periods in 2015. In the nine months ended September 30, 2016, revenues were positively affected by new account growth and positive net flows of AUM or AUA during 2016 and 2015, partially offset by a lower overall effective fee rate on AUM/AUA primarily related to the transition of a WMS client to a lower priced solution.

The number of financial advisors with AUM or AUA on our technology platforms increased from 30,177 as of September 30, 2015 to 35,861 as of September 30, 2016 and the number of AUM or AUA client accounts increased from approximately 1,063,000 as of September 30, 2015 to approximately 1,481,000 as of September 30, 2016.

Subscription and licensing

Subscription and licensing revenues increased 214% from \$45,257 in the nine months ended September 30, 2015 to \$142,303 in the nine months ended September 30, 2016. This increase was primarily due to an increase in Envestnet | Tamarac related revenue of \$9,384 and Envestnet | Yodlee contributing an additional \$82,002. The increase in Envestnet | Tamarac revenue is a result of Envestnet | Tamarac continuing to add clients and selling additional services to existing clients. Envestnet | Yodlee was acquired in November 2015 and its revenues were not included in the entire 2015 period.

Professional services and other

Professional services and other revenues increased 217% from \$6,755 in the nine months ended September 30, 2015 to \$21,412 in the nine months ended September 30, 2016. This increase was primarily due to an increase in Envestnet | Tamarac related revenue of \$1,258 and Envestnet | Yodlee contributing an additional \$12,265. The increase in Envestnet and Envestnet | Tamarac professional service revenue was a result of an increase in implementation revenue from onboarding new clients. Envestnet | Yodlee was acquired in November 2015 and its revenues were not included in the entire 2015 period.

Cost of revenues

Cost of revenues increased 8% from \$122,208 in the nine months ended September 30, 2015 to \$132,319 in the nine months ended September 30, 2016, primarily due to a corresponding increase in revenues from AUM or AUA. As a percentage of total revenues, cost of revenues decreased from 40% in the nine months ended September 30, 2015 to 31% in the nine months ended September 30, 2016 primarily as a result of Envestnet | Yodlee segment revenues with a lower cost of revenue profile.

#### Compensation and benefits

Compensation and benefits increased 88% from \$96,162 in the nine months ended September 30, 2015 to \$180,625 in the nine months ended September 30, 2016, primarily due to an increase in salaries, benefits and related payroll taxes of \$54,634, primarily a result of an increase in headcount, including headcount related to the Yodlee acquisition and an increase in headcount to support organic growth. An increase in non-cash stock compensation of \$15,715 and an increase in incentive compensation of \$8,581 also contributed to the increase in compensation and benefits. As a percentage of total revenues, compensation and benefits increased from 32% in the nine months ended September 30, 2015 to 43% in the nine months ended September 30, 2016. The increase in the compensation and benefits as a percentage of total revenues is primarily due to the Envestnet | Yodlee segment having a higher cost profile.

#### General and administration

General and administration expenses increased 78% from \$44,905 in the nine months ended September 30, 2015 to \$80,097 in the nine months ended September 30, 2016, primarily due to general and administration expense increases related to the Envestnet | Yodlee segment of \$23,853, increases in non-Envestnet | Yodlee fair market value adjustments to contingent consideration of \$4,629, non-Envestnet | Yodlee occupancy costs of \$2,329 and non-Envestnet | Yodlee travel and entertainment of \$962. As a percentage of total revenues, general and administration expenses increased from 15% in the nine months ended September 30, 2015 to 19% in the nine months ended September 30, 2016. The increase in general and administration expense as a percentage of total revenues is primarily due to the Envestnet | Yodlee segment having a higher cost profile.

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## Depreciation and amortization

Depreciation and amortization expense increased 190% from \$17,215 in the nine months ended September 30, 2015 to \$49,872 in the nine months ended September 30, 2016, primarily due to an increase in intangible asset amortization of \$25,955 and an increase in depreciation expense of \$6,702, primarily a result of the Yodlee acquisition. As a percentage of total revenues, depreciation and amortization expense increased from 6% in the nine months ended September 30, 2015 to 12% in the nine months ended September 30, 2016, primarily a result of Envestnet | Yodlee intangible asset amortization.

## Restructuring

In the nine months ended September 30, 2016 and 2015, the Company incurred restructuring charges of \$152 and \$518, respectively, primarily related to lease abandonment charges for the former Placemark office located in Wellesley, Massachusetts.

## Other expense, net

Other expense, net includes an increase in interest expense of \$5,264 as a result of additional borrowings under the November 19, 2015 Amended and Restated Credit Agreement (see Note 12 to the notes to the condensed consolidated financial statements).

## Income tax provision (benefit)

	Nine Months Ended	
	September 30,	
	2016	2015
Income (loss) before income tax provision (benefit)	\$ (33,595)	\$ 14,675
Income tax provision (benefit)	(10,602)	6,326
Effective tax rate	31.6 %	43.1 %

For the nine months ended September 30, 2016, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes, various permanent items, accrual for reserves for uncertain tax positions and estimated research and development tax credit generation.

For the nine months ended September 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.

## Segments

Business segments are generally organized around our service offerings. Financial information about each of our two business segments is contained in Note 17 to the notes to the condensed consolidated financial statements. Our business segments are as follows:

- Investnet, a leading provider of unified wealth management software and services empowering financial advisors and institutions.
- Investnet | Yodlee, a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services.

