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

# Form 10-Q

**(Mark One)**

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

**For the quarterly period ended September 30, 2020**

**or**

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

**For the transition period from ________ to ________.**

**Commission File Number 001-10932**

# WisdomTree Investments, Inc.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **13-3487784**<br>**(IRS Employer Identification No.)** |
| **245 Park Avenue, 35th Floor**<br>**New York, New York**<br>**(Address of principal executive offices)** | **10167**<br>**(Zip Code)** |

**212-801-2080**
**(Registrant’s telephone number, including area code)**

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, as amended (the “Exchange Act”) 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 every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|

| | | |
|---|---|---|
| **Common Stock, $0.01 par value** | **WETF** | **The NASDAQ Stock Market LLC** |

As of October 26, 2020, there were 148,781,570 shares of the registrant’s Common Stock, $0.01 par value per share, outstanding.

**WISDOMTREE INVESTMENTS, INC.**

**Form 10-Q**
**For the Quarterly Period Ended September 30, 2020**

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***Unless otherwise indicated, references to "the Company," "we," "us," "our" and "WisdomTree" mean WisdomTree Investments, Inc. and its subsidiaries.***

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect our results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed in the section entitled "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020. If one or more of these or other risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance. You should read this Report and the documents that we reference in this Report and have filed with the Securities and Exchange Commission, or the SEC, as exhibits to this Report, completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

In particular, forward-looking statements in this Report may include statements about:

- the ultimate duration of the COVID-19 pandemic and its short-term and long-term impact on our business and the global economy;
- anticipated trends, conditions and investor sentiment in the global markets and exchange traded products, or ETPs;
- anticipated levels of inflows into and outflows out of our ETPs;
- our ability to deliver favorable rates of return to investors;
- competition in our business;
- our ability to develop new products and services;
- our ability to maintain current vendors or find new vendors to provide services to us at favorable costs;
- our ability to successfully operate and expand our business in non-U.S. markets; and
- the effect of laws and regulations that apply to our business.

The forward-looking statements in this Report represent our views as of the date of this Report. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent our views as of any date other than the date of this Report.

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## PART I: FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

**WisdomTree Investments, Inc. and Subsidiaries**
Consolidated Balance Sheets
*(In Thousands, Except Per Share Amounts)*

| | September 30, 2020 (Unaudited) | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 63,561 | $ 74,972 |
| Securities owned, at fair value (including $23,906 and $16,886 invested in WisdomTree ETFs at September 30, 2020 and December 31, 2019, respectively) | 32,574 | 17,319 |
| Accounts receivable (including $23,420 and $25,667 due from related parties at September 30, 2020 and December 31, 2019, respectively) | 26,163 | 26,838 |
| Income taxes receivable | 38 | — |
| Prepaid expenses | 4,971 | 3,724 |
| Other current assets | 704 | 207 |
| Total current assets | 128,011 | 123,060 |
| Fixed assets, net | 7,654 | 8,127 |
| Notes receivable, net | — | 28,172 |
| Indemnification receivable (Note 22) | 25,502 | 32,101 |
| Securities held-to-maturity | 501 | 16,863 |
| Deferred tax assets, net | 7,115 | 7,398 |
| Investments (Note 9) | 8,112 | 11,192 |
| Right of use assets – operating leases (Note 15) | 16,788 | 18,161 |
| Goodwill (Note 24) | 85,856 | 85,856 |
| Intangible assets (Note 24) | 601,247 | 603,294 |
| Other noncurrent assets | 185 | 983 |
| Total assets | $ 880,971 | $ 935,207 |
| **Liabilities and stockholders' equity** | | |
| **Liabilities** | | |
| Current liabilities: | | |
| Fund management and administration payable | $ 22,427 | $ 22,021 |
| Compensation and benefits payable | 13,881 | 26,501 |
| Deferred consideration – gold payments (Note 11) | 17,202 | 13,953 |
| Securities sold, but not yet purchased, at fair value | — | 582 |
| Operating lease liabilities (Note 15) | 3,124 | 3,682 |
| Income taxes payable | — | 3,372 |
| Accounts payable and other liabilities | 10,383 | 8,930 |
| Total current liabilities | 67,017 | 79,041 |
| Convertible notes (Note 13) | 165,819 | — |
| Debt (Note 12) | — | 175,956 |
| Deferred consideration – gold payments (Note 11) | 190,546 | 159,071 |
| Operating lease liabilities (Note 15) | 17,849 | 19,057 |
| Other noncurrent liabilities (Note 22) | 25,502 | 32,101 |
| Total liabilities | 466,733 | 465,226 |
| Preferred stock – Series A Non-Voting Convertible, par value $0.01; 14.750 shares authorized, issued and outstanding; redemption value of $50,690 and $71,630 at September 30, 2020 and December 31, 2019, respectively) (Note 14) | 132,569 | 132,569 |
| *Contingencies (Note 16)* | | |
| **Stockholders' equity** | | |
| Preferred stock, par value $0.01; 2,000 shares authorized: | — | — |
| Common stock, par value $0.01; 250,000 shares authorized; issued and outstanding: 148,782 and 155,264 at September 30, 2020 and December 31, 2019, respectively | 1,488 | 1,553 |
| Additional paid-in capital | 319,443 | 352,658 |
| Accumulated other comprehensive income | 640 | 945 |
| Accumulated deficit | (39,902) | (17,744) |
| Total stockholders' equity | 281,669 | 337,412 |
| Total liabilities and stockholders' equity | $ 880,971 | $ 935,207 |

*The accompanying notes are an integral part of these consolidated financial statements*

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**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Operations
*(In Thousands, Except Per Share Amounts)*
*(Unaudited)*

| | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Advisory fees | $ 63,919 | $ 67,006 | $184,077 | $197,473 |
| Other income | 721 | 712 | 2,563 | 2,023 |
| Total revenues | 64,640 | 67,718 | 186,640 | 199,496 |
| **Operating Expenses:** | | | | |
| Compensation and benefits | 19,098 | 18,880 | 53,848 | 61,481 |
| Fund management and administration | 15,219 | 15,110 | 44,165 | 45,852 |
| Marketing and advertising | 2,996 | 3,022 | 7,413 | 8,612 |
| Sales and business development | 2,386 | 4,354 | 7,984 | 12,947 |
| Contractual gold payments (Note 11) | 4,539 | 3,502 | 12,362 | 9,710 |
| Professional and consulting fees | 950 | 1,259 | 3,580 | 4,037 |
| Occupancy, communications and equipment | 1,611 | 1,549 | 4,805 | 4,715 |
| Depreciation and amortization | 253 | 259 | 760 | 792 |
| Third-party distribution fees | 1,233 | 1,503 | 3,928 | 5,822 |
| Acquisition and disposition-related costs | — | 190 | 416 | 536 |
| Other | 1,611 | 1,959 | 5,204 | 6,267 |
| Total operating expenses | 49,896 | 51,587 | 144,465 | 160,771 |
| Operating income | 14,744 | 16,131 | 42,175 | 38,725 |
| **Other Income/(Expenses):** | | | | |
| Interest expense | (2,511) | (2,832) | (6,974) | (8,634) |
| Loss on revaluation of deferred consideration – gold payments (Note 11) | (8,870) | (6,306) | (34,436) | (5,939) |
| Interest income | 111 | 799 | 393 | 2,396 |
| Impairments (Note 26) | (3,080) | — | (22,752) | (572) |
| Loss on extinguishment of debt (Note 12) | — | — | (2,387) | — |
| Other gains and losses, net | 744 | 843 | 56 | (3,500) |
| Income/(loss) before income taxes | 1,138 | 8,635 | (23,925) | 22,476 |
| Income tax expense/(benefit) | 1,408 | 4,483 | (1,767) | 7,021 |
| **Net (loss)/income** | $ (270) | $ 4,152 | $ (22,158) | $ 15,455 |
| (Loss)/earnings per share—basic | $ (0.01) | $ 0.02 | $ (0.16) | $ 0.09 |
| (Loss)/earnings per share—diluted | $ (0.01) | $ 0.02 | $ (0.16) | $ 0.09 |
| Weighted-average common shares—basic | 145,564 | 151,897 | 149,886 | 151,782 |
| Weighted-average common shares—diluted | 145,564 | 167,163 | 149,886 | 166,944 |
| Cash dividends declared per common share | $ 0.03 | $ 0.03 | $ 0.09 | $ 0.09 |

*The accompanying notes are an integral part of these consolidated financial statements*

**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Comprehensive Income/(Loss)
*(In Thousands)*
*(Unaudited)*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Net (loss)/income** | $ (270) | $ 4,152 | $(22,158) | $15,455 |
| **Other comprehensive income/(loss)** | | | | |
| Reclassification of foreign currency translation adjustment to other gains and losses, net, upon the sale of WisdomTree Asset Management Canada Inc. ("WTAMC" or "Canadian ETF business") (Note 25) | — | — | (167) | — |
| Reclassification of foreign currency translation adjustment to other gains and losses, net, upon the liquidation of WisdomTree Japan Inc. (Note 25) | — | (397) | — | (397) |
| Foreign currency translation adjustment | 380 | (293) | (138) | (35) |
| Other comprehensive income/(loss) | 380 | (690) | (305) | (432) |
| **Comprehensive income/(loss)** | $ 110 | $ 3,462 | $(22,463) | $15,023 |

*The accompanying notes are an integral part of these consolidated financial statements*

**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Changes in Stockholders' Equity
*(In Thousands)*
*(Unaudited)*

| | For the Three Months Ended September 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | | | | |
| | Shares Issued | Par Value | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
| Balance—July 1, 2020 | 149,796 | $1,498 | $325,406 | $ 260 | $ (39,632) | $287,532 |
| Restricted stock issued and vesting of restricted stock units, net | 52 | 1 | (1) | — | — | — |
| Shares repurchased | (1,066) | (11) | (4,524) | — | — | (4,535) |
| Stock-based compensation | — | — | 2,844 | — | — | 2,844 |
| Allocation of equity component related to convertible notes, net of issuance costs of $29 and deferred taxes of $222 | — | — | 655 | — | — | 655 |
| Other comprehensive income | — | — | — | 380 | — | 380 |
| Dividends | — | — | (4,937) | — | — | (4,937) |
| Net loss | — | — | — | — | (270) | (270) |
| Balance—September 30, 2020 | 148,782 | $1,488 | $319,443 | $ 640 | $ (39,902) | $281,669 |

| | For the Three Months Ended September 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | | | | |
| | Shares Issued | Par Value | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
| Balance—July 1, 2019 | 155,108 | $1,551 | $367,750 | $ 725 | $ (6,207) | $363,819 |
| Restricted stock issued and vesting of restricted stock units, net | (301) | (3) | 3 | — | — | — |
| Shares repurchased | (13) | — | (80) | — | — | (80) |
| Exercise of stock options, net | 25 | — | 56 | — | — | 56 |
| Stock-based compensation | — | — | 2,374 | — | — | 2,374 |
| Other comprehensive loss | — | — | — | (690) | — | (690) |
| Dividends | — | — | — | — | (5,095) | (5,095) |
| Net income | — | — | — | — | 4,152 | 4,152 |
| Balance—September 30, 2019 | 154,819 | $1,548 | $370,103 | $ 35 | $ (7,150) | $364,536 |

*The accompanying notes are an integral part of these consolidated financial statements*

**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Changes in Stockholders' Equity (Continued)
*(In Thousands)*
*(Unaudited)*

| | For the Nine Months Ended September 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | | | | |
| | Shares Issued | Par Value | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
| Balance—January 1, 2020 | 155,264 | $1,553 | $352,658 | $ 945 | $ (17,744) | $337,412 |
| Restricted stock issued and vesting of restricted stock units, net | 1,601 | 16 | (16) | — | — | — |
| Shares repurchased | (8,190) | (81) | (30,898) | — | — | (30,979) |
| Exercise of stock options, net | 107 | — | 240 | — | — | 240 |
| Stock-based compensation | — | — | 9,003 | — | — | 9,003 |
| Allocation of equity component related to convertible notes, net of issuance costs of $157 and deferred taxes of $1,239 | — | — | 3,663 | — | — | 3,663 |
| Other comprehensive loss | — | — | — | (305) | — | (305) |
| Dividends | — | — | (15,207) | — | — | (15,207) |
| Net loss | — | — | — | — | (22,158) | (22,158) |
| Balance—September 30, 2020 | 148,782 | $1,488 | $319,443 | $ 640 | $ (39,902) | $281,669 |

| | For the Nine Months Ended September 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | | | | |
| | Shares Issued | Par Value | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
| Balance—January 1, 2019 | 153,202 | $1,532 | $363,655 | $ 467 | $ (7,319) | $358,335 |
| Restricted stock issued and vesting of restricted stock units, net | 1,910 | 18 | (18) | — | — | — |
| Shares repurchased | (338) | (2) | (2,185) | — | — | (2,187) |
| Exercise of stock options, net | 45 | — | 70 | — | — | 70 |
| Stock-based compensation | — | — | 8,581 | — | — | 8,581 |
| Other comprehensive loss | — | — | — | (432) | — | (432) |
| Dividends | — | — | — | — | (15,286) | (15,286) |
| Net income | — | — | — | — | 15,455 | 15,455 |
| Balance—September 30, 2019 | 154,819 | $1,548 | $370,103 | $ 35 | $ (7,150) | $364,536 |

*The accompanying notes are an integral part of these consolidated financial statements*

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**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Cash Flows
*(In Thousands)*
*(Unaudited)*

| | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net (loss)/income | $ (22,158) | $ 15,455 |
| Adjustments to reconcile net (loss)/income to net cash provided by operating activities: | | |
| Advisory fees received in gold and other precious metals | (46,077) | (36,306) |
| Loss on revaluation of deferred consideration – gold payments (Note 11) | 34,436 | 5,939 |
| Impairments | 22,752 | 572 |
| Contractual gold payments (Note 11) | 12,362 | 9,710 |
| Stock-based compensation | 9,003 | 8,581 |
| Gain on sale – Canadian ETF business | (2,877) | — |
| Loss on extinguishment of debt | 2,387 | — |
| Amortization of right of use asset | 2,384 | 2,379 |
| Amortization of issuance costs – former credit facility | 1,328 | 2,159 |
| Deferred income taxes | (961) | 1,383 |
| Amortization of issuance costs – convertible notes | 882 | — |
| Depreciation and amortization | 760 | 792 |
| Paid-in-kind interest income | — | (1,856) |
| Other | (1,173) | (330) |
| Changes in operating assets and liabilities: | | |
| Securities owned, at fair value | (15,255) | 5,497 |
| Accounts receivable | 3,166 | 2,358 |
| Income taxes receivable/payable | (3,399) | 4,350 |
| Prepaid expenses | (1,325) | (888) |
| Gold and other precious metals | 32,969 | 25,751 |
| Other assets | (341) | (571) |
| Fund management and administration payable | 735 | (366) |
| Compensation and benefits payable | (12,349) | 1,476 |
| Securities sold, but not yet purchased, at fair value | (582) | (1,130) |
| Operating lease liabilities | (2,778) | (2,662) |
| Accounts payable and other liabilities | 1,679 | 788 |
| Net cash provided by operating activities | 15,568 | 43,081 |
| **Cash flows from investing activities:** | | |
| Purchase of fixed assets | (292) | (25) |
| Funding of notes receivable | — | (1,790) |
| Proceeds from held-to-maturity securities maturing or called prior to maturity | 16,441 | 2,313 |
| Proceeds from the sale of the Company’s financial interests in AdvisorEngine Inc. | 9,592 | — |
| Proceeds from sale of Canadian ETF business, net | 2,774 | — |
| Net cash provided by investing activities | 28,515 | 498 |
| **Cash flows from financing activities:** | | |
| Repayment of long-term debt | (179,000) | (15,000) |
| Shares repurchased | (30,979) | (2,187) |
| Dividends paid | (15,207) | (15,286) |
| Convertible notes issuance costs | (5,411) | — |
| Proceeds from the issuance of convertible notes (Note 13) | 175,250 | — |
| Proceeds from exercise of stock options | 240 | 70 |
| Net cash used in financing activities | (55,107) | (32,403) |
| Decrease in cash flow due to changes in foreign exchange rate | (387) | (385) |
| (Decrease)/increase in cash and cash equivalents | (11,411) | 10,791 |
| Cash and cash equivalents—beginning of period | 74,972 | 77,784 |
| Cash and cash equivalents—end of period | $ 63,561 | $ 88,575 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for taxes | $ 7,650 | $ 5,439 |
| Cash paid for interest | $ 3,390 | $ 6,997 |

*The accompanying notes are an integral part of these consolidated financial statements*

**WisdomTree Investments, Inc. and Subsidiaries**

Notes to Consolidated Financial Statements
*(In Thousands, Except Share and Per Share Amounts)*

## 1. Organization and Description of Business

WisdomTree Investments, Inc., through its global subsidiaries (collectively, "WisdomTree" or the "Company"), is an exchange traded product ("ETP") sponsor and asset manager headquartered in New York. WisdomTree offers ETPs covering equity, commodity, fixed income, leveraged-and-inverse, currency and alternative strategies. The Company has the following wholly-owned operating subsidiaries:

- *WisdomTree Asset Management, Inc.* is a New York based investment adviser registered with the SEC, providing investment advisory and other management services to the WisdomTree Trust ("WTT") and WisdomTree exchange-traded funds ("ETFs"). The WisdomTree ETFs are issued in the U.S. by WTT. WTT, a non-consolidated third party, is a Delaware statutory trust registered with the SEC as an open-end management investment company. The Company has licensed to WTT the use of certain of its own indexes on an exclusive basis for the WisdomTree ETFs in the U.S.
- *WisdomTree Management Jersey Limited* ("ManJer") is a Jersey based management company providing management services to seven issuers (the "ManJer Issuers") in respect of the ETPs issued and listed by the ManJer Issuers covering commodity, currency, cryptocurrency and leveraged-and-inverse strategies.
- *WisdomTree Multi Asset Management Limited* ("WTMAML") is a Jersey based management company providing management services to WisdomTree Multi Asset Issuer PLC ("WMAI") in respect of the ETPs issued by WMAI. WMAI, a non-consolidated third party, is a public limited company domiciled in Ireland.
- *WisdomTree Management Limited* ("WML") is an Ireland based management company providing management services to WisdomTree Issuer ICAV ("WTI") in respect of the WisdomTree UCITS ETFs issued by WTI. WTI, a non-consolidated third party, is a public limited company domiciled in Ireland.
- *WisdomTree UK Limited* ("WTUK") is a U.K. based company registered with the Financial Conduct Authority currently providing distribution and support services to ManJer, WTMAML and WML.
- *WisdomTree Europe Limited* is a U.K. based company which is the legacy distributor of the WMAI ETPs and WisdomTree UCITS ETFs. These services are now provided directly by WTUK. WisdomTree Europe Limited is no longer regulated and does not provide any regulated services.
- *WisdomTree Ireland Limited* is an Ireland based company authorized by the Central Bank of Ireland providing distribution services to ManJer, WTMAML and WML.
- *WisdomTree Commodity Services, LLC* ("WTCS") is a New York based company that serves as the managing owner and commodity pool operator of the WisdomTree Continuous Commodity Index Fund. WTCS is registered with the Commodity Futures Trading Commission and is a member of the National Futures Association.

*Sale of Canadian ETF Business*

On February 19, 2020, the Company completed the sale of WTAMC to CI Financial Corp. (Note 25).

## 2. Significant Accounting Policies

### *Basis of Presentation*

These consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and in the opinion of management reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of financial condition, results of operations, and cash flows for the periods presented. The consolidated financial statements include the accounts of the Company's wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

### *Consolidation*

The Company consolidates entities in which it has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity ("VOE") or a variable interest entity ("VIE"). The usual condition for a controlling financial interest in a VOE is ownership of a majority voting interest. If the Company has a majority voting interest in a VOE, the entity is consolidated. The Company has a controlling financial interest in a VIE when the Company has a variable interest that provides it with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company reassesses its evaluation of whether an entity is a VIE when certain reconsideration events occur.

***Segment and Geographic Information***

Effective January 1, 2020, the Company, through its subsidiaries in the U.S. and Europe, conducts business as a single operating segment as an ETP sponsor and asset manager which is based upon the Company's current organizational and management structure, as well as information used by the chief operating decision maker to allocate resources and other factors. Previously, the Company's financial results were reported in its U.S. Business and International Business reportable segments.

***Foreign Currency Translation***

Assets and liabilities of subsidiaries whose functional currency is not the U.S. dollar are translated based on the end of period exchange rates from local currency to U.S. dollars. Results of operations are translated at the average exchange rates in effect during the period. The impact of the foreign currency translation adjustment is included in the Consolidated Statements of Comprehensive Income/(Loss) as a component of other comprehensive income/(loss).

***Use of Estimates***

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet dates and the reported amounts of revenues and expenses for the periods presented. Actual results could differ materially from those estimates.

***Revenue Recognition***

The Company earns substantially all of its revenue in the form of advisory fees from its ETPs and recognizes this revenue over time, as the performance obligation is satisfied. Advisory fees are based on a percentage of the ETPs' average daily net assets. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which the Company has a right to invoice.

***Contractual Gold Payments***

Contractual gold payments are measured and paid monthly based upon the average daily spot price of gold (Note 11).

***Marketing and Advertising***

Advertising costs, including media advertising and production costs, are expensed when incurred.

***Depreciation and Amortization***

Depreciation is provided for using the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|---|---|
| Equipment | 5 years |
| Furniture and fixtures | 15 years |

Leasehold improvements are amortized over the term of their respective leases or service lives of the improvements, whichever is shorter. Fixed assets are recorded at cost less accumulated depreciation and amortization.

***Stock-Based Awards***

Accounting for stock-based compensation requires the measurement and recognition of compensation expense for all equity awards based on estimated fair values. Stock-based compensation is measured based on the grant-date fair value of the award and is amortized over the relevant service period. Forfeitures are recognized when they occur.

***Third-Party Distribution Fees***

The Company pays a percentage of its advisory fee revenues based on incremental growth in assets under management ("AUM"), subject to caps or minimums, to marketing agents to sell WisdomTree ETFs and for including WisdomTree ETFs on third-party customer platforms.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of purchase to be classified as cash equivalents. The Company maintains deposits with financial institutions in an amount that is in excess of federally insured limits.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are customer and other obligations due under normal trade terms. The Company measures credit losses by applying historical loss rates, adjusted for current conditions and reasonable and supportable forecasts to amounts outstanding using the aging method.

***Impairment of Long-Lived Assets***

The Company performs a review for the impairment of long-lived assets when events or changes in circumstances indicate that the estimated undiscounted future cash flows expected to be generated by the assets are less than their carrying amounts or when other events occur which may indicate that the carrying amount of an asset may not be recoverable.

***Notes Receivable***

Notes receivable are accounted for on an amortized cost basis, including accrued interest and net of original issue discount and impairments, if any. Interest income is accrued over the term of the notes using the effective interest method. Notes receivable are placed on non-accrual status when the Company is in receipt of information indicating collection of interest is doubtful. Cash received on notes receivable placed on non-accrual status is recognized on a cash basis as interest income if and when received.

Effective January 1, 2020, the Company performs a review for the impairment of the notes receivable and accrued interest on a quarterly basis using the current expected credit loss model and provides for an allowance for credit losses by applying an estimated loss rate to amounts outstanding at the balance sheet date. Previously, credit losses were measured using an incurred loss approach.

***Securities Owned and Securities Sold, but not yet Purchased (at fair value)***

Securities owned and securities sold, but not yet purchased are securities classified as either trading or available-for-sale ("AFS"). These securities are recorded on their trade date and are measured at fair value. All equity securities are classified by the Company as trading. Debt securities are classified based primarily on the Company's intent to hold or sell the security. Changes in the fair value of debt securities classified as trading and AFS are reported in other income and other comprehensive income, respectively, in the period the change occurs. Debt securities classified as AFS are assessed for impairment on a quarterly basis and an estimate for credit loss is provided when the fair value of the AFS debt security is below its amortized cost basis. Credit-related impairments are recognized as an allowance with a corresponding adjustment to earnings, while impairments resulting from noncredit-related factors are recognized in other comprehensive income. Amounts recorded in other comprehensive income are reclassified into earnings upon sale of the AFS debt security using the specific identification method.

***Securities Held-to-Maturity***

The Company accounts for certain of its securities as held-to-maturity on a trade date basis, which are recorded at amortized cost. For held-to-maturity securities, the Company has the intent and ability to hold these securities to maturity and it is not more-likely-than-not that the Company will be required to sell these securities before recovery of their amortized cost bases, which may be maturity. Held-to-maturity securities are placed on non-accrual status when the Company is in receipt of information indicating collection of interest is doubtful. Cash received on held-to-maturity securities placed on non-accrual status is recognized on a cash basis as interest income if and when received.

Effective January 1, 2020, the Company reviews its portfolio of held-to-maturity securities for impairment on a quarterly basis by applying an estimated loss rate after consideration for the nature of collateral securing the financial asset as well as potential future changes in collateral values and historical loss information for financial assets secured with similar collateral. Previously, these securities were evaluated for impairment on a quarterly basis and if a decline in fair value was deemed to be other-than-temporary, the securities was written down to its fair value through earnings.

Investments in pass-through government-sponsored enterprises ("GSEs") are determined to have an estimated loss rate of zero due to an implicit U.S. government guarantee.

***Investments***

The Company accounts for equity investments that do not have a readily determinable fair value under the measurement alternative prescribed within Accounting Standards Update ("ASU") 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, to the extent such investments are not subject to consolidation or the equity method. Under the measurement alternative, these financial instruments are carried at cost, less any impairment (assessed quarterly), plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. In addition, income is recognized when dividends are received only to the extent they are distributed from net accumulated earnings of the investee. Otherwise, such distributions are considered returns of investment and are recorded as a reduction of the cost of the investment.

