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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

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

For the quarterly period ended March 31, 2016

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

Commission file number 001-34835

Envestnet, Inc.

(Exact name of registrant as specified in its charter)

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

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

Registrant's telephone number, including area code:

(312) 827-2800

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

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

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

| | |
|---|---|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer | Smaller reporting company |

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

As of April 30, 2016, 42,693,455 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)

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 36,550 | $ 51,718 |
| Fees and other receivables, net | 35,455 | 46,756 |
| Prepaid expenses and other current assets | 22,880 | 13,239 |
| Total current assets | 94,885 | 111,713 |
| | | |
| Property and equipment, net | 27,122 | 28,681 |
| Internally developed software, net | 10,490 | 9,897 |
| Intangible assets, net | 286,174 | 292,675 |
| Goodwill | 426,695 | 421,273 |
| Deferred tax assets, net | — | 2,688 |
| Other non-current assets | 10,878 | 9,322 |
| Total assets | $ 856,244 | $ 876,249 |
| | | |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accrued expenses and other liabilities | $ 61,360 | $ 83,411 |
| Accounts payable | 10,441 | 10,420 |
| Current portion of debt | 8,064 | 6,064 |
| Contingent consideration | 5,190 | 2,537 |
| Deferred revenue | 17,576 | 15,089 |
| Total current liabilities | 102,631 | 117,521 |
| | | |
| Convertible notes | 147,939 | 146,418 |
| Term notes | 136,819 | 138,335 |
| Contingent consideration | 894 | 1,506 |
| Deferred revenue | 14,628 | 14,378 |
| Deferred rent and lease incentive | 10,805 | 10,976 |
| Deferred tax liabilities, net | 911 | — |
| Other non-current liabilities | 6,706 | 6,288 |
| Total liabilities | 421,333 | 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; 54,904,938 and 53,925,415 shares issued as of March 31, 2016 and December 31, 2015, respectively; 42,663,127 and 41,979,126 shares outstanding as of March 31, 2016 and December 31, 2015, respectively | 275 | 270 |
| Additional paid-in capital | 486,707 | 474,726 |
| Accumulated deficit | (26,000) | (15,007) |
| Treasury stock at cost, 12,241,811 and 11,946,289 shares as of March 31, 2016 and December 31, 2015, respectively | (27,725) | (20,654) |
| Accumulated other comprehensive income | 356 | 194 |
| Total stockholders' equity | 433,613 | 439,529 |
| Non-controlling interest | 398 | 398 |
| Total equity | 434,011 | 439,927 |
| Total liabilities and equity | $ 856,244 | $ 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 March 31, 2016 | 2015 |
|---|---|---|
| Revenues: | | |
| Assets under management or administration | $ 82,871 | $ 81,077 |
| Subscription and licensing | 43,620 | 14,082 |
| Professional services and other | 5,330 | 1,295 |
| Total revenues | 131,821 | 96,454 |
| | | |
| Operating expenses: | | |
| Cost of revenues | 40,158 | 38,695 |
| Compensation and benefits | 62,616 | 31,535 |
| General and administration | 25,727 | 14,209 |
| Depreciation and amortization | 16,080 | 5,333 |
| Total operating expenses | 144,581 | 89,772 |
| | | |
| Income (loss) from operations | (12,760) | 6,682 |
| Other expense, net | (3,949) | (2,203) |
| Income (loss) before income tax provision | (16,709) | 4,479 |
| | | |
| Income tax provision (benefit) | (5,716) | 1,968 |
| | | |
| Net income (loss) | (10,993) | 2,511 |
| Add: Net income (loss) attributable to non-controlling interest | — | — |
| Net income (loss) attributable to Envestnet, Inc. | $ (10,993) | $ 2,511 |
| | | |
| Net income (loss) per share attributable to Envestnet, Inc.: | | |
| Basic | $ (0.26) | $ 0.07 |
| | | |
| Diluted | $ (0.26) | $ 0.07 |
| | | |
| Weighted average common shares outstanding: | | |
| Basic | 42,506,557 | 35,147,043 |
| | | |
| Diluted | 42,506,557 | 37,316,934 |

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 March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net income (loss) attributable to Envestnet, Inc. | $ (10,993) | $ 2,511 |
| Other comprehensive income, net of taxes | | |
| Foreign currency translation loss | (15) | — |
| Unrealized gain on foreign currency contracts designated as cash flow hedges | 177 | — |
| Total other comprehensive income, net of taxes | 162 | — |
| Comprehensive income (loss), net of taxes | $ (10,831) | $ 2,511 |

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 | | | Accumulated | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Common | | Additional | Other | | Non- | Total |
| | | | | | Paid-in | Comprehensive | Accumulated | controlling | Stock |
| | Shares | Amount | Shares | Amount | Capital | Income | Deficit | Interest | Equit |
| Balance, December 31, 2015 | 53,925,415 | $ 270 | (11,946,289) | $ (20,654) | $ 474,726 | $ 194 | $ (15,007) | $ 398 | $ 439 |
| Exercise of stock options | 152,220 | 1 | — | — | 1,206 | — | — | — | 1,2 |
| Issuance of common stock - vesting of restricted stock units | 827,303 | 4 | — | — | — | — | — | — | 4 |
| Stock-based compensation expense | — | — | — | — | 11,050 | — | — | — | 11, |
| Tax shortfall from stock-based compensation expense | — | — | — | — | (275) | — | — | — | (27 |
| Purchase of treasury stock for stock-based minimum tax withholdings | — | — | (295,522) | (7,071) | — | — | — | — | (7,0 |
| Foreign currency translation loss | — | — | — | — | — | (15) | — | — | (15 |
| Unrealized gain on foreign currency contracts designated as accounting | — | — | — | — | — | 177 | — | — | 177 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| hedges | | | | | | | | | |
| Net loss | — | — | — | — | — | — | (10,993) | — | (10 |
| Balance, March 31, 2016 | 54,904,938 | $ 275 | (12,241,811) | $ (27,725) | $ 486,707 | $ 356 | $ (26,000) | $ 398 | $ 434 |

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

| | March 31, 2016 | 2015 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Net income (loss) | $ (10,993) | $ 2,511 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 16,080 | 5,333 |
| Deferred rent and lease incentive | (171) | 168 |
| Provision for doubtful accounts | 23 | — |
| Deferred income taxes | 3,599 | 1,888 |
| Stock-based compensation expense | 11,615 | 3,419 |
| Tax shortfall (excess tax benefit) from stock-based compensation expense | 275 | (11,468) |
| Non-cash interest expense | 2,013 | 2,356 |
| Accretion on contingent consideration | 62 | 342 |
| Fair market value adjustment on contingent consideration | 50 | (1,446) |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Fees and other receivables | 11,278 | (5,853) |
| Prepaid expenses and other current assets | (9,780) | (1,175) |
| Other non-current assets | (1,556) | (214) |
| Accrued expenses and other liabilities | (11,335) | (2,827) |
| Accounts payable | 32 | 188 |
| Deferred revenue | 2,181 | 4,088 |
| Other non-current liabilities | 418 | (58) |
| Net cash provided by (used in) operating activities | 13,791 | (2,748) |
| | | |
| INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (1,811) | (2,058) |
| Capitalization of internally developed software | (1,388) | (1,132) |
| Purchase of ERS units | (1,500) | — |
| Acquisition of businesses, net of cash acquired | (18,125) | (2,641) |
| Net cash used in investing activities | (22,824) | (5,831) |
| | | |
| FINANCING ACTIVITIES: | | |
| Proceeds from borrowings on revolving credit facility | 15,000 | — |
| Payment on revolving credit facility | (13,000) | — |
| Payment of term notes | (2,000) | — |
| Proceeds from exercise of stock options | 1,207 | 3,710 |
| Excess tax benefit (shortfall) from stock-based compensation expense | (275) | 11,468 |
| Purchase of treasury stock for stock-based minimum tax withholdings | (7,071) | (6,441) |
| Issuance of restricted stock units | 4 | 2 |

| | | |
|---|---|---|
| Net cash provided by (used in) financing activities | (6,135) | 8,739 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (15,168) | 160 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 51,718 | 209,754 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 36,550 | $ 209,914 |
| Supplemental disclosure of cash flow information - net cash paid (refunded) during the period for income taxes | $ (1,513) | $ 475 |
| Supplemental disclosure of cash flow information - cash paid during the period for interest | 2,079 | 65 |
| Supplemental disclosure of non-cash operating, investing and financing activities: | | |
| Purchase consideration liabilities included in accrued expenses and other liabilities | 269 | — |
| Contingent consideration issued in a business acquisition | 1,929 | — |

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.