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The following table presents income (loss) by segment:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Envestnet	\$ 12,361	\$ 11,897	\$ 32,425	\$ 31,945
Envestnet   Yodlee	(8,416)	—	(33,728)	—
Total segment income (loss) from operations	3,945	11,897	(1,303)	31,945
Nonsegment operating expenses	(5,236)	(3,569)	(19,078)	(10,469)
Other expense, net	(4,434)	(2,347)	(13,214)	(6,801)
Consolidated income (loss) before income taxes (benefit)	(5,725)	5,981	(33,595)	14,675
Income tax provision (benefit)	(1,668)	2,679	(10,602)	6,326
Consolidated net income (loss)	(4,057)	3,302	(22,993)	8,349
Add: Net loss attributable to non-controlling interest	—	—	—	—
Consolidated net income (loss) attributable to Envestnet, Inc.	\$ (4,057)	\$ 3,302	\$ (22,993)	\$ 8,349

## Envestnet

The following table presents income from operations for the Envestnet segment:

	Three Months Ended			Percent Change	Nine Months Ended			Percent Change
	September 30,		2015		September 30,		2015	
	2016	2015			2016	2015		
	(in thousands)			(in thousands)				
Revenues:								
Assets under management or administration	\$ 90,042	\$ 85,576	5	%	\$ 258,969	\$ 250,472	3	%
Subscription and licensing	22,198	16,163	37	%	60,301	45,257	33	%
Professional services and other	2,271	1,628	39	%	9,147	6,755	35	%
Total revenues	114,511	103,367	11	%	328,417	302,484	9	%
Operating expenses:								
Cost of revenues	43,806	41,027	7	%	124,649	122,208	2	%
Compensation and benefits	37,067	31,314	18	%	106,648	92,316	16	%
	14,915	12,972	15	%	45,757	38,282	20	%

General and administration								
Depreciation and amortization	6,362	6,157	3	%	18,786	17,215	9	%
Restructuring charges	—	—	—	%	152	518	(71)	%
Total operating expenses	102,150	91,470	12	%	295,992	270,539	9	%
Income from operations	\$ 12,361	\$ 11,897	4	%	\$ 32,425	\$ 31,945	2	%

Three months ended September 30, 2016 compared to three months September 30, 2015 for the Envestnet segment

#### Revenues

Total revenues increased 11% from \$103,367 in the three months ended September 30, 2015 to \$114,511 in the three months ended September 30, 2016. The increase was primarily due to an increase in revenues from subscription and licensing of \$5,793. Revenues from AUM/A were 79% and 83% of total revenues in the three months ended September 30, 2016 and 2015, respectively.

#### Assets under management or administration

Revenues earned from AUM/AUA increased 5% from \$85,576 in the three months ended September 30, 2015 to \$90,042 in the three months ended September 30, 2016. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle in 2016, relative to the corresponding period in 2015. In the third quarter of 2016, revenues were positively affected by new account growth and positive net flows of AUM or AUA during the first six months of 2016 as well as during 2015, partially offset by a lower overall effective fee rate on AUM/AUA primarily related to the transition of a WMS client to a lower priced solution.

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The number of financial advisors with AUM or AUA on our technology platforms increased from 30,177 as of September 30, 2015 to 35,861 as of September 30, 2016 and the number of AUM or AUA client accounts increased from approximately 1,063,000 as of September 30, 2015 to approximately 1,481,000 as of September 30, 2016.

Subscription and licensing

Subscription and licensing revenues increased 37% from \$16,163 in the three months ended September 30, 2015 to \$22,198 in the three months ended September 30, 2016, primarily due to an increase in Envestnet related revenue of \$2,688 and an increase in Envestnet | Tamarac related revenue of \$3,347. The increase in Envestnet and Envestnet | Tamarac revenue is a result of Envestnet and Envestnet | Tamarac continuing to add clients and selling additional services to existing clients.

Professional services and other

Professional services and other revenues increased 39% from \$1,628 in the three months ended September 30, 2015 to \$2,271 in the three months ended September 30, 2016, primarily due to an increase in Envestnet professional service related revenue of \$194 and Envestnet | Tamarac professional services related revenue of \$378. The increase in Envestnet and Envestnet | Tamarac professional service revenue was a result of an increase in implementation revenue from onboarding new clients.

Cost of revenues

Cost of revenues increased 7% from \$41,027 in the three months ended September 30, 2015 to \$43,806 in the three months ended September 30, 2016, primarily due to the corresponding increase in revenues from AUM or AUA. As a percentage of total revenues, cost of revenues decreased from 40% in the three months ended September 30, 2015 to 38% in the three months ended September 30, 2016.

Compensation and benefits

Compensation and benefits increased 18% from \$31,314 in the three months ended September 30, 2015 to \$37,067 in the three months ended September 30, 2016, primarily due to an increase in salaries, benefits and related payroll taxes



of \$3,431, primarily a result of an increase in headcount, including headcount related to the FinaConnect and Castle Rock acquisitions and headcount to support organic growth. An increase in non-cash compensation expense of \$541 and severance expense of \$968 also contributed to the increase in compensation and benefits. As a percentage of total revenues, compensation and benefits increased from 30% in the three months ended September 30, 2015 to 32% in the three months ended September 30, 2016.

#### General and administration

General and administration expenses increased 15% from \$12,972 in the three months ended September 30, 2015 to \$14,915 in the three months ended September 30, 2016, primarily due to increases in occupancy costs of \$897 and nonrecurring corporate expenses of \$383. As a percentage of total revenues, general and administration expenses remained consistent year over year at 13% the three months ended September 30, 2015 and 2016, respectively.