***Goodwill***

Goodwill is the excess of the purchase price over the fair values of the identifiable net assets at the acquisition date. The Company tests goodwill for impairment at least annually and at the time of a triggering event requiring re-evaluation, if one were to occur. Goodwill is considered impaired when the estimated fair value of the reporting unit that was allocated the goodwill is less than its carrying value. If the estimated fair value of such reporting unit is less than its carrying value, goodwill impairment is recognized based on that difference, not to exceed the carrying amount of goodwill. A reporting unit is an operating segment or a component of an operating segment provided that the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component.

Goodwill is allocated to the Company's U.S. Business and European Business components. Effective January 1, 2020, for impairment testing purposes, these components are aggregated as a single reporting unit as they fall under the same operating segment and have similar economic characteristics. Previously, these components were tested separately for impairment when Company was operating as more than one operating segment.

Goodwill is assessed for impairment annually on November 30th. When performing its goodwill impairment test, the Company considers a qualitative assessment, when appropriate, and a quantitative assessment using the market approach and its market capitalization when determining the fair value of the reporting units, in the aggregate.

***Intangible Assets***

Indefinite-lived intangible assets are tested for impairment at least annually and are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are impaired if their estimated fair values are less than their carrying values.

Finite-lived intangible assets, if any, are amortized over their estimated useful life, which is the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the Company. These intangible assets are tested for impairment at the time of a triggering event, if one were to occur. Finite-lived intangible assets may be impaired when the estimated undiscounted future cash flows generated from the assets are less than their carrying amounts.

The Company may rely on a qualitative assessment when performing its intangible asset impairment test. Otherwise, the impairment evaluation is performed at the lowest level of reasonably identifiable cash flows independent of other assets. The annual impairment testing date for all of the Company's intangible assets is November 30th.

***Leases***

Effective January 1, 2019, the Company accounts for its lease obligations in accordance with Accounting Standards Codification ("ASC") Topic 842, *Leases* (ASC 842), which requires the recognition of both (i) a lease liability equal to the present value of the remaining lease payments and (ii) an offsetting right-of-use asset. The remaining lease payments are discounted using the rate implicit in the lease, if known, or otherwise the Company's incremental borrowing rate. After lease commencement, right-of-use assets are assessed for impairment and otherwise are amortized over the remaining lease term on a straight-line basis. These recognition requirements are not applied to short-term leases which are those with a lease term of 12 months or less. Instead, lease payments associated with short-term leases are recognized as an expense on a straight-line basis over the lease term.

ASC 842 also provides a practical expedient which allows for consideration in a contract to be accounted for as a single lease component rather than allocated between lease and non-lease components. The Company has elected to apply this practical expedient to all lease contracts, where applicable.

Upon adoption of ASC 842 on January 1, 2019, the Company applied the transitional practical expedients to its outstanding leases and therefore the Company did not reassess (i) whether any expired or existing contracts are or contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. The Company also elected to apply the new lease requirements at the effective date, rather than the beginning of the earliest comparative period presented.

***Deferred Consideration – Gold Payments***

Deferred consideration represents the present value of an obligation to pay gold to a third party into perpetuity and is measured using forward-looking gold prices and a selected discount rate (Note 11). Changes in the fair value of this obligation are reported as (loss)/gain on revaluation of deferred consideration – gold payments on the Company's Consolidated Statements of Operations.

***Convertible Notes and Debt***

Convertible notes and debt are carried at amortized cost, net of debt discounts and debt issuance costs. The convertible notes are required to be separated into their liability and equity components by allocating the issuance proceeds to each of these components. The liability component for convertible instruments that qualify for a derivative scope exception (applicable to the convertible notes) is allocated proceeds equal to the estimated fair value of similar debt instruments without the conversion option. The difference between the gross proceeds received from the issuance of the convertible notes and the proceeds allocated to the liability component represents the residual amount that is recorded in additional paid-in capital. Interest expense is recognized using the effective interest method and includes amortization of debt discounts and debt issuance costs over the life of the debt.

***Earnings per Share***

Basic earnings per share (“EPS”) is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Net income available to common stockholders represents net income of the Company reduced by an allocation of earnings to participating securities. The Series A non-voting convertible preferred stock (Note 21) and unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS pursuant to the two-class method. Share-based payment awards that do not contain such rights are not deemed participating securities and are included in diluted shares outstanding (if dilutive).

Diluted EPS is calculated under the treasury stock method and the two-class method. The calculation that results in the lowest diluted EPS amount for the common stock is reported in the Company’s consolidated financial statements. The treasury stock method includes the dilutive effect of potential common shares including unvested stock-based awards, the Series A non-voting convertible preferred stock and the convertible notes, if any. Potential common shares associated with the Series A non-voting convertible preferred stock and the convertible notes are computed under the if-converted method. Potential common shares associated with the conversion option embedded in the convertible notes are dilutive when the Company’s average stock price exceeds the conversion price.

***Income Taxes***

The Company accounts for income taxes using the liability method, which requires the determination of deferred tax assets and liabilities based on the differences between the financial and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all the deferred tax assets will not be realized.

Tax positions are evaluated utilizing a two-step process. The Company first determines whether any of its tax positions are more-likely-than-not to be sustained upon examination, based solely on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company records interest expense and penalties related to tax expenses as income tax expense.

Non-income based taxes are recorded as part of other liabilities and other expenses.

***Recently Issued Accounting Pronouncements***

In August 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-06, *Debt – Debt with Conversion and Other Options* (ASU 2020-06). Under the ASU, the accounting for convertible instruments will be simplified by removing major separation models required under current GAAP. Accordingly, more convertible instruments will be reported as a single liability or equity with no separate accounting for embedded conversion features. Certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception will be removed and, as a result, more equity contracts will qualify for the scope exception. The ASU will also simplify the diluted earnings-per-share calculation in certain areas. The ASU will be effective for years beginning after December 31, 2021, including interim periods within those fiscal years. Early adoption is permitted for fiscal periods beginning after December 15, 2020 (including interim periods within the same fiscal year). The adoption of this ASU will result in a reduction of interest expense recognized on the Company’s recently issued convertible notes (Note 13) of approximately $420 per quarter. The Company expects to early adopt the ASU.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes* (ASU 2019-12). The main objective of the standard is to reduce complexity in the accounting for income taxes by removing the following exceptions: (1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income); (2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The standard also simplifies the accounting for income taxes by enacting the following: (a) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount as a non-income-based tax; (b) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered as a separate transaction; (c) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; and (d) requiring that an entity reflect the enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. ASU 2019-12 is effective for years beginning after December 15, 2020, including the interim periods within those reporting periods. Early adoption is permitted. The Company has determined that this standard will not have a material impact on its financial statements and has not early adopted this ASU.

***Recently Adopted Accounting Pronouncements***

On January 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The main objective of the standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. In issuing this standard, the FASB is responding to criticism that prior guidance delayed recognition of credit losses. The standard replaced the prior guidance's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, applies to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. The standard is applicable to loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, loan commitments and certain other off-balance sheet credit exposures, debt securities (including those held-to-maturity) and other financial assets measured at fair value through other comprehensive income, and beneficial interests in securitized financial assets. The CECL model does not apply to AFS debt securities. For AFS debt securities with unrealized losses, entities measure credit losses in a manner similar to prior guidance, except that the credit losses are recognized as allowances rather than reductions in the amortized cost of the securities. Accordingly, the new methodology is utilized when assessing the Company's financial instruments for impairment. As a result, entities recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time. The ASU also simplified the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expanded the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. The adoption of this standard, which is applicable to the Company's trade receivables, notes receivable and held-to-maturity securities did not have a material impact on the Company's consolidated financial statements.

On January 1, 2020, the Company adopted ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which modified the disclosure requirements on fair value measurements, including removing the requirement to disclose (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (2) the policy for timing of transfers between levels and (3) the valuation processes for Level 3 fair value measurements. ASU 2018-13 also added new disclosures including the requirement to disclose (a) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (b) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This standard only impacted the disclosures pertaining to fair value measurements and were incorporated into the notes to the Company's consolidated financial statements.

**3. Cash and Cash Equivalents**

Of the total cash and cash equivalents of $63,561 and $74,972 at September 30, 2020 and December 31, 2019, respectively, $59,038 and $72,120 were held at two financial institutions. At September 30, 2020 and December 31, 2019, cash equivalents were approximately $2,577 and $317, respectively.

Certain of the Company's international subsidiaries are required to maintain a minimum level of regulatory capital, which was $ 10,644 and $12,312 at September 30, 2020 and December 31, 2019, respectively. These requirements are generally satisfied by cash on hand.

In addition, the Company collateralized its U.S. office lease through a standby letter of credit totaling $1,384 which is restricted from further use.

**4. Fair Value Measurements**

The fair value of financial instruments is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., "the exit price") in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurements*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments whose significant drivers are unobservable.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The tables below summarize the categorization of the Company's assets and liabilities measured at fair value. During the three and nine months ended September 30, 2020 and 2019 there were no transfers between Levels 2 and 3.

| | September 30, 2020 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Assets:** | | | | |
| Recurring fair value measurements: | | | | |
| Cash equivalents | $ 2,577 | $ 2,577 | $ — | $ — |
| Securities owned, at fair value | 32,574 | 24,101 | 8,473 | — |
| Total | $ 35,151 | $26,678 | $ 8,473 | $ — |
| **Liabilities:** | | | | |
| Recurring fair value measurements: | | | | |
| Deferred consideration (Note 11) | $207,748 | $ — | $ — | $207,748 |
| Non-recurring fair value measurements | | | | |
| Convertible notes(1) | $ 24,344 | $ — | $24,344 | $ — |

(1) Fair value determined on August 13, 2020 (Note 13)

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Assets:** | | | | |
| Recurring fair value measurements: | | | | |
| Cash equivalents | $ 317 | $ 317 | $ — | $ — |
| Securities owned, at fair value | 17,319 | 17,319 | — | — |
| Total | $ 17,636 | $17,636 | $ — | $ — |
| Non-recurring fair value measurements: | | | | |
| AdvisorEngine Inc. – Financial interests(1) | $ 28,172 | — | — | $ 28,172 |
| **Liabilities:** | | | | |
| Recurring fair value measurements: | | | | |
| Deferred consideration (Note 11) | $173,024 | $ — | $ — | $173,024 |
| Securities sold, but not yet purchased | 582 | 582 | — | — |
| Total | $173,606 | $ 582 | $ — | $173,024 |

(1) Fair value determined on December 31, 2019 (Note 7).

***Recurring Fair Value Measurements—Methodology***

**Cash Equivalents (Note 3)** – These financial assets represent cash invested in highly liquid investments with original maturities of less than 90 days. These investments are valued at par, which approximates fair value, and are considered Level 1.

**Securities Owned/Sold but Not Yet Purchased (Note 5)** – Securities owned and sold, but not yet purchased are investments in ETFs, pass-through GSEs and corporate bonds. ETFs are generally traded in active, quoted and highly liquid markets and are therefore classified as Level 1 in the fair value hierarchy. Pricing of pass-through GSEs and corporate bonds include consideration given to collateral characteristics and market assumptions related to yields, credit risk and prepayments and are therefore classified as Level 2.

**Deferred Consideration (Note 11)** – Deferred consideration represents the present value of an obligation to pay gold into perpetuity.

The following table presents a reconciliation of beginning and ending balances of recurring fair value measurements classified as Level 3:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Deferred consideration (Note 11)** | | | | |
| Beginning balance | $198,784 | $161,273 | $173,024 | $161,540 |
| Net realized losses (1) | 4,539 | 3,502 | 12,362 | 9,710 |
| Net unrealized losses/(gains)(2) | 8,870 | 6,306 | 34,436 | 5,939 |
| Settlements | (4,445) | (3,441) | (12,074) | (9,549) |
| Ending balance | $207,748 | $167,640 | $207,748 | $167,640 |

(1) Recorded as contractual gold payments expense on the Company’s Consolidated Statements of Operations.
(2) Recorded as loss on revaluation of deferred consideration – gold payments on the Company’s Consolidated Statements of Operations.

## 5. Securities Owned/Sold, but Not Yet Purchased

These securities consist of the following:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Securities Owned** | | |
| Trading securities | $ 32,574 | $ 17,319 |
| **Securities Sold, but not yet Purchased** | | |
| Trading securities | $ — | $ 582 |

The Company had no AFS debt securities at September 30, 2020 and December 31, 2019.

## 6. Securities Held-to-Maturity

The following table is a summary of the Company’s securities held-to-maturity:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Debt instruments: Pass-through GSEs (amortized cost) | $ 501 | $ 16,863 |

During the nine months ended September 30, 2020 and 2019, the Company received proceeds of $16,441 and $2,313, respectively, from held-to-maturity securities maturing or being called prior to maturity.

The following table summarizes unrealized gains, losses, and fair value (classified as Level 2 within the fair value hierarchy) of securities held-to-maturity:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Cost/amortized cost | $ 501 | $ 16,863 |
| Gross unrealized gains | 37 | 38 |
| Gross unrealized losses | (17) | (297) |
| Fair value | $ 521 | $ 16,604 |

An allowance for credit losses was not provided on the Company's held-to-maturity securities as all securities are investments in pass-through GSEs which are determined to have an estimated loss rate of zero due to an implicit U.S. government guarantee. In addition, no securities were determined to be other-than-temporarily impaired at December 31, 2019.

The following table sets forth the maturity profile of the securities held-to-maturity; however, these securities may be called prior to maturity date:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Due within one year | $ — | $ — |
| Due one year through five years | — | 2,000 |
| Due five years through ten years | — | 7,494 |
| Due over ten years | 501 | 7,369 |
| Total | $ 501 | $ 16,863 |

**7. AdvisorEngine Inc. – Sale of Financial Interests**

On May 4, 2020, the Company closed a transaction to exit its investment in AdvisorEngine Inc. ("AdvisorEngine"). The fair value of upfront consideration paid to the Company was $9,592.

Consideration also includes contingent payments totaling up to $10,408 which will be payable only upon AdvisorEngine achieving certain revenue milestones during the first through fourth anniversaries of such exit. The fair value of the contingent payments was determined to be insignificant at closing and was measured using a Monte-Carlo simulation whereby forecasted revenue assumed during the first, second, third and fourth years was simulated forward in a risk-neutral framework to determine whether the revenues would exceed the pre-defined revenue targets.

The table below presents the range and weighted averages of significant unobservable inputs utilized in the Monte-Carlo simulation (classified as Level 3 in the fair value hierarchy):

| Unobservable Inputs (Initial Recognition – May 4, 2020) | |
|---|---|
| Forecasted revenue simulated forward as a percentage of the pre-defined revenue targets | 34% - 71% (47% weighted average) |
| Revenue volatility | 25% |

The weighted-average forecasted revenue simulated forward as a percentage of the pre-defined revenue targets represents the arithmetic average of the percentages for each of the four years. An increase in the forecasted revenue percentages and revenue volatility input would result in a higher fair value.

The contingent payments are subsequently remeasured when the contingency is resolved and the gain is realized.

Summarized below are the financial interests previously held:

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Amortized Cost, plus Accrued Interest | Net Carrying Value | Amortized Cost, plus Accrued Interest | Net Carrying Value |
| Unsecured convertible note | $ — | $ — | $ 2,126 | $ 2,126 |
| Unsecured non-convertible note | — | — | 31,184 | 26,046 |
| Subtotal—Notes receivable | — | — | 33,310 | 28,172 |
| Preferred stock | — | — | 25,000 | — |
| Total | $ — | $ —(1) | $ 58,310 | $28,172(1) |

(1) Net of an impairment of $30,138 at December 31, 2019. During the nine months ended September 30, 2020, the Company recorded an impairment of $19,672 on the carrying value of the notes receivable. During the three and nine months ended September 30, 2020, the Company recognized a gain of $225 and $1,093, respectively, arising from an adjustment to the estimated fair value of consideration received from the sale of its financial interests in AdvisorEngine. These gains were included in other gains and losses, net on the Consolidated Statements of Operations.

**8. Notes Receivable**

On May 4, 2020, the Company closed a transaction to exit its investment in AdvisorEngine. See Note 7 for additional information.

*Accrued Interest*

Effective January 1, 2020, notes receivable were placed on non-accrual status. The Company recognized no interest income on notes receivable during the three and nine months ended September 30, 2020. During the three and nine months ended September 30, 2019, the Company recognized interest income of $633 and $1,856, respectively.

**9. Investments**

The following table sets forth the Company's investments:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Securrency – Preferred stock | $ 8,112 | $ 8,112 |
| Thesys Group, Inc. ("Thesys") | — | 3,080 |
| Total | $ 8,112 | $ 11,192 |

***Securrency, Inc. – Preferred Stock***

On December 27, 2019, the Company made a $8,112 strategic investment in Securrency, Inc. ("Securrency"), a leading developer of institutional-grade blockchain-based financial and regulatory technology. In consideration of its investment, the Company received 5,178,488 shares of Series A convertible preferred stock representing approximately 25% ownership of Securrency (or approximately 20% on a fully diluted basis). The shares of Series A preferred stock are convertible into common stock at the option of the Company and contain various rights and protections including a non-cumulative 6.0% dividend, payable if and when declared by the board of directors of Securrency, and a liquidation preference that is senior to the holders of common stock. In addition, the Company has redemption rights which provide that, at any time on or after December 31, 2029, upon approval by holders of at least 60% of the Series A preferred stock then outstanding, Securrency will be required to redeem all of the outstanding shares of Series A preferred stock for the original issue price thereof, plus all declared and unpaid dividends.

The investment is accounted for under the measurement alternative prescribed within ASU 2016-01, as it is not considered to be in-substance common stock and is assessed for impairment and similar observable transactions on a quarterly basis. There was no impairment recognized during the three and nine months ended September 30, 2020 based upon a qualitative assessment. In addition, there were no observable price changes during the reporting period.

***Thesys***

On June 20, 2017, the Company was issued 7,797,533 newly authorized shares of Series Y preferred stock ("Series Y Preferred") of Thesys in connection with the resolution of a dispute related to the Company's ownership stake in Thesys. The Series Y Preferred represents current ownership of approximately 19% of Thesys on a fully diluted basis. The Series Y Preferred is accounted for under the measurement alternative prescribed within ASU 2016-01 as it is not considered to be in-substance common stock and is assessed for impairment and similar observable transactions on a quarterly basis.

During the three and nine months ended September 30, 2020, the Company recognized an impairment of $3,080 on its Series Y Preferred as Thesys has underperformed financially when assessed against prior expectations. The carrying value of the Series Y Preferred was $0 and $3,080 at September 30, 2020 and December 31, 2019, respectively.

**10. Fixed Assets, net**

The following table summarizes fixed assets:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Equipment | $ 2,576 | $ 2,330 |
| Furniture and fixtures | 2,225 | 2,218 |
| Leasehold improvements | 10,976 | 10,989 |
| Less: accumulated depreciation and amortization | (8,123) | (7,410) |
| Total | $ 7,654 | $ 8,127 |

**11. Deferred Consideration**

Deferred consideration represents an obligation the Company assumed in connection with its acquisition of the European exchange-traded commodity, currency and leveraged-and-inverse business of ETFS Capital Limited (“ETFS Capital”) which occurred on April 11, 2018 (“ETFS Acquisition”). The obligation is for fixed payments to ETFS Capital of physical gold bullion equating to 9,500 ounces of gold per year through March 31, 2058 and then subsequently reduced to 6,333 ounces of gold continuing into perpetuity (“Contractual Gold Payments”).

The Contractual Gold Payments are paid from advisory fee income generated by any Company-sponsored financial product backed by physical gold and are subject to adjustment and reduction for declines in advisory fee income generated by such products, with any reduction remaining due and payable until paid in full. ETFS Capital’s recourse is limited to such advisory fee income and it has no recourse back to the Company for any unpaid amounts that exceed advisory fees earned. ETFS Capital ultimately has the right to claw back Gold Bullion Securities Ltd. (a physically backed gold ETP issuer) if the Company fails to remit any amounts due.

The Company determined the present value of the deferred consideration of $207,748 and $173,024 at September 30, 2020 and December 31, 2019 using the following assumptions:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Forward-looking gold price (low) – per ounce | $ 1,889 | $ 1,535 |
| Forward-looking gold price (high) – per ounce | $ 2,678 | $ 2,328 |
| Forward-looking gold price (weighted average) – per ounce | $ 2,104 | $ 1,757 |
| Discount rate | 10.0% | 10.0% |
| Perpetual growth rate | 0.9% | 1.5% |

The forward-looking gold prices at September 30, 2020 were extrapolated from the last observable price (beyond 2026) and the weighted-average price per ounce was derived from the relative present values of the annual payment obligations. This obligation is classified as Level 3 as the discount rate, perpetual growth rate and extrapolated forward-looking gold prices are significant unobservable inputs. An increase in forward-looking gold prices and the perpetual growth rate would result in an increase in deferred consideration, whereas an increase in the discount rate would reduce the fair value.

Current amounts payable were $17,202 and $13,953 and long-term amounts payable were $190,546 and $159,071, respectively, at September 30, 2020 and December 31, 2019, respectively.

During the three and nine months ended September 30, 2020 and 2019, the Company recognized the following in respect of deferred consideration:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Contractual gold payments | $ 4,539 | $ 3,502 | $ 12,362 | $ 9,710 |
| Contractual gold payments – gold ounces paid | 2,375 | 2,375 | 7,125 | 7,125 |
| Loss on revaluation of deferred consideration – gold payments[(1)] | $(8,870) | $(6,306) | $(34,436) | $(5,939) |

(1) Losses arise due to increases in the forward-looking price of gold and the magnitude of any gain or loss is highly correlated to the magnitude of the change in the forward-looking price of gold.

**12. Credit Facility**

The following table provides a summary of the Company’s outstanding borrowings under its credit facility:

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Term Loan | Revolver | Term Loan | Revolver |
| Amount borrowed | $ 179,000 | $ — | $200,000 | $ — |
| Amounts repaid | (179,000)[(1)] | — | (21,000) | — |
| Amounts outstanding | — | — | 179,000 | — |
| Unamortized issuance costs | — | — | (3,044) | 671 |
| Carrying amount | $ — | $ — | $175,956 | $ 671 |
| Effective interest rate | 4.15% | n/a | 5.32% | n/a |

(1) Includes $5,000 and $174,000 repaid on March 31, 2020 and June 16, 2020, respectively.

On June 16, 2020, the Company terminated its credit facility by repaying $174,000 that was outstanding under its term loan and terminating the revolver. A loss on extinguishment of debt of $2,387 was recognized during the nine months ended September 30, 2020, which represented the write-off of the remaining unamortized issuance costs.

Interest expense recognized on the credit facility during the three months ended September 30, 2019 was $2,832 and during the nine months ended September 30, 2020 and 2019 was $4,086 and $8,634, respectively.

**13. Convertible Notes**

On August 13, 2020, the Company issued and sold $25,000 in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 (the “Additional Notes”) pursuant to an Indenture (the “Indenture”), dated June 16, 2020, between the Company and U.S. Bank National Association, as trustee (the “Trustee”), in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Additional Notes were issued at a price equal to 101% of the principal amount thereof, plus interest deemed to have accrued since June 16, 2020, and constitute a further issuance of, and form a single series with, the Company’s outstanding 4.25% Convertible Senior Notes due 2023 issued on June 16, 2020 in the aggregate principal amount of $150,000 (the “Existing Notes” and together with the Additional Notes, the “Convertible Notes”). Immediately after giving effect to the issuance of the Additional Notes, the Company had $175,000 aggregate principal amount of Convertible Notes outstanding. The Company used approximately $28,297 of the net proceeds from the issuance of the Convertible Notes to repurchase 7,487,335 shares of the Company’s common stock at an average price of $3.78 per share.

Key terms of the Convertible Notes are as follows:

- *Maturity date*: June 15, 2023, unless earlier converted, repurchased or redeemed.
- *Interest rate of 4.25%*: Payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020.
- *Conversion price of $5.92*: Convertible at an initial conversion rate of 168.9189 shares of the Company’s common stock, per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $5.92 per share).
- *Conversion*: Holders may convert at their option at any time prior to the close of business on the business day immediately preceding March 15, 2023 only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on September 30, 2020, if the last reported sale price of the Company’s common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the “measurement period”) in which the trading price per $1,000 principal amount of the Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sales price of the Company’s common stock and the conversion rate on each such trading day; (iii) upon a notice of redemption delivered by the Company in accordance with the terms in the Indenture but only with respect to the Convertible Notes called (or deemed called) for redemption; or (iv) upon the occurrence of specified corporate events. On or after March 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Notes at any time, regardless of the foregoing circumstances.
- *Cash settlement of principal amount*: Upon conversion, the Company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted. At its election, the Company will also settle its conversion obligation in excess of the aggregate principal amount to the Convertible Notes being converted in either cash, shares of its common stock or a combination of cash and shares of its common stock.
- *Redemption price of $7.70*: The Company may redeem for cash all or any portion of the notes, at its option, on or after June 20, 2021 and on or prior to the 55$^{th}$ scheduled trading day immediately preceding the maturity date, if the last reported sale price of the Company’s common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding the redemption date. No sinking fund is provided for the Convertible Notes.
- *Limited investor put rights*: Holders of the Convertible Notes have the right to require the Company to repurchase for cash all or a portion of their notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of certain change of control transactions or liquidation, dissolution or common stock delisting events.
- *Conversion rate increase in certain customary circumstances*: In certain circumstances, conversions in connection with a “make-whole fundamental change” (as defined in the Indenture) or conversions of Convertible Notes called (or deemed called) for redemption may result in an increase to the conversion rate, provided that the conversion rate will not exceed 270.2702 shares of the Company’s common stock per $1,000 principal amount of the Convertible Notes (the equivalent of 47,297,285 shares of the Company’s common stock), subject to adjustment.