- Envestnet | Finance Logix™ provides financial planning and wealth management software solutions to banks, broker-dealers and RIAs.

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

- Envestnet | 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.

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

Envestnet 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 March 31, 2016 and for the three months ended March 31, 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 March 31, 2016 and the results of operations, equity and cash flows for the periods presented herein. The unaudited condensed consolidated balance sheet as of December 31, 2015 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 months ended March 31, 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. Significant areas requiring the use of management estimates relate to estimating uncollectible receivables, revenue recognition, costs capitalized for internally developed software, valuations and assumptions used for impairment testing of goodwill, intangible and other long-lived assets, fair value of stock and stock options issued, fair value of contingent consideration, realization of deferred tax assets, uncertain tax positions and assumptions used to allocate purchase prices in business combinations. Actual results could differ materially from these estimates under different assumptions or conditions.

ERS Update - During the three months ended March 31, 2016, the Company acquired additional units in ERS related to the exercise of a put option on units held by the former owners of Klein Decisions, Inc. As of March 31, 2016, the Company's ownership interest in ERS is 65.4%.

Share repurchase program - 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 March 31, 2016, 2,000,000 of 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 may adopt the standard in either its first quarter of 2017 or 2018. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the impact of the adoption of the new revenue standard on its consolidated financial statements.

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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 that 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 asset. The Company adopted the guidance for the Company’s fiscal year beginning January 1, 2016 and resulted in decreases 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. The guidance is to be applied prospectively to measurement period adjustments that occur after the effective date of the guidance with earlier application permitted for financial statements that have not been issued. The adoption of this standard did not have a material impact on its condensed consolidated 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 is 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.

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 professional 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.

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:

| | |
|---|---|
| Total tangible assets acquired | $ 136 |
| Total liabilities assumed | (556) |
| Identifiable intangible assets | 5,425 |
| Goodwill | 3,617 |
| Total net assets acquired | $ 8,622 |

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

| | Weighted Average | Amortization |
|---|---|---|

| | Amount | Useful Life in Years | 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 material to the Company's results of operations.

For the three months ended March 31, 2016, acquisition related costs for FinaConnect totaled $7 and are included in general and administration expenses. The Company may incur additional acquisition related costs during 2016.

Castle Rock Innovations, Inc.

On August 30, 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 preliminary 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 8.

The preliminary estimated fair value of contingent consideration as of March 31, 2016 was $1,500. This amount is the present value of an undiscounted liability of $1,600, applying a discount rate of 2.7%, 3.0%, and 3.3% to the first, second, and third post-closing periods, respectively. The first, second and third undiscounted payments are anticipated to be $714 on September 30, 2016, $603 on September 30, 2017, and $275 on September 30, 2018. During the three months ended March 31, 2016, the Company made a fair market value upward adjustment on the contingent consideration of $200 and that adjustment is included in general and administration expense in the condensed consolidated statement of operations.

The estimated fair values of certain working capital balances, contingent consideration, deferred revenue, deferred income taxes, unrecognized tax benefits, 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 contingent consideration, deferred revenue, deferred income taxes and intangible assets, and complete the acquisition accounting as soon as practicable but no later than August 30, 2016.

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

| | | |
|---|---|---|
| Total tangible assets acquired | $ | 255 |
| Total liabilities assumed | | (1,305) |
| Identifiable intangible assets | | 3,400 |
| Goodwill | | 5,020 |
| Total net assets acquired | $ | 7,370 |

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

| | Amount | Weighted Average Useful Life in Years | Amortization Method |
|---|---|---|---|
| Customer list | $ 2,500 | 12 | Accelerated |
| Proprietary technology | 800 | 5 | Straight-line |
| Trade names and domains | 100 | 4 | Straight-line |
| Total | $ 3,400 | | |

For the three months ended March 31, 2016, acquisition related costs for Castle Rock totaled $44, 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. Subsequent to the subscription of the Castle Rock Parties, the Company's ownership interest in ERS was 54.8%.

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 21 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 14,500 data sources and been awarded 76 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 three months ended March 31, 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.

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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) |
| | $ 503,264 |

In connection with the Yodlee merger, the Company issued 1,052,000 shares of Envestnet restricted stock awards ("replacement awards") issued 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.

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 September 30, 2016.

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

| | |
|---|---|
| Total tangible assets acquired | $ 33,815 |
| Total liabilities assumed | (55,240) |
| Identifiable intangible assets | 237,000 |
| Goodwill | 287,689 |
| Total net assets acquired | $ 503,264 |

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

| | Amount | Weighted Average Useful Life in Years | Amortization Method |
|---|---|---|---|
| Customer list | $ 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 and net loss for the period ended March 31, 2016 totaled $28,631 and $14,189, respectively. The net loss includes estimated acquired intangible asset amortization of $8,571.

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For the period ended March 31, 2016, acquisition related costs for Yodlee totaled $1,265, and are included in general and administration expenses. The Company may 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 following pro forma financial information presents the combined results of operations of Envestnet, Finance Logix, Castle Rock and Yodlee for the three month period ended March 31, 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.

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 March 31, 2015 |
|---|---|
| Revenues | $ 122,338 |
| Net loss | (7,801) |
| Net loss per share: | |
| Basic | (0.19) |
| Diluted | (0.19) |

4. Property and Equipment

| | Estimated Useful Life | March 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Cost: | | | |
| Computer equipment and software | 3 years | $ 44,177 | $ 44,470 |
| Office furniture and fixtures | 7 years | 5,795 | 5,785 |
| Leasehold improvements | Shorter of the lease term or | 15,523 | 15,123 |

| | | | |
|---|---|---|---|
| | useful life of the asset | | |
| Other office equipment | 5 years | 743 | 683 |
| | | 66,238 | 66,061 |
| Less accumulated depreciation and amortization | | (39,116) | (37,380) |
| Property and equipment, net | | $ 27,122 | $ 28,681 |

During the three months ended March 31, 2016, the Company retired fully depreciated property and equipment that were no longer in service in the amount of $1,623.