#### Depreciation and amortization

Depreciation and amortization expense increased 3% from \$6,157 in the three months ended September 30, 2015 to \$6,362 in the three months ended September 30, 2016, primarily due to increases in depreciation of \$241 from fixed asset purchases. As a percentage of total revenues, depreciation and amortization expense remained consistent year over year at 6% in the three months ended September 30, 2015 and 2016, respectively.

Nine months ended September 30, 2016 compared to nine months September 30, 2015 for the Envestnet segment

#### Revenues

Total revenues increased 9% from \$302,484 in the nine months ended September 30, 2015 to \$328,417 in the nine months ended September 30, 2016. The increase was primarily due to an increase in revenues from subscription and licensing of \$15,115. Revenues from AUM/A were 79% and 83% of total revenues in the nine months ended September 30, 2016 and 2015, respectively.

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### Assets under management or administration

Revenues earned from AUM/AUA increased 3% from \$250,472 in the nine months ended September 30, 2015 to \$258,969 in the nine months ended September 30, 2016. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle in 2016, relative to the corresponding period in 2015. In the nine months ended September 30, 2016, revenues were positively affected by new account growth and positive net flows of AUM or AUA during 2016 and 2015, partially offset by a lower overall effective fee rate on AUM/AUA primarily related to the transition of a WMS client to a lower priced solution.

The number of financial advisors with AUM or AUA on our technology platforms increased from 30,177 as of September 30, 2015 to 35,861 as of September 30, 2016 and the number of AUM or AUA client accounts increased from approximately 1,063,000 as of September 30, 2015 to approximately 1,481,000 as of September 30, 2016.

### Subscription and licensing

Subscription and licensing revenues increased 33% from \$45,257 in the nine months ended September 30, 2015 to \$60,301 in the nine months ended September 30, 2016, primarily due to an increase in Envestnet | Tamarac related revenue of \$9,384. The increase in Envestnet | Tamarac revenue is a result of Envestnet | Tamarac continuing to add clients and selling additional services to existing clients.

### Professional services and other

Professional services and other revenues increased 35% from \$6,755 in the nine months ended September 30, 2015 to \$9,147 in the nine months ended September 30, 2016, primarily due to an increase in Envestnet | Tamarac professional services related revenue of \$1,258. The increase in Envestnet | Tamarac professional service revenue was a result of an increase in implementation revenue from onboarding new clients.

### Cost of revenues

Cost of revenues increased 2% from \$122,208 in the nine months ended September 30, 2015 to \$124,649 in the nine months ended September 30, 2016, primarily due to the corresponding increase in revenues from AUM or AUA. As a percentage of total revenues, cost of revenues decreased from 40% in the nine months ended September 30, 2015 to 38% in the nine months ended September 30, 2016.

### Compensation and benefits

Compensation and benefits increased 16% from \$92,316 in the nine months ended September 30, 2015 to \$106,648 in the nine months ended September 30, 2016, primarily due to an increase in salaries, benefits and related payroll taxes of \$10,626, primarily a result of an increase in headcount, including headcount related to the FinaConnect and Castle Rock acquisitions and headcount to support organic growth. Severance expense of \$1,143 also contributed to the increase in compensation and benefits. As a percentage of total revenues, compensation and benefits increased from 31% in the nine months ended September 30, 2015 to 32% in the nine months ended September 30, 2016.

### General and administration

General and administration expenses increased 20% from \$38,282 in the nine months ended September 30, 2015 to \$45,757 in the nine months ended September 30, 2016 primarily due to increases in occupancy costs of \$2,328, travel and entertainment of \$1,114 and website and system development of \$650. As a percentage of total revenues, general and administration expenses increased from 13% in the nine months ended September 30, 2015 to 14% in the nine months ended September 30, 2016.

### Depreciation and amortization

Depreciation and amortization expense increased 9% from \$17,215 in the nine months ended September 30, 2015 to \$18,786 in the nine months ended September 30, 2016, primarily due to increases in depreciation of \$1,328 from fixed asset purchases. As a percentage of total revenues, depreciation and amortization expense remained consistent year over year at 6% in the nine months ended September 30, 2015 and 2016, respectively.

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## Restructuring

In the nine months ended September 30, 2016 and 2015, the Company incurred restructuring charges of \$152 and \$518, respectively, primarily related to lease abandonment charges for the former Placemark office located in Wellesley, Massachusetts.

## Envestnet | Yodlee

The following table presents income from operations for the Envestnet | Yodlee segment:

	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	2016 (in thousands)	2015	Percent Change	2016 (in thousands)	2015	Percent Change
<b>Revenues:</b>						
Subscription and licensing	\$ 29,761	\$ —	*	\$ 82,002	\$ —	*
Professional services and other	4,883	—	*	12,265	—	*
Total revenues	34,644	—	*	94,267	—	*
<b>Operating expenses:</b>						
Cost of revenues	3,453	—	*	7,670	—	*
Compensation and benefits	20,936	—	*	65,386	—	*
General and administration	8,341	—	*	23,853	—	*
Depreciation and amortization	10,330	—	*	31,086	—	*
Total operating expenses	43,060	—	*	127,995	—	*
Loss from operations	\$ (8,416)	\$ —	*	\$ (33,728)	\$ —	*

\* Not meaningful

Three and nine months ended September 30, 2016 compared to three and nine months September 30, 2015 for the Envestnet | Yodlee segment

There are no amounts in the three and nine months ended September 30, 2015, as Yodlee was acquired on November 19, 2015. For additional information pertaining to our business segments, see Note 17 to the notes to the condensed consolidated financial statements.