- *Seniority and Security*: The Convertible Notes are the Company's senior unsecured obligations, but are subordinated in right of payment to the Company's obligations to make certain redemption payments (if and when due) in respect of its Series A Non-Voting Convertible Preferred Stock (Note 14).

The Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Convertible Notes outstanding may declare the entire principal amount of all the Convertible Notes to be repurchased, plus any accrued special interest, if any, to be immediately due and payable.

The following table provides a summary of the carrying value of the Convertible Notes at September 30, 2020:

| | Total | Additional Notes | Existing Notes |
|---|---|---|---|
| Principal amount | $175,000 | $ 25,000 | $ 150,000 |
| Plus: premium on Additional Notes | 250 | 250 | — |
| Gross proceeds | 175,250 | 25,250 | 150,000 |
| Less: Unamortized debt discount and issuance costs[1] | (9,431) | (1,613) | (7,818) |
| Carrying amount | $165,819 | $ 23,637 | $ 142,182 |
| Effective interest rate[2] | 6.29% | 6.37% | 6.28% |

(1) The debt discount arose from the bifurcation of the conversion option. The unamortized debt discount and issuance costs is reported net of the unamortized premium on the Additional Notes.

(2) Includes amortization of the discount arising from the bifurcation of the conversion option, amortization of the issuance costs allocated to the Convertible Notes and amortization of the premium associated with the Additional Notes.

Convertible instruments are required to be separated into their liability and equity components by allocating the issuance proceeds to each of those components. The liability component for convertible instruments that qualify for a derivative scope exception (applicable to the Convertible Notes) is allocated proceeds equal to the estimated fair value of similar debt without the conversion option. The difference between the gross proceeds received from the issuance of the Convertible Notes and the proceeds allocated to the liability component represents the residual amount that is recorded in additional paid-in capital. The debt discount arising from the recognition of this residual amount is amortized as interest expense over the life of the Convertible Notes.

The Company estimated the fair value of the liability component of the Convertible Notes to be $170,191, which represents the present value of the future contractual payments, discounted using the Company's estimated nonconvertible debt borrowing rate of 5.33% (classified as level 2 in the fair value hierarchy) on the pricing date. The excess of the gross proceeds received over the estimated fair value of the liability component totaling $5,059 ($906 and $4,153 for the Additional Notes and Existing Notes, respectively) was allocated to the conversion option (along with a proportional share of issuance costs totaling $157) and was recorded in additional paid-in capital, net of deferred taxes.

Interest expense recognized during the three and nine months ended September 30, 2020 was $2,511 and $2,888, respectively. Interest payable of $2,173 at September 30, 2020 is included in accounts payable and other liabilities on the Consolidated Balance Sheets.

The fair value of the Convertible Notes (classified as Level 2 in the fair value hierarchy) was $167,153 at September 30, 2020. The if-converted value of the Convertible Notes did not exceed the principal amount at September 30, 2020.

**14. Preferred Shares**

On April 10, 2018, the Company filed a Certificate of Designations of Series A Non-Voting Convertible Preferred Stock with the Secretary of State of the State of Delaware establishing the rights, preferences, privileges, qualifications, restrictions, and limitations relating to the Preferred Shares (defined below). The Preferred Shares are intended to provide ETFS Capital with economic rights equivalent to the Company's common stock on an as-converted basis. The Preferred Shares have no voting rights, are not transferable and have the same priority with regard to dividends, distributions and payments as the common stock.

As described in the Certificate of Designations, the Company will not issue, and ETFS Capital does not have the right to require the Company to issue, any shares of common stock upon conversion of the Preferred Shares, if, as a result of such conversion, ETFS Capital (together with certain attribution parties) would beneficially own more than 9.99% of the Company's outstanding common stock immediately after giving effect to such conversion.

In connection with the completion of the ETFS Acquisition, the Company issued 14,750 shares of Series A Non-Voting Convertible Preferred Stock (the "Preferred Shares"), which are convertible into an aggregate of 14,750,000 shares of common stock. The fair value of this consideration was $132,750, based on the closing price of the Company's common stock on April 10, 2018 of $9.00 per share, the trading day prior to the closing of the acquisition.

The following is a summary of the Preferred Share balance:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Issuance of Preferred Shares | $ 132,750 | $ 132,750 |
| Less: Issuance costs | (181) | (181) |
| Preferred Shares – carrying value | $ 132,569 | $ 132,569 |

Temporary equity classification is required for redeemable instruments for which redemption triggers are outside of the issuer’s control. ETFS Capital has the right to redeem all the Preferred Shares specified to be converted during the period of time specified in the Certificate of Designations in the event that: (a) the number of shares of the Company’s common stock authorized by its certificate of incorporation is insufficient to permit the Company to convert all of the Preferred Shares requested by ETFS Capital to be converted; or (b) ETFS Capital does not, upon completion of a change of control of the Company, receive the same amount per Preferred Share as it would have received had each outstanding Preferred Share been converted into common stock immediately prior to the change of control. However, the Company will not be obligated to make any such redemption payments to the extent such payments would be a breach of any covenant or obligation the Company owes to any of its secured creditors or is otherwise prohibited by applicable law.

Any such redemption will be at a price per Preferred Share equal to the dollar volume-weighted average price for a share of common stock for the 30-trading day period ending on the date of such attempted conversion or change of control, as applicable, multiplied by 1,000. Such redemption payment will be made in one payment no later than 10 business days following the last day of the Company’s first fiscal quarter that begins on a date following the date ETFS Capital exercises such redemption right. The redemption value of the Preferred Shares was $50,690 and $71,630 at September 30, 2020 and December 31, 2019, respectively.

The carrying amount of the Preferred Shares was not adjusted as it was not probable that the Preferred Shares would become redeemable.

**15. Leases**

The Company has entered into operating leases for its corporate headquarters and other office facilities, financial data terminals and equipment. The Company has no finance leases.

The following table provides additional information regarding the Company’s leases:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Lease cost: | | | | |
| Operating lease cost | $ 796 | $ 789 | $2,384 | $2,379 |
| Short-term lease cost | 299 | 322 | 941 | 1,094 |
| Total lease cost | $1,095 | $ 1,111 | $3,325 | $3,473 |
| Other information: | | | | |
| Cash paid for amounts included in the measurement of operating liabilities (operating leases) | $ 933 | $ 902 | $2,778 | $2,662 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | n/a | n/a | n/a | n/a |
| Weighted-average remaining lease term (in years) – operating leases | 8.9 | 9.6 | 8.9 | 9.6 |
| Weighted-average discount rate – operating leases | 6.3% | 6.3% | 6.3% | 6.3% |

None of the Company’s leases include variable payments, residual value guarantees or any restrictions or covenants relating to the Company’s ability to pay dividends or incur additional financing obligations.

The Company’s lease of its headquarters, which expires on August 20, 2029, includes an option to extend for an additional five years. Rent payable under the option is equal to the fair market rent of the premises as determined by the landlord approximately six months prior to the commencement of the extension term. The lease also includes a cancellation option which is effective on August 21, 2024 and requires notice to be provided to the landlord at least 12 months prior. Triggering this option requires a cancellation payment of $4,236. The cancellation and extension options were not reasonably certain of being exercised and were therefore not recognized as part of the right-of-use asset and lease liability.

Other leases also include extension, automatic renewal and termination provisions. These provisions were also not reasonably certain of being exercised and were therefore not recognized as part of the right-of-use asset and lease liability.

The following table discloses future minimum lease payments at September 30, 2020 with respect to the Company's operating lease liabilities:

| | |
|---|---|
| Remainder of 2020 | $ 907 |
| 2021 | 2,958 |
| 2022 | 2,958 |
| 2023 | 2,958 |
| 2024 | 3,037 |
| 2025 and thereafter | 14,604 |
| Total future minimum lease payments (undiscounted) | $27,422 |

The following table reconciles the future minimum lease payments (disclosed above) at September 30, 2020 to the operating lease liabilities recognized in the Company's Consolidated Balance Sheet:

| | |
|---|---|
| Amounts recognized in the Company's Consolidated Balance Sheet | |
| Lease liability – short term | $ 3,124 |
| Lease liability – long term | 17,849 |
| Subtotal | 20,973 |
| Difference between undiscounted and discounted cash flows | 6,449 |
| Total future minimum lease payments (undiscounted) | $27,422 |

**16. Contingencies**

The Company may be subject to reviews, inspections and investigations by regulatory authorities as well as legal proceedings arising in the ordinary course of business. The Company is not currently party to any litigation that is expected to have a material adverse impact on its business, financial position, results of operations or cash flows.

**17. Variable Interest Entities**

VIEs are entities with any of the following characteristics: (i) the entity does not have enough equity to finance its activities without additional financial support; (ii) the equity holders, as a group, lack the characteristics of a controlling financial interest; or (iii) the entity is structured with non-substantive voting rights.

Consolidation of a VIE is required for the party deemed to be the primary beneficiary, if any. The primary beneficiary is the party who has both (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. The Company is not the primary beneficiary of any entities in which it has a variable interest as it does not have the power to direct the activities that most significantly impact the entities' economic performance. Such power is conveyed through the entities' boards of directors and the Company does not have control over the boards.

The following table presents information about the Company's variable interests in non-consolidated VIEs:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Carrying Amount – Assets (Securrency)** | | |
| Preferred stock (Note 9) | $ 8,112 | $ 8,112 |
| **Carrying Amount – Assets (AdvisorEngine)** | | |
| Unsecured convertible notes receivable | $ — | $ 2,126 |
| Unsecured non-convertible note receivable | — | 26,046 |
| Preferred stock | — | — |
| Total carrying amount (Note 7) | $ — | $ 28,172 |
| Total carrying amount – Assets | $ 8,112 | $ 36,284 |
| Maximum exposure to loss | $ 8,112 | $ 36,284 |

**18. Revenues from Contracts with Customers**

The following table presents the Company's total revenues from contracts with customers:

| | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| Revenues from contracts with customers: | | | | |
| Advisory fees | $63,919 | $67,006 | $184,077 | $197,473 |
| Other | 721 | 712 | 2,563 | 2,023 |
| Total operating revenues | $64,640 | $67,718 | $186,640 | $199,496 |

The Company recognizes revenues from contracts with customers when the performance obligation is satisfied, which is when the promised goods or services are transferred to the customer. A good or service is considered to be transferred when the customer obtains control, which is represented by the transfer of rights with regard to the good or service. Transfer of control happens either over time or at a point in time. When a performance obligation is satisfied over time, an entity is required to select a single method of measuring progress for each performance obligation that depicts the entity's performance in transferring control of goods or services to the customer.

Substantially all the Company's revenues from contracts with customers are derived primarily from investment advisory agreements with related parties (Note 19). These advisory fees are recognized over time, are earned from the Company's ETPs and are calculated based on a percentage of the ETPs' average daily net assets. There is no significant judgment in calculating amounts due which are invoiced monthly in arrears and are not subject to any potential reversal. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which the Company has a right to invoice.

There are no contract assets or liabilities that arise in connection with the recognition of advisory fee revenue. In addition, there are no costs incurred to obtain or fulfill the contracts with customers, all of which are investment advisory agreements with related parties.

*Geographic Distribution of Revenue*

The following table presents the Company's total revenues geographically as determined by where the respective management companies reside:

| | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| Revenues from contracts with customers: | | | | |
| United States | $34,018 | $42,030 | $105,517 | $127,799 |
| Jersey | 29,527 | 23,896 | 77,693 | 66,425 |
| Ireland | 1,095 | 1,164 | 3,065 | 3,491 |
| Canada (Note 25) | — | 628 | 365 | 1,781 |
| Total operating revenues | $64,640 | $67,718 | $186,640 | $199,496 |

**19. Related Party Transactions**

The Company's revenues are derived primarily from investment advisory agreements with related parties. Under these agreements, the Company has licensed to related parties the use of certain of its own indexes for the U.S. and WisdomTree UCITS ETFs. The Board of Trustees and Board of Directors (including certain officers of the Company) of the related parties are primarily responsible for overseeing the management and affairs of the entities for the benefit of their stakeholders and have contracted with the Company to provide for general management and administration services. The Company is also responsible for certain expenses of the related parties, including the cost of transfer agency, custody, fund administration and accounting, legal, audit, and other non-distribution services, excluding extraordinary expenses, taxes and certain other expenses, which is included in fund management and administration on the Company's Consolidated Statements of Operations. In exchange, the Company receives fees based on a percentage of the ETPs' average daily net assets. The advisory agreements may be terminated by the related parties upon notice.

The following table summarizes accounts receivable from related parties which are included as a component of accounts receivable on the Company's Consolidated Balance Sheets:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Receivable from WTT | $ 11,191 | $ 14,765 |
| Receivable from ManJer Issuers | 10,678 | 9,036 |
| Receivable from WMAI and WTI | 1,497 | 1,559 |
| Receivable from WTAMC (Note 25) | — | 227 |
| Receivable from WTCS | 54 | 80 |
| Total | $ 23,420 | $ 25,667 |

The allowance for credit losses on accounts receivable from related parties is insignificant when applying historical loss rates, adjusted for current conditions and supportable forecasts, to the amounts outstanding in the table above. Amounts outstanding are all invoiced in arrears, are less than 30 days aged and are collected shortly after the applicable reporting period.

The following table summarizes revenues from advisory services provided to related parties:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Advisory services provided to WTT | $33,767 | $41,721 | $104,757 | $126,761 |
| Advisory services provided to ManJer Issuers | 27,397 | 21,758 | 71,325 | 60,398 |
| Advisory services provided to WMAI and WTI | 2,603 | 2,670 | 7,145 | 7,757 |
| Advisory services provided to WTAMC (Note 25) | — | 628 | 365 | 1,781 |
| Advisory services provided to WTCS | 152 | 229 | 485 | 776 |
| Total | $63,919 | $67,006 | $184,077 | $197,473 |

The Company also has investments in certain WisdomTree ETFs of approximately $23,906 and $16,886 at September 30, 2020 and December 31, 2019, respectively. Gains related to trading WisdomTree ETFs during the three months ended September 30, 2020 and 2019 were $86 and $64, respectively, and during the nine months ended September 30, 2020 and 2019 were $94 and $212, respectively.

**20. Stock-Based Awards**

On June 20, 2016, the Company's stockholders approved a new equity award plan under which the Company can issue up to 10,000,000 shares of common stock (less one share for every share granted under prior plans since March 31, 2016 and inclusive of shares available under the prior plans as of March 31, 2016) in the form of stock options and other stock-based awards.

The Company grants equity awards to employees and directors which include restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance-based restricted stock units ("PRSUs") and stock options. Certain awards described below are subject to acceleration under certain conditions.

Stock options: Generally issued for terms of ten years and may vest after at least one year of service and have an exercise price equal to the Company's stock price on the grant date. The Company estimates the fair value of stock options (when granted) using the Black-Scholes option pricing model.

RSAs/RSUs: Awards are valued based on the Company's stock price on grant date and generally vest ratably over three years.

PRSUs: These awards cliff vest three years from the grant date and contain a market condition whereby the number of PRSUs ultimately vesting is tied to how the Company's total shareholder return ("TSR") compares to a peer group of other publicly traded asset managers over the three-year period. A Monte Carlo simulation is used to value these awards.

The number of PRSUs vesting ranges from 0% to 200% of the target number of PRSUs granted, as follows:

- If the relative TSR is below the 25th percentile, then 0% of the target number of PRSUs granted will vest;
- If the relative TSR is at the 25th percentile, then 50% of the target number of PRSUs granted will vest; and
- If the relative TSR is above the 25th percentile, then linear scaling is applied such that the percent of the target number of PRSUs vesting is 100% at the 50th percentile and capped at 200% of the target number of PRSUs granted for performance at the 100th percentile.

Stock-based compensation during the three months ended September 30, 2020 and 2019 was $2,844 and $2,374, respectively, and during the nine months ended September 30, 2020 and 2019 was $9,003 and $8,581, respectively.

A summary of unrecognized stock-based compensation expense and average remaining vesting period is as follows:

| | September 30, 2020 | |
|---|---|---|
| | Unrecognized Stock-Based Compensation | Average Remaining Vesting Period (Years) |
| Employees and directors | $ 12,669 | 1.49 |

A summary of stock-based compensation award activity during the three months ended September 30, 2020 is as follows:

| | Stock Options | RSAs | RSUs | PRSUs |
|---|---|---|---|---|
| Balance at July 1, 2020 | 315,000 | 3,696,879 | 43,056 | 349,623 |
| Granted | — | 80,862 | — | — |
| Exercised/vested | — | (53,955) | — | — |
| Forfeitures | — | (28,863) | — | (8,311) |
| Balance at September 30, 2020 | 315,000 | 3,694,923 | 43,056 | 341,312 |

## 21. Earnings Per Share

The following tables set forth reconciliations of the basic and diluted earnings per share computations for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Basic (Loss)/Earnings per Share** | 2020 | 2019 | 2020 | 2019 |
| Net (loss)/income | $ (270) | $ 4,152 | $ (22,158) | $ 15,455 |
| Less: Income distributed to participating securities | (556) | (539) | (1,663) | (1,622) |
| Less: Undistributed income allocable to participating securities | — | — | — | (18) |
| Net (loss)/income available to common stockholders – Basic EPS | $ (826) | $ 3,613 | $ (23,821) | $ 13,815 |
| Weighted average common shares (in thousands) | 145,564 | 151,897 | 149,886 | 151,782 |
| Basic (loss)/earnings per share | $ (0.01) | $ 0.02 | $ (0.16) | $ 0.09 |

| Diluted (Loss)/Earnings per Share | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| Net (loss)/income available to common stockholders | $ (826) | $ 3,613 | $ (23,821) | $ 13,815 |
| Add back: Undistributed income allocable to participating securities | — | — | — | 18 |
| Less: Reallocation of undistributed income allocable to participating securities considered potentially dilutive | — | — | — | (18) |
| Net (loss)/income available to common stockholders – Diluted EPS | $ (826) | $ 3,613 | $ (23,821) | $ 13,815 |
| Weighted Average Diluted Shares (in thousands): | | | | |
| Weighted average common shares | 145,564 | 151,897 | 149,886 | 151,782 |
| Dilutive effect of common stock equivalents, excluding participating securities | — | 135 | — | 172 |
| Weighted average diluted shares, excluding participating securities (in thousands) | 145,564 | 152,032 | 149,886 | 151,954 |
| Diluted (loss)/earnings per share | $ (0.01) | $ 0.02 | $ (0.16) | $ 0.09 |

Diluted (loss)/earnings per share presented above is calculated using the two-class method as this method results in the lowest diluted earnings per share amount for common stock. During the three and nine months ended September 30, 2020, there were no dilutive common stock equivalents as the Company reported a net loss for the period. Total antidilutive non-participating common stock equivalents were 324,383 and 126,824 during the three months ended September 30, 2020 and 2019, respectively, and 441,331 and 64,866 during the nine months ended September 30, 2020 and 2019, respectively.

Potential common shares associated with the conversion option embedded in the Convertible Notes were excluded from the computation for the three and nine months ended September 30, 2020 as the Company's average stock price during those respective periods was lower than the conversion price of $5.92 per share.

The following table reconciles weighted average diluted shares as reported on the Company's consolidated statements of operations for the three and nine months ended September 30, 2020 and 2019 to the weighted average diluted shares used to calculate diluted (loss)/earnings per share as disclosed in the table above:

| Reconciliation of Weighted Average Diluted Shares (in thousands) | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| Weighted average diluted shares as disclosed on the consolidated statements of operations | 145,564(1) | 167,163 | 149,886(1) | 166,944 |
| Less: Participating securities | | | | |
| Weighted average shares of common stock issuable upon conversion of the Preferred Shares (Note 14) | — | (14,750) | — | (14,750) |
| Potentially dilutive restricted stock awards | — | (381) | — | (240) |
| Weighted average diluted shares used to calculate diluted (loss)/earnings per share as disclosed in the table above | 145,564 | 152,032 | 149,886 | 151,954 |

(1) Excludes 15,307,153 and 14,997,269 participating securities and 4,669 and 5,437 potentially dilutive non-participating common stock equivalents for the three and nine months ended September 30, 2020 as the Company reported a net loss for the period.

## 22. Income Taxes

***Effective Income Tax Rate – Three and Nine Months Ended September 30, 2020***

The Company's effective income tax rate during the three months ended September 30, 2020 of 123.7% resulted in income tax expense of $1,408. The tax rate differs from the federal statutory tax rate of 21% primarily due to a non-deductible loss on revaluation of deferred consideration. This loss was partly offset by a lower tax rate on foreign earnings.

The Company's effective income tax rate for the nine months ended September 30, 2020 of 7.4% resulted in an income tax benefit of $1,767. The tax rate differs from the federal statutory rate of 21% primarily due to a valuation allowance on capital losses, a non-deductible loss on revaluation of deferred consideration and tax shortfalls associated with the vesting and exercise of stock-based compensation awards. These items were partly offset by a $5,981 reduction in unrecognized tax benefits, a $2,877 non-taxable gain recognized upon sale of the Canadian ETF business in the first quarter, a tax benefit of $2,842 recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from our debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

***Effective Income Tax Rate – Three and Nine Months Ended September 30, 2019***

The Company's effective income tax rate during the three months ended September 30, 2019 of 51.9% resulted in income tax expense of $4,483. The tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, a non-deductible loss on revaluation of deferred consideration, non-deductible executive compensation and state and local income taxes, partly offset by a lower tax rate on foreign earnings.

The Company's effective income tax rate during the nine months ended September 30, 2019 of 31.2% resulted in income tax expense of $7,021. The tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, a non-deductible loss on revaluation of deferred consideration, state and local income taxes and tax shortfalls associated with the vesting and exercise of stock-based compensation awards, partly offset by a $4,309 reduction in unrecognized tax benefits and a lower tax rate on foreign earnings.

***Deferred Tax Assets***

A summary of the components of the Company's deferred tax assets at September 30, 2020 and December 31, 2019 are as follows:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Deferred tax assets: | | |
| Capital losses | $ 16,734 | $ 8,226 |
| Operating lease liabilities | 5,096 | 5,529 |
| Interest carryforwards | 2,582 | 2,615 |
| NOLs – International | 2,069 | 6,721 |
| Accrued expenses | 1,992 | 4,054 |
| Stock-based compensation | 1,793 | 1,754 |
| Goodwill and intangible assets | 1,526 | 1,671 |
| NOLs – U.S. | 514 | 642 |
| Outside basis differences | 123 | 123 |
| Other | 110 | 218 |
| Deferred tax assets | 32,539 | 31,553 |
| Deferred tax liabilities: | | |
| Right of use assets – operating leases | 4,038 | 4,400 |
| Fixed assets and prepaid assets | 1,328 | 1,326 |
| Allocated equity component of convertible note | 1,132 | — |
| Unrealized gains | — | 744 |
| Deferred tax liabilities | 6,498 | 6,470 |
| Total deferred tax assets less deferred tax liabilities | 26,041 | 25,083 |
| Less: valuation allowance | (18,926) | (17,685) |
| Deferred tax assets, net | $ 7,115 | $ 7,398 |

***Net Operating and Capital Losses – U.S.***

The Company's tax effected net operating losses ("NOLs") at September 30, 2020 were $514 which expire in 2024. The net operating loss carryforwards have been reduced by the impact of annual limitations described in the Internal Revenue Code Section 382 that arose as a result of an ownership change.

The Company's tax effected capital losses at September 30, 2020 and December 31, 2019 were $16,734 and $8,226, respectively. The change in capital losses is due to the impairment recognized on the Company's financial interests in AdvisorEngine (Note 7) and a capital loss recognized upon sale of the Canadian ETF business.

***Net Operating Losses and Interest Carryforwards – International***

Certain of the Company's European subsidiaries generated NOLs and interest carryforwards outside the U.S. These tax effected NOLs and interest carryforwards were $4,651 and $9,336 at September 30, 2020 and December 31, 2019, respectively. All of these amounts are carried forward indefinitely. The reduction in NOLs was due to the sale of the Company's Canadian ETF business, which occurred on February 19, 2020 (Note 25).

***Valuation Allowance***

During the nine months ended September 30, 2020, the Company reduced the valuation allowance on its deferred tax assets by $2,842 associated with interest carryforwards in the United Kingdom. The Company has determined that it is more likely than not that these interest carryforwards will be utilized as the Company extinguished its term loan on June 16, 2020 and is therefore no longer accumulating non-deductible interest carryforwards in the United Kingdom. The Company also generates profits in that jurisdiction and unused amounts are carried forward indefinitely.

The Company's remaining valuation allowance has been established on its capital losses, international net operating losses and outside basis differences as it is more-likely-than-not that these deferred tax assets will not be realized.

***Coronavirus Aid, Relief, and Economic Security Act of 2020 (the "CARES Act")***

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic which included temporary changes to income and non-income based tax laws including: (i) the elimination of the 80% of taxable income limitation by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 and 2020; (ii) allowing NOLs originating in 2018, 2019 and 2020 to be carried back five years; (iii) increasing the net interest expense deduction limit to 50% of adjusted taxable income from 30% for tax years beginning January 1, 2019 and 2020; and (iv) other related provisions. The CARES Act did not have a material impact on the Company's consolidated financial statements.