Depreciation and amortization expense was as follows:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Depreciation and amortization expense | $ 3,359 | $ 1,600 |

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5. Internally Developed Software

Internally developed software consists of the following:

| | Estimated Useful Life | March 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Internally developed software | 5 years | $ 26,497 | $ 25,109 |
| Less accumulated amortization | | (16,007) | (15,212) |
| Internally developed software, net | | $ 10,490 | $ 9,897 |

Amortization expense was as follows:

| | Three Months Ended March 31, 2016 | 2015 |
|---|---|---|
| Amortization expense | $ 795 | $ 600 |

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 adjustment - Yodlee | — | 1,754 | 1,754 |
| Purchase accounting adjustment - Castle Rock | 51 | — | 51 |
| Balance at March 31, 2016 | $ 138,892 | $ 287,803 | $ 426,695 |

Intangible assets consist of the following:

| | | March 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|---|
| | Useful Life | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer lists | 4 - 12 years | $ 261,710 | $ (40,787) | $ 220,923 | $ 257,410 | $ (33,668) | $ 223,742 |
| Backlog | 4 years | 11,000 | (2,142) | 8,858 | 11,000 | (703) | 10,297 |
| Proprietary technologies | 2.5 - 8 years | 54,728 | (12,387) | 42,341 | 53,928 | (9,833) | 44,095 |
| Trade names | 2 - 6 years | 17,015 | (2,963) | 14,052 | 16,690 | (2,149) | 14,541 |
| Total intangible assets | | $ 344,453 | $ (58,279) | $ 286,174 | $ 339,028 | $ (46,353) | $ 292,675 |

Amortization expense was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Amortization expense | $ 11,926 | $ 3,133 |

Future amortization expense of the intangible assets as of March 31, 2016, is expected to be as follows:

| | |
|---|---|
| Years ending December 31: | |
| Remainder of 2016 | $ 35,769 |
| 2017 | 43,059 |
| 2018 | 36,936 |
| 2019 | 33,201 |
| 2020 | 29,239 |
| Thereafter | 107,970 |
| | $ 286,174 |

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7.Other Non-Current Assets

Other non-current assets consist of the following:

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Investment in private companies | $ 2,623 | $ 2,666 |
| Deposits: | | |
| Lease | 3,560 | 3,198 |
| Other | 518 | 515 |
| Other | 4,177 | 2,943 |
| | $ 10,878 | $ 9,322 |

8.Fair Value Measurements

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

Financial assets and liabilities 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 March 31, 2016 and December 31, 2015, based on the three-tier fair value hierarchy.

| | As of March 31, 2016 | | | |
|---|---|---|---|---|
| | Fair Value | Level I | Level II | Level III |
| Assets | | | | |
| Money market funds | $ 20,371 | $ 20,371 | $ — | $ — |
| Liabilities | | | | |
| Contingent consideration | $ 6,084 | $ — | $ — | $ 6,084 |
| Foreign currency forward contracts(1) | 7 | — | 7 | — |
| Total liabilities | $ 6,091 | $ — | $ 7 | $ 6,084 |

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| | 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.

Level I assets and liabilities included in the table above include money-market funds not insured by the FDIC. The fair values of the Company's investments in money-market funds are based on the daily quoted market prices for the net asset value of the various money market funds. 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. For further details on the Company's derivative financial instruments, refer to Note 18.

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 WMS, Castle Rock and FinaConnect from their value at March 31, 2016 would result in a fair value increase of $2,700 in the Company's contingent consideration balance. A hypothetical 10% decrease in applicable revenue for WMS, Castle Rock and FinaConnect from their value at March 31, 2016 would result in a fair value decrease of $2,800 in the Company's contingent consideration balance.

The fair value of the contingent consideration liabilities related to the WMS, 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 WMS, 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 WMS, 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 March 31, 2016:

| | Fair Value of Contingent Consideration Liabilities |
|---|---|
| Balance at December 31, 2015 | $ 4,043 |
| FinaConnect acquisition | 1,929 |
| Fair market value adjustments, net | 50 |
| Accretion on contingent consideration | 62 |
| Balance at March 31, 2016 | $ 6,084 |

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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 quarter.

On December 15, 2014, the Company issued $172,500 of Convertible Notes. As of March 31, 2016 and December 31, 2015, the carrying value of the 2019 Convertible Notes equaled $147,939 and $146,418, respectively, and represents the aggregate principle amount outstanding less the unamortized discount and debt issuance costs. As of March 31, 2016 and December 31, 2015, the fair value of the Convertible Notes was $150,377 and $152,878, respectively. The Company considers the Convertible Notes to be a Level I liability as there is observable market data to calculate the fair value of the Convertible Notes.

As of March 31, 2016, there was $148,000 of Term Notes and $2,000 revolving credit amounts outstanding under the Amended and Restated Credit Agreement. The carrying 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 March 31, 2016 and December 31, 2015, the carrying value of the Term Notes equaled $142,883 and $144,398, respectively, and represents the aggregate principle 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 March 31, 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 March 31, 2016 based upon the short-term nature of the assets and liabilities.

## 9.Accrued Expenses

Accrued expenses and other liabilities consist of the following:

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Accrued investment manager fees | $ 26,863 | $ 28,179 |
| Accrued compensation and related taxes | 20,856 | 29,493 |

| | | |
|---|---|---|
| Accrued professional services | 2,570 | 1,201 |
| Purchase consideration liabilities | 3,605 | 13,676 |
| Accrued restructuring charges | 441 | 513 |
| Other accrued expenses | 7,025 | 10,349 |
| | $ 61,360 | $ 83,411 |

10.Income Taxes

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Income before income tax provision (benefit) | $ (16,709) | $ 4,479 |
| Income tax provision (benefit) | (5,716) | 1,968 |
| Effective tax rate | 34.2 % | 43.9 % |

The Company's effective tax rate in the three months ended March 31, 2016, was lower than the effective tax rate in the three months ended March 31, 2015, primarily due to various permanent items, accrual for reserves for uncertain tax positions and research and development tax credit generation.

The liability for unrecognized tax benefits reported in other non-current liabilities was $14,423 and $14,129 at March 31, 2016 and December 31, 2015, respectively. At March 31, 2016, the amount of unrecognized tax benefits that would benefit the Company’s

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effective tax rate, if recognized, was $13,976. At this time, the Company does not believe the liability will decrease materially in the next twelve months.

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. The Company had accrued interest and penalties of $234 and $(158) as of March 31, 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, 2014, 2013, and 2012 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, 2014, 2013, 2012, 2011 and 2010 remain open to examination by various state revenue services.

Our Indian subsidiaries are currently under examination by the India Tax Authority 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 condensed consolidated balance sheet. It is possible that one or more of these audits may be finalized within the next twelve months.

11. Debt

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

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Convertible Notes | $ 172,500 | $ 172,500 |
| Unaccreted discount on Convertible Notes | (21,081) | (22,367) |
| Unamortized issuance costs on Convertible Notes | (3,480) | (3,715) |
| | $ 147,939 | $ 146,418 |
| | | |
| Term Notes | $ 148,000 | $ 150,000 |
| Unamortized issuance costs on Term Notes | (5,117) | (5,601) |
| | $ 142,883 | $ 144,399 |
| | | |
| Revolving credit facility balance | $ 2,000 | $ — |

Interest expense was comprised of the following:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Coupon interest | $ 755 | $ 755 |
| Amortization of issuance costs | 725 | 241 |
| Accretion of debt discount | 1,286 | 1,210 |
| Interest on credit agreement | 1,262 | — |
| Undrawn and other fees | 64 | 150 |
| | $ 4,092 | $ 2,356 |

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

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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.

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.

Envestnet 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.

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 Envestnet 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 Envestnet 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 March 31, 2016, there was $148,000 of Term Notes and $2,000 revolving credit amounts outstanding under the Amended and Restated Credit Agreement. The revolving credit amount is included in the current portion of debt in the condensed consolidated balance sheet. The Company was in compliance with all covenants under the Amended and Restated Credit Agreement as of March 31, 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 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 month period ended March 31, 2016, the Company recognized $1,286 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 month period ended March 31, 2016 was 6.1%.

