OMNICOM GROUP INC
Form 4
July 06, 2005

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
HENNING MICHAEL A

(Last) (First) (Middle)

C/O OMNICOM GROUP INC., 437 MADISON AVENUE

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
OMNICOM GROUP INC [OMC]

3. Date of Earliest Transaction (Month/Day/Year)
07/01/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, Par Value $0.15	07/01/2005		A		218.44 (1)	A	$ 0	4,550.23	D	
Common Stock, Par Value $0.15	07/01/2005		A		187.23 (2)	A	$ 0	4,741.91 (3)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HENNING MICHAEL A C/O OMNICOM GROUP INC. 437 MADISON AVENUE NEW YORK, NY 10022	X			

Signatures

/s/ Michael J. O'Brien, Attorney in Fact for Reporting Person	07/06/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reporting person elected to defer receipt of these shares under the terms of the Omnicom Group Inc. Director Equity Plan.

(2) The reporting person elected to defer receipt of these shares, which represent a quarterly payment of his annual retainer, under the terms of the Omnicom Group Inc. Director Equity Plan.

(3) Includes dividends on deferred shares that are reinvested in company stock, credited on April 7, 2005.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ="bottom"> $(4,437) $11,246 $15,683 $(3,458) $12,225

Amortization expense for intangible assets was as follows:

	Three Months Ended March 31,	
	2012	**2011**
Amortization expense	$ 979	$ 282

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, except share and per share amounts)

8. Other Non-Current Assets

Other non-current assets consist of the following:

	March 31, 2012	December 31, 2011
Investment in private company	$ 1,250	$ 1,250
Deposits		
Lease	1,538	1,538
Other	266	259
Other	111	115
Total other non-current assets	$ 3,165	$ 3,162

9. Fair Value Measurements

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

Level 1: Inputs based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Inputs based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or inputs that are observable and can be corroborated by observable market data.

Level 3: Inputs reflect management s best estimates and assumptions of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation of the instruments.

Fair Value on a Recurring Basis:

The Company periodically invests excess cash in money-market funds not insured by the FDIC. The Company believes that the investments in money market funds are on deposit with creditworthy financial institutions and that the funds are highly liquid. The fair values of the Company s investments in money market funds are based on the daily quoted market prices for the net asset value of the various money market funds. These money market funds are considered Level 1 assets, totaled approximately $55,910 and $52,383 as of March 31, 2012 and December 31, 2011, respectively and are included in cash and cash equivalents in the unaudited condensed consolidated balance sheet.

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(In thousands, except share and per share amounts)

10. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2012	December 31, 2011
Accrued investment manager fees	$ 9,203	$ 8,451
Accrued compensation and related taxes	2,267	4,230
Accrued professional services	625	481
Accrued restructuring charges	19	290
Other accrued expenses	1,072	1,467
Total accrued expenses	$ 13,186	$ 14,919

As a result of the EPS acquisition on December 31, 2011, the Company incurred restructuring charges, primarily severance charges related to the termination of certain EPS employees in the three months ended March 31, 2012.

In the three months ended March 31, 2012 and 2011, the Company recognized pretax restructuring charges of $27 and $10.

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

	EPS Acquisition	Other	Total
Balance at December 31, 2011	$ 237	$ 53	$ 290
Restructuring provision incurred	27		27
Payments	(255)	(43)	(298)
Balance at March 31, 2012	$ 9	$ 10	$ 19

11. Income Taxes

U.S. GAAP requires the interim period tax provision to be determined as follows:

At the end of each quarter, the Company estimates the tax that will be provided for the year stated as a percent of estimated ordinary income for the year. The term ordinary income refers to earnings from continuing operations before income taxes, excluding significant unusual or infrequently occurring items.

The estimated annual effective rate is applied to the year-to-date ordinary income at the end of each quarter to compute the year-to-date tax applicable to ordinary income. The tax expense or benefit related to ordinary income in each quarter is the difference between the most recent year-to-date and the prior quarter year-to-date computations.