***Uncertain Tax Positions***

Tax positions are evaluated utilizing a two-step process. The Company first determines whether any of its tax positions are more-likely-than-not to be sustained upon examination, based solely on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

In connection with the ETFS Acquisition, the Company accrued a liability for uncertain tax positions and interest and penalties at the acquisition date. The table below sets forth the aggregate changes in the balance of these gross unrecognized tax benefits during the three and nine months ended September 30, 2020:

| | Total | Unrecognized Tax Benefits | Interest and Penalties |
|---|---|---|---|
| Balance on January 1, 2020 | $32,101 | $ 25,998 | $ 6,103 |
| Decrease—Lapse of statute of limitations(1) | (5,981) | (4,620) | (1,361) |
| Increases | 76 | — | 76 |
| Foreign currency translation(2) | (1,767) | (1,432) | (335) |
| Balance at March 31, 2020 | $24,429 | $ 19,946 | $ 4,483 |
| Increases | 76 | — | 76 |
| Foreign currency translation(2) | (141) | (115) | (26) |
| Balance at June 30, 2020 | $24,364 | $ 19,831 | $ 4,533 |
| Increases | 81 | — | 81 |
| Foreign currency translation(2) | 1,057 | 860 | 197 |
| Balance at September 30, 2020 | $25,502 | $ 20,691 | $ 4,811 |

(1) Recorded as an income tax benefit of $5,981 during the nine months ended September 30, 2020, along with an equal and offsetting amount recorded in other gains and losses, net, to recognize a reduction in the indemnification asset. During the nine months ended September 30, 2019, an income tax benefit of $4,309 was recorded along with an equal and offsetting amount in other gains and losses, net.

(2) The gross unrecognized tax benefits were accrued in British pounds.

The Company also recorded an offsetting indemnification asset provided by ETFS Capital as part of its agreement to indemnify the Company for any potential claims, for which an amount is being held in escrow. ETFS Capital has also agreed to provide additional collateral by maintaining a minimum working capital balance up to a stipulated amount.

The gross unrecognized tax benefits and interest and penalties totaling $25,502 and $32,101 at September 30, 2020 and December 31, 2019, respectively, are included in other non-current liabilities on the Consolidated Balance Sheets. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by $4,756 (including interest and penalties of $1,427) in the next 12 months upon lapsing of the statute of limitations.

At September 30, 2020, there were $25,502 of unrecognized tax benefits (including interest and penalties) that, if recognized, would impact the effective tax rate. The recognition of any unrecognized tax benefits would result in an equal and offsetting adjustment to the indemnification asset which would be recorded in income before taxes due to the indemnity for any potential claims.

***Income Tax Examinations***

The Company is subject to U.S. federal income tax as well as income tax of multiple state, local and certain foreign jurisdictions. The Company's federal tax return and ManJer's tax return (a Jersey-based subsidiary) for the year ended December 31, 2016 is currently under review by the relevant tax authorities. The Company is indemnified by ETFS Capital for any potential exposure associated with ManJer's tax return under audit.

The Company is not currently under audit in any other income tax jurisdictions. As of September 30, 2020, with few exceptions, the Company was no longer subject to income tax examinations by any taxing authority for years before 2016.

***Undistributed Earnings of Foreign Subsidiaries***

Due to the imposition of the Global Intangible Low-Taxed Income ("GILTI") provisions, all unremitted earnings are no longer subject to U.S. federal income tax; however, there could be U.S. state and/or foreign withholding taxes upon distribution of such unremitted earnings. The Company recognizes deferred tax liabilities for withholding taxes that may become payable, where applicable, upon the distribution of earnings and profits from foreign subsidiaries unless considered permanent in duration. As of September 30, 2020, the Company considers all undistributed foreign earnings and profits to be permanent in duration.

**23. Shares Repurchased**

On April 24, 2019, the Company's Board of Directors extended the term of the Company's share repurchase program for three years through April 27, 2022. Included under this program are purchases to offset future equity grants made under the Company's equity plans and purchases made in open market or privately negotiated transactions. This authority may be exercised from time to time, subject to the terms of the credit agreement described below and regulatory considerations. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, market conditions and other corporate liquidity requirements and priorities. The repurchase program may be suspended or terminated at any time without prior notice. Shares repurchased under this program are returned to the status of authorized and unissued on the Company's books and records.

During the three and nine months ended September 30, 2020, the Company repurchased 1,066,261 shares and 8,189,973 shares of its common stock, respectively, under this program for an aggregate cost of $4,535 and $30,979, respectively.

During the three and nine months ended September 30, 2019, the Company repurchased 13,300 shares and 338,578 shares of its common stock, respectively, under this program for an aggregate cost of $80 and $2,187, respectively.

Shares repurchased under this program were returned to the status of authorized and unissued on the Company's books and records. As of September 30, 2020, $52,410 remained under this program for future purchases.

**24. Goodwill and Intangible Assets**

***Goodwill***

The table below sets forth goodwill which is tested annually for impairment on November 30th:

| | Total |
|---|---|
| Balance at January 1, 2020 | $85,856 |
| Changes | — |
| Balance at September 30, 2020 | $85,856 |

Goodwill arising from the ETFS Acquisition of $84,057 is not deductible for tax purposes as the acquisition was structured as a stock acquisition occurring in the United Kingdom. The remainder of the goodwill is deductible for U.S. tax purposes.

***Intangible Assets (Indefinite-Lived)***

The table below sets forth the Company's intangible assets which are tested annually for impairment on November 30th:

| | Advisory Agreements (ETFS) | Advisory Agreements (Questrade AUM) | Total |
|---|---|---|---|
| Balance at January 1, 2020 | $ 601,247 | $ 2,047 | $603,294 |
| Decreases[(1)] | — | (1,992) | (1,992) |
| Foreign currency translation | — | (55) | (55) |
| Balance at September 30, 2020 | $ 601,247 | $ — | $601,247 |

(1) Derecognized upon the sale of the Company's Canadian ETF business (Note 25).

*ETFS*

In connection with the ETFS Acquisition, which was completed on April 11, 2018, the Company identified intangible assets valued at $601,247 related to the right to manage AUM through customary advisory agreements. The intangible assets were determined to have indefinite useful lives and are not deductible for tax purposes.

**25. Exit Activities**

The following table summarizes operating losses recognized by the Company's wholly-owned subsidiaries that have either been sold or liquidated during reporting periods covered by its consolidated financial statements:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| WTAMC | $ — | $ 502 | $ 428 | $ 1,886 |
| WisdomTree Japan Inc. ("WTJ")(1) | — | 85 | — | 550 |
| Total | $ — | $ 587 | $ 428 | $ 2,436 |

(1) WTJ also recognized an impairment expense of $572 in connection with the termination of its office lease on March 31, 2019.

*Sale of Canadian ETF Business*

On February 19, 2020, the Company completed the sale of all the outstanding shares of WTAMC to CI Financial Corp. The Company received CDN $3,720 (USD $2,774) in cash at closing and will receive additional cash consideration of CDN $2,000 to $8,000, depending on the achievement of certain AUM growth targets over the next three years.

During the nine months ended September 30, 2020, the Company recognized a $2,877 gain on sale which was recorded in other gains and losses, net on the Consolidated Statements of Operations and represents the difference between the minimum cash consideration payable to the Company and the carrying value of WTAMC's net assets upon disposition. Contingent payments, if any, are recognized by the Company when the contingency is resolved and the gain is realized.

*Restructuring of Distribution Strategy in Japan*

In July 2018, the Company determined to restructure its distribution strategy in Japan. As a result, WTJ ceased operations and was liquidated in September 2019.

**26. Impairments**

The following table summarizes impairments recognized by the Company:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| AdvisorEngine – Financial Interests (Note 7) | $ — | $ — | $ 19,672 | $ — |
| Thesys – Series Y Preferred (Note 9) | 3,080 | — | 3,080 | — |
| WTJ (Note 25) | — | — | — | 572 |
| Total | $ 3,080 | $ — | $ 22,752 | $ 572 |

**27. Subsequent Events**

The Company evaluated subsequent events through the date of issuance of the accompanying consolidated financial statements. There were no events requiring disclosure.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes and the other financial information included elsewhere in this Report. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below. For a more complete description of the risks noted above and other risks that could cause our actual results to materially differ from our current expectations, please see Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020. We assume no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.*

### Executive Summary

#### *Introduction*

We are the only publicly-traded asset management company that focuses exclusively on exchange-traded products, or ETPs, and are a leading global ETP sponsor based on assets under management, or AUM, with AUM of $60.7 billion globally as of September 30, 2020. An ETP is a pooled investment vehicle that holds a basket of securities, financial instruments or other assets and generally seeks to track (index-based) or outperform (actively managed) the performance of a broad or specific equity, fixed income or alternatives market segment, commodity or currency (or an inverse or multiple thereof). ETPs are listed on an exchange with their shares traded in the secondary market at market prices, generally at approximately the same price as the net asset value of their underlying components. ETP is an umbrella term that includes exchange-traded funds, or ETFs, exchange-traded notes and exchange-traded commodities.

Our family of ETFs includes funds that track our own indexes, funds that track third-party indexes and actively managed funds. Most of our equity-based funds employ a fundamentally weighted investment methodology, which weights securities based on factors such as dividends, earnings or investment factors, whereas most other ETF industry indexes use a capitalization weighted methodology. We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisers, institutional investors, private wealth managers and discount brokers primarily through our sales force. Our sales efforts are not directed towards the retail segment but rather are directed towards financial or investment advisers that act as intermediaries between the end-client and us.

We focus on creating ETFs for investors that offer thoughtful innovation, smart engineering and redefined investing. We have launched many first-to-market ETFs and pioneered alternative weighting methods commonly referred to as "smart beta." However, our U.S. listed ETFs are not beta, but rather an investment approach we call "Modern Alpha," which combines the outperformance potential of active management with the benefits of passive management to offer investors cost-effective funds that are built to perform.

We strive to deliver a better investing experience through innovative solutions. Continued investments in technology-enabled services and our Advisor Solutions program, which includes portfolio construction, asset allocation, practice management services and digital tools for financial advisors, are meant to differentiate us in the market, expand our distribution and further enhance our relationships with financial advisors.

We were incorporated under the laws of the state of Delaware on September 19, 1985 as Financial Data Systems, Inc. and ultimately renamed WisdomTree Investments, Inc. on September 6, 2005.

#### *COVID-19 Impact on our Business*

Our operating revenues are directly correlated with the AUM that we manage. Our average AUM and revenues increased 9.9% and 11.2%, respectively, from the prior quarter principally from market appreciation. While our operating expenses increased 7.7% from the prior quarter, they are 10.1% lower on year to date basis as we continue to manage discretionary spending due to the uncertain market conditions arising from the COVID-19 pandemic.

The pandemic has not adversely impacted our capital management strategy. In August 2020, we issued and sold $25.0 million in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 on the same terms as those issued in the prior quarter. We also repurchased $4.5 million of our common stock during the current quarter ($31.0 million year-to-date). Additional share repurchases will depend upon our future operating results, available cash on hand and strategic priorities. We are precluded from prepaying principal due on our convertible notes.

The CARES Act was enacted on March 27, 2020 in response to the COVID-19 pandemic, which provided financial assistance under various programs to help companies cope with economic hardships. We did not apply for any financial assistance afforded by the CARES Act.

***Planned Reduction in Office Footprint***

Throughout the COVID-19 pandemic, we have been operating our business remotely without disruption. The virtual work environment has led to efficiencies, increased transparency and further collaboration throughout our business. We have therefore decided to adopt a "remote first" philosophy with plans to significantly reduce our office footprints in New York and London.

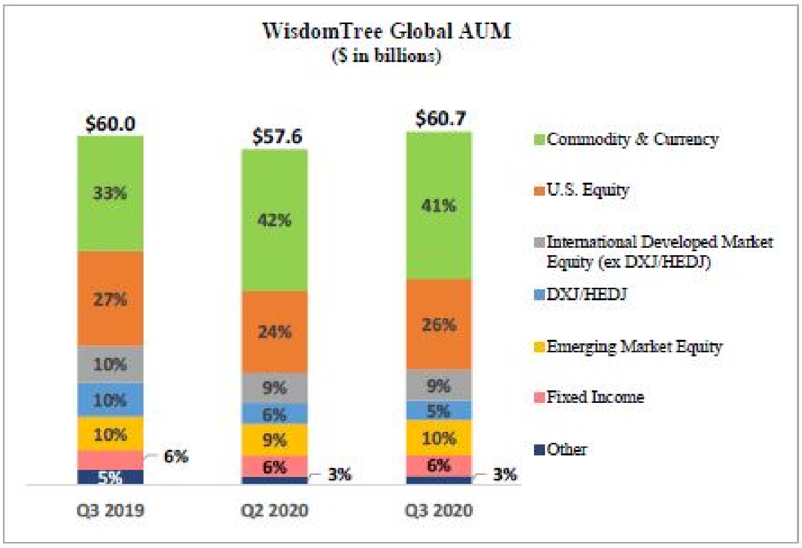
We are planning to market our New York office space for sublease, allow our London office lease to expire and seek reduced space in both locations. In connection with these actions, we anticipate recording an impairment charge of $9.0 million to $12.0 million. We also anticipate that our reduced office footprint will achieve $3.0 million to $4.0 million of annual cost savings.

The timing of the impairment charge and realization of cost savings is highly dependent on our ability to secure a subtenant which we are estimating may occur by late 2021 or early 2022. The ultimate magnitude of these estimates is subject to market rent received and the duration of the sublease, market rents paid for new space, the actual amount of direct costs incurred and the discount rate used remeasure the carrying value of assets associated with our current office space, amongst other factors.

***Assets Under Management***

*WisdomTree ETPs*

We offer ETPs covering equity, commodity, fixed income, leveraged-and-inverse, currency and alternative strategies. The chart below sets forth the asset mix of our ETPs at September 30, 2019, June 30, 2020 and September 30, 2020:



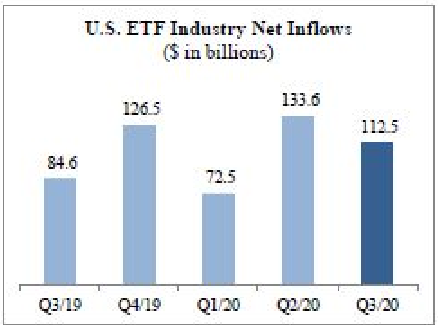

***Market Environment***

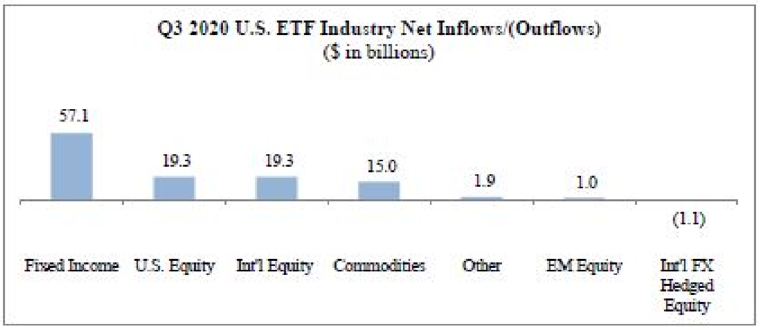
During the third quarter of 2020, the United States and Asian financial markets performed favorably while the Eurozone market was largely unchanged. Economic stimulus measures and loose monetary policies continue to counterbalance the adverse effect of the COVID-19 pandemic on the global economy. Equity securities across all developed and emerging markets advanced, while government bonds were largely unchanged. Gold prices also appreciated during the quarter.

During the third quarter of 2020, the S&P 500 advanced 8.9%, MSCI EAFE (local currency) advanced 1.3%, MSCI Emerging Markets Index (U.S. dollar) advanced 9.7% and gold prices rose 6.7%. In addition, the European and Japanese equities markets both appreciated with the MSCI EMU Index and MSCI Japan Index increasing 0.2% and 4.7%, respectively, in local currency terms for the quarter. Also, the U.S. dollar weakened 4.3%, 4.1% and 1.7% versus the British pound, Euro and Japanese yen, respectively.

*U.S. listed ETF Industry Flows*

U.S. listed ETF net flows for the three months ended September 30, 2020 were $112.5 billion. Fixed income, U.S. equity, international equity and commodities gathered the majority of those flows.

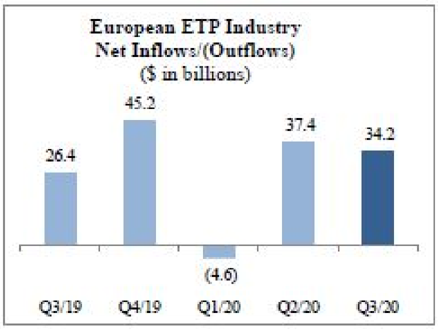


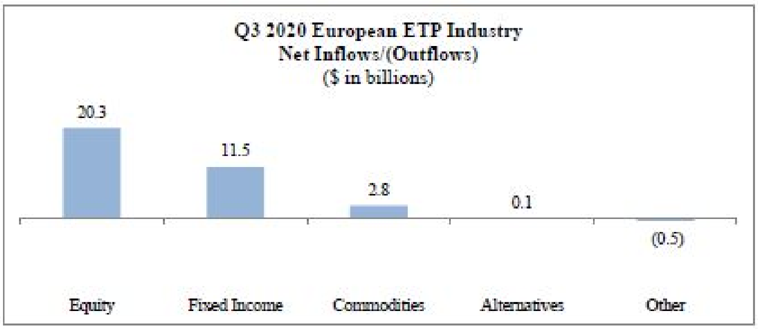




Source: Bloomberg, Investment Company Institute, WisdomTree

*European ETP Industry Flows*

European ETP net flows were $34.2 billion for the three months ended September 30, 2020. Equities and fixed income gathered the majority of those flows.




Source: Morningstar

**Our Operating and Financial Results**

We operate as an ETP sponsor and asset manager providing investment advisory services globally through our subsidiaries in the United States and Europe.

On February 19, 2020, we completed the sale of all of the outstanding shares of our wholly-owned Canadian subsidiary, WisdomTree Asset Management Canada, Inc., or Canadian ETF business, to CI Financial Corp. We received CDN $3.7 million (USD $2.8 million) in cash at closing and will receive additional cash consideration of CDN $2.0 million to $8.0 million, depending on the achievement of certain AUM growth targets over the next three years.

Our Canadian ETF business reported operating losses during the nine months ended September 30, 2020 of $0.4 million and during the three and nine months ended September 30, 2019 of $0.5 million and $1.9 million, respectively.

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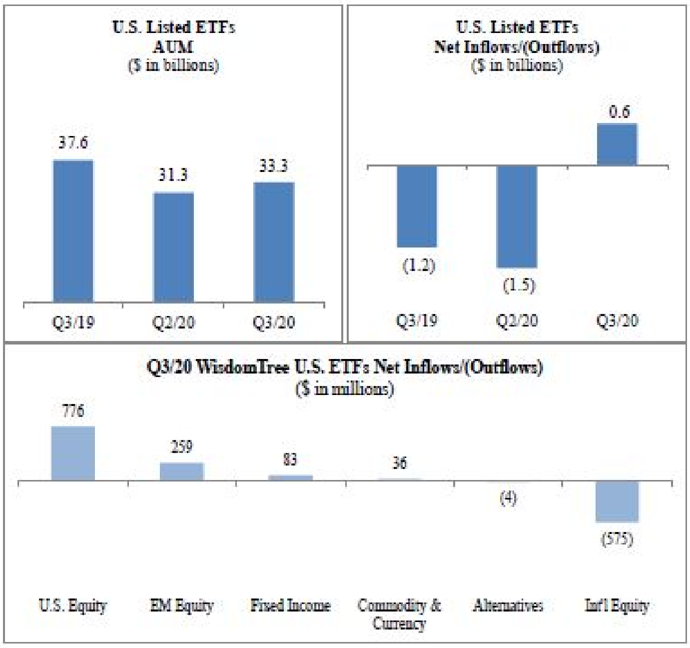
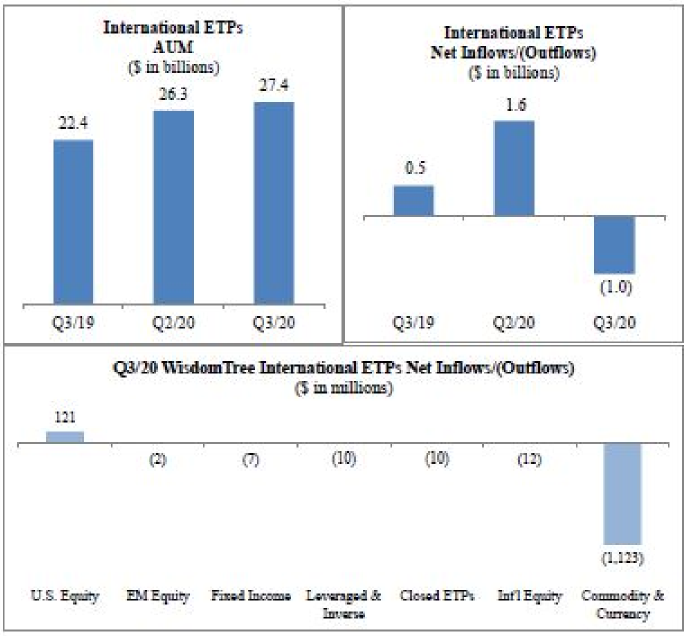
***U.S. Listed ETFs***

Our U.S. listed ETFs' AUM increased from $31.3 billion at June 30, 2020 to $33.3 billion at September 30, 2020 due to market appreciation and net inflows.




***International Listed ETPs***

Our international ETPs' AUM increased from $26.3 billion at June 30, 2020 to $27.4 billion at September 30, 2020 due to market appreciation, partly offset by net outflows.



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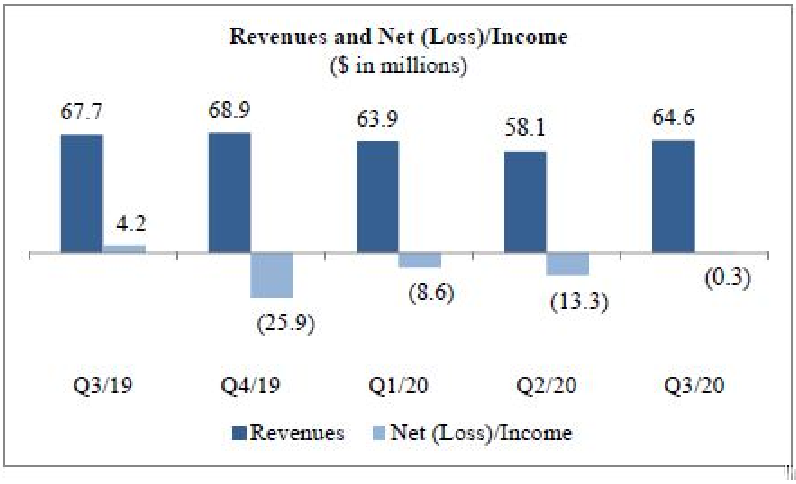
***Consolidated Operating Results***

The following table sets forth our revenues and net (loss)/income for the most recent five quarters:




- *Revenues* – We recorded operating revenues of $64.6 million during the three months ended September 30, 2020, down 4.5% from the three months ended September 30, 2019 due to a 2 basis point decline in our average global advisory fee arising from AUM mix shift, notwithstanding the increase in our average AUM.
- *Operating Expenses* – Total operating expenses decreased 3.3% from the three months ended September 30, 2019 to $49.9 million due to lower sales and business development costs, partly offset by higher contractual gold payments due to higher average gold prices.
- *Other Income/(Expenses)* – Other income/(expenses) includes interest income and interest expense, losses on revaluation of deferred consideration – gold payments, impairments, loss on extinguishment of debt and other gains and losses. For the three months ended September 30, 2020 and 2019, the losses on revaluation of deferred consideration – gold payments were $8.9 million and $6.3 million, respectively.
- *Net (loss)/income* – We reported a net loss of ($0.3) million during the three months ended September 30, 2020, compared to net income of $4.2 million during the three months ended September 30, 2019. The change in net (loss)/income was impacted by the change in revenue and expenses described above, an impairment charge of $3.1 million recorded in the current period and an increase in the loss on revaluation of deferred consideration – gold payments of $2.6 million.