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

See Note 13 for further discussion of the effect of conversion on net income per common share.

12.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 March 31, 2016, the maximum number of common shares of the Company available for future issuance under the Company's plans is 815,688.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Employee stock-based compensation expense | $ 11,615 | $ 3,419 |
| Tax effect on employee stock-based compensation expense | (4,646) | (1,502) |
| Net effect on income | $ 6,969 | $ 1,917 |

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Stock Options

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

| | Three Months Ended March 31, 2016 | 2015 |
|---|---|---|
| Grant date fair value of options | $ 20.51 | $ 21.15 |
| Volatility | 42.1 % | 37.5 % |
| Risk-free interest rate | 1.4 % | 1.7 % |
| Dividend yield | — % | — % |
| Expected term (in years) | 6.6 | 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 |
| Options exercisable | 3,111,018 | 12.97 | 4.2 | 50,188 |

Exercise prices of stock options outstanding as of March 31, 2016 range from $0.11 to $55.29. At March 31, 2016, there was $4,570 of unrecognized stock-based compensation expense related to unvested stock options, which the Company expects to recognize over a weighted-average period of 2.2 years.

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 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 |

At March 31, 2016, there was $49,481 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 2.4 years. At March 31, 2016, there was an additional $234 of potential unrecognized stock-based compensation expense related to unvested restricted stock unit awards granted under the 2012 Plan that the Company expects to recognize over the remaining estimated vesting period of 1 year.

13.Earnings Per Share

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

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The Company accounts for the effect of the Convertible Notes on diluted net income per share using the treasury stock method since they may be settled in cash, shares or a combination thereof at the Company's option. As a result, the Convertible Notes have no effect on diluted net income per share until the Company's stock price exceeds the conversion price of $62.88 per share, or if the trading price of the Convertible Notes meets certain criteria as described in Note 11. In the period of conversion, the Convertible Notes will have no impact on diluted net income if the Convertible Notes are settled in cash and will have an impact on dilutive net income per share if the Convertible Notes are settled in shares upon conversion.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net income (loss) attributable to Envestnet, Inc. | $ (10,993) | $ 2,511 |
| | | |
| Basic number of weighted-average shares outstanding | 42,506,557 | 35,147,043 |
| Effect of dilutive shares: | | |
| Options to purchase common stock | — | 1,988,124 |
| Unvested restricted stock units | — | 181,767 |
| Diluted number of weighted-average shares outstanding | 42,506,557 | 37,316,934 |
| | | |
| Net income (loss) per share attributable to Envestnet, Inc. | | |
| Basic | $ (0.26) | $ 0.07 |
| | | |
| Diluted | $ (0.26) | $ 0.07 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Options to purchase common stock | 3,448,439 | 148,677 |
| Unvested restricted stock units | 1,707,944 | 103,691 |
| Ungranted unvested restricted stock units related to Upside | — | 132,384 |
| Convertible Notes | 2,743,321 | 2,743,321 |
| Total | 7,899,704 | 3,128,073 |

14.Major Customers

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Fidelity | 15 % | 18 % |

15.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

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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.

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 March 31, 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.

16.Segment Information

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

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

Envestnet | 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. There are no inter-segment revenues for the three months ended March 31, 2016 and 2015. The accounting policies of the reportable business segments are the same as those described in Note 2.

The following table presents revenue by segment:

| | Three Months Ended March 31, 2016 | 2015 |
|---|---|---|
| Revenue: | | |
| Envestnet | $ 103,190 | $ 96,454 |
| Envestnet \| Yodlee | 28,631 | — |
| Consolidated revenue | $ 131,821 | $ 96,454 |
| | | |
| Fidelity revenue as a percentage of Envestnet segment revenue: | 20% | 18% |

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

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Envestnet | $ 9,574 | $ 9,735 |
| Envestnet \| Yodlee | (14,041) | — |
| Total segment income (loss) from operations | (4,467) | 9,735 |
| Nonsegment operating expenses | (8,293) | (3,053) |
| Other expense, net | (3,949) | (2,203) |
| Consolidated income (loss) before income taxes (benefit) | (16,709) | 4,479 |
| Income tax provision (benefit) | (5,716) | 1,968 |
| Consolidated net income (loss) | (10,993) | 2,511 |
| Add: Net loss attributable to non-controlling interest | — | — |
| Consolidated net income (loss) attributable to Envestnet, Inc. | $ (10,993) | $ 2,511 |

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.

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

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Segment assets: | | |
| Envestnet | $ 276,075 | $ 323,292 |
| Envestnet \| Yodlee | 580,169 | 552,957 |
| Consolidated total assets | $ 856,244 | $ 876,249 |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Segment depreciation and amortization: | | |
| Envestnet | $ 6,065 | $ 5,333 |

| | | |
|---|---|---|
| Envestnet l Yodlee | 10,015 | — |
| Consolidated depreciation and amortization | $ 16,080 | $ 5,333 |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Segment capital expenditures: | | |
| Envestnet | $ 641 | $ 2,058 |
| Envestnet l Yodlee | 1,170 | — |
| Consolidated capital expenditures | $ 1,811 | $ 2,058 |

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17. 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 March 31, 2016 | 2015 |
|---|---|---|
| United States | $ 120,291 | $ 88,704 |
| International (1) | 11,530 | 7,750 |
| Total | $ 131,821 | $ 96,454 |

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

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

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| United States | $ 22,892 | $ 24,423 |
| India | 3,588 | 3,687 |
| Other | 642 | 571 |
| Total | $ 27,122 | $ 28,681 |

18. Derivative Financial Information

Derivative instruments measured at fair value and their classification on the condensed consolidated balance sheets are presented in the following tables:

| | March 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Derivative instruments included in accrued liabilities: | | | | |
| Derivatives designated as hedging instruments | $ 4,953 | $ (6) | $ 9,702 | $ (114) |
| Derivatives not designated as hedging instruments | 1,269 | (1) | 2,168 | (26) |
| Total | $ 6,222 | $ (7) | $ 11,870 | $ (140) |

As of March 31, 2016, the Company estimated that the entire net unrealized gain of $382 included in accumulated other comprehensive income will be reclassified into earnings within the next 12 months.

## 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.

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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 va 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,
- compliance failures,
- regulatory 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,

- the impact of fluctuations in interest rates on our business,

- market conditions and our ability to issue additional debt and equity,

- 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,

- our financial performance,

- 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,

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· 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 annual report and documents incorporated herein by reference are qualified in their entirety by this cautionary statement. Forward looking statements speak only as of the date they are made, and we do not intend to update or otherwise revise the forward looking statements to reflect events or circumstances after the date of this annual 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 recent 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.

Envestnet 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 Envestnet 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 Envestnet | 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 March 31, 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

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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 Envestnet | 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:

· Envestnet | Advisor SuiteTM 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.

· Envestnet | 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. 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 Overlay Services which includes patented portfolio overlay and tax optimization services.

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

·

Envestnet | 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.

· Envestnet | VantageTM 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.

· Envestnet | Finance LogixTM provides financial planning and wealth management software solutions to banks, broker-dealers and RIAs.

· Envestnet | Advisor NowTM offers private-labeled investor-facing technology that enables advisors and institutions to deliver a complete digital wealth management experience to their clients.

· Envestnet | Yodlee TM 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.

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Operational Highlights

Revenues from assets under management ("AUM") or assets under administration ("AUA") or collectively ("AUM/A") increased 2% from $81,077 in the three months ended March 31, 2015 to $82,871 in the three months ended March 31, 2016. Subscription and licensing revenues increased 210% from $14,082 in the three months ended March 31, 2015 to $43,620 in the three months ended March 31, 2016. Total revenues, which include professional service and other fees, increased 37% from $96,454 in the three months ended March 31, 2015 to $131,821 in the three months ended March 31, 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 totaling $28,631 related to Envestnet | Yodlee.