The tax effects of significant unusual or infrequently occurring items are recognized as discrete items in the interim period in which the events occur. The impact of changes in tax laws or rates on deferred tax amounts, the effects of changes in judgment about beginning of the year valuation allowances and change in tax reserves resulting from the finalization of tax audits or reviews are examples of significant unusual or infrequently occurring items that are recognized as discrete items in the interim period in which the event occurs.

The determination of the annual effective tax rate is based upon a number of significant estimates and judgments, including the estimated annual pretax income of the Company and the development of tax planning strategies during the year.

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(In thousands, except share and per share amounts)

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Income before income taxes	$ 1,238	$ 2,372
Income tax provision	498	968
Effective tax rate	40.2%	40.8%

Upon exercise of stock options, the Company recognizes any difference between U.S. GAAP compensation expense and income tax compensation expense as a tax windfall or shortfall. The difference is charged to equity in the case of a windfall. When the exercise results in a windfall and the windfall results in a net operating loss (NOL), or the windfall increases an NOL carryforward, no windfall is recognized until the deduction reduces the income tax payable. For U.S. GAAP purposes, the Company has deferred the recognition of approximately $1,381 in windfall tax benefits associated with its stock-based compensation until a cash tax savings is realized. The benefit will be recorded in stockholders equity when utilized on an income tax return to reduce taxes payable, and as such, it will not impact the Company s effective tax rate.

The total amount of the gross liability for unrecognized tax benefits reported in other non-current liabilities was $618 and $573 at March 31, 2012 and December 31, 2011, respectively. At March 31, 2012, the amount of unrecognized tax benefits that would benefit the Company s effective tax rate, if recognized, was $472.

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. The Company had accrued interest and penalties of $209 as of both March 31, 2012 and December 31, 2011.

The Company files a consolidated federal income tax return and separate tax returns with various states. Additionally, a subsidiary of the Company files a tax return in a foreign jurisdiction. The Company s tax returns for the calendar years ended December 31, 2011, 2010 and 2009, and fiscal year ended March 31, 2009 remain open to examination by the Internal Revenue Service in their entirety. They also remain open with respect to state taxing jurisdictions.

12. Stock-Based Compensation

Stock Options

The Company has stock options and restricted stock outstanding under the 2004 Stock Incentive Plan (the 2004 Plan) and the 2010 Long-Term Incentive Plan (the 2010 Plan). As of March 31, 2012, the maximum number of shares available for future issuance under the 2010 Plan is 2,062,041.

Employee stock-based compensation expense was as follows:

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Employee stock-based compensation expense	$ 795	$ 816

Tax effect on employee stock-based compensation expense	(320)	(309)
Net effect on income	$ 475	$ 507

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(In thousands, except share and per share amounts)

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Grant date fair value of options	$ 4.92	$ 5.26
Volatility	39.7%	39.3%
Risk-free interest rate	1.1%	2.5%
Dividend yield	0.0%	0.0%
Expected term (in years)	6.0	6.0

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

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2011	4,863,718	$ 8.19		
Granted	149,652	12.45		
Exercised	(124,956)	7.59		
Forfeited	(2,000)	9.70		
Outstanding as of March 31, 2012	4,886,414	8.34	6.7	$ 20,544
Options exercisable	3,008,274	7.39	5.6	15,486

Exercise prices of stock options outstanding as of March 31, 2012 range from $0.11 to $13.45.

Restricted Stock

Periodically, the Company grants restricted stock awards to employees that vest one-third on each of the first three anniversaries of the grant date. The following is a summary of the activity for unvested restricted stock awards during the three months ended March 31, 2012:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Balance at December 31, 2011	73,820	$ 12.26
Granted	155,383	12.44
Vested	(21,235)	12.55
Expired/cancelled	(1,064)	12.45
Forfeited	(104)	12.55

Balance at March 31, 2012	206,800	$	12.36

At March 31, 2012, there was $8,050 of unrecognized compensation cost related to unvested stock options and restricted stock which the Company expects to recognize over a weighted-average period of 2.3 years.

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Envestnet, Inc.

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13. Earnings Per Share

Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share reflects the weighted average number of shares outstanding after the assumed conversion of all dilutive securities.