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***Key Operating Statistics***

The following table presents key operating statistics that serve as indicators for the performance of our business:

| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | September 30, 2020 | June 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| **GLOBAL ETPs (in millions)** | | | | | |
| Beginning of period assets | $ 57,647 | $50,323 | $ 60,389 | $ 63,615 | $ 54,094 |
| Assets sold | — | — | — | (778) | — |
| Inflows/(outflows) | (468) | 126 | (698) | (878) | 206 |
| Market appreciation/(depreciation) | 3,560 | 7,494 | 471 | (904) | 5,949 |
| Fund closures | (46) | (296) | (181) | (362) | (268) |
| End of period assets | $ 60,693 | $57,647 | $ 59,981 | $ 60,693 | $ 59,981 |
| Average assets during the period | $ 61,194 | $55,689 | $ 60,306 | $ 58,901 | $ 58,855 |
| Average ETF advisory fee during the period | 0.42% | 0.41% | 0.44% | 0.42% | 0.45% |
| Number of ETFs – end of the period | 305 | 311 | 348 | 305 | 348 |
| **U.S. LISTED ETFs (in millions)** | | | | | |
| Beginning of period assets | $ 31,344 | $28,893 | $ 39,220 | $ 40,600 | $ 35,486 |
| Inflows/(outflows) | 575 | (1,474) | (1,198) | (2,172) | (1,217) |
| Market appreciation/(depreciation) | 1,373 | 4,039 | (430) | (5,012) | 3,410 |
| Fund closures | — | (114) | — | (124) | (87) |
| End of period assets | $ 33,292 | $31,344 | $ 37,592 | $ 33,292 | $ 37,592 |
| Average assets during the period | $ 32,962 | $30,607 | $ 37,857 | $ 33,502 | $ 38,288 |
| Average ETF advisory fee during the period | 0.41% | 0.41% | 0.44% | 0.42% | 0.45% |
| Number of ETFs – end of the period | 67 | 67 | 80 | 67 | 80 |
| **INTERNATIONAL LISTED ETPs (in millions)** | | | | | |
| Beginning of period assets | $ 26,303 | $21,430 | $ 21,169 | $ 23,015 | $ 18,608 |
| Assets sold | — | — | — | (778) | — |
| Inflows/(outflows) | (1,043) | 1,600 | 500 | 1,294 | 1,423 |
| Market appreciation/(depreciation) | 2,187 | 3,455 | 901 | 4,108 | 2,539 |
| Fund closures | (46) | (182) | (181) | (238) | (181) |
| End of period assets | $ 27,401 | $26,303 | $ 22,389 | $ 27,401 | $ 22,389 |
| Average assets during the period | $ 28,232 | $25,082 | $ 22,449 | $ 25,399 | $ 20,567 |
| Average ETP advisory fee during the period | 0.42% | 0.41% | 0.44% | 0.41% | 0.45% |
| Number of ETPs—end of period | 238 | 244 | 268 | 238 | 268 |
| **PRODUCT CATEGORIES (in millions)** | | | | | |
| **Commodity & Currency** | | | | | |
| Beginning of period assets | $ 24,260 | $19,823 | $ 18,204 | $ 20,074 | $ 15,976 |
| Inflows/(outflows) | (1,087) | 1,316 | 511 | 821 | 1,354 |
| Market appreciation/(depreciation) | 2,036 | 3,121 | 998 | 4,314 | 2,383 |
| End of period assets | $ 25,209 | $24,260 | $ 19,713 | $ 25,209 | $ 19,713 |
| Average assets during the period | $ 25,959 | $23,037 | $ 19,558 | $ 23,134 | $ 17,643 |
| **U.S. Equity** | | | | | |
| Beginning of period assets | $ 13,997 | $12,151 | $ 15,889 | $ 17,732 | $ 13,211 |
| Inflows/(outflows) | 897 | (241) | 239 | 371 | 986 |
| Market appreciation/(depreciation) | 718 | 2,087 | 153 | (2,491) | 2,084 |
| End of period assets | $ 15,612 | $13,997 | $ 16,281 | $ 15,612 | $ 16,281 |
| Average assets during the period | $ 15,139 | $13,302 | $ 15,872 | $ 14,817 | $ 15,453 |
| **International Developed Market Equity** | | | | | |
| Beginning of period assets | $ 8,821 | $ 8,632 | $ 13,313 | $ 13,011 | $ 14,232 |
| Inflows/(outflows) | (587) | (965) | (1,009) | (2,649) | (3,318) |
| Market appreciation/(depreciation) | 369 | 1,154 | (135) | (1,759) | 1,255 |
| End of period assets | $ 8,603 | $ 8,821 | $ 12,169 | $ 8,603 | $ 12,169 |
| Average assets during the period | $ 8,819 | $ 8,760 | $ 12,379 | $ 9,675 | $ 13,390 |

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| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | September 30, 2020 | June 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| **Emerging Market Equity** | | | | | |
| Beginning of period assets | $ 5,413 | $ 4,600 | $ 5,966 | $ 6,400 | $ 5,201 |
| Inflows/(outflows) | 257 | (25) | 176 | 301 | 423 |
| Market appreciation/(depreciation) | 309 | 838 | (443) | (722) | 75 |
| End of period assets | $ 5,979 | $ 5,413 | $ 5,699 | $ 5,979 | $ 5,699 |
| Average assets during the period | $ 5,913 | $ 5,129 | $ 5,729 | $ 5,654 | $ 5,604 |
| **Fixed Income** | | | | | |
| Beginning of period assets | $ 3,530 | $ 3,527 | $ 3,946 | $ 3,585 | $ 2,244 |
| Inflows/(outflows) | 76 | (53) | (594) | 44 | 1,062 |
| Market appreciation/(depreciation) | 24 | 56 | (15) | 1 | 31 |
| End of period assets | $ 3,630 | $ 3,530 | $ 3,337 | $ 3,630 | $ 3,337 |
| Average assets during the period | $ 3,605 | $ 3,523 | $ 3,731 | $ 3,594 | $ 3,570 |
| **Leveraged & Inverse** | | | | | |
| Beginning of period assets | $ 1,349 | $ 882 | $ 989 | $ 995 | $ 964 |
| Inflows/(outflows) | (10) | 312 | 12 | 314 | 78 |
| Market appreciation/(depreciation) | 92 | 155 | 1 | 122 | (40) |
| End of period assets | $ 1,431 | $ 1,349 | $ 1,002 | $ 1,431 | $ 1,002 |
| Average assets during the period | $ 1,481 | $ 1,163 | $ 1,019 | $ 1,218 | $ 1,039 |
| **Alternatives** | | | | | |
| Beginning of period assets | $ 225 | $ 244 | $ 434 | $ 358 | $ 508 |
| Inflows/(outflows) | (4) | (29) | (17) | (99) | (101) |
| Market appreciation/(depreciation) | 8 | 10 | 1 | (30) | 11 |
| End of period assets | $ 229 | $ 225 | $ 418 | $ 229 | $ 418 |
| Average assets during the period | $ 226 | $ 226 | $ 428 | $ 260 | $ 455 |
| **Closed ETPs** | | | | | |
| Beginning of period assets | $ 52 | $ 464 | $ 1,648 | $ 1,460 | $ 1,758 |
| Assets sold | — | — | — | (778) | — |
| Inflows/(outflows) | (10) | (189) | (16) | 19 | (278) |
| Market appreciation/(depreciation) | 4 | 73 | (89) | (339) | 150 |
| Fund closures | (46) | (296) | (181) | (362) | (268) |
| End of period assets | $ — | $ 52 | $ 1,362 | $ — | $ 1,362 |
| Average assets during the period | $ 52 | $ 549 | $ 1,590 | $ 549 | $ 1,701 |
| **Headcount:** | 211 | 214 | 212 | 211 | 212 |

Note: Previously issued statistics may be restated due to fund closures and trade adjustments
Source: WisdomTree

### Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

***Selected Operating and Financial Information***

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2020 | 2019 | Change | Percent Change |
| **Global AUM (in millions)** | | | | |
| Average global AUM | $61,194 | $60,306 | $ 888 | 1.5% |
| **Operating Revenues (in thousands)** | | | | |
| Advisory fees | $63,919 | $67,006 | $(3,087) | (4.6%) |
| Other income | 721 | 712 | 9 | 1.3% |
| Total revenues | $64,640 | $67,718 | $(3,078) | (4.5%) |

***Average Global AUM***

Our average global AUM increased 1.5% from $60.3 billion at September 30, 2019 to $61.2 billion at September 30, 2020 principally due to the magnitude of market appreciation recognized in the current quarter in relation to the prior quarter.

***Operating Revenues***

*Advisory fees*

Advisory fee revenues decreased 4.6% from $67.0 million during the three months ended September 30, 2019 to $63.9 million in the comparable period in 2020 due to a 2 basis point decline in our average global advisory fee arising from AUM mix shift, notwithstanding the increase in our average AUM. Our average global advisory fee was 0.44% and 0.42% during the three months ended September 30, 2019 and 2020, respectively.

*Other income*

Other income was essentially unchanged from the three months ended September 30, 2019.

***Operating Expenses***

| *(in thousands)* | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Change | Percent Change |
|---|---|---|---|---|
| Compensation and benefits | $19,098 | $18,880 | $ 218 | 1.2% |
| Fund management and administration | 15,219 | 15,110 | 109 | 0.7% |
| Marketing and advertising | 2,996 | 3,022 | (26) | (0.9%) |
| Sales and business development | 2,386 | 4,354 | (1,968) | (45.2%) |
| Contractual gold payments | 4,539 | 3,502 | 1,037 | 29.6% |
| Professional and consulting fees | 950 | 1,259 | (309) | (24.5%) |
| Occupancy, communications and equipment | 1,611 | 1,549 | 62 | 4.0% |
| Depreciation and amortization | 253 | 259 | (6) | (2.3%) |
| Third-party distribution fees | 1,233 | 1,503 | (270) | (18.0%) |
| Acquisition and disposition-related costs | — | 190 | (190) | n/a |
| Other | 1,611 | 1,959 | (348) | (17.8%) |
| Total operating expenses | $49,896 | $51,587 | $(1,691) | (3.3%) |

| As a Percent of Revenues: | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 |
|---|---|---|
| Compensation and benefits | 29.6% | 27.9% |
| Fund management and administration | 23.5% | 22.3% |
| Marketing and advertising | 4.6% | 4.5% |
| Sales and business development | 3.7% | 6.5% |
| Contractual gold payments | 7.0% | 5.2% |
| Professional and consulting fees | 1.5% | 1.9% |
| Occupancy, communications and equipment | 2.5% | 2.2% |

| As a Percent of Revenues: | Three Months Ended September 30, 2020 | 2019 |
|---|---|---|
| Depreciation and amortization | 0.4% | 0.4% |
| Third-party distribution fees | 1.9% | 2.2% |
| Acquisition and disposition-related costs | — | 0.2% |
| Other | 2.5% | 2.9% |
| Total expenses | 77.2% | 76.2% |

*Compensation and benefits*

Compensation and benefits expense was essentially unchanged from the three months ended September 30, 2019. Headcount was 212 and 211 at September 30, 2019 and September 30, 2020, respectively.

*Fund management and administration*

Fund management and administration expense was essentially unchanged from the three months ended September 30,2019 as higher variable fees associated with higher average global AUM was offset by lower expenses due to the sale of our Canadian ETF business which was completed in February 2020. We had 80 U.S. listed ETFs and 268 international listed ETPs at September 30, 2019 compared to 67 U.S. listed ETFs and 238 international listed ETPs at September 30, 2020.

*Marketing and advertising*

Marketing and advertising expense was essentially unchanged from the three months ended September 30, 2019.

*Sales and business development*

Sales and business development expense decreased 45.2% from $4.4 million during the three months ended September 30, 2019 to $2.4 million in the comparable period in 2020 primarily due to lower discretionary spending resulting from the COVID-19 pandemic.

*Contractual gold payments*

Contractual gold payments expense increased 29.6% from $3.5 million during the three months ended September 30, 2019 to $4.5 million in the comparable period in 2020. This expense was associated with the payment of 2,375 ounces of gold and was calculated using the average daily spot price of $1,474 and $1,911 per ounce during the three months ended September 30, 2019 and 2020, respectively.

*Professional and consulting fees*

Professional and consulting fees decreased 24.5% from $1.3 million during the three months ended September 30, 2019 to $1.0 million in the comparable period in 2020 due to lower corporate consulting-related expenses.

*Occupancy, communications and equipment*

Occupancy, communications and equipment expense was essentially unchanged from the three months ended September 30, 2019.

*Depreciation and amortization*

Depreciation and amortization expense was essentially unchanged from the three months ended September 30, 2019.

*Third-party distribution fees*

Third-party distribution fees decreased 18.0% from $1.5 million during the three months ended September 30, 2019 to $1.2 million in the comparable period in 2020 primarily due to lower fees for platform relationships.

*Other*

Other expenses decreased 17.8% from $2.0 million during the three months ended September 30, 2019 to $1.6 million in the comparable period in 2020 primarily due to lower office-related and travel expenses as a result of our employees working remotely.

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***Other Income/(Expenses)***

| *(in thousands)* | Three Months Ended September 30, 2020 | 2019 | Change | Percent Change |
|---|---|---|---|---|
| Interest expense | $ (2,511) | $(2,832) | $ 321 | (11.3%) |
| Loss on revaluation of deferred consideration – gold payments | (8,870) | (6,306) | (2,564) | 40.7% |
| Interest income | 111 | 799 | (688) | (86.1%) |
| Impairments | (3,080) | — | (3,080) | n/a |
| Other gains, net | 744 | 843 | (99) | (11.7%) |
| Total other income/(expenses) | $(13,606) | $(7,496) | $(6,110) | 81.5% |

| **As a Percent of Revenues:** | Three Months Ended September 30, 2020 | 2019 |
|---|---|---|
| Interest expense | (3.9%) | (4.2%) |
| Loss on revaluation of deferred consideration – gold payments | (13.7%) | (9.3%) |
| Interest income | 0.2% | 1.1% |
| Impairments | (4.8%) | n/a |
| Other gains, net | 1.2% | 1.2% |
| Total other income/(expenses) | (21.0%) | (11.2%) |

*Interest expense*

Interest expense decreased 11.3% from $2.8 million during the three months ended September 30, 2019 to $2.5 million in the comparable period in 2020 primarily due to a lower level of debt outstanding. Our effective interest rate during the three months ended September 30, 2019 and 2020 was 5.2% and 6.2%, respectively, and includes our cost of borrowing and amortization of debt discount and issuance costs.

*Loss on revaluation of deferred consideration – gold payments*

We recognized a loss on revaluation of deferred consideration of $6.3 million and $8.9 million during the three months ended September 30, 2019 and 2020, respectively. The loss in the each quarter was due to an increase in the forward-looking price of gold when compared to the forward-looking gold curve at the end of the prior quarter. The magnitude of any gain or loss is highly correlated to the magnitude of the change in the forward-looking price of gold.

*Interest income*

Interest income decreased 86.1% from $0.8 million during the three months ended September 30, 2019 to $0.1 million in the comparable period in 2020 as paid-in-kind interest income was accrued in the prior period on our former AdvisorEngine Inc. (“AdvisorEngine”) notes receivable.

*Impairments*

During the three months ended September 30, 2020, we recognized a non-cash impairment charge of $3.1 million related to our investment in Thesys Group, Inc. (See Note 9 to our Consolidated Financial Statements).

*Other gains, net*

Other gains, net were $0.8 million and $0.7 million during the three months ended September 30, 2019 and 2020, respectively. Included in the three months ended September 30, 2020 is a gain of $0.2 million arising from an adjustment to the fair value of consideration received from the exit of our investment in AdvisorEngine. During the three months ended September 30, 2019, we recorded a gain of $0.4 million resulting from the recognition of the foreign currency translation adjustment upon the liquidation of our Japan business. In addition, gains and losses generally arise from the sale of gold earned from management fees paid by our physically-backed gold ETPs, foreign exchange fluctuations, securities owned and other miscellaneous items.

***Income taxes***

Our effective income tax rate for the three months ended September 30, 2020 of 123.7% resulted in income tax expense of $1.4 million. Our tax rate differs from the federal statutory tax rate of 21% primarily due to a non-deductible loss on revaluation of deferred consideration. This loss was partly offset by a lower tax rate on foreign earnings.

Our effective income tax rate for the three months ended September 30, 2019 of 51.9% resulted in income tax expense of $4.5 million. Our tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, a non-deductible loss on revaluation of deferred consideration, non-deductible executive compensation and state and local taxes, partly offset by a lower tax rate on foreign earnings.

**Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019**

***Selected Operating and Financial Information***

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2020 | 2019 | Change | Percent Change |
| **Global AUM (in millions)** | | | | |
| Average global AUM | $ 58,901 | $ 58,855 | $ 46 | 0.0% |
| **Operating Revenues (in thousands)** | | | | |
| Advisory fees | $184,077 | $197,473 | $(13,396) | (6.8%) |
| Other income | 2,563 | 2,023 | 540 | 26.7% |
| Total revenues | $186,640 | $199,496 | $(12,856) | (6.4%) |

***Average Global AUM***

Our average global AUM was essentially unchanged from the nine months ended September 30, 2019.

***Operating Revenues***

*Advisory fees*

Advisory fee revenues decreased 6.8% from $197.5 million during the nine months ended September 30, 2019 to $184.1 million in the comparable period in 2020 due to a 3 basis point decline in our average global advisory fee arising from AUM mix. Our average global ETP advisory fee declined from 0.45% during the nine months ended September 30, 2019 to 0.42% during the nine months ended September 30, 2020.

*Other income*

Other income increased 26.7% from $2.0 million during the nine months ended September 30, 2019 to $2.6 million in the comparable period in 2020 primarily due to higher creation/redemption fees associated with our international listed products.

***Operating Expenses***

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| **(in thousands)** | 2020 | 2019 | Change | Percent Change |
| Compensation and benefits | $ 53,848 | $ 61,481 | $ (7,633) | (12.4%) |
| Fund management and administration | 44,165 | 45,852 | (1,687) | (3.7%) |
| Marketing and advertising | 7,413 | 8,612 | (1,199) | (13.9%) |
| Sales and business development | 7,984 | 12,947 | (4,963) | (38.3%) |
| Contractual gold payments | 12,362 | 9,710 | 2,652 | 27.3% |
| Professional and consulting fees | 3,580 | 4,037 | (457) | (11.3%) |
| Occupancy, communications and equipment | 4,805 | 4,715 | 90 | 1.9% |
| Depreciation and amortization | 760 | 792 | (32) | (4.0%) |
| Third-party distribution fees | 3,928 | 5,822 | (1,894) | (32.5%) |
| Acquisition and disposition-related costs | 416 | 536 | (120) | (22.4%) |
| Other | 5,204 | 6,267 | (1,063) | (17.0%) |
| Total expenses | $144,465 | $160,771 | $(16,306) | (10.1%) |

| | Nine Months Ended September 30, | |
|---|---|---|
| **As a Percent of Revenues:** | 2020 | 2019 |
| Compensation and benefits | 28.8% | 30.8% |
| Fund management and administration | 23.7% | 23.0% |
| Marketing and advertising | 4.0% | 4.3% |

| As a Percent of Revenues: | Nine Months Ended September 30, 2020 | 2019 |
|---|---|---|
| Sales and business development | 4.3% | 6.5% |
| Contractual gold payments | 6.6% | 4.9% |
| Professional and consulting fees | 1.9% | 2.0% |
| Occupancy, communications and equipment | 2.6% | 2.4% |
| Depreciation and amortization | 0.4% | 0.4% |
| Third-party distribution fees | 2.1% | 2.9% |
| Acquisition and disposition-related costs | 0.2% | 0.3% |
| Other | 2.8% | 3.1% |
| Total expenses | 77.4% | 80.6% |

*Compensation and benefits*

Compensation and benefits expense decreased 12.4% from $61.5 million during the nine months ended September 30, 2019 to $53.8 million in the comparable period in 2020 due to lower incentive compensation accruals as well as $3.5 million of severance expense included in the prior period.

*Fund management and administration*

Fund management and administration expense decreased 3.7% from $45.9 million during the nine months ended September 30, 2019 to $44.2 million in the comparable period in 2020 primarily due to lower variable fees associated with lower average AUM of our U.S. listed products, partly offset by higher average AUM of our international listed products. These expenses were also lower as a result of the sale of our Canadian ETF business in February 2020.

*Marketing and advertising*

Marketing and advertising expense decreased 13.9% from $8.6 million during the nine months ended September 30, 2019 to $7.4 million in the comparable period in 2020 primarily due to lower discretionary spending resulting from the COVID-19 pandemic.

*Sales and business development*

Sales and business development expense decreased 38.3% from $12.9 million during the nine months ended September 30, 2019 to $8.0 million in the comparable period in 2020 primarily due to lower discretionary spending resulting from the COVID-19 pandemic.

*Contractual gold payments*

Contractual gold payments expense increased 27.3% from $9.7 million during the nine months ended September 30, 2019 to $12.4 million in the comparable period in 2020. This expense was associated with the payment of 7,125 ounces of gold and was calculated using the average daily spot price of $1,363 and $1,735 per ounce during the nine months ended September 30, 2019 and 2020, respectively.

*Professional and consulting fees*

Professional and consulting fees decreased 11.3% from $4.0 million during the nine months ended September 30, 2019 to $3.6 million in the comparable period in 2020 due to lower corporate consulting-related expenses.

*Occupancy, communications and equipment*

Occupancy, communications and equipment expense was essentially unchanged from the nine months ended September 30, 2019.

*Depreciation and amortization*

Depreciation and amortization expense was essentially unchanged from the nine months ended September 30, 2019.

*Third-party distribution fees*

Third-party distribution fees decreased 32.5% from $5.8 million during the nine months ended September 30, 2019 to $3.9 million in the comparable period in 2020 primarily due to lower fees for platform relationships.

*Acquisition and disposition-related costs*

Acquisition and disposition-related costs were essentially unchanged from the nine months ended September 30, 2019.

*Other*

Other expenses decreased 17.0% from $6.3 million during the nine months ended September 30, 2019 to $5.2 million in the comparable period in 2020 primarily due to lower office-related and travel expenses as a result of our employees working remotely.

***Other Income/(Expenses)***

| *(in thousands)* | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 | Change | Percent Change |
|---|---|---|---|---|
| Interest expense | $ (6,974) | $ (8,634) | $ 1,660 | (19.2%) |
| Loss on revaluation of deferred consideration – gold payments | (34,436) | (5,939) | (28,497) | 479.8% |
| Interest income | 393 | 2,396 | (2,003) | (83.6%) |
| Impairments | (22,752) | (572) | (22,180) | 3,877.6% |
| Loss on extinguishment of debt | (2,387) | — | (2,387) | n/a |
| Other gains and losses, net | 56 | (3,500) | 3,556 | n/a |
| Total other income/(expenses) | $(66,100) | $(16,249) | $(49,851) | 306.8% |

| **As a Percent of Revenues:** | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Interest expense | (3.7%) | (4.3%) |
| Loss on revaluation of deferred consideration – gold payments | (18.4%) | (3.0%) |
| Interest income | 0.2% | 1.2% |
| Impairments | (12.2%) | (0.3%) |
| Loss on extinguishment of debt | (1.3%) | n/a |
| Other gains and losses, net | 0.0% | (1.7%) |
| Total other income/(expenses) | (35.4%) | (8.1%) |

*Interest expense*

Interest expense decreased 19.2% from $8.6 million during the nine months ended September 30, 2019 to $7.0 million in the comparable period in 2020 due to a lower level of debt outstanding. Our effective interest rate during the nine months ended September 30, 2019 and 2020 was 5.4% and 5.3%, respectively, and includes our cost of borrowing and amortization of debt discount and issuance costs.

*Loss on revaluation of deferred consideration*

We recognized a loss on revaluation of deferred consideration of $5.9 million and $34.4 million during the nine months ended September 30, 2019 and 2020, respectively. The loss in each period was due to an increase in the forward-looking price of gold when compared to the forward-looking gold curve at the beginning of each respective year. The magnitude of any gain or loss is highly correlated to the magnitude of the change in the forward-looking price of gold.

*Interest income*

Interest income decreased 83.6% from $2.4 million during the nine months ended September 30, 2019 to $0.4 million in the comparable period in 2020 as paid-in-kind interest income was accrued in the prior period on our former AdvisorEngine notes receivable.

*Impairments*

During the nine months ended September 30, 2020, we recognized non-cash impairment charges totaling $22.8 million, including $3.1 million related to our investment in Thesys and $19.7 million related to our investment in AdvisorEngine (See Notes 9 and 7 to our Consolidated Financial Statements). During the nine months ended September 30, 2019, we recognized a non-cash impairment charge of $0.6 million in connection with the termination of our Japan office lease.

*Loss on extinguishment of debt*

During the nine months ended September 30, 2020, we recognized a non-cash loss on extinguishment of debt of $2.4 million arising from the acceleration of debt issuance cost amortization in connection with the termination of our former credit facility on June 16, 2020. See Note 12 to our Consolidated Financial Statements.

*Other gains and losses, net*

Other gains and losses, net were ($3.5) million and $0.1 million during the nine months ended September 30, 2019 and 2020, respectively. This includes a charge recorded during the nine months ended September 30, 2019 and 2020 of $4.3 million and $6.0 million, respectively, arising from the release of a tax-related indemnification asset upon the expiration of the statute of limitations. An equal and offsetting benefit has been recognized in income tax expense. In addition, during the nine months ended September 30, 2020, we recognized a gain of $2.9 million associated with the sale of our Canadian ETF business (See Note 25 to our Consolidated Financial Statements) and a gain of $1.1 million arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine. Gains and losses also generally arise from the sale of gold earned from management fees paid by our physically-backed gold ETPs, foreign exchange fluctuations, securities owned and other miscellaneous items.

***Income taxes***

Our effective income tax rate for the nine months ended September 30, 2020 of 7.4% resulted in an income tax benefit of $1.8 million. Our tax rate differs from the federal statutory rate of 21% primarily due to a valuation allowance on capital losses, a non-deductible loss on revaluation of deferred consideration and tax shortfalls associated with the vesting and exercise of stock-based compensation awards. These items were partly offset by a $6.0 million reduction in unrecognized tax benefits, a $2.9 million non-taxable gain recognized upon sale of our Canadian ETF business in the first quarter, a tax benefit of $2.8 million recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from our debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

Our effective income tax rate during the nine months ended September 30, 2019 of 31.2% resulted in income tax expense of $7.0 million. Our effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, a non-deductible loss on revaluation of deferred consideration, state and local income taxes and tax shortfalls associated with the vesting and exercise of stock-based compensation awards, partly offset by a $4.3 million reduction in unrecognized tax benefits and a lower tax rate on foreign earnings.

**Non-GAAP Financial Measurements**

In an effort to provide additional information regarding our results as determined by GAAP, we also disclose certain non-GAAP information which we believe provides useful and meaningful information. Our management reviews these non-GAAP financial measurements when evaluating our financial performance and results of operations; therefore, we believe it is useful to provide information with respect to these non-GAAP measurements so as to share this perspective of management. Non-GAAP measurements do not have any standardized meaning, do not replace nor are superior to GAAP financial measurements and are unlikely to be comparable to similar measures presented by other companies. These non-GAAP financial measurements should be considered in the context with our GAAP results. The non-GAAP financial measurements contained in this Report include:

- *Adjusted net income and adjusted diluted earnings per share.* We disclose adjusted net income and adjusted diluted earnings per share as non-GAAP financial measurements in order to report our results exclusive of items that are non-recurring or not core to our operating business. We believe presenting these non-GAAP financial measures provides investors with a consistent way to analyze our performance. These non-GAAP financial measures exclude the following:

  - ➢ *Unrealized gains or losses on the revaluation of deferred consideration*: Deferred consideration is an obligation we assumed in connection with the ETFS acquisition that is carried at fair value. This item represents the present value of an obligation to pay fixed ounces of gold into perpetuity and is measured using forward-looking gold prices. Changes in the forward-looking price of gold may have a material impact on the carrying value of the deferred consideration and our reported financial results. We exclude this item when arriving at adjusted net income and adjusted diluted earnings per share as it is not core to our operating business. The item is not adjusted for income taxes as the obligation was assumed by a wholly-owned subsidiary of ours that is based in Jersey, a jurisdiction where we are subject to a zero percent tax rate.