The net loss attributable to Envestnet, Inc. for the three months ended March 31, 2016 was $10,993, or $0.26 per diluted share, compared to net income attributable to Envestnet, Inc. of $2,511, or $0.07 per diluted share for the three months ended March 31, 2015.

Adjusted revenues for the three months ended March 31, 2016 was $132,032, an increase of 37% from $96,454 in the prior year period. Adjusted EBITDA for the three months ended March 31, 2016 was $19,193, an increase of 14% from $16,814 in the prior year period. Adjusted net income for the three months ended March 31, 2016 was $7,784, or $0.18 per diluted share, compared to adjusted net income of $8,354, or $0.22 per diluted share in the prior year period.

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

Recent Event

FinaConnect, Inc.

On February 1, 2016 Envestnet acquired all of the outstanding shares of capital stock of FinaConnect, Inc. ("FinaConnect"). FinaConnect provides reporting and practice management capabilities to financial professional servicing the retirement plan market and is the technology platform supporting the ERS service offering.

The Company acquired FinaConnect, Inc. with plans to combine the FinaConnect assets with ERS. FinaConnect is a software as a services (SaaS) platform that serves as the underlying code for the ERS services offering. 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, removes ongoing licensing payments made to FinaConnect and full integration of the knowledge and experience of the FinaConnect workforce.

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.

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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 | | | | |
|---|---|---|---|---|---|
| | March 31, 2015 | June 30, 2015 | September 30, 2015 | December 31, 2015 | March 31, 2016 |
| | (in millions except accounts and advisors data) | | | | |
| Platform Assets | | | | | |
| Assets Under Management (AUM) | $ 74,643 | $ 75,922 | $ 73,164 | $ 92,559 | $ 95,489 |
| Assets Under Administration (AUA) | 181,239 | 181,922 | 177,121 | 197,177 | 207,537 |
| Subtotal AUM/A | 255,882 | 257,844 | 250,285 | 289,736 | 303,026 |
| Licensing | 493,284 | 534,674 | 538,271 | 561,699 | 576,988 |
| Total Platform Assets | $ 749,166 | $ 792,518 | $ 788,556 | $ 851,435 | $ 880,014 |
| Platform Accounts | | | | | |
| AUM | 319,896 | 332,738 | 344,321 | 490,471 | 498,449 |
| AUA | 679,753 | 695,463 | 718,637 | 807,708 | 904,373 |
| Subtotal AUM/A | 999,649 | 1,028,201 | 1,062,958 | 1,298,179 | 1,402,822 |
| Licensing | 1,982,773 | 2,044,355 | 2,140,672 | 2,176,068 | 2,237,427 |
| Total Platform Accounts | 2,982,422 | 3,072,556 | 3,203,630 | 3,474,247 | 3,640,249 |
| Advisors | | | | | |
| AUM/A | 29,023 | 29,541 | 30,177 | 33,775 | 35,718 |
| Licensing | 12,306 | 12,870 | 13,409 | 13,553 | 13,675 |
| Total Advisors | 41,329 | 42,411 | 43,586 | 47,328 | 49,393 |

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 March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | As of 12/31/2015 | Gross Sales | Redemptions | Net Flows | Market Impact | As of 3/31/2016 |
| | (in millions except account data) | | | | | |
| Assets under Management (AUM) | $ 92,559 | $ 7,274 | $ (5,279) | $ 1,995 | $ 935 | $ 95,489 |
| Assets under Administration (AUA) | 197,177 | 19,237 | (10,659) | 8,578 | 1,782 | 207,537 |
| Total AUM/A | $ 289,736 | $ 26,511 | $ (15,938) | $ 10,573 | $ 2,717 | $ 303,026 |
| Fee-Based Accounts | 1,298,179 | | | 104,643 | | 1,402,822 |

The above AUM/A gross sales figures include $2.1 billion in new client conversions. The Company onboarded an additional $8.1 billion in licensing conversions during the three months ended March 31, 2016, bringing total conversions for the quarter to $10.2 billion.

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

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

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Results of Operations

Three months ended March 31, 2016 compared to three months March 31, 2015

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | Percent Change | |
| | (in thousands) | | | | | |
| Revenues: | | | | | | |
| Assets under management or administration | $ | 82,871 | $ | 81,077 | 2 | % |
| Subscription and licensing | | 43,620 | | 14,082 | 210 | % |
| Professional services and other | | 5,330 | | 1,295 | * | % |
| Total revenues | | 131,821 | | 96,454 | 37 | % |
| Operating expenses: | | | | | | |
| Cost of revenues | | 40,158 | | 38,695 | 4 | % |
| Compensation and benefits | | 62,616 | | 31,535 | 99 | % |
| General and administration | | 25,727 | | 14,209 | 81 | % |
| Depreciation and amortization | | 16,080 | | 5,333 | 202 | % |
| Total operating expenses | | 144,581 | | 89,772 | 61 | % |
| Income (loss) from operations | | (12,760) | | 6,682 | * | % |
| Other expense, net | | (3,949) | | (2,203) | 79 | % |
| Income (loss) before income tax provision (benefit) | | (16,709) | | 4,479 | * | % |
| Income tax provision (benefit) | | (5,716) | | 1,968 | * | % |
| Net income (loss) | | (10,993) | | 2,511 | * | % |
| Add: Net loss attributable to non-controlling interest | | — | | — | * | % |
| Net income (loss) attributable to Envestnet, Inc. | $ | (10,993) | $ | 2,511 | * | % |

*Not meaningful.

Revenues

Total revenues increased 37% from $96,454 in the three months ended March 31, 2015 to $131,821 in the three months ended March 31, 2016. The increase was primarily due to an increase in revenues from subscription and licensing of $29,538. Revenues from AUM/A were 63% and 84% of total revenues in the three months ended March 31, 2016 and 2015, respectively.

Assets under management or administration

Revenues earned from AUM/AUA increased 2% from $81,077 in the three months ended March 31, 2015 to $82,871 in the three months ended March 31, 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 first quarter of 2016, revenues were positively affected by new account growth and positive net flows of AUM or AUA 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.

The number of financial advisors with AUM or AUA on our technology platforms increased from 29,023 as of March 31, 2015 to 35,718 as of March 31, 2016 and the number of AUM or AUA client accounts increased from approximately 1,000,000 as of March 31, 2015 to approximately 1,400,000 as of March 31, 2016.

Subscription and licensing

Subscription and licensing revenues increased 210% from $14,082 in the three months ended March 31, 2015 to $43,620 in the three months ended March 31, 2016, primarily due to increases in Envestnet | Yodlee subscription revenue of $25,045.

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Professional services and other

Professional services and other revenues increased 312% from $1,295 in the three months ended March 31, 2015 to $5,330 in the three months ended March 31, 2016, primarily due to increases in Envestnet | Yodlee professional services revenue of $3,586.

Cost of revenues

Cost of revenues increased 4% from $38,695 in the three months ended March 31, 2015 to $40,158 in the three months ended March 31, 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 March 31, 2015 to 30% in the three months ended March 31, 2016 primarily as a result of Envestnet | Yodlee segment revenues with a lower cost of revenue profile.