The following is a reconciliation of net earnings to basic earnings per share and diluted earnings per share:

	Three Months Ended March 31,	
	2012	**2011**
Net income	$ 740	$ 1,404
Basic number of weighted-average shares outstanding	31,857,598	31,433,964
Effect of dilutive shares:		
Options to purchase common stock	897,225	1,137,492
Common warrants	143,042	301,144
Unvested restricted stock	4,104	
Diluted number of weighted-average shares outstanding	32,901,969	32,872,600
Net income per share:		
Basic	$ 0.02	$ 0.04
Diluted	$ 0.02	$ 0.04

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

	Three Months Ended March 31,	
	2012	**2011**
Options to purchase common stock	637,985	
Unvested restricted stock	196,800	

14. Major Customers

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

	March 31, 2012	**December 31, 2011**

Fidelity	19%	34%

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Envestnet, Inc.

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(In thousands, except share and per share amounts)

The Company has not established an allowance for doubtful accounts related to the receivables from this customer as of March 31, 2012 or December 31, 2011.

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

	Three Months Ended March 31,	
	2012	2011
Fidelity	24%	30%

15. Commitments and Contingencies

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

16. Subsequent Events

On April 5, 2012, the Company completed the acquisition of Prima and on May 1, 2012, the Company completed the acquisition of Tamarac (Note 3).

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

Unless otherwise indicated, the terms Envestnet , the Company , we , us and our refer to Envestnet, Inc. and its subsidiaries. All amounts are i thousands, except share and per share information, financial advisors and client accounts.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements regarding future events and our future results within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations. These statements are based on our current expectations and projections about future events and are identified by terminology such as anticipate, believe, continue, could, estimate, expect, expected, intend, will, may, or should or the negative of those terms or other compa Although we believe that our plans, intentions and expectations are reasonable, we may not achieve our plans, intentions or expectations.

These forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in our Annual Report on Form 10-K for the year ended December 31, 2011 (the 2011 Form 10-K) under Risk Factors ; accordingly, investors should not place undue reliance upon our forward-looking statements. We undertake no obligation to update any of the forward-looking statements after the date of this quarterly 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 2011 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 unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report and the audited consolidated financial statements and the related notes included in our 2011 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 independent provider of integrated wealth management software and services to financial advisors and institutions. Envestnet AdvisorSuite® software empowers advisors to better manage client outcomes and strengthen their practice. Envestnet® also offers advanced portfolio solutions through its Portfolio Management Consultants group (Envestnet | PMC®). Envestnet Reporting Solutions (Envestnet | Vantage) gives advisors an in-depth view of clients various investments, empowering them to give holistic, personalized advice. By integrating a wide range of investment solutions and services, our Web-based technology platform provides financial advisors with the flexibility to address their clients needs. We work with financial advisors who are independent, as well as those who are associated with financial advisory firms and financial institutions, which we refer to as enterprise clients. We focus our technology development efforts and our sales and marketing approach on addressing financial advisors front-, middle- and back-office needs. We believe that our investment solutions and services allow financial advisors to be more efficient and effective in the activities critical to their businesses by facilitating client interactions, supporting and enhancing portfolio management and analysis, and enabling reliable account support and administration. In addition, we are not controlled by a financial institution, broker-dealer or other entity operating in the securities or wealth management industry, which we believe affords us a greater level of independence and impartiality.

Operational Highlights

Revenues from assets under management (AUM) or assets under administration (AUA) increased 21% from $23,271 in the three months ended March 31, 2011 to $28,263 in the three months ended March 31, 2012. Total revenues, which include licensing and professional service fees, increased 12% from $29,262 in the three months ended March 31, 2011 to $32,642 in the three months ended March 31, 2012. The increase in revenues from assets under management or administration were a result of the positive effects of new account growth and positive net flows of AUM or AUA, as well as an increase in revenues related to the FundQuest acquisition.

Net income for the three months ended March 31, 2012 was $740, or $0.02 per diluted share, compared to $1,404, or $0.04 per diluted share for the three months ended March 31, 2011.