  - ➢ *Tax shortfalls and windfalls upon vesting and exercise of stock-based compensation awards*: GAAP requires the recognition of tax windfalls and shortfalls within income tax expense. These items arise upon the vesting and exercise of stock-based compensation awards and the magnitude is directly correlated to the number of awards vesting/exercised as well as the difference between the price of our stock on the date the award was granted and the date the award vested or was exercised. We exclude these items when determining adjusted net income and adjusted diluted earnings per share as they introduce volatility in earnings and are not core to our operating business.

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- *Interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the convertible notes*: GAAP requires convertible instruments to be separated into their liability and equity components by allocating the issuance proceeds to each of those components. The liability component for convertible instruments that qualify for a derivative scope exception (applicable to our convertible notes) is allocated proceeds equal to the estimated fair value of similar debt without the conversion option. The difference between the gross proceeds received from the issuance of the convertible instrument and the proceeds allocated to the liability component represents the residual amount that is classified in equity. The discount arising from the recognition of the residual amount classified in equity is amortized as interest expense over the life of the instrument. We exclude this item when calculating our non-GAAP financial measurements as it is non-cash and distorts our actual cost of borrowing. In addition, in August 2020, the FASB issued Accounting Standards Update 2020-06, *Debt – Debt with Conversion and Other Options, Cash Conversion* which includes the elimination of the requirement to bifurcate conversion options qualifying for a derivative scope exception. Once effective, this interest expense will no longer be recognized.

- *Other items*: Loss on extinguishment of debt, the release of a deferred tax asset valuation allowance recognized on interest carryforwards arising from our debt previously outstanding in the United Kingdom, a gain arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine, impairment charges, a gain recognized upon the sale of our Canadian ETF business, severance expense and acquisition and disposition-related costs are excluded when determining adjusted net income and adjusted earnings per share.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| **Adjusted Net Income and Diluted Earnings per Share:** | **Sept. 30, 2020** | **Sept. 30, 2019** | **Sept. 30, 2020** | **Sept. 30, 2019** |
| Net (loss)/income, as reported | $ (270) | $ 4,152 | $ (22,158) | $ 15,455 |
| Add back: Loss on revaluation of deferred consideration | 8,870 | 6,306 | 34,436 | 5,939 |
| Add back: Impairments, net of income taxes | 2,326 | — | 21,998 | 572 |
| Deduct: Gain recognized upon sale of Canadian ETF business | — | — | (2,877) | — |
| Deduct: Release of a deferred tax asset valuation allowance recognized on interest carryforwards arising from debt previously outstanding in the United Kingdom | — | — | (2,842) | — |
| Add back: Loss on extinguishment of debt, net of income taxes | — | — | 1,910 | — |
| Deduct: Gain arising from an adjustment to the estimated fair value of consideration received from the exit of investment in AdvisorEngine | (225) | — | (1,093) | — |
| Add back: Interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the convertible notes, net of income taxes | 286 | — | 328 | — |
| Add back: Tax shortfalls upon vesting and exercise of stock-based compensation awards | 50 | 30 | 670 | 1,077 |
| Add back: Acquisition and disposition-related costs, net of income taxes | — | 154 | 383 | 434 |
| Add back: Severance expense, net of income taxes | — | — | — | 2,715 |
| Adjusted net income | $ 11,037 | $ 10,642 | $ 30,755 | $ 26,192 |
| Deduct: Income distributed to participating securities | (556) | (539) | (1,663) | (1,622) |
| Deduct: Undistributed income allocable to participating securities | (687) | (584) | (1,701) | (1,149) |
| Adjusted net income available to common stockholders | $ 9,794 | $ 9,519 | $ 27,391 | $ 23,421 |
| Weighted average diluted shares, excluding participating securities (in thousands) (See Note 21 to our Consolidated Financial Statements) | 145,569 | 152,032 | 149,891 | 151,954 |
| Adjusted earnings per share—diluted | $ 0.07 | $ 0.06 | $ 0.18 | $ 0.15 |

### Liquidity and Capital Resources

The following table summarizes key data regarding our liquidity, capital resources and use of capital to fund our operations:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Balance Sheet Data (in thousands): | | |
| Cash and cash equivalents | $ 63,561 | $ 74,972 |
| Securities owned, at fair value | 32,574 | 17,319 |
| Accounts receivable | 26,163 | 26,838 |
| Securities held-to-maturity | 501 | 16,863 |
| Total: Liquid assets | 122,799 | 135,992 |
| Less: Total current liabilities | (67,017) | (79,041) |
| Less: Regulatory capital requirement – certain international subsidiaries | (10,644) | (12,312) |
| Subtotal | 45,138 | 44,639 |
| Plus: Revolving credit facility – available capacity | —(1) | 27,908 |
| Total: Available liquidity | $ 45,138 | $ 72,547 |

(1) Terminated on June 16, 2020.

| | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Cash Flow Data (in thousands): | | |
| Operating cash flows | $ 15,568 | $ 43,081 |
| Investing cash flows | 28,515 | 498 |
| Financing cash flows | (55,107) | (32,403) |
| Foreign exchange rate effect | (387) | (385) |
| (Decrease)/increase in cash and cash equivalents | $ (11,411) | $ 10,791 |

#### *Liquidity*

We consider our available liquidity to be our liquid assets, less our current liabilities and regulatory capital requirements of certain international subsidiaries. Liquid assets consist of cash and cash equivalents, securities owned, at fair value, accounts receivable and securities held-to-maturity. Our securities owned, at fair value are highly liquid investments. Certain securities are accounted for as held-to-maturity securities and we have the intention and ability to hold them to maturity. However, these securities are also readily traded and, if needed, could be sold for liquidity. Accounts receivable are current assets and primarily represent receivables from advisory fees we earn from our ETPs. Our current liabilities consist primarily of payments owed to vendors and third parties in the normal course of business, deferred consideration and accrued incentive compensation for employees.

Cash and cash equivalents decreased $11.4 million during the nine months ended September 30, 2020 due to $179.0 million used to repay our debt, $31.0 million used to repurchase our common stock, $15.2 million used to pay dividends on our common stock, $5.4 million used to pay convertible notes issuance costs and $0.5 million used in other activities. These decreases were partly offset by $175.3 million of proceeds from the issuance of convertible notes, $16.4 million of proceeds from held-to-maturity securities maturing or called prior to maturity, $15.6 million of net cash provided by operating activities, $9.6 million of proceeds from the sale of our financial interests in AdvisorEngine and $2.8 million of net proceeds from the sale of our Canadian ETF business.

Cash and cash equivalents increased $10.8 million during the nine months ended September 30, 2019 due to $43.1 million of net cash provided by operating activities and $2.3 million of proceeds from held-to-maturity securities called or maturing or called prior to maturity. These increases were partly offset by $15.3 million used to pay dividends on our common stock, $15.0 million used to partially repay our long-term debt, $2.2 million used to repurchase our common stock, $1.8 million used to fund AdvisorEngine notes receivable and $0.3 million used for other activities.

#### *Issuance of Convertible Notes*

On August 13, 2020 the Company issued and sold $25.0 million in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 (the “Additional Notes”) pursuant to an Indenture (the “Indenture”), dated June 16, 2020, between us and U.S. Bank National Association, as trustee (the “Trustee”), in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Additional Notes were issued at a price equal to 101% of the principal amount thereof, plus interest deemed to have accrued since June 16, 2020, and constitute a further issuance of, and form a single series with, the

Company's outstanding 4.25% Convertible Senior Notes due 2023 issued on June 16, 2020 in the aggregate principal amount of $150.0 million (the "Existing Notes" and together with the Additional Notes, the "Convertible Notes"). Immediately after giving effect to the issuance of the Additional Notes, the Company had $175.0 million aggregate principal amount of Convertible Notes outstanding.

Key terms of the Convertible Notes are as follows:

- *Maturity date*: June 15, 2023, unless earlier converted, repurchased or redeemed.
- *Interest rate of 4.25%*: Payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020.
- *Conversion price of $5.92*: Convertible at an initial conversion rate of 168.9189 shares of our common stock, per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $5.92 per share.
- *Conversion*: Holders may convert at their option at any time prior to the close of business on the business day immediately preceding March 15, 2023 only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on September 30, 2020, if the last reported sale price of our common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of the Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sales price of our common stock and the conversion rate on each such trading day; (iii) upon a notice of redemption that we deliver in accordance with the terms in the Indenture but only with respect to the Convertible Notes called (or deemed called) for redemption; or (iv) upon the occurrence of specified corporate events. On or after March 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Notes at any time, regardless of the foregoing circumstances.
- *Cash settlement of principal amount*: Upon conversion, we will pay cash up to the aggregate principal amount of the Convertible Notes to be converted. At our election, we will also settle our conversion obligation in excess of the aggregate principal amount to the Convertible Notes being converted in either cash, shares of our common stock or a combination of cash and shares of its common stock.
- *Redemption price of $7.70*: We may redeem for cash all or any portion of the notes, at our option, on or after June 20, 2021 and on or prior to the 55$^{th}$ scheduled trading day immediately preceding the maturity date, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provides notice of redemption, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding the redemption date. No sinking fund is provided for the Convertible Notes.
- *Limited investor put rights*: Holders of the Convertible Notes have the right to require us to repurchase for cash all or a portion of their notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of certain change of control transactions or liquidation, dissolution or common stock delisting events.
- *Conversion rate increase in certain customary circumstances*: In certain circumstances, conversions in connection with a "make-whole fundamental change" (as defined in the Indenture) or conversions of Convertible Notes called (or deemed called) for redemption may result in an increase to the conversion rate, provided that the conversion rate will not exceed 270.2702 shares of our common stock per $1,000 principal amount of the Convertible Notes (the equivalent of 47,297,285 shares of our common stock), subject to adjustment.
- *Seniority and Security*: The Convertible Notes are the Company's senior unsecured obligations, but are subordinated in right of payment to the Company's obligations to make certain redemption payments (if and when due) in respect of its Series A Non-Voting Convertible Preferred Stock (See Note 14 to our Consolidated Financial Statements).

The Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Convertible Notes outstanding may declare the entire principal amount of all the Convertible Notes to be repurchased, plus any accrued special interest, if any, to be immediately due and payable.

***Termination of Former Credit Facility***

On June 16, 2020 and in connection with the issuance of the Existing Notes, we repaid our debt previously outstanding and terminated our former credit facility. We are therefore no longer subject to compliance with financial covenants under our former credit facility or limitations on stock repurchases and dividend payments.

***Capital Resources***

Our principal source of financing is our operating cash flow. We believe that current cash flows generated by our operating activities and existing cash balances should be sufficient for us to fund our operations for at least the next 12 months.

***Use of Capital***

Our business does not require us to maintain a significant cash position. However, certain of our international subsidiaries are required to maintain a minimum level of regulatory capital, which at September 30, 2020 was approximately $10.6 million in the aggregate. Notwithstanding these regulatory capital requirements, we expect that our main uses of cash will be to fund the ongoing operations of our business. We also maintain a capital return program which includes a $0.03 per share quarterly cash dividend and authority to purchase our common stock through April 27, 2022, including purchases to offset future equity grants made under our equity plans.

During the three months ended September 30, 2020, we repurchased 1,066,261 shares of our common stock under the repurchase program for an aggregate cost of $4.5 million. At September 30, 2020, $52.4 million remained under this program for future purchases.

**Contractual Obligations**

The following table summarizes our future payments associated with contractual obligations as of September 30, 2020:

| | | Payments Due by Period (in thousands) | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1 to 3 years | 3 to 5 years | More than 5 years |
| Convertible Notes[1] | $175,000 | $ — | $ 175,000 | $ — | $ — |
| Deferred consideration – gold payments[2] | 207,748 | 17,202 | 30,658 | 25,815 | 134,073 |
| Operating leases | 27,422 | 3,124 | 5,916 | 6,137 | 12,245 |
| Total | $410,170 | $ 20,326 | $ 211,574 | $ 31,952 | $ 146,318 |

(1) Conditional conversions or a requirement to repurchase the convertible notes upon the occurrence of a fundamental change may accelerate payment (See Note 13 to our Consolidated Financial Statements).

(2) Paid from advisory fee income generated by any Company-sponsored financial product backed by physical gold with no recourse back to us for any unpaid amounts that exceed advisory fees earned (See Note 11 to our Consolidated Financial Statements).

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet financing or other arrangements and have neither created nor are party to any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business.

**Critical Accounting Policies**

***Business Combinations***

We account for business combinations under the acquisition method of accounting in accordance with Accounting Standards Codification Topic 805, *Business Combinations*, which requires an allocation of the consideration we paid to the identifiable assets, intangible assets and liabilities based on the estimated fair values as of the closing date of the acquisition. The excess of the fair value of purchase price over the fair values of these identifiable assets, intangible assets and liabilities is recorded as goodwill.

***Goodwill and Intangible Assets***

Goodwill is the excess of the purchase price over the fair values of the identifiable net assets at the acquisition date. We test goodwill for impairment at least annually and at the time of a triggering event requiring re-evaluation, if one were to occur. Goodwill is considered impaired when the estimated fair value of the reporting unit that was allocated the goodwill is less than its carrying value. If the estimated fair value of such reporting unit is less than its carrying value, goodwill impairment is recognized based on that difference, not to exceed the carrying amount of goodwill. A reporting unit is an operating segment or a component of an operating segment provided that the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component.

Goodwill is allocated to our U.S. Business and European Business components. Effective January 1, 2020, for impairment testing purposes, these components are aggregated as a single reporting unit as they fall under the same operating segment and have similar economic characteristics. Previously, these components were tested separately for impairment when we were operating as more than one operating segment.

Goodwill is assessed for impairment annually on November 30th. When performing our goodwill impairment test, we consider a qualitative assessment, when appropriate, and the market approach and its market capitalization when determining the fair value of the reporting units, in the aggregate.

Indefinite-lived intangible assets are tested for impairment at least annually and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are impaired if their estimated fair value is less than their carrying value. We may rely on a qualitative assessment when performing our intangible asset impairment test. Otherwise, the impairment evaluation is performed at the lowest level of reasonably identifiable cash flows independent of other assets. The annual impairment testing date for all of our intangible assets is November 30th.

***Investments***

We account for equity investments that do not have a readily determinable fair value under the measurement alternative prescribed within ASU 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, to the extent such investments are not subject to consolidation or the equity method. Under the measurement alternative, these financial instruments are carried at cost, less any impairment (assessed quarterly), plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. In addition, income is recognized when dividends are received only to the extent they are distributed from net accumulated earnings of the investee. Otherwise, such distributions are considered returns of investment and are recorded as a reduction of the cost of the investment.

***Deferred Consideration – Gold Payments***

Deferred consideration represents the present value of an obligation to pay gold to a third party into perpetuity and is measured using forward-looking gold prices and a selected discount rate (See Note 11 to our Consolidated Financial Statements). Changes in the fair value of this obligation are reported as (loss)/gain on revaluation of deferred consideration – gold payments on the Company’s Consolidated Statements of Operations.

***Revenue Recognition***

We earn substantially all of our revenue in the form of advisory fees from our ETPs and recognize this revenue over time, as the performance obligation is satisfied. Advisory fees are based on a percentage of the ETPs’ average daily net assets. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which we have a right to invoice.

***Recently Issued Accounting Pronouncements***

In August 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-06, *Debt – Debt with Conversion and Other Options* (ASU 2020-06). Under the ASU, the accounting for convertible instruments will be simplified by removing major separation models required under current GAAP. Accordingly, more convertible instruments will be reported as a single liability or equity with no separate accounting for embedded conversion features. Certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception will be removed and, as a result, more equity contracts will qualify for the scope exception. The ASU will also simplify the diluted earnings-per-share calculation in certain areas. The ASU will be effective for years beginning after December 31, 2021, including interim periods within those fiscal years. Early adoption is permitted for fiscal periods beginning after December 15, 2020 (including interim periods within the same fiscal year). The adoption of this ASU will result in a reduction of interest expense recognized on our recently issued convertible notes (See Note 13 to our Consolidated Financial Statements) of approximately $0.4 million per quarter. We expect to early adopt the ASU.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes* (ASU 2019-12). The main objective of the standard is to reduce complexity in the accounting for income taxes by removing the following exceptions: (1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income); (2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The standard also simplifies the accounting for income taxes by enacting the following: (a) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount as a non-income-based tax; (b) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered as a separate transaction; (c) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; and (d) requiring that an entity reflect the enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. ASU 2019-12 is effective for years beginning after December 15, 2020, including the interim periods within those reporting periods. Early adoption is permitted. We have determined that this standard will not have a material impact on our financial statements and are not early adopting this ASU.

***Recently Adopted Accounting Pronouncements***

On January 1, 2020, we adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The main objective of the standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. In issuing this standard, the FASB is responding to criticism that prior guidance delayed recognition of credit losses. The standard replaced the prior guidance's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, applies to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. The standard is applicable to loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, loan commitments and certain other off-balance sheet credit exposures, debt securities (including those held-to-maturity) and other financial assets measured at fair value through other comprehensive income, and beneficial interests in securitized financial assets. The CECL model does not apply to available-for-sale debt securities. For available-for-sale debt securities with unrealized losses, entities measure credit losses in a manner similar to prior guidance, except that the credit losses are recognized as allowances rather than reductions in the amortized cost of the securities. Accordingly, the new methodology is utilized when assessing our financial instruments for impairment. As a result, entities recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time. The ASU also simplified the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expanded the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. The adoption of this standard, which is applicable to our trade receivables, notes receivable and held-to-maturity securities did not have a material impact on our consolidated financial statements.

On January 1, 2020, we adopted ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which modified the disclosure requirements on fair value measurements, including removing the requirement to disclose (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (2) the policy for timing of transfers between levels and (3) the valuation processes for Level 3 fair value measurements. ASU 2018-13 also added new disclosures including the requirement to disclose (a) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (b) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This standard only impacted the disclosures pertaining to fair value measurements and were incorporated into the notes to our consolidated financial statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following information, together with information included in other parts of this Management's Discussion and Analysis of Financial Condition and Results of Operations, describes key aspects of our market risk.

***Market Risk***

Market risk to us generally represents the risk of changes in the value of our ETPs that results from fluctuations in securities or commodity prices, foreign currency exchange rates against the U.S. dollar, and interest rates. Nearly all our revenues are derived from advisory agreements for the WisdomTree ETPs. Under these agreements, the advisory fee we receive is based on the average market value of the assets in the WisdomTree ETP portfolios we manage.

Fluctuations in the value of the ETPs are common and are generated by numerous factors such as market volatility, the global economy, inflation, changes in investor strategies and sentiment, availability of alternative investment vehicles, domestic and foreign government regulations, emerging markets developments and others. Accordingly, changes in any one or a combination of these factors may reduce the value of investment securities and, in turn, the underlying AUM on which our revenues are earned. These declines may cause investors to withdraw funds from our ETPs in favor of investments that they perceive as offering greater opportunity or lower risk, thereby compounding the impact on our revenues. We believe challenging and volatile market conditions will continue to be present in the foreseeable future.

***Interest Rate Risk***

We invest our corporate cash in short-term interest earning assets, primarily in our WisdomTree ETFs, federal agency debt instruments, money market instruments at a commercial bank and other securities which totaled $33.9 million and $35.7 million as of December 31, 2019 and September 30, 2020, respectively. We do not anticipate that changes in interest rates will have a material impact on our financial condition, operating results or cash flows.

In addition, our Convertible Notes bear interest at a fix rate of interest of 4.25%. Therefore, we have no direct financial statement risk associated with changes in interest rates. However, the fair value of the Convertible Notes changes primarily when the market price of our common stock fluctuates or interest rates change.

***Exchange Rate Risk***

We are subject to currency translation exposure on the results of our non-U.S. operations, primarily in the United Kingdom and Europe. Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities' statements of earnings and balance sheets from functional currency to our reporting currency (the U.S. dollar) for consolidation purposes. The advisory fees earned on our international listed ETPs are predominantly in U.S. dollars (and also paid in gold ounces, as described below), however, expenses for corporate overhead are generally incurred in British pounds. Currently, we do not enter into derivative financial instruments aimed at offsetting certain exposures in the statement of operations or the balance sheet but may seek to do so in the future.

Exchange rate risk associated with the euro is not considered to be significant.

***Commodity Price Risk***

Fluctuations in the prices of commodities that are linked to certain of our ETPs could have a material adverse effect on our AUM and revenues. In addition, a portion of the advisory fee revenues we receive on our ETPs backed by gold are paid in gold ounces. In addition, we pay gold ounces to satisfy our deferred consideration obligation (Note 11 to our Consolidated Financial Statements). While we may readily sell the gold that we earn under these advisory contracts, we still may maintain a position. We currently do not enter into arrangements to hedge against fluctuations in the price of gold and any hedging we may undertake in the future may not be cost-effective or sufficient to hedge against this gold exposure.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

As of September 30, 2020, our management, with the participation of our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that, as of September 30, 2020, our disclosure controls and procedures were effective at a reasonable assurance level in ensuring that material 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, regulations and forms of the SEC, including ensuring that such material information is accumulated by and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

### Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II: OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

None.

## ITEM 1A. RISK FACTORS

You should carefully consider the information set forth in this Report, as well as the information in Part 1, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Recent sales of Unregistered Securities

On August 13, 2020 we issued and sold $25.0 million in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 which was previously disclosed in our Current Report on Form 8-K filed with the SEC on August 13, 2020.

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**Use of Proceeds**

Refer to our Current Report on Form 8-K filed with the SEC on August 13, 2020.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" of shares of our common stock.

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) |
|---|---|---|---|---|
| July 1, 2020 to July 31, 2020 | 24,875 | $ 3.57 | 24,875 | |
| August 1, 2020 to August 31, 2020 | 1,041,386 | $ 4.27 | 1,041,386 | |
| September 1, 2020 to September 30, 2020 | — | $ — | — | |
| Total | 1,066,261 | $ 4.25 | 1,066,261 | $ 52,410 |

(1) On April 24, 2019, our Board of Directors extended the term of our share repurchase program for three years through April 27, 2022. During the three months ended September 30, 2020, we repurchased 1,066,261 shares of our common stock under this program for an aggregate cost of approximately $4.5 million. As of September 30, 2020, $52.4 million remained under this program for future repurchases.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

## ITEM 6.EXHIBITS

| Exhibit No. | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011) |
| 3.2 | Certificate of Designations of Series A Non-Voting Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on April 13, 2018) |
| 3.3 | Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on February 26, 2019) |
| 4.1 | Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011) |
| 4.2 | Amended and Restated Stockholders Agreement among the Registrant and certain investors dated December 21, 2006 (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011) |
| 4.3 | Securities Purchase Agreement among the Registrant and certain investors dated December 21, 2006 (incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011) |
| 4.4 | Securities Purchase Agreement among the Registrant and certain investors dated October 15, 2009 (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011) |
| 4.5 | Third Amended and Restated Registration Rights Agreement dated October 15, 2009 (incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011) |
| 4.6 | Investor Rights Agreement, dated April 11, 2018, between the Registrant and ETFS Capital (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on April 13, 2018) |
| 4.7 | Indenture, dated as of June 16, 2020, by and between the Registrant and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on June 17, 2020) |
| 4.8 | Form of Global Note, representing the Registrant's 4.25% Convertible Senior Notes due 2023 (included as Exhibit A to the Indenture filed as Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on June 17, 2020) |
| 10.1(1) | Employment Agreement between the Registrant and Marci Frankenthaler, dated November 5, 2020 |
| 31.1 (1) | Certification of Chief Executive Officer and Principal Executive Officer pursuant to Rule 13a-14 of the Exchange Act |
| 31.2 (1) | Certification of Chief Financial Officer and Principal Financial Officer pursuant to Rule 13a-14 of the Exchange Act |
| 31.3 (1) | Certification of Chief Accounting Officer and Principal Accounting Officer pursuant to Rule 13a-14 of the Exchange Act |
| 32 (1) | Section 1350 Certification |
| 101 (1) | Financial Statements from the Quarterly Report on Form 10-Q of the Company for the three months ended September 30, 2020, formatted in XBRL: (i) Consolidated Balance Sheets at September 30, 2020 (Unaudited) and December 31, 2019; (ii) Consolidated Statements of Operations and Comprehensive Income/(Loss) for the three and nine months ended September 30, 2020 and September 30, 2019 (Unaudited); (iii) Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2020 and September 30, 2019 (Unaudited) (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and September 30, 2019 (Unaudited); and (v) Notes to Consolidated Financial Statements, as blocks of text and in detail. |
| 101.SCH (1) | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL (1) | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF (1) | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB (1) | Inline XBRL Taxonomy Extension Label Linkbase Document |

| Exhibit No. | Description |
|---|---|
| 101.PRE (1) | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 (1) | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*) |

(1) Filed herewith.

## SIGNATURE

Pursuant to the requirements 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 this 6th day of November 2020.

WISDOMTREE INVESTMENTS, INC.

By: /s/ Jonathan Steinberg
Jonathan Steinberg
*Chief Executive Officer*
*(Principal Executive Officer)*

WISDOMTREE INVESTMENTS, INC.

By: /s/ Amit Muni
Amit Muni
*Chief Financial Officer*
*(Principal Financial Officer)*

WISDOMTREE INVESTMENTS, INC.