## Nonsegment

Nonsegment expenses increased 47% from \$3,569 in the three months ended September 30, 2015 to \$5,236 in the three months ended September 30, 2016, primarily due to an increase in compensation and benefits expense of \$984 and an increase in general and administration expenses of \$683.

Nonsegment expenses increased 82% from \$10,469 in the nine months ended September 30, 2015 to \$19,078 in the nine months ended September 30, 2016, primarily due to an increase in compensation and benefits expense of \$4,745 and an increase general and administration expenses of \$3,864. The increase in general and administration was primarily due to the prior period containing a decrease of the fair market value adjustment on contingent consideration.

## Non-GAAP Financial Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Adjusted revenues	\$ 149,486	\$ 103,501	\$ 423,465	\$ 302,618
Adjusted EBITDA	27,505	19,215	69,126	53,640
Adjusted net income	12,463	9,271	29,498	26,372
Adjusted net income per share	0.28	0.25	0.67	0.70

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

“Adjusted EBITDA” represents net income before deferred revenue fair value adjustment, interest income, interest expense, accretion on contingent consideration, income tax provision (benefit), depreciation and amortization, non-cash compensation expense, restructuring charges and transaction costs, severance, fair market value adjustment on contingent consideration, litigation related expense, foreign currency and related hedging activity, loss allocation from equity method investment and loss attributable to non-controlling interest.

“Adjusted net income” represents net income before deferred revenue fair value adjustment, accretion on contingent consideration, non-cash interest expense, non-cash compensation expense, restructuring charges and transaction costs, severance, amortization of acquired intangibles, fair market value adjustment on contingent consideration, litigation related expense, foreign currency and related hedging activity, loss allocation from equity method investment and loss attributable to non-controlling interest. Reconciling items are presented gross of tax, and a normalized tax rate is applied to the total of all reconciling items to arrive at adjusted net income. The reconciling items, and resulting adjusted net income, are presented on a different basis than historically shown to eliminate the impact of quarterly volatility of the GAAP tax provision (benefit) on the Company’s adjusted earnings figures.

“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.

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

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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 (refunds), net of (\$175) and \$937 for the nine months ended September 30, 2016 and 2015, 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		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
	(in thousands)			
Total revenues	\$ 149,155	\$ 103,367	\$ 422,684	\$ 302,484
Deferred revenue fair value adjustment	331	134	781	134
Adjusted revenues	\$ 149,486	\$ 103,501	\$ 423,465	\$ 302,618

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Net income (loss)	\$ (4,057)	\$ 3,302	\$ (22,993)	\$ 8,349
Add (deduct):				
Deferred revenue fair value adjustment	331	134	781	134
Interest income	(6)	(77)	(28)	(288)
Interest expense	4,122	2,384	12,345	7,081
Accretion on contingent consideration	23	143	143	794
Income tax provision (benefit)	(1,668)	2,679	(10,602)	6,326
Depreciation and amortization	16,692	6,157	49,872	17,215
Non-cash compensation expense	7,554	3,409	25,872	10,157
Restructuring charges and transaction costs	998	2,473	4,484	5,441
Severance	1,058	22	3,104	877
Fair market value adjustment on contingent consideration	349	(1,889)	838	(3,791)
Litigation related expense	2,097	—	4,065	—
Foreign currency and related hedging activity	(383)	—	(672)	—
Loss allocation from equity method investment	250	40	1,130	40
Loss attributable to non-controlling interest	145	438	787	1,305
Adjusted EBITDA	\$ 27,505	\$ 19,215	\$ 69,126	\$ 53,640

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Net income (loss)	\$ (4,057)	\$ 3,302	\$ (22,993)	\$ 8,349
Income tax provision (benefit) (1)	(1,668)	2,679	(10,602)	6,326
Income (loss) before income tax provision (benefit)	(5,725)	5,981	(33,595)	14,675
Add (deduct):				
Deferred revenue fair value adjustment	331	134	781	—
Accretion on contingent consideration	23	143	143	794
Non-cash interest expense	2,039	1,564	6,070	4,627
Non-cash compensation expense	7,554	3,409	25,872	10,157
Restructuring charges and transaction costs	998	2,473	4,484	5,441
Severance	1,058	22	3,104	877
Amortization of acquired intangibles	12,035	3,508	36,156	10,201
Fair market value adjustment on contingent consideration	349	(1,889)	838	(3,791)
Litigation related expense	2,097	—	4,065	—
Foreign currency and related hedging activity	(383)	—	(672)	—
Loss allocation from equity method investment	250	—	1,130	40
Loss attributable to non-controlling interest	145	438	787	1,305
Adjusted net income before income tax effect	20,771	15,783	49,163	44,326
Income tax effect (2)	(8,308)	(6,512)	(19,665)	(17,954)
Adjusted net income	\$ 12,463	\$ 9,271	\$ 29,498	\$ 26,372
Basic number of weighted-average shares outstanding	42,843,103	36,021,784	42,704,383	35,651,508
Effect of dilutive shares:				
Options to purchase common stock	1,331,256	1,554,564	1,286,968	1,784,442
Unvested restricted stock units	350,169	38,353	272,205	127,865
Diluted number of weighted-average shares outstanding	44,524,528	37,614,701	44,263,556	37,563,815
Adjusted net income per share - diluted	\$ 0.28	\$ 0.25	\$ 0.67	\$ 0.70

(1) For the three months ended September 30, 2016 and 2015, the effective tax (benefit) rate computed in accordance with US GAAP equaled 29.1% and 44.8%, respectively. For the nine months ended September 30, 2016 and 2015, the effective tax (benefit) rate computed in accordance with US GAAP equaled 31.6% and 43.1%, respectively.