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Adjusted EBITDA for the three months ended March 31, 2012 was $5,094, a decrease of 18% from $6,224 in the prior year period. Adjusted net income for the three months ended March 31, 2012 was $2,201, or $0.7 per diluted share, compared to adjusted net income of $2,964, or $0.09 per diluted share in the prior year period.

Adjusted EBITDA and Adjusted net income are non-GAAP financial measures. See Non-GAAP Financial Measures for a discussion of non-GAAP measures and a reconciliation of such measures to GAAP.

Recent Events

Fidelity Agreement

As of December 31, 2011, we renegotiated a five year license agreement with Fidelity which resulted in a reduction to our license fee revenue. In addition, as a part of the renegotiated agreement, we will continue to receive ongoing platform services fees through the Fidelity relationship based upon asset based fees.

Prima Capital Holding, Inc. Agreement

On April 5, 2012, the Company completed the acquisition of Prima Capital Holding, Inc. (Prima). In accordance with the stock purchase agreement, the Company acquired all of the outstanding shares of Prima for cash consideration of approximately $13,750, subject to certain post-closing adjustments. Prima provides investment management due diligence, research applications, asset allocation modeling and multi-manager portfolios to the wealth management and retirement industries. Prima s clientele includes seven of the top 20 banks in the U.S. as measured by total assets, independent RIAs, regional broker-dealers, family offices and trust companies.

Tamarac, Inc. Agreement

On May 1, 2012, the Company completed the acquisition of Tamarac, Inc. (Tamarac). In accordance with the merger agreement, a newly formed subsidiary of Envestnet merged with and into Tamarac, and Tamarac became a wholly owned subsidiary of Envestnet. Under the terms of the merger agreement, total cash consideration was approximately $54,000 for all of the outstanding stock of Tamarac, subject to certain post-closing adjustments. The Company has established a management incentive plan funded by $7,000 of common stock for the benefit of certain employees of Tamarac. Such shares vest at pre-established intervals, but in no event later than May 15, 2015, based upon Tamarac meeting certain financial targets. Tamarac is a provider of sophisticated portfolio management technology that enables RIA s to efficiently deliver customized individual account management to their clients.

Key Operating Metrics

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

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	March 31, 2011	June 30, 2011	As of September 30, 2011	December 31, 2011	March 31, 2012
	(in millions except accounts and advisor data, unaudited)				
Platform Assets					
Assets Under Management (AUM)	$ 15,635	$ 16,493	$ 15,560	$ 22,936	$ 26,084
Assets Under Administration (AUA)	53,115	54,261	50,607	47,148	54,336
Subtotal AUM/A	68,750	70,754	66,167	70,084	80,420
Licensing	83,538	68,531	61,571	69,514	76,235
Total Platform Assets	**$ 152,288**	**$ 139,285**	**$ 127,738**	**$ 139,598**	**$ 156,655**
Platform Accounts					
AUM	71,396	77,302	83,073	124,636	134,294
AUA	252,260	254,995	254,100	216,038	229,942
Subtotal AUM/A	323,656	332,297	337,173	340,674	364,236
Licensing	601,512	572,612	572,791	588,038	588,936
Total Platform Accounts	**925,168**	**904,909**	**909,964**	**928,712**	**953,172**
Advisors					
AUM/A	14,140	14,613	14,206	13,887	14,386
Licensing	7,895	6,201	5,522	5,709	5,351
Total Advisors	**22,035**	**20,814**	**19,728**	**19,596**	**19,737**

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, 2012					
	As of 12/31/11	Gross Sales	Redemp-tions	Net Flows	Market Impact	As of 3/31/12
	(in millions except account data, unaudited)					
Assets under Management (AUM)	$ 22,936	$ 3,094	$ (1,531)	$ 1,563	$ 1,585	$ 26,084
Assets under Administration (AUA)	47,148	7,119	(2,751)	4,368	2,820	54,336
Subtotal AUM/A	**$ 70,084**	**$ 10,213**	**$ (4,282)**	**$ 5,931**	**$ 4,405**	**$ 80,420**
Fee-Based Accounts	*340,674*	*42,320*	*(18,758)*	*23,562*		*364,236*

Gross sales for the three months ended March 31, 2012 included $4.1 billion in new client conversions.