By: /s/ Bryan Edmiston
Bryan Edmiston
*Chief Accounting Officer*
*(Principal Accounting Officer)*

**Exhibit 10.1**

**WISDOMTREE ASSET MANAGEMENT, INC.**
**245 Park Avenue, 35th Floor**
**New York, New York 10167**

November 5, 2020

Marci Frankenthaler

Dear Marci:

This letter agreement ("letter") confirms your continued employment by WisdomTree Asset Management, Inc. ("WTAM") to serve in the executive capacity set forth on Appendix A annexed hereto ("Appendix A"), and in the executive capacity set forth on Appendix A of its sole stockholder, WisdomTree Investments, Inc. ("WTI"), subject to the terms herein. Except as expressly provided herein, this letter amends and restates in all respects all previous employment agreements, arrangements, and understandings between you, WTAM, WTI, the WisdomTree Trust ("WTT"), and/or its or their subsidiaries and affiliates, including without limitation the employment agreement between you, WTAM, and (where specified) WTI if any, referenced on Appendix A and dated as of the date set forth on Appendix A (the "Employment Agreement"). WTAM serves as the investment advisor for the exchange traded funds issued by WTT. As used in this letter, "Company" refers to, as the context requires, either (i) WTAM, WTI, WTT and the subsidiaries of WTAM or WTI collectively, or (ii) any one or more of such entities.

The terms of your continued employment will be as follows:

**1.** **Salary**. Your Base Salary will be paid at the rate per annum set forth on Appendix A, subject to such increases as may be determined from time to time by the Board of Directors of WTI (the "WTI Board") (or the Compensation Committee thereof (the "WTI Compensation Committee")) in its sole discretion. Your Base Salary will be paid in accordance with WTAM's normal payroll policies in effect from time to time. Your Base Salary shall not be reduced during your employment by the Company unless pursuant to an equivalent reduction in the Base Salary for all executive officers of the Company and, in any event, by not more than 25%.

**2.** **Incentive Compensation**. You shall be eligible to receive such incentive compensation as may be determined by the WTI Board or the WTI Compensation Committee from time to time. Except as otherwise provided herein, you must be employed by the Company on the day incentive compensation is paid to earn any part of that incentive compensation.

**3. Restricted Stock.**

**(a)** The parties acknowledge that the WTI Compensation Committee granted to you shares of Restricted Stock under the 2016 Equity Plan and subject to the terms of the associated Restricted Stock Agreements dated as of the dates set forth on Appendix A (the "Restricted Stock Agreements"). The shares of Restricted Stock are subject to the terms and conditions of the respective Restricted Stock Agreements, *provided however*, notwithstanding anything to the contrary in any of the Restricted Stock Agreements, (i) for purposes of the Restricted Stock Agreements, Change of Control henceforth shall have the meaning as set forth below; (ii) in the event of an Involuntary Termination (as defined below) of your employment, (I) you shall be entitled to accelerated vesting only with respect to the shares of Restricted Stock, if any, that would have vested during the Post-Employment Period, (II) vesting shall otherwise cease as of the Date of Termination, but your non-vested shares of Restricted Stock will not be forfeited until the last day of the Post-Employment Period, and (III) if a Change of Control occurs during the Post-Employment Period, you shall be entitled to the same vesting with respect to the shares of Restricted Stock as you would have if you had been employed on the date of the Change of Control.

**(b)** You and the Company agree that the arbitration provisions set forth in Appendix B to this letter shall supersede and shall govern any arbitration proceeding between you and the Company set forth in any Restricted Stock Agreements between you and WTI.

**(c)** The provisions of this Paragraph 3 shall be deemed to amend the Restricted Stock Agreements. The Company and WTI each agree that all future grants to you of stock options, restricted stock and restricted stock units with respect to WTI common stock shall provide for (i) a definition of Change of Control consistent with this letter and acceleration of time-based vesting and continuance of the time-based stock options, restricted stock awards and restricted stock unit awards beyond termination of employment in the same manner as provided in this Paragraph 3 and (ii) arbitration provisions consistent with the provisions of Appendix B to this letter.

**4. Protection of Confidential Information and Intellectual Property.**

**(a)** You agree that your services hereunder are of a special, unique and extraordinary character, and that your position with the Company places you in a position of confidence and trust. You further acknowledge that in the course of rendering services to the Company you have obtained and will obtain knowledge of confidential information and trade secrets of the Company. Accordingly, you agree that during the Restricted Period (defined below) with respect to the clause (i) below, for a period of six years with respect to clause (ii) below, and at all times both during and after your employment with respect to clause (iii) below, you shall not, directly or indirectly, whether as owner, partner, shareholder, director, manager, consultant, agent, employee, co-venturer or otherwise:

(i) solicit, entice, or attempt to persuade any officer, director, employee, or agent of the Company to become an officer, director, employee, or agent or perform services in any other capacity on behalf of you or any other person or entity,

(ii) engage or participate in any business conducted under any name that will be the same as or similar to the names of the Company or any trade names used by the Company, or

(iii) disparage the reputation of the Company or the respective directors, trustees, officers or employees of the Company, or the product and service offerings of the Company, including, without limitation, through written or spoken communication relating to the Company, its personnel or its products and services.

For purposes of this letter, the “Restricted Period” shall mean during your employment by WTAM and for a one-year period thereafter.

**(b)** For three months following the Date of Termination in the event of either (i) an Involuntary Termination (as defined below), or (ii) if the Company makes a Three-Month Restrictive Covenant Election under Paragraph 8, you shall not directly or indirectly engage or participate, directly or indirectly (whether as an officer, director, employee, partner, consultant, holder of an equity or debt investment, lender, or in any other manner or capacity) (collectively, “Participate”) in the affairs of any ETF Sponsor (as defined below), *unless* (A) the ETF Sponsor also engages in activities other than as an ETF Sponsor, (B) you do not occupy a corporate executive position with the ETF Sponsor, which position provides oversight of or support to its activities as an ETF Sponsor, and (C) you do not Participate in the ETF-related activities of the ETF Sponsor (this Paragraph 4(b), the “Three-Month Restrictive Covenant”).

**(c)** For twelve months following the date of your Post-Change of Control Termination (as defined below), you shall not directly or indirectly Participate in the affairs of any Competing ETF Sponsor (as defined below), *unless* (A) the Competing ETF Sponsor also engages in activities other than as an ETF Sponsor, (B) you do not occupy a corporate executive position with the Competing ETF Sponsor, which position provides oversight of or support to its activities as an ETF Sponsor, and (C) you do not Participate in the ETF-related activities of the Competing ETF Sponsor (this Paragraph 4(c), the “Twelve-Month Restrictive Covenant”).

**(d)** To the extent you are an attorney admitted to practice in the State of New York, the restrictions set forth in Paragraphs 4(a)(ii), 4(b) and (c) shall be binding on you only to the extent permissible under Rule 5.6 of the New York Rules of Professional Conduct. By way of explanation, if you are an attorney admitted to practice in the State of New York the restrictions contained in the aforementioned paragraphs shall be enforceable to the extent they seek to prohibit you from Participating in the affairs of an ETF Sponsor or a Competing ETF Sponsor in a position that is non-legal in nature and does not require admittance to practice law as a pre-requisite to holding such position.

**(e)**

(i) An “ETF” means:

(A) Any open-end management investment company or unit investment trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”) that issues and redeems any series of redeemable securities in compliance with the conditions of an exemptive order or regulation issued or promulgated by the U.S. Securities and Exchange Commission (the “SEC”) permitting, among other things, (I) the shares to be issued and redeemed only in large aggregations (“Creation Units”), and (II) secondary market transactions in the shares to occur at negotiated prices on national securities exchanges, as defined in Section 2(a)(26) of the 1940 Act (an “Exchange”), and lists such redeemable securities for trading on an Exchange; and

(B) Any exchange traded product, such as a grantor trust or other entity registered under the Securities Act of 1933, as amended (the "1933 Act") that (I) is not registered as an investment company under the 1940 Act, (II) is typically treated as a pass through entity under the Internal Revenue Code of 1986, as amended (the "Code"), (III) issues and redeems a series of redeemable securities in large aggregations, and (IV) whose redeemable securities are listed for trading on one or more Exchanges and trade through secondary market transactions at negotiated prices on such Exchanges; or any exchange traded note ("ETN") registered under the 1933 Act that (x) provides for payments based on the performance of an index or pool of assets, (y) trades through secondary market transactions at negotiated prices on one or more Exchanges, and (z) is listed for trading on one or more Exchanges.

(ii) A "Competing ETF Sponsor" means an ETF Sponsor that is one of the top ten ETF Sponsors in the United States based upon the AUM of its United States-listed ETFs, as of the end of the fiscal quarter immediately preceding the Date of Termination.

(iii) "AUM" means assets under management of an ETF Sponsor as calculated and reported by Bloomberg or its successor, or if not so reported, then calculated by reference to shares outstanding and net asset value of its ETFs as reported by a Bloomberg terminal.

(iv) An "ETF Sponsor" is an entity that is, or as a result of your engagement or participation would become, a sponsor of an ETF or the investment advisor or investment manager to an ETF.

**(f)** Your ownership, in the aggregate, of less than 1% of the outstanding shares of capital stock of any corporation with revenues in excess of $100,000,000 and one or more classes of its capital stock listed on and Exchange shall not constitute a violation of the restrictions contained in clauses (b) or (c) above.

**(g)** You also agree that during your employment and at any other time thereafter you will not divulge, furnish, or make accessible to anyone (other than during your employment in the regular course of business of the Company) any knowledge or information with respect to confidential or secret processes, models, research procedures or modalities, inventions, discoveries, improvements, formulae, plans, material, devices, ideas, or other know-how, whether intellectual property or not, with respect to any confidential or secret engineering, development, or research work or with respect to any other confidential or secret aspects of the business of the Company (including, without limitation, the methodology of the market indices developed by the Company and the terms of business arrangements with service providers to the Company. You further agree that during your employment and at any other time thereafter, you will not make use of, nor permit to be used, any confidential notes, memoranda, specifications, programs, data, information or other materials of any nature whether oral or written relating to any matter within the scope of the business of the Company or concerning any of its respective dealings or affairs otherwise than for the benefit of the Company, it being agreed that any of the foregoing will be and remain the sole and exclusive property of the Company and that immediately upon the termination of your employment, you will deliver any or all copies of the foregoing to the Company.

**(h)** During your employment, you will disclose to the Company all market indices, research procedures, models, ideas, marketing concepts, slogans, advertising campaigns, characters, proposals and plans invented or developed by you which relate directly or indirectly to the business of the Company or arise out of your employment with WTAM or your service as an officer of the other entities comprising the Company or the use of the Company's property or resources including, without limitation, any market indices, research procedures, models, ideas, proposals and plans which may be copyrighted, trademarked, patented or otherwise protected (collectively, "Intellectual Property"). It is understood and agreed that Intellectual Property does not include ideas, proposals or plans of a legal nature that are commonly known among experienced attorneys counseling companies in the exchange traded funds industry. You agree that all such Intellectual Property will be the sole property of the Company. You expressly understand and agree that any and all Intellectual Property constitutes a "work for hire" under the U.S. Copyright Law. In the event any Intellectual Property is not regarded as a "work for hire," you hereby assign to the Company the sole and exclusive right to Intellectual Property. You agree that you will promptly disclose to the Company any and all Intellectual Property, and that, upon request of the Company, you will execute and deliver any and all documents or instruments and take any other action which the Company will deem necessary to assign to and vest completely in the Company, to perfect trademark, copyright and patent protection with respect to, or to otherwise protect the Company's trade secrets and proprietary interest in the Intellectual Property. Upon disclosure of any Intellectual Property to the Company, during your employment and at any time thereafter, you will, at the request and expense of the Company, sign, execute, make and do all such deeds, documents, acts and things as the Company and its duly authorized agents may reasonably require: (i) to apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) trademarks, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and (ii) to defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such trademarks, copyrights, patents or other analogous protection. In the event the you do not, within five days after delivery to you, execute and deliver such documents reasonably necessary to vest in the Company all right, title and interest in such Intellectual Property, you hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as your agent and attorney-in-fact, to act for and in your behalf and stead to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution and issuance of trademarks, copyright or other analogous protection thereon with the same legal force and effect as if executed by you. The obligations of this Paragraph will continue after the termination of your employment with respect to such Intellectual Property conceived of or developed by you while employed by WTAM. The Company agrees to pay any and all copyright, trademark and patent fees and expenses or the costs incurred by you for any assistance rendered to the Company pursuant to this Paragraph 4.

**(i)** If you commit a material breach, or if there are facts that indicate that you intend or are about to commit a material breach, of any of the provisions of Paragraph 4, the Company will have all legal and equitable rights available to it, including, without limitation, the right and remedy:

(i) to have the provisions of this letter specifically enforced by any court having equity jurisdiction, including, but not limited to, granting the Company an injunction against the you, it being acknowledged and agreed by you that the services being rendered hereunder to the Company are of a special, unique, and extraordinary character and that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company; and

(ii) (x) to require you to account for and pay over to the Company all compensation, profits, monies, accruals, increments, or benefits (collectively "Benefits") derived or received by you as the result of any transactions constituting a breach of any of the provisions of Paragraph 4 and you hereby agree to account for and pay over such Benefits to the Company, and (y) to cease any severance payments that would otherwise be payable to you.

If the Company shall initiate any legal proceeding to enforce the rights granted to it pursuant to this Paragraph 4(i), the substantially prevailing party in such a proceeding shall be entitled to recover from the non-prevailing party all of its costs of enforcement or defense (as the case may be), including reasonable attorney's fees and expenses.

If you commit a material breach of any of your obligations under Paragraph 4, the time period for which the obligation at issue shall run shall be tolled during the time such material breach is ongoing until the first date on which the Employee ceases to be in material breach of such obligation.

Each of the rights and remedies enumerated in this Paragraph will be independent of the other, and will be severally enforceable, and such rights and remedies will be in addition to, and not in lieu of, any other rights and remedies available to the Company, WTI and/or WTT under law or equity. If any provision of Paragraph 4 is held to be unenforceable because of the scope, duration, or area of its applicability, the tribunal making such determination will have the power to modify such scope, duration, or area, or all of them, and such provision or provisions will then be applicable in such modified form.

**(j)** Nothing in this letter shall be interpreted or applied to prohibit you from making any good faith report to any governmental agency or other governmental entity concerning any acts or omissions that you may believe to constitute a possible violation of federal or state law or making other disclosures that are protected under the whistleblower provisions of applicable federal or state law or regulation. In addition, for the avoidance of doubt, pursuant to the federal Defend Trade Secrets Act of 2016, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Lastly, notwithstanding anything herein to the contrary, nothing in this letter shall limit or restrict your right to initiate a legal proceeding in a court of law or equity to seek indemnification from the Company pursuant to your Indemnification Agreement with WTI dated as of the date set forth on Appendix A and your right to have WTI reimburse you for your expenses, including reasonable attorney's fees, in connection with enforcing your claim for indemnification thereunder.

**5. Representations and Indemnification**. You represent and warrant to the Company that you have the right to continue to be employed by the Company and you are not subject to any contract, commitment, agreement, arrangement or restriction of any kind which might prevent you from performing your duties and obligations hereunder.

You agree to indemnify the Company against any loss, liability, claim, damage and expense (including but not limited to reasonable attorney's fees) to which the Company may be subject in any action brought by a third party arising out of or relating to a breach or alleged breach by you of any of your representations or warranties set forth above.

**6. Termination Generally**. If your employment with WTAM is terminated for any reason other than death, Disability (as defined below) or for Cause (as defined below), each of WTAM and you agree to discuss and in good faith seek to agree on the substance and wording of any internal and external communications regarding the circumstances of your termination.

If your employment with WTAM is terminated for any reason (including without limitation death or Disability (as defined below)), WTAM shall pay or provide you (or to your authorized representative or estate), on or before the time required by law but in any event (i) within ten (10) business days following termination with respect to the amount set forth in clause (a) below, (ii) upon payment of the annual incentive compensation for the Prior Year to WTAM's other senior executives with respect to the amount set forth in clause (b) below, provided, however, that you shall not receive any payment pursuant to clause (b) below if (I) you resign your employment without Good Reason, (II) your employment is terminated by WTAM for Cause, or (III) you received payment, prior to the Date of Termination, of your incentive compensation for the year (the "Prior Year") immediately preceding the year in which the Date of Termination occurred (the "Termination Year"); and (iii) promptly after submission of a request for reimbursement, with appropriate documentation in accordance with WTAM's policies and procedures then in effect, with respect to the amount set forth in clause (c) below:

**(a)** all accrued but unpaid Base Salary through the Date of Termination,

**(b)** the "Prior Year Cash Incentive Compensation", which shall be *the lesser of* (i) the product of: (A) the WTI Compensation Committee's aggregate percentage funding of the Company's budgeted incentive compensation pool for the Prior Year, multiplied by (B) 50% of your Target Incentive Compensation (as defined below) for the Prior Year, *or* (ii) the maximum incentive amount to which you are entitled to under the WisdomTree 2014 Incentive

Compensation Plan established pursuant to Code Section 162(m) or similar Section 162(m) program established by the Compensation Committee for the Prior Year (i.e., the “umbrella plan”) based on achievement of the relevant pre-established goal(s) for the Prior Year (for the avoidance of doubt, the exercise of any negative discretion permitted thereunder shall be disregarded for this purpose). If you were not employed by the Company for the entirety of the Prior Year, the foregoing amount shall be multiplied by the fraction obtained by dividing the number of days you were employed by the Company during the Prior Year by 365.

**(c)** reimbursement for reasonable business expenses incurred by you in performing the services hereunder prior to the Date of Termination, in accordance with the policies and procedures then in effect and established by the Company for its senior executive officers (the “Reimbursement”).

Your “Target Incentive Compensation” for a fiscal year shall be the average of your actual incentive compensation (including both cash and the fair value of equity awards at the time of grant; for avoidance of doubt, the fair value of a restricted stock award or a restricted stock unit award that vests over time conditioned solely on continued employment, shall be determined based on the closing price of a share of underlying stock on the date of grant multiplied by the number of shares subject to the award) (x) for the three most recent full fiscal years for which you have been paid incentive compensation or (y) for such lesser number of full or partial fiscal years for which you have been paid incentive compensation (with any partial fiscal year weighted proportionally less than any full fiscal year in determining your average incentive compensation; and in the event you never have been paid any incentive compensation for a full or partial fiscal year, your Target Incentive Compensation shall be the target annual incentive compensation for the Prior Year as may be set forth in your Employment Agreement, or if no such amount is set forth therein, 100% of your annual Base Salary).

If you initiate or otherwise participate in any arbitration proceeding against the Company to enforce the rights and entitlements granted to you pursuant to this Paragraph 6 and you substantially prevail in such a proceeding, you shall be entitled to recover from the Company all of your costs of enforcement, including reasonable attorney’s fees and expenses.

**7. Involuntary Termination**. Upon your Involuntary Termination and provided you (i) enter into, do not revoke, and comply with a fully effective Release Agreement materially in the form attached as Exhibit A hereto (the “Release”) and (ii) comply with the Three-Month Restrictive Covenant, WTAM will pay, in the manner set forth below, as severance to you (or in the case of your subsequent death, the legal representative of your estate or such other person or persons as you shall have designated by written notice to WTAM), an amount equal to sum of:

**(a)** the annual Base Salary set forth in Paragraph 1 (the “Annual Base Salary”);

**(b)** the “Termination Year Cash Incentive Compensation”, which shall be *the lesser of* (i) the product of: (A) the WTI Compensation Committee’s aggregate percentage funding of the Company’s budgeted incentive compensation pool for the Termination Year, multiplied by (B) 50% of your Target Incentive Compensation for the Termination Year, *or* (ii) the maximum incentive amount to which you are entitled to under the WisdomTree 2014

Incentive Compensation Plan established pursuant to Code Section 162(m) or similar Section 162(m) program established by the Compensation Committee for the Termination Year (i.e., the "umbrella plan") based on achievement of the relevant pre-established goal(s) for the Termination Year (for the avoidance of doubt, the exercise of any negative discretion permitted thereunder shall be disregarded for this purpose). If you were not employed by the Company for the entirety of the Termination Year, the foregoing amount shall be multiplied by the fraction obtained by dividing the number of days you were employed by the Company during the Termination Year by 365; and

**(c)** an amount that equals 50% of your Target Incentive Compensation for the Termination Year (the "Average Cash Incentive Compensation").

In addition, if you elect COBRA insurance coverage, WTAM directly will pay to you on a monthly basis 100% of the amount of such premiums (the "COBRA Premiums") for such insurance for twelve months following the Date of Termination, *provided* that WTAM's payment obligation shall cease upon the expiration of your rights under COBRA or if you became reemployed and eligible for group health benefits.

The Termination Year Cash Incentive Compensation shall be paid when WTAM pays to non-terminated senior executives their year-end incentive compensation for the Termination Year, but in no event later than March 15 of the calendar year following your Date of Termination. The Annual Base Salary and Average Cash Incentive Compensation shall be paid out in substantially equal bi-monthly or semi-weekly installments in accordance with WTAM's payroll practice over twelve months commencing within 60 days after the Date of Termination; *provided, however*, that if the 60-day period begins in one calendar year and ends in a second calendar year, those amounts shall begin to be paid in the second calendar year. Notwithstanding the foregoing, if you breach any of the provisions contained in Paragraph 4, all payments under this Paragraph 7 shall immediately cease, but you shall be entitled to retain any payments made to you prior to any breach by you of the provisions of Paragraph 4.

If you initiate or otherwise participate in any arbitration proceeding against the Company to enforce the rights and entitlements granted to you pursuant to this Paragraph 7 and you substantially prevail in such a proceeding, you shall be entitled to recover from the Company all of your costs of enforcement, including reasonable attorney's fees and expenses.

**8. <u>Voluntary Resignation Without Good Reason or Termination for Cause</u>**. If you resign your employment without Good Reason, you shall provide the Company with at least ten (10) business days' written notice before the effective Date of Termination (the "Notice Period"). At any time during the Notice Period, or in the event the Company terminates your employment for Cause, the Company may (but shall not be obligated to) elect to invoke the Three-Month Restrictive Covenant by providing you with written notice of its election (the "Three-Month Restrictive Covenant Election"), via electronic mail, facsimile, overnight mail or in person. If the Company makes the Three-Month Restrictive Covenant Election, then you shall be subject to the Three-Month Restrictive Covenant for three months following the Date of Termination. In the event the Company provides you with a timely Three-Month Restrictive Covenant Election following your resignation without Good Reason or the termination of your employment by the Company for Cause, then provided you (I) enter into, do not revoke, and comply with the Release and (II) comply with the Three-Month Restrictive Covenant, WTAM will pay you the sum of:

**(a)** 25% of the Annual Base Salary;

**(b)** an amount that equals 12.5% of your Target Incentive Compensation for the Termination Year; and

**(c)** an amount that equals 25% of the value (determined based on the closing price of a share of the underlying stock on the Date of Termination multiplied by the number of shares subject to the award) of any equity awards that would have vested in the one year following the Date of Termination if no termination had occurred (assuming for the purpose of this calculation that during such one year no event (such as a Change of Control) would occur that would provide for the acceleration of vesting under any such equity award).

This amount shall be paid out in substantially equal bi-monthly or semi-weekly installments in accordance with WTAM's payroll practice over three months commencing within 60 days after the Date of Termination; *provided, however*, that if the 60-day period begins in one calendar year and ends in a second calendar year, those amounts shall begin to be paid in the second calendar year. In addition, if you elect COBRA insurance coverage, WTAM directly will pay to you COBRA Premiums for three months following the Date of Termination *provided* that WTAM's payment obligation shall cease upon the expiration of your rights under COBRA or if you became reemployed and eligible for group health benefits. Notwithstanding the foregoing, if you breach any of the provisions contained in Paragraph 4, all payments under this Paragraph 8 shall immediately cease, but you shall be entitled to retain any payments made to you prior to any breach by you of the provisions of Paragraph 4.

If you initiate or otherwise participate in any arbitration proceeding against the Company to enforce the rights and entitlements granted to you pursuant to this Paragraph 8 and you substantially prevail in such a proceeding, you shall be entitled to recover from the Company all of your costs of enforcement, including reasonable attorney's fees and expenses.

**9. Change of Control Severance**. The provisions of this Paragraph 9 shall apply in lieu of, and expressly supersede, the provisions of Paragraph 7 regarding severance pay and benefits upon a termination of employment, if such termination of employment occurs within eighteen months after the occurrence of a Change of Control (as defined below). Upon a Post-Change of Control Termination, and provided you (I) enter into, do not revoke, and comply with the Release and (II) you comply with the Twelve-Month Restrictive Covenant (provided that you shall not be obligated to comply with the Twelve-Month Restrictive Covenant following the one year anniversary of the Date of Termination), WTAM will pay, in the manner set forth below, as severance to you (or in the case of your subsequent death, the legal representative of your estate or such other person or persons as you shall have designated by written notice to WTAM):

(i) the sum of (A) 1.75 times the Annual Base Salary; (B) an amount determined by multiplying the Average Cash Incentive Compensation by the fraction obtained by dividing the number of days employed by the Company during the

Termination Year by 365, and (C) 1.75 times the Average Cash Incentive Compensation. The amounts in this Paragraph 9(i) shall be paid in a lump sum on the first payroll date following the 30th day after the Date of Termination if permissible under Section 409A of the Code without being subject to additional tax, penalty or surcharge under Section 409A of the Code (it being understood that if a lump sum payment is not permissible thereunder, the amounts under this Paragraph 9(i) shall be paid in the same schedule as set forth in Paragraph 7 above);

(ii) you shall be entitled to accelerated vesting of any unvested portion of any time-based equity award that would have vested in the twenty-one-month period following the Date of Termination as if no termination had occurred; and

(iii) If you elect COBRA insurance coverage, WTAM directly will pay to you COBRA Premiums for twenty-one months following the Date of Termination, *provided* that WTAM's payment obligation shall cease upon the expiration of your rights under COBRA or if you became reemployed and eligible for group health benefits.