(2) For both periods shown, an estimated normalized effective tax rate of 40% has been used to compute adjusted net income.

Note on Income Taxes: As of December 31, 2015, the Company had NOL carryforwards of \$272,804 and \$149,893 for federal and state income tax purposes, respectively, available to reduce future income subject to income taxes. As a result, the amount of actual cash taxes the Company pays for federal, state and foreign income taxes differs significantly from the effective income tax rate computed in accordance with US GAAP, and from the normalized rate shown above.

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The following tables set forth the reconciliation of revenues to adjusted revenues and income (loss) from operations to adjusted EBITDA based on our historical results for each segment for the three and nine months ended September 30, 2016 and 2015:

	For the Three Months Ended September 30, 2016			
	Investnet	Investnet   Yodlee	Non-Segment	Total
	(in thousands)			
Revenues	\$ 114,511	\$ 34,644	\$ —	\$ 149,155
Deferred revenue fair value adjustment	109	222	—	331
Adjusted revenues	\$ 114,620	\$ 34,866	\$ —	\$ 149,486
Income (loss) from operations	\$ 12,361	\$ (8,416)	\$ (5,236)	\$ (1,291)
Add (deduct):				
Deferred revenue fair value adjustment	109	222	—	331
Accretion on contingent consideration	23	—	—	23
Depreciation and amortization	6,362	10,330	—	16,692
Non-cash compensation expense	3,565	2,937	1,052	7,554
Restructuring charges and transaction costs	34	3	961	998
Severance	990	68	—	1,058
Fair market value adjustment on contingent consideration	—	—	349	349
Litigation related expense	—	2,086	11	2,097
Foreign currency and related hedging activity	—	(462)	—	(462)
Other loss	—	—	11	11
Loss attributable to non-controlling interest	145	—	—	145
Adjusted EBITDA	\$ 23,589	\$ 6,768	\$ (2,852)	\$ 27,505

	For the Three Months Ended September 30, 2015			
	Investnet	Investnet   Yodlee	Non-Segment	Total
	(in thousands)			
Revenues	\$ 103,367	\$ —	\$ —	\$ 103,367
Deferred revenue fair value adjustment	134	—	—	134
Adjusted revenues	\$ 103,501	\$ —	\$ —	\$ 103,501
Income (loss) from operations	\$ 11,897	\$ —	\$ (3,569)	\$ 8,328
Add (deduct):				
Deferred revenue fair value adjustment	134	—	—	134
Accretion on contingent consideration	143	—	—	143
Depreciation and amortization	6,157	—	—	6,157
Non-cash compensation expense	3,024	—	385	3,409

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Restructuring charges and transaction costs	—	—	2,473	2,473
Severance	22	—	—	22
Fair market value adjustment on contingent consideration	—	—	(1,889)	(1,889)
Loss attributable to non-controlling interest	438	—	—	438
Adjusted EBITDA	\$ 21,815	\$ —	\$ (2,600)	\$ 19,215

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	For the Nine Months Ended September 30, 2016			
	Investnet	Investnet   Yodlee	Non-Segment	Total
	(in thousands)			
Revenues	\$ 328,417	\$ 94,267	\$ —	\$ 422,684
Deferred revenue fair value adjustment	114	667	—	781
Adjusted revenues	\$ 328,531	\$ 94,934	\$ —	\$ 423,465
Income (loss) from operations	\$ 32,425	\$ (33,728)	\$ (19,078)	\$ (20,381)
Add (deduct):				
Deferred revenue fair value adjustment	114	667	—	781
Accretion on contingent consideration	143	—	—	143
Depreciation and amortization	18,786	31,086	—	49,872
Non-cash compensation expense	9,151	12,186	4,535	25,872
Restructuring charges and transaction costs	361	34	4,089	4,484
Severance	2,019	747	338	3,104
Fair market value adjustment on contingent consideration	—	—	838	838
Litigation related expense	—	3,824	241	4,065
Foreign currency and related hedging activity	—	(462)	—	(462)
Other loss	—	—	23	23
Loss attributable to non-controlling interest	787	—	—	787
Adjusted EBITDA	\$ 63,786	\$ 14,354	\$ (9,014)	\$ 69,126

	For the Nine Months Ended September 30, 2015			
	Investnet	Investnet   Yodlee	Non-Segment	Total
	(in thousands)			
Revenues	\$ 302,484	\$ —	\$ —	\$ 302,484
Deferred revenue fair value adjustment	134	—	—	134
Adjusted revenues	\$ 302,618	\$ —	\$ —	\$ 302,618
Income (loss) from operations	\$ 31,945	\$ —	\$ (10,469)	\$ 21,476
Add (deduct):				
Deferred revenue fair value adjustment	134	—	—	134
Accretion on contingent consideration	794	—	—	794
Depreciation and amortization	17,215	—	—	17,215

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Non-cash compensation expense	9,095	—	1,062	10,157
Restructuring charges and transaction costs	—	—	5,441	5,441
Severance	877	—	—	877
Fair market value adjustment on contingent consideration	—	—	(3,791)	(3,791)
Other loss	—	—	32	32
Loss attributable to non-controlling interest	1,305	—	—	1,305
Adjusted EBITDA	\$ 61,365	\$ —	\$ (7,725)	\$ 53,640

Liquidity and Capital Resources

As of September 30, 2016, we had total cash and cash equivalents of \$50,662 compared to \$51,718 as of December 31, 2015. We plan to use existing cash as of September 30, 2016 and cash generated in the ongoing operations of our business to fund our current operations, capital expenditures, repay debt and for possible acquisitions or other strategic activity. If the cash generated in the ongoing operations of our business is insufficient to fund these requirements we may be required to borrow under our bank credit agreement to fund our ongoing operations or to fund potential acquisitions or other strategic activities.