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

	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012
Assets under management (AUM)	23%	23%	24%	33%	32%
Assets under administration (AUA)	77%	77%	76%	67%	68%
	100%	100%	100%	100%	100%

Results of Operations

Three months ended March 31, 2012 compared to three months ended March 31, 2011

	Three Months Ended March 31,		Increase (Decrease)	
	2012	2011	Amount	%
	(In thousands, unaudited)			
Revenues:				
Assets under management or administration	$ 28,263	$ 23,271	$ 4,992	21%
Licensing and professional services	4,379	5,991	(1,612)	-27%
Total revenues	32,642	29,262	3,380	12%
Operating expenses:				
Cost of revenues	11,526	10,128	1,398	14%
Compensation and benefits	10,685	10,146	539	5%
General and administration	6,773	4,876	1,897	39%
Depreciation and amortization	2,399	1,548	851	55%
Restructuring charges	27	10	17	170%
Total operating expenses	31,410	26,708	4,702	18%
Income from operations	1,232	2,554	(1,322)	-52%
Other income (expense):				
Interest income	9	26	(17)	-65%
Interest expense	(3)	(211)	208	-99%
Gain on investments		3	(3)	-100%
Total other (expense)	6	(182)	188	-103%
Income before income tax provision	1,238	2,372	(1,134)	-48%
Income tax provision	498	968	(470)	-49%
Net income	$ 740	$ 1,404	$ (664)	-47%

Revenues

Total revenues increased 12% from $29,262 in the three months ended March 31, 2011 to $32,642 in the three months ended March 31, 2012. The increase was primarily due to an increase in revenues from AUM or AUA of $4,992. Revenues from assets under management or administration were 87% and 80% of total revenues in the three months ended March 31, 2012 and 2011, respectively.

Assets under management or administration

Revenues earned from AUM or AUA increased 21% from $23,271 in the three months ended March 31, 2011 to $28,263 in the three months ended March 31, 2012. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle in 2012, relative to the corresponding period in 2011. In the first quarter of 2012, revenues were positively affected by new account growth and positive net flows of AUM or AUA during 2011, as well as an increase in revenues related to the FundQuest acquisition.

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The number of financial advisors with AUM or AUA that had client accounts on our technology platform increased from 14,140 as of March 31, 2011 to 14,386 as of March 31, 2012 and the number of AUM or AUA client accounts increased from approximately 324,000 as of March 31, 2011 to approximately 364,000 as of March 31, 2012.

Licensing and professional services

Licensing and professional services revenues decreased 27% from $5,991 in the three months ended March 31, 2011 to $4,379 in the three months ended March 31, 2012, primarily due to a decrease in licensing revenue of $2,061 partially offset by an increase in professional services revenue of $452. The decrease in licensing revenue was primarily a result of the renegotiated license agreement with Fidelity.

Cost of revenues

Cost of revenues increased 14% from $10,128 in the three months ended March 31, 2011 to $11,526 in the three months ended March 31, 2012, primarily due to a corresponding increase in revenues from AUM or AUA. As a percentage of total revenues, cost of revenues remained flat at 35% in the three months ended March 31, 2011 and 2012.

Compensation and benefits

Compensation and benefits increased 5% from $10,146 in the three months ended March 31, 2011 to $10,685 in the three months ended March 31, 2012, primarily due to an increase in salaries and commissions of $591 related to an increase in headcount as a result of the FundQuest acquisition, and an increase in benefits and taxes of $282, offset by a decrease in incentive compensation expense of $271. As a percentage of total revenues, compensation and benefits decreased from 35% in the three months ended March 31, 2011 to 33% in the three months ended March 31, 2012.

General and administration

General and administration expenses increased 39% from $4,876 in the three months ended March 31, 2011 to $6,773 in the three months ended March 31, 2012, primarily due to increases in transaction related costs of $617, occupancy costs of $408, professional and other legal fees of $381 and communication, research and data services expense of $219. Transaction related costs were zero in the prior year period. As a percentage of total revenues, general and administration expenses increased from 17% in the three months ended March 31, 2011 to 21% in the three months ended March 31, 2012.