Compensation and benefits

Compensation and benefits increased 99% from $31,535 in the three months ended March 31, 2015 to $62,616 in the three months ended March 31, 2016, primarily due to an increase in salaries, benefits and related payroll taxes of $18,297, primarily a result of an increase in headcount, including headcount related to the Yodlee acquisition. An increase in non-cash stock compensation of $8,196 also contributed to the increase in compensation and benefits. As a percentage of total revenues, compensation and benefits increased from 33% in the three months ended March 31, 2015 to 48% in the three months ended March 31, 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 81% from $14,209 in the three months ended March 31, 2015 to $25,727 in the three months ended March 31, 2016, primarily due to general and administration expense increases related to the Envestnet | Yodlee segment. As a percentage of total revenues, general and administration expenses increased from 15% in the three months ended March 31, 2015 to 20% in the three months ended March 31, 2016.

Depreciation and amortization

Depreciation and amortization expense increased 202% from $5,333 in the three months ended March 31, 2015 to $16,080 in the three months ended March 31, 2016, primarily due to increases in intangible asset amortization of $8,788, 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 March 31, 2015 to 12% in the three months ended March 31, 2016.

Other expense, net

Other expense, net includes an increase in interest expense of $1,736 as a result of additional borrowings under the November 19, 2015 Amended and Restated Credit Agreement (see Note 11 of notes to the condensed consolidated financial statements).

Income tax provision (benefit)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in thousands) | |
| Income before income tax provision (benefit) | $ (16,709) | $ 4,479 |
| Income tax provision (benefit) | (5,716) | 1,968 |
| Effective tax rate | 34.2 % | 43.9 % |

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For the three months ended March 31, 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 March 31, 2015, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes, permanent differences, and anticipated recognition of previously unrecognized tax benefits.

Segments

Business segments are generally organized around our service offerings. Financial information about each business segment is contained in Note 16 to the notes to the condensed consolidated financial statements. Our business segments are as follows:

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

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

The following table presents income (loss) by segment:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in thousands) | |
| Envestnet | $ 9,574 | $ 9,735 |
| Envestnet \| Yodlee | (14,041) | — |
| Total segment income (loss) from operations | (4,467) | 9,735 |
| Nonsegment operating expenses | (8,293) | (3,053) |
| Other expense, net | (3,949) | (2,203) |
| Consolidated income (loss) before income taxes | (16,709) | 4,479 |
| Income tax provision (benefit) | (5,716) | 1,968 |
| Consolidated net income (loss) | (10,993) | 2,511 |
| Add: Net loss attributable to non-controlling interest | — | — |

| | | |
|---|---|---|
| Consolidated net income (loss) attributable to Envestnet, Inc. | $ (10,993) | $ 2,511 |

Envestnet

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

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | Percent Change |
| | (in thousands) | | |
| Revenues: | | | |
| Assets under management or administration | $ 82,871 | $ 81,077 | 2% |
| Subscription and licensing | 18,576 | 14,082 | 32% |
| Professional services and other | 1,743 | 1,295 | 35% |
| Total revenues | 103,190 | 96,454 | 7% |
| | | | |
| Operating expenses: | | | |
| Cost of revenues | 38,353 | 38,695 | -1% |
| Compensation and benefits | 35,116 | 30,254 | 16% |
| General and administration | 14,082 | 12,437 | 13% |
| Depreciation and amortization | 6,065 | 5,333 | 14% |
| Total operating expenses | 93,616 | 86,719 | 8% |
| Income from operations | $ 9,574 | $ 9,735 | -2% |

Three months ended March 31, 2016 compared to three months March 31, 2015 for the Envestnet segment

Revenues

Total revenues increased 7% from $96,454 in the three months ended March 31, 2015 to $103,190 in the three months ended March 31, 2016. The increase was primarily due to an increase in revenues from subscription and licensing of $4,494. Revenues from AUM/A were 80% and 84% of total revenues in the three months ended March 31, 2016 and 2015, respectively.

Assets under management or administration

Revenues earned from AUM/AUA increased 2% from $81,077 in the three months ended March 31, 2015 to $82,871 in the three months ended March 31, 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 first quarter of 2016, revenues were positively affected by new account growth and positive net flows of AUM or AUA 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.

The number of financial advisors with AUM or AUA on our technology platforms increased from 29,023 as of March 31, 2015 to 35,718 as of March 31, 2016 and the number of AUM or AUA client accounts increased from approximately 1,000,000 as of March 31, 2015 to approximately 1,400,000 as of March 31, 2016.

Subscription and licensing

Subscription and licensing revenues increased 32% from $14,082 in the three months ended March 31, 2015 to $18,576 in the three months ended March 31, 2016, primarily due an increase in Envestnet | Tamarac related revenue of $3,039.

Professional services and other

Professional services and other revenues increased 35% from $1,295 in the three months ended March 31, 2015 to $1,743 in the three months ended March 31, 2016, primarily due an increase in Envestnet | Tamarac professional services related revenue of $224.

Cost of revenues

Cost of revenues decreased 1% from $38,695 in the three months ended March 31, 2015 to $38,353 in the three months ended March 31, 2016. As a percentage of total revenues, cost of revenues decreased from 40% in the three months ended March 31, 2015 to 37% in the three months ended March 31, 2016.

Compensation and benefits

Compensation and benefits increased 16% from $30,254 in the three months ended March 31, 2015 to $35,116 in the three months ended March 31, 2016, primarily due to an increase in salaries, benefits and related payroll taxes and non-cash compensation of $3,701, primarily a result of an increase in headcount, including headcount related to the Castle Rock and Finance Logix acquisitions. As a percentage of total revenues, compensation and benefits increased from 31% in the three months ended March 31, 2015 to 34% in the three months ended March 31, 2016.

General and administration

General and administration expenses increased 13% from $12,437 in the three months ended March 31, 2015 to $14,082 in the three months ended March 31, 2016. As a percentage of total revenues, general and administration expenses increased from 13% in the three months ended March 31, 2015 to 14% in the three months ended March 31, 2016.

Depreciation and amortization

Depreciation and amortization expense increased 14% from $5,333 in the three months ended March 31, 2015 to $6,065 in the three months ended March 31, 2016, primarily due to increases in depreciation of $514 from fixed asset purchases. As a percentage of total revenues, depreciation and amortization expense was 6% in the three months ended March 31, 2015 and 2016.

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Envestnet | Yodlee

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

| | Three Months Ended March 31, 2016 | 2015 | Percent Change |
|---|---|---|---|
| | (in thousands) | | |
| Revenues: | | | |
| Subscription and licensing | $ 25,045 | $ — | * |
| Professional services and other | 3,586 | — | * |
| Total revenues | 28,631 | — | * |
| | | | |
| Operating expenses: | | | |
| Cost of revenues | 1,806 | — | * |
| Compensation and benefits | 23,641 | — | * |
| General and administration | 7,209 | — | * |
| Depreciation and amortization | 10,016 | — | * |
| Total operating expenses | 42,672 | — | * |
| Loss from operations | $ (14,041) | $ — | * |

* Not meaningful

There are no amounts in the three months ended March 31, 2015, as Yodlee was acquired on November 19, 2015. For additional information pertaining to our business segments, see Note 16 to the notes to the condensed consolidated financial statements.

Nonsegment

Nonsegment expenses increased 172% from $3,053 in the three months ended March 31, 2015 to $8,293 in the three months ended March 31, 2016, primarily due to an increase in non-cash compensation expense of $1,953, an increase in transaction related costs of $808 and a decrease in the fair market value adjustment on contingent consideration of $1,396.