Furthermore, the Company agrees to maintain, for a period of at least six years after your termination, directors' and officers' liability insurance insuring you (in your capacity as an officer and/or director) and other officers and directors, with a limit of liability not less than the aggregate of the respective amounts set forth in the policy or policies maintained by the Company immediately prior to the Change of Control.

Notwithstanding the foregoing, if you breach any of the provisions contained in Paragraph 4, all payments under this Paragraph 9 shall immediately cease, but you shall be entitled to retain any payments made to you prior to any breach by you of the provisions of Paragraph 4. However, if you shall breach the provisions of Paragraph 4(c), the Company shall be entitled to recover from you a pro-rata portion of the payments made to you under this Paragraph 9 that corresponds to the proportionate period of time that you were in breach of Paragraph 4(c).

If you initiate or otherwise participate in any arbitration proceeding against the Company to enforce the rights and entitlements granted to you pursuant to this Paragraph 9 and you substantially prevail in such a proceeding, you shall be entitled to recover from the Company all of your costs of enforcement, including reasonable attorney's fees and expenses.

**10. <u>Definitions</u>.**

**(a)** "Cause" shall mean any one or more of the following acts or omissions by you:

(i) the willful and continued failure to (A) materially perform your duties and obligations under this letter or (B) to carry out specific legal and lawful directions of a senior officer or the Board of Directors of the Company (in each case other than by reason of Disability);

(ii) the material breach of any provision of this letter (including a breach of the representations and warranties made by you in Paragraph 5 of this letter);

(iii) the material failure to comply with the written policies or rules of the Company;

(iv) the commission of an act or failure to act that involves willful misconduct, bad faith or gross negligence;

(v) the commission of any act of fraud, misappropriation, embezzlement or similar willful and malicious conduct against the Company; or

(vi) the conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state thereof.

Notwithstanding the foregoing, cause shall not be deemed to exist for a reason specified in clauses (i)(A) or (ii) above unless you have been given written notice setting forth in reasonable detail the act, omission or failure of, or breach by, you and a period of at least 10 days after such notice to cure all of such acts, omissions, failures or breaches, and such shall not have been cured within such 10-day period; provided, further, that WTAM shall not be required to give notice and an opportunity to cure for a reason specified in clauses (i)(A) or (ii) if you have committed the same or substantially similar acts, omissions, failures or breaches and WTAM has previously given you notice of and an opportunity to cure the same.

**(b)** "Change of Control shall mean (i) the acquisition by any "person" (as defined in Section 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than a stockholder of the Company that, as of the date of this letter, is the beneficial owner (as defined in Rule 13d-3 promulgated under the Exchange Act) of 15% or more of the outstanding voting securities of the Company, of more than 50% of the combined voting power of the then outstanding voting securities of the Company; (ii) the sale by the Company of all, or substantially all, of the assets of the Company to one or more purchasers, in one or a series of related transactions, where the transaction or transactions require approval pursuant to Delaware law by the stockholders of the Company; or (iii) any occurrence of a Sale Event within the meaning of WTI's 2016 Equity Plan.

**(c)** "Disability" shall mean the earlier to occur of either of the following events:

(i) you, because of physical or mental disability or incapacity, are unable to perform your obligations to, or duties for, the Company pursuant to this letter on a full-time basis for ninety (90) consecutive days or a period in excess of one hundred fifty (150) days out of any period of three hundred sixty (360) consecutive days; or

(ii) the determination by a physician selected by WTAM, duly licensed in New York with a medical specialty appropriate for such determination (which determination shall be binding and conclusive for the purpose of this Paragraph 10), that you are either physically or mentally, permanently disabled or incapacitated or otherwise so disabled or incapacitated that you will be unable to perform your obligations to, or duties for, the Company pursuant to this letter for ninety (90) consecutive days or a period in excess of one hundred fifty (150) days out of any period of three hundred sixty (360) consecutive days. Your failure to submit to an examination of a physician under this Paragraph 10 shall automatically result in a determination of disability hereunder.

**(d)** "Good Reason" shall mean that you have complied with the "Good Reason Process" (as defined below) following the occurrence of any of the following events: (i) a material diminution in your responsibilities, authority or duties (except in connection with a reasonable diminution in connection with Disability); (ii) a material diminution in your Base Salary except for across-the-board salary reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company; (iii) a material change in the geographic location of the principal place to which you provide services to the Company, not including work-related travel or short-term assignments; or (iv) the material breach of this letter by the Company. For purposes of this letter, "Good Reason Process" shall mean that (i) you reasonably determine in good faith that a "good reason" condition has occurred; (ii) you notify the Company in writing of the first occurrence of the good reason condition within 60 days of the first occurrence of such condition; (iii) you cooperate in good faith with the Company's efforts, for a period not less than 30 days following such notice (the "Cure Period"), to remedy the condition; (iv) notwithstanding such efforts, the good reason condition continues to exist; and (v) you terminate your employment within 60 days after the end of the Cure Period. If the Company cures the good reason condition during the Cure Period, good reason shall be deemed not to have occurred.

**(e)** "Involuntary Termination" means (A) your termination by WTAM other than due to: (i) your death, (ii) your Disability or (iii) your termination by WTAM for "Cause;" or (B) your resignation from your employment for "Good Reason."

**(f)** "Post-Change of Control Termination" means your termination by the Company without Cause or by you for Good Reason within 18 months after a Change of Control.

**11**. **Section 409A.**

**(a)** Anything in this letter to the contrary notwithstanding, if at the time of your separation from service within the meaning of Section 409A of the Code, the Company determines that you are a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that you become entitled to under this letter on account of your separation from service would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after your separation from service, or (B) your death. If any such delayed cash payment is otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule.

**(b)** All in-kind benefits provided and expenses eligible for reimbursement under this letter shall be provided by the Company or incurred by you during the time periods set forth in this letter. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year. Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

**(c)** To the extent that any payment or benefit described in this letter constitutes "non-qualified deferred compensation" under Section 409A of the Code, and to the extent that such payment or benefit is payable upon your termination of employment, then such payments or benefits shall be payable only upon your "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A 1(h).

**(d)** The parties intend that this letter will be administered in accordance with Section 409A of the Code. To the extent that any provision of this letter is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. The parties agree that this letter may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

**(e)** The Company makes no representation or warranty and shall have no liability to you or any other person if any provisions of this letter are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of, such Section.

**12**. **Section 280G.**

Notwithstanding any other provision of this letter or any other plan, arrangement or agreement to the contrary, in the event that:

(a) the aggregate payments or benefits provided or to be provided by the Company or its affiliates to you or for your benefit pursuant to the terms of this letter or otherwise that are deemed to be "parachute payments" within the meaning of Section 280G of the Code or any successor thereto ("Change of Control Benefits") would be deemed to include an "excess parachute payment" under Section 280G of the Code (or any successor provision thereto); and

(b) if such Change of Control Benefits were reduced to an amount (the "Non-Triggering Amount"), the value of which is one dollar ($1.00) less than an amount equal to three (3) times your "base amount," as determined in accordance with Section 280G of the Code or (any successor provision thereto); and

(c) (i) the Non-Triggering Amount less the product of the aggregate marginal rate of any applicable federal, state and local income taxes times the Non-Triggering Amount would be greater than (ii) the aggregate value of the Change of Control Benefits (without such reduction) minus (x) the aggregate amount of tax required to be paid by you thereon by Section 4999 of the Code (or any successor provision thereto) and any similar excise tax imposed by state or local law and further minus (y) the product of the Change of Control Benefits times the aggregate marginal rate of any applicable federal, state and local income taxes; then

(d) the Change of Control Benefits shall be reduced to the Non-Triggering Amount. In such event, the Aggregate Payments shall be reduced in the following order: (A) cash payments not subject to Section 409A of the Code; (B) cash payments subject to Section 409A of the Code; (C) equity-based payments and acceleration; and (D) non-cash forms of benefits. To the extent any payment is to be made over time (e.g., in installments, etc.), then the payments shall be reduced in reverse chronological order.

**13. Agreement to Arbitrate.** You and the Company agree that all disputes between you and the Company will be resolved by arbitration as set forth on Appendix B annexed hereto, except as otherwise provided in Appendix B.

**14. Miscellaneous**. You understand and agree that your employment by WTAM is on at "at will" basis, subject to WTAM's obligations to pay severance as provided herein. You shall be subordinate to and report directly to officers of WTAM and WTI (or, as may be indicated, to the WTI Board) set forth on Appendix A. You will be entitled to four weeks paid vacation per year to be accrued on a pro rata basis and you will be entitled to participate in all of the employee benefit plans provided by WTAM subject to the terms and conditions of those programs.

This letter, together with the 2016 Equity Plan and the Restricted Stock Agreements (as amended herein), and the Indemnification Agreement with WTI dated as of the date set forth on Appendix A, set forth all of the terms relating to your employment by WTAM, and supersede all prior agreements, whether written or oral, including without limitation any prior employment agreement.

A signature received via facsimile or PDF will be deemed an original for all purposes.

The rights and obligations of the Company hereunder shall be binding upon and run in favor of the successors and assigns of the Company.

All payments made by the Company to you shall be made net of any tax or other amounts required to be withheld by the Company under applicable law. Nothing herein or otherwise shall be construed to require the Company to minimize tax consequences to you.

This letter shall be governed by, and construed in accordance with, the internal laws of New York without regard to principles of conflicts of law.

This letter may not be modified or amended, nor may any term or provision be waived unless such modification, amendment or waiver is in writing and signed by the party against whom enforcement of any such modification, amendment or waiver is sought.

Please indicate by your signature below your agreement with the terms set forth above.

Sincerely,

**WISDOMTREE ASSET MANAGEMENT, INC.**

By: /s/ Jonathan Steinberg
Jonathan Steinberg
Chief Executive Officer

**AGREED AND ACCEPTED:**

/s/ Marci Frankenthaler
MARCI FRANKENTHALER

**Solely to confirm its agreement to the provisions of Paragraph 3:**

**WISDOMTREE INVESTMENTS, INC.**

By: /s/ Jonathan Steinberg
Jonathan Steinberg
Chief Executive Officer

**Appendix A to Employment Letter dated November 5, 2020**

**Executive: Marci Frankenthaler**

**Introductory Paragraph:**

WTAM – Chief Legal Officer and Secretary

WTI – Same

Employment Agreement dated June 23, 2014

**Paragraph 1:** $375,000

**Paragraph 3(a):**

Restricted Stock Agreements: January 25, 2018, January 25, 2019 and January 25, 2020

**Paragraph 14:**

Chief Executive Officer

**Paragraphs 4(j) and 14:**

Indemnification Agreement dated April 1, 2019

**Appendix B to Employment Letter dated November 5, 2020**

1) Agreement to Arbitrate. You and the Company recognize that differences may arise between them during or following your employment by WTAM. You understand and agree that by entering into this letter, you anticipate the benefits of a speedy, impartial dispute-resolution procedure of any such differences. As used in this Appendix B and its subparts, the "Company" shall have the meaning as described in the letter and all successors and assigns of any of them.

a) Arbitrable Claims.

i) ALL DISPUTES BETWEEN YOU (AND YOUR SUCCESSORS AND ASSIGNS) AND THE COMPANY (AND ITS DIRECTORS, OFFICERS, AGENTS AND SUCCESSORS AND ASSIGNS) RELATING IN ANY MANNER WHATSOEVER TO YOUR EMPLOYMENT BY WTAM OR TO THE TERMINATION THEREOF, INCLUDING WITHOUT LIMITATION ALL DISPUTES ARISING UNDER THIS LETTER AND THE RESTRICTED STOCK AGREEMENTS (COLLECTIVELY, "ARBITRABLE CLAIMS"), SHALL BE RESOLVED EXCLUSIVELY BY BINDING ARBITRATION. Arbitrable Claims shall include, but are not limited to, contract (express or implied) and tort claims of all kinds, as well as all claims based on any federal, state, or local law, statute, or regulation (including but not limited to claims alleging unlawful harassment or discrimination in violation of Title VII and/or Title IX of the U.S. Code, of the Age Discrimination in Employment Act, of the Americans with Disabilities Act, of state statute, or otherwise), excepting only claims under applicable workers' compensation law and unemployment insurance claims. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims. Except as provided in Paragraph 1(a)(ii) of this Appendix B, the Arbitrator (as defined below) shall decide whether a claim is an Arbitrable Claim. THE COMPANY AND THE EMPLOYEE HEREBY WAIVE ANY RIGHTS THAT THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO ARBITRABLE CLAIMS.

ii) Notwithstanding anything herein to the contrary, as provided in Paragraph 4(i) of the letter, the Company may enforce in court, without prior resort to arbitration, any claim concerning a material breach of any of the provisions of Paragraph 4 of the letter. Such court shall determine whether a claim for breach presented by the Company appropriately invokes the provisions of Paragraph 4.

iii) Notwithstanding anything herein to the contrary, as provided in Paragraph 4(j) of the letter, you may enforce in court, without prior resort to arbitration, any claim seeking indemnification pursuant to the terms of the Indemnification Agreement.

b) Arbitration Procedure.

i) American Arbitration Association Rules; Initiation of Arbitration; Location of Arbitration. Arbitration of Arbitrable Claims shall be in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA Rules"), except as provided otherwise in this Appendix B. Arbitration shall be initiated by providing written notice to the other party with a statement of the claim(s) asserted, the facts upon which the claim(s) are based, and the remedy sought. This notice shall be provided to the other party within six (6) months of the acts or omissions complained of. Any claim not initiated within this limitations period shall be null and void, and the Company and you waive all rights under statutes of limitation of different duration. The arbitration shall take place in New York, New York.

ii) Selection of Arbitrator. All disputes involving Arbitrable Claims shall be decided by a single arbitrator (the “Arbitrator”), who shall be selected as follows. The American Arbitration Association (“AAA”) shall give each party a list of eleven (11) arbitrators drawn from its panel of employment arbitrators (the “Name List”). Each party may strike up to six (6) names on the Name List it deems unacceptable, and shall notify the other party of the names it has stricken, within fourteen (14) calendar days of the date the AAA gave notice of the Name List. If only one common name on the Name List remains unstricken by the parties, that individual shall be designated as the Arbitrator. If more than one common name remains on the Name List unstricken by parties, you shall strike one of the remaining names and notify the Company, within seven (7) calendar days of notification of the list of unstricken names. If, after you strike a name as set forth in the preceding sentence, there are still two or more unstricken names, the Company and you shall alternately strike names (with the Company having the next strike) and notify the other party of the stricken name within seven (7) calendar days, until only one remains. If no common name on the initial Name List remains unstricken by the parties, the AAA shall furnish an additional list or lists, and the parties shall proceed as set forth above, until an Arbitrator is selected.

iii) Conduct of the Arbitration.

(1) Discovery. To help prepare for the arbitration, you and the Company shall be entitled, at their own expense, to learn about the facts of a claim before the arbitration begins. Each party shall have the right to take the deposition of one (1) individual and any expert witness designated by another party. Each party also shall have the right to make requests for production of documents to any party. Additional discovery may be had only where the Arbitrator so orders, upon a showing of substantial need. At least thirty (30) days before the arbitration, the parties must exchange lists of witnesses, including any expert witnesses, and copies of all exhibits intended to be used at the arbitration.

(2) Authority. The Arbitrator shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person as the Arbitrator deems necessary. The Arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or federal law, or both, as applicable to the claim(s) asserted. The Arbitrator shall have the authority to award equitable relief, damages, costs and fees as provided by the law for the particular claim(s) asserted. The Arbitrator shall not have the power to award remedies or relief that a New York court could not have awarded. The Federal Rules of Evidence shall apply. The burden of proof shall be allocated as provided by applicable law. Except as provided in Paragraph 1(a)(ii) of this Appendix B, the Arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Appendix B, including but not limited to any claim that all or any part of any of this Appendix B is void or voidable and any assertion that a dispute between you and the Company is not an Arbitrable Claim. The arbitration shall be final and binding upon the parties.

(3) Costs. Either party, at its expense, may arrange for and pay the cost of a court reporter to provide a stenographic record of the proceedings. If the Arbitrator orders a stenographic record, the parties shall split the cost. Except as otherwise provided in Paragraph 1(b)(iii)(6) of this Appendix B, you and the Company shall equally share the fees and costs of the arbitration and the Arbitrator, and the reference to "the fees and costs of the arbitration and the Arbitrator" in the preceding sentence is not intended to include the fees and expense of either party's legal counsel or other advisors, but only the fees and costs imposed on the parties by the AAA in connection with an arbitration conducted under the auspices of the AAA.

(4) Confidentiality. All proceedings and documents prepared in connection with any Arbitrable Claim shall be confidential and, unless otherwise required by law, the subject matter thereof shall not be disclosed to any person other than the parties to the proceeding, their counsel, witnesses and experts, the Arbitrator, and, if involved, the court and court staff. All documents filed with the Arbitrator or with a court shall be filed under seal. The parties shall stipulate to all arbitration and court orders necessary to effectuate fully the provisions of this subparagraph concerning confidentiality.

(5) Enforceability. Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Appendix B and to enforce an arbitration award. Except as provided above, neither party shall initiate or prosecute any lawsuit or administrative action in any way related to any Arbitrable Claim. The Federal Arbitration Act shall govern the interpretation and enforcement of this Appendix B.

(6) Limited Right to Attorney's Fees and Expenses. You and the Company shall be entitled to an award in their favor by the Arbitrator that includes reimbursement for (i) their costs associated with the fees and costs of the arbitration and the Arbitrator within the meaning set forth in Paragraph 1(b)(iii)(3) of this Appendix B, and (ii) their reasonable attorney's fees and expenses in the following circumstances:

You: As provided in Paragraph 4(j) of the letter.

You: As provided in Paragraphs 6, 7, 8 and 9 of the letter if you are the substantially prevailing party.

The substantially prevailing party: As provided in Paragraph 4(i) of the letter

**Exhibit A to Employment Letter dated November 5, 2020**

FORM OF RELEASE AGREEMENT

In consideration for the agreement by WisdomTree Asset Management, Inc. (“WisdomTree”) to provide Marci Frankenthaler (“Employee”) with the severance payments (the “Severance”) set forth in the Employee’s letter agreement regarding her employment by WisdomTree dated November 5, 2020 (the “letter”), and for other good and valuable consideration as set forth therein, which Employee hereby acknowledges:

1. Employee, on behalf of Employee and Employee’s heirs, representatives and assigns, hereby releases and discharges WisdomTree and the WisdomTree Trust and all of their respective subsidiaries, divisions and affiliated or related companies (collectively, the “Primary Releasees”), and all of the respective current and former directors, officers, stockholders, successors, assigns, agents, representatives and employees of each, and their members, trustees and attorneys(collectively, the “Secondary Releasees,” and, together with the Primary Releasees, the “Releasees”), of and from (i) any and all claims Employee ever had, now has, or may have in the future against one or more of the Primary Releasees regarding any matter arising on or before the Effective Date of this release, and (ii) of and from any and all claims Employee ever had, now has, or may have in the future against one or more the Secondary Releasees regarding any matter arising on or before the Effective Date of this release (but, with respect to this clause (ii), only to the extent that the matter relates to Employee’s employment by WisdomTree), including, without limitation, all claims regarding Employee’s employment with WisdomTree or the termination thereof, any claim for equitable relief or recovery of monies or damages, claims of breach of contract, wrongful termination, unjust dismissal, defamation, libel or slander, or under any federal, state or local law dealing with discrimination based on age, race, sex, national origin, handicap, religion, disability or sexual preference, any tort, any claim for wages, any claim for breach of a fair employment practice law, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Older Workers Benefit Protection Act, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act, the Family and Medical Leave Act, the New York State Human Rights Law, the New York City Humans Rights Law, the New York Labor Law, workers compensation laws and any violation of any other local, state or federal law, ordinance or regulation, the common law and any other purported restriction on an employer’s right to terminate the employment of employees. It is the understanding and agreement of the parties that the release provided by this sub-paragraph shall be a general release in all respects. Notwithstanding the foregoing, this Release does not extend to: (a) those rights that cannot be waived as a matter of law; (b) Employee’s right to claim entitlement to the Severance as set forth in the letter; or (c) Employee’s right to indemnification protections as officers and/or directors of WTI and/or any of the Releasees as arising under contract, statute, regulation, certificates of incorporation or comparable documents of formation, or by-laws or comparable documents of organization.

2. Pursuant to and as a part of Employee's complete, total release and discharge of the Primary Releasees as set forth in Paragraph 1 above, and as part of Employee's limited release and discharge of the Secondary Releasees as set forth in Paragraph 1, Employee expressly agrees, to the fullest extent permitted by law, not to sue, file a charge, claim, complaint, grievance or demand for arbitration in any forum or to assist or otherwise participate willingly or voluntarily in any claim, arbitration, suit, action, charge, complaint, investigation or other proceeding of any kind which relates to (i) any matter that involves the Primary Releasees and that occurred on or before the Effective Date of this Release and (ii) any matter that involves the Secondary Releasees and relates to Employee's employment by WisdomTree and that occurred on or before the Effective Date of this Release. Employee represents that Employee has not filed or initiated any such proceedings against any of the Releasees as of the Effective Date. Nothing in this Release shall be interpreted or applied to prohibit Employee from making any good faith report to any governmental agency or other governmental entity concerning any acts or omissions that Employee may believe to constitute a possible violation of federal or state law or making other disclosures that are protected under the whistleblower provisions of applicable federal or state law or regulation. Nothing in this Release shall be construed to prohibit Employee from filing a charge with or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission ("EEOC") or a comparable state or local agency. Notwithstanding the foregoing, Employee agrees to waive the right to recover monetary damages in any charge, complaint, or lawsuit filed by Employee or by anyone else on Employee's behalf with the EEOC or a comparable state or local agency. For the avoidance of doubt, this Release does not limit Employee's right to receive an award for information provided to any government agency or entity other than the EEOC or a comparable state or local agency. Except as otherwise provided in this paragraph, Employee will not voluntarily participate in any judicial proceeding of any nature or description against any member of the Releasees that in any way involves the allegations and facts that Employee could have raised against any member of the Releasees as of the date of this Release.

3. If forty (40) years of age or older, Employee specifically releases all claims under the Age Discrimination in Employment Act (the "ADEA") relating to Employee's employment and its termination.

4. Employee acknowledges that Employee fully understands and agrees that this Release shall operate as a complete defense to any claim or entitlement which hereafter may be asserted by Employee against any and all of the Releasees for or on account of any matter or thing whatsoever arising out of or in any way based upon the circumstances, facts and events relating to Employee's employment and separation from employment, or to any claim made by Employee against any of the Releasees arising from such circumstances, facts and events.

5. Employee is specifically agreeing to the terms of this release because WisdomTree has agreed to pay Employee money to which Employee was not otherwise entitled under WisdomTree's policies, and has provided such other good and valuable consideration as specified herein. WisdomTree has agreed to provide this money and other benefits because of Employee's agreement to accept it in full settlement of all possible claims Employee might have or ever had against the Primary Releasees (and the Secondary Releasees as provided in Paragraph 1), and because of Employee's execution of this Release.

6. Employee acknowledges and agrees that in the event Employee breaches any continuing obligations pursuant to Paragraph 4 of the letter, WisdomTree may discontinue further Severance payments. For the avoidance of any doubt, even in such an event, Employee understands and agrees that this Release would remain in full force and effect.

7. Employee acknowledges that Employee has read this Release in its entirety, fully understands its meaning and is executing this Release voluntarily and of Employee's own free will with full knowledge of its significance. Employee acknowledges and warrants that Employee has had ample opportunity to consider the terms and provisions of the Release for at least twenty-one (21) days and that WisdomTree advised Employee to consult with an attorney prior to executing this Release. If forty (40) years old or older, Employee further acknowledges and agrees that Employee has seven (7) days after executing the Release to revoke Employee's signature on the Release, and that the Release does not become valid until the eighth ($8^{th}$) day after Employee signs the Release without revocation. If Employee wishes to revoke this Release, such revocation must be in a signed writing and must arrive at WisdomTree to the attention of the Director of Human Resources at 245 Park Avenue, $35^{th}$ Floor, New York, NY 10167, within the seven (7) day revocation period.

Printed Name: ______________________________

Signature: _________________________________

Date: _____________________________________

**Exhibit 31.1**

# CERTIFICATION

I, Jonathan Steinberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WisdomTree Investments, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jonathan Steinberg
Jonathan Steinberg
*Chief Executive Officer*
*(Principal Executive Officer)*

Date: November 6, 2020

**Exhibit 31.2**

**CERTIFICATION**

I, Amit Muni, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WisdomTree Investments, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ Amit Muni
Amit Muni
*Chief Financial Officer*
*(Principal Financial Officer)*

Date: November 6, 2020

**Exhibit 31.3**

**CERTIFICATION**

I, Bryan Edmiston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WisdomTree Investments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ Bryan Edmiston
Bryan Edmiston
*Chief Accounting Officer*
*(Principal Accounting Officer)*

Date: November 6, 2020

**Exhibit 32**

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

In connection with the Quarterly Report of WisdomTree Investments, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), we, Jonathan Steinberg, Chief Executive Officer of the Company, Amit Muni, Chief Financial Officer of the Company, and Bryan Edmiston, Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished and not filed, and shall not be incorporated into any documents for any purpose, under the Exchange Act of 1934, as amended. A signed original of this written statement require by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

By: /s/ Jonathan Steinberg
Jonathan Steinberg
*Chief Executive Officer*
*(Principal Executive Officer)*

By: /s/ Amit Muni
Amit Muni
*Chief Financial Officer*
*(Principal Financial Officer)*

By: /s/ Bryan Edmiston
Bryan Edmiston
*Chief Accounting Officer*
*(Principal Accounting Officer)*

Date: November 6, 2020