Depreciation and amortization

Depreciation and amortization expense increased 55% from $1,548 in the three months ended March 31, 2011 to $2,399 in the three months ended March 31, 2012, primarily due to an increase in intangible asset amortization of $697 and fixed asset depreciation and amortization of $173. The increase in intangible asset amortization was due to customer list intangible asset amortization as a result of the FundQuest acquisition (see note 3 to the unaudited condensed consolidated financial statements). The increase in fixed asset depreciation and amortization expense was primarily due to increases in computer equipment and software to support the growth of our operations. As a percentage of total revenues, depreciation and amortization expense increased from 5% in the three months ended March 31, 2011 to 7% in the three months ended March 31, 2012.

Interest expense

Interest expense decreased from $211 in the three months ended March 31, 2011 to $3 in the three months ended March 31, 2012, primarily due to three months of imputed interest on payments due to FundQuest compared to no imputed interest in the current year period. As discussed in notes 3 and 4 to the unaudited consolidated financial statements, due to the FundQuest acquisition and the related termination of the Platform Services Agreement with FundQuest, we have ceased imputing interest expense as of the date of acquisition.

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Income tax provision

	Three Months Ended March 31,	
	2012	2011
	(in thousands, unaudited)	
Income tax provision	$ 498	$ 968
Effective tax rate	40.2%	40.8%

For the three months ended March 31, 2012 and March 31, 2011, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes and permanent differences.

Non GAAP Financial Measures

	Three Months Ended March 31,	
	2012	2011
	(in thousands, unaudited)	
Adjusted EBITDA	$ 5,094	$ 6,224
Adjusted net income	2,201	2,964
Adjusted net income per share	0.07	0.09

Adjusted EBITDA represents net income before interest income, interest expense, income tax provision, depreciation and amortization, non-cash stock-based compensation expense, gain on investments, restructuring charges and transaction costs, severance, customer inducement costs and litigation related expense.

Adjusted net income represents net income before non-cash stock-based compensation expense, restructuring charges and transaction costs, severance, amortization of acquired intangibles, customer inducement costs, imputed interest expense and litigation related expense. Reconciling items are tax effected using the income tax rates in effect on the applicable date.

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

The Compensation Committee of our Board of Directors and our management use adjusted EBITDA, adjusted net income and adjusted net income per share:

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

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

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We also present 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 EBITDA provides comparisons from period to period by excluding potential differences caused by variations in the age and book depreciation of fixed assets affecting relative depreciation expense and amortization of internally developed software, amortization of customer inducement costs, litigation-related expense, severance, gain on investments, and changes in interest expense and interest income that are influenced by capital structure decisions and capital market conditions. Our management also believes it is useful to exclude non-cash stock-based compensation expense from adjusted EBITDA, adjusted operating income and adjusted net income because non-cash equity grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time.

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

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 net income, or any other performance measures derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of our profitability or liquidity.

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

- 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 EBITDA, adjusted net income and adjusted net income per share do not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted EBITDA, adjusted 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 2012 and 2011 we had cash income tax payments of $341 and $109 in the three months ended March 31, 2012 and 2011, respectively. Income tax payments will be higher if we continue to generate taxable income and our existing net operating loss carryforwards for federal and state income taxes have been fully utilized or have expired; and

- Other companies in our industry may calculate adjusted EBITDA, adjusted net income and adjusted net income per share differently than we do, limiting their usefulness as a comparative measure.

Management compensates for the inherent limitations associated with using adjusted EBITDA, adjusted net income and adjusted net income per share through disclosure of such limitations, presentation of our financial statements in accordance with U.S. GAAP and reconciliation of adjusted EBITDA, adjusted net income and adjusted net income per share to net income and net income per share, the most directly comparable U.S. GAAP measure. 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.