Non-GAAP Financial Measures

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in thousands) | |
| Adjusted revenues | $ 132,032 | $ 96,454 |
| Adjusted EBITDA | 19,193 | 16,814 |
| Adjusted net income | 12,974 | 8,248 |
| Adjusted net income per share | 0.18 | 0.22 |

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

"Adjusted EBITDA" represents net income before deferred revenue fair value adjustment, interest income, interest expense, income tax provision (benefit), depreciation and amortization, non-cash compensation expense, restructuring charges and transaction costs, severance, accretion on contingent consideration, fair market value adjustment on contingent consideration, litigation related expense, effects of foreign currency and related hedging activity, other income (expense) and pre-tax loss attributable to non-controlling interest.

"Adjusted net income" represents net income (loss) before deferred revenue fair value adjustment, non-cash interest expense, non-cash compensation expense, restructuring charges and transaction costs, severance, accretion on contingent consideration, fair-market value adjustment on contingent consideration, litigation related expense, amortization of acquired intangibles, effects of foreign currency and related hedging activity, other income (expense) and net 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 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;

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- 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 ($1,513) and $475 for the three months ended March 31, 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 March 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in thousands) | |
| Total revenues | $ 131,821 | $ 96,454 |
| Deferred revenue fair value adjustment | 211 | — |
| Adjusted revenues | $ 132,032 | $ 96,454 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in thousands) | |
| Net income (loss) | $ (10,993) | $ 2,511 |
| Add (deduct): | | |
| Deferred revenue fair value adjustment | 211 | — |
| Interest income | (14) | (122) |
| Interest expense | 4,092 | 2,356 |
| Accretion on contingent consideration | 62 | 342 |
| Income tax provision (benefit) | (5,716) | 1,968 |
| Depreciation and amortization | 16,080 | 5,333 |
| Non-cash compensation expense | 11,491 | 3,419 |
| Restructuring charges and transaction costs | 2,329 | 1,430 |
| Severance | 627 | 593 |
| Fair market value adjustment on contingent consideration | 50 | (1,446) |
| Litigation related expense | 499 | — |
| Foreign currency and related hedging activity | (162) | — |
| Other loss | 43 | — |
| Pre-tax loss attributable to non-controlling interest | 594 | 430 |
| Adjusted EBITDA | $ 19,193 | $ 16,814 |

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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 March 31, | |
|---|---|---|
| | 2016* | 2015* |
| | (in thousands) | |
| Net income (loss) | $ (10,993) | $ 2,511 |
| Income tax provision (benefit) (1) | (5,716) | 1,968 |
| Income (loss) before income tax provision (benefit) | (16,709) | 4,479 |
| Add (deduct): | | |
| Deferred revenue fair value adjustment | 211 | — |
| Accretion on contingent consideration | 62 | 342 |
| Non-cash interest expense | 2,013 | 1,539 |
| Non-cash compensation expense | 11,491 | 3,419 |
| Restructuring charges and transaction costs | 2,329 | 1,430 |
| Severance | 627 | 593 |
| Amortization of acquired intangibles | 11,926 | 3,138 |
| Fair market value adjustment on contingent consideration | 50 | (1,446) |
| Litigation related expense | 499 | — |
| Foreign currency and related hedging activity | (162) | — |
| Other loss | 43 | — |
| Net loss attributable to non-controlling interest | 594 | 430 |
| Adjusted net income before income tax effect | 12,974 | 13,924 |
| Income tax effect (2) | (5,190) | (5,570) |
| Adjusted net income | $ 7,784 | $ 8,354 |
| | | |
| Basic number of weighted-average shares outstanding | | |
| Effect of dilutive shares: | 42,506,557 | 35,147,043 |
| Options to purchase common stock | 1,209,397 | 1,988,124 |
| Unvested restricted stock units | 76,357 | 181,767 |
| Diluted number of weighted-average shares outstanding | 43,792,311 | 37,316,934 |
| Adjusted net income per share - diluted | $ 0.18 | $ 0.22 |

(1) For the three months ended March 31, 2016 and March 31, 2015, the effective tax (benefit) rate computed in accordance with US GAAP equaled (34.2%) and 43.9%, 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. For the three months ended March 31, 2016, the Company received refunds, net of estimated taxes paid, of $1,513. For the three months ended March 31, 2015, the Company paid estimated cash income taxes of $475.

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The following tables set forth the reconciliation of revenues to adjusted revenues and net income to adjusted EBITDA based on our historical results for each segment for the three months ended March 31, 2016 and 2015:

| | For the Three Months Ended March 31, 2016 | | | |
|---|---|---|---|---|
| | Envestnet | Envestnet I Yodlee | Non-Segment | Total |
| | (in thousands) | | | |
| Revenues | $ 103,190 | $ 28,631 | $ — | $ 131,821 |
| Deferred revenue fair value adjustment | (11) | 222 | — | 211 |
| Adjusted revenues | $ 103,179 | $ 28,853 | $ — | $ 132,032 |
| | | | | |
| Income (loss) from operations | $ 9,574 | $ (14,041) | $ (8,293) | $ (12,760) |
| Add (deduct): | | | | |
| Deferred revenue fair value adjustment | (11) | 222 | — | 211 |
| Accretion on contingent consideration | 62 | — | — | 62 |
| Depreciation and amortization | 6,065 | 10,015 | — | 16,080 |
| Non-cash compensation expense | 3,215 | 6,025 | 2,251 | 11,491 |
| Restructuring charges and transaction costs | 87 | 4 | 2,238 | 2,329 |
| Severance | — | 309 | 318 | 627 |
| Fair market value adjustment on contingent consideration | — | — | 50 | 50 |
| Litigation related expense | — | 499 | — | 499 |
| Other (income) loss | — | — | 10 | 10 |
| Pre-tax loss attributable to non-controlling interest | 594 | — | — | 594 |
| Adjusted EBITDA | $ 19,586 | $ 3,033 | $ (3,426) | $ 19,193 |

| | For the Three Months Ended March 31, 2015 | | | |
|---|---|---|---|---|
| | Envestnet | Envestnet I Yodlee | Non-Segment | Total |
| | (in thousands) | | | |
| Revenues | $ 96,454 | $ — | $ — | $ 96,454 |
| Deferred revenue fair value adjustment | - | — | — | — |
| Adjusted revenues | $ 96,454 | $ — | $ — | $ 96,454 |
| | | | | |
| Income (loss) from operations | $ 9,735 | $ — | $ (3,053) | $ 6,682 |
| Add (deduct): | | | | |
| Deferred revenue fair value adjustment | — | — | — | — |
| Accretion on contingent consideration | 342 | — | — | 342 |
| Depreciation and amortization | 5,333 | — | — | 5,333 |
| Non-cash compensation expense | 3,121 | — | 298 | 3,419 |
| Restructuring charges and transaction costs | — | — | 1,430 | 1,430 |

| | | | | |
|---|---|---|---|---|
| Severance | 593 | — | — | 593 |
| Fair market value adjustment on contingent consideration | — | — | (1,446) | (1,446) |
| Other (income) loss | — | — | 31 | 31 |
| Pre-tax loss attributable to non-controlling interest | 430 | — | — | 430 |
| Adjusted EBITDA | $ 19,554 | $ — | $ (2,740) | $ 16,814 |

Liquidity and Capital Resources

As of March 31, 2016, we had total cash and cash equivalents of $36,550 compared to $51,718 as of December 31, 2015. We plan to use existing cash as of March 31, 2016 and cash generated in the ongoing operations of our business to fund our current operations, capital expenditures and possible acquisitions or other strategic activity. In addition, during 2016, we may be required to borrow against the Amended and Restated 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:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in thousands) | |
| Net cash provided by (used in) operating activities | $ 13,791 | $ (2,748) |
| Net cash used in investing activities | (22,824) | (5,831) |
| Net cash provided by (used in) financing activities | (6,135) | 8,739 |
| Net increase (decrease) in cash and cash equivalents | (15,168) | 160 |
| Cash and cash equivalents, end of period | 36,550 | 209,914 |

Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2016 increased by $16,539 compared to the same period in 2015, primarily due to an increase in non-cash adjustments of $32,954 offset by a decreases in net income of $13,504 and changes in operating assets and liabilities, net of acquisition of $2,911.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2016 increased by $16,993 compared to the same period in 2015. The increase is primarily a result of an increase in cash disbursements for acquisitions of $18,125 and the purchase of ERS units of $1,500.