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## Cash Flows

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

	Nine Months Ended September 30,	
	2016	2015
	(in thousands)	
Net cash provided by operating activities	\$ 51,880	\$ 25,831
Net cash used in investing activities	(37,688)	(39,566)
Net cash provided by (used in) financing activities	(15,248)	12,329
Net decrease in cash and cash equivalents	(1,056)	(1,406)
Cash and cash equivalents, end of period	50,662	208,348

## Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2016 increased by \$26,049 compared to the same period in 2015, primarily due to an increase in non-cash adjustments of \$59,491 as a result of increases in depreciation and amortization, stock-based compensation and excess tax benefits from stock-based compensation offset by a decrease in net income of \$31,342 and changes in operating assets and liabilities, net of acquisition of \$2,100.

## Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2016 decreased by \$1,878 compared to the same period in 2015. The decrease is primarily a result of a decrease in cash disbursements for acquisitions of \$8,938 offset by increases in purchase of property and equipment purchases of \$3,987 and capitalization of internally developed software of \$2,435.

## Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2016 was \$15,248 compared to \$12,329 of net cash provided by financing activities in the same period in 2015. The change was primarily a result of a decrease in excess tax benefits from stock-based compensation expense of \$16,540 a decrease in proceeds from exercise of stock options of \$4,282 and a decrease in payments on contingent consideration of \$4,295 offset by an increase in payments of term notes of \$6,000 and an increase in purchases of treasury stock for stock-based minimum tax withholdings of \$2,705.

#### 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.

#### Commitments and Off-Balance Sheet Arrangements

#### Purchase Obligations and Indemnifications

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 enters into unconditional purchase obligations arrangements for certain of its services that it receives in the normal course of business.

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## Leases

The Company rents office space under leases that expire at various dates through 2030. Future minimum lease commitments under these operating leases, as of September 30, 2016, were as follows:

Years ending December 31:	
Remainder of 2016	\$ 2,954
2017	10,873
2018	10,768
2019	11,263
2020	11,562
Thereafter	56,116
Total	\$ 103,536

## Litigation

The Company is involved in litigation arising in the ordinary course of its business. Legal fees and other costs associated with such actions are expensed as incurred. The Company will record a provision for these claims when it is both probable that a liability has been incurred and the amount of the loss, or a range of the potential loss, can be reasonably estimated. These provisions are reviewed regularly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information or events pertaining to a particular case. Litigation accruals are recorded when and if it is determined that a loss is both probable and reasonably estimable. For litigation matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimable, no accrual is established, but if the matter is material, it is subject to disclosures. The Company believes that liabilities associated with any claims, while possible, are not probable, and therefore has not recorded any accrual for any claims as of September 30, 2016. Further, while any possible range of loss cannot be reasonably estimated at this time, the Company does not believe that the outcome of any of these proceedings, individually or in the aggregate, would, if determined adversely to it, have a material adverse effect on its financial condition or business, although an adverse resolution of litigation could have a material adverse effect on Envestnet's results of operations or cash flow in a particular quarter or year.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

## Market risk

Our exposure to market risk is directly related to revenues from asset management or administration services earned based upon a contractual percentage of AUM or AUA. In the three and nine months ended September 30, 2016, 60% and 61%, 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 to decline and our net loss to increase.

#### Foreign currency risk

The expenses of our India subsidiary, which primarily consist of expenditures related to compensation and benefits, are paid using the Indian Rupee. We are directly exposed to changes in foreign currency exchange rates through the translation of these monthly expenditures into U.S. dollars. For the three and nine months ended September 30, 2016, 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 \$384 and \$1,164, respectively, to pre tax earnings and a hypothetical 10% decrease in the value of the Indian Rupee to the U.S. dollar would result in an increase of \$314 and \$952, respectively, to pre tax earnings.

#### Interest rate risk

We are subject to market risk from changes in interest rates. The Company has Term Notes and a revolving credit facility that bears interest at LIBOR plus an applicable margin between 1.50 percent and 3.25 percent. As the LIBOR rates fluctuate, so too will the interest expense on amounts borrowed under the Amended and Restated Credit Agreement. As of September 30, 2016, there was \$144,000 of Term Notes and no revolving credit amounts outstanding under the Amended and Restated Credit Agreement. The Company incurred interest expense of \$1,794 and \$5,481 for the three and nine months ended September 30, 2016 related to the Amended and Restated Credit Agreement. A sensitivity analysis performed on the interest expense indicated that a hypothetical 0.25% increase or decrease in our interest rate would increase or decrease interest expense on an annual basis by approximately \$360.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2016. 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.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Management concluded there was a material weakness in the design and operating effectiveness of controls over non-routine transactions and financial statement disclosures. This material weakness was caused by an ineffective risk assessment process that failed to appropriately identify new employee resource needs and necessary internal controls over non-routine transactions and financial statement disclosures.