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

	Three Months Ended March 31,	
	2012	2011
	(in thousands, unaudited)	
Net income	$ 740	$ 1,404
Add (deduct):		
Interest income	(9)	(26)
Interest expense	3	211
Income tax provision	498	968
Depreciation and amortization	2,399	1,548
Stock-based compensation expense	795	816
Gain on investments		(3)
Restructuring charges and transaction costs	644	10
Severance	5	57
Customer inducement costs		1,206
Litigation related expense	19	33
Adjusted EBITDA	$ 5,094	$ 6,224

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

	Three Months Ended March 31,	
	2012 *	2011 *
	(in thousands, unaudited)	
Net income	$ 740	$ 1,404
Add:		
Stock-based compensation expense	475	488
Restructuring charges and transaction costs	386	6
Severance	3	34
Amortization of acquired intangibles	586	169
Customer inducement costs		721
Imputed interest expense		122
Litigation related expense	11	20
Adjusted net income	$ 2,201	$ 2,964
Basic number of weighted-average shares outstanding	31,857,598	31,433,964
Effect of dilutive shares:		
Options to purchase common stock	897,225	1,137,492
Common warrants	143,042	301,144
Restricted stock	4,104	
Diluted number of weighted-average shares outstanding	32,901,969	32,872,600
Adjusted net income per share	$ 0.07	$ 0.09

* Adjustments are tax effected using an income tax rate of 40.2% for 2012 and 2011, respectively.

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Liquidity and Capital Resources

As of March 31, 2012, we had total cash and cash equivalents of $70,636 compared to $64,909 as of December 31, 2011. In February 2012, we announced two acquisitions that closed in the second quarter of 2012 (see notes 3 and 16 to the notes to the unaudited condensed consolidated financial statements) with a combined purchase price of $67,750. We plan to use existing cash and cash generated in the ongoing operations of our business to fund these acquisitions, our current operations and capital expenditures in 2012.

Cash Flows

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

	Three Months Ended March 31,	
	2012	2011
	(In thousands, unaudited)	
Net cash provided by operating activities	$ 4,930	$ 5,008
Net cash used in investing activities	(73)	(1,839)
Net cash provided by financing activities	870	978
Net increase in cash and cash equivalents	5,727	4,147
Cash and cash equivalents, end of period	70,636	71,815

Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2012 decreased by $78 compared to the same period in 2011, primarily due to a decrease in net income of $664 from the three months ended March 31, 2012 compared to the prior year period, offset by various other non-cash adjustments and changes in operating assets and liabilities.

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Investing Activities

Net cash used in investing activities for the three months ended March 31, 2012 decreased by $1,766 compared to the same period in 2011. Cash disbursements in 2012 and 2011 totaled $959 and $1,854, respectively, for purchases of property and equipment and capitalization of internally developed software. In the three months ended March 31, 2012 the Company also increased goodwill by $889 resulting from the finalization of the working capital adjustment related to the FundQuest acquisition (see note 3 to the unaudited condensed consolidated financial statements).

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2012 decreased by $108 compared to the same period in 2011, primarily due to proceeds from the exercise of stock options of $948 and $1,078 in the three months ended March 31, 2012 and 2011, respectively.

Critical Accounting Estimates

There have been no changes in the matters for which we make critical accounting estimates in the preparation of our unaudited condensed consolidated financial statements during the three months ended March 31, 2012, as compared to those disclosed in Management s Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2011 included in our 2011 Form 10-K.

Commitments and Off-Balance Sheet Arrangements

Leases and Note Payable

We lease facilities under non-cancelable operating leases expiring at various dates through 2023. See our Annual Report on Form 10-K for the year ended December 31, 2011 for our contractual obligations relating to operating leases and note payable.

Prima Capital Holding, Inc. Agreement

On April 5, 2012, the Company completed the acquisition of Prima. In accordance with the stock purchase agreement, the Company acquired all of the outstanding shares of Prima for cash consideration of approximately $13,750, subject to certain post-closing adjustments.

Tamarac, Inc. Agreement

On May 1, 2012, the Company completed the acquisition of Tamarac. In accordance with the merger agreement, a newly formed subsidiary of Envestnet merged with and into Tamarac, and Tamarac became a wholly owned subsidiary of Envestnet. Under the terms of the merger agreement, total cash consideration was approximately $54,000 for all of the outstanding stock of Tamarac, subject to certain post-closing adjustments. The Company has established a management incentive plan funded by $7,000 of common stock for the benefit of certain employees of Tamarac. Such shares vest at pre-established intervals, but in no event later than May 15, 2015, based upon Tamarac meeting certain financial targets.