Financing Activities

Net cash used in financing activities for the three months ended March 31, 2016 decreased by $14,874 compared to the same period in 2015, primarily a result of a decrease in excess tax benefits from stock-based compensation expense of $11,743 and decrease in proceeds from the exercise of stock options of $2,503.

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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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 March 31, 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 months ended March 31, 2016, 63% of our revenues were derived from revenues based on the market value of AUM or AUA. We expect this percentage to vary over time. A decrease in the aggregate value of AUM or AUA may cause our revenue and income to decline.

Foreign currency risk

The expenses of our India subsidiary, which primarily consist of expenditures related to compensation and benefits, are paid using the Indian Rupee. We are directly exposed to changes in foreign currency exchange rates through the translation of these monthly expenditures into U.S. dollars. As of March 31, 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 $410 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 $330 to pre tax earnings.

We manage our exposure to fluctuations in the Indian Rupee by entering into forward contracts to cover a portion of our projected expenditures paid in local currency. These contracts generally have a term of less than 12 months. The notional amount of our forward contracts was $6,222 at March 31, 2016.

A sensitivity analysis performed on our hedging portfolio indicated that a hypothetical 10% appreciation of the U.S. dollar from its value at March 31, 2016 would decrease the fair value of our foreign currency contracts by $569. A hypothetical 10% depreciation of the U.S. dollar from its value at March 31, 2016 would increase the fair value of our foreign currency contracts by $696.

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 March 31, 2016, there was $148,000 of Term Notes and $2,000 revolving credit amounts outstanding under the Amended and Restated Credit Agreement. The Company incurred interest expense of $1,818 for the three months ended March 31, 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 $188.

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 March 31, 2016. The term “disclosure controls and procedures,” as defined in Rules 13a

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15(e) and 15d 15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures.

Based on their evaluation of our disclosure controls and procedures as of March 31, 2016, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

During the three months ended March 31, 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. The magistrate judge has entered a trial date of March 13, 2017. Discovery is proceeding while the motion to dismiss is pending. 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 February 3, 2016, the parties jointly submitted a letter to the court in which Plaid requested that the Court stay the litigation pending the resolution of the motion to dismiss, or in the alternative defer all discovery deadlines and dispositive motion deadlines. In that same letter, Yodlee presented its opposition to that request, noting that the Court had previously denied an earlier motion to stay discovery brought by Plaid. In the February 3, 2016 letter, the parties also informed the Court that if the current case schedule remains in place, including the March 13, 2017 trial date, they had agreed to certain changes in the deadlines for certain discovery and pre-trial events. On February 23, 2016, the Court entered an Order re Discovery in which it adopted the proposed changes to the pre-trial schedule with minor modifications and which maintained the March 13, 2017 trial date. On April 22, 2016, Plaid filed a renewed motion to stay asking the Court to stay all discovery until there is final ruling on the motion to dismiss and/or until the Inter-Partes Review ("IPR') and Covered Business Method proceedings described below are resolved. Plaid also requested that the Court hold another scheduling conference irrespective of the outcome of the motion to stay. It is too early to predict the outcome of these legal proceedings. Yodlee intends to vigorously prosecute its infringement claims. Yodlee believes Plaid's allegations regarding Yodlee's patents are without merit and intends to vigorously defend against these allegations.

On December 2, 2015 and December 3, 2015, Plaid filed petitions for 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 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. If the PTAB decides to initiate the IPR proceeding, it will set a schedule for both parties' submissions and will set a date for a trial before the PTAB. The schedule for the proceeding has not been set but, based on the statutory deadlines, a final decision would likely be rendered in June, 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

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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 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 April 18, 2016, counsel for Plaid informed counsel for Yodlee that it intends for file four more Covered Business Method Petitions (after which it will have filed a Covered Business Method Review Petition against each of the seven Yodlee patents at issue in the litigation. The schedule for the various Covered Business Method proceedings have not been set but, based on the statutory deadlines, final decisions would likely be rendered in the timeframe August - November 2017 depending on when Plaid files the remaining petitions. 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.

Merger Litigation

Envestnet Inc. (“Envestnet), Yale Merger Sub Inc. (“Merger Sub”), Yodlee Inc. (“Yodlee”), and all members of Yodlee’s Bboard of Ddirectors at the time of Yodlee’s acquisition (the “Acquisition”) by Envestnet have been named as defendants in two putative class actions challenging the Acquisition. The suits are captioned Suman Inala v. Yodlee, Inc., et al. (Case No. 11461) (filed September 2, 2015 and amended on October 14, 2015) and Guillaume Wieland-Paquet v. Yodlee, Inc., et al. (Case No. 11611) (filed October 14, 2015) and are pending in the Court of Chancery of the State of Delaware. The complaints allege, among other things, that the Yodlee directors breached their fiduciary duties by agreeing to sell Yodlee through a conflicted process and by failing to ensure that Yodlee’s stockholders received adequate and fair value for their shares. The complaints also allege that the Form S-4 Registration Statement filed by the Envestnet, which contained Yodlee’s proxy statement, failed to disclose material information to Yodlee’s stockholder. The complaints also allege that Envestnet and Merger Sub aided and abetted these breaches of fiduciary duties. The plaintiffs sought as relief, among other things, an injunction against the merger, rescission of the Merger Agreement to the extent it was already implemented, an award of damages and attorneys’ fees.

On October 16, 2015, plaintiffs moved for expedited proceedings and discovery, so as to be in a position to seek injunctive relief preventing Yodlee’s shareholders from voting on the proposed Merger. On October 28, 2015, the Court denied plaintiff’s motion and on November 19, 2015, the Merger was completed. On March 15, 2016, Plaintiffs advised the Court that they intend to voluntarily dismiss the suits and to seek an as yet unspecified award of fees for purportedly compelling Yodlee to supplement its proxy statement in order to moot certain of plaintiffs’ claims.

Appraisal Demand

Two former shareholders of Yodlee, Blueblade Capital Opportunities LLC and Blueblade Capital Opportunities LLC II (collectively, "Blueblade"), exercised their statutory right to not accept the consideration, consisting of $11.51 in cash and 0.1889 of a share of Envestnet common stock per Yodlee share, paid by Envestnet in the Acquisition and demanded an appraisal of the "fair value" of the 577,829 shares of Yodlee common stock in which Blueblade claimed to hold a beneficial interest ("Blueblade's shares"). Envestnet believed that the "fair value" of Blueblade's shares did not exceed the consideration paid in the Acquisition. Nevertheless, Envestnet settled Bluebade's appraisal claim in order to avoid the costs, uncertainties, disruptions and distraction of litigation. The amount of the settlement did not have a material adverse effect on Envestnet's results of operations or financial condition.

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 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 |
|---|---|---|---|---|
| January 1, 2016 through January 31, 2016 | 8,500 | $ 25.19 | — | — |
| February 1, 2016 through February 29, 2016 | 162,292 | 21.82 | — | — |
| March 1, 2016 through March 31, 2016 | 34,975 | 23.52 | — | — |

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 March 31, 2016, 2,000,000 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 May 6, 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

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 * |

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