These control deficiencies resulted in immaterial errors that were corrected prior to the issuance of our financial statements as of and for the nine months ended September 30, 2016. These control deficiencies create a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis, and therefore we concluded that these deficiencies, in aggregate, represent a material weakness in our internal control over financial reporting as of September 30, 2016.

Due to the material weakness described below, our management, including our chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were not effective related to the areas described above as of September 30, 2016.

## Remediation Plans

Management is committed to remediating the material weakness in a timely fashion. We have begun the process of executing remediation plans that address the material weakness in internal control over financial reporting. Specifically, we are actively recruiting additional resources, including personnel dedicated to provide additional management oversight over the reporting of non-routine accounting matters, and to enhance our expertise in determining the appropriate reporting for non-routine accounting matters and financial statement disclosures. In addition, management's planned actions to further address the material weakness include:

- Timely review of the quarterly and annual financial reporting processes to ensure the appropriateness of the Company's financial reporting related to non-routine matters and financial statement disclosures;
  
- Enhancement of our process and internal controls related to the preparation of accounting position papers documenting our analysis and conclusions as it relates to the financial reporting requirements of non-routine matters; and
  
- Establishment of training and education programs for financial personnel responsible for the drafting and oversight of non-routine matters and financial statement disclosures within the Company's financial statements.

The Audit Committee has directed management to develop a detailed plan and timetable for the implementation of the foregoing 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.

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Management believes the measures described above and others that may 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 remediated by March 31, 2017.

If the remedial measures described above are insufficient to address the identified material weakness or are not implemented effectively, or additional deficiencies arise in the future, material misstatements in our interim or annual financial statements may occur in the future. Among other things, any unremediated material weakness could result in material post-closing adjustments in future financial statements. Furthermore, any such unremediated material weakness could have the effects described in "Item 1A, Risk Factors – In preparing our September 30, 2016 financial statements, we identified a material weakness in our internal control over financial reporting, and our failure to remedy this or other material weaknesses that we may identify in the future could result in material misstatements in our financial statements" in Part I of this Form 10-Q.

## Changes in Internal Control Over Financial Reporting

During the three months ended September 30, 2016, 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.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, we are currently involved in the following matters:

#### Plaid Litigation

On December 2, 2014, Yodlee filed a complaint in the United States District Court for the District of Delaware alleging that Plaid Technologies Inc. ("Plaid") has and is continuing to infringe on seven of its U.S. patents. The

complaint seeks unspecified monetary damages, enhanced damages, interest, fees, expenses, costs and injunctive relief against Plaid. On January 23, 2015, in lieu of filing an answer to the complaint, Plaid filed a motion to dismiss, alleging that Yodlee's patents do not claim patent eligible subject matter. Yodlee filed its answering brief to the motion to dismiss on February 20, 2015. Plaid filed its reply brief on March 6, 2015. At the outset of the litigation, the judge presiding over the litigation referred certain matters to be handled by the assigned magistrate judge, including case scheduling, and any motions to dismiss. On May 23, 2016, the magistrate judge issued a report and recommendation that the district judge deny Plaid's motion to dismiss with respect to four of the asserted patents in its entirety, deny Plaid's motion to dismiss with respect to two of the asserted patents in part, and grant Plaid's motion to dismiss with respect to the final asserted patent in its entirety. On June 9, 2016, both parties filed limited objections to the magistrate judge's report and recommendation. On June 27, 2016, both parties filed responses to each other's objections. These objections are pending before the district judge.

While Plaid's motion to dismiss was pending, the magistrate judge entered a trial date of March 13, 2017 and discovery has proceeded. On January 15, 2016, the Court issued a ruling on claim construction in which the Court specified the interpretation of certain words and phrases in the patents claims which were disputed between both parties. On May 9, 2016, the Court ordered that Plaid answer Yodlee's complaint on May 31, 2016. On May 31, 2016, Plaid filed its answer and counterclaims to Yodlee's complaint. Plaid's counterclaims seek declaratory judgment that Yodlee's patents are not infringed, invalid, and unenforceable. In addition, Plaid's counterclaims allege an antitrust violation under section 2 of the Sherman Act, 15 U.S.C. § 2, unfair competition under California State Law and common law, and violation of the Lanham Act, 15 U.S.C. § 1125(a). The counterclaims seek unspecified monetary damages, enhanced damages, interest, fees, expenses, costs and injunctive relief against Yodlee. Yodlee believes Plaid's allegations are without merit and intends to vigorously defend against these allegations. On June 24, 2016, Yodlee filed its answer to Plaid's counterclaims in which it denied Plaid's allegations and denied that Plaid is entitled to any relief. Both parties have filed various motions for summary judgment and objections to the anticipated testimony of expert witnesses. A hearing on those motions is scheduled for November 10, 2016.