Recent Accounting Pronouncements

In June 2011, the FASB issued authoritative guidance that amends ASC Topic 220, Comprehensive Income, to require that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, and it eliminates the option to present components of other comprehensive income as a part of the statement of changes in stockholders equity. In addition, this guidance requires an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. These amendments are to be applied retrospectively and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011; however, early adoption is permitted. The adoption of this guidance on January 1, 2012 did not have a material impact on our consolidated financial statements.

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In September 2011, the FASB issued authoritative guidance regarding the testing of goodwill for impairment. This guidance allows companies to perform a qualitative assessment to determine whether or not the current two-step quantitative testing method, in which a company compares the fair value of reporting units to its carrying amount including goodwill, must be followed. If a qualitative assessment indicates that it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, then the quantitative impairment test is not required. A company may choose to use the qualitative assessment on none, some, or all of its reporting units or to bypass the qualitative assessment and proceed directly to the two-step quantitative testing method. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011; however, early adoption is permitted. The adoption of this guidance on January 1, 2012 did not have a material impact on our consolidated financial statements.

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, 2012, 87% of our revenues were derived from revenues based on the market value of AUM or AUA. We expect this percentage to vary over time. A decrease in the aggregate value of AUM or AUA may cause our revenue and income to decline.

Foreign currency risk

The expenses of our India subsidiary, which primarily consist of expenditures related to compensation and benefits, are paid using the Indian Rupee. We are directly exposed to changes in foreign currency exchange rates through the translation of these monthly expenditures into U.S. dollars. For the three months ended March 31, 2012, we estimate that a hypothetical 10% increase in the value of the Indian Rupee to the U.S. dollar would result in a decrease of approximately $100 to pre-tax earnings, respectively and a hypothetical 10% decrease in the value of the Indian Rupee to the U.S. dollar would result in an increase of approximately $100 to pre-tax earnings, respectively.

Interest rate risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Based on their evaluation, our principal executive officer and our principal financial officer concluded that as of March 31, 2012, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Beginning in the fourth quarter of fiscal year 2012, management will include the internal controls of Envestnet Portfolio Solutions, Inc. (EPS), a wholly owned subsidiary (formerly FundQuest), in its assessment of the effectiveness of Envestnet s internal controls over financial reporting. EPS was acquired during the fourth quarter of 2011 as discussed in Note 3, *Business acquisitions,* in the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q, and was excluded from management s annual report on internal control over financial reporting for the fiscal year ended December 31, 2011 in accordance with the general guidance issued by the SEC regarding exclusion of certain acquired businesses.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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 2011 Form 10-K filed, when making investment decisions regarding our securities. The risk factors that were disclosed in our 2011 Form 10-K have not materially changed since the date our 2011 Form 10-K was filed.

Item 2. Unregistered Sales of Equity Securities

Unregistered Sales of Equity Securities

None.

(c) Issuer Purchases of Equity Securities

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
January 1, 2012 through January 31, 2012		$		$
February 1, 2012 through February 29, 2012	6,102	12.71		
March 1, 2012 through March 31, 2012				

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures.

None.

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 9, 2012.

ENVESTNET, INC.

By:	/s/ JUDSON BERGMAN
	Judson Bergman
	Chairman and Chief Executive Officer
	Principal Executive Officer
By:	/s/ PETER D ARRIGO
	Peter D Arrigo
	Chief Financial Officer
	Principal Financial Officer
By:	/s/ DALE SEIER
	Dale Seier
	Senior Vice President, Finance
	Principal Accounting Officer

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INDEX TO EXHIBITS

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

(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, 2012 and December 31, 2011; (ii) the Condensed Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011; (iii) the Condensed Consolidated Statements of Stockholders Equity for the three months ended March 31, 2012; (iv) the Condensed Consolidated Statements of Cash Flow for the three months ended March 31, 2012 and 2011; (v) Notes to the Condensed Consolidated Financial Statements tagged as blocks of text.

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