On December 2, 2015 and December 3, 2015, Plaid filed petitions for Inter-Partes Review ("IPR") before the Patent Office's Board of Patent Trials and Appeals ("PTAB") against two of the seven Yodlee patents that are the subject of the lawsuit described in



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the immediately preceding paragraph. In these petitions, Plaid seeks to have the PTAB find the two patents invalid in light of specific prior art raised by Plaid in the petition. On June 8, 2016, the PTAB issued a decision granting institution of IPR proceedings against U.S. Patent No. 6,317,783. The Oral argument with respect to this petition is scheduled for March 7, 2017 and a final decision is due on June 8, 2017. Either party may appeal the result of the PTAB final decision to the United States Court of Appeals for the Federal Circuit. Once all appeals are exhausted, a final judgment of invalidity becomes binding on the District Court hearing the Plaid litigation. A judgment confirming validity by the PTAB is not binding on the District Court but it has significant estoppel consequences that will preclude Plaid from relying on certain kinds of prior art in the District Court proceedings. On June 9, 2016, the PTAB issued a decision denying institution of IPR proceedings challenging the validity of U.S. Patent No. 6,199,077. On July 11, 2016, Plaid filed a petition for rehearing requesting that the PTAB reverse its June 9 decision regarding IPR proceedings for U.S. Patent No. 6,199,077. The rehearing request was denied.

On February 7, 2016, Plaid filed a Covered Business Method Review against one (U.S. Patent No. 6,199,077) of the two patents already at issue in the IPR Petitions. On March 18, 2016, Plaid filed a Covered Business Method Review petition against the other patent (U.S. Patent 6,317,783) already at issue in the IPR Petitions. On April 15, 2016, Plaid filed a third Covered Business Method Review petition against another one of the Yodlee patents (U.S. Patent No. 6,510,451) which is the subject of the litigation described above. On May 31, 2016, Plaid filed four Covered Business Method Review petitions against the remaining Yodlee patents at issue in the litigation (U.S. Patent Nos. 7,263,548, 7,424,520, 7,752,535, and 8,266,515). To date, the PTAB has denied institution of the CBM requests for U.S. Patent Nos. 6,199,077, 6,317,783, 7,263,548, and 7,424,520). A rehearing request for U.S. Patent No. 6,199,077 was also denied. On October 3, 2016, a CBM review for U.S. Patent No. 6,510,451 was instituted with a hearing set for June 7, 2017. An institution decision has not yet been made for U.S. Patent Nos. 7,752,535 and 8,266,515. As with the IPR Petitions, either party may appeal the result of the PTAB final decision in a Covered Business Method proceeding to the United States Court of Appeals for the Federal Circuit. Once all appeals are exhausted, a final judgment of invalidity becomes binding on the District Court hearing the Plaid litigation. In a Covered Business Method proceeding, a judgment confirming validity by the PTAB is not binding on the District Court but it has significant estoppel consequences that will preclude Plaid from relying on certain kinds of prior art in the District Court proceedings.

Item 1A. Risk Factors

Investment in our securities involves risk. An investor or potential investor should consider the risks summarized under the caption “Risk Factors” in Part I, Item 1A of our 2015 Form 10-K, when making investment decisions regarding our securities. The following new risk factor supplements our 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, 2015.

In preparing our quarterly financial statements for 2016, we identified a material weakness in our internal control over financial reporting, and our failure to remedy this or other material weaknesses that we may identify in the future

could result in material misstatements in our financial statements.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our management identified a material weakness in our internal control over financial reporting as of September 30, 2016. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management concluded there was a material weakness in the design and operating effectiveness of controls over non-routine transactions and financial statement disclosures. This material weakness was caused by an ineffective risk assessment process that failed to appropriately identify new employee resource needs and necessary internal controls over non-routine transactions and financial statement disclosures.

If the remedial measures we have begun implementing that are designed to address this material weakness are insufficient to address this material weakness, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results.

The other risk factors that were disclosed in our 2015 Form 10-K have not materially changed since the date our 2015 Form 10-K was filed.

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## Item 2.Unregistered Sales of Equity Securities and Use of Proceeds

## (c) Issuer Purchases of Equity Securities

	Total number of shares purchased	Average price paid per share \$	Total number of shares purchased as part of publically announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
July 1, 2016 through July 31, 2016	9,326	36.03	—	1,956,390
August 1, 2016 through August 31, 2016	9,142	39.09	—	1,956,390
September 1, 2016 through September 30, 2016	12,400	36.82	—	1,956,390

On February 25, 2016, the Company announced that its Board of Directors had authorized a share repurchase program under which the Company may repurchase up to 2,000,000 shares of its common stock. The timing and volume of share repurchases will be determined by the Company’s management based on its ongoing assessments of the capital needs of the business, the market price of its common stock and general market conditions. No time limit has been set for the completion of the repurchase program, and the program may be suspended or discontinued at any time. The repurchase program authorizes the Company to purchase its common stock from time to time in the open market (including pursuant to a “Rule 10b5-1 plan”), in block transactions, in privately negotiated transactions, through accelerated stock repurchase programs, through option or other forward transactions or otherwise, all in compliance with applicable laws and other restrictions. As of September 30, 2016, 1,956,390 of shares could still be purchased under this program.

## Item 3.Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 9, 2016.

ENVESTNET, INC.

By: /s/ Judson Bergman  
Judson Bergman  
Chairman and Chief Executive Officer  
Principal Executive Officer

By: /s/ Peter H. D'Arrigo  
Peter H. D'Arrigo  
Chief Financial Officer  
Principal Financial Officer

By: /s/ Matthew J. Majoros  
Matthew J. Majoros  
Senior Vice President, Financial Reporting  
Principal Accounting Officer

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INDEX TO EXHIBITS

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

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

\*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 September 30, 2016 and December 31, 2015; (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015; (iii) the Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2016 and 2015; (iv) the Condensed Consolidated Statement of Equity for the nine months ended September 30, 2016; (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015; (vi) Notes to Condensed Consolidated Financial Statements tagged as blocks of text.